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STATEMENT OF ACCOUNTS (DRAFT) FOR THE YEAR ENDED 31 MARCH 2023 (Pre Audit)

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Narrative Report

An introduction to Reading

Reading is the county town of Berkshire. It is situated in the Thames Valley, 40 miles west of London. Reading is the principal commercial centre of the region, a major retail and leisure destination, with a thriving night-time economy.

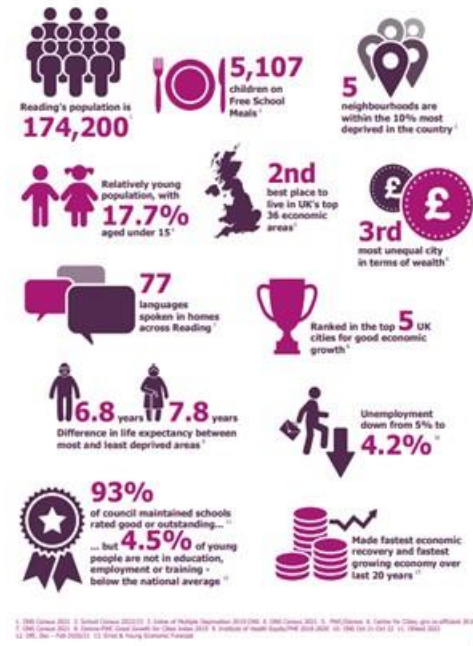
There has been a huge shift in the town's economy, from its origins in 'beer, biscuits and bulbs' to a modern service economy which specialises in business and insurance services, with many international companies such as Microsoft and Oracle choosing Reading as their home.

The town is a major transport interchange, continuing to benefit from its location on the M4 corridor and proximity to Heathrow

Airport and London. Reading is also home to the University of Reading, with a highly skilled local population.

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.

Our Reading



Corporate Plan

Our vision is to help Reading realise its potential and to ensure that everyone who lives and works here can share the benefits of its success

To make this vision happen, this plan groups the council's work into three themes:

Healthy Environment

We are working towards a clean, safe town that is easy to travel around, and where people feel the benefits of clean air and active travel like walking and cycling.

Thriving Communities

It's the people of Reading who make our town an exciting and diverse place to live and work. Our aspiration is that this spirit of inclusivity and community is carried into every aspect of life in Reading, wherever people live and whatever their stage of life.

Inclusive Economy

We're working towards a town where everyone can access education, skills and training and good jobs and where child poverty is eradicated.

Team Reading

Within the Council, we are driven by the principles of TEAM Reading:



Together – We work together as one team with colleagues and partners to deliver great services



Efficient – We will drive efficiency and value for money in everything we do



Ambitious – We are ambitious in our plans and in what we want to achieve



Make a Difference – We are here to make a difference to the residents, communities and businesses of Reading

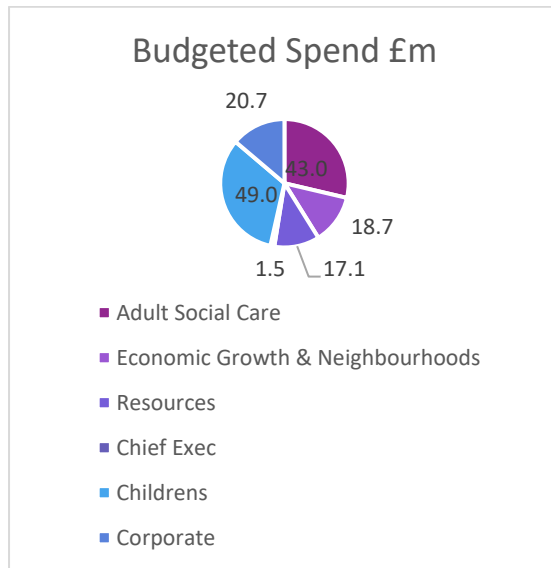
2022/23 Budget

The 2022/23 budget was approved by Council on 23 February 2022 and included:

- A net budget requirement of £149.990m
- Savings of £6.471m plus additional income of £1.682m

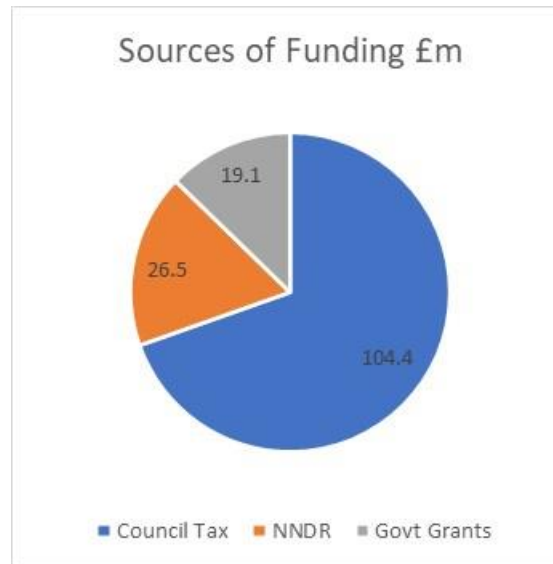
- Contingency provision of £3.627m
- Budgeted contribution to reserves of £0.695m

Budgeted spend was broken down as follows:



Band D Council Tax was set at £1,829.72, an increase of 2.99%. (1.99% plus 1% Adult Social Care)

The expenditure was to be funded from the following sources:



The General Fund balance was projected to be £7.7m on 21 March 2023 and General Fund earmarked reserves were projected to be £61.5m, giving total General Fund revenue reserves of £69.2m.

The Housing Revenue Account was forecast to spend £46.0m, requiring a £2.1m drawdown from reserves.

General Fund capital expenditure was budgeted at £92.1m and HRA capital at £35.4m, with a net borrowing requirement after the use of grants, capital receipts and capital reserves of £52.7m.

Major capital schemes revised budgets included:

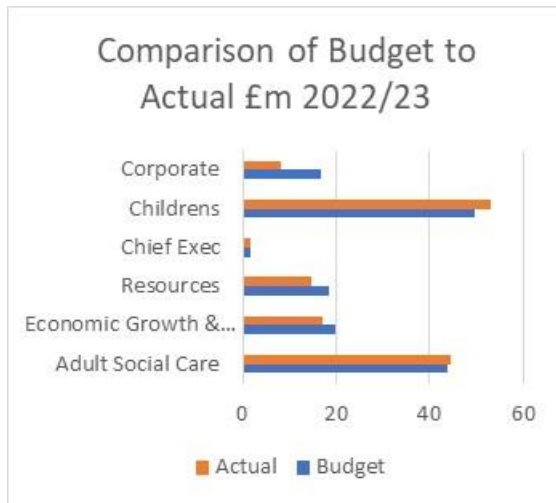
- New Build Housing £16.9m
- Schools £14.9m
- Green Park Station £3.9m
- Leisure Centres £19.5m
- Housing Major Repairs £11.1m
- Highways Infrastructure £5.3m
- Transformation Projects £4.0m
- South Reading MRT £2.6m
- Replacement Vehicles £2.1m

Financial Performance 2022/23

General Fund Revenue

The financial outturn for 2022/23 was presented to Policy Committee on 10 July 2023.

There was a net favourable variance of £4.191m on General Fund revenue expenditure, and the planned drawdown from reserves was not required. This variance was subsequently transferred to Earmarked Reserves. The comparison of budget to actual for each service was broken down as follows:



£7.4m of ongoing savings were delivered against a target of £10.2m. £2.8m of non-delivered savings were carried forward.

The General Fund reserve balance was increased to £8.2m and General Fund earmarked reserves were £69.8m, giving total General Fund reserves of £78.0m.

Housing Revenue Account

Net expenditure on the Housing Revenue Account was £0.9m worse than expected, increasing the drawdown from reserves to £3.0m. The HRA reserve stood at £45.2m.

General Fund capital expenditure amounted to £59.1m and HRA capital expenditure was £28.4m, giving total capital expenditure for the year of £87.5m.

Capital Expenditure

Capital expenditure for the year was £87.5m, including:

- New Build Housing £14.0m
- Schools £8.7m
- Green Park Station £3.6m
- Leisure Centres £20.9m
- Housing Major Repairs £12.3m
- Highways Infrastructure £6.1m
- Transformation Projects £1.2m
- South Reading MRT £2.4m
- Replacement Vehicles £2.2m

Funding of General Fund capital expenditure:



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 2022/23 is as follows:

	Reading Transport Ltd £m	Homes For Reading £m	Brighter Futures for Children £m
Turnover	48.310	1.370	94.553
Profit/(Loss)	(0.629)	0.368	(40.342)

Commercial Investments

Reading Borough Council has a small portfolio of investment properties:

Property	Annual Rental Yield Mar 23 £m	Capital Value Mar 23 £m	Purchase Price £m
Kennet Wharf	1.295	11.460	21.276
Adelphi House	0.701	9.380	12.116
160-163 Friar St	0.729	9.455	11.884
Four 10 TVP	2.282	32.350	39.968

Schools and the High Needs Block

Schools maintained by the Council are recognised on the Balance Sheet as the balance of control lies with the Council.

The **DSG & Schools Reserve** has been established to hold balances held by Schools under the delegation scheme and residual balances on the Dedicated Schools Grant. The Schools surplus of £1.585m 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 is not available to the Council for general use. The Dedicated Schools Grant element is the overdrawn balance of £3.463m.

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).

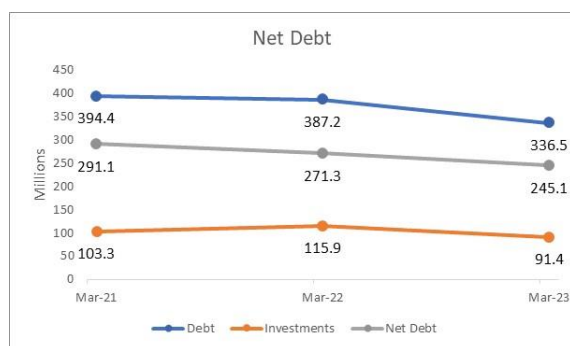
Usable reserves and balances have been built up over time and can be used to fund future service costs or capital expenditure. Unusable reserves cannot be accessed and relate primarily to statutory accounting adjustments for capital transactions and pensions. A summary of the balance sheet as at 31 March 2023 is:

	March 22 £m	March 23 £m
Long-term assets	1,239.3	1,284.9
Current Assets	152.5	121.2
Current Liabilities	(132.3)	(135.1)
Long-term Liabilities	(870.3)	(552.0)
Net Assets	389.2	719.0
	March 22 £m	March 23 £m
Usable Reserves	225.5	225.7
Unusable Reserves	163.7	493.3
Total Reserves	389.2	719.0

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 position on loans and investments across the last 3-years is shown below:



No new borrowing was undertaken during 2022/23. Principal repayments on long-term loans totalling £12.340 million were made. The net change in the gross borrowing position between 31 March 2022 and 31 March 2023 was therefore a decrease of £12.340 million.

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 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.

There is a net pension liability in the balance sheet of £160.0m – the equivalent deficit figure for 2021/22 was £464.6m.

Looking ahead

A balanced budget for 2023/24 was set by Council in February 2023, including a budgeted net contribution to reserves of £6.128m and with planned savings of £9.841m across the 3-years of the MTFS.

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 **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.



A handwritten signature in black ink, appearing to read 'Darren Carter', written over a horizontal line.

Darren Carter
Director of Finance
Section 151 Officer
Reading Borough Council

Date 28 February 2024

ANNUAL GOVERNANCE STATEMENT 2022/2023

INTRODUCTION

The CIPFA/SOLACE Delivering Good Governance in Local Government Framework (2016) requires local authorities to publish an Annual Governance Statement, and to be responsible for ensuring that:

- Their business is conducted in accordance all relevant laws and regulations
- Public money is safeguarded and properly accounted for
- Resources are used economically, efficiently, and effectively to deliver agreed priorities and benefit local people.

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 Council's Audit and Governance Committee reviews governance arrangements, risk registers and quarterly performance reports. Their role is to recommend improvements or interventions if expected performance is not being achieved, or if gaps in current governance arrangements have been identified.

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 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.

KEY ELEMENTS OF THE COUNCIL'S GOVERNANCE FRAMEWORK

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 can undertake scrutiny of relevant functions where they think it appropriate.

Key elements of the governance framework at Reading Borough Council are:

Decision Making

- All meetings are held in public and are now webcast and available to watch after the event
- Decisions are recorded on the Council website
- All Council decisions are supported by detailed officer reports which are open to the public unless they qualify as legally “exempt” from publication

Risk Management

- Risk registers identify operational and strategic risks
- Key risks are considered by Directorate Management Teams
- Strategic risks are reported to the Audit & Governance Committee quarterly and overseen by Corporate Management Team

Corporate Management Team (CMT)

CMT are responsible for the overall management of the Council

- Head of Paid Service is the Chief Executive who is responsible for all Council staff and for leading CMT
- The Executive Directors lead the majority of services which are delivered to the public
- Director of Finance is the Council’s s.151 Officer and is responsible for safeguarding the Council’s financial position and ensuring value for money
- Monitoring Officer is the Council’s Assistant Director of Legal & Democratic Services who with the Chief Executive is responsible for ensuring legality and promoting high standards of public conduct

HOW WE COMPLY WITH THE CIPFA/SOLACE FRAMEWORK

The Council has arrangements in place to meet all relevant requirements of the CIPFA/Solace Framework. The 7 “core principles” underpinning the Framework are set out below together with a summary of new or enhanced arrangements introduced in 2022/23.

Principle 1 Behaving with integrity and respecting the rule of law: Codes of Conduct for Members and officers reinforce a public service ethos and high standards of behaviour. These are supported by more detailed guidance such as, Anti-Fraud, Bribery and Corruption Strategies, as well as Whistleblowing Procedures and a Procurement Code. The Monitoring Officer and Section 151 Officer both have specific responsibilities to ensure that Council decisions meet legal requirements.

Principle 2 Ensuring open and comprehensive stakeholder engagement: 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. The Council publishes a twice-yearly residents newsletter and utilises online communication channels such as e-bulletins, Twitter, Facebook, and YouTube.

Principle 3 Defining outcomes in terms of sustainable economic, social and environmental benefits: The Corporate Plan sets out the Council’s strategic vision, which is for Reading to realise its potential and to ensure that everyone who lives and works here can share the benefits of its success. The Corporate Plan sets out programmes of work under three pillars healthy environment, thriving communities and inclusive economy. 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.

Principle 4 Determining the intervention necessary to achieve 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. CMT and Members (via Policy Committee), ensure the Council remains focused on achieving its agreed objectives and priorities. Regular reporting also goes to specific performance related meetings of the Corporate Management Team. This provides an update on how the Council is progressing against its strategic indicators and outcomes.

Principle 5 Developing capacity, including the capability of leadership and individuals within the Council: Maximising capacity by working collaboratively is a key component of the Corporate Plan and several 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.

Principle 6 Managing risks and performance through strong internal control and financial management: Corporate risk registers are updated quarterly, with significant risks reviewed by senior management and members. Risk Management Training had been delivered to councillors providing guidance on how to review and challenge reports when received as part of promoting good governance. Internal Audit assess the overall quality of internal control and make recommendations for improvement as necessary. The Council has a strong track record in financial management, delivering services within budget and producing annual accounts within statutory deadlines.

Principle 7 Implementing good practices in transparency, reporting and audit to deliver effective accountability: The Council follows Government guidance on providing clear and accurate information and has developed both its website and the format of Council reports to improve transparency and accessibility. Papers (including performance reports) and minutes of meetings, key decisions, and all items of expenditure and contracts awarded over £500 are published on the Council's website. All Council meetings are held in public, and minutes of meetings and webcasts are available on the Council's website. Public questions are allowed at Committees and at Council meetings.

CMT is responsible for putting in place adequate governance arrangements and effective systems of internal control. The Council uses several ways to review and assess the effectiveness of governance arrangements, as set out below:

Inspections and Assessments

External Assessments during 2022/2023

In January 2023, Cressingham children's home, which provides short breaks for children and young people with additional needs, was given an 'Outstanding' rating following a full Ofsted inspection in October 2022. Staff and management were praised for providing highly effective services that contribute to significantly improved outcomes for children and young people who need help, protection and care.

In January 2023 Ofsted inspected the voluntary adoption agency service provided by Brighter Futures for Children Ltd. This Service was rated overall as Good, taking into account how well children, young people and adults are helped and protected (Good) and the effectiveness of leaders and managers (Outstanding). The report noted, "Feedback from adopters and professionals was overwhelmingly positive. This included praise for the work of the staff, who were described as being 'professional, caring and supportive'".

In March 2023, Pinecroft children's home, which provides shared-care support for children and young people with additional needs, was rated 'Outstanding' following a full Ofsted inspection in January 2023. The inspector said staff offer highly personalised and well-planned care that meets children's individual needs exceptionally well.

Assurances from Internal and External Audit

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 annual report and opinion of the Head of Internal Audit for 2022/23 states that the Council’s internal control environment and systems of internal control in the areas audited were reasonable except for the following areas:

Issues Identified for 2022/2023	Planned action
Further improvements required in respect of Adult Social Care finances	Three areas ¹ have been reviewed in the last year, where recommendations have been made to improve controls in respect of Adult Social Care. All of these areas will be subject to follow up.
Improvements required within the Council’s processes for managing Cyber Security.	Action plan of improvements now agreed. Appropriate actions have been taken or will be taken to address weaknesses
Improvements required in respect of Housing Repairs processes.	14 audit recommendations have been made in this area formulating and action plan for improvement

The Council’s external auditor (EY) provides assurance on the accuracy of the year-end Statement of Accounts and the overall adequacy of arrangements for securing and improving value for money. The 2019/20 Statement of Accounts has been formally signed off by EY. This took place on 26 May 2023 with the Council receiving an unqualified opinion on the financial statements for the first time since 2015/16. This means our improvements in external financial reporting have been formally recognised by our external auditors. We are currently in the middle of the 2020/21 audit process, whilst also preparing 2021/22 draft financial statements ready for public inspection. KMPG became the Council’s external auditor from the 1 April 2023.

Self-assessment and review of key performance indicators

Assistant Directors and Executive Directors have completed Annual Assurance Statements in respect of governance and internal control arrangements for their respective areas. The Chief Auditor works with Directorate Management Teams to confirm that expected governance arrangements have been in place throughout the year. Assistant Directors and Executive Directors also confirm that Codes of Conduct, Financial Regulations, and other corporate processes have operated as expected by undertaking self-assessments of governance arrangements.

In addition, the Chief Executive has implemented a Statutory Officers Group to monitor governance issues on a monthly basis with the Executive Director of Resources, Chief Finance Officer and Monitoring Officer.

¹ Direct Payments, Deputy & Appointeeship and Deferred Payments

The Council uses several key outcomes to confirm the adequacy of governance arrangements. These KPIs are outlined in the table below:

Issues Identified	Performance in 2022/2023
Formal reports by Chief Finance Officer or Monitoring Officer	None issued
Outcomes from Standards Committee or Monitoring Officer Investigations	The monitoring officer received six complaints about member conduct in 2022/2023. None of them proceeded beyond Stage 0 of the complaints procedure.
Proven frauds carried out by councillors or members of staff	None in 2022/2023
Objections received from local electors	None in 2022/2023
Local Government and Social care Ombudsman referrals upheld	16 of 22 complaints investigated were upheld (data 1 April 2022 to 31 March 2023).
Information Commissioner referrals upheld	Two cases investigated by the ICO but neither upheld.
Internal audit reports	Three high risk areas identified as shown in the preceding table above
Annual Accounts	2019/2020 signed off – no longer qualified
Group activities*	No governance issues to address in 2022/23. 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

* Note: The Council operates several 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: First, Reading UK CIC delivering economic development for the Borough. In July 2022, this company rebranded to REDA (Reading’s Economy and Destination Agency). Secondly, IESE Ltd providing management consultancy in the public sector.

Financial Transformation Programme

The first stage of the Financial Transformation Programme has concluded, addressing several key audit concerns, such as separation of duties between the setting up of providers and the paying of invoices, bank reconciliation, budget and performance monitoring. The critical project activity over the next few months will now be the implementation of the new financial system and the successful and timely migration of all financial data

The new finance system (e5) had a planned go-live date of 1st April 2023; however, this date has been extended and at the time of writing, the system project is ongoing, including the mapping of the new chart of accounts and the extensive testing required (including User Acceptance Testing) prior to go-live which is anticipated will be during autumn 2023.

The new finance system will be at the cornerstone of organising, planning, and controlling financial activities to manage resources efficiently and it is imperative that business processes work with the new Finance System, otherwise efficiencies and improvements will not be achieved.

Financial Management Code

The 2022/23 self-assessment against the Chartered Institute of Public Finance & Accountancy (CIPFA) Financial Management (FM) Code identified significant progress against three key areas:

- The Chief Auditor’s annual assurance report had improved from Limited Assurance to Reasonable Assurance.
- The positive findings of the Corporate Peer Challenge, organised by the Local Government Association (LGA), that had taken place in June 2022; and
- The Medium-Term Financial Strategy (MTFS), which had been approved by Council in February 2023, delivered a balanced budget in 2023/24 without the need to draw on reserves and set out a provisionally balanced budget for 2024/25.

As a result of these improvements, the self-assessment identified that two standards (standards C and E) had improved from a previous rating of 'Amber' to 'Green'. All other standards remained as per the 2021/22 assessment. A proposed action plan, setting out the required actions to improve those standards rated 'Amber' to 'Green' was reported to the Council's Audit and Governance Committee in April 2023.

Local Government Association (LGA) Peer Review

In June 2022, Reading BC invited the LGA to undertake a Peer Review of how effectively we work as a Council. The reviewers spoke to members of staff, partners and councillors about leadership and culture, place shaping, decision making and much more.

In addition to other subject areas, the peer review focused on governance, and culture and financial planning. The key assurances taken from the LGA report, were that the council's model of governance is well-established, seems to work for the council and is valued and supported, recognising the work in place to review the Constitution and the Delegations Register. Their report recognised the council's financial position and financial management arrangements have recovered and strengthened significantly in recent years, but the financial base, whilst sound, remains vulnerable.

An action plan addressing the feedback from the LGA Team was published in October 2022 and is available on the Council's website.

CHANGES TO THE GOVERNANCE FRAMEWORK

There have been a number of key changes in senior management during the last year.

- Peter Sloman (former Chief Executive) retired in July 2022.
- Deputy Chief Executive Jackie Yates acted as Chief Executive and was appointed to the substantive post of Chief Executive in October 2022 following a competitive recruitment process.
- Deborah Glassbrook retired as Executive Director of Children's Services in July 2022.
- Lara Patel was appointed as Executive Director of Children's Services in November 2022.
- Seona Douglas retired as Executive Director of Adult Social Care and Health Services in December 2022. Deputy Director Melissa Wise acted as Interim Executive Director until July 2023 when she was confirmed as the new Executive Director for Communities and Adult Social Care. The new Directorate now incorporates Housing and Community Services following a focussed restructure of the Service to align it more closely with Public Health outcomes and Housing needs.
- Tracy Daszkiewicz, Director of Public Health for Berkshire West left the Council in March 2023. Her post is currently filled on an interim basis by John Ashton while the three councils in Berkshire West confirm their future plans for Public Health.

- Frances Martin, Executive Director for Economic Growth and Neighbourhood Services (DEGNS) left the Council in May 2023 to take up a new post at Westminster City Council. Following a competitive recruitment process, Keith Townsend will take up this post in September 2023.

KEY GOVERNANCE ISSUES

Last year's Annual Governance Report highlighted ten key areas for improvement. The table below sets out action taken to address these issues during 2022/23:

	Issues Identified	Performance in 2022/2023
1	Complete the review of the Council's Constitution	Completed in October 2022.
2	Embed the new Information Management Strategy and monitor it through the Information Governance Board	Data Stewards have been nominated by Key Service areas and the Information Governance Champions Network is up and running.
3	Seeking Cyber Essentials Plus certification	Work continues on this and progress on security aspects has been reviewed by Internal Audit.
4	Complete Phase One and Deliver phase two of the Finance Transformation Plan	Phase one of the Finance Improvement Programme has been delivered to ensure the Council's financial processes and procedures are robust
5	Seeking a review of Homes for Reading in the coming year	A review has been completed and the Council is now considering how best to respond to the advice received.
6	Catch up on completion/sign off Statutory Accounts	The 2019/20 Statement of Accounts has been formally signed off by EY. 2020/21 audit process has commenced, and the 2021/22 draft financial statements are being prepared for public inspection
7	Introduction of new Manager Induction training	Delayed due the change in Assistant Director of HR and OD.

8	Work to continue to address issues identified in the MOSAIC Payments Audit including a review of the Scheme of Delegation for Adult Social care	Actions are being completed in line with expected timescales in respect of internal audits for the MOSAIC Payments Controls and Adult Provider Payments. All Audit actions are tracked via DMT to ensure delivery. the current Scheme of Delegation has been reviewed and as this is implemented appropriate reporting checks and balances will be put in place to ensure it is being adhered to correctly. This will complement the action plan in place to respond to the MOSAIC Payments Audit.
9	Directorate of Adult Care & Health Services (DACHS) Transformation programme to continue with oversight of the delivery of savings and efficiencies	The DACHS Transformation Programme has consistently delivered savings and is set to achieve the target of £1.735m in 2022/23. However due to the impact of increased demand and the complexity of service users presenting to the Council DACHS are still operating with an overspend. This overspend has been reduced in year however will remain into 2023/2024.
10	DACHs Commissioning Board to ensure delivery of work to guarantee spot contracts are in place for all provision not covered by block contracts. Contract monitoring to be embedded across market areas to ensure consistency of approach.	Work is ongoing to ensure up to date spot contracts are in place for external provision not covered by block contracts in conjunction with legal. However solid progress has been made on this during 22/23 with Day Services contracts put in place. Contract monitoring is being embedded across market areas to ensure consistency.

The Council's Internal Audit service has worked with the Council to ensure that appropriate systems of governance and internal controls have been maintained. A follow up audit review benchmarking the council's compliance with the Local Government Transparency Code 2015 noted that good progress had been made, and the two outstanding matters have now been completed.

Likewise, a follow-up review, of Freedom of Information (FOI) compliance earlier in the year reported that processes are now more automated; guidance has been published and performance monitoring has improved. Notwithstanding these measures, performance across the council remains disappointingly low. The council aspires to meet the 90% response rate expected by the Information Commissioner and this has been included as a Corporate Plan KPI.

The Assistant Director of Legal and Democratic Services has provided quarterly update reports throughout the year on the actions in progress to improve the Council's policies, systems and processes around Information Governance.

CONCLUSION

The Council is satisfied that appropriate governance arrangements are in place however it remains committed to maintaining and where possible improving these arrangements. The following items are noted for improvement in 2023/24:

- Implementing new Contract Procedure Rules and supporting the Council's Hub and Spoke model for Procurement
- Roll out of new systems in Housing Management and Customer Services and Casework
- Addressing issues identified by Internal Audit as requiring improvement in a timely way
- Ensure further performance improvements on Information Rights are embedded
- Review of governance arrangements for companies wholly owned by RBC being undertaken to check and, where necessary, strengthen governance arrangements.
- Corporate cyber resilience exercise will take place in 2023/24 to review and strengthen governance in this area.
- The impact of the constitution review is being monitored and any further changes will be made in 2023/24. These changes are now being aligned with a review of Finance Regulations and Contract Procedure Rules.
- A new Adult Social Care Strategy is being developed in response to the Striving For Excellence Assurance Work.
- Budget holders to be trained on the e5 system and rollout
- Review the new Decision Hub to ensure delegations and spend limits are understood
- All staff to complete mandatory e-learning training including health and safety, information governance, cyber security, Prevent and Safeguarding.
- Robust monitoring by managers of sickness absence required with action to address variance from norm (E&CS)
- Remind staff of whistle-blowing procedures
- Update all risk assessments to ensure they have been reviewed in the last 12 months
- Complete the L3 H&S audit
- Ensure all employees have completed their L1 H&S induction training
- Ensure all managers and supervisors have completed H&S L2 training

Signed on behalf of Reading Borough Council by:

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

..... Jackie Yates, Chief Executive

Independent Auditors Report to the Members of Reading Borough Council

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

Statement of Responsibilities

Responsibilities of the Council

The Council is required to:

- Make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this Council, for 2022/23, the Chief Financial Officer is the Director of Finance.
- Manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets.
- Arrange for the approval of the Statement of Accounts at the conclusion of the audit. In this Council, the approval is delegated to the Audit and Governance Committee.

Responsibilities of the Chief Financial Officer

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

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

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

The Chief Financial Officer has also:

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

Approval of the Accounts

This Statement of Accounts gives a true and fair view of the financial position of the Council at 31 March 2023 and its income and expenditure for the year ended 31 March 2023.

Darren Carter
Director of Finance (S151 Officer)
DATE.....

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.

2021/22			2022/23				
Gross Expenditure	Gross Income	Net Expenditure	Service Area	Note	Gross Expenditure	Gross Income	Net Expenditure
£'000	£'000	£'000			£'000	£'000	£'000
84,670	(39,776)	44,894	Adult Care and Health Services		85,076	(39,299)	45,777
39,895	(21,332)	18,564	Resources		41,992	(25,544)	16,448
1,870	(58)	1,812	Chief Executive Services		1,832	(90)	1,742
54,009	(49,082)	4,927	Corporate		47,714	(48,687)	(973)
149,728	(90,527)	59,201	Children, Education and Early Help Services		160,370	(100,031)	60,340
106,140	(55,645)	50,495	Environment and Neighbourhood Services		112,316	(65,607)	46,709
37,248	(41,727)	(4,478)	Housing Revenue Account		40,243	(42,835)	(2,591)
473,560	(298,148)	175,412	Costs of Services		489,544	(322,093)	167,452
		12,189	Other Operating Expenditure	10			(4,148)
		24,686	Financing and Investment Income and Expenditure	11			31,691
		(194,009)	Taxation and Non-Specific Grant Income	12			(186,423)
		18,278	(Surplus) or Deficit on Provision of Services				8,572
		-	(Surplus) or Deficit on Revaluation of Available for Sale Financial Assets				-
		(118,101)	Remeasurements of the Net Defined Benefit Liability	44			(318,084)
		(57,303)	(Surplus) or Deficit on Revaluation of Property, Plant and Equipment				(20,196)
		(175,404)	Other Comprehensive Income and Expenditure				(338,280)
		(157,125)	Total Comprehensive Income and Expenditure				(329,709)

*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 Council, 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 Council'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.

2022/23	REVENUE RESERVES						CAPITAL RESERVES			Total Usable Reserves £'000	Unusable Reserves £'000	Total Reserves £'000
	General Fund balance	Earmarked General Fund Reserves	Total General Fund balances	Housing Revenue Account (HRA)	Earmarked HRA Reserves	Total HRA Balances	Capital Receipts Reserve	Major repairs Reserve	Capital Grants Unapplied Account			
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000			
Balance at 31 March 2022	(7,500)	(85,052)	(92,552)	(40,264)	(10,147)	(50,412)	(12,818)	(6,957)	(62,746)	(225,484)	(163,759)	(389,242)
(Surplus)/Deficit on provision of services	5,552		5,552	3,019		3,019				8,572		8,572
Other Comprehensive Income and Expenditure			-			-				-	(338,280)	(338,280)
Total Comprehensive Income and Expenditure	5,552	-	5,552	3,019	-	3,019	-	-	-	8,572	(338,280)	(329,708)
Adjustments between accounting basis and funding basis under regulations	10,443		10,443	2,141		2,141	(18,766)	(1,792)	546	(7,428)	7,428	-
Net (increase)/decrease before transfers to/(from) earmarked reserves	15,994	-	15,995	5,161	-	5,161	(18,766)	(1,792)	546	1,144	(330,852)	(329,708)
Transfers to/(from) earmarked reserves	(16,715)	15,237	(1,478)	(231)	231	-			179	(1,299)	1,299	-
(Increase)/decrease for the year	(721)	15,237	14,516	4,930	231	5,161	(18,766)	(1,792)	725	(156)	(329,552)	(329,708)
Balance at 31 March 2023	(8,221)	(69,815)	(78,036)	(35,334)	(9,916)	(45,250)	(31,584)	(8,749)	(62,021)	(225,640)	(493,309)	(718,950)

Subject to roundings

2021/22	REVENUE RESERVES						CAPITAL RESERVES			Total Usable Reserves £'000	Unusable Reserves £'000	Total Reserves £'000
	General Fund balance	Earmarked General Fund Reserves	Total General Fund balances	Housing Revenue Account (HRA)	Earmarked HRA Reserves	Total HRA Balances	Capital Receipts Reserve	Major repairs Reserve	Capital Grants Unapplied Account			
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000			
Balance at 31 March 2021	(7,500)	(99,070)	(106,570)	(40,644)	(10,073)	(50,717)	(13,748)	(2,686)	(62,824)	(236,544)	4,427	(232,117)
(Surplus)/Deficit on provision of services	16,292		16,292	1,986		1,986				18,278		18,278
Other Comprehensive Income and Expenditure			-			-				-	(175,404)	(175,404)
Total Comprehensive Income and Expenditure	16,292	-	16,292	1,986	-	1,986	-	-	-	18,278	(175,404)	(157,125)
Adjustments between accounting basis and funding basis under regulations	(1,465)		(1,465)	(1,680)		(1,680)	930	(4,271)	78	(6,410)	6,409	-
Net (increase)/decrease before transfers to/(from) earmarked reserves	14,826	-	14,827	306	-	306	930	(4,271)	78	11,868	(168,995)	(157,125)
Transfers to/(from) earmarked reserves	(14,826)	14,018	(808)	73	(73)	-	-	-	-	(808)	808	-
(Increase)/decrease for the year	-	14,018	14,018	379	(73)	306	930	(4,271)	78	11,060	(168,187)	(157,125)
Balance at 31 March 2022	(7,500)	(85,052)	(92,552)	(40,264)	(10,147)	(50,412)	(12,818)	(6,957)	(62,746)	(225,484)	(163,759)	(389,242)

Subject to roundings

Balance Sheet

2021/22 £'000	Balance Sheet	Note	2022/23 £'000
983,368	Property, Plant & Equipment	22	1,031,359
123,333	Infrastructure	23	132,984
2,650	Heritage Assets	24	2,541
75,210	Investment Property	25	67,775
6,248	Intangible Assets	26	5,968
26,002	Long-term Investments	29	23,575
22,498	Long-term Debtors	34	20,733
1,239,309	Non-Current Assets		1,284,935
330	Assets held for sale		-
355	Inventories	31	383
83,342	Short-term Debtors	34	66,591
68,551	Cash and Cash Equivalents	33	54,207
152,578	Current Assets		121,181
(3,054)	Short-term Borrowing	29	(33,009)
(106,113)	Short-Term Creditors	35	(86,767)
(14,611)	Revenue Receipts in Advance	35	(9,150)
(7,055)	Short-Term Provisions	36	(4,904)
(1,114)	PFI Short-Term Liabilities and Deferred Income	42	(1,304)
(395)	Deferred Income		(28)
(132,342)	Current Liabilities		(135,162)
-	Long-Term Provisions	36	-
(381,825)	Long-Term Borrowing	29	(369,485)
(464,659)	Liability relating to defined benefit pension scheme	44	(160,003)
(23,146)	PFI Long-Term Liabilities and Deferred Income	42	(21,843)
(673)	Other Long Term Liabilities		(673)
(870,303)	Long Term Liabilities		(552,004)
389,241	Net Assets		718,950
(225,484)	Usable Reserves	37	(225,640)
(163,758)	Unusable reserves	38	(493,310)
(389,242)	Total Reserves		(718,950)

*Table is subject to roundings

Cash Flow Statement

The Cash Flow Statement shows the changes in cash and cash equivalents of the Council during the reporting period. The statement shows how the Council generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities. The amount of net cash flows arising from operating activities is a key indicator of the extent to which the operations of the Council are funded by way of taxation and grant income or from the recipients of services provided by the Council. Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute to the Council'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 Council.

2021/22 £'000	Cash Flow	2022/23 Note	£'000
18,278	Net (surplus) or deficit on the provision of services		8,572
(78,541)	Adjustments to net surplus or deficit on the provision of services for non-cash movements	45	(35,608)
48,085	Adjustments for items included in the net surplus on the provision of services that are investing and financing activities	45	41,719
(12,178)	Net cash flows from Operating Activities		14,683
20,554	Investing Activities	46	36,753
(17,119)	Financing Activities	47	(37,092)
(8,744)	Net (increase) or decrease in cash and cash equivalents		14,344
59,807	Cash and cash equivalents at the beginning of the reporting period		68,551
8,744	Net increase or (decrease) in cash and cash equivalents		(14,344)
68,551	Cash and cash equivalents at the end of the reporting period	33	54,207

Note 1 – Significant Accounting Policies

i. General Principles

The Statement of Accounts summarises the Council's transactions for the 2022/23 financial year and its position as at the 31 March 2023.

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 2022/23 (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 2022/23 and is 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

- **unitised securities** – current bid price
- **property** – market value

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

Service costs comprising:

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

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

Past Service Cost - 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 30.

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:

Asset type	Valuation basis
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 28.

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 His 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 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 2023 for 2022/23). The 2022/23 Code will introduce the following amendments:

IFRS 16: Leases

IFRS 16 will require local authorities that are lessees to recognize a lease in their balance sheet as a right-of-use asset with a corresponding lease liability (there are exemptions for low-value and short-term leases). CIPFA/LASAAC have deferred implementation of IFRS 16 for local government to 1 April 2024. The Council will continue to review its' lease arrangements to assess the impact of the change.

Note 3 - Critical Judgements in Applying Accounting Policies

In applying the accounting policies set out in Note 1 Accounting Policies, the Council 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 44 and in accordance with IAS 19.

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 Council 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 Council's Balance Sheet at 31 March 2023 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 Council 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 £0.95m for every year that useful lives had to be reduced.

Valuation of HRA dwellings

The valuation of HRA Dwellings has been split between land and buildings. 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 hectarage 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 £0.196m 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 Council with expert advice about these assumptions and judgments and has provided the sensitivity analysis shown below for 2022/23:

Impact on the defined benefit obligation	Increase in assumption £'000	Decrease in assumption £'000
Rate for discounting scheme liabilities (increase or decrease by 0.1%)	(10,229)	10,497
Rate of increase in salaries (increase or decrease by 0.1%)	690	(684)
Rate of inflation (increase or decrease by 0.1%)	9,998	(9,746)
Longevity (increase or decrease by 1 year)	24,941	(23,945)

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 £10.229m. See Note 44 for more details of the LGPS Pension Scheme.

Arrears

At 31 March 2023, the Council had a balance of sundry debtors of £23.869m (net of impairments). A review of significant balances suggested that an impairment of doubtful debts of £8.9m was appropriate. If collection rates were to deteriorate, a 1% increase in the value of impairments for doubtful debts would require an additional £88,600 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 £104,500.

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 2023 was £4.692m, which is shared between the Council, Central Government and the Fire Authority. The Council's share of this provision totals £2.299m. The provision at 31 March 2023 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 £23,000.

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:

- £7.5m (£6.8m 2021/22) to RE3 Ltd for waste collection and disposal under the waste collection service concession;
- £50.8m (£48.4m 2021/22) to BFfC for provision of Children's Services.
- £6.6m (£6.5m 2021/22) to Affinity (Reading) Ltd under a service concession to refurbish council-owned housing at North Whitley;
- £4.1m (£3.9m 2021/22) to Reading Transport Ltd for providing free travel under the Concessionary Fares Scheme;
- £2.9m (£3.6m 2021/22) to Northgate Public Services (UK) Ltd for the provision of IT services.

Note 6 - Events After the Reporting Period

Events taking place after February 2024 (Draft Accounts) are not reflected in the financial statements or notes. Where events taking place before this date provided information about conditions existing at 31 March 2023, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

In July 2024, the Council decided that its 100% owned subsidiary Homes for Reading will be closed and the Company's properties are to be transferred to the Council's Housing Revenue Account. This will happen on a phased basis as existing tenancies come to an end. Property valuations will be determined at the point of transfer.

Note 7 - Expenditure and Funding Analysis

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.

Net Expenditure Chargeable to the GF and HRA	2021/22		Service Area	2022/23		
	Balances	Adjustments		Net Expenditure Chargeable to the GF and HRA	Adjustments	Net Expenditure
	£'000	£'000		in the CIES	in the CIES	in the CIES
42,627	2,267	44,894	Adult Care and Health Services	45,052	725	45,777
32,208	(6,819)	25,388	Resources	(4,276)	3,303	(974)
			Chief Executive Services	16,394	54	16,447
			Corporate	5,801	(4,059)	1,742
51,130	7,961	59,091	Children, Education and Early Help Services	55,216	5,124	60,340
23,496	27,022	50,518	Environment and Neighbourhood Services	19,339	27,370	46,709
(3,553)	(925)	(4,478)	Housing Revenue Account	1,981	(4,572)	(2,591)
145,908	29,505	175,412	Cost of Services	139,506	27,944	167,450
(130,775)	(26,360)	(157,134)	Other Income and Expenditure	(118,350)	(40,529)	(158,880)
15,134	3,145	18,278	(Surplus) or Deficit on Provision of Services	21,156	(12,585)	8,570
		(157,288)	Opening General Fund and HRA Balances as at 1 April			(142,963)
		(809)	Movement on DSG deficit to Unusable Reserves			(1,299)
		-	Transfer from Capital Grants Unapplied to Earmarked Reserve			(179)
		15,134	(Surplus) or Deficit on Provision of Services (Statutory Basis)			21,156
		(142,963)	Closing General Fund and HRA Balances as at 31 March			(123,286)

NB. In 2021/22 Resources includes: Resources; Chief Executive Services and Corporate. These have been split out for presentation purposes from 2022/23.

Note 7a - Note to the Expenditure and Funding Analysis

2021/22					2022/23					
Capital Statutory Adjustments	Net Pension Statutory Adjustments	Salary Accruals	Other Adjustments	Total Adjustments	Service Area	Capital Statutory Adjustments	Net Pension Statutory Adjustments	Salary Accruals	Other Adjustments	Total Adjustments
£'000	£'000	£'000	£'000	£'000		£'000	£'000	£'000	£'000	£'000
(360)	2,657	(31)	-	2,267	Adult Care and Health Services	182	570	(27)	-	725
(7,512)	3,269	(32)	(2,544)	(6,819)	Resources	2,705	593	6	-	3,304
					Chief Executive Services	(1)	62	(8)	-	55
					Corporate	(6,870)	-	-	2,810	(4,059)
3,156	5,045	(241)	-	7,961	Children, Education and Early Help Services	3,201	1,719	203	-	5,124
20,981	6,150	(111)	-	27,022	Environment and Neighbourhood Services	26,098	1,284	(13)	-	27,370
(2,806)	1,880	-	-	(927)	Housing Revenue Account	(5,074)	491	10	-	(4,572)
13,460	19,002	(415)	(2,544)	29,503	Net Cost of Services	20,242	4,719	171	2,810	27,944
17,112	-	-	-	17,112	Other Operating Expenditure	(1,494)	-	-	-	(1,494)
770	12,313	-	-	13,083	Financing and investment income	7,435	8,709	-	-	16,144
(39,225)	-	-	(17,329)	(56,554)	Taxation and non - specific grants	(36,235)	-	-	(18,944)	(55,179)
(7,883)	31,315	(415)	(19,873)	3,145	Difference between GF/HRA (surplus)/ deficit and CIES (surplus) /deficit	(10,052)	13,428	171	(16,134)	(12,585)

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 Council 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.

Net Change for Salary Adjustments

This relates to short-term employee benefits are those due to be settled wholly within 12 months of the year-end. 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. (See Accounting Policies)

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 21 £'000	Net Income £'000
Adult Care and Health Services	(39,299)	(19,832)	(19,467)
Resources	(25,544)	(7,798)	(17,746)
Chief Executive Services	(90)	(28)	(62)
Corporate	(48,687)	(43,155)	(5,532)
Children, Education and Early Help Services	(100,031)	(99,994)	(37)
Environment and Neighbourhood Services	(65,607)	(16,757)	(48,850)
Housing Revenue Account	(42,835)	(42)	(42,793)
	(322,093)	(187,606)	(134,487)

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:

2021/22 £'000	Nature of Expenditure or Income	2022/23 £'000
137,737	Council employees	134,870
11,314	Voluntary Aided Schools	11,746
149,051	Sub total	146,617
37,988	Depreciation, amortisation, impairment	43,049
28,842	Interest payments	36,139
286,762	Other service expenses	300,013
33,089	Business Rates Tariff	32,971
11,153	Net Loss on Asset Disposals	-
905	Payments to Housing Capital Receipts Pool	209
547,789	Total Expenditure	558,998
(123,591)	Revenue from external customers and other service income	(134,826)
(4,156)	Interest and investment income	(4,449)
(155,890)	Income from Council Tax and NDR	(164,932)
(245,873)	Government grants and contributions	(241,729)
-	Net Gain on Asset Disposals	(4,491)
(529,511)	Total Income	(550,426)
18,278	(Surplus) or Deficit for Year	8,572

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 Council 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 Council 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 Council 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.

2022/23	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)	(12,213)	(1,215)	-	-	-	13,428
Financial Instruments (transferred to the Pooled Funded Adjustment Account)	(2,810)	-	-	-	-	2,810
Council tax and NDR (transfers to or from the Collection Fund)	18,944	-	-	-	-	(18,944)
Holiday pay (transferred to the Accumulated Absences reserve)	(161)	(10)	-	-	-	171
Equal pay settlements (transferred to the Unequal Pay / Back Pay Account)	-	-	-	-	-	-
Charges for depreciation and impairment of non-current assets	(27,693)	(13,777)	-	-	-	41,470
Revaluation (gains) / losses on Property plant and equipment	-	-	-	-	-	-
Reversal of impairment of subsidiary holding	368	-	-	-	-	(368)
Movements in the market value of investment properties	(7,435)	-	-	-	-	7,435
Amortisation of intangible assets	(1,964)	-	-	-	-	1,964
Revenue expenditure funded from capital under statute	(5,560)	-	-	-	-	5,560
Amounts of non-current assets write off on disposal or sale as part of the gain/loss on disposal	1,161	(2,154)	-	-	-	993
Capital grants and contributions unapplied	36,235	-	-	-	(36,235)	-
Total Adjustments to Revenue Resources	(1,128)	(17,156)	-	-	(36,235)	54,519
Adjustments between Revenue and Capital Resources						
Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve	1,250	4,234	(5,484)	-	-	(1)
Payments to the government housing receipts pool (funded by a transfer from the Capital Receipts Reserve)	(209)	-	209	-	-	-
Posting of Housing Revenue Account resource from revenue to the Major Repairs Reserve	-	13,633	-	(13,633)	-	-
Statutory Provision for the repayment of debt (transfer to the Capital Adjustment Account)	7,752	880	-	-	-	(8,632)
Capital expenditure financed from revenue balances (transfer to the Capital Adjustment Account)	2,775	551	-	-	-	(3,326)
Total Adjustments between Revenue and Capital Resources	11,568	19,298	(5,275)	(13,633)	-	(11,959)
Adjustments to Capital Resources						
Use of the Capital Receipts Reserve to finance capital expenditure	-	-	2,474	-	-	(2,474)
Use of the Major Repairs Reserve to finance new capital expenditure	-	-	-	11,841	-	(11,841)
Application of capital grants to finance capital expenditure	-	-	-	-	36,782	(36,782)
Cash payments in relation to deferred capital receipts	-	-	(1,744)	-	-	1,744
Total Adjustments to Capital Resources	-	-	730	11,841	36,782	(49,353)
Other adjustments (Repayment on Finance Lease)	-	-	(14,221)	-	-	14,221
Total Adjustments	10,440	2,143	(18,766)	(1,792)	547	7,427

2021/22	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)	(28,264)	(3,051)	-	-	-	31,315
Financial Instruments (transferred to the Pooled Funded Adjustment Account)	2,545	-	-	-	-	(2,545)
Council tax and NDR (transfers to or from the Collection Fund)	17,329	-	-	-	-	(17,329)
Holiday pay (transferred to the Accumulated Absences reserve)	415	-	-	-	-	(415)
Equal pay settlements (transferred to the Unequal Pay / Back Pay Account)	-	-	-	-	-	-
Charges for depreciation and impairment of non-current assets	(25,711)	(12,694)	-	-	-	38,405
Revaluation (gains) / losses on Property plant and equipment	-	-	-	-	-	-
Reversal of impairment of subsidiary holding	2,143	-	-	-	-	(2,143)
Movements in the market value of investment properties	(770)	-	-	-	-	770
Amortisation of intangible assets	(1,725)	-	-	-	-	1,725
Revenue expenditure funded from capital under statute	(5,333)	-	-	-	-	5,333
Amounts of non-current assets write off on disposal or sale as part of the gain/loss on disposal	(15,389)	(2,544)	-	-	-	17,933
Capital grants and contributions unapplied	39,225	-	-	-	(39,225)	-
Total Adjustments to Revenue Resources	(15,535)	(18,289)	-	-	(39,225)	73,049
Adjustments between Revenue and Capital Resources						
Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve	2,959	3,918	(6,878)	-	-	-
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	-	11,831	-	(11,831)	-	-
Statutory Provision for the repayment of debt (transfer to the Capital Adjustment Account)	7,713	475	-	-	-	(8,188)
Capital expenditure financed from revenue balances (transfer to the Capital Adjustment Account)	4,303	384	-	-	-	(4,687)
Total Adjustments between Revenue and Capital Resources	14,070	16,608	(5,973)	(11,831)	-	(12,875)
Adjustments to Capital Resources						
Use of the Capital Receipts Reserve to finance capital expenditure	-	-	4,889	-	-	(4,889)
Use of the Major Repairs Reserve to finance new capital expenditure	-	-	-	7,560	-	(7,560)
Application of capital grants to finance capital expenditure	-	-	-	-	39,302	(39,302)
Cash payments in relation to deferred capital receipts	-	-	1,981	-	-	(1,981)
Total Adjustments to Capital Resources	-	-	6,870	7,560	39,302	(53,732)
Other adjustments (Repayment on Finance Lease)	-	-	32	-	-	(32)
Total Adjustments	(1,465)	(1,680)	929	(4,271)	77	6,409

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 31 March 2021 £'000	Transfers Out £'000	Transfers In £'000	Balance at 31 March 2022 £'000	Transfers Out £'000	Transfers In £'000	Balance at 31 March 2023 £'000
General Fund Reserves:							
Emergency Planning Reserve	(610)	-	-	(610)	-	(698)	(1,308)
Communications Reserve	(200)	-	-	(200)	-	-	(200)
Housing Benefit Subsidy Loss Reserve	(450)	-	(150)	(600)	-	(25)	(625)
Public Health Reserve	(994)	87	-	(906)	-	(161)	(1,067)
Schools Deficit Liability Reserve	(674)	-	-	(674)	-	(330)	(1,004)
Climate Change Reserve	(220)	-	-	(220)	-	(6)	(226)
Legal & Taxation Reserve	(300)	-	-	(300)	-	(1,060)	(1,360)
Pension Liabilities Reserve	(1,100)	-	-	(1,100)	1,100	-	-
Commercial Property Liabilities Reserve	(1,700)	-	-	(1,700)	-	(1,100)	(2,800)
Revenue Grants Unapplied Reserve	(44,524)	16,730	(2,238)	(30,031)	21,667	(9,182)	(17,547)
Self Insurance Reserve	(2,314)	-	(442)	(2,756)	-	(442)	(3,198)
IT & Digital Reserve	(2,591)	-	-	(2,591)	-	-	(2,591)
Flexible Capital Receipts Reserve	(9,215)	2,480	(352)	(7,088)	504	-	(6,584)
Capital Finance Smoothing Reserve	(13,895)	1,727	(3,127)	(15,295)	9,395	(3,460)	(9,360)
Redundancy Reserve	(345)	-	-	(345)	-	-	(345)
Demographic & Cost-Led Pressures Reserve	(2,000)	-	-	(2,000)	-	-	(2,000)
Abortive Capital Costs Reserve	(1,500)	-	-	(1,500)	675	-	(825)
Collection Fund Smoothing Reserve	(6,996)	799	-	(6,196)	3,417	-	(2,780)
Better Care Fund Reserve	(454)	-	(579)	(1,032)	-	(788)	(1,820)
Joint Legal Team Reserve	(126)	-	-	(126)	-	-	(126)
Financial Resilience Reserve	(5,393)	-	(195)	(5,588)	1,165	(5,691)	(10,114)
DEGNS Strategic Reserve	(184)	-	-	(184)	29	-	(155)
Arts Foundation Fund	(1)	1	-	-	-	-	-
Energy Reserve	-	-	(791)	(791)	-	(496)	(1,287)
Ministry of Justice Liability Order Reserve	-	-	(119)	(119)	-	-	(119)
Procurement Training Reserve	-	-	(50)	(50)	50	-	-
Archives Projects Reserve	-	-	(31)	(31)	22	-	(9)
Hardship Fund	-	-	-	-	-	(500)	(500)
Health & Safety Reserve	-	-	-	-	-	(71)	(71)
Project Management Office Reserve	-	-	-	-	-	(210)	(210)
Schools	(3,285)	975	(709)	(3,019)	1,815	(381)	(1,585)
Total General Fund	(99,070)	22,800	(8,782)	(85,052)	39,839	(24,601)	(69,814)

**This table is subject to roundings*

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

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

The **Climate Change Reserve** was established to allow for revenue investment to address the climate emergency;

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

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

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

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

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

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

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 **Better Care Fund Reserve** is to meet costs relating to the Hospital Discharge Scheme;

The **Joint Legal Team Reserve** is to fund specific invest to save projects;

The **Financial Resilience Reserve** is to provide the Council with financial resilience in respect of implications from future local government funding reform including the business rates reset;

The **DEGNS Strategic Reserve** is to address acknowledged strategic challenges facing the Directorate including in the areas of capital programme delivery, driving forward major regeneration projects and securing funding, supporting Reading's economic recovery from the impacts of the Covid-19 pandemic and delivery of directorate savings plans;

The **Energy Reserve** is to mitigate against fluctuations in energy prices;

The **Ministry of Justice Liability Order Reserve** is to fund overpaid liability orders;

The **Procurement Training Reserve** is to fund specific procurement related training;

The **Archives Projects Reserve** is to fund specific archives projects;

The **Hardship Fund** is to fund hardship relief;

The **Health & Safety Reserve** is to fund a temporary Risk Management Officer;

The **Project Management Office Reserve** is to fund temporary support to the Project Management Office;

The **Schools Reserve** holds individual accumulated schools balances, e.g. The Schools 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 **North Whitley PFI Reserve** has been established within the HRA balance to ensure that the contracted payment can be sustained over the contract period.

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. See Note 20 for further details.

Note 10 - Other Operating Expenditure

2021/22 £'000		2022/23 £'000
131	Levies	134
905	Payments to the Government Housing Capital Receipts Pool	209
11,153	(Gains)/Losses on the disposal of non-current assets	(4,491)
12,189	Total	(4,148)

Note 11 - Financing and Investment Income and Expenditure

2021/22 £'000		2022/23 £'000
16,529	Interest payable and similar charges	17,186
12,313	Net interest on the net defined benefit liability (asset)	8,709
(2,284)	Interest receivable and similar income	(4,449)
673	Income and expenditure in relation to investment properties and changes in their fair value	7,435
(2,545)	Other investment income	2,810
24,686	Total	31,691

Note 12 - Taxation and Non-Specific Grant Income

2021/22 £'000		2022/23 £'000
(100,782)	Council Tax Income	(104,474)
(53,067)	Non-Domestic rates income	(58,350)
33,089	Non-Domestic Rates Tariff and Levy	32,971
(34,143)	Non-Ringfenced Government Grants	(20,335)
(39,225)	Capital Grants and Contributions	(36,235)
(194,127)	Total	(186,423)

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:

2022-23 Senior Officers' Remuneration

2022-23	Post Holder Information	Salary, fees and allowances*	Expenses allowances	Compensation for loss of office	Total Remuneration	Employer's pension contributions	Total remuneration including pension contributions
	Chief Executive (Peter Sloman)1*	67,102			67,102		67,102
	Chief Executive/Deputy Chief Executive (Jackie Yates)2*	158,994	8,309		167,304	24,761	192,065
	Director of Finance (S151 Officer)	123,762			123,762	18,317	142,079
	Executive Director of Adult Care & Health Services 3*	108,338	77		108,416	15,783	124,199
	Interim Executive Director of Adult Care & Health Services4*	31,820			31,820	4,709	36,529
	Interim Executive Director Of Resources5*	121,926			121,926		121,926
	Executive Director Of Resources 6*	18,582			18,582	2,750	21,332
	Executive Director of Environment & Neighbourhood Services	141,901			141,901	19,124	161,025
	Director of Public Health Berkshire West	129,236			129,236	18,948	148,183
	Executive Director of Children's Services7*	14,079		6,649	20,727	984	21,711
	Executive Director of Children's Services 8*	15,130			15,130	2,239	17,369
	Executive Director of Children's Services9*	4,117			4,117	609	4,726
	Assistant Director of Legal & Democratic Services (Monitoring Officer)	92,727			92,727	13,724	106,451
		1,027,714	8,387	6,649	1,042,749	121,948	1,164,697

1* Term time only departed RBC 31/08/22

2* Acting Up from 19/07/22, Commenced 19/10/22

3* Left 31/12/2022

4* Commenced 01/01/23

5* Interim - REED Agency 11/08/22 - 10/02/23

6*Started Permanent Role Feb 2023

7* Left 30/06/2023

8* Commenced 13/02/23

9* Commenced Feb 23

2021-22 Senior Officers' Remuneration

2021-22	Post Holder Information	Salary, fees and allowances*	Expenses allowances	Compensation for loss of office	Total Remuneration	Employer's pension contributions	Total remuneration including pension
	Chief Executive (Peter Sloman)1*	163,785			163,785		163,785
	Executive Director of Adult Care & Health Services:	140,266			140,266	33,243	173,509
	Executive Director of Resources (Jackie Yates)	154,526			154,526	36,623	191,149
	Executive Director of Environment & Neighbourhood Services:	136,323			136,323	29,302	165,625
	Executive Director of Children's Services 2*	26,595	12		26,606	6,303	32,909
	Director of Public Health Berkshire West 3*	79,848			79,848	18,409	98,257
	Director of Public Health Berkshire West 4*	40,088			40,088	9,501	49,588
	Strategic Communications Manager 5*	27,372	7		27,379	9,900	37,279
	Strategic Communications Manager 6*	32,513			32,513		32,513
	Corporate Legal Adviser 7*	53,153	54		53,208	12,597	65,805
		854,469	73	-	854,542	155,878	1,010,420

1* Term time only from 1st August 21

2* 0.2 FTE

3* Post ended November 2021

4* Post Commenced December 2021

5* 0.9 FTE Maternity Leave From August 21

6* 0.5 FTE Returning Officer Fees £9,866

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. The Senior Officer's above £150k are excluded from this table but included in the more detailed table above:

			Number of Employees			
2021/22	2021/22	2021/22		2022/23	2022/23	2022/23
Schools	Non-schools	Total		Schools	Non-schools	Total
14	38	52	£50,001 to £55,000	24	49	73
13	23	36	£55,001 to £60,000	10	47	57
5	11	16	£60,001 to £65,000	9	21	30
4	4	8	£65,001 to £70,000	3	16	19
6	6	12	£70,001 to £75,000	3	1	4
5	3	8	£75,001 to £80,000	4	5	9
2	4	6	£80,001 to £85,000	5	3	8
1	4	5	£85,001 to £90,000	3	2	5
-	4	4	£90,001 to £95,000	-	-	-
-	5	5	£95,001 to £100,000	-	-	-
-	-	-	£100,001 to £105,000	-	-	-
2	-	2	£105,001 to £110,000	-	-	-
-	2	2	£110,001 to £115,000	1	-	1
-	-	-	£115,001 to £120,000	-	-	-
-	-	-	£120,000 to £125,000	1	-	1
52	104	156	Total	63	144	207

Note 14 – 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 (£)	
	2021/22	2022/23	2021/22	2022/23	2021/22	2022/23	2021/22	2022/23
£0 - £20,000	-	-	14	5	14	5	89,135	43,841
£20,001 - £40,000	-	-	2	6	2	6	45,037	191,717
£40,001 - £60,000	-	-	1	2	1	2	57,029	86,092
£60,001 - £80,000	-	-	1	-	1	-	65,678	-
£80,001 - £100,000	-	-	-	-	-	-	-	-
£100,001 - £150,000	-	-	-	-	-	-	-	-
£150,001 - £200,000	-	-	-	1	-	1	-	159,442
£200,001 - £250,000	-	-	-	-	-	-	-	-
Total	-	-	18	14	18	14	256,879	481,092
Add: Amounts provided for in CIES not included in bandings							-	-
Total cost included in CIES							256,879	481,092

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 2022/23 was as follows:

2021/22 £		2022/23 £
394,550	Basic Allowances	425,407
169,369	Special Responsibility Allowance	179,319
14	Dependent Carer's Allowance	-
318	Travelling and Subsistence Allowance	1,357
4,300	Co-optees' Allowance	4,474
568,551		610,557

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 2022/23, the Council incurred costs of £660k (2021/22: £648k) with Readibus.

Transactions with Central Government

Central Government has an effective general control over the operations of the Council. It is responsible for providing the statutory framework within which the Council operates, provides a significant portion of the Council's funding in the form of grants and prescribes the terms of many of the transactions that the Council has with other parties. Details of the transactions with other Government departments include items reported within Note 21 Grant Income, Note 28 Capital Expenditure, Note 34 Debtors and Note 35 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 £2.66m (2021/22 just over £2.67m) and the entity has no assets, RHPP has been excluded from the Group Accounts on materiality grounds.

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, the Council does exhibit some influence as the majority of the turnover is derived directly or indirectly from the Council.

Note 17 - External Audit Costs

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

2021/22 £'000		2022/23 £'000
84	Fees payable to external auditors with regard to external audit services carried out by the appointed auditor for the year	84
-	Fees payable to external auditors for the certification of grant claims and returns 20/21	33
-	Fees payable to external auditors for the certification of grant claims and returns 21/22	14
-	Fees payable to external auditors for the certification of grant claims and returns 22/23	-
(8)	Fees payable to external auditors with regard to external audit services carried out by the appointed auditor for the year 2020/21	-
-	Fees payable to external auditors with regard to external audit services carried out by the appointed auditor for the year 2021/22	-
-	Fees payable to external auditors with regard to external audit services carried out by the appointed auditor for the year 2022/23	-
(17)	PSAA refund of External Audit fees	-
59	Total	131

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 Council's housing stock, as well as for other Local Authorities.

2021/22		2022/23
£'000		£'000
Housing Building Maintenance		
(11,049)	Turnover	(18,669)
9,714	Expenditure	17,107
(1,335)	(Surplus)/Deficit	(1,562)

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.

2021/22		2022/23
£'000		£'000
Building Control Trading Account		
(241)	Turnover	(229)
379	Expenditure	450
138	(Surplus)/Deficit	221

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.

2021/22 £'000		2022/23 £'000
	Funding Within the Pooled Budget	
(847)	Reading Borough Council - Adult Services	(819)
(102)	Reading Borough Council - Children's Services	(72)
(3,955)	Other Berkshire Councils	(3,672)
(6,659)	Berkshire Clinical Commissioning Groups	(6,816)
(11,563)		(11,378)
	Expenditure Within the Pooled Budget	
132	Management Fund Costs	140
11,431	Nottingham Rehab Supplies Equipment	11,238
11,563		11,378
-	Net (Surplus)/Deficit within the scheme .	-

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.

2021/22 £'000		2022/23 £'000
	Funding Provided to the Pooled Budget	
(4,581)	Reading Borough Council	(4,160)
(11,151)	Berkshire West CCG	(11,781)
(15,732)		(15,941)
	Expenditure within the Pooled Budget	
10,137	Reading Borough Council	10,482
4,953	Berkshire West CCG	5,052
15,090		15,533
(642)	(Surplus) for the pooled budget in 22/23	(408)

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:

	Central Expenditure £'000	2022/23 Individual Schools Budget £'000	Total £'000
Final DSG for 2022/23 before Academy recoupment			149,442
Academy figure recouped for 2022/23			(62,604)
Total DSG after Academy recoupment for 2022/23			86,838
Plus: Brought forward from 2021/22			-
Less: Carry forward to 2023/24 agreed in advance			-
Agreed initial budgeted distribution in 2022/23	24,061	62,776	86,838
In year adjustments	(318)	787	469
Final budgeted distribution for 2022/23	23,743	63,563	87,307
Less: Actual central expenditure	(24,896)		(24,896)
Less: Actual ISB deployed to schools		(63,709)	(63,709)
Plus: Local Authority contribution for 2022/23	-	-	-
In-year Carry-forward to 2023/24	(1,153)	(146)	(1,299)
DSG deficit within Unusable Reserves at the end of 2021/22			(2,164)
Addition to DSG deficit within Unusable Reserves at the end of 2022/23			(1,299)
Total of DSG deficit within Unusable Reserves at the end of 2022/23			(3,463)
New DSG position at the end of 2022/23			(3,463)

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 2022/23 as follows:

2021/22 £'000		2022/23 £'000
	Credited to Taxation and Non Specific Grant Income	
	<u>Non-Covid Grants</u>	
(3,549)	Business Rates Reliefs	(12,580)
(2,108)	New Homes Bonus	(2,038)
(2,042)	Revenue Support Grant	(2,108)
-	Services Grant	(2,116)
-	Housing Infrastructure Fund (Revenue Element)	(636)
(336)	Other Non Specific Revenue Grants	(932)
(25,470)	Capital Grants*	(15,187)
(13,755)	Capital Contributions (including CIL and S106 monies)*	(21,048)
(47,260)	Total Non-Covid Grants	(56,645)
	<u>Covid Grants</u>	
(13,010)	Covid-19 Business Rates Reliefs	-
(1,300)	Local Council Tax Support Schemes	-
(406)	Local Restrictions & Support Grant Open	-
(4,523)	Covid-19 Emergency Unringfenced Funding	-
(1,326)	Sales Fees and Charges Support Grant	-
(5,133)	Additional Restrictions Grant	-
(291)	Other Non Specific Revenue Grants	75
(25,989)	Total Covid Grants	75
(73,249)	Total	(56,570)

2021/22 £'000		2022/23 £'000
	* Capital Grants and Contributions	
(1,300)	Active Travel	(1,075)
(1,197)	Disabled Facilities Grant	(1,197)
-	Bus Service Improvement Plan	(2,588)
(2,613)	LTP - Integrated Transport Block Grant	(2,613)
(4,241)	Priority Schools Building Programme	-
(12,716)	Schools Standards Fund	(8,537)
-	Leisure Procurement Lottery Funding	(1,455)
(988)	Pothole Action Fund	(756)
(249)	Homes England - Dee Park	368
-	Public Sector Decarbonisation Fund - Schools	492
(4,184)	S106 Contributions	(9,210)
(4,265)	Network Rail/First Great Western - Green Park Station	-
(5,306)	Community Infrastructure Levy - Contributions	(5,977)
(2,000)	DCLG Brownfield Land release grant for Minster Quarter Scheme	-
-	Affordable Housing Homes England Funding	(2,288)
-	Local Authority Housing Fund	(649)
-	Air Quality Grant	(291)
(166)	Other Capital Grants	(459)
(39,225)	Total	(36,235)

2021/22 £'000		2022/23 £'000
	Credited to Services	
	<u>Non-Covid Grants</u>	
(81,791)	Dedicated Schools Grant	(86,706)
(44,725)	Housing Benefit Subsidy	(42,457)
(10,034)	Public Health Grant	(10,316)
-	Bus Service Improvement Plan	(4,815)
(3,132)	Social Care Grant	(4,452)
(3,997)	North Whitley PFI - Housing	(3,997)
(3,506)	Pupil Premium	(3,731)
-	Homes for Ukraine Tariff Grant	(2,948)
(2,613)	Improved Better Care Fund	(2,693)
(1,131)	Household Support Fund	(2,261)
(1,856)	Homelessness Prevention Grant	(1,782)
(1,385)	Unaccompanied Asylum-Seeking Children Funding	(1,716)
-	School Supplementary Grant	(1,409)
(1,380)	ESFA Funded Adult Education Grant	(1,345)
(1,039)	Rough Sleeping Initiative	(1,103)
(1,123)	Universal Infant Free School Meals	(1,096)
(1,057)	PFI Central Berkshire Waste Disposal	(1,057)
-	Future Council Initiative	(750)
(552)	Supporting Families	(638)
(530)	PE & Sports Premium	(530)
(511)	Housing Benefit Admin Subsidy	(509)
(403)	Holiday Activities and Food Programme	(488)
(443)	Local Data Accelerator Fund for Children and Families	(473)
(410)	Sixth Form Funding	(448)
(271)	Rough Sleeping Drug and Alcohol Treatment	(431)
-	Homes for Ukraine Education and Childcare Grant	(412)
-	Supplementary Substance Misuse Treatment & Recovery Grant	(405)
(510)	Discretionary Housing Payments	(375)
(458)	Community Safety Grant	(273)
(468)	Rough Sleeping Accommodation Programme	(362)
(766)	Kickstart Grant	(202)
(4,468)	Other Non-Covid Grants	(6,369)
(168,559)	Total Non-Covid Grants	(186,549)

2021/22 £'000		2022/23 £'000
	<u>Covid Grants</u>	
(356)	Recovery Premium Grant	(529)
(447)	Community Testing Grant	(133)
(1,059)	Infection Control Grant	-
(1,167)	Contain Outbreak Management Fund	-
(1,075)	Workforce Recruitment and Retention Fund	-
(568)	Rapid Testing Fund	-
(515)	Culture Recovery Fund	-
(507)	Covid Local Support Grant	-
(485)	Community Vaccine Champions Grant	-
(2,083)	Other Covid Grants	(395)
(8,262)	Total Covid Grants	(1,057)
(176,821)	Total	(187,606)

2021/22 £'000		2022/23 £'000
	Revenue Grants and Contributions Receipts in Advance:	
(545)	Non-Covid Grants	294
(545)	Total Non-Covid Grants	294
	<u>Covid Grants</u>	
(7,132)	Covid Additional Relief Fund	6,483
-	Other Covid Grants	-
(7,132)	Total Covid Grants	6,483
(7,677)	Total	6,777

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 2023	Annual
Other land and buildings	Existing Use Value	31 March 2023	Five-yearly
Surplus Assets	Fair value	31 March 2023	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 2023 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 Council has a share of the interest. These assets are subject to valuation as outlined in the valuation information provided below.

Revaluations

The Council carries out a rolling programme that ensures that all property, plant and equipment required to be measured at current value is revalued at 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 £40k per Hectare
- Low value land rate £4,000k per Hectare
- High value land rate £5,500k per Hectare

For DRC Valuations:

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

Contingency of 5% and Professional Fees of 12.5% applied

For Valuations using MEA:

The MEA is adopted when the actual area is lower
The actual area is adopted where the MEA is larger
MEA based on DFE guidance per pupil per m²

For Valuations based on Comparable/Capitalised rent:
Running Yields and Net Initial Yields are based on value plus buyer's costs
Net Initial Yields excludes acquisition costs
Formulae as in Parry's Tables: rent annually in arrears
Stamp Duty is progressive and derived from the set "HMRC (UK excl Scotland, 2019)"
Cap Adj running yield is based on cumulative capital invested
Dual rate sinking fund at 4% with correction and tax at 40%

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.

	Council Dwellings NBV £'000	Other Land & Buildings NBV £'000	Vehicles, Plant & Equipment NBV £'000	Surplus Assets NBV £'000	Total NBV £'000
Carried at historical cost		5,982	10,300		16,283
Valued at current value as at:					
Valued prior to 1 April 2019					
31 March 2019		103,420			103,420
31 March 2020		62,181			62,181
31 March 2021		40,846	992		41,838
31 March 2022		58,989			58,989
31 March 2023	569,137	64,286		27,780	661,203
Total	569,137	335,704	11,292	27,780	943,914

All asset Valuations were carried out by Sanderson Weatherall LLP.

Property, Plant and Equipment 2022/23

*This table is subject to roundings

Movements to 31 March 2023	Council Dwellings	Land and Buildings	Vehicles, Plant & Equipment	Community Assets	Surplus Assets	Assets Under Construction	Total Property, Plant and Equipment
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Cost or Valuation							
at 1 April 2022	549,451	342,944	26,324	8,807	24,213	71,598	1,023,339
Additions	12,675	5,973	3,514	183	22	48,821	71,187
Revaluation increases/(decreases) recognised in the Revaluation Reserve	15,353	3,738	-	-	1,105	-	20,196
Derecognition – disposals	(2,208)	(509)	(893)	-	2,318	-	(1,293)
Reclassifications and transfer	7,247	17,848	930	29	430	(39,231)	(12,747)
Other movements in cost or valuation	(13,381)	(12,346)	-	-	(307)	-	(26,034)
at 31 March 2023	569,137	357,648	29,875	9,019	27,781	81,188	1,074,649
Accumulated Depreciation and Impairment							
at 1 April 2022	-	(19,976)	(16,977)	(2,029)	-	(991)	(39,973)
Depreciation charge	(13,416)	(9,406)	(2,396)	(28)	(12)	-	(25,257)
Impairment (losses)/reversals recognised in the Surplus/Deficit on the Provision of Services	-	(4,644)	-	-	(81)	-	(4,725)
Derecognition – disposals	54	1	790	-	(215)	-	630
Reclassifications and transfers	(19)	(265)	-	-	-	284	-
Other movements in depreciation and impairment	13,381	12,346	-	-	307	-	26,034
at 31 March 2023	-	(21,944)	(18,583)	(2,057)	-	(708)	(43,292)
Net Book Value							
at 31 March 2022	549,451	322,971	9,347	6,779	24,213	70,607	983,368
at 31 March 2023	569,136	335,707	11,291	6,963	27,781	80,480	1,031,359

*Subject to roundings

Property, Plant and Equipment 2021/22

*This table is subject to roundings

Movements to 31 March 2022	Council Dwellings	Land and Buildings	Vehicles, Plant & Equipment	Community Assets	Surplus Assets	Assets Under Construction	Total Property, Plant and Equipment
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Cost or Valuation							
at 1 April 2021	502,927	349,709	24,494	8,743	24,841	40,332	951,047
Additions	8,083	3,466	2,134	64	14	43,112	56,874
Revaluation increases/(decreases) recognised in the Revaluation Reserve	51,134	7,169	-	-	(1,141)	-	57,163
Derecognition – disposals	(2,427)	(16,371)	(319)	-	-	(174)	(19,291)
Reclassifications and transfer	1,412	10,007	15	-	298	(11,672)	59
Other movements in cost or valuation	(11,678)	(11,036)	-	-	201	-	(22,513)
at 31 March 2022	549,451	342,944	26,324	8,807	24,213	71,598	1,023,339
Accumulated Depreciation and Impairment							
at 1 April 2021	-	(19,119)	(15,190)	(1,998)	-	(735)	(37,042)
Depreciation charge	(11,734)	(9,458)	(2,054)	(31)	(16)	-	(23,293)
Impairment (losses)/reversals recognised in the Surplus/Deficit on the Provision of Services	-	(3,739)	-	-	236	(6)	(3,509)
Derecognition – disposals	57	1,035	267	-	-	-	1,358
Reclassifications and transfers	-	269	-	-	(19)	(250)	-
Other movements in depreciation and impairment	11,678	11,036	-	-	(201)	-	22,513
at 31 March 2022	-	(19,976)	(16,977)	(2,029)	-	(991)	(39,973)
Net Book Value							
at 31 March 2021	502,927	330,591	9,304	6,745	24,841	39,597	914,006
at 31 March 2022	549,451	322,968	9,347	6,779	24,213	70,607	983,368

*Subject to roundings

Note 23 – Infrastructure Assets

	2021/22	2022/23
	£'000	£'000
Movements on Balances		
Net Book Value at 1 April	125,959	123,335
Additions	8,870	8,261
Derecognition	-	-
Reclassifications	-	12,747
Depreciation	(11,494)	(11,356)
Impairment	-	-
Adjustments	-	-
Net Book Value at 31 March	123,335	132,986

	2021/22	2022/23
	£'000	£'000
Property, Plant and Equipment (PPE)		
Infrastructure Assets	123,335	132,986
PPE excluding Infrastructure Assets	983,364	1,031,357
Net Book Value at 31 March	1,106,700	1,164,343

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

2021/22	Heritage Assets	Reading Abbey	Civic Regalia	Other	Total 2022/23
£'000		£'000	£'000	£'000	£'000
2,743	Opening Balance	1,974	497	179	2,651
(109)	Depreciation	(110)	-	-	(110)
17	Acquisitions	0	-	-	0
-	Revaluations	-	-	-	-
-	Disposals	-	-	-	-
2,651	Closing Balance	1,865	497	179	2,542

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 ran until 2020. The Abbey Ruins are held on the balance sheet at depreciated historic cost.
- 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

2021/22 £'000		2022/23 £'000
(5,412)	Rental income from Investment Property	(5,376)
290	Direct operating expenses arising from Investment Property	312
-	Other Income and Expenditure	-
(5,122)	Net (Gain) / Loss	(5,064)

There are no restrictions on the Council's ability to realise the value inherent in its investment property or on the Council's right to the remittance of income and the proceeds of disposal. The Council 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.

2021/22 £'000		2022/23 £'000
75,980	Opening balance	75,210
(770)	Net gains / (losses) from fair value adjustments	(7,435)
75,210	Closing balance	67,775

The fair value of the Council'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 £1.964 million was charged to revenue in 2022/23 (£1.725 million in 2021/22).

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

2021/22 £'000	Intangible Asset	2022/23 £'000
11,491	Gross Book Value at 1 April	12,990
(5,017)	Accumulated Amortisation at 1 April	(6,742)
6,475	Net Book Value at 1 April	6,248
Changes in year		
1,748	Additions	1,706
(249)	Transfers Out/Impairment	(21)
(1,725)	Amortisation	(1,964)
6,248	Net Book Value at 31 March	5,968
12,990	Gross Book Value at 31 March	14,675
(6,742)	Accumulated Amortisation at 31 March	(8,706)
6,248	Closing Balance	5,968

**This table is subject to roundings*

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

Note 27 - Capital Commitments

At 31 March 2023, the Council has entered into a number of contracts for the construction or enhancement of property, plant and equipment in 2022/23 and future years at a cost of £25m. The major commitments are as follows:

2021/22 £'000		2022/23 £'000
11,562	Leisure Centre Procurement - GLL	10,235
19,828	Housing Revenue Account-New Build	8,302
23,913	Leisure Centre Procurement - Pellikan	4,405
3,700	Reading West Station	1,493
3,052	Green Park Station	376
713	Schools Capital Programme	304
214	Finance System ERP	73
238	South Reading MRT Phase 4b	-
63,219	Total	25,188

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.

2021/22 £'000		2022/23 £'000
586,418	Opening Capital Finance Requirement	594,635
	Capital investment:	
65,743	Property, plant and equipment and Infrastructure	79,448
-	Investment property	-
1,748	Intangible assets	1,706
5,333	Revenue Expenditure Funded through Capital Under Statute	5,560
17	Heritage assets	-
2	Long term debtor	-
-	Long term investment	-
<u>72,843</u>		<u>86,714</u>
	Sources of finance:	
(4,289)	Capital receipts	(2,474)
(39,302)	Government grants and other contributions	(36,782)
(4,687)	Sums set aside from revenue	(3,327)
(7,560)	Major Repairs Reserve	(11,841)
(600)	Application of capital receipts to reduce debt	(2,679)
<u>(56,438)</u>		<u>(57,103)</u>
(8,188)	Minimum Revenue Provision	(8,632)
594,635	Closing Capital Finance Requirement	615,614

2021/22 £'000		2022/23 £'000
	Movements in year:	
17,005	Increase in underlying need to borrow (unsupported by Government financial assistance)	32,290
-	Assets acquired under finance leases	-
-	Assets acquired under PFI contracts	-
(600)	Capital receipts applied to reduce existing Capital Financing Requirement	(2,679)
-	Revenue reserves applied to reduce existing Capital Financing Requirement	-
(7,294)	Statutory provision for repayment of debt (Minimum Revenue Provision)	(7,633)
(894)	Statutory provision for PFI and finance lease debt (Minimum Revenue Provision)	(999)
8,217	Increase/(decrease) in Capital Finance Requirement	20,979

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:

2021/22			2022/23	
Non-current	Current		Non-current	Current
£'000	£'000		£'000	£'000
Financial Assets				
Fair value through profit and loss				
17,184	-	Investments	14,389	-
-	37,469	Cash and cash equivalents	-	43,289
8,758	-	Investments in subsidiaries	9,125	-
60	-	Investment in Energy Company	60	-
Amortised cost				
18,881	33,717	Debtors	20,733	27,068
	31,082	Cash and cash equivalents		10,919
44,883	102,268		44,307	81,276
Designated as fair value through other comprehensive income				
44,883	102,268	Total Financial Assets	44,307	81,276
Financial Liabilities				
Amortised cost				
(381,825)	(3,054)	Loans outstanding	(369,485)	(33,009)
(23,147)	(1,114)	PFI lease liability	(21,843)	(1,304)
-	(45,008)	Creditors	-	(25,118)
		Bank overdraft		
(404,972)	(49,176)		(391,328)	(59,431)
Designated as fair value through other comprehensive income				
(404,972)	(49,176)	Total Financial Liabilities	(391,328)	(59,431)

- The Council'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.
- Investment in subsidiaries include Homes for Reading Ltd and Reading Transport Ltd, see Group Accounts.
- 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 34 and 35 also include balances which do not meet the definition of a financial instrument, such as tax-based debtors and creditors.

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

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

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:

	2022/23				
	Financial Liabilities Measured at amortised cost	Financial Assets Measured at 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				2,810	2,810
Net (Gains)/Losses on Financial Instruments in Surplus/Deficit on Provision of Services	-	-	-	2,810	2,810
Interest expense	17,186				17,186
Fee expense				105	105
Impairment Losses					-
Total expense in Surplus/Deficit on the Provision of Services	17,186	-	-	105	17,291
Interest income		(3,727)			(3,727)
Dividend income/distributions				(722)	(722)
Total Income in Surplus/Deficit on the Provision of Services	-	(3,727)	-	(722)	(4,449)
Total (Gain)/Loss in Surplus/Deficit on Provision of Services	17,186	(3,727)	-	2,193	15,652
Interest revenue					
(Gains) on Revaluation					-
Losses on Revaluation					-
(Surplus)/Deficit arising on Revaluation of Financial Assets in Other Comprehensive Income and Expenditure	-	-	-	-	-
Net (Gain)/Loss for the Year	17,186	(3,727)	-	2,193	15,652

	2021/22				
	Financial Liabilities Measured at amortised cost	Financial Assets Measured at 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				(2,545)	(2,545)
Net (Gains)/Losses on Financial Instruments in Surplus/Deficit on Provision of Services	-	-	-	(2,545)	(2,545)
Interest expense	16,529				16,529
Fee expense				101	101
Impairment Losses					-
Total expense in Surplus/Deficit on the Provision of Services	16,529	-	-	101	16,630
Interest income		(1,621)			(1,621)
Dividend income/distributions				(663)	(663)
Total Income in Surplus/Deficit on the Provision of Services	-	(1,621)	-	(663)	(2,284)
Total (Gain)/Loss in Surplus/Deficit on Provision of Services	16,529	(1,621)	-	(3,108)	11,801
Interest revenue					
(Gains) on Revaluation					-
Losses on Revaluation					-
(Surplus)/Deficit arising on Revaluation of Financial Assets in Other Comprehensive Income and Expenditure	-	-	-	-	-
Net (Gain)/Loss for the Year	16,529	(1,621)	-	(3,108)	11,801

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 £9.1m (£8.8m 21/22). 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 2

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 2023.

2022/23	Assessed valuation range		Value at 31	Value on	Value on
	+	-	March 2023	increase	decrease
			£'000	£'000	£'000
Investment property	5%	5%	67,775	71,164	64,386
Surplus assets	0%	5%	27,780	27,780	26,391
Total			95,555	98,944	90,777

2021/22	Assessed valuation range		Value at 31	Value on	Value on
	+	-	March 2022	increase	decrease
			£'000	£'000	£'000
Investment property	5%	5%	75,210	78,971	71,450
Surplus assets	0%	5%	24,213	24,213	23,002
Total			99,423	103,184	94,452

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 2

2022-23	Transfers into	Transfers out of Level 3	Purchases	Sales	Unrealised gains and losses	Realised gains and losses	31 March 2023
£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
75,210	Investment property		-		(7,435)		67,775
24,213	Surplus assets	(307)	430	22	2,318	1,105	27,780
99,423	Total	(307)	430	22	2,318	(6,330)	-
							95,555

2021-22	Transfers into	Transfers out of Level 3	Purchases	Sales	Unrealised gains and losses	Realised gains and losses	31 March 2022
£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
75,980	Investment property	-	-	-	(770)	-	75,210
29,932	Surplus assets	(279)	(4,057)	14	-	(921)	24,213
108,992	Total	(279)	(4,057)	14	-	(1,691)	(290)
							99,423

Note 31 - Inventories

The Council holds stock and materials (such as recycling boxes and maintenance supplies) for its services. At the end of the year, that stock was valued as below:

	Balance at 1 April 2022	Movement in 2022/23	Balance at 31 March 2023
	£'000	£'000	£'000
Refuse bins	58	53	111
Building Maintenance Stocks	185	4	188
Other	113	(30)	83
Total	355	27	382

Note 32 – 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 procedures focus on the unpredictability of financial markets and seeks to minimise potential adverse risks on the resources available to fund services. The Council has put in place formal policies and procedures for the effective management and control of its treasury management activities. Risk management is carried out by a central treasury team, under policies approved by the Council in the annual treasury management strategy and the annual investment strategy. The Council provides written principles for overall risk management, as well as written policies covering specific areas, such as interest rate risk, credit risks and the investment of surplus cash.

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

Credit Risk

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

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

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

Credit risk - treasury investments

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

Credit Rating	2021/22		2022/23	
	Long Term £000's	Short Term £000's	Long Term £000's	Short Term £000's
Banks or Building Societies rated A- or higher		27,748		842
Unrated Local Authorities				
Public Corporations	35,721		35,721	
Total	35,721	27,748	35,721	842
Credit Risk Non applicable*				
Money Market Funds		37,452		43,154
Property Funds	15,000		15,000	
Total Investments	50,721	65,200	50,721	43,996

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

Credit 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:

At March 2023	Total £'000	Not past due (0-30 days) £'000	2-3 months £'000	4-5 months £'000	over 5 months £'000
Debtors individually assessed	5,000	-	-	-	5,000
Expected credit loss (individually assessed)					
Debtors collectively assessed	9,528	2,698	571	394	5,865
Loss rate		24.05%	25.43%	34.62%	47.30%
Expected credit loss (collectively assessed)	(3,704)	(649)	(145)	(136)	(2,774)
Total Lifetime Expected Credit Losses	(3,704)	(649)	(145)	(136)	(2,774)

At March 2022	Total £'000	Not past due (0-30 days) £'000	2-3 months £'000	4-5 months £'000	over 5 months £'000
Debtors individually assessed	5,000	-	-	-	5,000
Expected credit loss (individually assessed)					
Debtors collectively assessed	11,074	6,045	256	425	4,349
Loss rate		8.56%	36.77%	4.10%	90.45%
Expected credit loss (collectively assessed)	(4,561)	(517)	(94)	(17)	(3,933)
Total Lifetime Expected Credit Losses	(4,561)	(517)	(94)	(17)	(3,933)

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 2023, the gross carrying amount of long-term debtors measured at amortised cost was £20.733m (£22.498m at 31 March 2022). Of the balance at 31 March 2023, £20.325m 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:

	Approved minimum limits %	Approved maximum limits %	Actual 31 March 2023 %	Actual 31 March 2022 %	Actual 31/03/2023 £'000	Actual 31/03/2022 £'000
Less than 1 year	0.00	10.00	10.46	3.19	42,340	12,340
Between 1 and 2 years	0.00	20.00	0.49	3.19	2,000	12,340
Between 2 and 5 years	0.00	30.00	4.20	4.52	17,000	17,500
Between 5 and 10 years	0.00	30.00	4.57	4.91	18,500	19,000
Between 10 and 20 years	0.00	40.00	10.62	11.36	43,000	44,000
Between 20 and 30 years	0.00	50.00	24.45	17.82	99,000	69,000
Between 30 and 40 years	0.00	60.00	26.68	30.48	108,000	118,000
Over 40 years	0.00	60.00	18.53	24.53	75,000	95,000
Total			100.00	100.00	404,840	387,180

Market Risks

Interest rate risk

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

- Borrowings at variable rates – the interest expense charged to the Comprehensive Income and Expenditure Statement will rise.
- Borrowings at fixed rates – the fair value of the liabilities will fall.
- Investments at variable rates – the interest income credited to the Comprehensive Income and Expenditure Statement will rise; and
- Investments at fixed rates – the fair value of the investment will fall.

Investments measured at historic cost and loans borrowed are not carried at fair value on the Balance Sheet, so changes in their fair value will have no impact on the Comprehensive Income and Expenditure Statement. However, changes in interest payable and receivable on variable rate borrowings and investments will be posted to the surplus or deficit on the provision of services and affect the General Fund balance.

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

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

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

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

At 31 March 2023, if interest rates had been 1% higher with all other variables held constant, the financial effect would be:

	£000s
Increase in interest payable on variable rate borrowings	-
Increase in interest receivable on variable rate investments	563
Impact on surplus/deficit on the provision of services	563
Decrease in fair value of fixed rate investments	-
Impact on Other comprehensive income and expenditure	-
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)	(42,282)

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 2023.

Note 33 - Cash and Cash Equivalents

31 March 2022		31 March 2023
£'000		£'000
10,517	Bank current accounts (including unrepresented bank items)	12,992
(6,785)	Cash held by the Council	(2,073)
64,819	Short term deposits with banks and building societies	43,288
68,551	Total	54,207

Note 34 – 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:

2022/23	Balance at 1 April 2022	New advances recognised	Advances repaid	Transfer (to)/from short term or other	Balance at 31 March 2023
	£'000	£'000	£ '000	£'000	£'000
Amounts due from Subsidiary undertakings	22,069	-	-	(1,744)	20,325
Other long term debtors	429	-	-	(21)	408
	22,498	-	-	(1,765)	20,733

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 2022		31 March 2023
£'000		£'000
	Central Government Bodies	
5,703	HMRC	5,869
13,006	Other	4,413
21,811	Other Local Authorities	22,083
120	NHS Bodies	339
	Other Entities and Individuals	
2,459	Business Rates payers	1,865
5,034	Council Tax payers	5,326
1,962	Housing Benefits Overpayments	1,979
590	Housing Rents	849
32,657	Other Sundry Debtors	23,869
83,341	Total Debtors	66,591

Impairment Allowances included within the above figures for doubtful debts

31 March 2022 £'000		31 March 2023 £'000
	Other Entities and Individuals	
(4,176)	- Business Rates payers	(4,338)
(14,682)	- Council Tax payers	(15,203)
(4,320)	- Housing Benefits Overpayments	(3,767)
(2,973)	- Housing Rents	(3,131)
(8,817)	- Other Sundry Debtors	(8,860)
(34,968)	Total Impairment Allowance	(35,300)

Note 35 - Creditors

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

2021/22 £'000		2022/23 £'000
	Central Government Bodies	
(3,262)	HMRC – PAYE and NI	(3,022)
(46,527)	Other	(25,453)
(1,716)	Other Local Authorities	(5,835)
(306)	NHS Bodies	(3)
	Other Entities and Individuals	
	Group subsidiaries	-
(6,529)	Business Rates payers	(8,862)
(5,869)	Council Tax payers	(3,777)
(6,153)	Housing rent	(6,582)
(1,751)	Accumulated Absences	(1,922)
(33,998)	Other creditors	(31,311)
(106,113)	Sub Total	(86,767)
(14,611)	Receipts in Advance	(9,150)
(120,724)	Total	(95,916)

Note 36 - Provisions

	Balance at 1 April 2022 £'000	Amounts Used in 2022/23 £'000	Additional Provisions Made in 2022/23 £'000	Balance at 31 March 2023 £'000
Provision for NNDR Appeals	(3,388)	4,617	(3,528)	(2,299)
Insurance	(1,317)	-	(239)	(1,556)
Ordinary Residence Disputes	(857)	-	-	(857)
Unequal Pay Back Pay	(1,186)	1,186	(10)	(10)
Other	(305)	123	-	(182)
Total	(7,055)	5,926	(3,777)	(4,904)

**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.

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.

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.

Note 37 - Usable Reserves

The Usable Reserves of the Council are as follows:

31 March 2022 £'000		31 March 2023 £'000
(7,500)	General Fund	(8,221)
(40,264)	HRA	(35,334)
(10,147)	HRA Earmarked Reserves	(9,916)
(85,052)	GF - Earmarked Reserves	(69,814)
(6,957)	Major Repairs Reserve	(8,749)
(62,746)	Capital Grants Unapplied	(62,021)
(12,818)	Capital Receipts Reserve	(31,584)
(225,484)	Total	(225,640)

Capital Receipts Reserve

31 March 2022 £'000		31 March 2023 £'000
(13,748)	Balance 1 April	(12,818)
(6,878)	Capital receipts in year	(5,484)
-	Deferred receipts realised	(1,744)
905	Capital receipts pooled	209
2,614	Advance to RTL	-
(600)	Capital Receipts re Loan repayment	(16,900)
4,889	Capital receipts used for financing capital expenditure	2,474
-	Equal Pay	-
-	Other movement	2,679
(12,818)	Balance 31 March	(31,584)

Major Repairs Reserve (HRA)

31 March 2022 £'000		31 March 2023 £'000
(2,685)	Balance 1 April	(6,956)
(11,831)	Depreciation and amortisation	(13,633)
7,560	Application to finance capital expenditure	11,841
(6,956)	Balance 31 March	(8,749)

Capital Grants Unapplied

31 March 2022 £'000		31 March 2023 £'000
(62,824)	Balance 1 April	(62,746)
(38,534)	Capital grants recognised in year	(36,235)
38,611	Capital grants and contributions applied	36,782
-	Capital Contribution applied to Revenue via EM Reserve	179
(62,746)	Balance 31 March	(62,021)

Note 38 - Unusable Reserves

The Unusable Reserves of the Council are as follows:

31 March 2022 £'000		31 March 2023 £'000
(241,037)	Revaluation Reserve	(256,997)
(399,839)	Capital Adjustment Account	(395,856)
464,659	Pension Reserve	160,003
(4,993)	Deferred Capital Receipts Reserve	(3,248)
15,517	Collection Fund Adjustment Account	(3,427)
1,751	Accumulated Absences Account	1,922
(2,044)	Pooled Fund Adjustment Account	765
64	Financial Instrument Revaluation Reserve	64
2,164	*Dedicated Schools Grant	3,463
(163,758)	Total	(493,310)

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

Revaluation Reserve

2021/22 Restated £'000		2022/23 £'000
(190,356)	Balance at 1 April	(241,037)
(59,523)	Upward revaluation of assets	(25,153)
2,220	Downward revaluation of assets and impairment losses	4,957
(57,303)	Surplus or deficit on revaluation of non-current assets not posted to the Comprehensive Income and Expenditure Statement (*)	(20,196)
3,018	Difference between fair value depreciation and historic cost depreciation	4,486
3,603	Accumulated gains on assets disposed	(250)
-	Other movements	-
6,621	Amount written off to the Capital Adjustment Account	4,236
(241,037)	Balance at 31 March	(256,997)

- *Table is subject to roundings*

The Revaluation Reserve contains the gains made by the Council 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

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 Council 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 Council. 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.

2021/22 £'000		2022/23 £'000
(390,583)	Balance at 1 April	(399,839)
38,405	Charges for depreciation and impairment of non-current assets	41,470
(2,143)	Reversal of impairment of subsidiary holding	(368)
1,725	Amortisation of intangible assets	1,964
5,333	Revenue expenditure funded from capital under statute	5,560
17,933	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	993
61,253	Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:	49,619
(6,621)	Adjusting Amounts written out of the Revaluations Reserve	(4,236)
54,632	Net written out amount of the cost of non-current assets consumed in year	45,383
(4,889)	Use of Capital Receipts Reserve to finance new capital expenditure	(2,474)
(7,560)	Use of the Major repairs reserve	(11,841)
(39,302)	Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement which have been applied to capital expenditure	(36,782)
(8,188)	Statutory provision for the financing of capital investment charged against the General Fund and HRA balance	(8,632)
(4,687)	Capital expenditure charged against the General Fund and HRA balances	(3,327)
(64,626)	Capital financing applied in year:	(63,056)
770	Movement in the fair value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement	7,435
(32)	Other Movements	14,221
(399,839)	Balance at 31 March	(395,855)

Pension Reserve

2021/22 £'000		2022/23 £'000
551,445	Balance at 1 April	464,659
(118,101)	Actuarial gains and losses on scheme assets and liabilities	(318,084)
48,938	Reversal of charges to the Comprehensive Income and Expenditure Statement	33,374
(17,623)	Employer's pension contributions	(19,946)
464,659	Balance at 31 March	160,003

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 Council 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 Council 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 Council 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

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 Council 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.

2021/22 £ '000		2022/23 £'000
(3,011)	Balance 1 April	(4,993)
-	Transfer to the Capital Receipts Reserve upon receipt of cash	1,744
(1,981)	Reversal of Loan repayment transfer	-
-	Other movements	-
(4,993)	Balance 31 March	(3,248)

Collection Fund Adjustment Account

2021/22 £'000		2022/23 £'000
32,846	Balance at 1 April	15,517
(17,329)	Amount by which Council Tax and NNDR credited to the Comprehensive Income and Expenditure Statement is different from amounts calculated for the year in accordance with statutory requirements	(18,944)
	Amount recognised within Other comprehensive income and expenditure within the Comprehensive Income and Expenditure Statement	
15,517	Balance at 31 March	(3,427)

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

2021/22 £'000		2022/23 £'000
2,166	Balance at 1 April	1,751
(2,166)	Settlement or cancellation of accrual made at the end of the preceding year	(1,751)
1,751	Amounts accrued at the end of the current year	1,922
1,751	Balance at 31 March	1,922

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

2021/22 £'000		2022/23 £'000
501	Balance at 1 April	(2,044)
(2,545)	Unrealised gains/(losses) on adjustment in fair value of financial instruments	2,810
(2,044)	Balance at 31 March	765

Financial Instruments Revaluation Reserve

2021/22 £'000		2022/23 £'000
64	Balance at 1 April	64
-	Downward revaluation of investments	-
64	Balance at 31 March	64

The Financial Instruments Revaluation Reserve contains the gains made by the Council 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 onwards.

Note 39 - Contingent Liabilities

Municipal Mutual Insurance (MMI)

The Council's previous insurer, Municipal Mutual Insurance (MMI), went into a solvent run-off in September 1992 and is subject to a contingent scheme of arrangement which became effective in January 1994. In November 2012 the Directors of the company resolved to trigger the Scheme of Arrangement as a solvent run-off could no longer be foreseen. Ernst and Young, the Scheme Administrator imposed an initial levy of 15% in January 2014 under the terms of the

scheme. A further levy of 10% was imposed by the Scheme Administrator in April 2016 and based on information currently held; the final aggregate levy may be up to 28%. The Council has sufficient resources in the Earmarked Insurance Reserve to cover any further anticipated levy.

Duty of Care Claims

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

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 £3.728m. A provision of £2.299m has been made within the accounts as a prudent but realistic estimate of the level of these appeals that will actually materialise. The remaining £1.429m has therefore been included as a contingent liability.

South MRT Phase 4 Scheme – Fast Track Public Transport Scheme

The South MRT Scheme provides a dedicated fast-track public transport priority route on the A33 growth corridor, between Mere oak Park & Ride and Reading town centre.

It is being completed in stages. During works, the main Contractor, WILLS BROS CIVIL ENGINEERING LTD, were permitted to use an RBC freehold site under lease to Foundry Ltd for their contractor compound. The charges for use of this compound are part of the main contract cost. Thames Water own Foundry Ltd. Although Phase 4 has now completed, the costs for use of the compound have not been invoiced. The level of charges is in dispute and the liability could be higher than previously agreed although the level of charge cannot be measured at this time.

The matter is currently with our Asset Management team to resolve with Thames Water.

Note 40 - 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 41 - Leases

Authority as Lessee - Finance Leases

At the 31 March 2023, the value of assets held under finance leases was judged to be immaterial.

Authority as Lessee - Operating Leases

At the 31 March 2023, 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:

2021/22 £'000		2022/23 £'000
	Finance lease debtor (net present value of minimum lease payments):	
1,744	current	1,744
3,248	non-current	1,504
480	Unearned finance income	310
-	Unguaranteed residual value of assets	-
5,473	Gross investment in the lease	3,558

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

2021/22			2022/23	
Gross investment in the lease £'000	Minimum Lease Payments £'000		Gross investment in the lease £'000	Minimum Lease Payments £'000
1,915	1,915	Payments due within one year	1,915	1,915
2,235	2,235	Payments due later than one year and not later than five years	1,643	1,643
1,323	1,323	Payments due later than five years	-	-
5,473	5,473	Total due	3,558	3,558

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:

2021/22 £'000		2022/23 £'000
6,731	Payments due within one year	6,399
19,011	Payments due later than one year and not later than five years	15,784
12,406	Payments due later than five years	8,975
38,148	Total due	31,158

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

Note 42 - 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

2022/23 was the nineteenth year of a 30-year PFI contract to manage and maintain 1,252 dwellings on the North Whitley estate to defined availability and quality standard (1,260 dwellings remained as at 31 March 2022). 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 £115.1m at 31 March 2023 (£111.9m at 31 March 2022).

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 2023 are as follows:

Service cost	2022/23			Total
	Reimbursement of capital expenditure	Interest		
	£'000	£'000	£'000	
4,217	716	2,616	7,549	within 1 year
17,987	3,430	10,783	32,200	within 2-5 years
25,230	10,364	9,573	45,167	within 6-10 years
5,910	3,246	1,424	10,580	within 11-15 years
-	-	-	-	within 16-20 years
53,344	17,756	24,396	95,496	

2021/22				
Service cost	Reimbursement of capital expenditure	Interest	Total	
£'000	£'000	£'000	£'000	
4,110	784	2,464	7,358	within 1 year
17,533	3,122	10,733	31,388	within 2-5 years
24,594	8,822	10,612	44,028	within 6-10 years
11,217	5,812	3,052	20,081	within 11-15 years
-	-	-	-	within 16-20 years
57,454	18,540	26,861	102,855	

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:

2021/22		2022/23
£'000		£'000
(19,016)	Opening balance	(18,540)
475	Repayment of liability	784
(18,540)	Closing Balance	(17,756)

b) Waste PFI scheme

This is the sixteenth 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 Council at no additional cost.

Value of assets under the PFI contract

2021/22			2022/23			
Land & Buildings	Plant & Equipment	Total		Land & Buildings	Plant & Equipment	Total
10	£'000	£'000		£'000	£'000	£'000
12,105	1,141	13,246	Opening Balance	11,977	1,066	13,043
-	-	-	Revaluations	-	-	-
(130)	(75)	(205)	Depreciation	(130)	(75)	(206)
-	-	-	Impairment	-	-	-
3	-	3	Additions	-	-	-
11,977	1,066	13,043	Closing balance	11,847	991	12,838

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 2023 are set out below:

2021/22				2022/23				
Service cost	Reimbursement of capital expenditure	Interest	Total		Service cost	Reimbursement of capital expenditure	Interest	Total
£'000	£'000	£'000	£'000		£'000	£'000	£'000	£'000
2,540	215	341	3,096	within 1 year	2,355	473	323	3,150
9,947	1,909	1,080	12,936	within 2-5 years	10,285	1,939	938	13,163
11,757	2,534	480	14,771	within 6-10 years	9,245	2,031	118	11,394
0	-	-	-	within 11-15 years	-	-	-	-
24,244	4,658	1,901	30,803		21,886	4,443	1,378	27,707

* Subject to roundings

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

2021/22 £'000		2022/23 £'000
(115)	Within one year	(115)
(460)	2 to 5 years	(460)
(487)	6 to 10 years	(372)
-	11 to 15 years	-
(1,062)	Total	(947)

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

2021/22 £'000		2022/23 £'000
(5,077)	Opening balance	(4,659)
418	Repayment	215
(4,659)	Closing balance	(4,444)

Note 43 - 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 2022/23, the Council paid £5.628m to the Teachers Pensions Agency in respect of teachers' retirement benefits, representing 23.7% of pensionable pay (in 2021/22 £5.393m was paid representing 23.4% of pensionable pay). There were no contributions payable at the year-end. The expected contributions to the Teachers' Pension Scheme for 2023/24 are £5.977m.

Note 44 - 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

2021/22			2022/23	
Funded	Unfunded		Funded	Unfunded
£'000	£'000		£'000	£'000
Comprehensive Income and Expenditure Statement				
Cost of Services				
Service cost comprising:				
37,268	-	Current service cost	23,757	-
-	-	Past service cost	433	-
(1,072)	-	(Gain) / loss from settlements and / or transfers	-	-
429	-	Administration expenses	475	-
Other Operating Expenditure:				
Financing and Investment Income and Expenditure				
12,313	-	Net interest expense	8,709	-
48,938	-	Total charged to Surplus and Deficit on Provision of Services	33,374	-
2021/22			2022/23	
Funded	Unfunded		Funded	Unfunded
£'000	£'000		£'000	£'000
Other Post-employment Benefits charged to the Comprehensive Income and Expenditure Statement				
Remeasurement of the net defined benefit liability comprising:				
(37,775)	-	Return on plan assets, excluding the amount included in the net interest expense	10,406	-
12,825	-	Other Actuarial (gains)/losses on assets	-	-
(24,697)	-	Actuarial (gains)/losses arising from changes in demographic assumptions	-	-
(58,504)	1,498	Actuarial (gains)/losses arising from changes in financial assumptions	(397,363)	(5,706)
(11,448)	-	Other movements in the liability/(asset)	74,579	-
(119,599)	1,498	Total charged to Comprehensive Income and Expenditure Statement	(312,378)	(5,706)
(70,661)	1,498	Total charged to Comprehensive Income and Expenditure Statement	(279,004)	(5,706)

2021/22			2022/23	
Funded £'000	Unfunded £'000		Funded £'000	Unfunded £'000
Movement in Reserves Statement				
(48,938)	-	Reversal of net charges to made to the Surplus or Deficit on the Provision of Services for post employment benefits in accordance with the Code	(33,374)	-
Actual amount charged against the General Fund balance for pensions in the year:				
15,721	-	Employer contributions payable to the scheme	18,758	-
-	826	Benefits paid direct to beneficiaries	-	1,188
(33,217)	826		(14,616)	1,188

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

Pensions Assets and Liabilities Recognised in the Balance Sheet						
2021/22				2021/22		
Funded £'000	Unfunded £'000	Total £'000		Funded £'000	Unfunded £'000	Total £'000
(930,880)	(19,325)	(950,205)	Present value of the defined obligation	(636,650)	(12,431)	(649,081)
485,546	-	485,546	Fair value of plan assets	489,078	-	489,078
(445,334)	(19,325)	(464,659)	Net (liability) / asset arising from the defined benefit obligation	(147,572)	(12,431)	(160,003)

iii. Reconciliation of the Present Value of the Scheme Liabilities

Reconciliation of present value of the scheme liabilities (Defined Benefit Obligation)						
2021/22				2022/23		
Funded £'000	Unfunded £'000	Total £'000		Funded £'000	Unfunded £'000	Total £'000
(983,947)	(20,149)	(1,004,096)	Opening present value of liabilities	(930,880)	(19,325)	(950,205)
(37,268)	-	(37,268)	Current service cost	(23,757)	-	(23,757)
(21,371)	-	(21,371)	Interest cost	(24,590)	-	(24,590)
(4,379)	-	(4,379)	Contributions from scheme participants	(5,137)	-	(5,137)
			Remeasurement gain/(loss):			
24,697	-	24,697	- Actuarial gains/(losses) arising from changes in demographic assumptions	-	-	-
56,959	47	57,006	- Actuarial gains/(losses) arising from changes in financial assumptions	397,363	5,706	403,069
11,448	-	11,448	- Other	(74,579)	-	(74,579)
-	-	-	Past service cost	(433)	-	(433)
-	-	-	Loss on curtailments/settlements	-	-	-
-	-	-	Liabilities assumed on entity combinations	-	-	-
22,311	777	23,088	Benefits paid	25,363	1,188	26,551
670	-	670	Liabilities extinguished on settlements	-	-	-
(930,880)	(19,325)	(950,205)	Closing present value of liabilities	(636,650)	(12,431)	(649,081)

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

Movements in the Fair Value of Scheme Liabilities						
2021/22				2022/23		
Funded	Unfunded	Total		Funded	Unfunded	Total
£'000	£'000	£'000		£'000	£'000	£'000
452,651	-	452,651	Opening fair value of asset	485,546	-	485,546
9,058	-	9,058	Interest income	15,881	-	15,881
-	-	-	Remeasurement gain/(loss):	-	-	-
37,775	-	37,775	Return on plan assets, excluding the amount included in the net interest expense	(10,406)	-	(10,406)
16,846	777	17,623	Contributions from employer	18,758	1,188	19,946
4,379	-	4,379	Contributions by employees into the scheme	5,137	-	5,137
(22,311)	(777)	(23,088)	Net benefits paid out	(25,363)	(1,188)	(26,551)
402	-	402	Gains on settlements	-	-	-
(429)	-	(429)	Administration expense	(475)	-	(475)
(12,825)	-	(12,825)	Other (if applicable)	-	-	-
485,546	-	485,546	Closing fair value of assets	489,078	-	489,078

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 2023.

v. **Principal Assumptions**

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

2021/22 Years	Life expectancy assumptions	2022/23 Years
	Longevity at 65 for current pensioners	
21.0	Men	21.0
23.8	Women	23.9
	Longevity at 65 for future pensioners	
22.3	Men	22.3
25.2	Women	25.3

%	Financial assumptions	%
2.6	Discount rate	4.8
3.2	Pension increases (CPI)	2.9
4.2	Salary increases	3.9

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.

vi. **Scheme Assets**

2021/22 £'000	Scheme assets comprised	2022/23 £'000
304,554	Equities	306,773
80,680	Other Bonds and Target Return Portfolio	71,081
58,704	Property	61,826
11,431	Cash	7,396
61,700	Infrastructure	67,433
(31,523)	Longevity insurance	(25,431)
485,546		489,078

vii. **Sensitivity Analysis**

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

Impact on the defined benefit obligation	Increase in assumption £'000	Decrease in assumption £'000
Rate for discounting scheme liabilities (increase or decrease by 0.1%)	(10,229)	10,497
Rate of increase in salaries (increase or decrease by 0.1%)	690	(684)
Rate of inflation (increase or decrease by 0.1%)	9,998	(9,746)
Longevity (increase or decrease by 1 year)	24,941	(23,945)

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 2022 triennial 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 21 years and this will shorten in future years. Funding levels are monitored on an annual basis.

viii. Estimate of contributions for 2023/24

The total contributions expected to be made to the Local Government Pension Scheme by the Council in the year to 31 March 2024 are £29.0m (£15.9m in 2022/23).

Note 45 - Cash Flow from Operating Activities

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

2021/22		2022/23
£'000		£'000
(2,472)	Interest received	(4,434)
17,156	Interest paid	17,186
14,684	Total	12,752

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

2021/22 £'000		2022/23 £'000
(38,405)	Depreciation	(41,470)
-	Impairment and downward valuations	-
(1,725)	Amortisation	(1,964)
615	Movement in contract assets, liabilities and costs	178
(3,265)	(Increase)/decrease in creditors	41,791
3,451	Increase/(decrease) in debtors	(12,024)
21	Increase/(decrease) in inventories	28
(31,315)	Movement in pension liability	(13,428)
(14,330)	Carrying amount of non-current assets and non-current assets held for sale, sold or derecognised	(993)
6,412	Other non-cash movements charged to the surplus or deficit on provision of services	(7,726)
(78,541)	Total	(35,608)

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

2021/22 £'000		2022/23 £'000
8,860	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	5,484
39,225	Any other items for which the cash effects are investing or financing cash flows	36,235
-	Proceeds from short-term (not considered to be cash equivalents) and long-term investments	-
48,085	Total	41,719

Note 46 - Cash Flow from Investing Activities

2021/22 £'000		2022/23 £'000
66,129	Purchase of property, plant and equipment, investment property and intangible assets	78,465
-	Purchase of short-term and long-term investments	-
-	Other payments for investing activities	-
(6,350)	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(5,477)
-	Proceeds from short-term and long-term investments	-
(39,225)	Other receipts from investing activities	(36,235)
20,554	Net cash flows from investing activities	36,753

Note 47 - Cash Flow from Financing Activities

2021/22 £'000		2022/23 £'000
-	Cash receipts of short-term and long-term borrowing	(30,090)
(5,747)	Other receipts from financing activities	-
1,008	Cash payments for the reduction of outstanding liabilities relating to finance leases and on-Balance-Sheet PFI contracts	1,114
6,956	Repayments of short-term and long-term borrowing	12,475
(19,336)	Council Tax and NNDR share	(20,591)
(17,119)	Net cash flows from financing activities	(37,092)

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.

2021/22 £'000		2022/23 £'000
	Expenditure	
8,636	Repairs and Maintenance	8,837
15,252	Supervision and Management	16,930
392	Rents, Rates, Taxes and other charges	281
12,694	Depreciation, impairment and revaluation losses of non-current assets	13,777
(61)	HRA share of Non-Distributed Costs (IAS past service costs)	76
26	Debt Management Costs	19
36,939	Total Expenditure	39,919
	Income	
(36,171)	Dwelling Rents	(37,350)
(41)	Non-Dwelling rents	(48)
(3,997)	PFI Credit	(3,997)
(1,391)	Charges for services and facilities	(1,344)
(126)	Other	(96)
(41,727)	Total Income	(42,835)
(4,787)	Net expenditure or Income of HRA Services as included in the whole authority Comprehensive Income and Expenditure Statement	(2,915)
309	HRA share of other amounts included in the whole authority Net Expenditure of Continuing Operations but not allocated to specific services	324
(4,478)	Net Expenditure of HRA Services	(2,591)
(1,374)	(Gains)/loss on sale of HRA Fixed Assets	(2,079)
7,700	Interest Payable and Similar Charges	8,078
(1,031)	HRA Interest and Investment Income	(1,112)
1,171	Net Interest on the defined benefit liability/asset	724
1,987	(Surplus) or deficit for Year on HRA Services	3,019

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:

2021/22 £'000	Movement on the HRA Statement	2022/23 £'000
(40,644)	Balance on the HRA at the end of the previous year	(40,264)
1,987	(Surplus) or deficit on the HRA Income and Expenditure Statement	3,019
(1,680)	Adjustments between accounting basis and funding basis under statute	2,142
307	Net (increase) or decrease before transfers to or from other reserves	5,162
73	Transfers to other reserves - PFI Smoothing Reserve	(231)
380	(Increase) or decrease on the HRA for the year	4,931
(40,264)	Balance on the HRA at the end of the current year	(35,333)
(10,147)	Earmarked reserves - PFI Smoothing Reserve	(9,916)
(50,411)	Total HRA Reserves	(45,249)

2021/22 £'000	Adjustments between accounting basis	2022/23 £'000
(12,218)	Transfers to/(from) the Capital Adjustment Account	(12,897)
1,374	Gain or (loss) on sale of non-current assets	2,079
(3,051)	Contributions to or (from) the Pension Reserve	(1,215)
384	Capital Expenditure funded from the HRA	551
-	Transfers to/(from) the Accumulated Absences Account	(10)
11,831	Transfers to/(from) Major Repairs Reserve	13,633
(1,680)	Net additional amount required by statute to be debited or (credited) to the HRA Balance for the year	2,142

Notes to the HRA Account

Note 1 - Analysis of Council Housing Stock

At 31 March 2023, the Council was responsible for managing a housing stock of 6,784 dwellings, including 1,252 within the North Whitley PFI scheme (31 March 2022: 6,779 dwellings, 1,260 in the PFI scheme). These dwellings are of the following types:

31 March 2022				31 March 2023		
<u>Flats</u>	<u>Houses</u>	<u>Total</u>		<u>Flats</u>	<u>Houses</u>	<u>Total</u>
2,914	3,865	6,779	Total number and type of dwellings	2,930	3,854	6,784

Note 2 – Housing Revenue Account Capital Expenditure

During 2022/23, the Council incurred £28.6m capital expenditure on land, houses and other properties within the HRA (2021/22: £21.9m). The detail of expenditure and the methods of financing are detailed below:

31 March 2022 £'000		31 March 2023 £'000
	Capital Investment	
8,083	Operational Assets	12,678
13,835	Assets Under Construction	15,911
-	REFCUS	-
21,919	Total Capital Expenditure within the HRA	28,588
	Sources of Funding	
(5,867)	Borrowing	(6,343)
(1,933)	Capital Receipts	(1,206)
(7,560)	Major Repairs Reserve	(11,841)
(384)	Revenue Contributions	(551)
(6,175)	Government Grants and other Contributions	(8,647)
(21,919)	Total Funding	(28,588)

Note 3 – Balance Sheet Value of HRA Operational Assets

31 March 2022			31 March 2023	
£'000			£'000	
		Operational Assets		
549,450		Dwellings		569,136
5,289		Other Land and Buildings		5,636
		Non Operational Assets		
22,111		Assets Under Construction		30,433
4,615		Surplus Assets		5,154
581,465		Total		610,360

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 £1,725m at 31 March 2023 (£1,665m at 31 March 2022). 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 2021/22).

Note 4 – Depreciation and Impairment

31 March 2022				31 March 2023		
Depreciation	Impairment	Total		Depreciation	Impairment	Total
£'000	£'000	£'000		£'000	£'000	£'000
(11,734)	-	(11,734)	Council Dwellings	(13,416)	-	(13,416)
(92)	(1,200)	(1,293)	Other Land and Buildings' Properties	(212)	(125)	(337)
(5)	338	333	Surplus Assets	(5)	(19)	(24)
(11,831)	(862)	(12,694)	Total	(13,633)	(144)	(13,777)

NB. A positive entry indicates an impairment reversal.

Note 5 – Transactions relating to Retirement Benefits

31 March 2022 £'000		31 March 2023 £'000
1,942	Current Service Cost	416
-	Past Service Costs	-
(102)	(Gain)/loss from settlements	36
41	Administration expenses	39
1,170	Net interest expense	724
3,051	Total	1,215
3,051	Movement on Pension Reserve	1,215

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 2022 £'000		31 March 2023 £'000
(3,918)	Council Houses	(4,234)
-	Other Property	-
(3,918)	Total	(4,234)

During the year, the Council disposed of 27 dwellings to tenants under the Right to Buy scheme. These disposals, along with non-Right to buy sales (1), generated total capital receipts of £4.2m, of which £0.2m was paid to Central Government as the Council's contribution to the Central Housing Pool. £9.9m of HRA capital receipts was held by the Council as at 31 March 2023 available to be used on replacement housing.

Note 7 – Rent Arrears and Bad Debt Provision

	2021/22 £'000	2022/23 £'000
<u>Arrears by Tenant</u>		
Current Tenants	1,377	1,485
Former Tenants	883	885
Total Arrears	2,260	2,370

The specific provision for the possible non-collection of all rent related charges at 31 March is £1.560m, which represents 66% 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 Statement is a record of revenue expenditure and income relating to the Council's role as a Billing and Precepting Authority for Council Tax and Non Domestic Rates (NDR) in accordance with the requirements of Section 89 of the Local Government Finance Act 1988. Its primary purpose is to show the transactions in relation to the collection from taxpayers of tax due and its distribution to other authorities, major preceptors and the Government. Collection Fund Statement items are only included within the Comprehensive Income and Expenditure Account and Balance Sheet when they relate to the Council's own entitlements or commitments as distinct from those of Local Government or Central Government partners. Amounts owed to or owing by taxpayers at the Balance Sheet date are therefore not shown in the Council's Balance Sheet with the exception of the proportion of Council Tax to which the Council itself is entitled.

It also shows how the Council Tax income is distributed between Reading Borough Council, Thames Valley Police and the Royal Berkshire Fire Authority, and the Non-Domestic Rates (NDR) income is distributed between Reading Borough Council, Central Government and the Royal Berkshire Fire Authority.

Billing authorities in England are required by statute to maintain a separate fund for the collection and distribution of amounts due in respect of Council Tax and Non-Domestic Rates (NDR). The fund key features relevant to accounting for Council Tax in the core financial statements are:

- While the Council Tax income for the year credited to the Collection Fund is the accrued income for the year, regulations determine when it should be released from the Collection Fund and transferred to the General Fund of the Billing Authority or paid out of the Collection Fund to the other major preceptors.
- Council Tax income included in the Comprehensive Income and Expenditure Account for the year shall be the accrued income for the year. The difference between the income included in the Comprehensive Income and Expenditure Account and the amount required by regulation to be credited to the Collection Fund shall be taken to the Collection Fund Adjustment Account and included as a reconciling item in the Movement in Reserves Statement.

Since the collection of Council Tax and Non-Domestic Rates Income is in substance an agency arrangement:

- Cash collected by the Billing Authority from Council Tax debtors belongs proportionately to the Billing Authority and the other major preceptors. There will therefore be a debtor/creditor position between the Billing Authority and each of the other major preceptors to be recognised since the net cash paid to each of the other major preceptors in the year will not be its share of the cash collected from Council Tax taxpayers.
- Cash collected from NDR taxpayers by Billing Authorities (net of the cost of collection allowance) belongs to the Government; the Council as a preceptor and the other major preceptors. The amount not yet paid to them at the Balance Sheet date shall be included in the Balance Sheet as a creditor; similarly, if cash paid to the Government and the other major preceptors exceeds the cash collected from NDR taxpayers (net of the Billing Authority's cost of collection allowance), the excess shall be included in the Balance Sheet as a debtor.

Council Tax

This section summarises how the money we collected through Council Tax is distributed between the other major precepting authorities and ourselves.

The Collection Fund Income and Expenditure Account - Council Tax	2021/22 £'000	2022/23 £'000
Income		
Council Tax Receivable	(118,233)	(123,780)
Transfer for Transitional Relief, S13A Reliefs and discount for prompt payment	(468)	(49)
	(118,701)	(123,829)
Contributions to previous year estimated deficit		
Reading Borough Council	(1,200)	(1,473)
Royal Berkshire Fire Authority	(48)	(58)
Thames Valley Police	(153)	(190)
	(1,401)	(1,721)
Total Income	(120,102)	(125,550)
Expenditure		
Precepts, Demands and Shares		
Reading Borough Council	99,219	104,403
Royal Berkshire Fire Authority	3,851	4,220
Thames Valley Police	12,916	13,767
	115,986	122,390
Change in allowance for impairments	883	1,355
Total Expenditure	116,869	123,745
(Surplus)/Deficit for the year	(3,233)	(1,805)
Opening Balance (Surplus)/Deficit at 1 April	3,669	436
Closing Balance (Surplus)/Deficit at 31 March	436	(1,369)

Business Rates (Non-Domestic Rates)

This section summarises how the money we collected through Business Rates is distributed between the other major precepting authorities; Central Government and ourselves.

The Collection Fund Income and Expenditure Account - Business Rates	2021/22 £'000	2022/23 £'000
Income		
Business Rates receivable (net of discretionary and mandatory relief)	(110,451)	(119,406)
Transitional Protection Payments	-	-
	(110,451)	(119,406)
Contributions to previous year estimated deficit		
Central Government	(28,383)	(19,548)
Reading Borough Council	(25,894)	(19,158)
Royal Berkshire Fire Authority	(548)	(391)
	(54,825)	(39,097)
Total Income	(165,276)	(158,503)
Expenditure		
Precepts, Demands and Shares		
Central Government	65,709	61,321
Reading Borough Council	64,394	60,094
Royal Berkshire Fire Authority	1,314	1,226
	131,417	122,641
Change in allowance for impairments	1,544	1,269
Provision for appeals	(182)	(2,224)
Cost of collection allowance	289	283
Transitional protection payment	500	997
	2,151	325
Total Expenditure	133,568	122,966
(Surplus)/Deficit for the year	(31,708)	(35,537)
Opening Balance (Surplus)/Deficit at 1 April	62,282	30,574
Closing Balance (Surplus)/Deficit at 31 March	30,574	(4,963)

Notes to the Collection Fund

Business Rates

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

Non-domestic rateable value and multipliers	2021/22	2022/23
Non-domestic rateable value at 31 March	£311,343,913	£310,700,368
Business rate multiplier - standard rate	51.2p	51.2p
Business rate multiplier - small businesses	49.9p	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.

Band	2022/23 Valuation band limits £	Calculated No. of chargeable dwellings No.	Ratio to band D	Equated No. of dwellings No.
AA	Band A entitled to disabled relief reduction	5	5/9	3
A	Up to and including - 40,000	4,863	6/9	3,242
B	40,001 - 52,000	11,015	7/9	8,567
C	52,001 - 68,000	24,759	8/9	22,008
D	68,001 - 88,000	9,769	9/9	9,769
E	88,001 - 120,000	5,240	11/9	6,404
F	120,001 - 160,000	3,066	13/9	4,429
G	160,001 - 320,000	1,765	15/9	2,942
H	More than - 320,001	68	18/9	136
		60,550		57,500
Adjustments for estimates of new build and non-collection				(440)
		Council Tax Base		57,060

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)

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 2023, which equated to £490 (£490 at 31 March 2022).
- RTL has ten wholly owned subsidiaries, Newbury and District Limited (N&D); The Greater Omnibus Company Limited; Reading Rovers Limited; Reading Minibuses Limited; Reading Buses Limited; Newbury Buses Limited; Reading Transport Pensions Trustees Limited; Thames Valley Buses Limited; Courtney Bodyworks Limited; and Courtney ATF Ltd which have been consolidated into the Council's Group Accounts.

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

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

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

Group Financial Statements

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

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

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

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

The **Group Cashflow Statement**, which consolidates the cashflow statements for the Council, HfR, BfC 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 2022/23, 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.	Unaudited financial statements for 2022/23 and prior years.
HfR	Audited financial statements for 2022/23 and prior years.
BFFC	Audited financial statements for 2022/23 and prior years.
RTL	Audited financial statements for 2022/23 and prior years.

Group Comprehensive Income and Expenditure Statement

Gross Expenditure £'000	2021/22		Service Area	2022/23		
	Gross Income £'000	Net Expenditure £'000		Gross Expenditure £'000	Net Expenditure £'000	
84,463	(39,569)	44,894	Adult Care and Health Services	83,854	(38,770)	45,084
98,270	(70,238)	28,032	Resources	92,467	(74,395)	18,072
192,773	(128,064)	64,709	Children, Education and Early Help Services	216,188	(113,566)	102,622
102,504	(55,585)	46,919	Environment and Neighbourhood Services	107,835	(65,578)	42,257
44,781	(43,800)	981	Transport Services	53,774	(44,332)	9,442
117	(687)	(569)	Housing Services	65	(1,364)	(1,299)
36,965	(41,727)	(4,762)	Housing Revenue Account	40,237	(42,835)	(2,598)
559,873	(379,670)	180,203	Group Cost of Services	594,420	(380,840)	213,580
		12,189	Other Operating (Income)/Expenditure			(9,442)
		27,272	Financing and Investing Income and Expenditure			33,651
		(194,009)	Taxation and Non-Specific Grant Income			(188,487)
		(105)	Corporation Tax payable			1,229
		25,550	Group (Surplus)/Deficit on Provision of Services			50,531
		-	(Surplus)/Deficit on Revaluation of Investments			-
		(59,803)	(Surplus)/Deficit on Revaluation of Non-Current Assets			(11,387)
		(145,452)	Remeasurement of Pension Fund Liabilities			(358,481)
		4,691	Deferred Tax on Pension Liability and Corporation Tax Adjustment			(2,021)
		(200,564)	Other Group Comprehensive Income and Expenditure			(371,889)
		(175,014)	Total Group Comprehensive Income and Expenditure			(321,358)

NB Table subject to roundings

Group Movement in Reserves Statement 2022/23

2022/23	REVENUE RESERVES						CAPITAL RESERVES			Total Council Usable Reserves	Total Council Unusable Reserves	Total Council Reserves	Council's share of subsidiaries' Reserves	Total Group Reserves
	Unearmarked General Fund	General Fund Earmarked Reserves	Total General Fund Balances	Housing Revenue Account (HRA)	HRA Earmarked Reserves	Total HRA Balances	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied					
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000					
Balance 1 April 2022	(7,500)	(85,052)	(92,552)	(40,265)	(10,147)	(50,412)	(12,818)	(6,957)	(62,746)	(225,484)	(163,759)	(389,243)	(20,151)	(409,394)
Movements in 2022/23:														
Surplus/Deficit on the Provision of Services	(65,981)	-	(65,981)	3,019	-	3,019	-	-	-	(62,962)	-	(62,962)	114,659	51,697
Other Comprehensive Income/Expenditure	-	-	-	-	-	-	-	-	-	-	(338,280)	(338,280)	(33,609)	(371,889)
Total Income/Expenditure	(65,981)	-	(65,981)	3,019	-	3,019	-	-	-	(62,962)	(338,280)	(401,242)	81,050	(320,192)
Consolidation adjustments between Group and Council Accounts	71,533	-	71,533	-	-	-	-	-	-	71,533	-	71,533	(71,533)	-
Net Increase/Decrease	5,552	-	5,552	3,019	-	3,019	-	-	-	8,571	(338,280)	(329,709)	9,517	(320,192)
Adjustments between Funding and Accounting	10,443	-	10,443	2,141	-	2,141	(18,766)	(1,792)	546	(7,428)	7,428	-	-	-
Net Increase/Decrease before Transfers to/from Reserves	15,995	-	15,995	5,160	-	5,160	(18,766)	(1,792)	546	1,143	(330,852)	(329,709)	9,517	(320,192)
Transfers to/from Reserves	(16,715)	15,237	(1,478)	(231)	231	-	-	-	179	(1,299)	1,298	-	-	-
Net Increase/Decrease for year	(720)	15,237	14,517	4,930	231	5,161	(18,766)	(1,792)	725	(155)	(329,554)	(329,709)	9,517	(320,193)
Balance 31 March 2023	(8,220)	(69,815)	(78,035)	(35,334)	(9,916)	(45,250)	(31,584)	(8,749)	(62,021)	(225,642)	(493,310)	(718,952)	(10,634)	(729,588)

NB Table subject to roundings

Group Movement in Reserves Statement 2021/22

2021/22	REVENUE RESERVES						CAPITAL RESERVES			Total Council	Total Council	Total Council	Council's	Total Group
	Unearmarked	General Fund	Total General	Housing	HRA	Total HRA	Capital	Major Repairs	Capital Grants	Usable	Unusable	Reserves	share of	Reserves
	General Fund	Earmarked	Fund	Revenue	Earmarked	Balances	Receipts	Reserve	Unapplied	Reserves	Reserves		subsidiaries'	
	£'000	£'000	£'000	Account (HRA)	Reserves	£'000	Reserve	£'000	£'000	£'000	£'000	£'000	Reserves	£'000
Balance 1 April 2021	(7,500)	(99,070)	(106,570)	(40,644)	(10,073)	(50,717)	(13,748)	(2,686)	(62,824)	(236,545)	4,427	(232,118)	(2,264)	(234,383)
Movements in 2021/22:														
Surplus/Deficit on the Provision of Services	(21,125)		(21,125)	1,986		1,986				(19,139)		(19,139)	44,691	25,552
Other Comprehensive Income/Expenditure			-							-	(175,404)	(175,404)	(25,160)	(200,564)
Total Income/Expenditure	(21,125)	-	(21,125)	1,986	-	1,986	-	-	-	(19,139)	(175,404)	(194,543)	19,531	(175,012)
Consolidation adjustments between Group and Council Accounts	37,418		37,418			-				37,418	-	37,418	(37,418)	-
Net Increase/Decrease	16,293	-	16,293	1,986	-	1,986	-	-	-	18,279	(175,404)	(157,125)	(17,887)	(175,012)
Adjustments between Funding and Accounting	(1,465)		(1,465)	(1,680)		(1,680)	930	(4,271)	78	(6,410)	6,409	-		-
Net Increase/Decrease before Transfers to/from Reserves	14,828	-	14,828	306	-	306	930	(4,271)	78	11,871	(168,995)	(157,124)	(17,887)	(175,013)
Transfers to/from Reserves	(14,827)	14,018	(809)	73	(73)	-				(808)	808	-		-
Net Increase/Decrease for year	-	14,018	14,018	379	(73)	306	930	(4,271)	78	11,061	(168,187)	(157,126)	(17,887)	(175,013)
Balance 31 March 2022	(7,500)	(85,052)	(92,552)	(40,265)	(10,146)	(50,411)	(12,818)	(6,957)	(62,746)	(225,484)	(163,760)	(389,244)	(20,151)	(409,394)

NB Table subject to roundings

Group Balance Sheet

2021/2022 £'000	Balance Sheet	Note	2022/23 £'000
1,012,100	Property, Plant and Equipment	1	1,057,189
123,335	Infrastructure		132,986
2,650	Heritage Assets		2,541
105,816	Investment Property	2	98,675
8,611	Intangible Assets		7,943
17,244	Long-Term Investments		14,450
643	Long-Term Debtors		408
1,270,399	Group Non-Current Assets		1,314,192
330	Assets Held for Sale		-
974	Inventories		906
71,933	Short-Term Debtors	3	55,713
80,347	Cash and Cash Equivalents		67,087
153,584	Group Current Assets		123,706
(3,054)	Short-Term Borrowing		(33,009)
(130,799)	Short-Term Creditors	4	(109,872)
(7,055)	Short-Term Provisions		(4,904)
(1,114)	PFI Short-Term Liabilities and Deferred Income		(1,304)
(395)	Deferred Income		(28)
-	Grants Received in Advance - Capital		-
(142,417)	Group Current Liabilities		(149,117)
(979)	Long-Term Provisions		(142)
(381,825)	Long-Term Borrowing		(369,485)
(447,492)	Pensions Liabilities	5	(151,940)
(35,976)	Other Long-Term Liabilities	6	(32,116)
(5,900)	Deferred Tax re Pension Scheme		(5,510)
(872,172)	Group Long-Term Liabilities		(559,193)
409,394	Net Group Assets		729,588
(245,636)	Usable Reserves		(236,278)
(163,758)	Unusable Reserves		(493,310)
(409,394)	Total Group Reserves		(729,588)

NB Table subject to roundings

Group Cash Flow Statement

2021/22 £'000	Cash Flow	2022/23 Note £'000
25,552	Net (surplus) or deficit on the provision of services	51,697
(77,398)	Adjustments to net surplus or deficit on the provision of services for non-cash movements	(84,673)
45,941	Adjustments for items included in the net surplus on the provision of services that are investing and financing activities	41,719
(5,905)	Net cash flows from Operating Activities	8,744
22,328	Investing Activities	41,421
(22,987)	Financing Activities	(36,905)
(6,565)	Net (increase) or decrease in cash and cash equivalents	13,260
73,782	Cash and cash equivalents at the beginning of the reporting period	80,347
6,565	Net (increase) or decrease in cash and cash equivalents	(13,260)
80,347	Cash and cash equivalents at the end of the reporting period	67,087

Notes to the Group Accounts

Note 1 – Group Property, Plant and Equipment

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

Asset type	Valuation basis	Date of valuation	Valuation frequency
Council dwellings	Existing Use Value – Social Housing	31-Mar	Annual
Other land and buildings	Existing Use Value	31-Mar	Five -yearly
Surplus Assets	Fair value	31-Mar	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 2023 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 Council 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 2022/2023

2022/23	Council dwellings £'000	Other land and buildings £'000	Vehicles, furniture, plant and equipment £'000	Community assets £'000	Surplus assets £'000	Assets under construction £'000	Total £'000
Cost or valuation 2022/23							
at 1 April 2022	549,451	349,534	83,520	8,807	24,213	71,828	1,087,353
Opening Balance Adjustment	-	-	-	-	-	-	-
Additions	12,675	6,009	6,426	183	22	48,821	74,136
Revaluation Adjustments Recognised in the Revaluation Reserve	15,353	3,738	-	-	1,105	-	20,196
Derecognition and Disposals	(2,208)	(546)	(4,545)	-	2,318	(223)	(5,204)
Reclassifications and Transfers	7,247	17,848	930	29	430	(39,231)	(12,747)
Other Movements in Cost or Valuation*	(13,381)	(12,346)	-	-	(307)	-	(26,034)
At 31 March 2023	569,137	364,237	86,331	9,019	27,781	81,195	1,137,700
Accumulated Depreciation and Impairment							
at 1 April 2022	-	(22,650)	(49,569)	(2,029)	-	(1,007)	(75,255)
Opening Balance Adjustment	-	-	-	-	-	-	-
Depreciation Charge for Year	(13,416)	(9,857)	(6,480)	(28)	(12)	16	(29,777)
Impairments Recognised in the Provision of Services	-	(4,644)	-	-	(81)	-	(4,725)
Derecognition and Disposals	54	38	3,333	-	(215)	-	3,210
Reclassifications and Transfers	(19)	(265)	-	-	-	284	-
Other Movements in Depreciation and Impairment	13,381	12,346	-	-	307	-	26,034
At 31 March 2023	-	(25,032)	(52,716)	(2,057)	-	(707)	(80,513)
Net book value 31 March 2023	569,137	339,205	33,615	6,962	27,781	80,488	1,057,187
Net book value 31 March 2022	549,451	326,884	33,951	6,778	24,213	70,821	1,012,098

Group Property, Plant and Equipment 2021/2022

2021/22	Council dwellings £'000	Other land and buildings £'000	Vehicles, furniture, plant and equipment £'000	Community assets £'000	Surplus assets £'000	Assets under construction £'000	Total £'000
Cost or valuation 2021/22							
at 1 April 2021	502,927	356,299	80,851	8,743	24,841	42,092	1,015,753
Opening Balance Adjustment	-	-	-	-	-	-	0
Additions	8,083	3,466	4,481	64	14	43,112	59,220
Revaluation Adjustments Recognised in the Revaluation Reserve	51,134	7,169	-	-	(1,141)	-	57,162
Derecognition and Disposals	(2,427)	(16,416)	(1,947)	-	0	(1,704)	(22,494)
Reclassifications and Transfers	1,412	10,007	135	-	298	(11,672)	180
Other Movements in Cost or Valuation*	(11,678)	(11,036)	-	-	201	-	(22,513)
At 31 March 2022	549,451	349,489	83,520	8,807	24,213	71,828	1,087,308
Accumulated Depreciation and Impairment							
at 1 April 2021	-	(21,664)	(44,530)	(1,998)	-	(735)	(68,927)
Opening Balance Adjustment	-	-	-	-	-	-	0
Depreciation Charge for Year	(11,734)	(9,612)	(6,036)	(31)	(16)	(22)	(27,451)
Impairments Recognised in the Provision of Services	-	(3,789)	-	-	236	-	(3,553)
Derecognition and Disposals	57	958	1,117	-	-	-	2,132
Reclassifications and Transfers	-	269	(120)	-	(19)	(250)	(120)
Other Movements in Depreciation and Impairment	11,678	11,036	0	-	(201)	-	22,513
At 31 March 2022	-	(22,802)	(49,569)	(2,029)	-	(1,007)	(75,406)
Net book value 31 March 2022	549,451	326,687	33,951	6,778	24,213	70,821	1,011,902
Net book value 31 March 2021	502,927	334,635	36,321	6,745	24,841	41,357	946,826

* These tables are subject to roundings

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.

2021/22				2022/23		
RBC £'000	HfR £'000	Total £'000		RBC £'000	HfR £'000	Total £'000
75,980	28,105	104,085	Opening Balance	75,210	30,605	105,815
-	-	-	Additions	-	-	-
-	-	-	Disposals	-	-	-
-	-	-	Reclassifications and transfers	-	-	-
-	2,500	2,500	Net gains and losses from fair value adjustments	(7,435)	295	(7,140)
75,980	30,605	106,585	Closing Balance	67,775	30,900	98,675

Note 3 – Debtors

Debtors due within one year

2021/22 £'000		2022/23 £'000
6,073	Central Government bodies	6,254
2,744	Other local authorities	1,549
120	NHS bodies	339
62,996	Other entities and individuals	47,616
71,933	Total	55,758

Note 4 – Creditors

Creditors due within one year

2021/22		2022/23
£'000		£'000
(5,284)	Central Government Bodies	(4,450)
(412)	Other Local Authorities	(284)
(306)	NHS Bodies	(3)
(124,797)	Other Entities and Individuals	(105,135)
(130,799)	Total	(109,872)

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

Transactions relating to post-employment benefits

i. Impact on Comprehensive Income & Expenditure Account

	RBC £'000	Subsidiaries £'000	Group Total £'000
2022/23			
Pension transactions charged or credited to Surplus or Deficit on Provision of Services	(33,374)	11,608	(21,766)
Pension transactions charged or credited to Other Comprehensive Income and Expenditure	(318,084)	40,397	(277,687)
2021/22			
Pension transactions charged or credited to Surplus or Deficit on Provision of Services	48,938	10,551	59,489
Pension transactions charged or credited to Other Comprehensive Income and Expenditure	(118,101)	9,411	(108,690)

	RBC £'000	Subsidiaries £'000	Group Total £'000
2022/23			
At 1 April	(950,205)	(57,401)	(1,007,606)
Current service cost	(23,757)	(947)	(24,704)
Interest cost	(24,590)	(1,486)	(26,076)
EE and ER contributions	(5,137)	(15)	(5,152)
Remeasurement gains and losses	328,490	17,543	346,033
Past service costs	(433)	-	(433)
Benefits paid	26,551	1,385	27,936
Obligations - change of estimation	-	-	-
Other adjustments	-	-	-
at 31 March	(649,081)	(40,921)	(690,002)
2021/22			
At 1 April	(1,004,096)	(94,277)	(1,098,373)
Current service cost	(37,268)	(1,015)	(38,283)
Interest cost	(21,371)	(1,133)	(22,504)
EE and ER contributions	(4,379)	(14)	(4,393)
Remeasurement gains and losses	93,151	2,996	96,147
Past service costs	-	-	-
Benefits paid	23,088	1,686	24,774
Obligations - change of estimation	-	34,356	34,356
Other adjustments	670	-	670
at 31 March	(950,205)	(57,401)	(1,007,606)

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

	RBC £'000	Subsidiaries £'000	Group Total £'000
2022/23			
Present value of defined pension scheme obligations	(649,081)	(40,922)	(690,003)
Fair Value of plan assets	489,078	48,985	538,063
Net assets/liabilities arising from defined pension scheme obligations	(160,003)	8,063	(151,940)
2021/22			
Present value of defined pension scheme obligations	(950,205)	(57,402)	(1,007,607)
Fair Value of plan assets	485,546	74,569	560,115
Net assets/liabilities arising from defined pension scheme obligations	(464,659)	17,167	(447,492)

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

	RBC £'000	Subsidiaries £'000	Group Total £'000
2022/23			
Assets at 1 April	485,546	74,569	560,115
Return on plan assets	(10,406)	1,939	(8,467)
Actuarial gains and losses	15,881	(27,503)	(11,622)
Admin costs	(475)	-	(475)
EE and ER contributions	25,083	1,350	26,433
Contributions by scheme participants	-	15	15
Benefits paid	(26,551)	(1,385)	(27,936)
Assets change of estimation	-	-	-
Other	-	-	-
Curtailments and Settlements	-	-	-
Assets at 31 March	489,078	48,985	538,063
2021/22			
Assets at 1 April	452,651	89,266	541,917
Return on plan assets	37,775	1,402	39,177
Actuarial gains and losses	9,058	(438)	8,620
Admin costs	(429)	0	(429)
EE and ER contributions	22,002	1,251	23,253
Contributions by scheme participants	0	14	14
Benefits paid	(23,088)	(1,686)	(24,774)
Assets change of estimation	0	(15,240)	(15,240)
Other	(12,825)	0	(12,825)
Curtailments and Settlements	402	0	402
Assets at 31 March	485,546	74,569	560,115

iv. Analysis of Scheme Assets

	RBC £'000	Subsidiaries £'000	Group Total £'000
2022/23			
Equities	306,773	7,367	314,140
Bonds	71,081	12,839	83,920
Property	61,826	1,467	63,293
Cash and derivatives	7,396	27,312	34,708
Infrastructure	67,433	-	67,433
Insurance policies	(25,431)	-	(25,431)
Total	489,078	48,985	538,063
2021/22			
Equities	304,554	11,997	316,551
Bonds	80,680	22,803	103,483
Property	58,704	2,154	60,858
Cash and derivatives	11,431	37,615	49,046
Infrastructure	61,700	-	61,700
Insurance policies	(31,523)	-	(31,523)
Total	485,546	74,569	560,115

v. Principal Assumptions

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

	RBC	RTL
Discount rate	4.8%	4.8%
Future salary increases	3.9%	-
Future pension increases	2.9%	2.3%

Note 6 – PFI and Other Long-Term Liabilities

2021/22				2022/23		
RBC £'000	Subsidiaries £'000	Group Total £'000		RBC £'000	Subsidiaries £'000	Group Total £'000
(17,756)	-	(17,756)	RBC - North Whitley PFI scheme	(17,040)	-	(17,040)
(5,391)	-	(5,391)	RBC - Waste PFI scheme	(4,803)	-	(4,803)
-	(9,394)	(9,394)	RTL - Finance Lease and HP contracts	-	(9,600)	(9,600)
(627)	(2,807)	(3,434)	Accruals and Deferred Income	(673)	-	(673)
(23,774)	(12,201)	(35,975)	Total	(22,516)	(9,600)	(32,116)

Note 7 – Cash Flow from Operating Activities

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

2021/22 £'000		2022/23 £'000
(2,758)	Interest received	(4,434)
17,458	Interest paid	17,186
14,701	Total	12,752

2021/22 £'000		2022/23 £'000
(42,532)	Depreciation	(45,989)
-	Impairment and downward valuations	-
(1,725)	Amortisation	(1,964)
615	Movement in contract assets, liabilities and costs	177
(1,651)	(Increase)/decrease in creditors	34,595
7,389	Increase/(decrease) in debtors	(8,462)
124	Increase/(decrease) in inventories	(68)
(31,315)	Movement in pension liability	(53,380)
(14,330)	Carrying amount of non-current assets and non-current assets held for sale, sold or derecognised	(2,325)
6,027	Other non-cash movements charged to the surplus or deficit on provision of services	(7,257)
(77,398)	Total	(84,673)

2021/22 £'000		2022/23 £'000
(2,144)	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	5,484
8,860	Any other items for which the cash effects are investing or financing cash flows	36,235
39,225	Proceeds from short-term (not considered to be cash equivalents) and long-term investments	-
45,941	Total	41,719

Note 7a - Cash Flow from Investing Activities

2021/22 £'000		2022/23 £'000
67,790	Purchase of property, plant and equipment, investment property and intangible assets	85,514
-	Purchase of short-term and long-term investments	-
113	Other payments for investing activities	-
(6,350)	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(7,858)
-	Proceeds from short-term and long-term investments	-
(39,225)	Other receipts from investing activities	(36,235)
22,328	Net cash flows from investing activities	41,421

Note 7b - Cash Flow from Financing Activities

2021/22 £'000		2022/23 £'000
-	Cash receipts of short-term and long-term borrowing	(17,615)
(6,342)	Other receipts from financing activities	-
1,009	Cash payments for the reduction of outstanding liabilities relating to finance leases and on-Balance-Sheet PFI contracts	1,301
1,682	Repayments of short-term and long-term borrowing	-
(19,336)	Council Tax and NNDR share	(20,591)
(22,987)	Net cash flows from financing activities	(36,905)

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 Council'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 Council, 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 Council 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 Council'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 Council'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 Council 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 Council 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 Council'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 Council'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 Council 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 Council 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 Council. These grants may be specific to a particular scheme or may support the revenue spend of the Council 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 Council.

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 Council 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 Council'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 Council 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 Council 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 Council.

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 Council'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 Council on behalf of itself, Central Government and major preceptors. In Scotland it is collected by the Council on behalf of Central Government and then redistributed back to support the cost of services.

NON-OPERATIONAL ASSETS

Fixed assets held by the Council 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 Council 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 Council'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 Council 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 a Council 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 Council will derive benefits from the use of a fixed asset.