

# **Statement of Accounts 2020/2021 Draft (Unaudited)**



**Reading**  
Borough Council  

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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 2020/21
- An overview of the Council's financial performance in 2020/21

## Covid-19

Following the first significant impacts of the Covid-19 pandemic being felt in March 2020, the Council announced the closure of most Council buildings in the week commencing 16 March 2020 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 2021 we had distributed more than £43m of grants to thousands of businesses; awarded more than £59m of business rates relief; and awarded £0.9m of hardship funding to Council Tax Support claimants.

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 12 July 2021 provides details of 2020/21 performance:

|  |
|--|
| <b>Securing the economic success of Reading</b>  |
| <ul style="list-style-type: none"> <li>• 84% of people were economically active</li> <li>• 99.2% of households have access to superfast broadband</li> <li>• 2.9% of young people are NEET</li> <li>• £64,152 is the Gross Value Added per worker</li> </ul>   |
| <b>Improving access to decent housing to meet local needs</b>  |
| <ul style="list-style-type: none"> <li>• 671 additional homes completed in the year</li> <li>• 201 additional affordable homes delivered</li> <li>• 40% of houses of multiple occupancy licensed under mandatory licensing schemes</li> <li>• Nil - Number of families in bed and breakfast accommodation (shared facilities)</li> </ul>   |
| <b>Protecting &amp; enhancing the lives of vulnerable adults &amp; children in Reading</b>   |
| <ul style="list-style-type: none"> <li>• 21.75% of service users receiving Direct Payments</li> <li>• 38.83 new admissions to residential or nursing care per 100,000 population for older people (65+)</li> <li>• 0.94 new admissions to residential or nursing care per 100,000 population for younger people (18-64)</li> <li>• 94% - timeliness of Early Help Assessments</li> </ul> |
| <b>Keeping Reading's environment clean, green and safe</b>   |
| <ul style="list-style-type: none"> <li>• 33% of household waste sent for re-use, recycling and composting</li> </ul>   |
| <b>Promoting health, education, culture and wellbeing</b>  |
| <ul style="list-style-type: none"> <li>• 410 Secondary School Fixed Term exclusions</li> </ul>   |

### Ensuring our Council is fit for the future

- 91% customer satisfaction with our front of house service
- 95% of Council Tax collected within the year
- 94% of Business Rates collected within the year

The Council on the advice of the Department for Education set up a new company, Brighter Futures for Children Limited, to deliver all Children, Education, Special Educational Needs and Disabilities and Early Help services in Reading. Brighter Futures for Children Limited was formally incorporated on 5 April 2018 and started trading on the 3<sup>rd</sup> of December 2018.

An Ofsted inspection of the fostering service was carried out in February 2020 and the overall rating improved from 'inadequate' to 'requires improvement to be good'.

In February 2021 Ofsted recognised that 'significant improvement' had been made and that Government intervention was lifted with immediate effect.

### 2020/21 Revenue Budget Overview

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

The original General Fund budget for 2020/21 was set at £150.090m. This included growth in service budgets of £12.8m; savings measures of £11.6m and a contingency provision of £3.5m to mitigate risks relating to delivery of planned savings and the newly created children's company.

Band D Council Tax was set at £1,692.16 for 2020/21, an increase of 3.99%.

The Council's net budget of £150.090m for the year is funded from a combination of £96m Council Tax, £34.3m Retained Business Rates, £4m New Homes Bonus, £4m Section 31 Grant, £2m Revenue Support Grant and a one-off Collection Fund surplus of £10.5m.

### Financial Performance 2020/21

#### *General Fund services*

The Council reported a net £12.762m underspend against the approved budget in 2020/21. The Covid-19 pandemic resulted in revenue cost and income pressures of £16.448m which are offset by £20.416m of Covid-19 funding from Central Government and other net savings of £8.794m.

The unearmarked General Fund balance remains at £7.5m and is considered adequate for a local authority the size of Reading Borough Council.

The General Fund reserve is £7.5m and General Fund earmarked reserves total £97.5m.

## *The Housing Revenue Account*

The Housing Revenue Account underspent by £9.306m 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.

## *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 2020/21:

|                           | Reading Transport Ltd<br>Year Ended<br>04/04/21<br>£'000 | Homes for Reading<br>Year Ended<br>31/03/21<br>£'000 | Brighter Futures for<br>Children<br>Year Ended<br>31/03/21<br>£'000 |
|---------------------------|--|--|---|
| Turnover                  | 26,755   | 1,310  | 103,951   |
| Profit / (Loss) after tax | 298  | 529  | 15,838  |

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

## **The Balance Sheet**

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

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

|                     | 31 March 2020<br>£'000 | 31 March 2021<br>£'000 |
|---------------------|------------------------|------------------------|
| Long Term Assets    | 1,152,592              | 1,185,359              |
| Current Assets      | 86,368                 | 144,111                |
| Current Liabilities | (93,299)               | (135,163)              |



|                       |                  |                  |
|-----------------------|------------------|------------------|
| Long Term Liabilities | (814,647)        | (961,305)        |
| <b>Net Assets</b>     | <b>331,014</b>   | <b>233,001</b>   |
| Usable Reserves       | (171,546)        | (235,294)        |
| Unusable Reserves     | (159,468)        | 2,293            |
| <b>Total Reserves</b> | <b>(331,014)</b> | <b>(233,001)</b> |

### Capital Investment

The Council recognises the importance of investing in the future and spent £54.8m on capital projects during 2020/21, including:

£8.2m on Major Repairs to our housing stock

£6.2m on Green Park station

£5.5m on schools

£4.9m on housing new build and acquisitions

£4.2m on ICT

£3.4m on bridges and carriageway works

£3.4m on South Reading MRT

£1.8m on Live Labs

£1.2m on Hexham Road

£1.1m on food waste and smaller residual waste bins

£1m on The Heights

£0.9m on Health & Safety works

£0.9m of Fire Safety works to our housing stock

£0.9m on accommodation

£0.8m on Disabled Facilities grants

### 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, investments, and cash as at 31 March 2021 is shown below:

| 31-Mar-20        |                                      | 31-Mar-21        |
|------------------|--------------------------------------|------------------|
| £m               |                                      | £m               |
| 14.789           | Investments in limited companies     | 14.649           |
| 6.085            | Long term investment - property fund | 6.145            |
| 34.264           | Cash and cash equivalents balance    | 59.103           |
| <b>55.138</b>    | <b>Investments and Cash</b>          | <b>79.897</b>    |
| <b>(404,711)</b> | <b>Short and Long-term Borrowing</b> | <b>(392,127)</b> |

All investing and borrowing is undertaken in line with the Treasury Management Strategy approved by Full Council each year. In 2020/21, the Strategy was focused 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 2020/21, 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 2021, there is a net pension liability in the balance sheet of £551.4m relating to Council's participation in the Royal County of Berkshire Pension Fund - the equivalent deficit figure for 2019/20 is £395.7m.

The increase in the deficit is largely due to demographic changes around life expectancy with current and future retirees of the Fund expected to live longer. The outstanding deficit of £551.4m has a significant impact on the Council's overall net worth as stated in the Balance Sheet. The Council's Medium Term Financial Strategy provides additional contributions to be made to the Pension Fund above its annual liabilities relating to active/retired staff in order to continue to address the deficit.

## 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 2021, including total savings of £28m across the 3-years of the MTFs and a budgeted draw from earmarked reserves of £2.776m to balance the 2021/22 budget.

## 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 2020/2021

### 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](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 departmental structure. 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;
- the Audit and Governance Committee is tasked with reviewing and considering improvements to corporate governance in general; and
- all standing committees are able to undertake scrutiny of relevant functions where they think it appropriate.

## CHANGES TO THE GOVERNANCE FRAMEWORK IN 2020/21

The Personnel Committee considered changes to the senior management structure in January 2021. A recommendation to Council was made to change the designation of the Executive Director of Resources to Deputy Chief Executive (and Deputy Head of Paid Service). The role of Chief Finance Officer was redesignated. The existing role of Assistant Director of Finance was amended to become Director of Finance (and designated as the Chief Finance Officer under section 151 of the Local Government Act 1972). These recommendations were confirmed by Council in March 2021. The changes strengthen the capacity of the senior leadership team to perform their statutory roles and provide even more effective leadership for the organisation.

### GROUP GOVERNANCE

The Council operates a number of companies:

**Reading Transport Ltd** - the operating company for Reading Buses, which itself has a number of subsidiaries. (100% share ownership).

**Homes for Reading Ltd** - provision of private sector lettings. (100% share ownership).

**Brighter Futures for Children Ltd** - provision of Children's Services. (Sole member).

**Reading Hampshire Property Partnership Ltd** - provision of property and construction related consultancy and procurement. (49% share ownership).

The Council also has involvement in two other not for profit partnerships as a member: **Reading UK CIC** delivering economic development for the Borough and **IESE Ltd** providing management consultancy in the public sector.

The Council continues to receive appropriate information about the performance of its companies through the Policy Committee which acts as the designated shareholder committee for the Council. In June 2021, Policy Committee agreed to review the governance arrangements for Reading Transport Ltd, including new appointments to the Board. These actions are in hand.

The Council's Children's Services function was removed from intervention by the Secretary of State in February 2021. This was a considerable achievement for Brighter Futures for Children Ltd the company set up by Reading Borough Council as a response to intervention and with the objective of improving the welfare and life-chances of children and young people in the Borough.

## COVID-19 RESPONSE: GOVERNANCE FRAMEWORK

### Decision making

In March 2020, 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. The Policy Committee functioned with 10 members during the early part of the pandemic and gradually Committees were brought back on-stream and with full participation from councillors. From April 2020 until May 2021, the Council conducted meetings online, allowing residents to participate remotely to ask questions or to exercise their public speaking rights. These arrangements were effective and ensured that the pandemic did not hinder the democratic

process. A range of different protocols were introduced to allow for effective meetings to take place remotely.

The Annual Council meeting in May 2020 was managed by Policy Committee under Urgency Procedures and arrangements were made to adjust to term of the Mayor to provide civic leadership for the Borough during the pandemic.

The Council continues to utilise its Decision Book process to publicise routine decisions made by officers after consultation with lead councillors.

### **Corporate priorities**

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 during the pandemic 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

In March 2021, the Council adopted a new Corporate Plan for the forthcoming year, "Investing in Reading's Future". This plan was determined for one year given the uncertainties of the pandemic and the need to respond flexibly in the recovery phase.

The vision for Reading Borough Council was agreed:

To ensure that Reading realises its potential - and to ensure that everyone who lives and works here can share the benefits of its success.

The Council agreed to drive the change that it wants to see in Reading by focusing on these three themes:

- Healthy environment
- Thriving communities
- Inclusive economy

The Corporate Plan will be considered again in 2021/22.

### **Team Reading**

In March 2021, the Council undertook a staff survey which gathered responses from 58% of the Council's workforce, over 1000 responses. The results from this Survey were extremely positive and provide a good indication that the work done by the Council to engage staff from previous surveys, and with the Leadership Development Programme is showing results. 95% of staff agreed that they were making a valuable contribution to the success of the Council in their job. 87% of staff said they enjoyed their job and 89% agreed that their manager was interested in their well-being. 84% want to continue working for the Council and 81% knew the organisational values of Team Reading. As would be expected, there were some areas identified for future improvement and the Corporate Management Team has commissioned work in these areas to address those issues.



The Council's Leadership Development programme continued throughout 2020/21 and has now come to a close with all of the Senior Leadership Group and managers reporting to them having participated in this programme to embed the Team Reading approach. The work of the Team Reading Board continues to embed the Council's values and behaviours throughout the organisation.

## **Finance**

A new medium-term financial strategy was approved by Council in February 2021 to cover the three years 2021/22 - 2023/24. Councillors received updates throughout 2020/21 to advise on the financial effects of the pandemic to council services and finances. Income was badly affected as services were forced to close and the economy slowed.

The purpose of the Medium-Term Financial Strategy was to deliver a balanced and affordable 2021/22 budget and ensure that the Council's finances are robust and sustainable over the medium term, and that in the longer term, the Council's finances are not reliant on the unsustainable use of one-off reserves or funding.

The Strategy builds on work over the previous two-three years to stabilise the Council's financial position and build reserves back to more robust levels. This has enabled vital investment in core infrastructure to drive efficiency improvements, facilitate service redesign and thereby manage pressures within demand led services. This invest to save approach allows for a robust financial position in the future and enables vital and valued services to continue to be delivered. Whilst the Budget Strategy relies on significant service transformation to drive increased efficiency savings and income generation it does mean that service cuts are not required.

Investment in Reading's Services and infrastructure continued even though the pandemic leading to a review of some costs and timelines. For instance, the Council was able to confirm investment in its new Leisure Centres, an extensive programme of highway improvements and a new five-year Housing Strategy. The Council also revised its contracts for an improved ICT operating model which has now provided the foundations for a Digital Strategy for the Borough.

The Council has also prioritised Economic Recovery and Renewal from the pandemic and a stronger focus on fighting inequality and promoting inclusion.

## **External Audit**

The Council's external auditors, 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, 2018/19, 2019/20 and 2020/21. However, the audit of 2017/18 was completed in October 2020 and the audit for 2018/19 will be concluded in September 2021. The audit on 2019/20 has commenced and work is ongoing to finalise the 2020/21 Statement.

## **Democracy**

Elections due in May 2020 were delayed for all local authorities until May 2021. Effective planning for the local government and Police and Crime Commissioner elections throughout 2020/21 saw delivery of Covid secure elections. Significant changes were made at Polling Stations and the Count Venue to ensure that electors and polling staff were safe.



## Resident satisfaction

In September 2020, the Council commissioned a representative sample of 1,000 residents. The purpose of the survey was to gauge levels of satisfaction with the local area, the Council and the services it provides. When compared to our Citizens Panel Survey of 2018, the results were overwhelmingly positive: 77% of residents said they are satisfied with their local area as a place to live, compared with 65% in the 2018 Survey and 64% said they were satisfied with the way the Council runs things, a huge improvement on the 38% from the Panel Survey. The number of residents who agree that the Council provides value for money has more than doubled from 22% to 45%. The Council plans to repeat similar surveys in the future and to draw more learning from the messages articulated by residents as priorities for the town.

## ARRANGEMENTS FOR GOVERNANCE

The Council's governance arrangements are designed to secure compliance with the principles set out in the "CIPFA<sup>1</sup>/SOLACE<sup>2</sup> Framework for *"Delivering Good Governance in Local Authorities"*<sup>3</sup> (updated 2016): CIPFA/SOLACE Framework for *"Delivering Good Governance in Local Authorities"*.

RBC is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded, properly accounted for, and used economically, efficiently and effectively. The Council also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

The Council meets the Standards of the Framework in the following ways:

### 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 Chief Finance 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. The Consultation Hub on the Council's website enables local people to find, participate in, and view outcomes from, any consultation activities that interest them. In addition, 20 different committees and forums are in place to represent local views on a range of subjects including transport, disabled access, children's services and community safety.

### Defining sustainable outcomes

<sup>1</sup> Chartered Institute of Public Finance and Accountancy

<sup>2</sup> Society of Local Authority Chief Executives.

<sup>3</sup> Also referred to as "the Framework", see CIPFA website [www.cipfa.org/policy-andguidance/publications/d/delivering-good-governance-in-local-government-framework-2016edition](http://www.cipfa.org/policy-andguidance/publications/d/delivering-good-governance-in-local-government-framework-2016edition)

The Corporate Plan sets out how the Council aims to work in partnership to achieve its 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.

### 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. Work was subsequently commissioned to implement hybrid meetings facilities in the Council Offices.

## 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 2020/2021.

## REVIEW OF EFFECTIVENESS

The Council uses several ways to review the effectiveness of governance arrangements. One of the key assurance statements is the annual report and opinion of the Chief Auditor. The role of the Internal Audit Service is to provide assurance to management and those charged with government about the quality and effectiveness of the governance framework and systems of internal control. The internal team completed 21 audits and 4 grant certifications. A further 4 audits had fieldwork completed at 31 March 2021, but with reports to be finalised. 144 audit recommendations have been made, of which 19 (13%) 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 2020/21, largely because of weaknesses in key financial systems. [The full report can be viewed here.](#)

The Chief Auditor notes: *"Whilst our opinion is similar to last year, it must be noted that a positive trajectory to improvement is starting to emerge following improvement initiatives, such as the Finance Improvement Programme and the significant improvement in the implementation of historic audit recommendations, since implementing the new tracking and reporting process. Clearly, this improvement trajectory needs to be sustained in 2021/22 to enhance assurance that control, risk and governance arrangements are effective across the Council".*

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:

- Commissioning CIPFA to undertake a review of the Council's Finance function and subsequently implementing a finance transformation programme progress against which is reported to the Council's Audit and Governance Committee
- Agreeing and implementing a new Corporate Debt Policy

- Commissioning an independent report into the governance and operation of one of its wholly owned companies the results of which were reported to the Council's Policy Committee as Shareholder in June 2021
- Setting up a corporate Information Governance Board chaired by the Monitoring Officer to improve the Council's information governance arrangements
- Rolling out improved cyber security and data protection training to staff and members
- Commissioning Business in the Community to review the Council's approach to equality, diversity and inclusion
- Implementing a new performance management platform InPhase
- Commencing a review of the Council's Constitution including Finance and Procurement and Contract Procedure Rules and the Scheme of Delegation
- Ongoing LGA scrutiny in relation to Adult Social Care & Health Services Directorate (DACH's) savings and budgets
- Verification exercise undertaken by an external consultant to verify and provide assurance around DACH's Savings and Transformation Programme
- Inspections by the Care Quality Commission in our regulated services. No reports were received in 2020/21

Other governance outcomes are shown below:

| Issues Identified   | Performance in 2020/2021   |
|---|--|
| Formal reports by Chief Finance Officer or Monitoring Officer.          | None issued.   |
| Outcomes from Standards Committee or Monitoring Officer Investigations. | The monitoring officer received 3 complaints about member conduct in 20/21. Two were dismissed at the filter stage and one was investigated under group procedures and upheld. |
| 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.                              | None.  |

## OTHER INSPECTION WORK

Reading's Children's Services were placed in intervention in 2016 following an Ofsted inspection, with a revised Direction issued in December 2018. A 2019 Ofsted report highlighted examples of strong practice across the service, including in early help services. It also showed there were areas where improvement was still required.

A recent subsequent report by children's services commissioner Nick Whitfield acknowledged the pace of improvements have continued post inspection, alongside an ongoing commitment from both Reading Borough Council and Brighter Futures for Children Ltd for this to continue. The Parliamentary Under Secretary of State for Children and Families, confirmed the lifting of the Government direction in February 2021, as a result of the continuing improvement in children's services in Reading by the Council and Brighter Futures for Children (BFfC).

## CONCLUSION

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

- Complete the actions detailed on the directorate assessments (see above)
- Complete further work in relation to the governance of Reading Transport Limited identified at Policy Committee in June 2021
- Complete the review of the Council's Constitution
- Consider the benchmarking exercise undertaken in 2021 by the Internal Audit team against the CIPFA / SOLACE Code of Corporate Governance and to identify policy improvement work to strengthen the governance function generally
- Complete the Finance Improvement Programme necessary to ensure the Council's financial processes and procedures are robust
- Implement the new financial system
- Embed a new Information Management Strategy and monitor it through the Information Governance Board
- 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
- The Council is also committed to a Local Government Association Peer Review in June 2022.

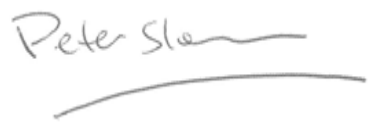
## CERTIFICATION

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 2020/21, 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 2021 and its income and expenditure for the year ended 31 March 2021.

Darren Carter  
Director of Finance (S151 Officer)

26 September 2022

## 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.

| 2019/20<br>Restated |           |           | 2020/21   |             |           |           |
|---------------------|-----------|-----------|---|-------------|-----------|-----------|
| Expenditure         | Income    | Net       |   | Expenditure | Income    | Net       |
| £000                | £000      | £000      |   | £000        | £000      | £000      |
| 70,426              | (28,899)  | 41,528    | Adult Care and Health Services                            | 77,750      | (40,503)  | 37,246    |
| 87,816              | (72,891)  | 14,924    | Corporate Support Services                                | 97,172      | (74,448)  | 22,724    |
| 151,438             | (88,633)  | 62,805    | Children, Education and Early Help Services               | 143,986     | (85,023)  | 58,964    |
| 111,661             | (50,733)  | 60,928    | Environment and Neighbourhood Services                    | 105,217     | (42,314)  | 62,903    |
| 38,368              | (40,333)  | (1,965)   | Housing Revenue Account                                   | 23,031      | (40,990)  | (17,960)  |
| 459,709             | (281,489) | 178,221   | Cost of Services  | 447,156     | (283,278) | 163,878   |
|                     |           | 258       | Other Operating Expenditure (Note 10)                     |             |           | 186       |
|                     |           | 23,314    | Financing and Investment Income and Expenditure (Note 11) |             |           | 20,758    |
|                     |           | (182,298) | Taxation and Non-Specific Grant Income (Note 12)          |             |           | (195,132) |
|                     |           | 19,494    | (Surplus) or Deficit on Provision of Services             |             |           | (10,310)  |
|                     |           | 16,950    | (Surplus)/deficit on revaluation of non-current assets    |             |           | (25,528)  |
|                     |           | (80,602)  | Remeasurement of the net defined benefit liability        |             |           | 133,852   |
|                     |           | (63,652)  | Other Comprehensive Income and Expenditure                |             |           | 108,323   |
|                     |           | (44,158)  | Total Comprehensive Income and Expenditure                |             |           | 98,013    |

*\*This table is subject to roundings*



## 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.

| 2019/20  | Unearmarked<br>General Fund<br>Balance<br>£000 | Earmarked<br>General<br>Fund<br>Reserves<br>£000 | Total<br>General<br>Fund<br>Balance<br>£000 | Housing<br>Revenue<br>Account<br>(HRA)<br>£000 | Earmarked<br>HRA<br>Reserves<br>£000 | Total<br>HRA<br>Balance<br>£000 | Capital<br>Receipts<br>Reserve<br>£000 | Major<br>Repairs<br>Reserve<br>£000 | Capital<br>Grants<br>Unapplied<br>Account<br>£000 | Total<br>Usable<br>Reserves<br>£000 | Unusable<br>Reserves<br>£000 | Total<br>Reserves<br>£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)                 |
| <b>Movement in reserves during 2019/20</b>                               |  |  |   |  |                                      |                                 |  |                                     |   |                                     |                              |                           |
| (Surplus) or deficit on the provision of services                        | 16,012   |  | 16,012                                      | 3,483  |                                      | 3,483                           |  |                                     |   | 19,494                              |                              | 19,494                    |
| Other Comprehensive Income / Expenditure                                 |  |  |   |  |                                      |                                 |  |                                     |   |                                     | (63,653)                     | (63,653)                  |
| <b>Total Comprehensive Income and Expenditure</b>                        | <b>16,012</b>                                  |  | <b>16,012</b>                               | <b>3,483</b>                                   |                                      | <b>3,483</b>                    |  |                                     |   | <b>19,494</b>                       | <b>(63,653)</b>              | <b>(44,159)</b>           |
| Adjustments between accounting basis and funding basis under regulations | (17,862)                                       |  | (17,862)                                    | (5,919)  |                                      | (5,919)                         | (2,717)                                | (613)                               | (8,588)   | (35,701)                            | 35,701                       | -                         |
| <b>Net Increase or Decrease before Transfers to Earmarked Reserves</b>   | <b>(1,851)</b>                                 |  | <b>(1,851)</b>                              | <b>(2,437)</b>                                 |                                      | <b>(2,437)</b>                  | <b>(2,717)</b>                         | <b>(613)</b>                        | <b>(8,588)</b>                                    | <b>(16,207)</b>                     | <b>(27,952)</b>              | <b>(44,159)</b>           |
| Transfers to / from Earmarked Reserves                                   | 1,851  | (1,851)  | -   | 162  | (162)                                | -                               |  |                                     |   | -                                   |                              | -                         |
| <b>Increase or Decrease in 2019/20</b>                                   | <b>-</b>                                       | <b>(1,851)</b>                                   | <b>(1,851)</b>                              | <b>(2,275)</b>                                 | <b>(162)</b>                         | <b>(2,437)</b>                  | <b>(2,717)</b>                         | <b>(613)</b>                        | <b>(8,588)</b>                                    | <b>(16,207)</b>                     | <b>(27,952)</b>              | <b>(44,159)</b>           |
| Balance at 31 March 2020   | (7,500)  | (45,699)   | (53,199)                                    | (35,822)                                       | (9,910)                              | (45,732)                        | (11,349)                               | (2,602)                             | (58,665)  | (171,546)                           | (159,468)                    | (331,014)                 |

| 2020/21  | Unearmarked<br>General Fund<br>Balance<br>£000 | Earmarked<br>General<br>Fund<br>Reserves<br>£000 | Total<br>General<br>Fund<br>Balance<br>£000 | Housing<br>Revenue<br>Account<br>(HRA)<br>£000 | Earmarked<br>HRA<br>Reserves<br>£000 | Total<br>HRA<br>Balance<br>£000 | Capital<br>Receipts<br>Reserve<br>£000 | Major<br>Repairs<br>Reserve<br>£000 | Capital<br>Grants<br>Unapplied<br>Account<br>£000 | Total<br>Usable<br>Reserves<br>£000 | Unusable<br>Reserves<br>£000 | Total<br>Reserves<br>£000 |
|--|--|--|---|--|--------------------------------------|---------------------------------|--|-------------------------------------|---|-------------------------------------|------------------------------|---------------------------|
| Balance at 31 March 2020   | (7,500)  | (45,699)   | (53,199)                                    | (35,822)                                       | (9,910)                              | (45,732)                        | (11,349)                               | (2,602)                             | (58,665)  | (171,546)                           | (159,468)                    | (331,014)                 |
| Transfer of Schools' Deficit Budget to new adjustment account            |  | (1,768)  | (1,768)                                     |  |                                      |                                 |  |                                     |   | (1,768)                             | 1,768                        | -                         |
| Movement in reserves during 2020/21                                      |  |  |   |  |                                      |                                 |  |                                     |   |                                     |                              |                           |
| (Surplus) or deficit on the provision of services                        | 2,010  |  | 2,010                                       | (12,321)                                       |                                      | (12,321)                        |  |                                     |   | (10,311)                            |                              | (10,311)                  |
| Other Comprehensive Income / Expenditure                                 |  |  |   |  |                                      |                                 |  |                                     |   |                                     | 108,324                      | 108,324                   |
| Total Comprehensive Income and Expenditure                               | 2,010  |  | 2,010                                       | (12,321)                                       |                                      | (12,321)                        |  |                                     |   | (10,311)                            | 108,324                      | 98,013                    |
| Adjustments between accounting basis and funding basis under regulations | (52,490)                                       |  | (52,490)                                    | 6,463  |                                      | 6,463                           | (2,375)                                | 347                                 | (4,027)   | (52,082)                            | 52,082                       | -                         |
| Net Increase or Decrease before Transfers to Earmarked Reserves          | (50,479)                                       | (1,768)  | (52,248)                                    | (5,858)  |                                      | (5,858)                         | (2,375)                                | 347                                 | (4,027)   | (64,161)                            | 162,174                      | 98,013                    |
| Transfers to / from Earmarked Reserves                                   | 50,479   | (50,066)   | 413   | 163  | (163)                                | -                               |  |                                     |   | 413                                 | (413)                        | -                         |
| Increase or Decrease in 2020/21  | -  | (51,834)   | (51,834)                                    | (5,695)  | (163)                                | (5,858)                         | (2,375)                                | 347                                 | (4,027)   | (63,748)                            | 161,762                      | 98,013                    |
| Balance at 31 March 2021   | (7,500)  | (97,533)   | (105,034)                                   | (41,516)                                       | (10,073)                             | (51,590)                        | (13,724)                               | (2,255)                             | (62,692)  | (235,294)                           | 2,293                        | (233,001)                 |

*\*This table is subject to roundings*

NB - Dedicated Schools Grant – when in deficit is shown in the Unusable Reserves from 20/21. Previously shown in Usable Reserves (see Note 20).

## 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'.

*\*This table is subject to roundings*

| 31 March<br>2020 |  | Note | 31 March<br>2021 |
|------------------|--|------|------------------|
| £000             |  |      | £000             |
| 1,014,504        | Property, Plant and Equipment                        | 22   | 1,042,684        |
| 2,769            | Heritage Assets                                      | 23   | 2,742            |
| 79,060           | Investment Property                                  | 24   | 75,980           |
| 2,454            | Intangible Assets                                    | 25   | 6,475            |
| 20,808           | Long-Term Investments                                | 28   | 20,712           |
| 32,998           | Long-Term Debtors                                    | 32   | 36,765           |
| <b>1,152,592</b> | <b>Long Term Assets</b>                              |      | <b>1,185,358</b> |
| 236              | Inventories  |      | 336              |
| 51,878           | Short-Term Debtors                                   | 32   | 84,672           |
| 34,254           | Cash and Cash Equivalents                            | 31   | 59,103           |
| <b>86,368</b>    | <b>Current Assets</b>                                |      | <b>144,111</b>   |
| (13,266)         | Short-Term Borrowing                                 | 28   | (7,944)          |
| (68,639)         | Short-Term Creditors                                 | 33   | (117,724)        |
| (9,188)          | Short-Term Provisions                                | 34   | (7,406)          |
| (974)            | PFI Short-Term Liabilities and Deferred Income       | 40   | (974)            |
| (1,232)          | Deferred Income                                      |      | (1,115)          |
| <b>(93,299)</b>  | <b>Current Liabilities</b>                           |      | <b>(135,163)</b> |
| (796)            | Long-Term Provisions                                 | 34   | (1,016)          |
| (391,445)        | Long-Term Borrowing                                  | 28   | (384,183)        |
| (395,684)        | Liability relating to defined benefit pension scheme | 41   | (551,445)        |
| (25,270)         | PFI Long-Term Liabilities and Deferred Income        | 40   | (24,295)         |
| (1,452)          | Deferred Income                                      |      | (366)            |
| <b>(814,647)</b> | <b>Long Term Liabilities</b>                         |      | <b>(961,305)</b> |
| <b>331,014</b>   | <b>Net Assets</b>                                    |      | <b>233,001</b>   |
| (171,546)        | Usable Reserves                                      | 35   | (235,294)        |
| (159,468)        | Unusable Reserves                                    | 36   | 2,293            |
| <b>(331,014)</b> | <b>Total Reserves</b>                                |      | <b>(233,001)</b> |

## 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.

| 2019/20         |   | Note | 2020/21         |
|-----------------|---|------|-----------------|
| £000            |   |      | £000            |
| 19,494          | Net (surplus) or deficit on the provision of services   |      | (10,310)        |
| (97,398)        | Adjustment to surplus or deficit on the provision of services for non-cash movements  | 43   | (93,114)        |
| 23,615          | Adjustment for items included in the net surplus or deficit on the provision of services that are investing or financing activities | 43   | 49,134          |
| <b>(54,289)</b> | <b>Net cash flows from operating activities</b>   |      | <b>(54,290)</b> |
| 65,705          | Net cash flows from investing activities  | 44   | (5,717)         |
| (11,359)        | Net cash flows from financing activities  | 45   | 35,158          |
| <b>57</b>       | <b>Net (increase) or decrease in cash and cash equivalents</b>  |      | <b>(24,849)</b> |
| 34,311          | Cash and cash equivalents at the beginning of the reporting period  | 31   | 34,254          |
| <b>34,254</b>   | <b>Cash and cash equivalents at the end of the reporting period</b>   | 31   | <b>59,103</b>   |

## **Note 1 - Significant Accounting Policies**

### **i. General Principles**

The Statement of Accounts summarises the Council's transactions for the 2020/21 financial year and its position as at the 31 March 2021.

The Council is required to prepare an annual Statement of Accounts by the Accounts and Audit Regulations 2015 (as amended), 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 2020/21 (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. Events after the reporting period**

Events after the balance sheet date are those events, both favourable and unfavourable, that occur between the end of the reporting period and the date when the statement of accounts is authorised for issue.

Where an event occurring after the balance sheet date provides evidence of conditions that existed at the balance sheet date, the amounts recognised in the statement of accounts are adjusted.

Where an event that occurs after the balance sheet date is indicative of conditions that arose after the balance sheet date, the amounts recognised in the statement of accounts are not adjusted, but where this would have a material effect, it is disclosed in the notes to the accounts.

Events taking place after the date of authorisation for issue are not reflected in the statement of accounts.

### **iii. 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 Council 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 Council.
- **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 based on 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.
- 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 2020/21 and will be reviewed annually.

#### iv. **Interest Income & Expense**

Interest income and expenses are accrued on a time basis by reference to the principle outstanding and the effective interest rate applicable.

An interest expense on a qualifying asset can be capitalised.

#### v. **Exceptional Items**

Exceptional items are material items which derive from individual events that fall within the ordinary activities of the Council and are identified as exceptional items by virtue of their size, nature or incidence. These items are disclosed separately in the accounts.

#### vi. **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.

#### vii. **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 surplus or deficit on the provision of services, but then reversed out through the Movement in Reserves Statement to the accumulated absences account 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 the 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 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

The change in the net pensions liability is analysed into the following components:

Service costs comprising:

**Current Service Cost** – the increase in liabilities as a result of years of service earned this year – allocated in the Comprehensive Income and Expenditure statement to the services for which the employees worked

Increases in Liabilities resulting years of the service earned in the year – are allocated in the CIES (Comprehensive Income and Expenditure Statement) to the revenue accounts for the service for which the employees worked.

**Past Service Cost** - Expected increase in liabilities from current year decisions effect relates to years of service earned in earlier years – debit to the Net Cost of Services in the CIES (Comprehensive Income and Expenditure Statement).

**Net interest on the net defined benefit liability (asset)**, - i.e. net interest expense for the Authority – the change during the period in the net defined benefit liability (asset) that arises from the passage of time charged to the financing and investment income and expenditure line of the Comprehensive Income and Expenditure Statement – this is calculated by applying the discount rate used to measure the defined benefit obligation at the beginning of the period to the net defined benefit liability (asset) at the beginning of the period – taking into account any changes in the net defined benefit liability (asset) during the period as a result of contribution and benefit payments

**Contributions paid to the Pension Fund** - cash paid as employer's contributions to the pension fund in settlement of liabilities; not accounted for as an expense

**The return on Plan Assets** - excluding amounts included in net interest on the net defined benefit liability (asset) – charged to the pensions reserve as other comprehensive income and expenditure

**Actuarial Gains and Losses** - changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions – charged to the pensions reserve as other comprehensive income and expenditure

**Gains/Losses on settlements and curtailments** - from the Council's action to relieve the liabilities or events that reduce the expected future service or accrual of benefits of employees – debit to the Net Cost of Service in the CIES (Comprehensive Income and Expenditure Statement) as part of Non- Distributed Costs.

**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.

#### **viii. 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 2021.

#### **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.

#### **ix. 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.

**x. Inventories and Work in Progress (WIP)**

Inventories are included in the Balance Sheet at the lower of cost and net realisable value. Work in Progress is subject to an interim valuation at the year-end and recorded in the Balance Sheet at cost plus any profit reasonably attributable to the works.

**xi. Interests in Companies and Other Entities**

**Companies**

The Council has interests in five 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.

**xii. Investment Property**

Investment properties are those that are used solely to earn rentals and/or for capital appreciation. The definition is not met if the property is used in any way to facilitate the delivery of services or production of goods or is held for sale. Investment properties are initially measured at cost and subsequently at fair value. Properties are not depreciated but are revalued annually according to property market conditions at the year-end.

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.

### **xiii. 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.

#### **IFRS 16**

The CIPFA LASAAC Local Authority Code Board has agreed to defer the implementation of IFRS 16 Leases in the Code of Practice on Authority Accounts in the UK (the Code) until the 2024/25 financial year.

This aligns with the decision at the Government's Financial Reporting Advisory Board to establish a new effective date of 1 April 2024 for the implementation of IFRS 16.

- ***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.

**xiv. 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.

**xv. 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.

**xvi. 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:**

| <b>Asset type</b>   | <b>Valuation basis</b>  |
|---|---|
| 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.

### **Heritage Assets**

Heritage assets are considered tangible assets which have historical geophysical, artistic, scientific, technology or environmental qualities held for their contribution to culture and knowledge.

Heritage assets are measured in the Balance Sheet at insurance value based on market value. Impairment reviews are carried out annually to assess any physical depletion of the assets. Heritage assets held by the Council are deemed to have indefinite lives and are not depreciated. Disposals will be treated in the same manner as other Property, Plant and Equipment.

### **Componentisation**

The component is a part of a larger asset that is separately identified and depreciated, for the purposes of assisting more accurate financial reporting and asset management.

#### ***Significant Component Factors:***

- Different useful life from the Parent Asset
- Different value to the Parent Asset
- Economic/service benefit to the Council that is materially different to the rest of the asset.

The Componentisation takes place at acquisition, valuation and enhancement of the parent asset.

### **The following assets have been componentised:**

We componentise Council Dwellings both the separation of the land value, and internal components. Where components are replaced, the Council will derecognise the replaced components within the accounts.

#### **xvii. 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 amount's 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.

#### **xviii. 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.

## **xix. 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 managing the accounting processes for non-current assets, financial instruments, local taxation, retirement and employee benefits and do not represent usable resources for the Council. Reserves are further explained in the relevant notes to the accounts.

## **xx. Value Added Tax (VAT)**

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



## **Note 2 - Accounting Standards Issued but Not Yet 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 2021 for 2020/21). Disclosure requirements are expected to be included in a subsequent edition of the Code.

- **IFRS 16 Leases**

IFRS 16 Leases will lead to a substantial change in accounting practice for lessees, the current distinction between finance and operating leases will be removed. Instead, lessees are required to recognise assets and liabilities for all leases i.e. the lessee will recognise a right-of-use asset representing its right to use the leased asset; and a lease liability representing the lessee's obligation to make lease payments for the asset.

Lessees will have a single accounting model for all leases with two exemptions:

- Low-value assets
- Short term leases (lease term of 12 months or less)

The implementation of IFRS 16 Leases has been deferred until 1 April 2024. The council will continue to review its lease arrangements to assess the impact of the change.

- **Interest rate benchmark reform - Amendments to IFRS 9, International Accounting Standard (IAS) 39 and IFRS 7 - Interest rate benchmark reform**
- **Interest rate benchmark reform – Phase 2: Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16.**

The International Accounting Standards Board published Interest Rate Benchmark Reform (Amendments to IFRS 9, IAS 39 and IFRS 7) in response to the ongoing reform of interest rate benchmarks.

These amendments are not anticipated to impact on the Council's accounts.

## Note 3 - Critical Judgements in Applying Accounting Policies

In applying the accounting policies set out in Note 1 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. The council's medium term financial strategy assesses the on-going pressures from reduced funding and increased demand for services, which are mitigated by further savings and use of reserves. 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 42 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 2021 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 £0.87m for every year that useful lives had to be reduced.

### **Valuation of HRA dwellings**

The valuation of HRA dwellings has been split between land and buildings, based on the hectarage of HRA dwellings multiplied by residential land values per hectare in order, to estimate depreciation. The annual depreciation would decrease by £0.03m 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 2020/21:

## Appendix 4 Sensitivity analysis

| Sensitivity analysis  | £000s           | £000s       | £000s           |
|---|-----------------|-------------|-----------------|
| <b>Adjustment to discount rate</b>                              | <b>+ 0.1%</b>   | <b>0.0%</b> | <b>-0.1%</b>    |
| Present value of total obligation                               | 983,761         | 1,004,096   | 1,024,873       |
| Projected service cost  | 31,283          | 32,214      | 33,171          |
| <b>Adjustment to long term salary increase</b>                  | <b>+ 0.1%</b>   | <b>0.0%</b> | <b>-0.1%</b>    |
| Present value of total obligation                               | 1,005,661       | 1,004,096   | 1,002,544       |
| Projected service cost  | 32,232          | 32,214      | 32,197          |
| <b>Adjustment to pension increases and deferred revaluation</b> | <b>+ 0.1%</b>   | <b>0.0%</b> | <b>-0.1%</b>    |
| Present value of total obligation                               | 1,023,114       | 1,004,096   | 985,460         |
| Projected service cost  | 33,160          | 32,214      | 31,292          |
| <b>Adjustment to life expectancy assumptions</b>                | <b>+ 1 Year</b> | <b>None</b> | <b>- 1 Year</b> |
| Present value of total obligation                               | 1,049,831       | 1,004,096   | 960,446         |
| Projected service cost  | 33,592          | 32,214      | 30,887          |

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 £20.3m.

### Arrears

At 31 March 2021, the Council had a balance of sundry debtors of £22.955m. A review of significant balances suggested that an impairment of doubtful debts of £5.1m was appropriate. If collection rates were to deteriorate, a 1% increase in the value of impairments for doubtful debts would require an additional £230,000 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 £98,000.

### 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 2021 was £7.10m, which is shared between the Council, Central Government and the Fire Authority. The Council's share of this provision totals £3.48m. The provision at 31 March 2021 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 £35,000.

## Note 5 – Material Items of Income and Expense

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

- £8.2m (£7.6m 2019/20) to RE3 Ltd for waste collection and disposal under the waste collection service concession;
- £47.5m (£47.8m 2019/20) to BFfC for provision of Children's Services. The first full year of the contract was 2019/20;
- £6.4m (£6.7m 2019/20) to Affinity (Reading) Ltd under a service concession to refurbish council-owned housing at North Whitley;
- £4.1m (£4.2m 2019/20) to Reading Transport Ltd for providing free travel under the Concessionary Fares Scheme;
- £3.9m (£4.0m 2019/20) to Northgate Public Services (UK) Ltd for the provision of IT services.

## Note 6 - Events After the Reporting Period

Events taking place after September 2022 (Draft Accounts) are not reflected in the financial statements or notes. Where events taking place before this date provided information about conditions existing at 31 March 2021, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

## Note 7 - Expenditure and Funding Analysis

| Net<br>Expenditure<br>Chargeable to<br>the General<br>Fund and HRA<br>Balance | 2019/20<br>Adjustments | Net<br>Expenditure in<br>the Compre-<br>hensive<br>Income and<br>Expenditure<br>Statement |   | Net<br>Expenditure<br>Chargeable to<br>the General<br>Fund and HRA<br>Balance | 2020/21<br>Adjustments | Net<br>Expenditure in<br>the Compre-<br>hensive<br>Income and<br>Expenditure<br>Statement |
|---|------------------------|---|---|---|------------------------|---|
|   | £'000                  |   |   |   | £'000                  |   |
| 39,478  | 2,049                  | 41,528  | Adult Care and Health Services  | 35,253  | 1,993                  | 37,246  |
| 23,241  | (8,316)                | 14,924  | Corporate Support Services  | 34,239  | (11,513)               | 22,724  |
| 54,474  | 8,332                  | 62,805  | Children, Education and Early Help Services   | 50,694  | 8,270                  | 58,964  |
| 33,948  | 26,980                 | 60,928  | Environment and Neighbourhood Services  | 33,995  | 28,907                 | 62,903  |
| (5,474)   | 3,510                  | (1,964)   | Housing Revenue Account   | (11,538)  | (6,420)                | (17,959)  |
| <b>145,667</b>  | <b>32,554</b>          | <b>178,221</b>  | <b>Net Cost of Services</b>   | <b>142,642</b>  | <b>21,236</b>          | <b>163,878</b>  |
| (149,953)   | (8,773)                | (158,726)   | Other Income and Expenditure  | (198,978)   | 24,790                 | (174,188)   |
| <b>(4,287)</b>  | <b>23,782</b>          | <b>19,494</b>   | <b>Surplus or Deficit on Provision of Services</b>  | <b>(56,336)</b>   | <b>46,027</b>          | <b>(10,310)</b>   |
| <b>(94,642)</b>   |                        |   | Opening Combined General Fund and HRA Balance   |   |                        | <b>(98,930)</b>   |
| -   |                        |   | Movement of DSG deficit to Unusable Reserves  |   |                        | (1,358)   |
| (10,644)  |                        |   | Plus / less Surplus or Deficit on the General Fund and HRA Balance for the Year (Statutory basis) |   |                        | (56,336)  |
| -   |                        |   | Transfers to unusable reserve   |   |                        | -   |
| <b>(98,931)</b>   |                        |   | <b>Closing Combined General Fund and HRA Balance</b>  |   |                        | <b>(156,624)</b>  |

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

|   | 2020/21                                 |  |                   |                      |
|---|---|--|-------------------|----------------------|
|   | Net Capital<br>Statutory<br>Adjustments | Net Pensions<br>Statutory<br>Adjustments | Other Differences | Total<br>Adjustments |
|   | £'000                                   | £'000                                    | £'000             | £'000                |
| Adult Care and Health Services  | 250                                     | 1,679                                    | 65                | 1,993                |
| Resources & Corporate Budgets   | (13,947)                                | 2,193                                    | 239               | (11,513)             |
| Children, Education and Early Help<br>Services  | 4,701                                   | 3,412                                    | 157               | 8,270                |
| Environment and Neighbourhood<br>Services   | 24,446                                  | 4,297                                    | 164               | 28,907               |
| Housing Revenue Account   | (7,785)                                 | 1,358                                    | 7                 | (6,420)              |
| <b>Net Cost of Services</b>   | <b>7,666</b>                            | <b>12,939</b>                            | <b>632</b>        | <b>21,236</b>        |
| Other Income and Expenditure  | (29,056)                                | 8,970                                    | 44,876            | 24,790               |
| <b>Difference between the Statutory<br/>Charge and the Surplus or Deficit in<br/>the Comprehensive Income and<br/>Expenditure Statement</b> | <b>(21,391)</b>                         | <b>21,909</b>                            | <b>45,508</b>     | <b>46,027</b>        |

|   | 2019/20                                 |  |                      |                      |
|---|---|--|----------------------|----------------------|
|   | Net Capital<br>Statutory<br>Adjustments | Net Pensions<br>Statutory<br>Adjustments | Other<br>Differences | Total<br>Adjustments |
|   | £'000                                   | £'000                                    | £'000                | £'000                |
| Adult Care and Health Services  | 334                                     | 1,705                                    | 10                   | 2,049                |
| Resources & Corporate Budgets   | (8,783)                                 | 251                                      | 216                  | (8,316)              |
| Children, Education and Early Help<br>Services  | 5,167                                   | 3,660                                    | (495)                | 8,332                |
| Environment and Neighbourhood<br>Services   | 22,412                                  | 4,528                                    | 40                   | 26,980               |
| Housing Revenue Account   | 2,423                                   | 1,083                                    | 4                    | 3,510                |
| <b>Net Cost of Services</b>   | <b>21,553</b>                           | <b>11,227</b>                            | <b>(225)</b>         | <b>32,554</b>        |
| Other Income and Expenditure  | (16,678)                                | 10,713                                   | (2,807)              | (8,773)              |
| <b>Difference between the Statutory<br/>Charge and the Surplus or Deficit in<br/>the Comprehensive Income and<br/>Expenditure Statement</b> | <b>4,874</b>                            | <b>21,940</b>                            | <b>(3,032)</b>       | <b>23,782</b>        |

### Net Change for Capital Statutory Adjustments

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

| Segmental income                            | Total Income per CIES<br>£'000s | Less Grants in Note 21<br>£'000s | Net Income<br>£'000s |
|---|---------------------------------|----------------------------------|----------------------|
| Adult Care and Health Services              | (40,503)                        | (21,317)                         | (19,186)             |
| Corporate support services                  | (74,448)                        | (53,661)                         | (20,787)             |
| Children, Education and Early Help Services | (85,023)                        | (82,052)                         | (2,971)              |
| Environment and Neighbourhood Services      | (42,314)                        | (7,263)                          | (35,051)             |
| Housing Revenue Account                     | (40,990)                        | (4,041)                          | (36,949)             |
|   | <b>(283,278)</b>                | <b>(168,334)</b>                 | <b>(114,944)</b>     |

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 7c - Expenditure and Income Analysed by Nature

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

| <b>2019/20<br/>Restated</b> |  | <b>2020/21</b>   |
|-----------------------------|--|------------------|
| <b>£'000</b>                | <b>Nature of Expenditure or Income</b>                   | <b>£'000</b>     |
| 114,262                     | Council employees  | 128,688          |
| 10,134                      | Voluntary Aided Schools                                  | 10,623           |
| <b>124,396</b>              | <b>Sub total</b>   | <b>139,310</b>   |
| 43,777                      | Depreciation, amortisation, impairment                   | 33,098           |
| 26,298                      | Interest payments  | 24,562           |
| 292,206                     | Other service expenses                                   | 274,982          |
| 57,084                      | Business Rates Tariff                                    | 33,779           |
| 905                         | Payments to Housing Capital Receipts Pool                | 905              |
| <b>544,665</b>              | <b>Total Expenditure</b>                                 | <b>506,636</b>   |
| (127,094)                   | Revenue from external customers and other service income | (128,532)        |
| (3,526)                     | Interest and investment income                           | (3,909)          |
| (192,958)                   | Income from Council Tax and NDR                          | (130,197)        |
| (200,819)                   | Government grants and contributions                      | (253,460)        |
| (774)                       | Net gain on Asset Disposals                              | (849)            |
| <b>(525,171)</b>            | <b>Total Income</b>                                      | <b>(516,947)</b> |
| <b>19,494</b>               | <b>Surplus or Deficit for Year</b>                       | <b>(10,310)</b>  |

## 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.

| 2019/2020  | General Fund Balance | Housing Revenue Account | Capital Receipts Reserve | Major Repairs Reserve | Capital Grants Unapplied | Movement in Unusable Reserves |
|--|----------------------|-------------------------|--------------------------|-----------------------|--------------------------|-------------------------------|
|  | £'000                | £'000                   | £'000                    | £'000                 | £'000                    | £'000                         |
| <b>Adjustments to the Revenue Resources</b>  |                      |                         |                          |                       |                          |                               |
| 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)  | 441                  | (4)                     | -                        | -                     | -                        | (437)                         |
| Equal pay settlements (transferred to the Unequal Pay / Back Pay Account)  | 330                  | -                       | -                        | -                     | -                        | (330)                         |
| Charges for depreciation and impairment of non-current assets  | (26,259)             | (16,970)                | -                        | -                     | -                        | 43,228                        |
| Revaluation (gains)/losses on Property, plant and equipment  | (421)                | -                       | -                        | -                     | -                        | 421                           |
| 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  | (9,577)              | -                       | 199                      | -                     | -                        | 9,378                         |

|   |                 |                 |                |                 |                 |                 |
|---|-----------------|-----------------|----------------|-----------------|-----------------|-----------------|
| Amounts of non-current assets write off on disposal   | (3,313)         | (1,383)         | -              | -               | -               | 4,696           |
| Capital grants and contributions unapplied  | 33,216          | -               | -              | -               | (33,216)        | -               |
| <b>Total Adjustments to Revenue Resources</b>   | <b>(28,760)</b> | <b>(20,035)</b> | <b>199</b>     | <b>-</b>        | <b>(33,216)</b> | <b>81,811</b>   |
| <b>Adjustments between Revenue and Capital Resources</b>                                    |                 |                 |                |                 |                 |                 |
| 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 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)  | 8,623           | 405             | -              | -               | -               | (9,029)         |
| Capital expenditure financed from revenue balances (transfer to the Capital Adjust Account) | 139             | -               | -              | -               | -               | (139)           |
| <b>Total Adjustments between Revenue and Capital Resources</b>                              | <b>10,788</b>   | <b>14,115</b>   | <b>(5,082)</b> | <b>(10,654)</b> | <b>-</b>        | <b>(9,168)</b>  |
| 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                                | 107             | -               | -              | -               | 24,628          | (24,628)        |
| Cash payments in relation to deferred capital receipts                                      | -               | -               | (1,593)        | -               | -               | 1,593           |
| <b>Total Adjustments to Capital Resources</b>   | <b>107</b>      | <b>-</b>        | <b>9,293</b>   | <b>10,041</b>   | <b>24,628</b>   | <b>(44,069)</b> |
| Other adjustments   | -               | -               | (7,127)        | -               | -               | 7,127           |
| <b>Total Adjustments</b>  | <b>(17,865)</b> | <b>(5,920)</b>  | <b>(2,717)</b> | <b>(613)</b>    | <b>(8,588)</b>  | <b>35,701</b>   |

2020/2021

| General Fund Balance | Housing Revenue Account | Capital Receipts Reserve | Major Repairs Reserve | Capital Grants Unapplied | Movement in Unusable Reserves |
|----------------------|-------------------------|--------------------------|-----------------------|--------------------------|-------------------------------|
| £000                 | £000                    | £000                     | £000                  | £000                     | £000                          |

### Adjustments to the Revenue Resources

Amounts by which income and expenditure included in the Comprehensive Income and Expenditure Statement are different from revenue for the year calculated in accordance with statutory requirements:

|  |          |         |   |   |   |        |
|--|----------|---------|---|---|---|--------|
| Pension cost (transferred to (or from) the Pensions Reserve)                         | (19,665) | (2,244) | - | - | - | 21,909 |
| Financial Instruments (transferred to the Financial Instruments Adjustments Account) | (104)    | -       | - | - | - | 104    |
| Council tax and NDR (transfers to or from the Collection Fund)                       | (44,876) | -       | - | - | - | 44,876 |
| Holiday pay (transferred to the Accumulated Absences reserve)                        | (520)    | (7)     | - | - | - | 527    |
| Equal pay settlements (transferred to the Unequal Pay / Back Pay Account)            | -        | -       | - | - | - | -      |
| Charges for depreciation and impairment of non-current assets                        | (28,244) | (3,894) | - | - | - | 32,138 |

|   |                 |                |                |                 |                 |                 |
|---|-----------------|----------------|----------------|-----------------|-----------------|-----------------|
| Revaluation (gains)/losses on PPE   | (757)           | (16)           | -              | -               | -               | 773             |
| Movements in the market value of investment properties  | (3,080)         | -              | -              | -               | -               | 3,080           |
| Amortisation of intangible assets   | (1,010)         | -              | -              | -               | -               | 1,010           |
| Revenue expenditure funded from capital under statute   | (7,180)         | -              | -              | -               | -               | 7,180           |
| Amounts of non-current assets write off on disposal or sale as part of the gain/loss on disposal          | (3,168)         | (1,099)        | -              | -               | -               | 4,267           |
| Capital grants and contributions unapplied  | 36,246          | -              | -              | -               | (36,246)        | -               |
| <b>Total Adjustments to Revenue Resources</b>   | <b>(72,358)</b> | <b>(7,260)</b> | <b>-</b>       | <b>-</b>        | <b>(36,246)</b> | <b>115,864</b>  |
| <b>Adjustments between Revenue and Capital Resources</b>  |                 |                |                |                 |                 |                 |
| Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve                  | 3,319           | 2,569          | (5,888)        | -               | -               | -               |
| 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                     | -               | 10,452         | -              | (10,452)        | -               | -               |
| Statutory Provision for the repayment of debt (transfer to the Capital Adjustment Account)                | 17,301          | 451            | -              | -               | -               | (17,752)        |
| Capital expenditure financed from revenue balances (transfer to the Capital Adjustment Account)           | 153             | 249            | -              | -               | -               | (402)           |
| <b>Total Adjustments between Revenue and Capital Resources</b>  | <b>19,868</b>   | <b>13,721</b>  | <b>(4,983)</b> | <b>(10,452)</b> | <b>-</b>        | <b>(18,154)</b> |
| Adjustments to Capital Resources  | -               | -              | -              | -               | -               | -               |
| Use of the Capital Receipts Reserve to finance capital expenditure  | -               | -              | 4,054          | -               | -               | (4,054)         |
| Use of the Major Repairs Reserve to finance new capital expenditure                                       | -               | -              | -              | 10,799          | -               | (10,799)        |
| Application of capital grants to finance capital expenditure  | -               | -              | -              | -               | 32,219          | (32,219)        |
| Cash payments in relation to deferred capital receipts  | -               | -              | (1,295)        | -               | -               | 1,295           |
| <b>Total Adjustments to Capital Resources</b>   |                 |                | <b>2,759</b>   | <b>10,799</b>   | <b>32,219</b>   | <b>(45,777)</b> |
| Other adjustments – repayment of borrowing  | -               | -              | (150)          | -               | -               | 150             |
| <b>Total Adjustments</b>  | <b>(52,490)</b> | <b>6,461</b>   | <b>(2,374)</b> | <b>347</b>      | <b>(4,027)</b>  | <b>52,083</b>   |

*\*Subject to roundings*

## 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<br>1 April<br>2019<br>£'000 | Transfers<br>In<br>£'000 | Transfers<br>Out<br>£'000 | Balance at<br>31 March<br>2020<br>£'000 | Transfers In<br>£'000 | Transfers<br>Out<br>£'000 | Balance at<br>31 March<br>2021<br>£'000 |
|--|--|--------------------------|---------------------------|---|-----------------------|---------------------------|---|
| <b>General Fund Reserves:</b>            |  |                          |                           |   |                       |                           |   |
| Emergency Planning                       | (200)                                  | (710)                    | 300                       | (610)                                   | -                     | -                         | (610)                                   |
| Communications                           | (200)                                  | -                        | -                         | (200)                                   | -                     | -                         | (200)                                   |
| HB Subsidy Loss                          | (150)                                  | (150)                    | -                         | (300)                                   | (150)                 | -                         | (450)                                   |
| Public Health                            | (620)                                  | -                        | 71                        | (549)                                   | (445)                 | -                         | (994)                                   |
| Schools Deficit                          | (800)                                  | (200)                    | 150                       | (850)                                   | -                     | 176                       | (674)                                   |
| Financial Resilience Reserve             | -                                      | (3,988)                  | 2,129                     | (1,859)                                 | (672)                 | -                         | (2,530)                                 |
| Legal and Taxation                       | -                                      | (300)                    | -                         | (300)                                   | -                     | -                         | (300)                                   |
| Pension Liabilities                      | (1,100)                                | (758)                    | 758                       | (1,100)                                 | -                     | -                         | (1,100)                                 |
| Commercial Properties Liabilities        | (500)                                  | (1,200)                  | -                         | (1,700)                                 | -                     | -                         | (1,700)                                 |
| Revenue Grant Unapplied Reserve          | (3,821)                                | (5,768)                  | 2,382                     | (7,207)                                 | (41,920)              | 4,603                     | (44,524)                                |
| Self Insurance                           | (5,477)                                | -                        | 3,163                     | (2,314)                                 | -                     | -                         | (2,314)                                 |
| IT & Digital                             | (1,500)                                | (778)                    | -                         | (2,278)                                 | (313)                 | -                         | (2,591)                                 |
| Flexible Capital Receipts                | (10,459)                               | (772)                    | 4,995                     | (6,235)                                 | (3,120)               | -                         | (9,356)                                 |
| Capital Finance Smoothing                | (6,359)                                | (10,621)                 | 8,985                     | (7,995)                                 | (19,077)              | 11,990                    | (15,081)                                |
| Redundancy                               | (500)                                  | (920)                    | 421                       | (999)                                   | -                     | 654                       | (345)                                   |
| Demographic & Cost-Led Pressures         | (2,000)                                | -                        | -                         | (2,000)                                 | -                     | -                         | (2,000)                                 |
| Abortive Capital Costs                   | (500)                                  | -                        | -                         | (500)                                   | (1,000)               | -                         | (1,500)                                 |
| Collection Fund Smoothing                | (7,182)                                | (3,933)                  | 4,834                     | (6,281)                                 | (774)                 | 60                        | (6,996)                                 |
| Better Care Fund Reserve                 | -                                      | -                        | -                         | -                                       | (454)                 | -                         | (454)                                   |
| Advice & Wellbeing Hub                   | -                                      | (240)                    | -                         | (240)                                   | -                     | 240                       | -                                       |
| Adult Social Care                        | (951)                                  | -                        | -                         | (951)                                   | -                     | 951                       | -                                       |
| *DSG                                     | 1,606                                  | -                        | 163                       | 1,768                                   | (1,768)               | -                         | -                                       |
| Schools                                  | (2,207)                                | (928)                    | 459                       | (2,677)                                 | (1,554)               | 946                       | (3,285)                                 |
| Brexit reserve                           | (105)                                  | -                        | 105                       | -                                       | -                     | -                         | -                                       |
| 2018/19 MHCLG Levy Surplus Reserve       | (463)                                  | -                        | 463                       | -                                       | -                     | -                         | -                                       |
| Parking & Transportation Reserve         | -                                      | (3,381)                  | 3,381                     | -                                       | -                     | -                         | -                                       |
| Other                                    | (358)                                  | (1)                      | 38                        | (322)                                   | (311)                 | 102                       | (531)                                   |
| <b>Total General Fund</b>                | <b>(43,848)</b>                        | <b>(35,420)</b>          | <b>33,569</b>             | <b>(45,699)</b>                         | <b>(71,558)</b>       | <b>19,723</b>             | <b>(97,533)</b>                         |
| <b>Housing Revenue Account Reserves:</b> |  |                          |                           |   |                       |                           |   |
| North Whitley PFI                        | (9,748)                                | (162)                    | -                         | (9,910)                                 | (163)                 | -                         | (10,074)                                |
| <b>Total Housing Revenue Account</b>     | <b>(9,748)</b>                         | <b>(162)</b>             | <b>-</b>                  | <b>(9,910)</b>                          | <b>(163)</b>          | <b>-</b>                  | <b>(10,074)</b>                         |
| <b>Total Earmarked Reserves</b>          | <b>(53,596)</b>                        | <b>(35,582)</b>          | <b>33,569</b>             | <b>(55,609)</b>                         | <b>(71,721)</b>       | <b>19,723</b>             | <b>(107,607)</b>                        |

*\*This table is subject to roundings*

\*The Dedicated School's Grant Reserve has been moved to Unusable Reserves in accordance with new 20/21 regulations. See Note 20 for further details

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 £3.285m 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 £1.356m against the ring-fenced Dedicated Schools Grant, which is used for related Schools expenditure as directed by the Schools Forum. This has been moved to Unusable Reserves from 20/21.

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 **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.

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

| 2019/20<br>£'000 |  | 2020/21<br>£'000 |
|------------------|--|------------------|
| 127              | Levies   | 130              |
| 905              | Payments to the Government Housing Capital Receipts Pool | 905              |
| (774)            | Gains/losses on the Disposal of Non-Current Assets       | (849)            |
| <b>258</b>       | <b>Total Other Operating Expenditure</b>                 | <b>186</b>       |

## Note 11 - Financing and Investment Income and Expenditure

| 2019/20<br>£'000 |   | 2020/21<br>£'000 |
|------------------|---|------------------|
| 15,585           | Interest payable and similar charges  | 15,592           |
| 10,713           | Net interest on the net defined benefit liability (asset)                                   | 8,970            |
| (2,855)          | Interest receivable and similar income  | (1,743)          |
| (671)            | Income and expenditure in relation to investment properties and changes in their fair value | (2,165)          |
| 542              | Other investment income and expenditure   | 104              |
| <b>23,314</b>    | <b>Total</b>  | <b>20,758</b>    |



## Note 12 - Taxation and Non-Specific Grant Income

| 2019/20<br>£000  |   | 2020/21<br>£000  |
|------------------|---|------------------|
| (90,716)         | Council Tax income                        | (93,447)         |
| (45,158)         | Non-Domestic rates income and expenditure | (2,971)          |
| (13,102)         | Non-ringfenced government grants          | (62,468)         |
| (33,322)         | Capital grants and contributions          | (36,246)         |
| <b>(182,298)</b> | <b>Total</b>                              | <b>(195,132)</b> |

## Note 13 - 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

| 2019/20   | Salary, Fees and Allowances | Expenses     | Pension Contribution | Total          |
|---|-----------------------------|--------------|----------------------|----------------|
|   | £                           | £            | £                    | £              |
| Chief Executive<br>- 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               | 195,208        |
| 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        |
| <b>Total</b>  | <b>723,258</b>              | <b>1,746</b> | <b>136,100</b>       | <b>861,104</b> |

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 29<sup>th</sup> April 2019; salary includes Christmas Annual Leave deduction of £932.

4. Officer commenced role 1<sup>st</sup> 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 31<sup>st</sup> January 2020. Salary includes Christmas Annual Leave deduction of £60.

6. Officer commenced role 10<sup>th</sup> February 2020.

7. 0.9 FTE.



|  | Salary, Fees and Allowances | Expenses | Pension Contribution | Total          |
|--|-----------------------------|----------|----------------------|----------------|
| 2020/21  | £                           | £        | £                    | £              |
| Chief Executive<br>- Peter Sloman                                  | 166,765                     | -        | -                    | 166,765        |
| Director of Economic Growth<br>and Neighbourhood Services          | 111,812                     | -        | 26,499               | 138,311        |
| Executive Director of Social<br>Care and Health                    | 138,385                     | -        | 32,797               | 171,182        |
| Assistant Director of Legal<br>and Democratic Services             | 88,066                      | -        | 20,872               | 108,938        |
| Deputy Chief Executive   | 140,600                     | -        | 33,916               | 174,516        |
| Director of Children's<br>Services, Education and Early<br>Help *1 | 127,848                     | -        | 30,300               | 158,148        |
| <b>Total</b>   | <b>773,476</b>              | <b>-</b> | <b>144,384</b>       | <b>917,860</b> |

\*1. 0.8 FTE paid by Brighter Futures for Children Limited.

## 50K Banding

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             | 2019/20     | 2019/20    |                      |  | 2020/21   | 2020/21     | 2020/21    |
| Schools             | Non-schools | Total      |                      |  | Schools   | Non-schools | Total      |
| 14                  | 33          | 47         | £50,001 to £55,000   |  | 14        | 38          | 52         |
| 8                   | 30          | 38         | £55,001 to £60,000   |  | 13        | 23          | 36         |
| 3                   | 7           | 10         | £60,001 to £65,000   |  | 5         | 11          | 16         |
| 8                   | 8           | 16         | £65,001 to £70,000   |  | 4         | 4           | 8          |
| 5                   | 5           | 10         | £70,001 to £75,000   |  | 6         | 6           | 12         |
| 7                   | 2           | 9          | £75,001 to £80,000   |  | 5         | 3           | 8          |
| 0                   | 3           | 3          | £80,001 to £85,000   |  | 2         | 4           | 6          |
| 1                   | 1           | 2          | £85,001 to £90,000   |  | 1         | 4           | 5          |
| 0                   | 3           | 3          | £90,001 to £95,000   |  | 0         | 4           | 4          |
| 0                   | 1           | 1          | £95,001 to £100,000  |  | 0         | 5           | 5          |
| 2                   | 0           | 2          | £100,001 to £105,000 |  | 0         | 0           | 0          |
| 0                   | 0           | 0          | £105,001 to £110,000 |  | 2         | 0           | 2          |
| 0                   | 2           | 2          | £110,001 to £115,000 |  | 0         | 2           | 2          |
| 0                   | 0           | 0          | £115,001 to £155,000 |  | 0         | 0           | 0          |
| 0                   | 0           | 0          | £155,001 to £160,000 |  | 0         | 1           | 1          |
| 0                   | 0           | 0          | £160,001 to £165,000 |  | 0         | 1           | 1          |
| <b>48</b>           | <b>95</b>   | <b>143</b> | <b>Total</b>         |  | <b>52</b> | <b>106</b>  | <b>158</b> |

## Note 14 – Exit Packages

### 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 (£) |                |
|--|-----------------------------------|----------|-----------------------------------|-----------|--|-----------|--|----------------|
|  | 2019/20                           | 2020/21  | 2019/20                           | 2020/21   | 2019/20                                    | 2020/21   | 2019/20                                      | 2020/21        |
| £0-£20,000   | -                                 | -        | 18                                | 12        | 18   | 12        | 94,043                                       | 111,639        |
| £20,001 - £40,000  | -                                 | -        | 8                                 | 2         | 8  | 2         | 212,945                                      | 58,050         |
| £40,001 - £60,000  | -                                 | -        | 1                                 | 2         | 1  | 2         | 41,230                                       | 97,229         |
| £60,001 - £80,000  | -                                 | -        | 1                                 | 1         | 1  | 1         | 66,701                                       | 68,704         |
| £80,001 - £100,000   | -                                 | -        | -                                 | 1         | -  | 1         | -  | 86,782         |
| £100,001 - £150,000  | -                                 | -        | -                                 | 1         | -  | 1         | -  | 118,353        |
| £150,001 - £200,000  | -                                 | -        | -                                 | 1         | -  | 1         | -  | 150,355        |
| £200,001 - £250,000  | -                                 | -        | 1                                 | -         | 1  | -         | 235,083                                      | -              |
| <b>Total</b>   | <b>-</b>                          | <b>-</b> | <b>29</b>                         | <b>20</b> | <b>29</b>                                  | <b>20</b> | <b>650,002</b>                               | <b>691,112</b> |
| Add: Amounts provided for in CIES not included in bandings |                                   |          |                                   |           |  |           | -  | -              |
| <b>Total cost included in CIES</b>                         |                                   |          |                                   |           |  |           | <b>650,002</b>                               | <b>691,112</b> |

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 15 - Members' Allowances

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

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

The total amounts paid to Members and Co-opted Officers during 2020/21 was as follows:

| 31 March 2020<br>£'000 |                                  | 31 March 2021<br>£'000 |  |
|------------------------|----------------------------------|------------------------|--|
| 378                    | Salaries                         | 388                    |  |
| 115                    | Allowances                       | 161                    |  |
| <b>493</b>             | <b>Total Members' Allowances</b> | <b>549</b>             |  |

## Note 16 – 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 13.

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:

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 2020/21, the Council incurred costs of £667k (2019/20: £738k) 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 21 Capital and Revenue Grants, Note 27 Capital Expenditure, Note 32 Debtors and Note 33 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 over £1.9m (2019/20: less than £1.2m) and the entity has no assets, RHPP has been excluded from the Group Accounts on materiality grounds.

Two Members are trustees of the Reading Community Welfare Rights Unit (RCWRU), a registered charity and company. The RCWRU received £82k (2019/20: £99k) 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 2020/21), the Council does exhibit some influence as the majority of the turnover is derived directly or indirectly from the Council.

## Note 17 - 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:

| 2019/20    |  | 2020/21    |
|------------|--|------------|
| £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 18/19  | -          |
| -          | Fees payable to external auditors for the certification of grant claims and returns 19/20  | 59         |
| -          | Fees payable to external auditors for the certification of grant claims and returns 20/21  | 74         |
| 100        | Fees payable to external auditors with regard to external audit services carried out by the appointed auditor for the year 2016/17 | -          |
| 400        | Fees payable to external auditors with regard to external audit services carried out by the appointed auditor for the year 2017/18 | 19         |
| -          | Fees payable to external auditors with regard to external audit services carried out by the appointed auditor for the year 2018/19 | 274        |
| (8)        | PSAA refund of External Audit fees   | -          |
| <b>628</b> | <b>Total</b>   | <b>510</b> |

## Note 18 - Trading Operations

The Council operates a trading account for the services below:

### Housing Building Maintenance

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

| 2019/20     | Housing Building Maintenance            | 2020/21      |
|-------------|---|--------------|
| £'000       |   | £'000        |
| 9,237       | Income                                  | 8,985        |
| (9,274)     | Expenditure                             | (7,877)      |
| <b>(37)</b> | <b>Net Surplus / (Deficit) for Year</b> | <b>1,108</b> |



|   | <b>2019/20<br/>£000</b> | <b>2020/21<br/>£000</b> |
|---|-------------------------|-------------------------|
| <b>Funding Provided to the Pooled Budget</b>      |                         |                         |
| Reading Borough Council                           | 3,974                   | 4,116                   |
| Berkshire West CCG                                | 10,280                  | 10,606                  |
|   | <b>14,254</b>           | <b>14,722</b>           |
| <b>Expenditure within the Pooled Budget</b>       |                         |                         |
| Reading Borough Council                           | 9,284                   | 9,460                   |
| Berkshire West CCG                                | 4,691                   | 5,174                   |
|   | <b>13,975</b>           | <b>14,634</b>           |
| <b>(Surplus) for the pooled budget in 2020/21</b> | <b>(279)</b>            | <b>(88)</b>             |

## Note 20 - 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:

| <b>DSG Receivable for 2019/20</b>                         | <b>Central<br/>Expenditure<br/>£'000</b> | <b>Individual Schools<br/>Budget<br/>£'000</b> | <b>Total<br/>£'000</b> |
|---|--|--|------------------------|
| Final DSG for year before Academies recoupment            |  |  | 123,744                |
| Academy figure recouped for year                          |  |  | (47,461)               |
| Total DSG after academy recoupment                        |  |  | <b>76,283</b>          |
| 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   | <b>74,678</b>          |
| In year adjustments                                       |  | 68   | 68                     |
| Final budget distribution for year                        | <b>16,825</b>                            | <b>57,921</b>                                  | <b>74,746</b>          |
| Less: Actual central expenditure                          | (18,993)                                 |  | (18,993)               |
| Less: Actual ISB deployed to schools                      |  | (57,521)                                       | (57,521)               |
| Plus: Local Authority contribution for year               | -  | -  | -                      |
| <b>Carry forward to 2020/21</b>                           | <b>(2,168)</b>                           | <b>400</b>                                     | <b>(1,768)</b>         |

| DSG Receivable for 2020/21                                | Central<br>Expenditure<br>£'000 | Individual Schools<br>Budget<br>£'000 | Total<br>£'000 |
|---|---------------------------------|---------------------------------------|----------------|
| Final DSG for year before Academies recoupment            |                                 |                                       | 131,980        |
| Academy figure recouped for year                          |                                 |                                       | (52,994)       |
| Total DSG after academy recoupment                        |                                 |                                       | <b>78,986</b>  |
| Plus: Brought forward from previous year                  |                                 |                                       | (1,768)        |
| Less: Carry forward to following year (agreed in advance) | -                               | -                                     | -              |
| Agreed initial budgeted distribution in year              | 18,919                          | 58,299                                | <b>77,218</b>  |
| In year adjustments                                       | -                               | 136                                   | 136            |
| Final budget distribution for year                        | <b>18,919</b>                   | <b>58,435</b>                         | <b>77,354</b>  |
| Less: Actual central expenditure                          | (20,598)                        | -                                     | (20,598)       |
| Less: Actual ISB deployed to schools                      | -                               | (58,111)                              | (58,111)       |
| Plus: Local Authority contribution for year               | -                               | -                                     | -              |
| <b>Carry forward to 2021/22</b>                           | <b>(1,679)</b>                  | <b>324</b>                            | <b>(1,356)</b> |

Under the Local Authorities (Capital Finance and Accounting)(England)(Amendment) Regulations 2020, which came into effect on 29 November 2020, any local authority with a deficit on its school budget during the period of the regulation (1 April 2020 to 31 March 2023) must charge the amount of the deficit to an account established solely for this purpose in the Unusable Reserves section of the balance sheet.

## Note 21 - 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 2020/21 as follows:

| 31 March 2020<br>£'000 |  | 31 March 2021<br>£'000 |
|------------------------|--|------------------------|
| (3,839)                | COVID 19 Grant – LA Support  | (1,925)                |
| (5,292)                | NNDR (National Non-Domestic Rates) S31 Grant (Business Rates Relief) | (56,417)               |
| (3,739)                | New Homes Bonus  | (3,988)                |
| (232)                  | Other non-specific revenue grants                                    | -                      |
| (21,075)               | Capital Grants*  | (23,467)               |
| (107)                  | Capital Grants – Donated Assets                                      | -                      |
| (12,141)               | Capital Contributions  | (6,451)                |
| <b>(46,425)</b>        | <b>Total</b>   | <b>(92,248)</b>        |

\*See Capital Grants breakdown below

#### \*Capital Grants

| 31 March 2020<br>£'000 |  | 31 March 2021<br>£'000 |
|------------------------|--|------------------------|
| (4,575)                | LEP - Growth Deal Board Transport Projects       | (4,226)                |
| (4,750)                | DFT – Live Labs Funding                          | (5,327)                |
| (2,599)                | DFES Priority Schools Building Programme         | -                      |
| (2,993)                | Schools Standards Fund (DFE)                     | -                      |
| (2,888)                | LTP Integrated Transport Block Grant             | (3,012)                |
| -                      | Air Quality Grant - Bus Retrofit (DEFRA)         | -                      |
| (420)                  | DfT grant funding - Street lighting joint scheme | -                      |
| (1,055)                | Disabled Facilities Grant                        | (1,197)                |
| (36)                   | Heritage Lottery Fund - Abbey Revealed           | -                      |
| (379)                  | Schools DFC                                      | -                      |
| (970)                  | LEP - Smart Cities Funding                       | -                      |
| (410)                  | Other capital grants                             | (1,208)                |
|                        | Active Travel Tranche                            | (1,120)                |
|                        | Schools DSG Grants                               | (7,376)                |
| <b>(21,075)</b>        | <b>Total Capital Grants and Contributions</b>    | <b>(23,466)</b>        |

#### Revenue Grants - Receipts in Advance

| 31 March 2020<br>£'000 |   | 31 March 2021<br>£'000 |
|------------------------|---|------------------------|
| (3,993)                | MHCLG – S31 NNDR 20/21 Grant                | (87,974)               |
| <b>(3,993)</b>         | <b>Revenue Grants – Receipts in Advance</b> | <b>(87,974)</b>        |



## Credited to Services

| 31 March 2020<br>£'000 |   | 31 March 2021<br>£'000 |
|------------------------|---|------------------------|
|                        | <b>Credited to Services</b>                   |                        |
| (76,351)               | Dedicated Schools Grant                       | (79,122)               |
| (52,961)               | Housing Benefit & Council Tax Benefit subsidy | (52,028)               |
| (9,500)                | Public Health Grant                           | (9,847)                |
| (3,997)                | North Whitley PFI - Housing                   | (3,998)                |
| (3,658)                | Pupil Premium                                 | (3,500)                |
| (2,044)                | Improved Better Care Fund                     | (2,613)                |
| (1,394)                | ESFA funded adult education Grant             | (1,319)                |
| (1,301)                | Flexible Homelessness Support                 | (1,146)                |
| (1,230)                | Universal Free School Meals                   | -                      |
| (1,091)                | Teachers Pension Grant                        | (1,873)                |
| (1,057)                | PFI Central Berkshire Waste Disposal          | (2,982)                |
| (723)                  | Social Care Support Grant                     | (2,990)                |
| (718)                  | Troubled Families                             | (141)                  |
| (570)                  | Winter Pressures                              | (290)                  |
| (561)                  | Teachers Pay Grant                            | (650)                  |
| (539)                  | PE & Sports Premium                           | (534)                  |
| (471)                  | 6th Form Funding                              | -                      |
| (5,249)                | Other Grants                                  | (5,301)                |
| <b>(163,415)</b>       | <b>Total Credited to Services</b>             | <b>(168,334)</b>       |

## Note 22 - 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 2021     | Annual              |
| Other land and buildings | Existing Use Value                  | 31 March 2021     | Five-yearly         |
| Surplus Assets           | Fair value                          | 31 March 2021     | Annual              |

Other land and buildings and surplus asset valuations were undertaken by the external Valuer Sanderson Weatherall LLP, under the direction of Ian Vivian, MRICS. The valuation date is the 31 March 2021 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 £38K 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 m<sup>2</sup>

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 below shows the summary of assets revalued at each date and is an extract from the Gross Book Values from the Property, Plant and Equipment note.

|                            | <b>Council<br/>Dwellings</b> | <b>Other<br/>Land &amp;<br/>Buildings</b> | <b>Vehicles,<br/>Plant &amp;<br/>Equipment</b> | <b>Surplus<br/>Assets</b> | <b>Total</b>         |
|----------------------------|------------------------------|---|--|---------------------------|----------------------|
|                            | <b>£'000<br/>NBV</b>         | <b>£'000<br/>NBV</b>                      | <b>£'000<br/>MBV</b>                           | <b>£'000<br/>NBV</b>      | <b>£'000<br/>NBV</b> |
| 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              |
|                            |                              | 65  |  |                           |                      |

|               |                |                |               |               |                  |
|---------------|----------------|----------------|---------------|---------------|------------------|
| 31 March 2019 |                | 113,358        |               |               | 113,358          |
| 31 March 2020 | 562,268        | 88,984         | 16,104        | 29,932        | 697,288          |
| 31 March 2021 | 33,184         | 88,291         | 3,174         | 14,550        | 139,199          |
| <b>Total</b>  | <b>595,452</b> | <b>432,240</b> | <b>28,418</b> | <b>44,482</b> | <b>1,100,592</b> |

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 in 2016 (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 2019/20

*\*This table is subject to roundings*

|  | Council<br>Dwellings | Land<br>and<br>Buildings | Vehicles,<br>Plant,<br>Furniture &<br>Equipment | Infra-<br>structure<br>Assets | Community<br>Assets | Surplus<br>Assets | Assets<br>Under<br>Construction | Total<br>Property,<br>Plant and<br>Equipment |
|--|----------------------|--------------------------|---|-------------------------------|---------------------|-------------------|---------------------------------|--|
|  | £'000                | £'000                    | £'000   | £'000                         | £'000               | £'000             | £'000                           | £'000  |
| <b>Cost or Valuation</b>   |                      |                          |   |                               |                     |                   |                                 |  |
| <b>at 1 April 2019</b>   | 579,138              | 430,776                  | 21,646  | 294,683                       | 8,550               | 28,763            | 25,672                          | <b>1,389,228</b>                             |
| Additions  | 11,943               | 11,166                   | 2,387   | 4,259                         | 143                 | 252               | 12,534                          | <b>42,684</b>                                |
| Revaluation increases/(decreases) recognised in the Revaluation Reserve                      | (22,241)             | 2,678                    | -   | -                             | -                   | 2,611             | -                               | <b>(16,952)</b>                              |
| Derecognition – disposals  | (1,370)              | (2,632)                  | (814)   | -                             | -                   | (1,050)           | -                               | <b>(5,866)</b>                               |
| Derecognition - Other  | (346)                | -                        | -   | -                             | -                   | -                 | -                               | <b>(346)</b>                                 |
| Reclassifications and transfer   | 11,863               | (515)                    | -   | 4,747                         | -                   | (884)             | (15,210)                        | <b>-</b>                                     |
| Other movements in cost or valuation   | (16,719)             | (8,544)                  | -   | -                             | -                   | 223               | -                               | <b>(25,040)</b>                              |
| <b>at 31 March 2020</b>  | <b>562,268</b>       | <b>432,929</b>           | <b>23,219</b>                                   | <b>303,689</b>                | <b>8,693</b>        | <b>29,915</b>     | <b>22,996</b>                   | <b>1,383,709</b>                             |
| <b>at 1 April 2019</b>   | (87,711)             | (85,647)                 | (13,315)  | (160,697)                     | (1,937)             | -                 | -                               | <b>(349,307)</b>                             |
| Depreciation charge  | (10,588)             | (9,885)                  | (1,421)   | (12,698)                      | (30)                | (17)              | (1,785)                         | <b>(36,424)</b>                              |
| Impairment losses/(reversals) recognised in the Surplus/Deficit on the Provision of Services | (6,175)              | (3,402)                  | -   | -                             | -                   | 257               | (62)                            | <b>(9,382)</b>                               |
| Derecognition – disposals  | -                    | 71                       | 763   | -                             | -                   | -                 | -                               | <b>834</b>                                   |
| Derecognition - Other  | 14                   | 20                       | -   | -                             | -                   | -                 | -                               | <b>34</b>                                    |
| Other movements in depreciation and impairment   | 16,719               | 8,544                    | -   | -                             | -                   | (223)             | -                               | <b>25,040</b>                                |
| <b>at 31 March 2020</b>  | <b>(87,741)</b>      | <b>(90,299)</b>          | <b>(13,973)</b>                                 | <b>(173,395)</b>              | <b>(1,967)</b>      | <b>17</b>         | <b>(1,847)</b>                  | <b>(369,205)</b>                             |
| <b>Net Book Value</b>  |                      |                          |   |                               |                     |                   |                                 |  |
| <b>at 31 March 2019</b>  | <b>491,427</b>       | <b>345,129</b>           | <b>8,331</b>                                    | <b>133,986</b>                | <b>6,613</b>        | <b>28,763</b>     | <b>25,672</b>                   | <b>1,039,921</b>                             |
| <b>at 31 March 2020</b>  | <b>474,527</b>       | <b>342,629</b>           | <b>9,246</b>                                    | <b>130,294</b>                | <b>6,727</b>        | <b>29,932</b>     | <b>21,149</b>                   | <b>1,014,504</b>                             |

# Property, Plant and Equipment 2020/21

*\*This table is subject to roundings*

## Movements to 31 March 2021

|  | Council<br>Dwellings | Land<br>and<br>Buildings | Vehicles,<br>Plant,<br>Furniture &<br>Equipment | Infra-<br>structure<br>Assets | Community<br>Assets | Surplus<br>Assets | Assets<br>Under<br>Construction | Total<br>Property,<br>Plant and<br>Equipment |
|--|----------------------|--------------------------|---|-------------------------------|---------------------|-------------------|---------------------------------|--|
|  | £'000                | £'000                    | £'000   | £'000                         | £'000               | £'000             | £'000                           | £'000  |
| <b>Cost or Valuation</b>   |                      |                          |   |                               |                     |                   |                                 |  |
| <b>at 1 April 2020</b>   | <b>562,268</b>       | <b>429,066</b>           | <b>26,415</b>                                   | <b>300,976</b>                | <b>8,694</b>        | <b>48,236</b>     | <b>22,996</b>                   | <b>1,398,651</b>                             |
| Additions  | 11,335               | 3,016                    | 3,102   | 4,685                         | 50                  | 6                 | 17,509                          | <b>39,703</b>                                |
| Revaluation increases/(decreases) recognised in the Revaluation Reserve                      | 22,963               | 3,750                    | (425)   | -                             | -                   | (750)             | -                               | <b>25,538</b>                                |
| Derecognition – disposals  | (1,114)              | (1,120)                  | (242)   | -                             | -                   | (290)             | (2,516)                         | <b>(5,282)</b>                               |
| Reclassifications and transfer   | -                    | (2,472)                  | (432)   | 1,726                         | 0                   | (2,720)           | 3,898                           | -  |
| Other movements in cost or valuation   | -                    | -                        | -   | -                             | -                   | -                 | -                               | -  |
| <b>at 31 March 2021</b>  | <b>595,452</b>       | <b>432,240</b>           | <b>28,418</b>                                   | <b>307,387</b>                | <b>8,744</b>        | <b>44,482</b>     | <b>41,887</b>                   | <b>1,458,610</b>                             |
| <b>Accumulated Depreciation and Impairment</b>   |                      |                          |   |                               |                     |                   |                                 |  |
| <b>at 1 April 2020</b>   | <b>(87,741)</b>      | <b>(86,437)</b>          | <b>(17,169)</b>                                 | <b>(170,682)</b>              | <b>(1,967)</b>      | <b>(18,304)</b>   | <b>(1,847)</b>                  | <b>(384,147)</b>                             |
| Depreciation charge  | (10,354)             | (9,594)                  | (1,835)   | (11,747)                      | (31)                | (15)              | -                               | <b>(33,576)</b>                              |
| Impairment losses/(reversals) recognised in the Surplus/Deficit on the Provision of Services | 5,953                | (2,776)                  | (301)   | -                             | -                   | (1,322)           | -                               | <b>1,554</b>                                 |
| Derecognition – disposals  | -                    | 31                       | 212   | -                             | -                   | -                 | -                               | <b>243</b>                                   |
| Reclassifications and transfers  | -                    | -                        | -   | -                             | -                   | -                 | -                               | -  |
| Other movements in depreciation and impairment   | -                    | -                        | -   | -                             | -                   | -                 | -                               | -  |
| <b>at 31 March 2021</b>  | <b>(92,142)</b>      | <b>(98,776)</b>          | <b>(19,093)</b>                                 | <b>(182,429)</b>              | <b>(1,998)</b>      | <b>(19,641)</b>   | <b>(1,847)</b>                  | <b>(415,926)</b>                             |
| <b>Net Book Value</b>  |                      |                          |   |                               |                     |                   |                                 |  |
| <b>at 31 March 2020</b>  | <b>474,527</b>       | <b>342,629</b>           | <b>9,246</b>                                    | <b>130,294</b>                | <b>6,727</b>        | <b>29,932</b>     | <b>21,149</b>                   | <b>1,014,504</b>                             |
| <b>at 31 March 2021</b>  | <b>503,310</b>       | <b>333,464</b>           | <b>9,325</b>                                    | <b>124,958</b>                | <b>6,746</b>        | <b>24,841</b>     | <b>40,040</b>                   | <b>1,042,684</b>                             |

## Note 23 - Heritage Assets

| 2019/20<br>£'000 | Heritage Assets        | Reading<br>Abbey<br>£'000 | Civic<br>Regalia<br>£'000 | Other<br>£'000 | Total<br>2020/21<br>£'000 |
|------------------|------------------------|---------------------------|---------------------------|----------------|---------------------------|
| 2,691            | Opening Balance        | 2,093                     | 497                       | 179            | 2,769                     |
| -                | Depreciation           | (105)                     | -                         | -              | (105)                     |
| 72               | Acquisitions           | 78                        | -                         | -              | 78                        |
| 6                | Revaluations           | -                         | -                         | -              | -                         |
| <b>2,769</b>     | <b>Closing Balance</b> | <b>2,066</b>              | <b>497</b>                | <b>179</b>     | <b>2,742</b>              |

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. From 1st April 2019, the Abbey Ruins were held on the balance sheet at historic cost. This is a change of accounting policy from prior years 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. In line with this change of accounting policy, the Works are now depreciated.
- **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 24 - Investment Properties

| 31 March 2020  |  | 31 March 2021  |
|----------------|--|----------------|
| £'000          | Investment Property Income and Expenditure         | £'000          |
| (5,414)        | Rental income from investment property             | (5,445)        |
| 325            | Direct operating expenses from investment property | 193            |
| <b>(5,089)</b> | <b>Net (gain)/loss</b>                             | <b>(5,252)</b> |

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 2020 |  | 31 March 2021 |
|---------------|--|---------------|
| Non-Current   |  | Non-Current   |
| £'000         | Investment Properties Movements in Year        | £'000         |
| 43,753        | Opening Balance                                | 79,060        |
| 39,940        | Purchases                                      | -             |
| -             | Disposals                                      | -             |
| (4,633)       | Net gains/(losses) from fair value adjustments | (3,080)       |
| <b>79,060</b> | <b>Balance at the end of the year</b>          | <b>75,980</b> |

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 25 – Intangible Assets

Reading Borough Council accounts for Software as Intangible Assets to the extent that the software is not an integral part of a particular IT system, accounted for as a hardware, plant and equipment.

Our Intangible assets include both purchased and internally generated software, including the ICT infrastructure, the corporate website, and related intellectual properties on the site. The carrying amount of Intangible Assets is amortised on straight-line basis over the useful life of the Asset. The amortisation of £1.010 million was charged to revenue in 2020/21 (£0.548 million in 2019/20).



The movement on intangible asset balances during the year is as follows:

| 2019/20                | Intangible Asset                     | 2020/21       |
|------------------------|--------------------------------------|---------------|
| £'000                  |                                      | £'000         |
| 4,766                  | Gross Book Value at 1 April          | 6,460         |
| (3,458)                | Accumulated Amortisation at 1 April  | (4,007)       |
| <b>1,308</b>           | <b>Net Book Value at 1 April</b>     | <b>2,454</b>  |
| <b>Changes in year</b> |                                      |               |
| 1,695                  | Purchases                            | 5,031         |
| (548)                  | Amortisation                         | (1,010)       |
| <b>2,455</b>           | <b>Net Book Value at 31 March</b>    | <b>6,475</b>  |
| <b>6,460</b>           | Gross Book Value at 31 March         | <b>11,491</b> |
| (4,007)                | Accumulated Amortisation at 31 March | (5,017)       |
| <b>2,454</b>           | <b>Closing Balance</b>               | <b>6,475</b>  |

*\*This table is subject to roundings*

All software is generated at historical cost. We own a number of software licences across the Authority, which are written off to revenue over their expected useful lives.

## Note 26 - Capital Commitments

At 31 March 2021, the Council has entered into a number of contracts for the construction or enhancement of property, plant and equipment in 2020/21 and future years at a cost of £39m. The major commitments are as follows:

| 31 March 2020 |   | 31 March 2021 |
|---------------|---|---------------|
| £'000         |   | £'000         |
| 350           | Housing Revenue Account-New Build         | 23,448        |
| 12,036        | Green Park Station                        | 7,717         |
| 3,596         | South Reading MRT Phase 4b                | 373           |
| -             | Bridges and Carriageways                  | 300           |
| -             | New ESFA funded schools – Phoenix College | 5,737         |
| 1,062         | Mapledurham Playing Fields and Pavilion   | 207           |
| 1,004         | Green Park Primary School                 | -             |
| 242           | New ESFA funded schools – St Michael's    | -             |
| -             | Thames Valley Berkshire Live Lab Project  | 696           |
| 99            | Transport Consultancy Support             | 333           |
| <b>18,789</b> | <b>Total</b>                              | <b>38,811</b> |

## Note 27 - 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 2020   |   | 31 March 2021   |
|-----------------|---|-----------------|
| £'000           |   | £'000           |
| <b>547,529</b>  | <b>Opening Capital Financing Requirement restated</b> | <b>598,925</b>  |
|                 | Capital Investment:                                   |                 |
| 42,685          | Property Plant and Equipment                          | 39,735          |
| 39,940          | Investment Property                                   | -               |
| 1,695           | Intangible Assets                                     | 5,031           |
| 72              | Heritage Assets                                       | 78              |
| 9,378           | Revenue Expenditure Funded from Capital Under Statute | 7,180           |
| 12,349          | Long term debtor                                      | 700             |
| -               | Long term Investment                                  | 50              |
| <b>106,119</b>  | <b>Total Capital Spending</b>                         | <b>52,774</b>   |
|                 | Sources of Finance:                                   |                 |
| (10,886)        | Capital receipts                                      | (4,054)         |
| (24,628)        | Government Grants and other contributions             | (32,219)        |
| (10,041)        | Major repairs reserve                                 | (10,799)        |
|                 | Sums set aside from revenue:                          |                 |
| (139)           | - Direct revenue contributions                        | (402)           |
| (9,029)         | - Minimum revenue provision                           | (17,752)        |
|                 | Application of capital funding                        |                 |
| <b>(54,723)</b> | <b>Total Sources of Finance</b>                       | <b>(65,226)</b> |
| <b>598,925</b>  | <b>Closing Capital Financing Requirement</b>          | <b>586,473</b>  |

### Explanation of movements in year

| 31 March 2020 |  | 31 March 2021   |
|---------------|--|-----------------|
| £'000         |  | £'000           |
| 60,425        | Increase in underlying need to borrow (unsupported by government financial assistance) | 5,300           |
|               | Assets acquired under PFI contracts  |                 |
| (9,029)       | Minimum revenue provision  | (7,875)         |
| -             | Application of funding to reduce CFR   | (9,877)         |
| <b>51,396</b> | <b>Increase/(decrease) in Capital Financing Requirement</b>                            | <b>(12,452)</b> |

## Note 28 - Financial Instruments

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

| 2019/20<br>Non-current<br>£'000   | 2019/20<br>Current<br>£'000 |   | 2020/21<br>Non-current<br>£'000 | 2020/21<br>Current<br>£'000 |
|-----------------------------------|-----------------------------|---|---------------------------------|-----------------------------|
| <b>Financial Assets</b>           |                             |   |                                 |                             |
| Fair Value through profit & loss: |                             |   |                                 |                             |
| 14,789                            | -                           | Investments <sup>1</sup>                      | 14,649                          |                             |
| 6,085                             | -                           | Investments in subsidiaries <sup>2</sup>      | 6,145                           |                             |
| Amortised cost:                   |                             |   |                                 |                             |
|                                   | 34,254                      | Cash and cash equivalents                     |                                 | 59,103                      |
| 32,998                            | 32,692                      | Debtors                                       | 31,765                          | 37,548                      |
| -                                 | -                           | Fair value through other comprehensive income |                                 |                             |
| <b>53,872</b>                     | <b>66,945</b>               | <b>Total financial assets</b>                 | <b>52,559</b>                   | <b>96,651</b>               |
| <b>Financial Liabilities</b>      |                             |   |                                 |                             |
| Amortised cost                    |                             |   |                                 |                             |
| (391,445)                         | (13,266)                    | Loans outstanding                             | (384,183)                       | (7,944)                     |
|                                   | (33,404)                    | Creditors                                     |                                 | (28,756)                    |
| (25,269)                          | (974)                       | PFI lease liability <sup>3</sup>              | (24,295)                        | (974)                       |
| <b>(416,714)</b>                  | <b>(47,644)</b>             | <b>Total Financial Liabilities</b>            | <b>(408,478)</b>                | <b>(37,675)</b>             |

<sup>1</sup> The Authority's investment with the CCLA pooled investment fund is classified as 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.

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

<sup>3</sup> 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 32 and 33 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. The Council's holding of £64,000 was written out to the Financial Instruments Revaluation Reserve in 2018/19.

## 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:                  | 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            |
| <b>Net (Gains)/Losses on Financial Instruments in Surplus/Deficit on Provision of Services</b>                    | -                      | -                 | -   | <b>542</b>                         | <b>542</b>     |
| Interest expense  | 15,585                 |                   |   |                                    | 15,585         |
| Fee expense   | 45                     |                   |   | 93                                 | 138            |
| <b>Total expense in Surplus/Deficit on the Provision of Services</b>  | <b>15,630</b>          | -                 | -   | <b>93</b>                          | <b>15,723</b>  |
| Interest income   |                        | (2,107)           |   |                                    | (2,107)        |
| Dividend income/distributions   |                        |                   |   | (748)                              | (748)          |
| <b>Total Income in Surplus/Deficit on the Provision of Services</b>   | -                      | <b>(2,107)</b>    | -   | <b>(748)</b>                       | <b>(2,855)</b> |
| <b>Total (Gain)/Loss in Surplus/Deficit on Provision of Services</b>  | <b>15,630</b>          | <b>(2,107)</b>    | -   | <b>(113)</b>                       | <b>13,410</b>  |
| (Gain)/loss on Revaluation  |                        |                   |   |                                    |                |
| <b>(Surplus)/Deficit arising on Revaluation of Financial Assets in Other Comprehensive Income and Expenditure</b> |                        |                   | -   |                                    | -              |
| <b>Net (gain)/loss for the year</b>   | <b>15,630</b>          | <b>(2,107)</b>    | -   | <b>(113)</b>                       | <b>13,410</b>  |

|   | Financial<br>Liabilities: | Financial<br>Assets: | Financial<br>Assets:                                   | Financial<br>Assets:                        | 2020/21        |
|---|---------------------------|----------------------|--|---|----------------|
|   | Amortised<br>cost         | Amortised<br>cost    | Fair value<br>through Other<br>comprehensive<br>income | Fair value<br>through<br>Profit and<br>Loss | Total          |
|   | £'000                     | £'000                | £'000  | £'000                                       | £'000          |
| Realised (Gains)/Losses   |                           |                      |  |   | 0              |
| Unrealised (Gains)/Losses   |                           |                      |  | 104   | 104            |
| <b>Net (Gains)/Losses on<br/>Financial Instruments in<br/>Surplus/Deficit on Provision<br/>of Services</b>                        | -                         | -                    | -  | <b>104</b>                                  | <b>104</b>     |
| Interest expense  | 15,592                    |                      |  |   | 15,592         |
| Fee expense   | 2                         |                      |  | 89  | 91             |
| <b>Total expense in<br/>Surplus/Deficit on the<br/>Provision of Services</b>  | <b>15,595</b>             | -                    | -  | <b>89</b>                                   | <b>15,683</b>  |
| Interest income   |                           | (1,547)              |  |   | (1,547)        |
| Dividend income/distributions   |                           |                      |  | (722)                                       | (722)          |
| <b>Total Income in<br/>Surplus/Deficit on the<br/>Provision of Services</b>   | -                         | <b>(1,547)</b>       | -  | <b>(722)</b>                                | <b>(2,269)</b> |
| <b>Total (Gain)/Loss in<br/>Surplus/Deficit on Provision<br/>of Services</b>  | <b>15,595</b>             | <b>(1,547)</b>       | -  | <b>(530)</b>                                | <b>13,518</b>  |
| (Gain)/loss on Revaluation  | -                         | -                    | -  | -   | -              |
| <b>(Surplus)/Deficit arising on<br/>Revaluation of Financial<br/>Assets in Other<br/>Comprehensive Income and<br/>Expenditure</b> | -                         | -                    | -  | -   | -              |
| <b>Net (gain)/loss for the year</b>   | <b>15,595</b>             | <b>(1,547)</b>       | -  | <b>(530)</b>                                | <b>13,518</b>  |

## Note 29 - Fair Value

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

| Description of asset or liability  | Valuation Hierarchy | Basis of Valuation   | Observable and unobservable inputs | Key sensitivities |
|--|---------------------|--|------------------------------------|-------------------|
| Borrowing from Public Works Loans Board (PWLb) and Lender Option Borrower Option loans (LOBOs) and | 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.     |

|  |         |   |  |  |
|--|---------|---|--|--|
| Service Concessions.                                 |         |   |  |  |
| 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 £16.8m (£16.8m 19/20). 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 2021.

| 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            |
| <b>Total</b>        |                          |    | <b>108,992</b>         | <b>112,945</b>    | <b>103,543</b>    |

| 2020/21             | Assessed valuation range |    | Value at 31 March 2021 | Value on increase | Value on decrease |
|---------------------|--------------------------|----|------------------------|-------------------|-------------------|
|                     | +                        | -  | £000                   | £000              | £000              |
| Investment property | 5%                       | 5% | 75,980                 | 79,779            | 72,181            |
| Surplus assets      | 0%                       | 5% | 24,841                 | 24,841            | 23,599            |
| <b>Total</b>        |                          |    | <b>100,821</b>         | <b>104,620</b>    | <b>95,780</b>     |

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

| 31 March 2020<br>£'000 |                     | Transfers into Level 3<br>£'000 | Transfers out of Level 3<br>£'000 | Purchases<br>£'000 | Sales<br>£'000 | Unrealised gains and losses<br>£'000 | Realised gains and losses<br>£'000 | 31 March 2021<br>£'000 |
|------------------------|---------------------|---------------------------------|-----------------------------------|--------------------|----------------|--------------------------------------|------------------------------------|------------------------|
| 79,060                 | Investment property | -                               |                                   | -                  |                | (3,080)                              |                                    | 75,980                 |
| 29,932                 | Surplus assets      | -                               | (4,057)                           | 6                  |                | (750)                                | (290)                              | 24,841                 |
| <b>108,992</b>         |                     | <b>-</b>                        | <b>(4,057)</b>                    | <b>6</b>           | <b>-</b>       | <b>(3,830)</b>                       | <b>(290)</b>                       | <b>100,821</b>         |

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 |         |         |         | 2019/20   | Fair Value Hierarchy |         |         |         | 2020/21 |
|----------------------|---------|---------|---------|---|----------------------|---------|---------|---------|---------|
| Level 1              | Level 2 | Level 3 | Total   |   | Level 1              | Level 2 | Level 3 | Total   |         |
| £000                 | £000    | £000    | £000    |   | £000                 | £000    | £000    | £000    |         |
|                      |         |         |         | Assets  |                      |         |         |         |         |
| -                    | 6,019   | -       | 6,019   | Long-term investments   |                      | 6,063   | -       | 6,063   |         |
| -                    | -       | 32,998  | 32,998  | Long-term loans   | -                    | -       | 36,765  | 36,765  |         |
|                      | 14,789  | -       | 14,789  | Financial assets measured at fair value through Profit & Loss |                      | 14,649  | -       | 14,649  |         |
| -                    | -       | 108,993 | 108,993 | Non-financial assets at fair value                            | -                    | -       | 100,821 | 100,821 |         |



| - | 20,808    | 141,991 | 162,799   | Total assets                    | - | 20,712    | 137,585 | 158,297   |
|---|-----------|---------|-----------|---------------------------------|---|-----------|---------|-----------|
|   |           |         |           | Liabilities                     |   |           |         |           |
|   |           |         |           | Borrowing:                      |   |           |         |           |
| - | (417,229) | -       | (417,229) | Public Works Loans Board (PWLb) | - | (447,619) | -       | (447,619) |
| - | (45,512)  | -       | (45,512)  | LOBOs                           | - | (50,014)  | -       | (50,014)  |
| - | (4,852)   | -       | (4,852)   | Other lenders                   | - | (4,798)   | -       | (4,798)   |
| - | (10,003)  | -       | (10,003)  | Temporary Borrowing             | - | -         | -       | -         |
| - | (26,243)  | -       | (26,243)  | Service concessions             | - | (22,914)  | -       | (22,914)  |
| - | (503,839) | -       | (503,839) | Total liabilities               | - | (525,345) | -       | (525,345) |

## Note 30 – Nature and Extent of Risks Arising from Financial Instruments

The Council's activities expose it to a variety of financial risks. The main risks to the Council's treasury activities are:

- Credit and Counterparty Risk (security of investments);
- Liquidity Risk / Refinancing Risk (inadequate cash resources / impact of debt maturing in future years);
- Market or Interest Rate Risk (fluctuations in interest rate levels);
- Inflation Risk (exposure to inflation);
- Legal and Regulatory Risk.

The Council's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the resources available to fund services. Risk management is carried out by the Treasury Management team, under policies approved by the Council. The annual Treasury Management Strategy Statement outlines the proposed Treasury Management strategy, policies, and activities for the coming year. It includes an Annual Investment Strategy that is required by the Local Authority Act 2003, as prescribed by guidance from the Ministry of Housing, Communities and Local Government (MHCLG), now called Department for Levelling Up, Housing and Communities. The Treasury Management Practices (TMPs) is a comprehensive document that sets out the nature of risks inherent to treasury management, and schedules provide details of how those risks are actively managed. They form a living document that is subject to ongoing review and updating.

### Credit Risk

Credit and counter-party risk is the risk of failure (default) by a third party to meet its contractual obligations under an investment, loan or other commitment, especially one due to deterioration in its creditworthiness, which causes the Council an unexpected burden on its capital or revenue resources.

#### Credit and Counterparty Risk – Investments

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: Fitch; Standard & Poor's

and; Moody's. The Investment Strategy also imposes a maximum sum to be invested within each rating category. No more than £20m is held with any one institution regardless of standing or duration. The Investment Strategy is contained with the Council's Treasury Management Strategy.

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:

| 2019/20<br>Fair value<br>through profit<br>and loss | 2019/20<br>Assets at<br>amortised<br>cost | 2019/20<br>Cash and<br>cash<br>equivalents | Fitch Rating   | 2020/21<br>Fair value<br>through profit<br>and loss | 2020/21<br>Assets at<br>amortised<br>cost | 2020/21<br>Cash and<br>cash<br>equivalents |
|---|---|--|----------------|---|---|--|
| £'000   | £'000                                     | £'000                                      |                | £'000   | £'000                                     | £'000                                      |
|   |   |  | AAA            |   |   |  |
|   |   |  | AA+            |   |   |  |
|   |   |  | AA             |   |   |  |
| 14,789  |   |  | AA-            | 14,649  |   |  |
|   |   | 22,512                                     | A+             |   |   | 27,013                                     |
|   |   | 1,007                                      | A              |   |   | 20,035                                     |
|   |   |  | A-             |   |   |  |
|   |   |  | BBB+           |   |   |  |
|   |   |  | BB-            |   |   |  |
|   | 55,911                                    | 10,876                                     | Not applicable |   | 75,731                                    | 12,054                                     |
| <b>14,789</b>                                       | <b>55,911</b>                             | <b>34,395</b>                              |                | <b>14,649</b>                                       | <b>75,731</b>                             | <b>59,102</b>                              |

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.

As the crisis relating to Covid-19 evolves, the Credit Rating Agencies continue to update the Ratings of the Banks we lend to, and these revised ratings are considered as we make deposits.

### Credit and Counterparty Risk – Trade and Lease Receivables

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:

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

| <b>At March 2021</b>                                | <b>Total<br/>£'000</b> | <b>Not past due<br/>(0-30 days)<br/>£'000</b> | <b>2-3<br/>months<br/>£'000</b> | <b>4-5<br/>months<br/>£'000</b> | <b>over 5<br/>months<br/>£'000</b> |
|---|------------------------|---|---------------------------------|---------------------------------|------------------------------------|
| Debtors individually assessed                       | 5,000                  | 0   | 0                               | 0                               | 5,000                              |
| <b>Expected credit loss (individually assessed)</b> | <b>5,000</b>           | <b>0</b>                                      | <b>0</b>                        | <b>0</b>                        | <b>5,000</b>                       |
| Debtors collectively assessed                       | 12,037                 | 2,580   | 1,534                           | 232                             | 7,691                              |
| Loss rate   |                        | 16%   | 38%                             | 70%                             | 38%                                |
| <b>Expected credit loss (collectively assessed)</b> | <b>(4,082)</b>         | <b>(413)</b>                                  | <b>(583)</b>                    | <b>(163)</b>                    | <b>(2,923)</b>                     |
| <b>Total Lifetime Expected Credit Losses</b>        | <b>(4,082)</b>         | <b>(413)</b>                                  | <b>(583)</b>                    | <b>(163)</b>                    | <b>(2,923)</b>                     |

### 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 2021, the gross carrying amount of long-term debtors measured at amortised cost was £36.764m (£32.998m at 31 March 2020). Of the balance at 31 March 2021, £36.316m 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<br>2019/20<br>£ '000 | Liability including<br>interest<br>2019/20<br>£'000 |                    | Carrying Value<br>2020/21<br>£ '000 | Liability including<br>interest<br>2020/21<br>£ '000 |
|-------------------------------------|---|--------------------|-------------------------------------|--|
| 37,697                              | 51,657  | Less than one year | 42,629                              | 56,513   |
| 16,084                              | 33,054  | 1 - 2 years        | 6,444                               | 23,222   |
| 11,666                              | 52,395  | 2 - 5 years        | 11,362                              | 51,861   |
| 26,252                              | 94,383  | 5 - 10 years       | 26,542                              | 93,463   |
| 115,619                             | 282,722   | 10 - 25 years      | 124,093                             | 287,462  |
| 182,019                             | 253,986   | 25 - 40 years      | 185,019                             | 250,901  |
| 75,000                              | 83,450  | 40+ years          | 60,000                              | 66,440   |
| <b>464,337</b>                      | <b>851,647</b>                                      |                    | <b>456,088</b>                      | <b>829,861</b>                                       |

### Market Risks

#### Interest rate risk

The Council is exposed to interest movements on its borrowings and investments. Movements in interest rates can 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 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 liabilities will fall.
- Investments at variable rates – the interest income credited to the Comprehensive Income and Expenditure Statement will rise; and
- Investments at fixed rates – the fair value of the investment will fall.

Investments measured at historic 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 2021, 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  | (480)        |
| <b>Impact on surplus/deficit on the provision of services</b>   | <b>(432)</b> |
| Decrease in fair value of fixed rate investments  | 0            |
| <b>Impact on Other comprehensive income and expenditure</b>   | <b>0</b>     |
| 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) | (90)         |

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 2021.

## Note 31 - Cash and Cash Equivalents

| 31 March 2020 |  | 31 March 2021 |
|---------------|--|---------------|
| £'000         |  | £'000         |
| 34,254        | Cash and Bank balances                 | 59,103        |
| <b>34,254</b> | <b>Total Cash and Cash Equivalents</b> | <b>59,103</b> |

## Note 32 – Debtors

### Long term debtors

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

|  | 1 April<br>2020 | New<br>advances<br>recognised | Advances<br>repaid | Transfer<br>(to)/from<br>short term<br>or other | 31 March<br>2021 |
|--|-----------------|-------------------------------|--------------------|---|------------------|
|  | £ '000          | £ '000                        | £ '000             | £ '000  | £ '000           |
| Amounts due from subsidiary undertakings | 32,524          | 5,700                         | -                  | (1,911)   | 36,313           |
| Other mortgages and Loans                | 2               | -                             | (2)                | -   | -                |
| Other long-term debtors                  | 472             | -                             | -                  | (21)  | 451              |
|  | <b>32,998</b>   | <b>5,700</b>                  | <b>(2)</b>         | <b>(1,932)</b>                                  | <b>36,764</b>    |

### 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 2020<br>£'000 |                                       | 31 March 2021<br>£'000 |
|------------------------|---------------------------------------|------------------------|
|                        | <b>Central Government Bodies</b>      |                        |
| 2,885                  | - HMRC                                | 5,532                  |
| 2,332                  | - Other                               | 2,267                  |
| 1,506                  | <b>Other Local Authorities</b>        | 4,279                  |
| 498                    | <b>NHS Bodies</b>                     | 368                    |
|                        | <b>Other Entities and Individuals</b> |                        |
| 2,268                  | - Business Rates payers               | 26,131                 |
| 3,642                  | - Council Taxpayers                   | 3,766                  |
| 2,033                  | - Housing Benefits Overpayments       | 2,024                  |
| 1,774                  | - Housing Rents                       | 1,943                  |
| 34,940                 | - Other Sundry Debtors                | 38,362                 |
| <b>51,879</b>          | <b>Total Debtors</b>                  | <b>84,672</b>          |

## Impairment Allowances included within the above figures for doubtful debts

| 31 March 2020<br>£'000 |                                       | 31 March 2021<br>£'000 |
|------------------------|---------------------------------------|------------------------|
|                        | <b>Other Entities and Individuals</b> |                        |
| (3,359)                | - Business Rates payers               | (3,474)                |
| (11,741)               | - Council Taxpayers                   | (14,113)               |
| (4,621)                | - Housing Benefits Overpayments       | (4,502)                |
| (1,248)                | - Housing Rents                       | (1,530)                |
| (6,886)                | - Other Sundry Debtors                | (8,605)                |
| <b>(27,856)</b>        | <b>Total Debtors</b>                  | <b>(32,224)</b>        |

## Note 33 - Creditors

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

| 31 March 2020<br>£'000 |                                       | 31 March 2021<br>£'000 |
|------------------------|---------------------------------------|------------------------|
|                        | <b>Central Government Bodies</b>      |                        |
| (2,111)                | - HMRC – PAYE and NI                  | (2,234)                |
| (4,164)                | - Other                               | (40,067)               |
| (7,426)                | <b>Other Local Authorities</b>        | (6,392)                |
| (80)                   | <b>NHS Bodies</b>                     | (34)                   |
|                        | <b>Other Entities and Individuals</b> |                        |
| (2,817)                | - Group subsidiaries                  | -                      |
| (3,527)                | - Business Rates payers               | (4,438)                |
| (2,624)                | - Council Taxpayers                   | (19,163)               |
| (609)                  | - Housing rent                        | (1,142)                |
| (1,639)                | - Accumulated Absences                | (2,166)                |
| (36,773)               | - Other creditors                     | (37,400)               |
| (6,870)                | <b>Receipts in Advance</b>            | (4,688)                |
| <b>(68,639)</b>        | <b>Total Creditors</b>                | <b>(117,724)</b>       |



## Note 34 - Provisions

|                                    | Balance at<br>1 April 2020 | Additional<br>Provisions<br>Made in<br>2020/21 | Amounts<br>Used in<br>2020/21 | Unused<br>Amounts<br>Returned in<br>2020/21 | Balance at<br>31 March<br>2021 |
|------------------------------------|----------------------------|--|-------------------------------|---|--------------------------------|
|                                    | £'000                      | £'000  | £'000                         | £'000                                       | £'000                          |
| Provision for NNDR Appeals         | (5,030)                    | (7,756)  | 9,308                         | -   | (3,478)                        |
| Insurance                          | (1,796)                    | (788)  | 788                           | -   | (1,796)                        |
| Ordinary Residence Disputes        | (857)                      | -  | -                             | -   | (857)                          |
| Unequal Pay Back Pay               | (1,326)                    | -  | 229                           | -   | (1,097)                        |
| Other                              | (178)                      | -  | -                             | -   | (178)                          |
| <b>Total Short-Term Provisions</b> | <b>(9,188)</b>             | <b>(8,543)</b>                                 | <b>10,325</b>                 | <b>-</b>                                    | <b>(7,406)</b>                 |
| Rent deposit guarantee             | (796)                      | (220)  | -                             | -   | (1,016)                        |
| <b>Total Long-Term Provisions</b>  | <b>(796)</b>               | <b>(220)</b>                                   | <b>-</b>                      | <b>-</b>                                    | <b>(1,016)</b>                 |
| <b>Total Provisions</b>            | <b>(9,984)</b>             | <b>(8,763)</b>                                 | <b>10,325</b>                 | <b>-</b>                                    | <b>(8,422)</b>                 |

**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 35 - Usable Reserves

The Usable Reserves of the Council are as follows:

| 31 March 2020    |                          | 31 March 2021    |
|------------------|--------------------------|------------------|
| £'000            | Note                     | £'000            |
| (7,500)          | General Fund             | (7,500)          |
| (35,822)         | HRA                      | (41,516)         |
| (9,910)          | HRA Earmarked Reserves   | (10,074)         |
| (45,699)         | GF - Earmarked Reserves  | (97,533)         |
| (2,601)          | Major Repairs Reserve    | (2,255)          |
| (58,665)         | Capital Grants Unapplied | (62,692)         |
| (11,349)         | Capital Receipts Reserve | (13,724)         |
| <b>(171,546)</b> | <b>Total</b>             | <b>(235,294)</b> |

### Capital Receipts Reserve

| 31 March 2020   |   | 31 March 2021   |
|-----------------|---|-----------------|
| £'000           |   | £'000           |
| (8,632)         | Balance 1 April   | (11,349)        |
| (14,554)        | Capital Receipts in year                                | (7,334)         |
| (153)           | Deferred Receipts realised                              | -               |
| 905             | Capital Receipts Pooled                                 | 905             |
| 199             | Equal Pay claims  | -               |
| 10,886          | Capital Receipts used for financing capital expenditure | 4,054           |
| <b>(11,349)</b> | <b>Balance 31 March</b>                                 | <b>(13,724)</b> |

### Major Repairs Reserve (HRA)

| 31 March 2020  |  | 31 March 2021  |
|----------------|--|----------------|
| £'000          |  | £'000          |
| (1,988)        | Balance 1 April                            | (2,601)        |
| (10,654)       | Depreciation and Amortisation              | (10,452)       |
| 10,041         | Application to finance capital expenditure | 10,798         |
| <b>(2,601)</b> | <b>Balance 31 March</b>                    | <b>(2,255)</b> |

## Capital Grants Unapplied

| 31 March 2020<br>£'000 |  | 31 March 2021<br>£'000 |
|------------------------|--|------------------------|
| (50,077)               | Restated Balance 1 April                 | (58,664)               |
| (33,215)               | Capital grants recognised in year        | (36,247)               |
| 24,627                 | Capital grants and contributions applied | 32,219                 |
| <b>(58,665)</b>        | <b>Balance 31 March</b>                  | <b>(62,692)</b>        |

## Note 36 - Unusable Reserves

The Unusable Reserves of the Council are as follows:

| 31 March 2020<br>£'000 |  | 31 March 2021<br>£'000 |
|------------------------|--|------------------------|
| (167,723)              | Revaluation Reserve                      | (190,238)              |
| (373,193)              | Capital Adjustment Account               | (392,835)              |
| 395,684                | Pension Reserve                          | 551,445                |
| (4,306)                | Deferred Capital Receipts Reserve        | (3,011)                |
| (12,030)               | Collection Fund Adjustment Account       | 32,846                 |
| 1,639                  | Accumulated Absences Account             | 2,165                  |
| 397                    | Pooled Fund Adjustment Account           | 500                    |
| 64                     | Financial Instrument Revaluation Reserve | 64                     |
| -                      | *Dedicated Schools Grant                 | 1,356                  |
| <b>(159,468)</b>       | <b>Total</b>                             | <b>2,292</b>           |

\*Dedicated Schools Grant (Note 20) – when in deficit is shown in the Unusable Reserves from 2020/21

## Revaluation Reserve

| 31 March 2020<br>£'000 |   | 31 March 2021<br>£'000 |
|------------------------|---|------------------------|
| <b>(190,311)</b>       | <b>Balance 1 April</b>  | <b>(167,723)</b>       |
| (9,075)                | Upward revaluation of assets  | (29,695)               |
| 26,024                 | Downward revaluation of assets and impairment losses not charged to the Surplus or Deficit on the Provision of Services           | 4,167                  |
| <b>16,949</b>          | <b>Surplus or deficit on revaluation of non-current assets not charged to the Surplus or Deficit on the Provision of Services</b> | <b>(25,528)</b>        |
| 3,036                  | Difference between fair value depreciation and historical cost depreciation   | 2,240                  |
| 1,512                  | Accumulated gains on assets sold or scrapped  | 773                    |
| 1,091                  | Other movements   | -                      |
| <b>5,639</b>           | <b>Amount written off to the Capital Adjustment Account</b>   | <b>3,013</b>           |

|                  |                         |                  |
|------------------|-------------------------|------------------|
| <b>(167,723)</b> | <b>Balance 31 March</b> | <b>(190,238)</b> |
|------------------|-------------------------|------------------|

- Table is subject to roundings

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

| <b>31 March 2020</b> |  | <b>31 March 2021</b> |
|----------------------|--|----------------------|
| <b>£'000</b>         |  | <b>£'000</b>         |
| <b>(382,755)</b>     | <b>Balance 1 April</b>   | <b>(373,193)</b>     |
| 43,228               | Charges for depreciation and impairment of non-current assets  | 32,148               |
| 548                  | Amortisation of intangible assets  | 1,010                |
| 9,577                | Revenue expenditure funded from capital under statute  | 7,180                |
| 5,117                | 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 | 5,039                |
| <b>58,470</b>        | <b>Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement</b>                       | <b>45,377</b>        |
| (5,639)              | Adjusting Amounts written out of the Revaluation Reserve   | (3,013)              |
| <b>52,831</b>        | <b>Net written out amount of the cost of non-current assets consumed in the year</b>   | <b>42,364</b>        |
| (11,085)             | Use of Capital Receipts Reserve to finance new capital expenditure   | (4,054)              |
| (10,041)             | Use of Major Repairs Reserve to finance new capital expenditure  | (10,799)             |
| (24,735)             | Capital Grants and Contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing              | (32,219)             |
| (9,029)              | Statutory provision for the financing of capital investment charged against the General Fund and HRA balances  | (17,752)             |
| (139)                | Capital expenditure charged against the General Fund and HRA balances  | (402)                |
| <b>(55,029)</b>      | <b>Capital financing applied in year:</b>  | <b>(65,227)</b>      |
| 4,633                | Movements in the market value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement                         | 3,080                |
| 7,127                | Other movements  | 140                  |
| <b>(373,193)</b>     | <b>Balance 31 March</b>  | <b>(392,835)</b>     |

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 2020<br>£'000 |  | 31 March 2021<br>£'000 |
|------------------------|--|------------------------|
| <b>454,348</b>         | <b>Balance 1 April</b>   | <b>395,684</b>         |
| (80,602)               | Remeasurements of the net defined benefit (liability)/asset  | 133,852                |
| 37,615                 | 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 | 38,456                 |
| (15,677)               | Employer's pensions contributions and direct payments to pensioners payable in the year  | (16,547)               |
| <b>395,684</b>         | <b>Balance 31 March</b>  | <b>551,445</b>         |

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 2020<br>£'000 |   | 31 March 2021<br>£'000 |
|------------------------|---|------------------------|
| (5,899)                | <b>Balance 1 April</b>  | <b>(4,306)</b>         |
| 1,255                  | Transfer to the Capital Receipts Reserve upon receipt of cash | 1,293                  |
| 337                    | Other movements   | 2                      |
| <b>(4,306)</b>         | <b>Balance 31 March</b>                                       | <b>(3,011)</b>         |

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 2020<br>£'000 |   | 31 March 2021<br>£'000 |
|------------------------|---|------------------------|
| (9,222)                | <b>Balance 1 April</b>  | <b>(12,030)</b>        |
| (2,808)                | 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 | 44,876                 |
| <b>(12,030)</b>        | <b>Balance 31 March</b>   | <b>32,846</b>          |

\* Comparative figures subject to roundings

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.

## Accumulated Absences Account

| £'000   | 31 March 2020<br>£'000 |   | £'000   | 31 March 2021<br>£'000 |
|---------|------------------------|---|---------|------------------------|
|         | <b>2,076</b>           | <b>Balance 1 April</b>  |         | <b>1,639</b>           |
| (2,076) |                        | Settlement or cancellation of accrual made at the end of the preceding year | (1,639) |                        |
| 1,639   |                        | Amounts accrued at the end of the current year                              | 2,166   |                        |

|              |   |              |
|--------------|---|--------------|
| <b>(437)</b> | 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 | <b>527</b>   |
| <b>1,639</b> | <b>Balance 31 March</b>   | <b>2,166</b> |

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 2020 |   | 31 March 2021 |
|---------------|---|---------------|
| £'000         |   | £'000         |
| (145)         | Balance 1 April                                     | 397           |
| 542           | Revaluation gains on pooled fund adjustment account | 103           |
| <b>397</b>    | <b>Balance 31 March</b>                             | <b>500</b>    |

### Financial Instruments Revaluation Reserve

| 31 March 2020 |                                     | 31 March 2021 |
|---------------|-------------------------------------|---------------|
| £'000         |                                     | £'000         |
| -             | Balance 1 April                     | 64            |
| 64            | Downward revaluation of investments | -             |
| <b>64</b>     | <b>Balance 31 March</b>             | <b>64</b>     |

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.

### Dedicated Schools Grant

See Note 20 – when in deficit is shown in the Unusable Reserves from 2020/21.



## Note 37 - 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.

### 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.

## Note 38 - Contingent Assets

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.

The Council is also investigating the liability of various third parties to indemnify it or repay monies which were expended in response to a fire incidence. The amount of loss and liability of third parties is currently under investigation.

## Note 39 - Leases

### Authority as Lessee - Finance Leases

At the 31 March 2021, the value of assets held under finance leases was judged to be immaterial.

### Authority as Lessee - Operating Leases

At the 31 March 2021, 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 2020 |  | 31 March 2021 |
|---------------|--|---------------|
| £'000         |  | £'000         |
|               | <b>Finance lease debtor (net present value of minimum lease payments):</b> |               |
| 1,293         | - current  | 1,335         |
| 3,011         | - non-current  | 1,676         |
| 234           | Unearned finance income  | 121           |
| <b>4,538</b>  | <b>Gross investment in the lease</b>                                       | <b>3,132</b>  |

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 2020                 | 31 March 2021 |   | 31 March 2020          | 31 March 2021 |  |
| £'000                         | £'000         |   | £'000                  | £'000         |  |
| 1,406                         | 1,406         | Not later than one year                           | 1,406                  | 1,406         |  |
| 2,816                         | 1,568         | Later than one year and not later than five years | 2,816                  | 1,568         |  |
| 316                           | 158           | Later than five years                             | 316                    | 158           |  |
| <b>4,538</b>                  | <b>3,132</b>  | <b>Total</b>                                      | <b>4,538</b>           | <b>3,132</b>  |  |

### 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 2020 |   | 31 March 2021 |
|---------------|---|---------------|
| £'000         |   | £'000         |
| 5,575         | Not later than one year                           | 5,547         |
| 17,860        | Later than one year and not later than five years | 17,190        |
| 15,978        | Later than five years                             | 14,633        |
| <b>39,413</b> | <b>Total</b>                                      | <b>37,370</b> |

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

## Note 40 - 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

2020/21 was the seventeenth year of a 30-year PFI contract to manage and maintain 1,262 dwellings on the North Whitley estate to defined availability and quality standard (1,271 dwellings remained as at 31 March 2020). 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 £102.4m at 31 March 2021 (£96.8m at 31 March 2020).

## 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 2021 are as follows:

| 2019/20       |                                      |               |                | 2020/21       |                                      |               |               |
|---------------|--------------------------------------|---------------|----------------|---------------|--------------------------------------|---------------|---------------|
| Service cost  | Reimbursement of capital expenditure | Interest      | Total          | Service cost  | Reimbursement of capital expenditure | Interest      | Total         |
| £'000         | £'000                                | £'000         | £'000          | £'000         | £'000                                | £'000         | £'000         |
| 3,771         | 451                                  | 2,613         | 6,835          | 3,820         | 475                                  | 2,611         | 6,906         |
| 15,620        | 2,747                                | 9,947         | 28,314         | 15,814        | 2,992                                | 9,784         | 28,590        |
| 20,786        | 6,088                                | 10,806        | 37,680         | 21,022        | 7,445                                | 9,538         | 38,005        |
| 18,082        | 10,181                               | 4,516         | 32,779         | 13,700        | 8,103                                | 2,964         | 24,767        |
| -             | -                                    | -             | -              | -             | -                                    | -             | -             |
| <b>58,259</b> | <b>19,467</b>                        | <b>27,882</b> | <b>105,608</b> | <b>54,356</b> | <b>19,015</b>                        | <b>24,897</b> | <b>98,268</b> |

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:

| 2019/20                    | 2020/21         |
|----------------------------|-----------------|
| £'000                      | £'000           |
| (19,872) Opening balance   | (19,467)        |
| 405 Repayment of liability | 451             |
| <b>(19,467)</b>            | <b>(19,015)</b> |

## b) Waste PFI scheme

This is the fourteenth 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

| 2019/20          |                   |        | 2020/21         |                  |                   |        |
|------------------|-------------------|--------|-----------------|------------------|-------------------|--------|
| Land & Buildings | Plant & Equipment | Total  |                 | Land & Buildings | Plant & Equipment | Total  |
| £'000            | £'000             | £'000  |                 | £'000            | £'000             | £'000  |
| 10,539           | 2,092             | 12,631 | Opening Balance | 10,235           | 1,987             | 12,222 |
| -                | -                 | -      | Revaluations    | -                | -                 | -      |
| (304)            | (105)             | (409)  | Depreciation    | (148)            | (120)             | (268)  |
| -                | -                 | -      | Impairment      | (99)             | (301)             | (400)  |
| -                | -                 | -      | Additions       | 1                | -                 | 1      |
| 10,235           | 1,987             | 12,222 | Closing balance | 9,989            | 1,566             | 11,555 |

## 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 2021 are set out below:

| 2019/20      |                                      |          |        | 2020/21      |                                      |          |        |
|--------------|--------------------------------------|----------|--------|--------------|--------------------------------------|----------|--------|
| Service cost | Reimbursement of capital expenditure | Interest | Total  | Service cost | Reimbursement of capital expenditure | Interest | Total  |
| £'000        | £'000                                | £'000    | £'000  | £'000        | £'000                                | £'000    | £'000  |
| 2,182        | 408                                  | 401      | 2,991  | 2,253        | 419                                  | 372      | 3,043  |
| 9,589        | 1,584                                | 1,322    | 12,495 | 9,907        | 1,605                                | 1,202    | 12,714 |
| 13,356       | 2,645                                | 888      | 16,889 | 13,691       | 2,805                                | 689      | 17,185 |
| 3,552        | 848                                  | 62       | 4,462  | 646          | 249                                  | 10       | 905    |
| 28,679       | 5,485                                | 2,673    | 36,837 | 26,497       | 5,077                                | 2,273    | 33,847 |

\*Subject to roundings

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

| 2019/20 |                 | 2020/21 |
|---------|-----------------|---------|
| £000s   |                 | £000s   |
| (115)   | Within one year | (115)   |
| (460)   | 2 to 5 years    | (460)   |
| (575)   | 6 to 10 years   | (575)   |
| (142)   | 11 to 15 years  | (27)    |
| (1,292) |                 | (1,177) |

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

| 2019/20        |                 | 2020/21        |
|----------------|-----------------|----------------|
| £000s          |                 | £000s          |
| (5,953)        | Opening balance | (5,485)        |
| 468            | Repayment       | 408            |
| <b>(5,485)</b> | Closing balance | <b>(5,077)</b> |

## Note 41 - 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 2020/21, the Council paid £5.327m to the Teachers Pensions Agency in respect of teachers' retirement benefits, representing 23% of pensionable pay (in 2019/20 £4.601m was paid representing 20.5% of pensionable pay). There were no contributions payable at the year-end. The expected contributions to the Teachers' Pension Scheme for 2021/22 are £7.590m.

## Note 42 - 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

| 2019/20   |   | 2020/21          |              |
|---|---|------------------|--------------|
| Funded  | Unfunded  | Funded           | Unfunded     |
| £'000   | £'000   | £'000            | £'000        |
| <b>Comprehensive Income and Expenditure Statement</b>   |   |                  |              |
| <b>Cost of Services</b>   |   |                  |              |
|   | Service cost comprising:  |                  |              |
| 23,656  | - Current service cost  | 29,303           |              |
| 5,485   | - Past service cost   | 284              |              |
| -   | - (Gain) / loss from curtailments   | -                |              |
| (2,482)   | - (Gain) / loss from settlements and / or transfers                                 | (338)            |              |
| 244   | - Administration expenses   | 237              |              |
|   | Other Operating Expenditure:  |                  |              |
|   | Financing and Investment Income and Expenditure                                     |                  |              |
| 10,713  | - Net interest expense  | 8,970            |              |
| <b>37,616</b>   | <b>- Total charged to Surplus and Deficit on Provision of Services</b>              | <b>38,456</b>    |              |
| <b>Other post-employment benefits charged to the Comprehensive Income and Expenditure Statement</b> |   |                  |              |
| 2019/20   |   | 2020/21          |              |
| £'000   | £'000   | £'000            | £'000        |
|   | Re-measurement of the net defined benefit liability comprising:                     |                  |              |
| 30,366  | - Return on plan assets (excluding the amount included in the net interest expense) | (66,386)         | 0            |
| (9,440)   | - Actuarial gains and losses arising on changes in demographic assumptions          | (8,718)          | 0            |
| (77,810)  | 9,199 Actuarial gains and losses arising on changes in financial assumptions        | (70,109)         | 1,498        |
| (32,917)  | - Other movements in the liability / (asset)  | (32,917)         | 0            |
| <b>(89,801)</b>   | <b>9,199 Total charged to Other Comprehensive Income and Expenditure Statement</b>  | <b>(178,130)</b> | <b>1,498</b> |
| <b>(52,185)</b>   | <b>9,199 Total charged to the Comprehensive Income and Expenditure Statement</b>    | <b>(139,674)</b> | <b>1,498</b> |



| 2019/20         |            | Movement in Reserves Statement  | 2020/21         |            |
|-----------------|------------|---|-----------------|------------|
| Funded          | Unfunded   |   | Funded          | Unfunded   |
| £'000           | £'000      |   | £'000           | £'000      |
| (37,616)        | -          | - Reversal of net charges made to the Surplus or Deficit on the Provision of Services | (38,456)        | -          |
|                 |            | Actual amount charged against the general fund balance for pensions in the year:      |                 |            |
| 14,837          | -          | - Employers' contributions payable to scheme  | 15,721          | -          |
| -               | 840        | Benefits paid direct to beneficiaries   | -               | 826        |
| <b>(22,779)</b> | <b>840</b> |   | <b>(22,735)</b> | <b>826</b> |

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

| Pensions Assets and Liabilities Recognised in the Balance Sheet |                 |  |                  |                 |                  |
|---|-----------------|--|------------------|-----------------|------------------|
| 2019/20   |                 |  | 2020/21          |                 |                  |
| Funded  | Unfunded        | Total  | Funded           | Unfunded        | Total            |
| £'000   | £'000           | £'000  | £'000            | £'000           | £'000            |
| (758,491)   | (18,651)        | (777,142)  | (983,947)        | (20,149)        | (1,004,096)      |
| 381,458   | -               | 381,458  | 452,651          | -               | 452,651          |
| <b>(377,033)</b>  | <b>(18,651)</b> | <b>(395,684)</b>   | <b>(531,296)</b> | <b>(20,149)</b> | <b>(551,445)</b> |
|   |                 | <b>Net (liability) / asset arising from the defined benefit obligation</b> |                  |                 |                  |

iii. **Reconciliation of the Present Value of the Scheme Liabilities**

| 2019/20          |                 | Movements in the Fair Value of Scheme Liabilities                    | 2020/21          |                 |
|------------------|-----------------|--|------------------|-----------------|
| Funded           | Unfunded        |  | Funded           | Unfunded        |
| £'000            | £'000           |  | £'000            | £'000           |
| (856,428)        | (10,292)        | Opening balance at 1 April   | (758,491)        | (18,651)        |
| (23,656)         | -               | - Current service cost   | (29,303)         | -               |
| (20,610)         | -               | - Interest cost  | (15,658)         | -               |
| (4,052)          | -               | - Contributions from scheme participants                             | (4,214)          | -               |
|                  |                 | Re-measurement gains and losses:                                     |                  |                 |
| 9,440            | -               | - Actuarial gains / (losses) from changes in demographic assumptions | 8,718            | -               |
| 77,810           | (9,199)         | - Actuarial gains / (losses) from changes in financial assumptions   | (217,186)        | (2,324)         |
| 42,695           | -               | - Other  | 10,554           | -               |
| (5,485)          | -               | - Past service cost  | (284)            | -               |
| 18,560           | 840             | Benefits / transfers paid  | 21,818           | 826             |
| 3,235            | -               | - Liabilities extinguished on settlements                            | 99               | -               |
| <b>(758,491)</b> | <b>(18,651)</b> | <b>Balance as at 31 March</b>  | <b>(983,947)</b> | <b>(20,149)</b> |

#### iv. Reconciliation of the Movement of the Fair Value of the Plan Assets

| 2019/20        |          | Movement in the Value of Scheme Assets   | 2020/21        |          |
|----------------|----------|--|----------------|----------|
| Funded         | Unfunded |  | Funded         | Unfunded |
| £'000          | £'000    |  | £'000          | £'000    |
| 412,373        | -        | - Opening fair value of scheme assets  | 381,458        | -        |
| 9,897          | -        | - Interest income  | 6,688          | -        |
|                | -        | Re-measurement gain / (loss):  |                | -        |
| (30,366)       | -        | - The return on plan assets, excluding the amount included in the net interest expense | 66,386         | -        |
| 14,837         | 840      | Contributions from employer  | 15,721         | 826      |
| 4,052          | -        | - Contributions from employees into the scheme   | 4,214          | -        |
| (18,560)       | (840)    | Benefits / transfers paid  | (21,818)       | (826)    |
| (244)          | -        | - Administration expenses  | (237)          | -        |
| (753)          | -        | - Assets Extinguished on Settlement  | 239            | -        |
| (9,778)        | -        | - Other gains / (losses)   | -              | -        |
| <b>381,458</b> |          | <b>- Closing value of scheme assets</b>  | <b>452,651</b> | <b>-</b> |

#### 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 2021.

#### v. Principal Assumptions

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

| 2019/20 |  | 2020/21 |
|---------|--|---------|
| Years   | Life expectancy assumptions            | Years   |
|         | Longevity at 65 for current pensioners |         |
| 21.5    | Men                                    | 21.2    |
| 24.1    | Women                                  | 23.9    |
|         | Longevity at 65 for future pensioners  |         |
| 22.9    | Men                                    | 22.5    |
| 25.5    | Women                                  | 25.4    |
| %       | Financial assumptions                  |         |
| 2.7     | RPI                                    | 3.2     |
| 1.9     | CPI                                    | 2.9     |
| 2.4     | Discount rate                          | 2.0     |
| 1.9     | Pension increases                      | 2.9     |
| 2.9     | Salary increases                       | 3.9     |

## vi. Scheme Assets

| 2019/20        |                         | 2020/21        |
|----------------|-------------------------|----------------|
| £'000          |                         | £'000          |
| 210,198        | Equities                | 272,095        |
| 48,092         | Other Bonds             | 73,925         |
| 55,671         | Property                | 55,488         |
| 38,525         | Cash                    | 20,226         |
| 16,737         | Target Return Portfolio | 18,283         |
| 1,536          | Commodities             | -              |
| 33,918         | Infrastructure          | 36,835         |
| (23,219)       | Longevity insurance     | (24,201)       |
| <b>381,458</b> | <b>Total</b>            | <b>452,651</b> |

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%) | (20,335)               | 20,777                 |
| Rate of increase in salaries (increase or decrease by 0.1%)            | 1,565                  | (1,552)                |
| Rate of inflation (increase or decrease by 0.1%)                       | 19,018                 | (18,636)               |
| Longevity (increase or decrease by 1 year)                             | 45,735                 | (43,650)               |

## **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 2021/22**

The total contributions expected to be made to the Local Government Pension Scheme by the Council in the year to 31 March 2022 are £15.5m (£16.5m in 2020/21).

## Note 43 - 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 2020 |                   | 31 March 2021 |
|---------------|-------------------|---------------|
| £'000         |                   | £'000         |
| (2,869)       | Interest received | (1,738)       |
| 15,117        | Interest paid     | 15,680        |
| <b>12,248</b> | <b>Total</b>      | <b>13,942</b> |

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

| 31 March 2020   |  | 31 March 2021   |
|-----------------|--|-----------------|
| £'000           |  | £'000           |
| (33,846)        | Depreciation   | (32,138)        |
| (9,382)         | Impairment and downward valuations   | -               |
| (548)           | Amortisation   | (1,010)         |
| -               | Movement in contract assets, liabilities and costs   | 117             |
| (9,829)         | (Increase)/decrease in creditors   | (48,511)        |
| (9,994)         | Increase/(decrease) in debtors   | 16,936          |
| 3               | Increase/(decrease) in inventories   | 100             |
| (21,939)        | Movement in pension liability  | (21,909)        |
| (5,117)         | Carrying amount of non-current assets and non-current assets held for sale, sold or derecognised | (5,040)         |
| (6,746)         | Other non-cash movements charged to the surplus or deficit on provision of services              | (1,659)         |
| <b>(97,398)</b> | <b>Total</b>   | <b>(93,114)</b> |

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

| 31 March 2020 |  | 31 March 2021 |
|---------------|--|---------------|
| £'000         |  | £'000         |
| 5,987         | Proceeds from the sale of property, plant and equipment, investment property and intangible assets   | 7,000         |
| 24,628        | Any other items for which the cash effects are investing or financing cash flows   | 36,246        |
| (7,000)       | Proceeds from short-term (not considered to be cash equivalents) and long-term investments (includes investments in associates, joint ventures and subsidiaries) | 5,888         |
| <b>23,615</b> | <b>Total</b>   | <b>49,134</b> |

## Note 44 - Cash Flow from Investing Activities

| 31 March 2020<br>£'000 |  | 31 March 2021<br>£'000 |
|------------------------|--|------------------------|
| 83,354                 | Purchase of property, plant and equipment, investment property and intangible assets               | 43,972                 |
| -                      | Purchase of short-term and long-term investments   | 60                     |
| 12,348                 | Other payments for investing activities  | 700                    |
| (12,275)               | Proceeds from the sale of property, plant and equipment, investment property and intangible assets | (7,203)                |
| 7,000                  | Proceeds from short-term and long-term investments   | (7,000)                |
| (24,721)               | Other receipts from investing activities   | (36,246)               |
| <b>65,705</b>          | <b>Net cash flows from investing activities</b>  | <b>(5,717)</b>         |

## Note 45 - Cash Flow from Financing Activities

| 31 March 2020<br>£'000 |  | 31 March 2021<br>£'000 |
|------------------------|--|------------------------|
| (100,052)              | Cash receipts of short-term and long-term borrowing  | -                      |
| -                      | Other receipts from financing activities   | (2,616)                |
| 995                    | Cash payments for the reduction of outstanding liabilities relating to finance leases and on-Balance-Sheet PFI contracts | 1,048                  |
| 92,443                 | Repayments of short-term and long-term borrowing   | 13,626                 |
| (4,745)                | Council Tax and NNDR share   | 23,100                 |
| <b>(11,359)</b>        | <b>Net cash flows from financing activities</b>  | <b>35,158</b>          |

## 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 2020<br>£'000 |  | 31 March 2021<br>£'000 |
|------------------------|--|------------------------|
| <b>Expenditure</b>     |  |                        |
| 9,939                  | Repairs & Maintenance  | 4,291                  |
| 10,062                 | Supervision & Management   | 14,671                 |
| 310                    | Rents, Rates, Taxes and other charges  | 144                    |
| 17,303                 | Depreciation, impairments and revaluation losses of non-current assets   | 3,894                  |
| 52                     | Debt Management Costs  | 34                     |
| (124)                  | Other  | 18                     |
| <b>37,541</b>          | <b>Total Expenditure</b>   | <b>23,052</b>          |
| <b>Income</b>          |  |                        |
| (34,258)               | Dwelling rents   | (35,756)               |
| (27)                   | Non-dwelling rents   | (35)                   |
| (4,013)                | PFI credit   | (3,997)                |
| (1,346)                | Charges for services and facilities  | (1,400)                |
| (166)                  | Other  | (141)                  |
| <b>(39,810)</b>        | <b>Total Income</b>  | <b>(41,329)</b>        |
| <b>(2,268)</b>         | <b>Net Expenditure or Income of HRA Services as included in the whole authority Comprehensive Income and Expenditure Statement</b> | <b>(18,277)</b>        |
| 304                    | HRA Services Share of Corporate & Democratic Core  | 318                    |
| <b>(1,964)</b>         | <b>Net Expenditure of HRA Services</b>   | <b>(17,959)</b>        |
| (1,673)                | (Gains)/loss on sale of HRA Fixed Assets   | (1,455)                |
| 7,511                  | Interest Payable and Similar Charges   | 7,398                  |
| (653)                  | HRA Interest and Investment Income   | (1,190)                |
| 595                    | Net interest on the defined benefit liability/asset  | 885                    |
| <b>3,815</b>           | <b>(Surplus) or Deficit for Year on HRA Services</b>   | <b>(12,321)</b>        |

## 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 2020<br>£'000 | Movement on the HRA Statement  | 31 March 2021<br>£'000 |
|------------------------|--|------------------------|
| (33,547)               | Balance on the HRA at the end of the previous year                     | (35,821)               |
| 3,483                  | (Surplus)/Deficit on the HRA Income and Expenditure Statement          | (12,321)               |
| (5,919)                | Adjustments between accounting basis and funding basis under statute   | 6,464                  |
| <b>(2,436)</b>         | <b>Net (increase) or decrease before transfers to or from reserves</b> | <b>(5,857)</b>         |
| 162                    | Transfer to/(from) reserves  | 163                    |
| <b>(2,274)</b>         | <b>(Increase) or decrease on the HRA for the year</b>                  | <b>(5,694)</b>         |
| (35,821)               | Balance on the HRA at the end of the current year                      | (41,514)               |
| (9,910)                | Earmarked reserves – HRA PFI smoothing reserve                         | (10,074)               |
| <b>(45,731)</b>        | <b>Total HRA reserves</b>  | <b>(51,588)</b>        |

| 31 March 2020<br>£'000 | Adjustment between accounting basis  | 31 March 2021<br>£'000 |
|------------------------|--|------------------------|
| (16,897)               | Transfers to/(from) the Capital Adjustment Account   | (3,442)                |
| 1,673                  | Gain or (loss) on sale of non-current assets   | 1,454                  |
| (1,678)                | Contributions to/(from) the Pension Reserve  | (2,244)                |
| (4)                    | Transfers to/(from) the Accumulated Absences Account   | (6)                    |
| 10,654                 | Transfers to/(from) Major Repairs Reserve  | 10,452                 |
| -                      | Capital expenditure funded by the HRA  | 249                    |
| <b>(6,252)</b>         | <b>Net additional amount required by statute to be debited or (credited) to the HRA Balance for the year</b> | <b>6,463</b>           |



## Notes to the HRA Account

### Note 1 - Analysis of Council Housing Stock

At 31 March 2021, the Council was responsible for managing a housing stock of 6,811 dwellings, including 1,262 within the North Whitley PFI scheme (31 March 2020: 6,823 dwellings, 1,271 in the PFI scheme). These dwellings are of the following types:

| 31 March<br>2020 |                                  | 31 March<br>2021 |
|------------------|----------------------------------|------------------|
| 2,922            | Flats                            | 2,923            |
| 3,901            | Houses                           | 3,888            |
| <b>6,823</b>     | <b>Total number of dwellings</b> | <b>6,811</b>     |

### Note 2 – Housing Revenue Account Capital Expenditure

During 2020/21, the Council incurred £16.1m capital expenditure on land, houses and other properties within the HRA (2019/20: £14.5m). The detail of expenditure and the methods of financing are detailed below:

| 31 March 2020<br>£'000 |   | 31 March 2021<br>£'000 |
|------------------------|---|------------------------|
|                        | <b>Capital investment</b>                             |                        |
| 14,553                 | Operational assets                                    | 16,126                 |
| -                      | Revenue Expenditure funded from Capital under Statute | -                      |
| <b>14,553</b>          | <b>Total capital investment</b>                       | <b>16,126</b>          |
|                        | <b>Sources of funding</b>                             |                        |
| (1,036)                | Borrowing   | (2,477)                |
| (3,463)                | Capital Receipts                                      | (798)                  |
| (10,041)               | Major Repairs Reserve                                 | (10,799)               |
| (13)                   | Government grants and other contributions             | (1,804)                |
| -                      | Direct Revenue Financing                              | (249)                  |
| <b>(14,553)</b>        | <b>Total funding</b>                                  | <b>(16,126)</b>        |

## Note 3 – Balance Sheet Value of HRA Operational Assets

| 31 March 2020<br>Restated<br>£'000 |                           | 31 March 2021<br>£'000 |
|------------------------------------|---------------------------|------------------------|
| 474,527                            | Council Dwellings         | 503,310                |
| 4,673                              | Other Land and Buildings  | 4,581                  |
| 2,256                              | Assets Under Construction | 12,058                 |
| 772                                | Surplus Assets            | 3,396                  |
| <b>482,228</b>                     | <b>Total</b>              | <b>523,345</b>         |

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 £1.526m at 31 March 2021 (£1.439m at 31 March 2020). 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 2019/20).

## Note 4 – Depreciation and Impairment

| 31 March 2020         |                     | 31 March 2021         |                     |
|-----------------------|---------------------|-----------------------|---------------------|
| Depreciation<br>£'000 | Impairment<br>£'000 | Depreciation<br>£'000 | Impairment<br>£'000 |
| (10,588)              | (6,175)             | (10,355)              | 5,954               |
| (61)                  | (122)               | (92)                  | -                   |
| (5)                   | (19)                | (5)                   | 604                 |
| <b>(10,654)</b>       | <b>(6,316)</b>      | <b>(10,452)</b>       | <b>6,558</b>        |

NB. A positive entry indicates an impairment reversal.

## Note 5 – Transactions relating to Retirement Benefits

| 31 March 2020 |  | 31 March 2021 |
|---------------|--|---------------|
| £'000         |  | £'000         |
| 902           | Current Service Cost   | 1,340         |
| 305           | Past Service Costs   | (5)           |
| (138)         | (Gain)/loss from settlements   | -             |
| 14            | Administration expenses  | 23            |
| 595           | Net interest expense   | 885           |
| <b>1,678</b>  | <b>Total charged to Comprehensive Income and Expenditure Statement</b> | <b>2,243</b>  |
| <b>1,678</b>  | <b>Movement on Pension Reserve</b>                                     | <b>2,243</b>  |

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 2020  |                | 31 March 2021  |
|----------------|----------------|----------------|
| £'000          |                | £'000          |
| (3,056)        | Council Houses | (2,569)        |
| -              | Other Property | -              |
| <b>(3,056)</b> | <b>Total</b>   | <b>(2,569)</b> |

During the year, the Council disposed of 14 dwellings to tenants under the Right to Buy scheme. These disposals, along with non-Right to buy sales (1), generated total capital receipts of £2.6m, of which £0.9m was paid to Central Government as the Council's contribution to the Central Housing Pool. £6.0m of HRA capital receipts was held by the Council as at 31 March 2021 available to be used on replacement housing.

## Note 7 – Rent Arrears and Bad Debt Provision

| 31 March 2020 |                      | 31 March 2021 |
|---------------|----------------------|---------------|
| Restated      |                      |               |
| £'000         | Arrears by Tenant    | £'000         |
| 1,193         | Current Tenants      | 1,458         |
| 695           | Former Tenants       | 778           |
| <b>1,888</b>  | <b>Total Arrears</b> | <b>2,236</b>  |

The specific provision for the possible non-collection of all rent related charges at 31 March is £1.530m, which represents 68% 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 2020                                   |                      |                | 31 March 2021  |                         |                      |                |
|---|----------------------|----------------|--|-------------------------|----------------------|----------------|
| Business Rates<br>£'000                         | Council Tax<br>£'000 | Total<br>£'000 | Collection Fund  | Business Rates<br>£'000 | Council Tax<br>£'000 | Total<br>£'000 |
| INCOME:   |                      |                |  |                         |                      |                |
| -   | (106,821)            | (106,821)      | Council Tax Receivable   | -                       | (111,956)            | (111,956)      |
| (140,140)                                       | -                    | (140,140)      | Business Rates Receivable  | (78,532)                | -                    | (78,532)       |
| (256)   | -                    | (256)          | Transitional Protection Payments Receivable                                  | -                       | -                    | -              |
| (140,396)                                       | (106,821)            | (247,217)      | Total amounts to be credited   | (78,532)                | (111,956)            | (190,488)      |
| EXPENDITURE:                                    |                      |                |  |                         |                      |                |
| Apportionment of Previous Year Surplus/Deficit: |                      |                |  |                         |                      |                |
| (1,780)   | -                    | (1,780)        | Central Govenment  | 618                     | -                    | 618            |
| -   | 173                  | 173            | Reading Borough Council  | 10,300                  | 237                  | 10,537         |
| (18)  | 7                    | (11)           | Royal Berkshire Fire Authority   | 110                     | 10                   | 120            |
| -   | 20                   | 20             | Thames Valley Police   | -                       | 30                   | 30             |
| Precepts, demands and shares:                   |                      |                |  |                         |                      |                |
| 33,460  |                      | 33,460         | Central Govenment  | 69,920                  | -                    | 69,920         |
| 99,041  | 90,936               | 189,977        | Reading Borough Council  | 68,521                  | 96,015               | 164,536        |
| 1,338   | 3,704                | 5,042          | Royal Berkshire Fire Authority   | 1,398                   | 3,836                | 5,234          |
| -   | 11,528               | 11,528         | Thames Valley Police   | -                       | 12,272               | 12,272         |
| Charges to Collection Fund:                     |                      |                |  |                         |                      |                |
| -   | -                    | -              | Write-offs of uncollectable amounts  |                         |                      |                |
| 1,558   | 914                  | 2,472          | Increase/(decrease) in allowance for impairment                              | 2,589                   | 2,831                | 5,420          |
| 387   | -                    | 387            | Increase/(decrease) in allowance for appeals                                 | 300                     | -                    | 300            |
| -   | -                    | -              | Transitional Protection Payments Payable                                     | 355                     | -                    | 355            |
| 286   | -                    | 286            | Charge to General Fund for allowable collection costs for non-domestic rates | 288                     | -                    | 288            |
| 134,272   | 107,282              | 241,554        | Total amounts to be debited  | 154,399                 | 115,231              | 269,630        |
| (6,124)   | 461                  | (5,663)        | (Surplus)/Deficit arising during the year                                    | 75,867                  | 3,275                | 79,142         |
| (7,461)   | (67)                 | (7,528)        | (Surplus)/Deficit on the Collection Fund at 1 April                          | (13,585)                | 394                  | (13,191)       |
| (13,585)  | 394                  | (13,191)       | (Surplus)/Deficit on the Collection Fund at 31 March                         | 62,282                  | 3,669                | 65,951         |

## (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 2020           |                      |                | 31 March 2021                  |                         |                      |                |
|-------------------------|----------------------|----------------|--------------------------------|-------------------------|----------------------|----------------|
| Business Rates<br>£'000 | Council Tax<br>£'000 | Total<br>£'000 |                                | Business Rates<br>£'000 | Council Tax<br>£'000 | Total<br>£'000 |
| (1,081)                 | -                    | (1,081)        | Central Government             | 31,956                  | -                    | 31,956         |
| (12,368)                | 338                  | (12,030)       | Reading Borough Council        | 29,703                  | 3,142                | 32,845         |
| (136)                   | 13                   | (123)          | Royal Berkshire Fire Authority | 623                     | 126                  | 749            |
| -                       | 43                   | 43             | Thames Valley Police           | -                       | 401                  | 401            |
| (13,585)                | 394                  | (13,191)       | Total                          | 62,282                  | 3,669                | 65,951         |

## 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.

| 2019/20      | Non-domestic rateable value and multipliers | 2020/21      |
|--------------|---|--------------|
| £318,506,887 | Non-domestic rateable value at 31 March     | £315,767,083 |
| 50.4p        | Business rate multiplier - standard rate    | 51.2p        |
| 49.1p        | Business rate multiplier - small businesses | 49.9p        |

### 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.

# 2019/20

| Band  | Valuation band limits<br>£                   | Calculated<br>no of<br>dwellings<br>No | Ratio to<br>band D | Equated No of<br>dwellings<br>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                              |
| <b>Council tax base</b>                                 |  |  |                    | <b>55,884</b>                    |

# 2020/21

| Band  | Valuation band limits<br>£                   | Calculated<br>no of<br>dwellings<br>No | Ratio to<br>band D | Equated No of<br>dwellings<br>No |
|---|--|--|--------------------|----------------------------------|
| AA  | Band A entitled to disabled relief reduction | 3                                      | 5/9                | 2                                |
| A   | Upto and including - 40,000                  | 4,651                                  | 6/9                | 3,101                            |
| B   | 40,001 - 52,000                              | 10,882                                 | 7/9                | 8,464                            |
| C   | 52,001 - 68,000                              | 24,539                                 | 8/9                | 21,812                           |
| D   | 68,001 - 88,000                              | 9,563                                  | 9/9                | 9,563                            |
| E   | 88,001 - 120,000                             | 5,185                                  | 11/9               | 6,337                            |
| F   | 120,001 - 160,000                            | 3,030                                  | 13/9               | 4,377                            |
| G   | 160,001 - 320,000                            | 1,762                                  | 15/9               | 2,937                            |
| H   | More than - 320,001                          | 68                                     | 18/9               | 136                              |
|   |  | 59,683                                 |                    | 56,728                           |
| Adjustments for estimates of new build & non-collection |  |  |                    | 13                               |
| <b>Council tax base</b>                                 |  |  |                    | <b>56,741</b>                    |

# 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'. Three 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)

The following companies have been dissolved and no longer feature in the Group Accounts:

- Reading Economic Development Company Limited (REDCo);
- Acre Road Industrial Estate Limited (ARIEL);
- 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 2021, which equated to £490k (£490k at 31 March 2020).
- RTL has four wholly owned subsidiaries, Newbury and District Limited (N&D); Courtney Buses Limited (now Thames Valley Buses Limited); Courtney Bodyworks Ltd; and Courtney ATF Ltd which have been consolidated into the Council's Group Accounts.

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.

## 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.

The **Notes to the Group Accounts**, where the balances are materially different to those in the single entity accounts.

## 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 2019/20 and unaudited financial statements for 2020/21. |
| HfR                      | Audited financial statements for 2020/21 and prior years.                                |
| BFFC                     | Audited financial statements for 2020/21 and prior years.                                |
| RTL                      | Audited financial statements for 2020/21 and prior years.                                |



## Group Comprehensive Income and Expenditure Statement

| 2019/20     |           |           | 2020/21   |             |           |           |
|-------------|-----------|-----------|---|-------------|-----------|-----------|
| Expenditure | Income    | Net       |   | Expenditure | Income    | Net       |
| £'000       | £'000     | £'000     |   | £'000       | £'000     | £'000     |
| 70,426      | (28,899)  | 41,528    | Adult Care and Health Services                      | 77,750      | (40,503)  | 37,247    |
| 88,942      | (72,891)  | 16,050    | Corporate Support Services                          | 97,172      | (67,414)  | 29,758    |
| 199,278     | (132,693) | 66,585    | Children, Education and Early Help Services         | 184,484     | (149,906) | 34,579    |
| 50,485      | (45,590)  | 4,895     | Transport Services                                  | 43,593      | (41,857)  | 1,736     |
| 105,850     | (50,733)  | 55,117    | Environment and Neighbourhood Services              | 100,309     | (42,314)  | 57,995    |
| 497         | (1,280)   | (783)     | Housing Services                                    | 347         | (1,310)   | (963)     |
| 38,368      | (40,333)  | (1,965)   | Housing Revenue Account                             | 23,031      | (40,990)  | (17,959)  |
| 553,846     | (372,419) | 181,428   | Cost of Services                                    | 526,686     | (384,294) | 142,392   |
|             |           | 85        | Other Operating Expenditure                         |             |           | 186       |
|             |           | 25,511    | Financing and Investment Income and Expenditure     |             |           | 22,519    |
|             |           | (182,053) | Taxation and Non Specific Grant Income              |             |           | (195,132) |
|             |           | 107       | Corporation Tax payable                             |             |           | 1,131     |
|             |           | 25,078    | Group (Surplus) or Deficit on Provision of Services |             |           | (28,904)  |
|             |           | -         | (Surplus)/loss on revaluation of investments        |             |           | 207       |
|             |           | 16,949    | (Surplus)/loss on revaluation of non-current assets |             |           | (25,528)  |
|             |           | (88,849)  | Remeasurement of pension fund liabilities           |             |           | 149,540   |
|             |           | -         | Taxation on Pension                                 |             |           | (304)     |
|             |           | (71,900)  | Other Comprehensive Income and Expenditure          |             |           | 123,915   |
|             |           | (46,822)  | Total Comprehensive Income and Expenditure          |             |           | 95,011    |

NB Table subject to roundings

## Group Movement in Reserves Statement 2020/21

|  | Unearmarked<br>General<br>Fund<br>£000 | General<br>Fund<br>Earmarked<br>Reserves<br>£000 | Total<br>General<br>Fund<br>Balances<br>£000 | Housing<br>Revenue<br>Account<br>(HRA)<br>£000 | HRA<br>Earmarked<br>Reserves<br>£000 | Total<br>HRA<br>Balances<br>£000 | Capital<br>Receipts<br>Reserve<br>£000 | Major<br>Repairs<br>Reserve<br>£000 | Capital<br>Grants<br>Unapplied<br>£000 | Council<br>Usable<br>Reserves<br>£000 | Council<br>Unusable<br>Reserves<br>£000 | Total<br>Council<br>Reserves<br>£000 | Council's<br>share of<br>subsidiaries'<br>reserves<br>£000 | Total<br>Group<br>Reserves<br>£000 |
|--|--|--|--|--|--------------------------------------|----------------------------------|--|-------------------------------------|--|---------------------------------------|---|--------------------------------------|--|------------------------------------|
| <b>Balance 31 3 2020</b>   | (7,500)                                | (45,699)   | (53,199)                                     | (35,822)                                       | (9,910)                              | (45,732)                         | (11,349)                               | (2,601)                             | (58,665)                               | (171,546)                             | (159,468)                               | (331,014)                            | 9,400  | (321,614)                          |
| <b>Transfer of<br/>Schools' Deficit<br/>Budget to new<br/>adjustment account</b> |  | (1,768)  | (1,768)                                      |  |                                      |                                  |  |                                     |  | (1,768)                               | 1,768                                   | 0                                    |  | 0                                  |
| <b>Movements in<br/>2020/21:</b>   |  |  |  |  |                                      |                                  |  |                                     |  | 0                                     |   | 0                                    |  | 0                                  |
| Surplus/deficit on the<br>provision of services                                  | 2,010                                  |  | 2,010  | (12,321)                                       |                                      | (12,321)                         |  |                                     |  | (10,311)                              |   | (10,311)                             | (18,592)   | (28,903)                           |
| Other<br>comprehensive<br>income/expenditure                                     |  |  | 0  |  |                                      |                                  |  |                                     |  | 0                                     | 108,324                                 | 108,324                              |  | 108,324                            |
| <b>Total<br/>income/expenditure</b>  | <b>2,010</b>                           | <b>0</b>   | <b>2,010</b>                                 | <b>(12,321)</b>                                | <b>0</b>                             | <b>(12,321)</b>                  | <b>0</b>                               | <b>0</b>                            | <b>0</b>                               | <b>(10,311)</b>                       | <b>108,324</b>                          | <b>98,013</b>                        | <b>(18,592)</b>  | <b>79,421</b>                      |
| Consolidation<br>adjustments<br>between Group and<br>Council accounts            |  |  | 0  |  |                                      | 0                                |  |                                     |  | 0                                     | 0                                       | 0                                    | 6,730  | 6,730                              |
| <b>Net<br/>increase/decrease</b>   | <b>2,010</b>                           | <b>(1,768)</b>                                   | <b>242</b>                                   | <b>(12,321)</b>                                | <b>0</b>                             | <b>(12,321)</b>                  | <b>0</b>                               | <b>0</b>                            | <b>0</b>                               | <b>(12,079)</b>                       | <b>110,092</b>                          | <b>98,013</b>                        | <b>(11,862)</b>  | <b>86,151</b>                      |
| Adjustments<br>between funding and<br>accounting                                 | (52,490)                               |  | (52,490)                                     | 6,463  |                                      | 6,463                            | (2,375)                                | 347                                 | (4,027)                                | (52,082)                              | 52,082                                  | 0                                    |  | 0                                  |
| <b>Net<br/>increase/decrease<br/>before transfers<br/>to/from reserves</b>       | <b>(50,479)</b>                        | <b>(1,768)</b>                                   | <b>(52,248)</b>                              | <b>(5,858)</b>                                 | <b>0</b>                             | <b>(5,858)</b>                   | <b>(2,375)</b>                         | <b>347</b>                          | <b>(4,027)</b>                         | <b>(64,161)</b>                       | <b>162,174</b>                          | <b>98,013</b>                        | <b>(11,862)</b>  | <b>86,151</b>                      |
| Transfers to/from<br>reserves  | 50,479                                 | (50,066)   | 413  | 163  | (163)                                | 0                                |  |                                     |  | 413                                   | (413)                                   | 0                                    |  | 0                                  |
| <b>Net<br/>increase/decrease<br/>for year</b>                                    | <b>0</b>                               | <b>(51,834)</b>                                  | <b>(51,834)</b>                              | <b>(5,695)</b>                                 | <b>(163)</b>                         | <b>(5,858)</b>                   | <b>(2,375)</b>                         | <b>347</b>                          | <b>(4,027)</b>                         | <b>(63,747)</b>                       | <b>161,761</b>                          | <b>98,014</b>                        | <b>(11,862)</b>  | <b>86,152</b>                      |
|  |  |  |  |  |                                      |                                  |  |                                     |  | 0                                     |   | 0                                    |  | 0                                  |
| <b>Balance 31 3 2021</b>   | <b>(7,500)</b>                         | <b>(97,533)</b>                                  | <b>(105,033)</b>                             | <b>(41,517)</b>                                | <b>(10,073)</b>                      | <b>(51,590)</b>                  | <b>(13,724)</b>                        | <b>(2,254)</b>                      | <b>(62,692)</b>                        | <b>(235,293)</b>                      | <b>2,293</b>                            | <b>(233,000)</b>                     | <b>(2,462)</b>   | <b>(235,462)</b>                   |

NB Table subject to roundings

## Group Movement in Reserves Statement 2019/20

|  | General Fund<br>£'000 | General<br>Fund Ear-<br>marked<br>Reserves<br>£'000 | Total<br>General<br>Fund<br>Reserves<br>£'000 | Housing<br>Revenue<br>Account<br>(HRA)<br>£'000 | HRA Ear-<br>marked<br>Reserves<br>£'000 | Total<br>HRA<br>Reserves<br>£'000 | Capital<br>Receipts<br>Reserve<br>£'000 | Major<br>Repairs<br>Reserve<br>£'000 | Capital<br>Grants<br>Unapplied<br>£'000 | Total<br>Council<br>Usable<br>Reserves<br>£'000 | Total<br>Council<br>Unusable<br>Reserves<br>£'000 | Total<br>Council<br>Reserves<br>£'000 | Council's<br>share of<br>sub-<br>sidiaries<br>Reserves<br>£'000 | Total<br>Group<br>Reserves<br>£'000 |
|--|-----------------------|---|---|---|---|-----------------------------------|---|--------------------------------------|---|---|---|---------------------------------------|---|-------------------------------------|
| <b>Balance 31 March 2019</b>                                   | (7,500)               | (43,848)  | (51,348)                                      | (33,547)  | (9,748)                                 | (43,295)                          | (8,632)                                 | (1,988)                              | (50,077)                                | (155,340)                                       | (131,515)   | (286,855)                             | 1,869   | (284,986)                           |
| <b>Movements in 2019/20</b>                                    |                       |   |   |   |   |                                   |   |                                      |   |   |   |                                       |   |                                     |
| (Surplus)/deficit on the provision of services                 | (21,235)              |   | (21,235)                                      | 3,483   |   | 3,483                             |   |                                      |   | (17,752)  | (1,126)   | (18,878)                              | 43,957  | 25,079                              |
| Other comprehensive income /expenditure                        |                       |   |   |   |   |                                   |   |                                      |   |   | (63,653)  | (63,653)                              | (8,247)   | (71,900)                            |
| <b>Total Comprehensive income/expenditure</b>                  | (21,235)              |   | (21,235)                                      | 3,483   |   | 3,483                             |   |                                      |   | (17,752)  | (64,779)  | (82,531)                              | 35,710  | (46,821)                            |
| Adjustments between Group accounts and authority accounts      | 37,247                |   | 37,247  |   |   |                                   |   |                                      |   | 37,247  | 1,126   | 38,373                                | (28,179)  | 10,194                              |
| <b>Net (increase)/decrease</b>                                 | <b>16,012</b>         | <b>0</b>  | <b>16,012</b>                                 | <b>3,483</b>                                    | <b>0</b>                                | <b>3,483</b>                      | <b>0</b>                                | <b>0</b>                             | <b>0</b>                                | <b>19,495</b>                                   | <b>(63,653)</b>                                   | <b>(44,158)</b>                       | <b>7,531</b>  | <b>(36,627)</b>                     |
| Adjustments between funding and accounting                     | (17,862)              |   | (17,862)                                      | (5,920)   |   | (5,920)                           | (2,717)                                 | (613)                                | (8,588)                                 | (35,700)  | 35,700  | -                                     | -   | -                                   |
| <b>Net increase/decrease before transfers to/from reserves</b> | <b>(1,850)</b>        | <b>0</b>  | <b>(1,850)</b>                                | <b>(2,437)</b>                                  | <b>0</b>                                | <b>(2,437)</b>                    | <b>(2,717)</b>                          | <b>(613)</b>                         | <b>(8,588)</b>                          | <b>(16,205)</b>                                 | <b>(27,953)</b>                                   | <b>(44,158)</b>                       | <b>7,531</b>  | <b>(36,627)</b>                     |
| Transfers to/from reserves                                     | 1,850                 | (1,850)   | -   | 162   | (162)                                   | -                                 |   |                                      |   | -   | -   | -                                     | -   | -                                   |
| <b>Net (increase)/decrease for year</b>                        | <b>-</b>              | <b>(1,850)</b>                                      | <b>(1,850)</b>                                | <b>(2,275)</b>                                  | <b>(162)</b>                            | <b>(2,437)</b>                    | <b>(2,717)</b>                          | <b>(613)</b>                         | <b>(8,588)</b>                          | <b>(16,205)</b>                                 | <b>(27,953)</b>                                   | <b>(44,158)</b>                       | <b>7,531</b>  | <b>(36,628)</b>                     |
| <b>Balance 31 March 2020</b>                                   | <b>(7,500)</b>        | <b>(45,699)</b>                                     | <b>(53,199)</b>                               | <b>(35,822)</b>                                 | <b>(9,910)</b>                          | <b>(45,732)</b>                   | <b>(11,349)</b>                         | <b>(2,601)</b>                       | <b>(58,665)</b>                         | <b>(171,546)</b>                                | <b>(159,468)</b>                                  | <b>(331,014)</b>                      | <b>9,400</b>  | <b>(321,614)</b>                    |

NB Table subject to roundings

## Group Balance Sheet

| 31 March 2020    |  | Note | 31 March 2021    |
|------------------|--|------|------------------|
| £'000            |  |      | £'000            |
| 1,049,261        | Property, Plant and Equipment                        | 1    | 1,075,505        |
| 2,769            | Heritage Assets                                      |      | 2,743            |
| 106,745          | Investment Property                                  | 2    | 104,085          |
| 2,456            | Intangible Assets                                    |      | 9,192            |
| 10,381           | Long-Term Investments                                |      | 14,627           |
| 472              | Long-Term Debtors                                    |      | 448              |
| <b>1,172,084</b> | <b>Long Term Assets</b>                              |      | <b>1,206,600</b> |
| 52,071           | Short-Term Debtors                                   | 3    | 88,406           |
| 48,486           | Cash and Cash Equivalents                            |      | 73,078           |
| 753              | Inventories  |      | 850              |
| <b>101,310</b>   | <b>Current Assets</b>                                |      | <b>162,334</b>   |
| (13,266)         | Short-Term Borrowing                                 |      | (7,944)          |
| (89,490)         | Short-Term Creditors                                 | 4    | (129,355)        |
| (9,188)          | Short-Term Provisions                                |      | (7,406)          |
| (974)            | Short-term PFI liability                             | 6    | (974)            |
| (1,232)          | Deferred Income                                      |      | (1,115)          |
| <b>(114,150)</b> | <b>Current Liabilities</b>                           |      | <b>(146,794)</b> |
| (2,090)          | Long-Term Provisions                                 |      | (1,610)          |
| (391,446)        | Long-Term Borrowing                                  |      | (384,184)        |
| (401,635)        | Liability relating to defined benefit pension scheme | 5    | (556,791)        |
| (42,459)         | Other Long-Term Liabilities                          | 6    | (44,094)         |
| <b>(837,630)</b> | <b>Long Term Liabilities</b>                         |      | <b>(986,679)</b> |
| <b>321,614</b>   | <b>Net Assets</b>                                    |      | <b>235,462</b>   |
| (159,654)        | Usable Reserves                                      |      | (236,202)        |
| (161,960)        | Unusable Reserves                                    |      | 739              |
| <b>(321,614)</b> | <b>Total Reserves</b>                                |      | <b>(235,462)</b> |

\*This table is subject to roundings

## Group Cash Flow Statement

| 2019/20         |   | Note | 2020/21         |
|-----------------|---|------|-----------------|
| £'000           |   |      | £'000           |
| 25,078          | Net (surplus) or deficit on the provision of services   |      | (28,903)        |
| (124,148)       | Adjustment to surplus or deficit on the provision of services for non-cash movements  | 7    | (55,693)        |
| 37,615          | Adjustment for items included in the net surplus or deficit on the provision of services that are investing or financing activities | 7    | 42,134          |
| <b>(61,455)</b> | <b>Net cash flows from operating activities</b>   |      | <b>(42,462)</b> |
| 60,870          | Net cash flows from investing activities  | 7    | (998)           |
| (3,751)         | Net cash flows from financing activities  | 7    | 18,868          |
| <b>(4,336)</b>  | <b>Net (increase) or decrease in cash and cash equivalents</b>  |      | <b>(24,592)</b> |
| 44,150          | Cash and cash equivalents at the beginning of the reporting period  |      | 48,486          |
| <b>48,486</b>   | <b>Cash and cash equivalents at the end of the reporting period</b>   |      | <b>73,078</b>   |

## Notes to the Group Accounts

### Note 1 – Group 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 and surplus asset valuations were undertaken by the external Valuer Sanderson Weatherall LLP, under the direction of Ian Vivian, MRICS. The valuation date is the 31 March 2021 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 in Reading Borough Council 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.

## Group Property, Plant and Equipment 2020/2021

*NB Table subject to roundings*

|   | Council dwellings | Other land and buildings | Vehicles, furniture, plant and equipment | Infra-structure  | Community assets | Surplus assets  | Assets under construction | Group PPE Total  |
|---|-------------------|--------------------------|--|------------------|------------------|-----------------|---------------------------|------------------|
|   | £'000             | £'000                    | £'000                                    | £'000            | £'000            | £'000           | £'000                     | £'000            |
| <b>Cost or valuation 2020/21</b>                              |                   |                          |  |                  |                  |                 |                           |                  |
| at 1 April 2020   | 562,268           | 435,468                  | 82,854                                   | 300,976          | 8,694            | 48,236          | 23,781                    | 1,462,277        |
| Adjustment to opening balance                                 |                   | 192                      |  |                  |                  |                 |                           | 192              |
| Additions   | 11,335            | 3,016                    | 4,709                                    | 4,685            | 50               | 6               | 18,484                    | 42,285           |
| Revaluation adjustments recognised in the Revaluation Reserve | 22,963            | 3,750                    | (425)                                    | -                | -                | (750)           | -                         | 25,538           |
| Derecognition and disposals                                   | (1,114)           | (1,124)                  | (1,931)                                  | -                | -                | (290)           | (2,516)                   | (6,975)          |
| Reclassifications and transfers                               |                   | (2,472)                  | (432)                                    | 1,726            |                  | (2,720)         | 3,898                     | -                |
| Other movements in cost or valuation                          | -                 | -                        | -  | -                | -                | -               | -                         | -                |
| <b>At 31 March 2021</b>                                       | <b>595,452</b>    | <b>438,830</b>           | <b>84,775</b>                            | <b>307,387</b>   | <b>8,744</b>     | <b>44,482</b>   | <b>43,647</b>             | <b>1,523,317</b> |
| <b>Accumulated depreciation and impairment</b>                |                   |                          |  |                  |                  |                 |                           |                  |
| at 1 April 2020   | (87,741)          | (88,746)                 | (43,729)                                 | (170,682)        | (1,967)          | (18,304)        | (1,847)                   | (413,016)        |
| Depreciation charge for year                                  | (10,354)          | (9,830)                  | (6,073)                                  | (11,747)         | (31)             | (15)            | -                         | (38,051)         |
| Impairments recognised in the provision of services           | 5,953             | (2,776)                  | (301)                                    | -                | -                | (1,322)         | -                         | 1,555            |
| Derecognition and disposals                                   | -                 | 31                       | 1,670                                    | -                | -                | -               | -                         | (1,701)          |
| Reclassifications and transfers                               | -                 | -                        | -  | -                | -                | -               | -                         | -                |
| Other movements in depreciation and impairment                | -                 | -                        | -  | -                | -                | -               | -                         | -                |
| <b>At 31 March 2021</b>                                       | <b>(92,142)</b>   | <b>(101,321)</b>         | <b>(48,433)</b>                          | <b>(182,429)</b> | <b>(1,998)</b>   | <b>(19,641)</b> | <b>(1,847)</b>            | <b>(447,811)</b> |
| <b>Net book value 31 3 2020</b>                               | <b>474,527</b>    | <b>346,722</b>           | <b>39,125</b>                            | <b>130,294</b>   | <b>6,727</b>     | <b>29,932</b>   | <b>21,934</b>             | <b>1,049,261</b> |
| <b>Net book value 31 3 2021</b>                               | <b>503,310</b>    | <b>337,509</b>           | <b>36,342</b>                            | <b>124,958</b>   | <b>6,746</b>     | <b>24,841</b>   | <b>41,800</b>             | <b>1,075,506</b> |

## Property, Plant and Equipment 2019/20 (Restated)

| <i>NB Table subject to roundings</i>                          | Council dwellings | Other land and buildings | Vehicles, furniture, plant and equipment | Infra-structure  | Community assets | Surplus assets | Assets under construction | Group PPE Total  |
|---|-------------------|--------------------------|--|------------------|------------------|----------------|---------------------------|------------------|
|   | £'000             | £'000                    | £'000                                    | £'000            | £'000            | £'000          | £'000                     | £'000            |
| <b>Cost or valuation 2019/20</b>                              |                   |                          |  |                  |                  |                |                           |                  |
| at 1 April 2019   | 579,138           | 430,776                  | 74,196                                   | 294,683          | 8,550            | 28,763         | 28,996                    | 1,445,102        |
| Additions   | 11,943            | 11,166                   | 9,441                                    | 4,259            | 143              | 252            | 12,534                    | 49,738           |
| Revaluation adjustments recognised in the Revaluation Reserve | (22,241)          | 2,678                    | -  | -                | -                | 2,611          | -                         | (16,952)         |
| Derecognition and disposals                                   | (1,716)           | (2,632)                  | (814)                                    | -                | -                | (1,050)        | -                         | (6,211)          |
| Reclassifications and transfers                               | 11,863            | 2,024                    | -  | 4,747            | -                | (884)          | (17,749)                  | -                |
| Other movements in cost or valuation                          | (16,719)          | (8,544)                  | 31                                       | -                | -                | 223            | -                         | (25,009)         |
| <b>At 31 March 2020</b>                                       | <b>562,268</b>    | <b>435,468</b>           | <b>82,854</b>                            | <b>303,689</b>   | <b>8,693</b>     | <b>29,915</b>  | <b>23,781</b>             | <b>1,446,668</b> |
| <b>Accumulated depreciation and impairment</b>                |                   |                          |  |                  |                  |                |                           |                  |
| at 1 April 2019   | (87,711)          | (81,520)                 | (39,620)                                 | (160,697)        | (1,937)          | -              | (1,785)                   | (373,270)        |
| Depreciation charge for year                                  | (10,588)          | (12,459)                 | (4,872)                                  | (12,698)         | (30)             | (17)           | -                         | (40,664)         |
| Impairments recognised in the provision of services           | (6,175)           | (3,402)                  | -  | -                | -                | 257            | (62)                      | (9,382)          |
| Derecognition and disposals                                   | 14                | 91                       | 763                                      | -                | -                | -              | -                         | 868              |
| Reclassifications and transfers                               | -                 | -                        | -  | -                | -                | -              | -                         | -                |
| Other movements in depreciation and impairment                | 16,719            | 8,544                    | -  | -                | -                | (223)          | -                         | 25,040           |
| <b>At 31 March 2020</b>                                       | <b>(87,741)</b>   | <b>(88,746)</b>          | <b>(43,729)</b>                          | <b>(173,395)</b> | <b>(1,967)</b>   | <b>17</b>      | <b>(1,847)</b>            | <b>(397,408)</b> |
| <b>Net book value 31 3 2019</b>                               | <b>491,427</b>    | <b>349,256</b>           | <b>34,576</b>                            | <b>133,987</b>   | <b>6,613</b>     | <b>28,763</b>  | <b>27,211</b>             | <b>1,071,835</b> |
| <b>Net book value 31 3 2020</b>                               | <b>474,527</b>    | <b>346,722</b>           | <b>39,125</b>                            | <b>130,294</b>   | <b>6,727</b>     | <b>29,932</b>  | <b>21,934</b>             | <b>1,049,261</b> |



## 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

|  | <b>RBC<br/>£'000</b> | <b>HfR<br/>£'000</b> | <b>Total<br/>£'000</b> |
|--|----------------------|----------------------|------------------------|
| 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)                |
| <b>At 31 3 2020</b>                              | <b>79,060</b>        | <b>27,685</b>        | <b>106,745</b>         |
| At 1 4 2020                                      | 79,060               | 27,685               | 106,745                |
| Additions  | -                    | -                    | -                      |
| Disposals  | -                    | -                    | -                      |
| Reclassifications and transfers                  | -                    | -                    | -                      |
| Net gains and losses from fair value adjustments | (3,080)              | 420                  | (2,660)                |
| <b>At 31 3 2021</b>                              | <b>75,980</b>        | <b>28,105</b>        | <b>104,085</b>         |

### Investment Property - income and expenditure

|                         | <b>RBC<br/>£'000</b> | <b>HfR<br/>Restated<br/>£'000</b> | <b>Total<br/>£'000</b> |
|-------------------------|----------------------|-----------------------------------|------------------------|
| <b>2019/20</b>          |                      |                                   |                        |
| Rental income           | (5,414)              | (1,280)                           | (6,694)                |
| Direct operating costs  | 325                  | 339                               | 664                    |
| <b>Net gain or loss</b> | <b>(5,089)</b>       | <b>(941)</b>                      | <b>(6,030)</b>         |
| <b>2020/21</b>          |                      |                                   |                        |
| Rental income           | (5,445)              | (1,310)                           | (6,755)                |
| Direct operating costs  | 193                  | 261                               | 454                    |
| <b>Net gain or loss</b> | <b>(5,252)</b>       | <b>(1,049)</b>                    | <b>(6,301)</b>         |

## Note 3 – Debtors

### Debtors due within one year

| 2019/20 Group<br>Total<br>£'000 |                                | 2020/21 Group<br>Total<br>£'000 |
|---------------------------------|--------------------------------|---------------------------------|
| 5,626                           | Central Government bodies      | 7,799                           |
| 1,356                           | Other local authorities        | 1,797                           |
| 498                             | NHS bodies                     | 368                             |
| 44,591                          | Other entities and individuals | 78,442                          |
| <b>52,071</b>                   | <b>Total</b>                   | <b>88,406</b>                   |

## Note 4 - Creditors

### Creditors due within one year

| 2019/20 Group<br>Total<br>£'000 |                                | 2020/21 Group<br>Total<br>£'000 |
|---------------------------------|--------------------------------|---------------------------------|
| (6,275)                         | Central Government bodies      | (42,301)                        |
| (7,246)                         | Other local authorities        | (2,529)                         |
| (80)                            | NHS bodies                     | (34)                            |
| (75,889)                        | Other entities and individuals | (84,491)                        |
| <b>(89,490)</b>                 | <b>Total</b>                   | <b>(129,355)</b>                |

## 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

#### 2020/21

Pension transactions charged or credited to  
Surplus or Deficit on Provision of Services  
Pension transactions charged or credited to Other  
Comprehensive Income and Expenditure

#### 2019/20

Pension transactions charged or credited to  
Surplus or Deficit on Provision of Services  
Pension transactions charged or credited to Other  
Comprehensive Income and Expenditure

| RBC<br>£'000 | Subsidiaries<br>£'000 | Group Total<br>£'000 |
|--------------|-----------------------|----------------------|
| 38,456       | 3,190                 | 41,646               |
| 133,852      | 15,688                | 149,540              |
| 37,616       | 4,268                 | 41,884               |
| (80,602)     | (8,247)               | (88,849)             |

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

#### 2020/21

Present value of defined pension scheme  
obligations

Fair Value of plan assets

**Net assets/liabilities arising from defined  
pension scheme obligations**

#### 2019/20

Present value of defined pension scheme  
obligations

Fair Value of plan assets

**Net assets/liabilities arising from defined  
pension scheme obligations**

|   | RBC<br>£'000     | RTL<br>£'000   | Group Total<br>£'000 |
|---|------------------|----------------|----------------------|
| Present value of defined pension scheme obligations                           | (1,004,096)      | (94,278)       | (1,098,374)          |
| Fair Value of plan assets   | 452,651          | 89,266         | 541,917              |
| <b>Net assets/liabilities arising from defined pension scheme obligations</b> | <b>(551,445)</b> | <b>(5,012)</b> | <b>(556,457)</b>     |
| Present value of defined pension scheme obligations                           | (777,142)        | (88,433)       | (865,575)            |
| Fair Value of plan assets   | 381,458          | 82,482         | 463,940              |
| <b>Net assets/liabilities arising from defined pension scheme obligations</b> | <b>(395,684)</b> | <b>(5,951)</b> | <b>(401,635)</b>     |

|                                     | <b>RBC<br/>£'000</b> | <b>RTL<br/>£'000</b> | <b>Group Total<br/>£'000</b> |
|-------------------------------------|----------------------|----------------------|------------------------------|
| <b>2020/21</b>                      |                      |                      |                              |
| at 1 April                          | (777,142)            | (88,433)             | (865,575)                    |
| Current service cost                | (29,303)             | (1,233)              | (30,536)                     |
| Interest cost                       | (15,658)             | (1,835)              | (17,493)                     |
| Employee and Employer contributions | (4,214)              | (53)                 | (4,267)                      |
| Remeasurement gains and losses      | (200,238)            | (5,711)              | (205,949)                    |
| Past service costs                  | (284)                | -                    | (284)                        |
| Benefits paid                       | 22,644               | 2,957                | 25,601                       |
| Curtailments and settlements        | 99                   | 31                   | 130                          |
| <b>at 31 March 2021</b>             | <b>(1,004,096)</b>   | <b>(94,278)</b>      | <b>(1,098,374)</b>           |
| <b>2019/20</b>                      |                      |                      |                              |
| 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                        |
| <b>at 31 March 2020</b>             | <b>(777,142)</b>     | <b>(88,433)</b>      | <b>(865,575)</b>             |

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

|                                     | <b>RBC<br/>£'000</b> | <b>RTL<br/>£'000</b> | <b>Group Total<br/>£'000</b> |
|-------------------------------------|----------------------|----------------------|------------------------------|
| <b>2020/21</b>                      |                      |                      |                              |
| Assets at 1 April                   | 381,458              | 82,482               | 463,940                      |
| Return on plan assets               | 66,386               | 1,721                | 68,107                       |
| Actuarial gains and losses          | 6,688                | 5,973                | 12,661                       |
| Admin costs                         | (237)                | (8)                  | (245)                        |
| Employee and Employer contributions | 20,761               | 2,086                | 22,847                       |
| Benefits paid                       | (22,644)             | (2,988)              | (25,632)                     |
| Curtailments and settlements        | 239                  | -                    | 239                          |
| <b>Assets at 31 March</b>           | <b>452,651</b>       | <b>89,266</b>        | <b>541,917</b>               |
| <b>2019/20</b>                      |                      |                      |                              |
| 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)                        |
| <b>Assets at 31 March</b>           | <b>381,458</b>       | <b>82,482</b>        | <b>463,940</b>               |

#### iv. Analysis of Scheme Assets

|                          | RBC<br>£'000   | RTL<br>£'000  | Group Total<br>£'000 |
|--------------------------|----------------|---------------|----------------------|
| <b>2020/21</b>           |                |               |                      |
| Equities                 | 272,095        | 28,949        | 301,044              |
| Bonds                    | 73,925         | 21,070        | 94,995               |
| Property                 | 55,488         | 5,185         | 60,673               |
| Cash                     | 20,226         | 33,022        | 53,248               |
| Diversified Growth Funds | -              | -             | -                    |
| Target Return Portfolio  | 18,283         | 626           | 18,909               |
| Commodities              | -              | -             | -                    |
| Infrastructure           | 36,835         | 1,245         | 38,080               |
| Insurance policies       | (24,201)       | (831)         | (25,032)             |
| <b>Total</b>             | <b>452,651</b> | <b>89,266</b> | <b>541,917</b>       |
| <b>2019/20</b>           |                |               |                      |
| 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)             |
| <b>Total</b>             | <b>381,458</b> | <b>82,482</b> | <b>463,940</b>       |

#### v. Principal Assumptions

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

|                          | RBC  | RTL  |
|--------------------------|------|------|
| Discount rate            | 2.0% | 1.9% |
| Future salary increases  | 3.9% | -    |
| Future pension increases | 2.9% | 2.2% |

## Note 6 – PFI and Other Long-Term liabilities

### Other long-term liabilities and short term PFI liabilities

|                                      | RBC<br>£'000    | RTL<br>£'000    | BFFC           | Group<br>Total<br>£'000 |
|--------------------------------------|-----------------|-----------------|----------------|-------------------------|
| <b>2020/21</b>                       |                 |                 |                |                         |
| RBC - North Whitley PFI scheme       | (19,015)        |                 |                | (19,015)                |
| RBC - Waste PFI scheme               | (5,077)         |                 |                | (5,077)                 |
| RTL - Finance lease and HP contracts |                 | (14,156)        |                | (14,156)                |
| Accruals and deferred income         | (1,544)         | (3,223)         | (2,054)        | (6,821)                 |
| <b>Total</b>                         | <b>(25,636)</b> | <b>(17,379)</b> | <b>(2,054)</b> | <b>(45,069)</b>         |
| <b>2019/20 (Restated)</b>            |                 |                 |                |                         |
| 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         | (2,744)         |                 | (392)          | (3,136)                 |
| <b>Total</b>                         | <b>(26,722)</b> | <b>(15,737)</b> | <b>(392)</b>   | <b>(43,825)</b>         |

## Note 7 - Cash Flow from Operating Activities

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

| 31 March 2020<br>£'000 |  | 31 March 2021<br>£'000 |
|------------------------|--|------------------------|
| (66,998)               | Depreciation, impairment and revaluations  | (38,944)               |
| (581)                  | Amortisation   | (1,010)                |
| -                      | Movement in contract assets, liabilities etc   | 117                    |
| (20,459)               | (Increase)/decrease in creditors   | (40,059)               |
| (11,662)               | Increase/(decrease) in debtors   | 13,477                 |
| 37                     | Increase/(decrease) in inventories   | 97                     |
| (23,784)               | Movement in pension liability  | 16,627                 |
| (5,117)                | Carrying amount of non-current assets and non-current assets held for sale, sold or derecognised | (5,040)                |
| 4,416                  | Other non-cash movements charged to the surplus or deficit on provision of services              | (959)                  |
| <b>(124,148)</b>       | <b>Total</b>   | <b>(55,693)</b>        |

| 31 March 2020 |  | 31 March 2021 |
|---------------|--|---------------|
| £'000         |  | £'000         |
| 5,987         | Proceeds from the sale of property, plant and equipment, investment property and intangible assets   | 5,888         |
| 7,000         | Proceeds from short-term (not considered to be cash equivalents) and long-term investments (includes investments in associates, joint ventures and subsidiaries) | -             |
| 24,628        | Any other items for which the cash effects are investing or financing cash flows   | 36,246        |
| <b>37,615</b> | <b>Total</b>   | <b>42,134</b> |

## Note 7a - Cash Flow from Investing Activities

| 31 March 2020 |  | 31 March 2021 |
|---------------|--|---------------|
| £'000         |  | £'000         |
| 92,518        | Purchase of property, plant and equipment, investment property and intangible assets               | 42,391        |
| -             | Purchase of short-term and long-term investments   | 60            |
| 12,348        | Other payments for investing activities  | -             |
| (12,275)      | Proceeds from the sale of property, plant and equipment, investment property and intangible assets | (7,203)       |
| (31,721)      | Other receipts from investing activities   | (36,246)      |
| <b>60,870</b> | <b>Net cash flows from investing activities</b>  | <b>(998)</b>  |

## Note 7b - Cash Flow from Financing Activities

| 31 March 2020  |  | 31 March 2021 |
|----------------|--|---------------|
| £'000          |  | £'000         |
| (100,037)      | Cash receipts of short-term and long-term borrowing  | (1,616)       |
| -              | Other receipts from financing activities   | (2,616)       |
| 995            | Cash payments for the reduction of outstanding liabilities relating to finance leases and on-Balance-Sheet PFI contracts | -             |
| 92,443         | Repayments of short-term and long-term borrowing   | -             |
| 2,848          | Other payments for financing activities  | 23,100        |
| <b>(3,751)</b> | <b>Net cash flows from financing activities</b>  | <b>18,868</b> |

## **Glossary Of Terms**

For compliance with the Code of Practice the following definitions have been adopted:

### **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 commonly referred to as the Balance Sheet date.

### **ACCOUNTING POLICIES**

The principles, rules and procedures used in the preparation of the accounts.

### **ACCRUALS**

The recognition of income and expenditure as goods and services are provided, not when cash is received or paid.

### **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**

A resource controlled by the Council because of past events and from which economic benefits or service potential is expected. Assets can be:

- Intangible – assets of non-physical form, e.g. patents, goodwill, trademarks and copyrights
- Property, plant and equipment – assets which give the Council benefits for more than one year
- Community – assets held in perpetuity which may have restrictions on their disposal
- Infrastructure – assets such as highways and footways
- Non-operational – assets not directly used for service provision
- Heritage – assets held solely for historical, artistic, or environmental qualities

A current asset will be consumed or cease to have material value within the next financial year (e.g. cash and stock);

### **ASSETS UNDER CONSTRUCTION**

Capital expenditure on assets where the work is incomplete.

### **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**

Capital schemes that the Council intends to carry out over a number of financial years. The Capital Programme is approved annually by the Council alongside the budget.

### **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 is the professional body that sets accounting codes of practice that the Council follows.

### **COLLECTION FUND**

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

### **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 local taxation, 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 is thus over and above those which would be incurred by a series of independent single purpose, nominated bodies managing the same services.

## **CREDITORS**

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

## **CURRENT SERVICE COST (PENSIONS)**

Officers employed during the year will have earned one or more years of pensionable service. The current service cost is the increase in the value of the pension scheme's liabilities arising from the employee service during the period.

## **DEBTORS**

Amounts due to the Authority for works done, goods received, or services provided but which remain unpaid by the end of that accounting period.

## **DEDICATED SCHOOLS GRANT (DSG)**

A Central Government grant paid to the County Council for use for expenditure on schools.

## **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.

## **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.

## **EXCEPTIONAL ITEMS**

Material items which derive from events or transactions that fall within the ordinary activities of the Authority and which need to be disclosed separately by virtue of their size or incidence to give fair presentation of the accounts.

## **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 or a liability settled.

## **GENERAL FUND**

The Main revenue account of the Council covering all services but excluding Housing landlord functions.

## **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 in particular that the revenue accounts and Balance Sheet assume no intention to curtail significant the scale of operations.

## **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.

## **INTERNATIONAL FINANCIAL REPORTING STANDARDS**

Accounting Standards applicable to local authorities from 2010/11 onwards.

## **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 mean the use of the accounts might come to a difference opinion on the matters contained in the accounts. An item could be material in nature or in value.

## **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 CURRENT PLACEMENT COSTS**

The cost of replacing or recreating the particular asset in its existing condition and in its existing use, i.e. the cost of its replacement or of the nearest equivalent asset, adjusted to reflect the current condition of the existing asset.

## **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 directly 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.

### **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 set 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 similar to 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**

Money set aside to meet the cost of specific future expenditure. These can be either:

- Usable – those which can be used to provide services
- Unusable – those which cannot be used to provide services

## **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 FUNDED BY CAPITAL 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.