

# Statement of Accounts 2020/2021



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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.

This report was written at the time of the initial preparation of the 2020/21 Statement of Accounts in 2021. The content of the written narrative remains correct for the that time, although at the time of signing off the accounts (April 2024) some of the text has been superseded. In order to ensure that the narrative correctly reflects the position and key factors at the time of the closing on the 2020/21 accounts, we have not updated the text, but it should be read recognising the timing of its initial composition.

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>

### Promoting health, education, culture and wellbeing

- 410 Secondary School Fixed Term exclusions

### 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 £99.1m.

### *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. A summary of the most recent audited accounts for 2020/21:

	Reading Transport Ltd Year Ended 04/04/21 £'000	Homes for Reading Year Ended 31/03/21 £'000	Brighter Futures for Children Year Ended 31/03/21 £'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 2021 is:

	31 March 2020 £'000	31 March 2021 £'000
Long Term Assets	1,152,593	1,183,250
Current Assets	85,572	142,588
Current Liabilities	(93,299)	(132,840)
Long Term Liabilities	(813,852)	(960,882)
<b>Net Assets</b>	<b>331,014</b>	<b>232,117</b>
Usable Reserves	(171,546)	(236,544)
Unusable Reserves	(159,468)	4,427
<b>Total Reserves</b>	<b>(331,014)</b>	<b>(232,117)</b>

### Capital Investment

The Council recognises the importance of investing in the future and spent £52.1m on capital projects during 2020/21, including:

£7.8m on Major Repairs to our housing stock

£5.6m on Green Park station

£5.4m on schools

£4.6m on housing new build and acquisitions

£4.2m on ICT

£3.7m on bridges and carriageway works

£3.5m on South Reading MRT

£1.6m on Live Labs

£1.3m on Disabled Facilities Grants

£1.2m on Hexham Road

£1.1m on food waste and smaller residual waste bins

£1m on Mapledurham Playing Fields and Pavilion works

£0.9m of Fire Safety works to our housing stock

## 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
£'000		£'000
14.789	Long term investment - Property Fund	14.649
6.085	Investments in subsidiaries	6.614
-	Investments in ltd companies	0.060
<u>34.254</u>	Cash and cash equivalents balance	<u>59.807</u>
<u><b>55.128</b></u>	<b>Investments and Cash</b>	<u><b>81.130</b></u>
<u><b>(404,711)</b></u>	<b>Short and Long-term Borrowing</b>	<u><b>(392,127)</b></u>

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.

### Going Concern commentary

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

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

Local authorities carry out functions essential to the local community and are themselves revenue raising bodies (with limits on their revenue-raising powers arising only at the discretion of central government). If an authority were in

financial difficulty, the prospects are thus that alternative arrangements might be made by central government either for the continuation of the services it provides or for assistance with the recovery of a deficit over more than one financial year. As a result of this, it would not therefore be appropriate for local authority financial statements to be provided on anything other than a going concern basis. Accounts drawn up under the CIPFA Code of Practice on Local Authority Accounting therefore assume that a local authority's services will continue to operate for the foreseeable future.

The restrictions that have been in place within the United Kingdom in response to Covid-19 have created significant issues for many businesses and residents and as a result from April 2020, the Council has experienced financial pressures in terms of lost income lost and additional expenditure incurred. The government has provided some financial support for Local Authorities to help mitigate some of the pressures being experienced due to the crisis. The Council received a total of £13.269m to 31 March 2021, and a further £4.523m to 30 June 2021, in general support funding from Central Government in this regard.

In recent years the Council's reserves have increased to ensure financial robustness and sustainability. Our most recent reported balances, which are currently unaudited post 1 April 2021, are as follows:

Date	General Fund Balance (£m)	Earmarked Reserves (£m)	Housing Revenue Account Balance (£m)
31 March 2020	(7.500)	(45.699)	(45.732)
31 March 2021	(7.500)	(99.070)	(50.717)
31 March 2022 (per March 2024)	(7.500)	(85.052)	(50.412)
31 March 2023 (per March 2024)	(8.221)	(70.979)	(45.250)
31 March 2024 (forecast per March 2024)	(8.394)	(50.499)	(41.919)
31 March 2025 (forecast per March 2024)	(9.022)	(39.695)	(38.882)
31 March 2026 (forecast per March 2024)	(9.322)	(36.453)	(35.512)

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

- ◆ Loss of income on a service by service basis, due to temporary closures, reduction in demand, and increased collection losses.
- ◆ Additional expenditure on a service by service basis, e.g. provision of new and expanded services in response to the crisis (such as additional costs relating to temporary accommodation for the homeless), and additional costs associated with changes to working practices (such as remote working).
- ◆ Changes to government policy, e.g. changes to business rate reliefs, guidance on supplier relief, additional funding for local authorities, and additional responsibilities which sit alongside this.
- ◆ The impact on the Council's capital programme, e.g. delays caused by government restrictions, and whether there is a need to rephase work for other reasons.
- ◆ The impact on the Council's subsidiaries and joint ventures.
- ◆ The impact of all of the above on the Council's cash flow and treasury management, including availability of liquid cash (as at the beginning of April 2024 the Council had around £15m short term investments, including overnight money market funds), impact on investment returns, and availability of external borrowing if required.
- ◆ The estimated overall impact on the Council's General Fund and Housing Revenue Account reserves.

The Council manages its cashflow to ensure that it has a reasonable amount of liquid cash that can be accessed readily. The Council aims to have at least £10m invested in overnight money market funds and short-term deposit accounts in this respect, and the average daily balance was £39m in the 12 months to the end of March 2024. As at the beginning of April 2024, the Council is currently forecasting an average daily balance of £14m through to May 2025 as it delays any long term borrowing, in line with the approved Borrowing Strategy, whilst interest rates remain high. The Council was allocated a total of £59.579m of additional section 31 grants in respect of additional business rate reliefs applied as a result of Covid-19 in 2020/21. These grant payments along the announcement by Government that Central share payments of Business Rates would be deferred significantly reduced any liquidity risk that the Council may otherwise have faced. The Council is able to borrow short term from other Local authorities if required and has access to longer term borrowing from the PWLB within five working days if required. The Council is significantly under-borrowed compared to its Capital Financing Requirement and would therefore be able to borrow should any cashflow issues arise. For these reasons, the Council does not consider that there is material uncertainty in respect of its ability to continue as a going concern for the period to May 2025 based on the latest cash flow forecast.

COVID-19 posed a significant financial challenge for the Council during 2020/21 in particular, as it did for all local authorities. Any forecast ongoing financial

implications were reflected in the Council's 2021/22, 2022/23, 2023/24, 2024/25 Budgets and the respective 2021/22-2023/24, 2022/23-2024/25, 2023/24-2025/26 & 2025/26-2026/27 Medium-Term Financial Strategies which were approved by Full Council in February 2021, February 2022, February and February 2024 respectively.

There remains some uncertainty with regards to the recovery period of income streams in particular such as car parking. This will clearly have an impact on the assumptions that sit behind the financial modelling and will therefore be monitored on an ongoing basis and revised as appropriate.

In terms of the Council's Group Accounts, Covid-19 has had a significant short-term impact on the turnover and income of Reading Transport Limited (RTL), a wholly owned company of Reading Borough Council. We continue to monitor what the medium and longer-term impact will be. However, the Company has accessed all the government support mechanisms available to it and is working with the Council to review options to ensure that they can continue to deliver public transport sustainably for the foreseeable future. Monthly meetings between the Director of Finance for the Council and the Finance Director for RTL are scheduled to provide support and governance. RTL's most recently published Consolidated Financial Statements cover the period from 5 April 2021 to 3 April 2022 and were prepared on a going concern basis. The external audit opinion on the financial statements concluded that based on the work performed, no material uncertainties were identified relating to events or conditions that, individually or collectively, may cast significant doubt on the group's and the parent company's ability to continue as a going concern for a period of at least twelve months from when the financial statements were authorised for issue. The result for the period was a net profit after taxation of £0.931m (2021: £0.298m). With the support of the Covid Bus Service Support Grant and Bus Recovery Grant schemes, the underlying trading position was breakeven. Pension valuation changes have result in the reported profit. The Directors continue to focus on developing the business following the Covid-19 pandemic, in order to generate and maintain sustainable profits to enable greater investment and support the company's vision of a carbon-neutral future.

Based on the Council's outturn report for 2020/21, the gross total impact of Covid-19 on the General Fund in 2020/21 was estimated to be a reduction of £16.448m. This is offset by £20.416m of funding from Central Government, which comprises £13.269m general support funding received, £5.842m income compensation for lost sales, fees and charges, and of £1.305m furlough grant. Additionally, the Council's outturn report for 2021/22 reported a net underspend of £3.177m and for 2022/23 reported a net underspend of £4.191m. By way of context, the General Fund balance as at 31 March 2023 is £77.996m (subject to year-end adjustments and audit), which consists of a General Fund balance of £8.221m and Earmarked Reserves of £69.775m. These reserve levels are forecast to return closer to pre-pandemic levels, as set out in the table above, from 31 March 2023 as further planned releases from Covid related grant reserves are realised. The balanced 2023/24 Budget was approved by Council in February 2023 without the need to drawdown from reserves. A balanced budget for 2024/25 was approved at Full Council in February 2024, which included a drawdown on earmarked reserves of £3.054m.

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

## 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.

<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)

## 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

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

The above signatures were provided by persons who were in those roles at that time the Annual Governance Statement was approved.

Subsequent to the signing of this statement, the Authority received an unqualified audit opinion for 2019/20 Accounts and a modified Value for Money opinion in May 2023.

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

## Opinion

We have audited the financial statements of Reading Borough Council and Group (“the Group”) for the year ended 31 March 2021 under the Local Audit and Accountability Act 2014 (as amended). The financial statements comprise the:

- Reading Borough Council and Group Comprehensive Income and Expenditure Statement;
- Reading Borough Council and Group Movement in Reserves Statement;
- Reading Borough Council and Group Balance Sheet;
- Reading Borough Council and Group Cash Flow Statement;
- Related Notes 1 to 46;
- Related Group Notes 1 to 7;
- Housing Revenue Account Income and Expenditure Statement;
- Movement on the Housing Revenue Account Statement;
- Housing Revenue Account Notes 1 to 7;
- Collection Fund; and,
- Related Collection Fund notes.

The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21 (as amended) by the Update to the Code and Specifications for Future Codes for Infrastructure Assets (November 2022).

In our opinion the financial statements:

- give a true and fair view of the financial position of Reading Borough Council and Group as at 31 March 2021 and of its expenditure and income for the year ended;
- have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21 as amended by the Update to the Code and Specifications for Future Codes for Infrastructure Assets (November 2022).

## Basis for opinion

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

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

## **Conclusions relating to going concern**

In auditing the financial statements, we have concluded that the Director of Finance's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Council's ability to continue as a going concern for a period to May 2025.

Our responsibilities and the responsibilities of the Director of Finance with respect to going concern are described in the relevant sections of this report. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the Council's ability to continue as a going concern.

## **Other information**

The other information comprises the information included in the Statement of Accounts other than the financial statements and our auditor's report thereon. The Director of Finance is responsible for the other information.

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

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

We have nothing to report in this regard.

## **Matters on which we report by exception**

We report to you if:

- in our opinion the annual governance statement is misleading or inconsistent with other information forthcoming from the audit or our knowledge of Reading Council and the Group
- we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014
- we make written recommendations to the audited body under Section 24 of the Local Audit and Accountability Act 2014
- we make an application to the court for a declaration that an item of account is contrary to law under Section 28 of the Local Audit and Accountability Act 2014
- we issue an advisory notice under Section 29 of the Local Audit and Accountability Act 2014
- we make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014.

We have nothing to report in these respects.

In respect of the following, we have matters to report by exception:

- Report on the Council and the Group's proper arrangements for securing economy, efficiency, and effectiveness in the use of resources.

We report to you, if we are not satisfied that the Group and the Council have put in place proper arrangements to secure economy, efficiency, and effectiveness in its use of resources for the year ended 31 March 2021.

On the basis of our work, having regard to the Code of Audit Practice 2020 and the guidance issued by the Comptroller and Auditor General in April 2021, we have identified the following significant weaknesses in the Group and Council's arrangements for the year ended 31 March 2021.

### **Governance: how the body ensures that it makes informed decisions and properly manages its risks**

- Effective operation of internal controls

During the 2017/18 audit, we identified a number of financial controls were not working as expected, for example, completion of control account reconciliations was not performed on a timely basis and the year-end bank reconciliation did not balance. These deficiencies in the system of internal control were still in place during 2020/21 and the Council has not made adequate progress in rectifying the lack of controls.

In forming our assessment, we have read and considered:

- Control deficiencies identified during the audit;
- internal audit reports for the period;
- the annual Head of Internal Audit Opinion for the period; and
- relevant reports and minutes from the Audit & Governance Committee

Delays in the completion of bank and control account reconciliations increases the risk of fraud and errors remaining undetected.

We recommend that the Council completes the Finance Improvement Programme to ensure financial process and procedures are robust.

This issue is evidence of a significant weakness in arrangements in Governance, specifically, how the body gains assurance over the effective operation of internal controls, including arrangements to prevent and detect fraud.

### **Improving Economy, Efficiency and Effectiveness: how the body uses information about its costs and performance to improve the way it manages and delivers its services**

- Children's Services: Evaluation of the services provided to assess performance and identify areas for improvement

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

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

The Secretary of State issued a statutory direction requiring the Council to cooperate with an appointed commissioner. Further statutory directions were issued in September 2017 and December 2018 requiring the Council to continue to take steps to improve its children's social care services, work with partners to improve services and to work with the Department for Education appointed commissioner.

The Council accepted the findings of the inspection and put in place procedures to improve performance. Ofsted have monitored progress since the issue of its initial report and in its update letter, issued in June 2017, concluded that the Council was not making the expected progress in improving services for its children and young people. Subsequent Ofsted reports throughout May, July and October 2019 and March 2020 continued to highlight concerns over the lack of consistency of both the improvements required and of the services offered during the year. The latest assessment from Ofsted was issued in February 2021, which confirms that whilst the statutory direction was lifted due to improvements made, a package of support and supervision for the Council would continue.

In forming our assessment, we have read and considered:

- Ofsted inspection reports for the period under audit and subsequent periods;
- correspondence between Ofsted and the Council; and
- relevant reports and minutes from Council meetings

Weaknesses in children's services had led to an inadequate level of service provision by the Council and increased scrutiny from the regulator.

We recommend the Council implements the actions required by Ofsted and critically assesses ongoing performance in this key area of service provision.

This issue is evidence of a significant weakness in arrangements in respect of improving economy, efficiency and effectiveness, specifically how the body evaluates the services it provides to assess performance and identify areas for improvement.

### **Responsibility of the Director of Finance**

As explained more fully in the Statement of Responsibilities set out on page 32, the Director of Finance is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21 as amended by the Update to the Code and Specifications for Future Codes for Infrastructure Assets (November 2022), and for being satisfied that they give a true and fair view and for such internal control as the Director of Finance determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Director of Finance is responsible for assessing the Authority's ability to continue as a going concern, disclosing, as applicable, matters

related to going concern and using the going concern basis of accounting unless the Authority either intends to cease operations, or have no realistic alternative but to do so.

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

### **Auditor's responsibilities for the audit of the financial statements**

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

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

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect irregularities, including fraud. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below. However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the entity and management.

We obtained an understanding of the legal and regulatory frameworks that are applicable to the Council and determined that the most significant are:

- Local Government Act 1972;
- School Standards and Framework Act 1998;
- Local Government and Housing Act 1989 (England and Wales);
- Education Act 2002 and school Standards and Framework Act 1998 (England);
- Local Government Act 2003;
- The Local Authorities (Capital Finance and Accounting) (England) Regulations 2003 as amended in 2018, 2020, and 2022;
- National Health Service Act 2006;
- Planning Act 2008 and the Community Infrastructure Levy Regulations 2010 (SI 2010/948);
- The Local Audit and Accountability Act 2014 (as amended); and
- The Accounts and Audit Regulations 2015.

In addition, the Council has to comply with laws and regulations in the areas of anti-bribery and corruption, data protection, employment Legislation, tax Legislation, general power of competence, procurement and health & safety.

We understood how Reading Borough Council and Group is complying with those frameworks by understanding the incentive, opportunities and motives for non-compliance, including inquiring of management, the head of internal audit, those charged with governance and the monitoring officer and obtaining and reading documentation relating to

the procedures in place to identify, evaluate and comply with laws and regulations, and whether they are aware of instances of non-compliance. We corroborated this through our reading of the Council's committee minutes, through enquiry of employees to confirm the Council policies, and through the inspection of employee handbooks and other information. Based on this understanding we designed our audit procedures to identify non-compliance with such laws and regulations. Our procedures had a focus on compliance with the accounting framework through obtaining sufficient audit evidence in line with the level of risk identified and with relevant legislation.

We assessed the susceptibility of the Council's financial statements to material misstatement, including how fraud might occur by understanding the potential incentives and pressures for management to manipulate the financial statements, and performed procedures to understand the areas in which this would most likely arise. Based on our risk assessment procedures, we identified inappropriate capitalisation of revenue expenditure and management override of controls to be our fraud risks.

To address our fraud risk of inappropriate capitalisation of revenue expenditure we tested the Council's capitalised expenditure to ensure the capitalisation criteria were properly met and the expenditure was genuine.

To address our fraud risk of management override of controls, we tested specific journal entries identified by applying risk criteria to the entire population of journals. For each journal selected, we tested specific transactions back to source documentation to confirm that the journals were authorised and accounted for appropriately.

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

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

We have undertaken our review in accordance with the Code of Audit Practice 2020, having regard to the guidance on the specified reporting criteria issued by the Comptroller and Auditor General in April 2021, as to whether Reading Borough Council and Group had proper arrangements for financial sustainability, governance and improving economy, efficiency and effectiveness. The Comptroller and Auditor General determined these criteria as those necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether Reading Borough Council and Group put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2021.

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

We are required under Section 20(1)(c) of the Local Audit and Accountability Act 2014 (as amended) to satisfy ourselves that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

We are not required to consider, nor have we considered, whether all aspects of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

## **Certificate**

We cannot formally conclude the audit and issue an audit certificate until we have issued our Auditor's Annual Report for the year ended 31 March 2021. We have completed our work on the value for money arrangements and will report the outcome of our work in our commentary on those arrangements within the Auditor's Annual Report.

Until we have completed these procedures, we are unable to certify that we have completed the audit of the accounts in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice issued by the National Audit Office.

## **Use of our report**

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

Maria Grindley (Key Audit Partner)  
Ernst & Young LLP (Local Auditor)  
Reading  
8 April 2024



## 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 and Group at 31 March 2021 and its income and expenditure for the year ended 31 March 2021.



Darren Carter  
Director of Finance (S151 Officer)

8 April 2024

## 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			2020/21			
Expenditure	Income	Net		Expenditure	Income	Net
£'000	£'000	£'000		£'000	£'000	£'000
70,426	(28,899)	41,527	Adult Care and Health Services	77,735	(40,488)	37,246
86,343	(71,419)	14,925	Corporate Support Services	93,305	(72,005)	21,299
151,438	(88,633)	62,805	Children, Education and Early Help Services	150,310	(91,346)	58,964
109,775	(48,847)	60,928	Environment and Neighbourhood Services	105,358	(40,912)	64,446
38,414	(40,379)	(1,964)	Housing Revenue Account	24,214	(41,378)	(17,163)
<b>456,396</b>	<b>(278,177)</b>	<b>178,220</b>	<b>Cost of Services</b>	<b>450,922</b>	<b>(286,129)</b>	<b>164,793</b>
		258	Other Operating Expenditure (Note 10)			519
		23,314	Financing and Investment Income and Expenditure (Note 11)			20,518
	(182,298)		Taxation and Non-Specific Grant Income (Note 12)			(195,132)
		<b>19,494</b>	<b>(Surplus) or Deficit on Provision of Services</b>			<b>(9,303)</b>
		16,950	(Surplus)/deficit on revaluation of non-current assets			(25,652)
		(80,602)	Remeasurement of the net defined benefit liability			133,852
		<b>(63,652)</b>	<b>Other Comprehensive Income and Expenditure</b>			<b>108,200</b>
		<b>(44,158)</b>	<b>Total Comprehensive Income and Expenditure</b>			<b>98,898</b>

*\*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 General Fund Balance £'000	Earmarked General Fund Reserves £'000	Total General Fund Balance £'000	Housing Revenue Account (HRA) £'000	Earmarked HRA Reserves £'000	Total HRA Balance £'000	Capital Receipts Reserve £'000	Major Repairs Reserve £'000	Capital Grants Unapplied Account £'000	Total Usable Reserves £'000	Unusable Reserves £'000	Total Reserves £'000
<b>Balance at 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)
<b>Movement in reserves during 2019/20</b>												
(Surplus) or deficit on the provision of services	15,679		15,679	3,815		3,815				19,495		19,495
Other Comprehensive Income / Expenditure											(63,653)	(63,653)
<b>Total Comprehensive Income and Expenditure</b>	<b>15,679</b>		<b>15,679</b>	<b>3,815</b>		<b>3,815</b>				<b>19,495</b>	<b>(63,653)</b>	<b>(44,159)</b>
Adjustments between accounting basis and funding basis under regulations	(17,529)		(17,529)	(6,253)		(6,253)	(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>
<b>Balance at 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>(2,602)</b>	<b>(58,665)</b>	<b>(171,546)</b>	<b>(159,468)</b>	<b>(331,014)</b>

2020/21	Unearmarked General Fund Balance £'000	Earmarked General Fund Reserves £'000	Total General Fund Balance £'000	Housing Revenue Account (HRA) £'000	Earmarked HRA Reserves £'000	Total HRA Balance £'000	Capital Receipts Reserve £'000	Major Repairs Reserve £'000	Capital Grants Unapplied Account £'000	Total Usable Reserves £'000	Unusable Reserves £'000	Total Reserves £'000
<b>Balance at 31 March 2020</b>	(7,500)	(45,699)	(53,199)	(35,822)	(9,910)	(45,732)	(11,349)	(2,602)	(58,665)	(171,546)	(159,468)	(331,014)
<b>Transfer of Schools' Deficit Budget to new adjustment account</b>		(1,768)	(1,768)							(1,768)	1,768	-
<b>Movement in reserves during 2020/21</b>												
(Surplus) or deficit on the provision of services	2,129		2,129	(11,432)		(11,432)				(9,303)		(9,303)
Other Comprehensive Income / Expenditure											108,200	108,200
<b>Total Comprehensive Income and Expenditure</b>	<b>2,129</b>		<b>2,129</b>	<b>(11,432)</b>		<b>(11,432)</b>				<b>(9,303)</b>	<b>108,200</b>	<b>98,897</b>
Adjustments between accounting basis and funding basis under regulations	(54,144)		(54,144)	6,447		6,447	(2,399)	(84)	(4,159)	(54,339)	54,339	-
<b>Net Increase or Decrease before Transfers to Earmarked Reserves</b>	<b>(52,015)</b>	<b>(1,768)</b>	<b>(53,783)</b>	<b>(4,985)</b>		<b>(4,985)</b>	<b>(2,399)</b>	<b>(84)</b>	<b>(4,159)</b>	<b>(65,410)</b>	<b>164,308</b>	<b>98,897</b>
Transfers to / from Earmarked Reserves	52,015	(51,603)	412	163	(163)	-				412	(412)	-
<b>Increase or Decrease in 2020/21</b>	<b>-</b>	<b>(53,371)</b>	<b>(53,371)</b>	<b>(4,822)</b>	<b>(163)</b>	<b>(4,985)</b>	<b>(2,399)</b>	<b>(84)</b>	<b>(4,159)</b>	<b>(64,998)</b>	<b>163,896</b>	<b>98,897</b>
<b>Balance at 31 March 2021</b>	<b>(7,500)</b>	<b>(99,070)</b>	<b>(106,570)</b>	<b>(40,644)</b>	<b>(10,073)</b>	<b>(50,717)</b>	<b>(13,748)</b>	<b>(2,686)</b>	<b>(62,824)</b>	<b>(236,544)</b>	<b>4,428</b>	<b>(232,117)</b>

\*These tables are 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 2020 Restated		Note	31 March 2021
£'000			£'000
884,208	Property, Plant and Equipment	22	914,008
130,296	Infrastructure	23	125,957
2,769	Heritage Assets	24	2,743
79,060	Investment Property	25	75,980
2,454	Intangible Assets	26	6,475
20,808	Long-Term Investments	29	21,323
32,998	Long-Term Debtors	33	36,765
<b>1,152,592</b>	<b>Long Term Assets</b>		<b>1,183,251</b>
236	Inventories		336
51,082	Short-Term Debtors	33	82,445
34,254	Cash and Cash Equivalents	32	59,807
<b>85,572</b>	<b>Current Assets</b>		<b>142,588</b>
(13,266)	Short-Term Borrowing	29	(7,944)
(68,012)	Short-Term Creditors	34	(115,366)
(9,188)	Short-Term Provisions	35	(7,406)
(974)	PFI Short-Term Liabilities and Deferred Income	41	(1,009)
(1,232)	Deferred Income		(1,115)
<b>(92,672)</b>	<b>Current Liabilities</b>		<b>(132,840)</b>
(627)	Long-Term Creditors	34	(627)
(391,445)	Long-Term Borrowing	29	(384,183)
(395,684)	Liability relating to defined benefit pension scheme	43	(551,445)
(25,270)	PFI Long-Term Liabilities and Deferred Income	41	(24,261)
(1,452)	Deferred Income		(366)
<b>(814,478)</b>	<b>Long Term Liabilities</b>		<b>(960,882)</b>
<b>331,014</b>	<b>Net Assets</b>		<b>232,117</b>
(171,546)	Usable Reserves	36	(236,544)
(159,468)	Unusable Reserves	37	4,427
<b>(331,014)</b>	<b>Total Reserves</b>		<b>(232,117)</b>

These financial statements are authorised by Darren Carter – Director of Finance on 8 April 2024.

Signed



## 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		(9,303)
(97,398)	Adjustment to surplus or deficit on the provision of services for non-cash movements	44	(96,918)
23,615	Adjustment for items included in the net surplus or deficit on the provision of services that are investing or financing activities	44	42,134
<b>(54,289)</b>	<b>Net cash flows from operating activities</b>		<b>(64,087)</b>
65,705	Net cash flows from investing activities	45	1,375
(11,359)	Net cash flows from financing activities	46	37,159
<b>57</b>	<b>Net (increase) or decrease in cash and cash equivalents</b>		<b>(25,553)</b>
34,311	Cash and cash equivalents at the beginning of the reporting period	32	34,254
<b>34,254</b>	<b>Cash and cash equivalents at the end of the reporting period</b>	32	<b>59,807</b>

*\*This table is subject to roundings*

## 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 contracts with service recipients**, whether for services or the provision of goods is recognised when (or as) the goods or services are transferred to the service recipient in accordance with the performance obligations in the contract.
- **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.

#### iv. **Council tax and non-domestic rates**

Billing authorities act as agents, collecting council tax and non-domestic rates (NDR) on behalf of the major preceptors (including Government for NDR) and, as principals, collecting council tax and NDR for themselves. Billing authorities are required by statute to maintain a separate fund (i.e. the collection fund) for the collection and distribution of amounts due in respect of council tax and NDR. Under the legislative framework for the collection fund, billing authorities, major preceptors and central government share proportionately the risks and rewards that the amount of council tax and NDR collected could be less or more than predicted.

#### **Accounting for Council Tax and NDR**

The council tax and NDR income included in the comprehensive income and expenditure statement is the Council's share of accrued income for the year. However, regulations determine the amount of Council Tax and NDR that must be included in the Council's general fund. Therefore, the difference between the income included in the comprehensive income and



expenditure statement and the amount required by regulation to be credited to the general fund is taken to the collection fund adjustment account and included as a reconciling item in the movement in reserves statement.

The Balance Sheet includes the Council's share of the end of year balances in respect of council tax and NDR relating to arrears, impairment allowances for doubtful debts, overpayments and prepayments and appeals.

Where debtor balances for the above are identified as impaired because of a likelihood arising from a past event that payments due under the statutory arrangements will not be made, the asset is written down and a charge made to the financing and investment income and expenditure line in the comprehensive income and expenditure statement. The impairment loss is measured as the difference between the carrying amount and the revised future cash flows.

## **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 segment 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
- **united 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** - the increase in liabilities as a result of a scheme amendment or curtailment whose effect relates to years of service earned in earlier years – debited to the surplus or deficit on the provision of services in the comprehensive income and expenditure statement [note that the treatment of past service costs will depend on the decisions of the authority about how they are allocated to service segments

**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 Royal County of Berkshire 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

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

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

**Discretionary Benefits** - The Council has restricted powers to make discretionary awards of retirement benefits in the event of early retirements. Any liabilities estimated to arise as a result of an award to any member of staff (including teachers) are accrued in the year of the decision to make the award and are accounted for on the same basis as Defined Benefit Schemes, and using the same policies as applied to the Local Government Pension Scheme.

#### **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 recognised on the balance sheet when the authority becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value and are carried at their amortised cost. Annual charges to the financing and investment income and expenditure line in the comprehensive income and expenditure statement for interest payable are based on the carrying amount of the liability, multiplied by the effective rate of interest for the instrument. The effective interest rate is the rate that exactly discounts estimated future cash payments over the life of the instrument to the amount at which it was originally recognized.

For most of the borrowings that the authority 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.

The fair value for PWLB and non-PWLB loans are defined in Note 18.

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

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

Where premiums and discounts have been charged to the Comprehensive Income and Expenditure Statement, regulations allow the impact on the General Fund Balance to be spread over future years. The Council has a policy of spreading the gain or loss over the term that was remaining on the loan against which the premium was payable or discount receivable when it was repaid. The reconciliation of amounts charged to the Comprehensive Income and Expenditure Statement to the net charge required against the General Fund Balance is managed by a transfer to or from the Financial Instruments Adjustment Account in the Movement in Reserves Statement.

### **Financial Assets**

Financial assets are classified based on a classification and measurement approach that reflects the business model for holding the financial assets and their cash flow characteristics. The authority holds financial assets measured at:

- amortised cost, and
- fair value through profit or loss (FVPL)

The Council's business model is to hold investments to collect contractual cash flows financial assets are therefore classified as amortised cost, except for those whose contractual payments are not solely payment of principal and interest (i.e. where the cash flows do not take the form of a basic debt instrument).

#### *Financial Assets measured at amortised cost*

Financial assets measured at amortised cost 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. They are subsequently measured at their amortised cost. Annual credits to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement (CIES) for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument. For most of the financial assets held by the Council, this means that the amount presented in the Balance Sheet is the outstanding principal receivable (plus accrued interest) and interest credited to the CIES is the amount receivable using the effective interest rate. Any gains and losses that arise on the derecognition of a financial asset are credited or debited to the financing and investment income and expenditure line in CIES.

### *Financial assets measured at Fair Value through Other Comprehensive Income (FVOCI)*

Financial assets that are measured at FVOCI are recognised on the balance sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured and carried at fair value.

The Council holds shares in the Municipal Bonds Agency. The characteristics of the instrument would result in the instrument being classed as Fair Value through Profit and Loss with unrealised gains and losses being taken to the CIES. However, the business model for holding the instrument is to hold for the long-term rather than for trading. Consequently, the instrument has been designated as Fair Value through Other Comprehensive Income.

All gains and losses due to changes in fair value are accounted for through a reserve account (the Financial Instruments Revaluation Reserve) with the balance debited or credited to the CIES when the instrument is disposed of.

### *Financial Assets measured at Fair Value Through Profit and Loss (FVTPL)*

Financial assets that are measured at FVPL are recognised on the balance sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured and carried at fair value. Fair value gains and losses and any gains/losses that arise on the derecognition of the asset are recognised.

Any gains/losses that arise on the derecognition of the asset are debited/credited to the Financing and Investment Income and Expenditure line in the CIES.

## **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.

A Business Improvement District (BID) scheme applies across the whole of the Council. The scheme is funded by a BID levy paid by non-domestic ratepayers. The Council acts as principal

under the scheme, and accounts for income received and expenditure incurred (including contributions to the BID project) within the relevant services within the Comprehensive Income and Expenditure Statement.

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

Income from CIL charges, with the exception of amounts applied in accordance with the CIL regulations to meet administrative expenses, must be applied to fund infrastructure to support the development of the area in accordance with the Community Infrastructure Levy Regulations 2010, as amended.

Where CIL charges to be applied to fund capital expenditure have been received prior to the commencement date for the chargeable development, the CIL charges shall be recognised initially in the Grants Receipts in Advance Account until such a time that the chargeable development commences and then the charges are recognised as income. Where CIL charges have been recognised as income in the Comprehensive Income and Expenditure Statement, but have yet to be applied to fund infrastructure, the CIL charges shall be transferred to Usable Reserves (Capital Grants Unapplied Account). When the CIL charges are applied to capital expenditure the CIL charges shall be transferred from the General Fund (or the Capital Grants Unapplied Account) to the Capital Adjustment Account.

Where CIL charges are to be applied to fund revenue expenditure (such as but not limited to administration expenses), the CIL charges shall not be transferred out of the General Fund.

#### **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 three 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. Academies are also not recognised on the Balance Sheet as they are controlled by Academy Trusts.

## **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 measured initially at cost and subsequently at fair value, being the price that would be received to sell such an asset in an orderly transaction between market participants at the measurement date. As a non-financial asset, investment properties are measured at highest and best use. Properties are not depreciated but are revalued annually according to market conditions at the year-end. Gains and losses on revaluation are posted to the financing and investment income and expenditure line in the comprehensive income and expenditure statement. The same treatment is applied to gains and losses on disposal.

Rentals received in relation to investment properties are credited to the financing and investment income line and result in a gain for the general fund balance. However, revaluation and disposal gains and losses are not permitted by statutory arrangements to have an impact on the general fund balance. The gains and losses are therefore reversed out of the general fund balance in the movement in reserves statement and posted to the capital adjustment account and (for any sales proceeds greater than £10,000) the capital receipts reserve.

## **xiii. Leases**

Leases are classified as finance leases where the terms of the lease transfer substantially all the risks and rewards incidental to ownership of the property, plant or equipment from the lessor to the lessee. All other leases are classified as operating leases. Where a lease covers both land and buildings, the land and buildings elements are considered separately for classification.

Arrangements that do not have the legal status of a lease but convey a right to use an asset in return for payment are accounted for under this policy where fulfilment of the arrangement is dependent on the use of specific assets.

### **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.

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

### Council as Lessee

- *Finance leases*

The Council does not have property, plant or equipment held under finance leases.

- *Operating Leases*

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

## **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.

Donated assets are measured initially at fair value. The difference between fair value and any consideration paid is credited to the taxation and non-specific grant income and expenditure line of the comprehensive income and expenditure statement unless the donation has been made conditionally. Until conditions are satisfied, the gain is held in the donated assets account. Where gains are credited to the comprehensive income and expenditure statement, they are reversed out of the general fund balance to the capital adjustment account in the movement in reserves statement.

**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. Infrastructure is subject to statutory override and shown at net book value.
Council Offices	Current Value, determined as the amount that would be paid for the asset
Council Dwellings	Current value determined using Existing Use Value for Social Housing (EUV-SH)
School Buildings	Current value, but because of their specialist nature, are measured at depreciated replacement cost which is used as an estimate of current value.
Assets under Construction	Historic cost
Surplus Assets	Fair value, estimated at highest and best use from a market participant's perspective.
All other Property, Plant and Equipment assets	Current value, determined as the amount that would be paid for an asset based on its Existing Use Value (EUV)

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

Assets included in the Balance Sheet at current value are revalued sufficiently regularly to ensure that their carrying amounts are not materially different from the current value at the year-end, but as a minimum every five years. Increases in valuations are matched by credits to the revaluation reserve to recognise unrealised gains. 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.

Where decreases in value are identified, they are accounted for by:

- where there is a balance of revaluation gains for the asset in the revaluation reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains)
- where there is no balance in the revaluation reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant service line(s) in the Comprehensive Income and Expenditure Statement.

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.

## 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.

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

## 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

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

If assets no longer meet the criteria to be classified as assets held for sale, they are reclassified back to non-current assets and valued at the lower of their carrying amount before they were

classified as held for sale; adjusted for depreciation, amortisation or revaluations that would have been recognised had they not been classified as held for sale, and their recoverable amount at the date of the decision not to sell.

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

Where a receipt from the disposal of an asset exceeds £10,000 the income is recognised as a capital receipt. Receipts for assets disposed of at less than £10,000 are credited to the relevant service line in the Comprehensive Income and Expenditure Statement.

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

The written-off value of disposals is not a charge against Council tax, as the cost of non-current assets is fully provided for under separate arrangements for capital financing.

Amounts are appropriated to the Capital Adjustment Account from the General Fund Balance in the Movement in Reserves Statement.

### **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. Any impairment is recognised and measured in accordance with the authority's general policies on impairment. 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.

The exception to this is the Abbey Ruins which are held at historic cost less depreciation/impairment.

### **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**

A contingent liability arises where an event has taken place that gives the Council a possible obligation whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Council. Contingent liabilities also arise in circumstances where a provision would otherwise be made but either it is not probable that an outflow of resources will be required, or the amount of the obligation cannot be measured reliably.

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 event has taken place that gives the authority a possible asset whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the authority.

Contingent assets are not recognised in the balance sheet but disclosed in a note to the accounts where it is probable that there will be an inflow of economic benefits or service potential.

## **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. Revenue Expenditure Funded from Capital Under Statute (REFCUS)**

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

During the period 1 April 2016 to 31 March 2025 the Council are allowed under guidance published by MHCLG the flexible use of capital receipts on areas of revenue cost to reform which generate ongoing savings to the Council. In the case where revenue spend is identified as meeting the criteria to use flexible capital receipts the Council will meet the cost of the reform through capital receipts generated during the same financial year. Where the Council has determined to meet this cost from capital receipts a transfer to the Capital Adjustment Account reverses the amounts charged to the Comprehensive Income and Expenditure Statement via the Movement in Reserves Statement so there is no impact on the level of Council Tax.

## **xxi. 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.

- **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.

### Property, Plant and Equipment (PPE) – Valuations

Estimation of property valuations depends on a number of complex judgements and assumptions. The Council carries out a rolling programme that ensures that all property assets are revalued within a 5-year period by the Authority's external valuers. In addition to the planned revaluation rolling programme, all high-value properties and any other properties subject to a significant change during the year, are revalued.

In the current economic climate, the Balance Sheet PPE valuation of £914.008m may be subject to fluctuations.

If the asset valuation of all property plant and equipment were to fall by 1% a reduction in value of £91.401m would arise. This would normally be reversed to the Revaluation Reserve. Where revaluation losses exceed unrealised gains, the net loss would be charged to the Consolidated Income and Expenditure Statement and subsequently written off to the Capital Adjustment Account.

### Valuation of HRA dwellings

The valuation of HRA Dwellings has been split between land and buildings. Land values do not depreciate. The proportion of total HRA Dwellings value attributable to land has been derived by multiplying the residential land rate per hectare by the hectareage occupied by HRA Dwellings; the

remaining balance of the total value is attributable to buildings and is depreciated. The annual depreciation charge would increase by £0.158m for a 1% shift in the overall proportion of Dwellings value in favour of buildings over land and would reduce by the same for a 1% shift in favour of land value over buildings.

### 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 £31.863m. A review of significant balances suggested that an impairment of doubtful debts of £7.8m was appropriate. If collection rates were to deteriorate for all of the Council's debtors, a 1% increase in the value of impairments for doubtful debts would require an additional £332,000 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 2019/120 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 the sign off and issuance of the statement of accounts are not reflected in the financial statement 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 Expenditure Chargeable to the General Fund and HRA Balance	2019/20		Net Expenditure in the Comprehensive Income and Expenditure Statement	2020/21		Net Expenditure in the Comprehensive Income and Expenditure Statement
	Adjustments			Adjustments		
£'000	£'000	£'000	£'000	£'000	£'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	36,339	(15,039)	21,299
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	33,355	31,091	64,446
(5,474)	3,510	(1,964)	Housing Revenue Account	(10,428)	(6,735)	(17,163)
<b>145,667</b>	<b>32,554</b>	<b>178,221</b>	<b>Net Cost of Services</b>	<b>145,213</b>	<b>19,580</b>	<b>164,793</b>
(149,953)	(8,773)	(158,726)	Other Income and Expenditure	(202,213)	28,118	(174,095)
<b>(4,287)</b>	<b>23,782</b>	<b>19,494</b>	<b>Surplus or Deficit on Provision of Services</b>	<b>(57,001)</b>	<b>47,698</b>	<b>(9,303)</b>
<b>(94,643)</b>			Opening Combined General Fund and HRA Balance			<b>(98,931)</b>
-			Movement of DSG deficit to Unusable Reserves			(1,356)
(4,288)			Plus / less Surplus or Deficit on the General Fund and HRA Balance for the Year (Statutory basis)			(57,001)
<b>(98,931)</b>			<b>Closing Combined General Fund and HRA Balance</b>			<b>(157,287)</b>

\*This table is subject to roundings

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 Statutory Adjustments	Net Pensions Statutory Adjustments	Other Differences	Total Adjustments
	£'000	£'000	£'000	£'000
Adult Care and Health Services	250	1,679	65	1,994
Resources & Corporate Budgets	(17,473)	2,193	239	(15,039)
Children, Education and Early Help Services	4,701	3,412	157	8,270
Environment and Neighbourhood Services	26,630	4,297	164	31,091
Housing Revenue Account	(8,100)	1,358	7	(6,735)
<b>Net Cost of Services</b>	<b>6,008</b>	<b>12,939</b>	<b>631</b>	<b>19,577</b>
Other Income and Expenditure	(25,728)	8,970	44,876	28,118
<b>Difference between the Statutory Charge and the Surplus or Deficit in the Comprehensive Income and Expenditure Statement</b>	<b>(19,720)</b>	<b>21,909</b>	<b>45,508</b>	<b>47,698</b>

	2019/20			
	Net Capital Statutory Adjustments	Net Pensions Statutory Adjustments	Other Differences	Total Adjustments
	£'000	£'000	£'000	£'000
Adult Care and Health Services	334	1,705	10	2,049
Resources & Corporate Budgets	(8,783)	251	216	(8,316)
Children, Education and Early Help Services	5,167	3,660	(495)	8,332
Environment and Neighbourhood Services	22,412	4,528	40	26,980
Housing Revenue Account	2,423	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 Charge and the Surplus or Deficit in the Comprehensive Income and Expenditure Statement</b>	<b>4,874</b>	<b>21,940</b>	<b>(3,032)</b>	<b>23,782</b>

These tables are subject to roundings.

## 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 £'000	Less Grants in Note 35 £'000	Net Income £'000
Adult Care and Health Services	(40,488)	(24,311)	(16,177)
Corporate support services	(72,005)	(51,260)	(20,745)
Children, Education and Early Help Services	(91,346)	(90,027)	(1,319)
Environment and Neighbourhood Services	(40,912)	(9,245)	(31,667)
Housing Revenue Account	(41,378)	(3,998)	(37,380)
	<b>(286,129)</b>	<b>(178,841)</b>	<b>(107,288)</b>

\*This table is subject to roundings

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:

2019/20	Nature of Expenditure or Income	2020/21
£'000		£'000
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	35,282
26,298	Interest payments	24,666
288,847	Other service expenses	276,330
57,084	Business Rates Tariff/Levy	34,397
905	Payments to Housing Capital Receipts Pool and Levies	1,034
<b>541,307</b>	<b>Total Expenditure</b>	<b>511,020</b>
(122,342)	Revenue from external customers and other service income	(110,683)
(3,526)	Interest and investment income	(4,149)
(192,958)	Income from Council Tax and NDR	(130,197)
(202,212)	Government grants and contributions	(274,777)
(774)	Net gain on Asset Disposals	(516)
<b>(521,812)</b>	<b>Total Income</b>	<b>(520,323)</b>
<b>19,494</b>	<b>(Surplus) or Deficit for Year</b>	<b>(9,303)</b>

*\*This table is subject to roundings*

## 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 £'000	Housing Revenue Account £'000	Capital Receipts Reserve £'000	Major Repairs Reserve £'000	Capital Grants Unapplied £'000	Movement in Unusable Reserves £'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	(27,052)	(17,302)	-	-	-	44,355
Impairment/(reverse impairment) of subsidiaries	1,126	-	-	-	-	(1,126)
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	(3,734)	(1,383)	-	-	-	5,117
Capital grants and contributions unapplied	33,216	-	-	-	(33,216)	-
<b>Total Adjustments to Revenue Resources</b>	<b>(28,427)</b>	<b>(20,367)</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	(24,735)
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>(17,532)</b>	<b>(6,252)</b>	<b>(2,717)</b>	<b>(613)</b>	<b>(8,588)</b>	<b>35,701</b>

*\*This table is subject to roundings*

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	(31,234)	(3,566)	-	-	-	34,800
Impairment/(reversal of impairment) of subsidiary holdings	529	-	-	-	-	(529)
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	(6,384)	-	-	-	-	6,384
Amounts of non-current assets write off on disposal or sale as part of the gain/loss on disposal	(3,925)	(1,448)	-	-	-	5,373
Capital grants and contributions unapplied	36,246	-	-	-	(36,246)	-
<b>Total Adjustments to Revenue Resources</b>	<b>(74,023)</b>	<b>(7,265)</b>	<b>-</b>	<b>-</b>	<b>(36,246)</b>	<b>117,534</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	-	10,441	-	(10,441)	-	-
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>13,710</b>	<b>(4,983)</b>	<b>(10,441)</b>	<b>-</b>	<b>(18,154)</b>
Adjustments to Capital Resources	-	-	-	-	-	-
Use of the Capital Receipts Reserve to finance capital expenditure	-	-	4,030	-	-	(4,030)
Use of the Major Repairs Reserve to finance new capital expenditure	-	-	-	10,357	-	(10,357)
Application of capital grants to finance capital expenditure	-	-	-	-	32,087	(32,087)
Cash payments in relation to deferred capital receipts	-	-	(1,295)	-	-	1,295
<b>Total Adjustments to Capital Resources</b>			<b>2,735</b>	<b>10,357</b>	<b>32,087</b>	<b>(45,179)</b>
Other adjustments – repayment of borrowing	10	-	(150)	-	-	140
<b>Total Adjustments</b>	<b>(54,145)</b>	<b>6,445</b>	<b>(2,398)</b>	<b>(84)</b>	<b>(4,159)</b>	<b>54,339</b>

*\*This table is 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 1 April 2019 £'000	Transfers In £'000	Transfers Out £'000	Balance at 31 March 2020 £'000	Transfers In £'000	Transfers Out £'000	Balance at 31 March 2021 £'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)	(3,534)	-	(5,393)
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)	(4,191)	1,211	(9,215)
Capital Finance Smoothing	(6,359)	(10,621)	8,985	(7,995)	(19,077)	13,177	(13,895)
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>(34,648)</b>	<b>32,797</b>	<b>(45,699)</b>	<b>(75,492)</b>	<b>22,121</b>	<b>(99,070)</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>(34,810)</b>	<b>32,797</b>	<b>(55,609)</b>	<b>(75,655)</b>	<b>22,121</b>	<b>(109,143)</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 **Transformation Reserve** to allow for potential slippage in the delivery of capital receipts to fund transformation as well as funding transformation projects beyond the end of the flexible capital receipts directive in 2024/25;

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 £'000		2020/21 £'000
127	Levies	130
905	Payments to the Government Housing Capital Receipts Pool	905
(774)	Gains/losses on the Disposal of Non-Current Assets	(516)
<b>258</b>	<b>Total Other Operating Expenditure</b>	<b>519</b>

## Note 11 - Financing and Investment Income and Expenditure

2019/20 £'000		2020/21 £'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	(1,983)
(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>20,518</b>

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

2019/20		2020/21
£000		£000
(90,716)	Council Tax income	(93,447)
(102,242)	Non-Domestic rates income	(36,750)
57,084	Non-Domestic Rates Tariff and Levy	34,397
(13,102)	Non-ringfenced government grants	(63,086)
(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 - Peter Sloman	162,302	-	14,810	177,112
Director of Environment and Neighbourhood Services*2*3	118,887	95	26,044	145,026
Director of Adult Care & Health Services	135,029	608	29,571	165,208
Strategic Communications Manager*7	54,040	267	11,835	66,142
Head of Legal and Democratic Services*5*6	107,498	516	21,975	129,989
Director of Children, Education & Early Help Services*4	8,318	-	1,822	10,140
Director of Resources*1	137,184	260	30,043	167,487
<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.

2020/21	Salary, Fees and Allowances	Expenses	Pension Contribution	Total
	£	£	£	£
Chief Executive - Peter Sloman	166,765	-	-	166,765
Director of Economic Growth and Neighbourhood Services	111,812	-	26,499	138,311
Executive Director of Social Care and Health	138,385	-	32,797	171,182
Assistant Director of Legal and Democratic Services	88,066	-	20,872	108,938
Deputy Chief Executive	140,600	-	33,916	174,516
Director of Children's Services, Education and Early 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 Council'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				2020/21		
2019/20 Schools	2019/20 Non-schools	2019/20 Total		2020/21 Schools	2020/21 Non-schools	2020/21 Total
14	33	47	£50,001 to £55,000	14	40	54
8	30	38	£55,001 to £60,000	13	26	39
3	7	10	£60,001 to £65,000	5	11	16
8	8	16	£65,001 to £70,000	4	5	9
5	5	10	£70,001 to £75,000	6	6	12
7	2	9	£75,001 to £80,000	5	3	8
-	3	3	£80,001 to £85,000	2	5	7
1	1	2	£85,001 to £90,000	1	4	5
-	3	3	£90,001 to £95,000	-	4	4
-	1	1	£95,001 to £100,000	-	5	5
2	-	2	£100,001 to £105,000	-	-	-
-	-	-	£105,001 to £110,000	2	-	2
-	2	2	£110,001 to £115,000	-	2	2
-	-	-	£115,001 to £155,000	-	-	-
-	-	-	£155,001 to £160,000	-	1	1
-	-	-	£160,001 to £165,000	-	1	1
<b>48</b>	<b>95</b>	<b>143</b>	<b>Total</b>	<b>52</b>	<b>113</b>	<b>165</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	1	8	1	212,945	22,345
£40,001 - £60,000	-	-	1	1	1	1	41,230	42,502
£60,001 - £80,000	-	-	1	2	1	2	66,701	121,572
£80,001 - £100,000	-	-	-	2	-	2	-	176,810
£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>29</b>	<b>20</b>	<b>29</b>	<b>20</b>	<b>650,002</b>	<b>743,575</b>
Add: Amounts provided for in CIES not included in bandings							-	-
<b>Total cost included in CIES</b>							<b>650,002</b>	<b>743,575</b>

\*These figures will not include contractual costs such as payments in lieu of notice.

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		31 March 2021	
£'000		£'000	
378	Salaries	388	
115	Allowances	173	
<b>493</b>	<b>Total Members' Allowances</b>	<b>561</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

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. £1.1m was paid to Reading UK CIC in 2020/21.

One member is on the board of Trustees of Reading Association for the Blind. RAFTB was paid £11k in 2020/21.

### **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.

## Transactions with Subsidiary parties

The Council wholly owns the following companies;

- Brighter Futures for Children (BFfC) – founded 2018 to deliver Children’s Social Care Services, Education, Special Education and Disabilities, School Support Services and Early Help.
- Homes for Reading (HfR) – founded 2016 to provide quality rented housing in the Borough.
- Reading Transport Limited (RTL) – founded 1986 to meet the Transport Act and provide local bus services.

Group accounts for the year have been prepared and presented in these accounts to show the combined financial performance and position of the council and the three wholly owned subsidiaries.

During the year the Reading Borough Council charged BFfC £6.8m (2019/20: £6.7m) under service level agreements and paid BFfC £41m (2020: £41m) under the terms of a service delivery contract. BFfC is also in receipt of a loan of £5m from Reading Borough Council on which there was £0.07m (2019/20: £0.06m) interest. In addition Reading Borough Council provided a guarantee to BFfC of £20m (2019/20: £2m) and guaranteed the pension liability £41m (2019/20: £21m).

HfR has a loan with Reading Borough Council of £24m, on which interest was £0.9m (2019/20: £0.8m). In addition £0.2m was payable by HfR to Reading Borough Council for administration costs and Reading Borough Council paid HfR £0.2m for other costs.

RTL charged Reading Borough Council £5m (2019/20: £6m) re the concessionary fares scheme and other contracts, and paid Reading Borough Council £0.3m for other services. It has various loans and leases with Reading Borough Council, totalling £9m on which there was £0.3m interest.

## 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
-	Fees payable to external auditors with regard to external audit services carried out by the appointed auditor for the year 2019/20	334
(8)	PSAA refund of External Audit fees	-
<b>628</b>	<b>Total</b>	<b>844</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 (Deficit) / Surplus for Year</b>	<b>1,108</b>

### Building Control - Trading Account

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

2019/20	Building Control – Trading Account	2020/21
£'000		£'000
426	Income	318
(648)	Expenditure	(468)
<b>(222)</b>	<b>Net Surplus / (Deficit) for Year</b>	<b>(150)</b>

## Note 19 - Pooled Budgets

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

### 1) Berkshire Community Equipment Stores

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

	<b>2019/20</b> <b>£'000</b>	<b>2020/21</b> <b>£'000</b>
<b>Funding Within the Pooled Budget</b>		
Reading Borough Council - Adult Services	(618)	(816)
Reading Borough Council - Children's Services	(109)	(85)
Other Berkshire Councils	(3,220)	(3,516)
Berkshire Clinical Commissioning Groups	(5,966)	(6,278)
	<b>(9,913)</b>	<b>(10,695)</b>
<b>Expenditure Within the Pooled Budget</b>		
Management Fund Costs	117	121
Nottingham Rehab Supplies Equipment	9,796	10,574
	<b>9,913</b>	<b>10,695</b>
<b>Net (Surplus)/Deficit within the scheme 2020/21</b>	<b>-</b>	<b>-</b>

### 2) Better Care Fund

Reading Borough Council and Berkshire West Clinical Commissioning Group are partners in the provision of services with the primary purpose to ensure vulnerable clients are placed at the centre of their own care and support packages and to provide fully integrated health and social care.

	<b>2019/20</b> <b>£'000</b>	<b>2020/21</b> <b>£'000</b>
<b>Funding Provided to the Pooled Budget</b>		
Reading Borough Council	(3,974)	(4,116)
Berkshire West CCG	(10,280)	(10,606)
	(14,254)	(14,722)
<b>Expenditure within the Pooled Budget</b>		
Reading Borough Council	9,284	9,460
Berkshire West CCG	4,691	5,174
	13,975	14,634
<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:

DSG Receivable for 2019/20	Central Expenditure	Individual Schools Budget	Total
	£'000	£'000	
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 Expenditure	Individual Schools Budget	Total
	£'000	£'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>

\*Table is subject to roundings

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 £'000		31 March 2021 £'000
	<b>Credited to Taxation and Non-Specific Grant Income</b>	
	<b><u>Non-Covid Grants</u></b>	
(5,292)	Business Rates Reliefs	(32,009)
(3,739)	New Homes Bonus	(3,988)
-	Revenue Support Grant	(2,030)
(232)	Other Non-Specific Revenue Grants	(224)
(21,075)	Capital Grants*	(23,467)
(107)	Capital Grants Donated Assets	-
(12,141)	Capital Contributions (including CIL and S106 monies)	(12,779)
<b>(42,586)</b>	<b>Total Non-Covid Grants</b>	<b>(74,497)</b>

<b><u>Covid Grants</u></b>		
(3,839)	Covid-19 Emergency Unringfenced Funding	(9,430)
-	- Covid-19 Hardship Fund	(953)
-	- Local Authority Discretionary Grant	(1,420)
-	- Sales Fees and Charges Support Grant	(5,842)
-	- Job Retention Scheme Grant	(1,305)
-	- Additional Restrictions Grant	(1,175)
-	- Tax Income Guarantee Grant - Business Rates	(3,190)
-	- Tax Income Guarantee Grant - Council Tax	(618)
-	- Clinically Extremely Vulnerable Grant	(430)
-	- Other Non-Specific Revenue Grants	(471)
<b>(3,839)</b>	<b>Total Covid Grants</b>	<b>(24,834)</b>
<b>(46,425)</b>	<b>Total</b>	<b>(99,331)</b>

\*See Capital Grants breakdown below

### \*Capital Grants

31 March 2020 £'000		31 March 2021 £'000
-	Active Travel	(1,120)
(1,055)	Disabled Facilities Grant	(1,197)
(4,575)	LEP - Growth Deal Board Transport Projects	(3,646)
(2,888)	LTP - Integrated Transport Block Grant	(3,012)
(4,750)	Live Labs Funding	-
(2,599)	Priority Schools Building Programme	(1,736)
(2,993)	Schools Standards Fund	(3,478)
(970)	LEP - Smart Cities Funding	(580)
-	- Pothole Action Fund	(1,153)
-	- Public Sector Decarbonisation Fund - Schools	(1,853)
-	- Shared Ownership Affordable Housing	(4,552)
(1,245)	Other Capital Grants	(1,140)
<b>(21,075)</b>	<b>Total Capital Grants and Contributions</b>	<b>(23,467)</b>

### Capital Grants - Receipts in Advance

31 March 2020 £'000		31 March 2021 £'000
-	Other Non-Covid Grants	(329)

### Revenue Grants - Receipts in Advance

31 March 2020 £'000		31 March 2021 £'000
	<b><u>Non-Covid Grants</u></b>	
(3,993)	MHCLG – S31 NNDR 20/21 Grant	-
-	Other Non-Covid Grants	(130)
<b>(3,993)</b>	<b>Total Non-Covid Grants</b>	<b>(130)</b>

	<b><u>Covid Grants</u></b>	
-	Additional Restrictions Grant	(3,498)
-	Local Restrictions & Support Grant Open	(406)
-	Other Covid Grants	(5)
-	<b>Total Covid Grants</b>	<b>(3,909)</b>
<b>(3,993)</b>	<b>Revenue Grants – Receipts in Advance</b>	<b>(4,039)</b>

## Credited to Services

31 March 2020 £'000	Credited to Services	31 March 2021 £'000
	<b><u>Non-Covid Grants</u></b>	
(76,351)	Dedicated Schools Grant	(79,122)
(52,432)	Housing Benefit Subsidy	(48,968)
(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 Infant Free School Meals	(1,197)
(1,091)	Teachers' Pension Grant	(1,873)
(1,057)	PFI Central Berkshire Waste Disposal	(1,057)
(723)	Social Care Grant	(2,990)
(718)	Troubled Families	(558)
(570)	Winter Pressures	-
(561)	Teachers Pay Grant	(650)
(539)	PE & Sports Premium	(534)
(471)	Sixth Form Funding	(419)
-	Discretionary Housing Payments	(671)
-	Next Steps Accommodation Programme	(745)
-	Rough Sleeping Drug and Alcohol Treatment	(637)
(335)	Rough Sleeping Initiative	(647)
(529)	Housing Benefit Admin Subsidy	(521)
(188)	Unaccompanied Asylum-Seeking Children Funding	(712)
-	Community Safety Grant	(458)
(4,726)	Other Non-Covid Grants	(3,168)
<b>(163,417)</b>	<b>Total Non-Covid Grants</b>	<b>(167,350)</b>
	<b><u>Covid Grants</u></b>	
-	Test and Trace Grant	(901)
-	Contain Outbreak Management Fund	(3,871)
-	Culture Recovery Fund	(989)
-	Infection Control Grant	(2,493)
-	Covid-19 Catch-up Premium	(493)
-	Other Covid Grants	(2,744)
-	<b>Total Covid Grants</b>	<b>(11,491)</b>
<b>(163,417)</b>	<b>Total Credited to Services</b>	<b>(178,841)</b>

\*Tables are subject to roundings



## 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 Dwellings</b>	<b>Other Land &amp; Buildings</b>	<b>Vehicles, Plant &amp; Equipment</b>	<b>Surplus Assets</b>	<b>Total</b>
	<b>£'000 NBV</b>	<b>£'000 NBV</b>	<b>£'000 MBV</b>	<b>£'000 NBV</b>	<b>£'000 NBV</b>
Carried at historical cost			8,162		8,162
Valued at current value as at:					
Values prior 1 April 2017					
31 March 2017		15,428			15,428
31 March 2018		92,428			92,428
31 March 2019		102,973			102,973
31 March 2020		69,604			69,604
31 March 2021	502,927	50,158	1,142	24,841	579,068
<b>Total</b>	<b>502,927</b>	<b>330,591</b>	<b>9,304</b>	<b>24,841</b>	<b>867,663</b>

From 2020/21 Sanderson Weatherall LLP carried out all our valuations.

## Property, Plant and Equipment 2019/20

Movements to 31 March 2020

*\*This table is subject to roundings*

	Council Dwellings	Land and Buildings	Vehicles, Plant, Furniture & Equipment	Community Assets	Surplus Assets	Assets Under Construction	Total Property, Plant and Equipment
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>Cost or Valuation</b>							
<b>at 1 April 2019</b>	<b>491,430</b>	<b>353,329</b>	<b>21,646</b>	<b>8,550</b>	<b>28,763</b>	<b>24,483</b>	<b>928,202</b>
Additions	11,943	11,166	2,387	143	252	12,534	38,426
Donations	-	-	107	-	-	-	107
Revaluation increases/(decreases) recognised in the Revaluation Reserve	(22,245)	2,678	-	-	2,611	-	(16,955)
Derecognition – disposals	(1,400)	(2,889)	(814)	-	(1,050)	-	(6,154)
Derecognition - Other	-	-	-	-	-	-	-
Reclassifications and transfer	11,850	(553)	-	-	(867)	(15,177)	(4,747)
Other movements in cost or valuation	(17,052)	(8,329)	-	-	223	-	(25,158)
<b>at 31 March 2020</b>	<b>474,526</b>	<b>355,402</b>	<b>23,325</b>	<b>8,693</b>	<b>29,932</b>	<b>21,841</b>	<b>913,720</b>
<b>at 1 April 2019</b>	<b>-</b>	<b>(8,203)</b>	<b>(13,315)</b>	<b>(1,937)</b>	<b>-</b>	<b>(596)</b>	<b>(24,051)</b>
Adjustment - revaluation	-	-	-	-	-	-	-
Depreciation charge	(10,588)	(9,781)	(1,525)	(30)	(17)	-	(21,942)
Impairment losses/(reversals) recognised in the Surplus/Deficit on the Provision of Services	(6,508)	(3,402)	-	-	257	(62)	(9,715)
Derecognition – disposals	30	245	763	-	-	-	1,037
Derecognition - Other	14	37	-	-	(17)	(34)	0
Reclassifications and transfers	-	-	-	-	-	-	-
Other movements in depreciation and impairment	17,052	8,329	-	-	(223)	-	25,158
<b>at 31 March 2020</b>	<b>0</b>	<b>(12,775)</b>	<b>(14,078)</b>	<b>(1,967)</b>	<b>0</b>	<b>(692)</b>	<b>(29,512)</b>
<b>Net Book Value</b>							
<b>at 31 March 2019</b>	<b>491,430</b>	<b>345,126</b>	<b>8,331</b>	<b>6,613</b>	<b>28,763</b>	<b>23,887</b>	<b>904,150</b>
<b>at 31 March 2020</b>	<b>474,526</b>	<b>342,627</b>	<b>9,248</b>	<b>6,726</b>	<b>29,932</b>	<b>21,148</b>	<b>884,208</b>

## Property, Plant and Equipment 2020/21

\*This table is subject to roundings

### Movements to 31 March 2021

	Council Dwellings	Land and Buildings	Vehicles, Plant, Furniture & Equipment	Community Assets	Surplus Assets	Assets Under Construction	Total Property, Plant and Equipment
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>Cost or Valuation</b>							
<b>at 1 April 2020</b>	<b>474,526</b>	<b>355,402</b>	<b>23,325</b>	<b>8,693</b>	<b>29,932</b>	<b>21,841</b>	<b>913,720</b>
Additions	10,893	3,016	2,670	50	37	17,067	<b>33,733</b>
Revaluation increases/(decreases) recognised in the Revaluation Reserve	23,028	3,809	(425)	-	(760)	-	<b>25,652</b>
Derecognition – disposals	(1,480)	(3,636)	(242)	-	(290)	-	<b>(5,648)</b>
Reclassifications and transfer	-	1	-	-	(2,720)	1,424	<b>(1,294)</b>
Other movements in cost or valuation	(4,040)	(8,882)	(834)	-	(1,358)	-	<b>(15,114)</b>
<b>at 31 March 2021</b>	<b>502,927</b>	<b>349,709</b>	<b>24,494</b>	<b>8,743</b>	<b>24,841</b>	<b>40,332</b>	<b>951,048</b>
<b>Accumulated Depreciation and Impairment</b>							
<b>at 1 April 2020</b>	-	(12,775)	(14,078)	(1,967)	-	(692)	<b>(29,512)</b>
Depreciation charge	(10,343)	(9,593)	(1,857)	(31)	(15)	-	<b>(21,840)</b>
Impairment (losses)/reversals recognised in the Surplus/Deficit on the Provision of Services	6,271	(5,706)	(301)	-	(1,343)	-	<b>(1,079)</b>
Derecognition – disposals	32	31	212	-	-	-	<b>275</b>
Reclassifications and transfers	-	43	-	-	-	(43)	-
Other movements in depreciation and impairment	4,040	8,882	834	-	1,358	-	<b>15,114</b>
<b>at 31 March 2021</b>	<b>-</b>	<b>(19,119)</b>	<b>(15,190)</b>	<b>(1,998)</b>	<b>-</b>	<b>(735)</b>	<b>(37,042)</b>
<b>Net Book Value</b>							
<b>at 31 March 2020</b>	<b>474,526</b>	<b>342,627</b>	<b>9,248</b>	<b>6,726</b>	<b>29,932</b>	<b>21,148</b>	<b>884,208</b>
<b>at 31 March 2021</b>	<b>502,927</b>	<b>330,591</b>	<b>9,304</b>	<b>6,745</b>	<b>24,841</b>	<b>39,598</b>	<b>914,006</b>

## Note 23 – Infrastructure Assets

<b>Movements on Balances</b>	<b>2019/20 £'000</b>	<b>2020/21 £'000</b>
<b>Net Book Value at 1 April</b>	<b>133,988</b>	<b>130,296</b>
Additions	4,259	5,646
Derecognition	-	-
Reclassifications	4,747	1,294
Depreciation	(12,698)	(11,748)
Other movements in cost	-	471
<b>Net Book Value at 31 March</b>	<b>130,296</b>	<b>125,959</b>

	<b>2019/20 £'000</b>	<b>2020/21 £'000</b>
<b>Property, Plant and Equipment (PPE)</b>	<b>£'000</b>	<b>£'000</b>
Infrastructure Assets	130,296	125,959
PPE excluding Infrastructure Assets	884,208	914,006
<b>Net Book Value at 31 March</b>	<b>1,014,504</b>	<b>1,039,965</b>

In accordance with the Temporary Relief offered by the Update to the Code on infrastructure assets this note does not include disclosure of gross cost and accumulated depreciation for infrastructure assets because historical reporting practices and resultant information deficits mean that this would not faithfully represent the asset position to the users of the financial statements.

The Council is unable to provide sufficient evidence of the value of replaced components of infrastructure assets when they are derecognised. This is particularly the case in relation to roads, though the issue impacts all infrastructure assets. This can lead to issues relating to the reporting of gross historical cost and accumulated depreciation.

This is particularly the case with older infrastructure assets that were either built, developed, or adopted prior to when accounting requirements for their recognition were first introduced. Given the uncertainties attached to the original costs of such historical structures, a consistent methodology cannot be applied to faithfully disclose the derecognition values for such assets. The nature of infrastructure assets is such that there would not usually be an open market in which to conduct any exchange or to derive an accurate value. In this respect, the ownership of existing infrastructure assets would remain with the Council or any subsequent public authority responsible for holding and maintaining them.

The Council has determined in accordance with Regulation 30M (England) of the Local Authorities (Capital Finance and Accounting) (England/Wales) (Amendment) Regulations 2022 that the carrying amounts to be derecognised for infrastructure assets when there is replacement expenditure is nil.

## Note 24 - Heritage Assets

2019/20 £'000	Heritage Assets	Reading Abbey £'000	Civic Regalia £'000	Other £'000	Total 2020/21 £'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>2,743</b>

*\*Subject to roundings*

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 25 - 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	Investment Properties Movements in Year	Non-Current	
£'000		£'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 26 – 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 Assets	2020/21
£'000		£'000
4,766	Gross Book Value at 1 April	6,460
(3,458)	Accumulated Amortisation at 1 April	(4,007)
<b>1,307</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>2,453</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 27 - 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
-	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
499	Transport Consultancy Support	333
<b>18,789</b>	<b>Total</b>	<b>38,511</b>



## Note 28 - 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 (inc. Infrastructure)	39,878
39,940	Investment Property	-
1,695	Intangible Assets	5,031
72	Heritage Assets	78
9,378	Revenue Expenditure Funded from Capital Under Statute	6,384
12,349	Long term debtor	700
-	Long term Investment	50
<b>106,119</b>	<b>Total Capital Spending</b>	<b>52,121</b>
	Sources of Finance:	
(10,886)	Capital receipts	(4,030)
(24,628)	Government Grants and other contributions	(32,087)
(10,041)	Major repairs reserve	(10,357)
	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>(64,628)</b>
<b>598,925</b>	<b>Closing Capital Financing Requirement</b>	<b>586,418</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) Assets acquired under PFI contracts	5,245
(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>(12,507)</b>

## Note 29 - 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 Non-current £'000	2019/20 Current £'000		2020/21 Non-current £'000	2020/21 Current £'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>	6,614	
		Investment in Energy Company	60	
Amortised cost:				
	34,254	Cash and cash equivalents		59,807
32,998	32,692	Debtors	36,765	35,676
Fair value through other comprehensive income				
<b>53,872</b>	<b>66,946</b>	<b>Total financial assets</b>	<b>58,088</b>	<b>95,483</b>
<b>Financial Liabilities</b>				
Amortised cost				
(391,445)	(13,266)	Loans outstanding	(384,183)	(7,944)
-	(33,404)	Creditors	-	(29,831)
(25,269)	(974)	PFI lease liability <sup>3</sup>	(24,261)	(1,009)
<b>(416,714)</b>	<b>(47,644)</b>	<b>Total Financial Liabilities</b>	<b>(408,444)</b>	<b>(38,784)</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 33 and 34 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 Liabilities:	Financial Assets:	Financial Assets:	Financial Assets:	2020/21
	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					0
Unrealised (Gains)/Losses				104	104
<b>Net (Gains)/Losses on Financial Instruments in Surplus/Deficit on Provision of Services</b>	-	-	-	<b>104</b>	<b>104</b>
Interest expense	15,592				15,592
Fee expense	2			89	91
<b>Total expense in Surplus/Deficit on the 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 Surplus/Deficit on the Provision of Services</b>	-	<b>(1,547)</b>	-	<b>(722)</b>	<b>(2,269)</b>
<b>Total (Gain)/Loss in Surplus/Deficit on Provision 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 Revaluation of Financial Assets in Other Comprehensive Income and 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>

*\*Subject to roundings*

## Note 30 - Fair Value

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

Description of asset or liability	Valuation Hierarchy	Basis of Valuation	Observable and unobservable inputs	Key sensitivities
Borrowing from Public Works Loans Board (PWLB) and Lender Option Borrower Option loans (LOBOs) and Service Concessions.	Level 2	The fair values have been estimated by discounting the remaining cashflows or the borrowing using the PWLB certainty rate for new loans.	Not required.	Not required.
Property Fund.	Level 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 £6.614m (£6.085m 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		Transfers into Level 3	Transfers out of Level 3	Purchases	Sales	Unrealised gains and losses	Realised gains and losses	31 March 2020
£'000		£'000	£'000	£'000	£'000	£'000	£'000	£'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>-</b>	<b>(2,022)</b>	<b>(1,050)</b>	<b>108,992</b>

31 March 2020		Transfers into Level 3	Transfers out of Level 3	Purchases	Sales	Unrealised gains and losses	Realised gains and losses	31 March 2021
£'000		£'000	£'000	£'000	£'000	£'000	£'000	£'000
79,060	Investment property	-	-	-	-	(3,080)	-	75,980
29,932	Surplus assets	-	(2,735)	37	-	(2,103)	(290)	24,841
<b>108,992</b>		<b>-</b>	<b>(2,735)</b>	<b>37</b>	<b>-</b>	<b>(5,183)</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		6,674	-	6,674	
-	-	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	
-	<b>20,808</b>	<b>141,991</b>	<b>162,799</b>	<b>Total assets</b>	-	<b>21,323</b>	<b>137,585</b>	<b>158,909</b>	
				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	-	(25,270)	-	(25,270)	
-	<b>(503,839)</b>	-	<b>(503,839)</b>	<b>Total liabilities</b>	-	<b>(525,701)</b>	-	<b>(525,701)</b>	

*\*Subject to roundings*

## Note 31 – 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 Fair value through profit and loss	2019/20 Assets at amortised cost	2019/20 Cash and cash equivalents	Fitch Rating	2020/21 Fair value through profit and loss	2020/21 Assets at amortised cost	2020/21 Cash and cash equivalents
£'000	£'000	£'000		£'000	£'000	£'000
14,789			AAA			
			AA+			
			AA			
			AA-	14,649		
		22,512	A+			27,718
		1,007	A			20,035
			A-			
			BBB+			
			BB-			
	55,911	10,735	Not applicable		36,765	12,054
<b>14,789</b>	<b>55,911</b>	<b>34,254</b>		<b>14,649</b>	<b>36,765</b>	<b>59,807</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</b>	<b>Not past due (0-30 days)</b>	<b>2-3 months</b>	<b>4-5 months</b>	<b>Over 5 months</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Debtors individually assessed	-	-	-	-	-
<b>Expected credit loss (individually assessed)</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>

At March 2021	Total	Not past due (0-30 days)	2-3 months	4-5 months	Over 5 months
	£'000	£'000	£'000	£'000	£'000
Debtors individually assessed	5,000	-	-	-	5,000
<b>Expected credit loss (individually assessed)</b>	<b>5,000</b>	<b>-</b>	<b>-</b>	<b>-</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 2019/20 £ '000	Liability including interest 2019/20 £'000		Carrying Value 2020/21 £'000	Liability including interest 2020/21 £'000
37,697	51,657	Less than one year	38,794	53,477
16,084	33,054	1 - 2 years	3,454	18,661
11,666	52,395	2 - 5 years	10,282	54,809
26,252	94,383	5 - 10 years	30,325	99,150
115,619	282,722	10 - 25 years	80,379	246,558
182,019	253,986	25 - 40 years	174,009	275,231
75,000	83,450	40+ years	110,000	134,163
<b>464,337</b>	<b>851,647</b>		<b>447,243</b>	<b>882,048</b>

\*Subject to roundings

## 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:

- maturing short-term investments can be used to pay down debt, should it become cost-effective to do; and
- 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:

	<b>£'000</b>
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 32 - Cash and Cash Equivalents

31 March 2020		31 March 2021
£'000		£'000
9,321	Cash and Bank balances	8,262
24,933	Short term deposits with banks and building societies	51,545
<b>34,254</b>	<b>Total Cash and Cash Equivalents</b>	<b>59,807</b>

## Note 33 – 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 2020	New advances recognised	Advances repaid	Transfer (to)/from short term or other	31 March 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>36,765</b>

*\*This table is subject to roundings*

## 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 £'000		31 March 2021 £'000
	<b>Central Government Bodies</b>	
2,885	- HMRC	5,532
2,332	- Other	31,404
1,506	<b>Other Local Authorities</b>	3,941
498	<b>NHS Bodies</b>	368
	Other Entities and Individuals	
2,268	- Business Rates payers	2,606
3,642	- Council Taxpayers	3,766
2,033	- Housing Benefits Overpayments	2,282
1,774	- Housing Rents	682
34,144	- Other Sundry Debtors	31,863
<b>51,082</b>	<b>Total Debtors</b>	<b>82,445</b>

*\*This table is subject to roundings*

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

31 March 2020 £'000		31 March 2021 £'000
	<b>Other Entities and Individuals</b>	
(3,359)	- Business Rates payers	(3,474)
(11,742)	- Council Taxpayers	(14,113)
(4,621)	- Housing Benefits Overpayments	(4,502)
(1,248)	- Housing Rents	(2,792)
(7,682)	- Other Sundry Debtors	(7,796)
<b>(28,652)</b>	<b>Total Debtors</b>	<b>(32,678)</b>

*\*This table is subject to roundings*

## Note 34 - Creditors

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

## Short Term Creditors

31 March 2020		31 March 2021
£'000		£'000
	<b>Central Government Bodies</b>	
(2,111)	- HMRC – PAYE and NI	(3,475)
(4,164)	- Other	(42,018)
(10,243)	<b>Other Local Authorities</b>	(6,987)
(80)	<b>NHS Bodies</b>	(34)
	<b>Other Entities and Individuals</b>	
(3,526)	- 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	(31,276)
(6,870)	<b>Receipts in Advance</b>	(4,668)
<b>(68,639)</b>	<b>Total Short Term Creditors</b>	<b>(115,367)</b>

*\*This table is subject to roundings*

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

## Long Term Creditors

31 March 2020		31 March 2021
£'000		£'000
(627)	Other Sundry Creditors	(627)
<b>(627)</b>	<b>Total Long Term Creditors</b>	<b>(627)</b>

## Note 35 - Provisions

	Balance at 1 April 2020	Movement in year 2020/21	Balance at 31 March 2021
	£'000	£'000	£'000
Provision for NNDR Appeals	(5,031)	1,552	(3,478)
Insurance	(1,796)	-	(1,796)
Ordinary Residence Disputes	(857)	-	(857)
Unequal Pay Back Pay	(1,326)	229	(1,097)
Other	(178)	-	(178)
<b>Total Provisions</b>	<b>(9,188)</b>	<b>1,782</b>	<b>(7,406)</b>

*\*Subject to roundings*

**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.

**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 36 - 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	(40,644)
(9,910)	HRA Earmarked Reserves	9 (10,074)
(45,699)	GF - Earmarked Reserves	9 (99,070)
(2,601)	Major Repairs Reserve	(2,686)
(58,665)	Capital Grants Unapplied	(62,824)
(11,349)	Capital Receipts Reserve	(13,748)
<b>(171,546)</b>	<b>Total</b>	<b>(236,544)</b>

*This table is subject to roundings*

### 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	4,030
<b>(11,349)</b>	<b>Balance 31 March</b>	<b>(13,748)</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	(10,441)
10,041	Application to finance capital expenditure	10,357
<b>(2,601)</b>	<b>Balance 31 March</b>	<b>(2,686)</b>

*This table is subject to roundings*

## Capital Grants Unapplied

31 March 2020		31 March 2021
£'000		£'000
(50,077)	Restated Balance 1 April	(58,665)
(33,215)	Capital grants recognised in year	(36,246)
24,627	Capital grants and contributions applied	32,087
<b>(58,665)</b>	<b>Balance 31 March</b>	<b>(62,824)</b>

## Note 37 - Unusable Reserves

The Unusable Reserves of the Council are as follows:

31 March 2020		31 March 2021
£'000		£'000
(167,723)	Revaluation Reserve	(190,356)
(373,193)	Capital Adjustment Account	(390,583)
395,684	Pension Reserve	551,445
(4,307)	Deferred Capital Receipts Reserve	(3,011)
(12,029)	Collection Fund Adjustment Account	32,846
1,639	Accumulated Absences Account	2,166
397	Pooled Fund Adjustment Account	501
64	Financial Instrument Revaluation Reserve	64
-	*Dedicated Schools Grant	1,356
<b>(159,468)</b>	<b>Total</b>	<b>4,427</b>

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



## Revaluation Reserve

31 March 2020 £'000		31 March 2021 £'000
<b>(190,311)</b>	<b>Balance 1 April</b>	<b>(167,723)</b>
(9,075)	Upward revaluation of assets	(30,075)
26,024	Downward revaluation of assets and impairment losses not charged to the Surplus or Deficit on the Provision of Services	4,423
<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>(25,652)</b>
3,036	Difference between fair value depreciation and historical cost depreciation	2,240
1,512	Accumulated gains on assets sold or scrapped	778
1,091	Other movements	-
<b>5,639</b>	<b>Amount written off to the Capital Adjustment Account</b>	<b>3,019</b>
<b>(167,723)</b>	<b>Balance 31 March</b>	<b>(190,356)</b>

- This 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

31 March 2020 £'000		31 March 2021 £'000
<b>(382,755)</b>	<b>Balance 1 April</b>	<b>(373,193)</b>
44,355	Charges for depreciation and impairment of non-current assets	34,800
(1,126)	Reversal of impairment of subsidiary holding	(528)
548	Amortisation of intangible assets	1,010
9,577	Revenue expenditure funded from capital under statute	6,384
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	5,373
<b>58,470</b>	<b>Reversal of Items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement</b>	<b>47,038</b>
(5,639)	Adjusting Amounts written out of the Revaluation Reserve	(3,019)

<b>52,831</b>	<b>Net written out amount of the cost of non-current assets consumed in the year</b>	<b>44,019</b>
(11,085)	Use of Capital Receipts Reserve to finance new capital expenditure	(4,030)
(10,041)	Use of Major Repairs Reserve to finance new capital expenditure	(10,357)
(24,735)	Capital Grants and Contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	(32,087)
(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>(64,629)</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>(390,583)</b>

*\*This table is subject to roundings*

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

<b>31 March 2020</b>		<b>31 March 2021</b>
<b>£'000</b>		<b>£'000</b>
<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>

*\*This table is subject to roundings*

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 £'000		31 March 2021 £'000
<b>(5,899)</b>	<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>(4,307)</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 £'000		31 March 2021 £'000
<b>(9,222)</b>	<b>Balance 1 April</b>	<b>(12,030)</b>
(2,807)	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>(12,029)</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

31 March 2020		31 March 2021	
£'000	£'000	£'000	£'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 38 - 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.

### **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**

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

### **Business Rates Appeals**

The Council has estimated that its share of the total maximum exposure to Business Rate Payers' appeals is £11.241m. A provision of £3.478m has been made within the accounts as a prudent but realistic estimate of the level of these appeals that will actually materialise. The remaining £7.763m has therefore been included as a contingent liability.

## Note 39 - Contingent Assets

The Council has a potential claim against a contractor in relation to the management and delivery of a 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 40 - 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 41 - Service Concession Arrangements

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

### a) North Whitley Housing PFI scheme

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:

Service cost	2019/20					2020/21			
	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	within 1 year	3,820	475	2,611	6,906	
15,620	2,747	9,947	28,314	within 2-5 years	15,814	2,992	9,784	28,590	
20,786	6,088	10,806	37,680	within 6-10 years	21,022	7,445	9,538	38,005	
18,082	10,181	4,516	32,779	within 11-15 years	13,700	8,103	2,964	24,767	
-	-	-	-	within 16-20 years	-	-	-	-	
<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>	

\*subject to roundings

### 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	2,583	(425)	2,158
(304)	(105)	(409)	Depreciation	(148)	(120)	(268)
-	-	-	Impairment	(566)	(301)	(867)
-	-	-	Additions	1	-	1
<b>10,235</b>	<b>1,987</b>	<b>12,222</b>	<b>Closing balance</b>	<b>12,104</b>	<b>1,141</b>	<b>13,246</b>

\*Table is subject to roundings

## 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:

Service cost	2019/20				2020/21			
	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	within 1 year	2,253	419	372	3,044
9,589	1,584	1,322	12,495	within 2-5 years	9,907	1,605	1,202	12,714
13,356	2,645	888	16,889	within 6-10 years	13,691	2,805	689	17,185
3,552	848	62	4,462	within 11-15 years	646	249	10	905
<b>28,679</b>	<b>5,485</b>	<b>2,673</b>	<b>36,837</b>		<b>26,497</b>	<b>5,077</b>	<b>2,273</b>	<b>33,848</b>

\*This table is subject to roundings

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

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

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

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

## Note 42 - Pension Schemes Accounted for as Defined Contribution Schemes

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

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

In 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 43 - 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>-</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)	-
(9,440)	- Actuarial gains and losses arising on changes in demographic assumptions	(8,718)	-
(77,810)	9,199 Actuarial gains and losses arising on changes in financial assumptions	217,186	2,324
(32,917)	- Other movements in the liability / (asset)	(10,554)	-
<b>(89,801)</b>	<b>9,199 Total charged to Other Comprehensive Income and Expenditure Statement</b>	<b>131,528</b>	<b>2,324</b>
<b>(52,185)</b>	<b>9,199 Total charged to the Comprehensive Income and Expenditure Statement</b>	<b>169,984</b>	<b>2,324</b>

2019/20			2020/21	
Funded	Unfunded		Funded	Unfunded
£'000	£'000	Movement in Reserves Statement	£'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**

2019/20				2020/21		
Funded	Unfunded	Total		Funded	Unfunded	Total
£'000	£'000	£'000		£'000	£'000	£'000
(758,491)	(18,651)	(777,142)	Present value of the defined obligation	(983,947)	(20,149)	(1,004,096)
381,458	-	381,458	Fair value of plan assets	452,651	-	452,651
<b>(377,033)</b>	<b>(18,651)</b>	<b>(395,684)</b>	<b>Net (liability) / asset arising from the defined benefit obligation</b>	<b>(531,296)</b>	<b>(20,149)</b>	<b>(551,445)</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
%	<b>Financial assumptions</b>	
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.

## Note 44 - 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:

<b>31 March 2020</b>		<b>31 March 2021</b>
<b>£'000</b>		<b>£'000</b>
(2,869)	Interest received	(1,978)
15,117	Interest paid	15,681
<b>12,248</b>	<b>Total</b>	<b>13,703</b>

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

<b>31 March 2020</b>		<b>31 March 2021</b>
<b>£'000</b>		<b>£'000</b>
(43,229)	Depreciation and Impairment	(34,772)
-	(Impairment)/Reverse Impairment of subsidiaries	528
(548)	Amortisation	(1,010)
-	Movement in contract assets, liabilities and costs	1,203
(9,829)	(Increase)/decrease in creditors	(46,751)
(10,790)	Increase/(decrease) in debtors	13,045
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	(5,373)
(5,949)	Other non-cash movements charged to the surplus or deficit on provision of services	(1,980)
<b>(97,398)</b>	<b>Total</b>	<b>(96,919)</b>

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

<b>31 March 2020</b>		<b>31 March 2021</b>
<b>£'000</b>		<b>£'000</b>
5,987	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	5,888
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)	-
<b>23,615</b>	<b>Total</b>	<b>42,134</b>



## Note 45 - Cash Flow from Investing Activities

31 March 2020 £'000		31 March 2021 £'000
83,354	Purchase of property, plant and equipment, investment property and intangible assets	44,117
-	Purchase of short-term and long-term investments	-
12,348	Other payments for investing activities	700
(12,275)	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(7,183)
7,000	Proceeds from short-term and long-term investments	-
(24,721)	Other receipts from investing activities	(36,259)
<b>65,705</b>	<b>Net cash flows from investing activities</b>	<b>1,375</b>

*\*subject to roundings*

## Note 46 - Cash Flow from Financing Activities

31 March 2020 £'000		31 March 2021 £'000
(100,052)	Cash receipts of short-term and long-term borrowing	-
-	Other receipts from financing activities	-
995	Cash payments for the reduction of outstanding liabilities relating to finance leases and on-Balance-Sheet PFI contracts	974
92,443	Repayments of short-term and long-term borrowing	13,266
(4,745)	Council Tax and NNDR share	22,919
<b>(11,359)</b>	<b>Net cash flows from financing activities</b>	<b>37,159</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		31 March 2021
£'000		£'000
<b>Expenditure</b>		
10,456	Repairs & Maintenance	5,178
10,113	Supervision & Management	14,956
310	Rents, Rates, Taxes and other charges	144
17,303	Depreciation, impairments and revaluation losses of non-current assets	3,566
52	Debt Management Costs	34
(124)	Other	18
<b>38,110</b>	<b>Total Expenditure</b>	<b>23,896</b>
<b>Income</b>		
(34,774)	Dwelling rents	(35,756)
(27)	Non-dwelling rents	(35)
(4,013)	PFI credit	(3,998)
(1,348)	Charges for services and facilities	(1,448)
(217)	Other	(141)
<b>(40,379)</b>	<b>Total Income</b>	<b>(41,378)</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>(17,480)</b>
304	HRA Services Share of Corporate & Democratic Core	318
<b>(1,964)</b>	<b>Net Expenditure of HRA Services</b>	<b>(17,163)</b>
(1,673)	(Gains)/loss on sale of HRA Fixed Assets	(1,121)
7,511	Interest Payable and Similar Charges	7,398
(653)	HRA Interest and Investment Income	(1,430)
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>(11,432)</b>

\* This table is subject to roundings

## 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 £'000	Movement on the HRA Statement	31 March 2021 £'000
(33,547)	Balance on the HRA at the end of the previous year	(35,822)
3,815	(Surplus)/Deficit on the HRA Income and Expenditure Statement	(11,432)
(6,252)	Adjustments between accounting basis and funding basis under statute	6,447
<b>(2,436)</b>	<b>Net (increase) or decrease before transfers to or from reserves</b>	<b>(4,984)</b>
162	Transfer to/(from) reserves	163
<b>(2,274)</b>	<b>(Increase) or decrease on the HRA for the year</b>	<b>(4,821)</b>
(35,822)	Balance on the HRA at the end of the current year	(40,643)
(9,910)	Earmarked reserves – HRA PFI smoothing reserve	(10,074)
<b>(45,731)</b>	<b>Total HRA reserves</b>	<b>(50,716)</b>

31 March 2020 £'000	Adjustment between accounting basis	31 March 2021 £'000
(16,897)	Transfers to/(from) the Capital Adjustment Account	(3,114)
1,673	Gain or (loss) on sale of non-current assets	1,121
(1,678)	Contributions to/(from) the Pension Reserve	(2,244)
(4)	Transfers to/(from) the Accumulated Absences Account	(7)
10,654	Transfers to/(from) Major Repairs Reserve	10,441
-	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>6,447</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 6,801 dwellings, including 1,262 within the North Whitley PFI scheme (31 March 2020: 6,820 dwellings, 1,271 in the PFI scheme). These dwellings are of the following types:

31 March 2020		31 March 2021	
2,922	Flats	2,916	
3,898	Houses	3,885	
<b>6,820</b>	<b>Total number of dwellings</b>	<b>6,801</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 £'000		31 March 2021 £'000
	<b>Capital investment</b>	
14,553	Operational assets	15,169
-	Revenue Expenditure funded from Capital under Statute	-
<b>14,553</b>	<b>Total capital investment</b>	<b>15,169</b>
	<b>Sources of funding</b>	
(1,036)	Borrowing	(2,371)
(3,463)	Capital Receipts	(752)
(10,041)	Major Repairs Reserve	(10,357)
(13)	Government grants and other contributions	(1,440)
-	Direct Revenue Financing	(249)
<b>(14,553)</b>	<b>Total funding</b>	<b>(15,169)</b>

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

31 March 2020 Restated			31 March 2021	
£'000			£'000	
474,526	Council Dwellings		502,925	
4,673	Other Land and Buildings		4,581	
2,256	Assets Under Construction		11,616	
772	Surplus Assets		3,396	
<b>482,228</b>	<b>Total</b>		<b>522,518</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 £1.524m 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	Impairment		Depreciation	Impairment	
£'000	£'000		£'000	£'000	
(10,588)	(6,508)	Council Dwellings	(10,343)	6,271	
(61)	(122)	Other Land and Buildings	(92)	-	
(5)	(19)	Surplus Assets	(5)	604	
<b>(10,654)</b>	<b>(6,649)</b>	<b>Total</b>	<b>(10,441)</b>	<b>6,875</b>	

\* This table is subject to roundings

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	
£'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	Council Tax	Total	Collection Fund	Business Rates	Council Tax	Total
£'000	£'000	£'000		£'000	£'000	£'000
<b>INCOME:</b>						
-	(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	-	-	-
<b>(140,396)</b>	<b>(106,821)</b>	<b>(247,217)</b>	<b>Total amounts to be credited</b>	<b>(78,532)</b>	<b>(111,956)</b>	<b>(190,488)</b>
<b>EXPENDITURE:</b>						
<b>Apportionment of Previous Year (Surplus)/Deficit:</b>						
(1,780)	-	(1,780)	Central Government	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
<b>Precepts, demands and shares:</b>						
33,460		33,460	Central Government	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
<b>Charges to Collection Fund:</b>						
-	-	-	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
<b>134,272</b>	<b>107,282</b>	<b>241,554</b>	<b>Total amounts to be debited</b>	<b>154,399</b>	<b>115,231</b>	<b>269,630</b>
<b>(6,124)</b>	<b>461</b>	<b>(5,663)</b>	<b>(Surplus)/Deficit arising during the year</b>	<b>75,867</b>	<b>3,275</b>	<b>79,142</b>
(7,461)	(67)	(7,528)	(Surplus)/Deficit on the Collection Fund at 1 April	(13,585)	394	(13,191)
<b>(13,585)</b>	<b>394</b>	<b>(13,191)</b>	<b>(Surplus)/Deficit on the Collection Fund at 31 March</b>	<b>62,282</b>	<b>3,669</b>	<b>65,951</b>

## (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	Council Tax	Total	Business Rates	Council Tax	Total	
£'000	£'000	£'000	£'000	£'000	£'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
<b>(13,585)</b>	<b>394</b>	<b>(13,191)</b>	<b>Total</b>	<b>62,282</b>	<b>3,669</b>	<b>65,951</b>

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

\* This table is subject to roundings

2020/21

Band	Valuation band limits £	Calculated	Ratio to band D	Equated No of
		no of dwellings No		dwellings No
AA	Band A entitled to disabled relief reduction	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 closed 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 normally would be consolidated in the Group Accounts on the equity basis. However, as this is not material the consolidation is not required. This basis would only consolidate the Council's share of the net assets of RHPP at 31 March 2021, which equated to £490 (£490 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.

## Financial Performance

The activities and performance of each of the subsidiaries and the RHPP joint venture during the year 2020/21 is set out below:

- RTL: As at 31 March 2021, net assets for the sub-group including N&D and Courtney Buses Limited (now Thames Valley Buses Limited) were £4.5m (net assets were £3.6m at 31 March 2020).
- HfR: As at 31 March 2021, net assets were £2.6m (£2.1m at 31 March 2020).
- BFfC: As at 31 March 2021, net liabilities were £0.3m (£0.2m at 31 March 2020).
- RHPP: At 31 March 2021 and 31 March 2020 net assets were £1,000.

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

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

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

## Group Financial Statements

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

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

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

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

The **Group Cashflow Statement**, which consolidates the cashflow statements for the Council, HfR, BFfC and the RTL.

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	77,735	(40,488)	37,247
83,127	(71,006)	12,121	Corporate Support Services	90,618	(71,496)	19,122
197,193	(130,608)	66,585	Children, Education and Early Help Services	170,067	(129,062)	41,005
50,274	(44,494)	5,780	Transport Services	43,169	(42,028)	1,141
103,964	(48,847)	55,117	Environment and Neighbourhood Services	100,450	(40,912)	59,538
84	(1,049)	(965)	Housing Services	113	(1,079)	(966)
38,183	(40,379)	(2,196)	Housing Revenue Account	23,984	(41,378)	(17,394)
<b>543,252</b>	<b>(365,281)</b>	<b>177,971</b>	<b>Cost of Services</b>	<b>506,136</b>	<b>(366,443)</b>	<b>139,693</b>
		85	Other Operating Expenditure			1,647
		25,511	Financing and Investment Income and Expenditure			21,359
		(182,298)	Taxation and Non Specific Grant Income			(195,132)
		107	Corporation Tax payable			1,131
		<b>21,377</b>	<b>Group (Surplus) or Deficit on Provision of Services</b>			<b>(31,302)</b>
		-	(Surplus)/loss on revaluation of investments			-
		16,949	(Surplus)/loss on revaluation of non-current assets			(25,652)
		(88,618)	Remeasurement of pension fund liabilities			149,540
		456	Taxation on Pension			(304)
		<b>(71,212)</b>	<b>Other Comprehensive Income and Expenditure</b>			<b>123,584</b>
		<b>(49,835)</b>	<b>Total Comprehensive Income and Expenditure</b>			<b>92,282</b>

\*This table is subject to roundings

## Group Movement in Reserves Statement 2020/21

\*This table is subject to roundings

	Unearmarked General Fund £000	General Fund Earmarked Reserves £000	Total General Fund Balances £000	Housing Revenue Account (HRA) £000	HRA Earmarked Reserves £000	Total HRA Balances £000	Capital Receipts Reserve £000	Major Repairs Reserve £000	Capital Grants Unapplied £000	Council Usable Reserves £000	Council Unusable Reserves £000	Total Council Reserves £000	Council's share of subsidiaries' reserves £000	Total Group Reserves £000
<b>Balance 31 3 2020</b>	(7,500)	(45,699)	(53,199)	(35,822)	(9,910)	(45,732)	(11,349)	(2,602)	(58,665)	(171,546)	(159,468)	(331,014)	710	(330,304)
<b>Transfer of Schools' Deficit Budget to new adjustment account</b>	-	(1,768)	(1,768)	-	-	-	-	-	-	(1,768)	1,768	-	-	-
<b>Movements in 2020/21:</b>														
Surplus/deficit on the provision of services	(58,580)	-	(58,580)	(11,432)	-	(11,432)	-	-	-	(70,012)	-	(70,012)	38,710	(31,302)
Other comprehensive income/expenditure	-	-	-	-	-	-	-	-	-	-	108,200	108,200	15,384	123,584
<b>Total income/expenditure</b>	<b>(58,580)</b>	<b>-</b>	<b>(58,580)</b>	<b>(11,432)</b>	<b>-</b>	<b>(11,432)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(70,012)</b>	<b>108,200</b>	<b>38,188</b>	<b>54,094</b>	<b>92,282</b>
Consolidation adjustments between Group and Council accounts	60,708	-	60,708	-	-	-	-	-	-	60,708	-	60,708	(57,493)	3,215
<b>Net increase/decrease</b>	<b>2,128</b>	<b>(1,768)</b>	<b>360</b>	<b>(11,432)</b>	<b>-</b>	<b>(11,432)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(11,072)</b>	<b>109,968</b>	<b>98,896</b>	<b>(3,399)</b>	<b>95,497</b>
Adjustments between funding and accounting	(54,144)	-	(54,144)	6,447	-	6,447	(2,399)	(84)	(4,159)	(54,339)	54,339	-	-	-
<b>Net increase/decrease before transfers to/from reserves</b>	<b>(52,015)</b>	<b>(1,768)</b>	<b>(53,784)</b>	<b>(4,985)</b>	<b>-</b>	<b>(4,985)</b>	<b>(2,399)</b>	<b>(84)</b>	<b>(4,159)</b>	<b>(65,411)</b>	<b>164,307</b>	<b>98,896</b>	<b>(3,399)</b>	<b>95,497</b>
Transfers to/from reserves	52,015	(51,603)	412	163	(163)	-	-	-	-	412	(412)	-	-	-
<b>Net increase/decrease for year</b>	<b>-</b>	<b>(53,371)</b>	<b>(53,371)</b>	<b>(4,823)</b>	<b>(163)</b>	<b>(4,985)</b>	<b>(2,399)</b>	<b>(84)</b>	<b>(4,159)</b>	<b>(64,998)</b>	<b>163,895</b>	<b>98,896</b>	<b>(3,399)</b>	<b>95,497</b>
<b>Balance 31 March 2021</b>	<b>(7,500)</b>	<b>(99,070)</b>	<b>(106,570)</b>	<b>(40,644)</b>	<b>(10,073)</b>	<b>(50,717)</b>	<b>(13,748)</b>	<b>(2,686)</b>	<b>(62,824)</b>	<b>(236,545)</b>	<b>4,427</b>	<b>(232,118)</b>	<b>(2,689)</b>	<b>(234,807)</b>

## Group Movement in Reserves Statement 2019/20

\*This table is subject to roundings

	General Fund £'000	General Fund Ear- marked Reserves £'000	Total General Fund Reserves £'000	Housing Revenue Account (HRA) £'000	HRA Ear- marked Reserves £'000	Total HRA Reserves £'000	Capital Receipts Reserve £'000	Major Repairs Reserve £'000	Capital Grants Unapplied £'000	Total Council Usable Reserves £'000	Total Council Unusable Reserves £'000	Total Council Reserves £'000	Council's share of sub- sidiaries Reserves £'000	Total Group Reserves £'000
<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	(28,340)		(28,340)	3,815		3,815				(24,524)		(24,524)	45,901	21,377
Other comprehensive income /expenditure											(63,653)	(63,653)	(7,559)	(71,212)
<b>Total Comprehensive income/expenditure</b>	<b>(28,340)</b>		<b>(28,340)</b>	<b>3,815</b>		<b>3,815</b>				<b>(24,524)</b>	<b>(63,653)</b>	<b>(88,177)</b>	<b>38,342</b>	<b>(49,835)</b>
Adjustments between Group accounts and authority accounts	44,019		44,019							44,019		44,019	(39,501)	4,518
<b>Net (increase)/decrease</b>	<b>15,679</b>	<b>0</b>	<b>15,679</b>	<b>3,815</b>	<b>0</b>	<b>3,815</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>19,494</b>	<b>(63,653)</b>	<b>(44,158)</b>	<b>(1,159)</b>	<b>(45,316)</b>
Adjustments between funding and accounting	(17,529)		(17,529)	(6,253)		(6,253)	(2,717)	(613)	(8,588)	(35,701)	35,701	-	-	-
<b>Net increase/decrease before transfers to/from reserves</b>	<b>(1,851)</b>	<b>0</b>	<b>(1,851)</b>	<b>(2,437)</b>	<b>0</b>	<b>(2,437)</b>	<b>(2,717)</b>	<b>(613)</b>	<b>(8,588)</b>	<b>(16,206)</b>	<b>(27,952)</b>	<b>(44,158)</b>	<b>(1,159)</b>	<b>(45,316)</b>
Transfers to/from reserves	1,851	(1,851)	-	162	(162)	-				-	-	-	-	-
<b>Net (increase)/decrease for year</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>(16,205)</b>	<b>(27,953)</b>	<b>(44,158)</b>	<b>(1,159)</b>	<b>(45,316)</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>710</b>	<b>(330,304)</b>

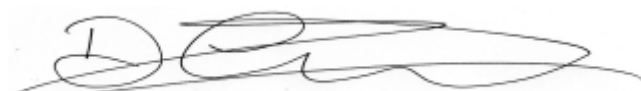
## Group Balance Sheet

31 March 2020		Note	31 March 2021
£'000			£'000
919,157	Property, Plant and Equipment	1	946,829
130,296	Infrastructure	1	125,957
2,769	Heritage Assets		2,743
106,745	Investment Property	2	104,085
6,633	Intangible Assets		9,192
14,723	Long-Term Investments		14,709
472	Long-Term Debtors		530
<b>1,180,795</b>	<b>Long Term Assets</b>		<b>1,204,045</b>
48,135	Short-Term Debtors	3	86,413
48,528	Cash and Cash Equivalents		73,782
753	Inventories		849
<b>97,416</b>	<b>Current Assets</b>		<b>161,044</b>
(13,266)	Short-Term Borrowing		(7,944)
(86,203)	Short-Term Creditors	4	(131,795)
(9,188)	Short-Term Provisions		(7,406)
(974)	Short-term PFI liability		(1,009)
(1,232)	Deferred Income		(1,115)
<b>(110,863)</b>	<b>Current Liabilities</b>		<b>(149,269)</b>
(614)	Long-Term Provisions		(594)
(391,445)	Long-Term Borrowing		(384,183)
(401,631)	Liability relating to defined benefit pension scheme	5	(556,457)
-	Deferred tax re pension scheme		(334)
(43,353)	Other Long-Term Liabilities	6	(39,447)
<b>(837,043)</b>	<b>Long Term Liabilities</b>		<b>(981,015)</b>
<b>330,304</b>	<b>Net Assets</b>		<b>234,807</b>
(172,918)	Usable Reserves		(240,897)
(157,386)	Unusable Reserves		6,090
<b>(330,304)</b>	<b>Total Reserves</b>		<b>(234,807)</b>

\*This table is subject to roundings

These financial statements are authorised by Darren Carter – Director of Finance on 8 April 2024.

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## Group Cash Flow Statement

2019/20		Note	2020/21
£'000			£'000
21,377	Net (surplus) or deficit on the provision of services		(31,302)
(100,511)	Adjustment to surplus or deficit on the provision of services for non-cash movements	7	(76,538)
30,614	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>(48,520)</b>	<b>Net cash flows from operating activities</b>		<b>(65,706)</b>
53,678	Net cash flows from investing activities	7	3,293
(9,536)	Net cash flows from financing activities	7	37,159
<b>(4,378)</b>	<b>Net (increase) or decrease in cash and cash equivalents</b>		<b>(25,253)</b>
44,150	Cash and cash equivalents at the beginning of the reporting period		48,528
<b>48,528</b>	<b>Cash and cash equivalents at the end of the reporting period</b>		<b>73,782</b>

\*This table is subject to roundings

## 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:

<b>Asset type</b>	<b>Valuation basis</b>	<b>Date of valuation</b>	<b>Valuation frequency</b>
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 £'000	Other land and buildings £'000	Vehicles, furniture, plant and equipment £'000	Community assets £'000	Surplus assets £'000	Assets under construction £'000	Group PPE Total £'000
<b>Cost or valuation 2020/21</b>							
at 1 April 2020	474,526	361,996	79,764	8,693	29,932	22,626	977,537
Additions	10,893	3,016	4,277	50	37	18,042	36,315
Revaluation adjustments recognised in the Revaluation Reserve	23,028	3,809	(425)	-	(760)	-	25,652
Derecognition and disposals	(1,480)	(3,640)	(1,931)	-	(290)	-	(7,341)
Reclassifications and transfers	-	1	-	-	(2,720)	1,424	(1,295)
Other movements in cost or valuation	(4,040)	(8,882)	(834)	-	(1,358)	-	(15,114)
<b>At 31 March 2021</b>	<b>502,927</b>	<b>356,300</b>	<b>80,851</b>	<b>8,743</b>	<b>24,841</b>	<b>42,092</b>	<b>1,015,754</b>
<b>Accumulated depreciation and impairment</b>							
at 1 April 2020	-	(15,084)	(40,638)	(1,967)	-	(692)	(58,381)
Depreciation charge for year	(10,343)	(9,829)	(6,095)	(31)	(15)	-	(26,313)
Impairments recognised in the provision of services	6,271	(6,366)	(301)	-	(1,343)	-	(1,739)
Derecognition and disposals	32	31	1,670	-	-	-	1,733
Reclassifications and transfers	-	43	-	-	-	(43)	-
Other movements in depreciation and impairment	4,040	9,542	834	-	1,358	-	15,774
<b>At 31 March 2021</b>	<b>0</b>	<b>(21,663)</b>	<b>(44,530)</b>	<b>(1,998)</b>	<b>-</b>	<b>(735)</b>	<b>(68,926)</b>
<b>Net book value 31 3 2020</b>	<b>474,527</b>	<b>346,914</b>	<b>39,125</b>	<b>6,727</b>	<b>29,932</b>	<b>21,934</b>	<b>919,156</b>
<b>Net book value 31 3 2021</b>	<b>502,927</b>	<b>334,637</b>	<b>36,321</b>	<b>6,745</b>	<b>24,841</b>	<b>41,357</b>	<b>946,828</b>

## Property, Plant and Equipment 2019/20 *\*This table is subject to roundings.*

	Council dwellings £'000	Other land and buildings £'000	Vehicles, furniture, plant and equipment £'000	Community assets £'000	Surplus assets £'000	Assets under construction £'000	Group PPE Total £'000
<b>Cost or valuation 2019/20</b>							
at 1 April 2019	491,430	359,400	72,839	8,550	28,763	26,970	987,952
Additions	11,943	11,689	5,931	143	252	12,534	42,492
Donations	-	-	107	-	-	-	107
Revaluation adjustments recognised in the Revaluation Reserve	(22,245)	2,678	-	-	2,611	-	(16,956)
Derecognition and disposals	(1,400)	(2,889)	(814)	-	(1,050)	-	(6,153)
Reclassifications and transfers	11,850	(553)	1,702	-	(867)	(16,879)	(4,747)
Other movements in cost or valuation	(17,052)	(8,329)	-	-	223	-	(25,158)
<b>At 31 March 2020</b>	<b>474,526</b>	<b>361,996</b>	<b>79,765</b>	<b>8,693</b>	<b>29,932</b>	<b>22,625</b>	<b>977,537</b>
<b>Accumulated depreciation and impairment</b>							
at 1 April 2019	-	(10,386)	(37,185)	(1,937)	-	(596)	(50,104)
Depreciation charge for year	(10,588)	(9,907)	(4,215)	(30)	(17)	-	(24,757)
Impairments recognised in the provision of services	(6,508)	(3,402)	-	-	257	(62)	(9,715)
Derecognition – disposals	30	245	763	-	-	-	1,038
Derecognition - Other	14	37	-	-	(17)	(34)	-
Other movements in depreciation and impairment	17,052	8,329	-	-	(223)	-	25,158
<b>At 31 March 2020</b>	<b>-</b>	<b>(15,084)</b>	<b>(40,637)</b>	<b>(1,967)</b>	<b>0</b>	<b>(692)</b>	<b>(58,380)</b>
<b>Net book value 31 3 2019</b>	<b>491,430</b>	<b>349,014</b>	<b>35,654</b>	<b>6,613</b>	<b>28,763</b>	<b>26,374</b>	<b>937,847</b>
<b>Net book value 31 3 2020</b>	<b>474,526</b>	<b>346,912</b>	<b>39,128</b>	<b>6,726</b>	<b>29,932</b>	<b>21,934</b>	<b>919,157</b>

## Infrastructure Assets

	2019/20	2020/21
<b>Movements on Balances</b>	<b>£'000</b>	<b>£'000</b>
<b>Net Book Value at 1 April</b>	<b>133,988</b>	<b>130,296</b>
Additions	4,259	5,646
Derecognition	-	-
Reclassifications	4,747	1,294
Depreciation	(12,698)	(11,748)
Other movements in cost	-	471
<b>Net Book Value at 31 March</b>	<b>130,296</b>	<b>125,959</b>

	2019/20	2020/21
<b>Property, Plant and Equipment (PPE)</b>	<b>£'000</b>	<b>£'000</b>
Infrastructure Assets	130,296	125,959
PPE excluding Infrastructure Assets	937,847	919,157
<b>Net Book Value at 31 March</b>	<b>1,068,143</b>	<b>1,045,116</b>

See Note 23 in main body of the accounts for further details regarding Infrastructure.

## Note 2 – Investment Property

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

### Value of Investment Properties

	RBC £'000	HfR £'000	Total £'000
At 1 April 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 March 2020</b>	<b>79,060</b>	<b>27,685</b>	<b>106,745</b>
At 1 April 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 March 2021</b>	<b>75,980</b>	<b>28,105</b>	<b>104,085</b>

### Investment Property - income and expenditure

	RBC £'000	HfR Restated £'000	Total £'000
<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 Total £'000		2020/21 Group Total £'000
5,472	Central Government bodies	5,884
1,506	Other local authorities	1,492
498	NHS bodies	368
40,659	Other entities and individuals	78,669
<b>48,135</b>	<b>Total</b>	<b>86,413</b>

## Note 4 - Creditors

### Creditors due within one year

2019/20 Group Total £'000		2020/21 Group Total £'000
(7,021)	Central Government bodies	(7,932)
(7,246)	Other local authorities	(6,987)
(80)	NHS bodies	(34)
(71,676)	Other entities and individuals	(116,842)
<b>(86,203)</b>	<b>Total</b>	<b>(131,795)</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.** (NB Tables subject to roundings)

**i. Impact on Comprehensive Income & Expenditure Account**

	<b>RBC £'000</b>	<b>Subsidiaries £'000</b>	<b>Group Total £'000</b>
<b>2020/21</b>			
Pension transactions charged or credited to Surplus or Deficit on Provision of Services	38,456	8,271	46,727
Pension transactions charged or credited to Other Comprehensive Income and Expenditure	133,852	15,688	149,540
<b>2019/20</b>			
Pension transactions charged or credited to Surplus or Deficit on Provision of Services	37,616	1,460	39,076
Pension transactions charged or credited to Other Comprehensive Income and Expenditure	(80,602)	(4,279)	(84,881)

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

	<b>RBC £'000</b>	<b>RTL £'000</b>	<b>Group Total £'000</b>
<b>2020/21</b>			
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>
<b>2019/20</b>			
Present value of defined pension scheme obligations	(777,142)	(88,429)	(865,571)
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>(5,947)</b>	<b>(401,631)</b>



	<b>RBC £'000</b>	<b>RTL £'000</b>	<b>Group Total £'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)	(1,187)	(24,843)
Interest cost	(20,610)	(2,186)	(22,796)
Employee and Employer contributions	(4,052)	(59)	(4,111)
Remeasurement gains and losses	120,746	3827	124,573
Past service costs	(5,485)	(9)	(5,494)
Benefits paid	19,400	2,773	22,173
Curtailments and settlements	3,235	-	3,235
<b>at 31 March 2020</b>	<b>(777,142)</b>	<b>(88,429)</b>	<b>(865,571)</b>

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

	<b>RBC £'000</b>	<b>RTL £'000</b>	<b>Group Total £'000</b>
<b>2020/21</b>			
Assets at 1 April	381,458	82,482	463,940
Return on plan assets	66,386	5,973	72,359
Interest income	6,688	1,721	8,409
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)	4,374	(16,095)
Actuarial gains and losses	(9,778)	(501)	(10,279)
Admin costs	(244)	(9)	(253)
Employee and Employer contributions	19,729	2,095	21,824
Benefits paid	(19,400)	(2,710)	(22,110)
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

	<b>RBC £'000</b>	<b>RTL £'000</b>	<b>Group Total £'000</b>
<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.

	<b>RBC</b>	<b>RTL</b>
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 PFI liabilities

	RBC £'000	Subsidiaries £'000	Group Total £'000
<b>2020/21</b>			
RBC - North Whitley PFI scheme	(18,541)	-	(18,541)
RBC - Waste PFI scheme	(4,658)	-	(4,658)
RTL - Finance lease and HP contracts	-	(10,970)	(10,970)
Accruals and deferred income	(2,055)	(3,223)	(5,278)
<b>Total</b>	<b>(25,254)</b>	<b>(14,193)</b>	<b>(39,447)</b>
<b>2019/20</b>			
RBC - North Whitley PFI scheme	(19,467)	-	(19,467)
RBC - Waste PFI scheme	(5,485)	-	(5,485)
RTL - Finance lease and HP contracts	-	(16,631)	(16,631)
Accruals and deferred income	(1,770)	-	(1,770)
<b>Total</b>	<b>(26,722)</b>	<b>(16,631)</b>	<b>(43,353)</b>

The timing of the payments is shown in the Single Entity under Note 40.

## Note 7 - Cash Flow from Operating Activities

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

31 March 2020 £'000		31 March 2021 £'000
(47,164)	Depreciation, impairment and revaluations	(40,374)
(1,048)	Amortisation	(1,367)
-	Movement in contract assets, liabilities etc	3,014
(12,177)	(Increase)/decrease in creditors	(45,607)
(13,598)	Increase/(decrease) in debtors	16,950
(15)	Increase/(decrease) in inventories	97
(23,547)	Movement in pension liability	(5,281)
(5,117)	Carrying amount of non-current assets and non-current assets held for sale, sold or derecognised	(5,612)
2,155	Other non-cash movements charged to the surplus or deficit on provision of services	1,641
<b>(100,511)</b>	<b>Total</b>	<b>(76,539)</b>

Subject to roundings

31 March 2020 £'000		31 March 2021 £'000
5,987	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	5,888
-	Proceeds from short-term (not considered to be cash equivalents) and long-term investments (includes investments in associates, joint ventures and subsidiaries)	-
24,627	Any other items for which the cash effects are investing or financing cash flows	36,246
<b>30,614</b>	<b>Total</b>	<b>42,134</b>

## Note 7a - Cash Flow from Investing Activities

31 March 2020 £'000		31 March 2021 £'000
85,281	Purchase of property, plant and equipment, investment property and intangible assets	46,722
5,298	Purchase of short-term and long-term investments	-
-	Other payments for investing activities	-
(12,274)	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(7,183)
(24,627)	Other receipts from investing activities	(36,246)
<b>53,678</b>	<b>Net cash flows from investing activities</b>	<b>3,293</b>

## Note 7b - Cash Flow from Financing Activities

31 March 2020 £'000		31 March 2021 £'000
(100,012)	Cash receipts of short-term and long-term borrowing	-
-	Other receipts from financing activities	-
(1,692)	Cash payments for the reduction of outstanding liabilities relating to finance leases and on-Balance-Sheet PFI contracts	974
92,443	Repayments of short-term and long-term borrowing	13,266
(275)	Other payments for financing activities	22,919
<b>(9,536)</b>	<b>Net cash flows from financing activities</b>	<b>37,159</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 Council 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.