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# STATEMENT OF ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2022

## Contents

Narrative Report.....	3
ANNUAL GOVERNANCE STATEMENT 2021/2022.....	10
Independent Auditors Report to the Members of Reading Borough Council .....	22
Statement of Responsibilities .....	27
Comprehensive Income and Expenditure Statement.....	28
Movement in Reserves Statement.....	29
Balance Sheet.....	31
Cash Flow Statement .....	32
Note 1 – Significant Accounting Policies.....	33
Note 2 - Accounting Standards Issued but Not Yet Adopted.....	53
Note 3 - Critical Judgements in Applying Accounting Policies.....	54
Note 4 - Assumptions Made about the Future and Other Major Sources of Estimation Uncertainty .....	55
Note 5 – Material Items of Income and Expense .....	57
Note 6 - Events After the Reporting Period.....	57
Note 7 - Expenditure and Funding Analysis.....	58
Note 7a - Note to the Expenditure and Funding Analysis.....	59
Note 7b - Segmental Analysis of Income and Expenditure .....	60
Note 7c - Expenditure and Income Analysed by Nature.....	61
Note 8 - Adjustments between Accounting Basis and Funding Basis under Regulations.....	62
Note 9 - Transfers to/from Earmarked Reserves .....	65
Note 10 - Other Operating Expenditure .....	67
Note 11 - Financing and Investment Income and Expenditure.....	68
Note 12 - Taxation and Non-Specific Grant Income.....	68
Note 13 - Officers' Remuneration .....	68
Note 14 – Exit Packages .....	71
Note 15 - Members' Allowances .....	72
Note 16 – Related Parties .....	72
Note 17 - External Audit Costs .....	74
Note 18 - Trading Operations .....	74
Note 19 - Pooled Budgets .....	75
Note 20 - Dedicated Schools Grant .....	77
Note 21 - Grant Income .....	78
Note 22 - Property, Plant and Equipment .....	83

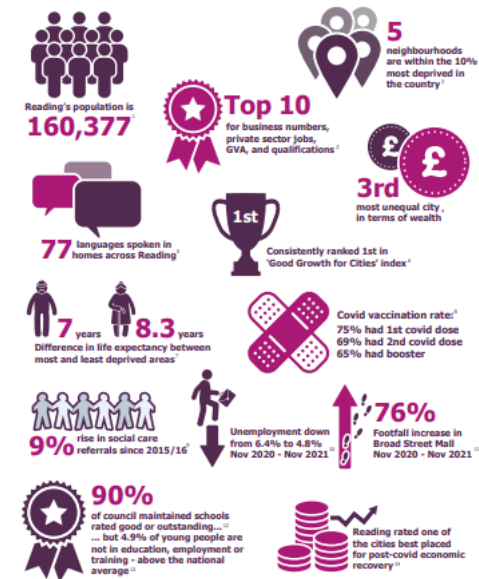
Note 23 – Infrastructure Assets .....	88
Note 24 - Heritage Assets .....	89
Note 25 - Investment Properties .....	90
Note 26 – Intangible Assets.....	90
Note 27 - Capital Commitments.....	92
Note 28 - Capital Expenditure and Capital Financing.....	92
Note 29 - Financial Instruments .....	94
Note 30 - Fair Value .....	98
Note 31 – Nature and Extent of Risks Arising from Financial Instruments .....	101
Note 32 - Cash and Cash Equivalents .....	106
Note 33 – Debtors .....	107
Note 34 - Creditors .....	108
Note 35 - Provisions .....	109
Note 36 - Usable Reserves.....	110
Note 37 - Unusable Reserves.....	111
Note 38 - Contingent Liabilities .....	117
Note 39 - Contingent Assets.....	119
Note 40 - Leases .....	119
Note 41 - Service Concession Arrangements .....	120
Note 42 - Pension Schemes Accounted for as Defined Contribution Schemes.....	124
Note 43 - Defined Benefit Pension Scheme.....	125
Note 44 - Cash Flow from Operating Activities .....	132
Note 45 - Cash Flow from Investing Activities.....	133
Note 46 - Cash Flow from Financing Activities.....	133
Housing Revenue Account Income and Expenditure Statement.....	134
Movement on the HRA Statement .....	135
Notes to the HRA Account.....	135
Collection Fund .....	139
Notes to the Collection Fund .....	141
Group Accounts.....	143
Group Cash Flow Statement .....	150
Notes to the Group Accounts.....	150
Glossary Of Terms .....	163

## Narrative Report

### An introduction to Reading

Reading is the county town of Berkshire. It is situated in the Thames Valley between Slough and Bristol, 40 miles west of London. Evidence of settlement here dates back to the 8th century and by 1525 Reading had grown to be the 10th wealthiest town in England.

### Our Reading

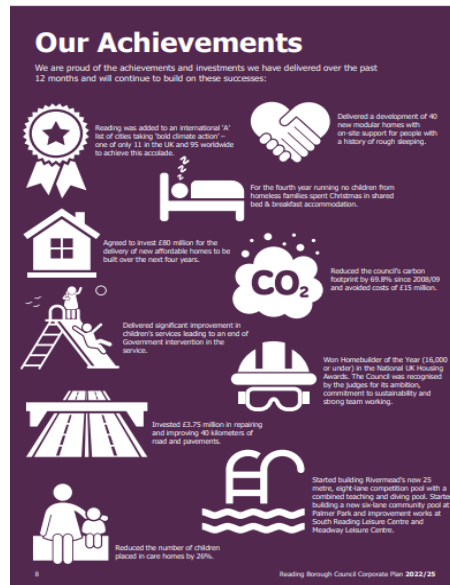


Badly affected by the dissolution of the monasteries under Henry VIII, and later by the English Civil War, Reading re-grew rapidly throughout the industrial revolution and flourishes in modern times as a major commercial and retail centre with a net inward commuter flow of 6,000 people each day.

Reading ranks amongst the UK's top 10 locations for economic success and wellbeing, when measured by factors such as employment levels, health, income and skills.

The town also offers a wealth of cultural, sporting and leisure opportunities including over 100 parks and open spaces. Every year it hosts the Reading Festival, one of the country's major music events, as well as the Reading Beer Festival, Reading Pride, and the Reading Half Marathon.

Oscar Wilde, famously imprisoned here between 1895 and 1897, wrote "The Ballad of Reading Gaol" shortly after his release.



## 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



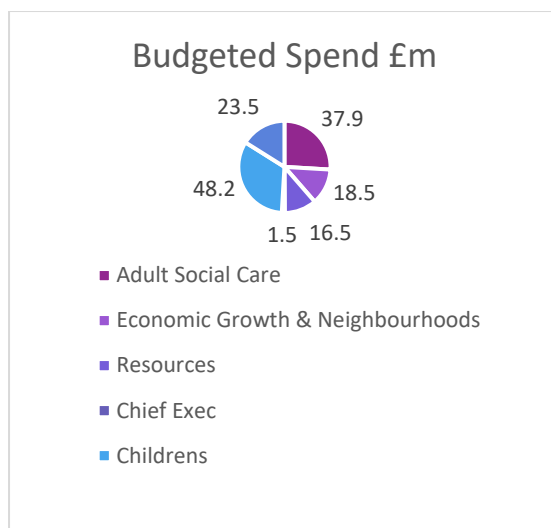
Make a Difference - We are here to make a difference to the residents, communities and businesses of Reading

### 2021/22 Budget

The 2021/22 budget was prepared at the height of the Covid-19 pandemic during a period of extreme uncertainty. It was approved by Council on 23<sup>rd</sup> February 2021 and included:

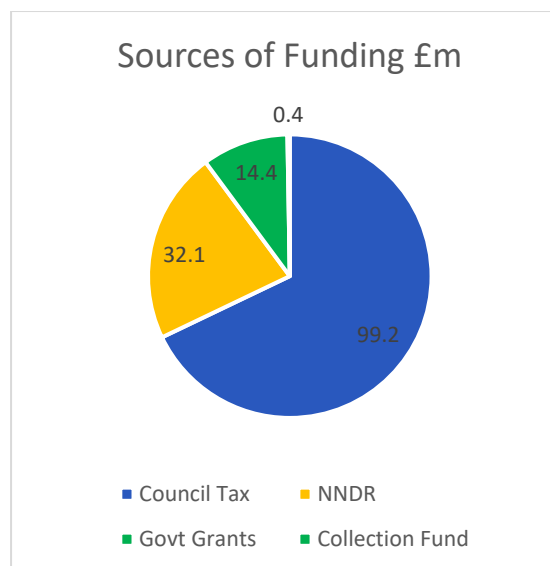
- A net budget requirement of £146.166m
- Savings of £15m
- Contingency provision of £3.8m
- A forecast drawdown from reserves of £2.7m

Budgeted spend was broken down as follows:



Band D Council Tax was set at £1,776.60, an overall increase of 4.99%.

The expenditure was to be funded from the following sources:



The General Fund balance was projected to be £7.5m on 21<sup>st</sup> March 2022 and General Fund earmarked reserves were projected to be £39.8m, giving total General Fund revenue reserves of £47.3m.

The Housing Revenue Account was forecast to spend £43.6m, requiring a £1.9m drawdown from reserves.

General Fund capital expenditure was budgeted at £88.1m and HRA capital at £127.8m, with a net borrowing requirement after the use of grants, capital receipts and capital reserves of £63.7m.

Major capital schemes included:

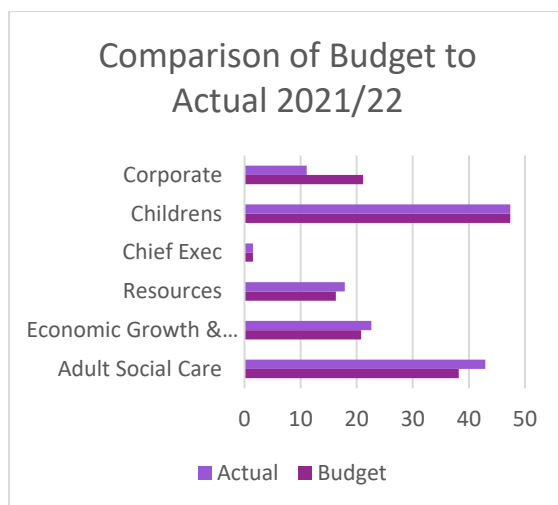
- New Build Housing £26.6m
- Leisure Centres £21.2m
- Housing Major Repairs £9.2m
- Phoenix College £6.7m
- Ranikhet School £4.1m
- Highways Infrastructure £3.7m
- Replacement Vehicles £2.9m

### Financial Performance 2021/22

#### General Fund Revenue

The financial outturn for 2021/22 was presented to Policy Committee on 11<sup>th</sup> July 2022.

There was a net favourable variance of £3.177m on General Fund revenue expenditure, and the planned £2.7m drawdown from reserves was not required. The comparison of budget to actual for each service was broken down as follows:



£14.3m of ongoing savings were delivered against a revised target of £20.1m. £3.8m of savings were removed as part of 2022/23 budget setting and £2m of savings were carried forward.

The General Fund reserve balance was maintained at £7.5m and General Fund earmarked reserves were £85.0m, giving total General Fund reserves of £92.5m.

### Housing Revenue Account

Net expenditure on the Housing Revenue Account was £0.4m better than expected, reducing the drawdown from reserves to £1.5m. The HRA reserve stood at £50.1m.

General Fund capital expenditure amounted to £48.7m and HRA capital

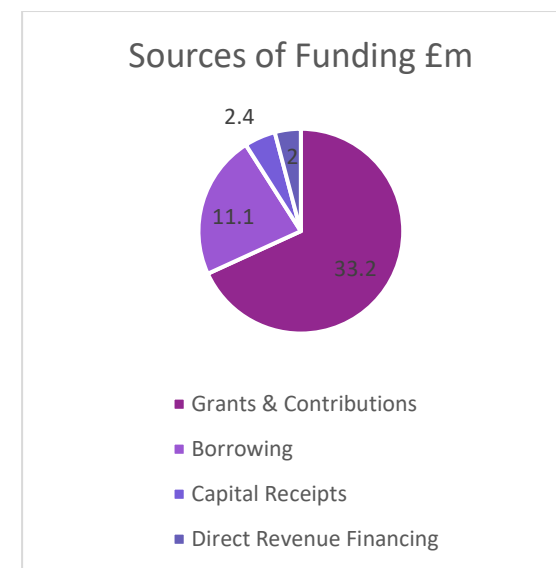
expenditure was £20.7m, giving total capital expenditure for the year of £69.7m.

### Capital Expenditure

Capital expenditure for the year was £69.4m, including:

- New Build Housing £11.8m
- Schools £10.8m
- Green Park Station £9.8m
- Leisure Centres £8.7m
- Housing Major Repairs £7.1m
- Highways Infrastructure £7m

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 2021/22 is as follows:

	Reading Transport Ltd Year Ended 03/04/2022 £'000	Homes for Reading Ltd Year Ended 31/03/2022 £'000	Brighter Futures for Children Year Ended 31/03/2022 £'000
Turnover	35,327	970	86,876
Profit / (Loss) after tax	931	(357)	(6,779)

### Commercial Investments

Reading Borough Council has a small portfolio of investment properties:

Property	Annual Rental Yield Mar 22 £m	Capital Value Mar 22 £m	Purchase Price £m
Kennet Wharf	1.295	16.900	21.276
Adelphi House	0.745	9.575	12.116
160-163 Friar St	0.719	9.510	11.884
Four 10 TVP	2.173	34.045	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 £3.019m 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 £2.164m.

### 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 2022 is:

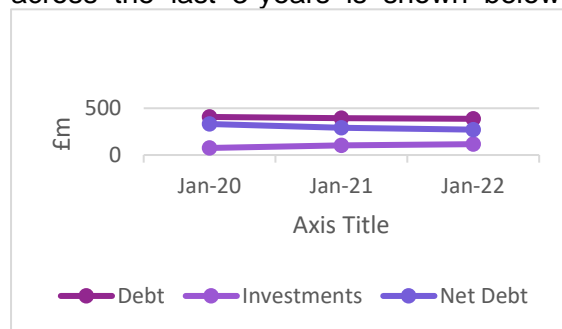
	March 21 £m	March 22 £m
Long-term assets	1,183.3	1,239.2
Current Assets	142.6	152.5
Current Liabilities	(132.8)	(132.4)
Long-term Liabilities	(960.9)	(870.3)
<b>Net Assets</b>	<b>232.1</b>	<b>389.2</b>
	March 21 £m	March 22 £m
Usable Reserves	236.5	225.5
Unusable Reserves	(4.4)	163.7
<b>Total Reserves</b>	<b>232.1</b>	<b>389.2</b>



## 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 2021/22. Principal repayments on long-term loans totalling £7.261 million were made. The net change in the gross borrowing position between 31st March 2021 and 31st March 2022 was therefore a decrease of £7.261 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 £464.6m – the equivalent deficit figure for 2020/21 was £551.4m.

## Looking ahead

A balanced budget for 2022/23 was set by Council in February 2022, including a budgeted contribution to reserves of £0.695m and with planned savings of £19.9m 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.

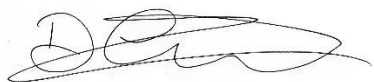
The **Expenditure and Funding Analysis** reconciles the full cost of providing services with the amounts funded by taxation.

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.



**Darren Carter**  
Director of Finance  
Section 151 Officer  
Reading Borough Council

**Date 21 November 2023**

# ANNUAL GOVERNANCE STATEMENT 2021/2022

September 2022

## SCOPE OF RESPONSIBILITY

Reading Borough Council is responsible for ensuring that:

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

The Council also has a duty to:

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

## THE PURPOSE OF THE GOVERNANCE FRAMEWORK

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

## THE GOVERNANCE FRAMEWORK AT READING

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

- the Standards Committee investigates specific allegations of misconduct;

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

## **CHANGES TO THE GOVERNANCE FRAMEWORK**

The Personnel Committee considered changes to the senior management structure in June 2022, following the retirement of the Chief Executive (Head of Paid Service). The Deputy Chief Executive (Deputy Head of Paid Service) became the Interim Chief Executive and Head of Paid Service from 19 July 2022, until a new Chief Executive takes up the role. Delegated authority was given to the Deputy Chief Executive, in consultation with the Leader of the Council and the Chair of Personnel Committee, to appoint an Interim Executive Director of Resources.

An Interim Executive Director of Resources has been appointed to cover the interim arrangements. It is expected that the Chief Executive appointment will be made in September 2022, at which point the interim arrangements will be reviewed to take into account the appointments made and the requirements for further senior management cover in the run-up to the new Chief Executive commencing.

In July 2022, the statutory Director of Children’s Services retired. The post is currently covered by the Director of Education who will be Interim Executive Director of Children’s Services until a new appointment can be made to that post.

## **GROUP GOVERNANCE**

The Council operates a number of companies:

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

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

**Brighter Futures for Children Ltd** – provision of Children’s Services. (Sole member).

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

The Council also has involvement in two other not for profit partnerships as a member: 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.

The Council continues to receive appropriate information about the performance of its companies through the Policy Committee which acts as the designated shareholder committee for the Council. In June 2021, Policy Committee agreed to review the governance arrangements for Reading Transport Ltd, including new appointments to the Board. A new Chair and non-executive directors were appointed in December 2021.

## **DECISION MAKING**

The arrangements made in accordance with the Coronavirus Act 2020 and the Local Authorities and Police and Crime Panels (Coronavirus) (Flexibility of Local Authority and Police and Crime Panel Meetings) (England and Wales) Regulations 2020, which allowed the Council and its Committees to be held remotely, ceased to be effective on 7 May 2021.

The Council has reverted to in-person meetings for formal decision-making committees. The council has retained the flexibility of online meetings for informal briefings and meetings where no formal decisions are recorded.

## **LOCAL GOVERNMENT ASSOCIATION (LGA) – CORPORATE PEER CHALLENGE**

This programme organised by the LGA, also known as “Peer Review” involves peer teams of councillors and officers from other councils spending time within a council to identify and address issues and challenge progress across various themes. These include local priorities and outcomes, organisational and place leadership, governance and culture, financial planning and management and capacity for improvement.

In June 2022, Reading BC invited the LGA to undertake such 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. A formal report has been received by the Council and will be published together with the Council’s action plan later this autumn.

## **CORPORATE PRIORITIES**

In March 2022, the Council adopted a new [Corporate Plan](#), “Investing in Reading’s Future: Reading Borough Council’s Corporate Plan 2022-25” The Council had adopted a one-year plan in March 2021, due to the level of uncertainty associated with the ongoing Covid-19 pandemic. In contrast, the new Corporate Plan sets out the three-year plan for the period 2022-25, to take forward and build on the themes and priorities set out in last year’s Plan.

The [Corporate Plan](#) and its [Appendix](#) of Key Measures are both available on the Council’s website. .

The Plan describes the major achievements and progress made over the last year and sets out the Council’s priorities and future work programme to deliver against the three themes of: Healthy Environment, Thriving Communities and Inclusive Economy, which are underpinned by the foundational activity of an efficient and effective organisation.

The progress made against the measures will continue to be reported to councillors and published in the Quarterly Performance Report to [Policy Committee](#). This will ensure focus is maintained on the Council's vision: 'to ensure that Reading realises its potential – and to ensure that everyone who lives and works here can share the benefits of its success'.

## **TEAM READING**

In March 2022, the Council undertook a staff survey which gathered responses from 49% the Council's workforce, 824 responses. Whilst the number of respondents is down on the 2021 figures (58%) the responses remain extremely positive and provide a good indication that the work done by the Council to engage staff from previous surveys, and with the Leadership Development Programme is showing results.

95% agreed that they make a valuable contribution to the success of the Council by doing their job. 92% agreed that they knew what the four organisational values of Team Reading are. 92% agreed that their line manager supports them to work flexibly (location/times) where possible, in line with the needs of customers and service delivery. 91% agreed that their line manager is approachable and supportive and 90% agreed that their manager demonstrated the Team Reading values.

As would be expected, there were some areas identified for future improvement and the Corporate Management Team has commissioned work in these areas to address those issues.

## **FINANCE**

A new [Medium-Term Financial Strategy](#) was approved by Council in February 2022 to cover the three years 2022/23 – 2024/25. Councillors received updates throughout 2021/22 to advise on the continuing financial effects of the pandemic to council services and finances. Income was still noted to be affected as some Council services struggled to return to levels of activity and income generation at pre-March 2020 levels.

The purpose of the Medium-Term Financial Strategy is to deliver a balanced and affordable 2022/23 budget and ensure that the Council's finances are robust and sustainable over the medium term, and that in the longer term, the Council's finances are not reliant on the unsustainable use of one-off reserves or funding.

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

## EXTERNAL AUDIT

The Council's external auditors, Ernst & Young (EY), issued a qualified opinion for the 2016/17 accounts because of a number of historic and significant control deficiencies. This led to delays in the publishing of annual accounts for 2017/18, 2018/19, 2019/20 and 2020/21. However, the audit of 2017/18 was completed in October 2020 and the audit for 2018/19 was concluded in September 2021. The audit on 2019/20 is almost concluded and work is ongoing to finalise and audit the 2020/21 and the 2021/22 accounts.

## DEMOCRACY

Effective planning for the local government elections throughout 2021/2022 saw delivery of Covid secure elections in May 2021 (postponed local elections and Police and Crime Commissioner Elections) and local elections in May 2022. Significant changes were made at Polling Stations and the Count Venue to ensure that electors and polling staff were safe.

In May 2022, as a result of the [Electoral Review](#) undertaken by the Local Government Boundary Commission for England, Reading had "all-out" elections for the election of 48 councillors to 16 wards. These elections proceeded successfully. The Council reverts to "elections by thirds" in 2023.

## RESIDENT SATISFACTION

In September 2021, the Council commissioned a representative sample of 1,057 residents. The purpose of the survey was to gauge levels of satisfaction with the local area, the Council and the services it provides.

Over 80 per cent of residents who took part in the survey were satisfied with their local area as a place to live and 76 per cent felt very or fairly strongly that they belong to their immediate neighbourhood. The headline results show:

- 66% of respondents were satisfied with the way Reading Borough Council runs things overall.
- 62% felt Reading Borough Council acts on the concerns of local residents a great deal or a fair amount.
- 69% outlined Reading Borough Council keeps them very or fairly well informed about the services and benefits it provides.

The Residents' Survey was discussed at the February 2022 Policy Committee meeting. The report can be found at [Appendix 12](#) of the Budget Report.

A further Survey has been commissioned for 2022 and a report is expected this autumn.

## ARRANGEMENTS FOR GOVERNANCE

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

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

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

### Behaving with integrity

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

### Ensuring openness

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

### Defining sustainable outcomes

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

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

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



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

### Achieving intended outcomes

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

### Developing capacity

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

## Managing risks

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

## Transparency and accountability

All Council meetings are held in public and minutes of meetings and webcasts are available on the Council's website. Public questions are allowed at Committees and at Council meetings.

### **MANAGING THE RISK OF FRAUD**

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

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

We have no knowledge of any actual, suspected or alleged fraud affecting the Authority, which would cause a material misstatement in the financial statement's either through fraudulent financial reporting and/or misstatements resulting from misappropriation of assets for 2021/2022.

### **REVIEW OF EFFECTIVENESS**

#### **Internal Audit**

The Council uses several ways to review the effectiveness of governance arrangements. One of the key assurance statements is the annual report and opinion of the Chief Auditor. The role of the Internal Audit Service is to provide assurance to management and those charged with

government about the quality and effectiveness of the governance framework and systems of internal control. The internal team completed 16 audits and 9 grant certifications. A further 3 audits had fieldwork completed at 31 March 2022, but with reports to be finalised. 100 audit recommendations have been made, of which 18 (18%) were classified as a high priority.

Public Sector Internal Audit Standards require the Chief Auditor to provide an assessment of the overall adequacy and effectiveness of the Council's control environment. This opinion is expressed using a scale ranging from Substantial to Reasonable, then Limited and finally No Assurance. The Chief Auditor has concluded that 'reasonable' assurance can now be placed on the adequacy and effectiveness of the Council's internal control framework within those areas audited in 2021/2022, largely because of improvements in key financial systems. The [full report can be viewed here](#).

### **GOVERNANCE SELF-ASSESSMENT**

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

- Complete further work in relation to the revised articles of Reading Transport Limited identified at Policy Committee in June 2021
- Complete the review of the Council's Constitution
- Consider the benchmarking exercise undertaken in 2021 by the Internal Audit team against the CIPFA / SOLACE Code of Corporate Governance and to identify policy improvement work to strengthen the governance function generally
- Complete the Finance Improvement Programme necessary to ensure the Council's financial processes and procedures are robust
- Implement the new financial system
- Embed the new Information Management Strategy and monitor it through the Information Governance Board
- Continue to raise the profile of Audit and embed a culture of compliance by addressing recommendations on a timely basis
- Continue to support the Internal Audit team and ensure that its recommendations are actioned in a timely way by managers with progress reported regularly to the Audit and Governance Committee
- Regular reporting from Reading Hampshire Property Partnership to ensure continued value for money from the Partnership
- Seeking a review of Homes for Reading in the coming year

- Completing a formal review of governance of the Reading Climate Change Partnership, for which the Council acts as accountable body
- Conducting a light touch governance review in the Culture Service February 2022, including all steering groups, boards, major capital projects and working groups with external organisations where grant funding is involved.
- Reviewing governance mechanisms in place around Local Authority New Build programme and tightening some elements
- Ongoing LGA scrutiny in relation to the Adult Care & Health Services Directorate savings and budgets
- Inspections by the Care Quality Commission in our regulated services. No reports were received in 2021/21

Other governance outcomes are shown below:

Issues Identified	Performance in 2021/2022
Formal reports by Chief Finance Officer or Monitoring Officer	None issued
Outcomes from Standards Committee or Monitoring Officer Investigations	The monitoring officer received seven complaints about member conduct in 2021/2022. Six were dismissed at the filter stage, and one was investigated under group procedures but the councillor stood down before the matter was resolved and the complaint lapsed.
Proven frauds carried out by councillors or members of staff	None
Objections received from local electors	No objections have been received from local electors
Local Government Ombudsman referrals upheld	The Local Government Ombudsman (LGO) upheld ten complaints, none of which had a public interest report published.
Information Commissioner referrals upheld	None.

## OTHER INSPECTION WORK

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

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

In March 2022, an OFSTED Focussed Visit provided feedback about the Council's progress in arrangements for children in need, and children subject to a child protection plan.

The [Focused Visit](#) found that whilst Reading was judged as requires improvement to be good at the ILACS inspection in September 2019, improvement activity since then has not resulted in sufficient improvement. Shortfalls in many aspects of work relevant to the progress of children in need and children subject to child protection plans were identified by the 2019 inspection. Whilst progress has been made in discrete areas of practice, OFSTED found the pace of change needed to accelerate to ensure that all children's circumstances improve.

The Company is working on an action plan to address the issues raised in the Focussed Visit report.

## CONCLUSION

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

- Complete the review of the Council's Constitution
- Implement Information Governance Strategy Action Plan
- Seeking Cyber Essentials Plus certification
- Complete Phase One and Deliver phase two of the Finance Transformation Plan
- Catch up on completion/sign off of Statutory Accounts
- Introduction of new Manager Induction training
- Work to continue to address issues identified in the MOSAIC Payments Audit including a review of the Scheme of Delegation for Adult Social care
- Directorate of Adult Care & Health Services (DACHS) Transformation programme to continue with oversight of the delivery of savings and efficiencies

- 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.

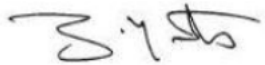
## **CERTIFICATION**

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

Signed on behalf of Reading Borough Council by:

A handwritten signature in blue ink that reads "JTB Brock".

Jason Brock, Leader of the Council

A handwritten signature in black ink that reads "J. Yates".

Jackie Yates, Interim, Chief Executive

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

### Disclaimer of Opinion

We were engaged to audit the financial statements of Reading Borough Council ('the Council') and its subsidiaries (the 'Group') for the year ended 31 March 2022. The financial statements comprise the:

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

The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2021/22 as amended by the Update to the Code and Specifications for Future Codes for Infrastructure Assets (November 2022).

We do not express an opinion on the accompanying financial statements of the Group and the Council. Because of the significance of the matter described in the basis for disclaimer of opinion section of our report, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

### Basis for disclaimer of opinion

The Accounts and Audit (Amendment) Regulations 2024 (Statutory Instrument 2024/907), which came into force on 30 September 2024, requires the accountability statements for this financial year to be approved not later than 13<sup>th</sup> December 2024.

The opinion for the audit of the 2020/21 financial statements for Reading Borough Council and Group was signed and issued on 8 April 2024. As a result of the delays to the previous year's audits together with a number of new technical issues and challenges to address, including, accounting for infrastructure assets and taking into account the updated pension fund valuations in the prior years and the wider requirement of the local audit system reset, we did not have the required resources available to complete the detailed audit procedures that would be needed to obtain sufficient appropriate audit evidence to issue an unmodified audit report on the 2021/22 financial statements before the 13<sup>th</sup> December 2024 backstop date.

Therefore, we are disclaiming our opinion on the 2021/22 financial statements.

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

Notwithstanding our disclaimer of opinion on the financial statements, performed subject to the pervasive limitation described above, we have nothing to report in respect of whether the annual governance statement is misleading or inconsistent with other information forthcoming from the audit or our knowledge of the Group and the Council.

We report to you if:

- We issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014 (as amended)
- We make written recommendations to the audited body under Section 24 of the Local Audit and Accountability Act 2014 (as amended)
- We make an application to the court for a declaration that an item of account is contrary to law under Section 28 of the Local Audit and Accountability Act 2014(as amended)
- We issue an advisory notice under Section 29 of the Local Audit and Accountability Act 2014 (as amended)
- We make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014 (as amended)

We have nothing to report in these respects

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

- Report on the Council and the Group's proper arrangements for securing economy, efficiency, and effectiveness in the use of resources. We report to you, if we are not satisfied that the Group and the Council have put in place proper arrangements to secure economy, efficiency, and effectiveness in its use of resources for the year ended 31 March 2022.

On the basis of our work, having regard to the Code of Audit Practice 2024 and the guidance issued by the Comptroller and Auditor General in November 2024, we have identified the following significant weaknesses in the Group and Council's arrangements for the year ended 31 March 2022.

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

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



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

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

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

The Council accepted the findings of the inspection and put in place procedures to improve performance. Ofsted have monitored progress since the issue of its initial report and in its update letter, issued in June 2017, concluded that the Council was not making the expected progress in improving services for its children and young people. Subsequent Ofsted reports throughout May 2019 to March 2022 continued to highlight concerns over the lack of consistency of both the improvements required and of the services offered during the year.

In forming our assessment, we have read and considered:

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

Weaknesses in children's services had led to an inadequate level of service provision by the Council and increased scrutiny from the regulator. We recommend the Council implements the actions required by Ofsted and critically assesses ongoing performance in this key area of service provision. This issue is evidence of a significant weakness in arrangements in respect of improving economy, efficiency and effectiveness, specifically how the body evaluates the services it provides to assess performance and identify areas for improvement for the year ended 31 March 2022. We note subsequent assessments from Ofsted were issued in October 2023 and May 2024, which confirmed the statutory direction was lifted due to improvements made but a package of support and supervision for the Council would continue.

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

As explained more fully in the Statement of the Director of Finance's Responsibilities set out on page 29, the Director of Finance is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2021/22 as amended by the Update to the Code and Specifications for Future Codes for Infrastructure Assets (November 2022), and for being satisfied that they give a true and fair view and for such internal control as the Director of Finance determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Director of Finance is responsible for assessing the Group and the Council's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Group and the Council either intends to cease operations, or has no realistic alternative but to do so. The Council is responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources, to ensure proper stewardship and governance, and to review regularly the adequacy and effectiveness of these arrangements.

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

Our responsibility is to conduct an audit of the Group and the Council's financial statements in accordance with International Standards on Auditing (UK) and to issue an auditor's report.

However, because of the matter described in the basis for disclaimer of opinion section of our report, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

We are independent of the Group and the Council in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard and the Code of Audit Practice 2024 and we have fulfilled our other ethical responsibilities in accordance with these requirements

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

We have undertaken our review in accordance with the Code of Audit Practice 2024, having regard to the guidance on the specified reporting criteria issued by the Comptroller and Auditor General in November 2024, as to whether Reading Borough Council and Group had proper arrangements for financial sustainability, governance and improving economy, efficiency and effectiveness. The Comptroller and Auditor General determined these criteria as those necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether Reading Borough Council and Group put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2022.

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

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

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

### **Certificate**

We certify that we have completed the audit of the accounts of Reading Borough Council and Group in accordance with the requirements of the Local Audit and Accountability Act 2014 (as amended) and the Code of Audit Practice issued by the National Audit Office.

### **Use of our report**

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

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Maria Grindley (Key Audit Partner)  
Ernst & Young LLP (Local Auditor)  
Reading  
26 November 2024

## Statement of Responsibilities

### Responsibilities of the Council

The Council is required to:

- Make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this Council, for 2021/22, 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 2022 and its income and expenditure for the year ended 31 March 2022.



Darren Carter  
Director of Finance (S151 Officer)  
25 November 2024

## Comprehensive Income and Expenditure Statement

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

2020/21			2021/22				
Gross Expenditure	Gross Income	Net Expenditure	Service Area	Note	Gross Expenditure	Gross Income	Net Expenditure
£'000	£'000	£'000			£'000	£'000	£'000
77,735	(40,488)	37,246	Adult Care and Health Services		84,463	(39,569)	44,894
93,305	(72,005)	21,300	Resources		96,127	(70,739)	25,388
150,310	(91,346)	58,964	Children, Education and Early Help Services		149,727	(90,637)	59,091
105,358	(40,912)	64,446	Environment and Neighbourhood Services		106,104	(55,585)	50,518
24,214	(41,378)	(17,163)	Housing Revenue Account		37,248	(41,727)	(4,478)
<b>450,922</b>	<b>(286,129)</b>	<b>164,793</b>	<b>Costs of Services</b>		<b>473,669</b>	<b>(298,257)</b>	<b>175,412</b>
		519	Other Operating Expenditure	10			12,189
		20,518	Financing and Investment Income and Expenditure	11			24,686
		(195,132)	Taxation and Non-Specific Grant Income	12			(194,009)
		<b>(9,302)</b>	<b>(Surplus) or Deficit on Provision of Services</b>				<b>18,278</b>
		-	(Surplus) or Deficit on Revaluation of Available for Sale Financial Assets				-
		133,852	Remeasurements of the Net Defined Benefit Liability	42			(118,101)
		(25,652)	(Surplus) or Deficit on Revaluation of Property, Plant and Equipment				(57,303)
		<b>108,200</b>	<b>Other Comprehensive Income and Expenditure</b>				<b>(175,404)</b>
		<b>98,898</b>	<b>Total Comprehensive Income and Expenditure</b>				<b>(157,125)</b>

\*This table is subject to roundings

## Movement in Reserves Statement

The Movement in Reserves Statement shows the movement from the start of the year to the end on the different reserves held by the 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.

2021/22	REVENUE RESERVES						CAPITAL RESERVES			Total Usable Reserves £'000	Unusable Reserves £'000	Total Reserves £'000
	General Fund balance £'000	Earmarked General Fund Reserves £'000	Total General Fund balances £'000	Housing Revenue Account (HRA) £'000	Earmarked HRA Reserves £'000	Total HRA Balances £'000	Capital Receipts Reserve £'000	Major repairs Reserve £'000	Capital Grants Unapplied Account £'000			
<b>Balance at 31 March 2021</b>	(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)
<b>Total Comprehensive Income and Expenditure</b>	<b>16,292</b>	<b>-</b>	<b>16,292</b>	<b>1,986</b>	<b>-</b>	<b>1,986</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>18,278</b>	<b>(175,404)</b>	<b>(157,125)</b>
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	-
<b>Net (increase)/decrease before transfers to/(from) earmarked reserves</b>	<b>14,826</b>	<b>-</b>	<b>14,827</b>	<b>306</b>	<b>-</b>	<b>306</b>	<b>930</b>	<b>(4,271)</b>	<b>78</b>	<b>11,868</b>	<b>(168,995)</b>	<b>(157,125)</b>
Transfers to/(from) earmarked reserves	(14,826)	14,018	(808)	73	(73)	-				(808)	808	-
<b>(Increase)/decrease for the year</b>	<b>-</b>	<b>14,018</b>	<b>14,018</b>	<b>379</b>	<b>(73)</b>	<b>306</b>	<b>930</b>	<b>(4,271)</b>	<b>78</b>	<b>11,060</b>	<b>(168,187)</b>	<b>(157,125)</b>
<b>Balance at 31 March 2022</b>	<b>(7,500)</b>	<b>(85,052)</b>	<b>(92,552)</b>	<b>(40,265)</b>	<b>(10,147)</b>	<b>(50,412)</b>	<b>(12,818)</b>	<b>(6,957)</b>	<b>(62,746)</b>	<b>(225,484)</b>	<b>(163,759)</b>	<b>(389,242)</b>

Table is subject to rounding

2020/21	REVENUE RESERVES						CAPITAL RESERVES			Total Usable Reserves £'000	Unusable Reserves £'000	Total Reserves £'000
	General Fund balance £'000	Earmarked General Fund Reserves £'000	Total General Fund balances £'000	Housing Revenue Account (HRA) £'000	Earmarked HRA Reserves £'000	Total HRA Balances £'000	Capital Receipts Reserve £'000	Major repairs Reserve £'000	Capital Grants Unapplied Account £'000			
	<b>Balance at 31 March 2020</b>	(7,500)	(45,699)	(53,199)	(35,822)	(9,910)	(45,732)	(11,349)	(2,602)			
<b>Transfer of Schools' Deficit Budget to new adjustment account</b>		(1,768)	(1,768)							(1,768)	1,768	-
(Surplus)/Deficit on provision of services	2,129		2,129	(11,432)		(11,432)				(9,303)		(9,303)
Other Comprehensive Income and Expenditure			-			-				-	108,200	108,200
<b>Total Comprehensive Income and Expenditure</b>	2,129	-	2,129	(11,432)	-	(11,432)	-	-	-	(9,303)	108,200	98,897
<b>Adjustments between accounting basis and funding basis under regulations</b>	(54,144)		(54,144)	6,447		6,447	(2,399)	(84)	(4,159)	(54,339)	54,339	-
Net (increase)/decrease before transfers to/(from) earmarked reserves	(52,015)	(1,768)	(53,783)	(4,985)	-	(4,985)	(2,399)	(84)	(4,159)	(65,410)	164,307	98,897
<b>Transfers to/(from) earmarked reserves</b>	52,015	(51,603)	412	163	(163)	-				412	(412)	-
<b>(Increase)/decrease for the year</b>	-	(53,371)	(53,371)	(4,822)	(163)	(4,985)	(2,399)	(84)	(4,159)	(64,998)	163,895	98,897
<b>Balance at 31 March 2021</b>	(7,500)	(99,070)	(106,570)	(40,644)	(10,073)	(50,717)	(13,748)	(2,686)	(62,824)	(236,544)	4,427	(232,117)

## Balance Sheet

2020/21			2021/22
£'000	Balance Sheet	Note	£'000
914,008	Property, Plant & Equipment	22	983,368
125,957	Infrastructure	23	123,333
2,743	Heritage Assets	24	2,651
75,980	Investment Property	25	75,210
6,475	Intangible Assets	26	6,248
21,323	Long-term Investments	29	26,002
36,765	Long-term Debtors	33	22,498
<b>1,183,251</b>	<b>Non-Current Assets</b>		<b>1,239,310</b>
-	Assets held for sale		330
336	Inventories		357
82,445	Short-term Debtors	33	83,341
59,807	Cash and Cash Equivalents	32	68,551
<b>142,588</b>	<b>Current Assets</b>		<b>152,579</b>
(7,944)	Short-term Borrowing	29	(3,054)
(115,367)	Short-Term Creditors	34	(120,770)
(7,406)	Short-Term Provisions	35	(7,055)
(1,009)	PFI Short-Term Liabilities and Deferred Income	41	(1,114)
(1,115)	Deferred Income		(395)
-	Grants Receipts in Advance - Capital		-
<b>(132,841)</b>	<b>Current Liabilities</b>		<b>(132,388)</b>
-	Long-Term Provisions		-
(384,183)	Long-Term Borrowing	29	(381,825)
(551,445)	Liability relating to defined benefit pension scheme	43	(464,659)
(24,261)	PFI Long-Term Liabilities and Deferred Income	41	(23,148)
(366)	Deferred Income		-
(627)	Other Long Term Liabilities	29	(627)
<b>(960,882)</b>	<b>Long Term Liabilities</b>		<b>(870,259)</b>
<b>232,117</b>	<b>Net Assets</b>		<b>389,242</b>
(236,544)	Usable Reserves	36	(225,484)
4,427	Unusable reserves	37	(163,758)
<b>(232,117)</b>	<b>Total Reserves</b>		<b>(389,242)</b>

\*Table is subject to rounding



**Darren Carter**  
Director of Finance - Section 151 Officer  
25 November 2024



## 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.

2020/21 Restated £'000	Cash Flow	Note	2021/22 £'000
(9,303)	Net (surplus) or deficit on the provision of services		18,278
(96,152)	Adjustments to net surplus or deficit on the provision of services for non-cash movements		(78,541)
42,134	Adjustments for items included in the net surplus on the provision of services that are investing and financing activities		48,085
<b>(63,320)</b>	<b>Net cash flows from Operating Activities</b>	44	<b>(12,178)</b>
608	Investing Activities	45	20,554
37,159	Financing Activities	46	(17,119)
<b>(25,553)</b>	<b>Net (increase) or decrease in cash and cash equivalents</b>		<b>(8,744)</b>

34,254	Cash and cash equivalents at the beginning of the reporting period		59,807
25,553	Net increase or (decrease) in cash and cash equivalents		8,744
<b>59,807</b>	<b>Cash and cash equivalents at the end of the reporting period</b>	32	<b>68,551</b>

*\*\*The following 2020/21 amounts have been updated : Adjustments to net surplus or deficit on the provision of services for non-cash movements have been updated from (96,918) to (96,152). Net cashflow from investing activities have been updated from 608 to 1,375.*

## Note 1 - Significant Accounting Policies

### **i. General Principles**

The Statement of Accounts summarises the Council's transactions for the 2021/22 financial year and its position as at the 31 March 2022.

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 2021/22 (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 2021/22 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. Voluntary Aided and Voluntary Controlled schools are not recognised on the Council's Balance Sheet as the balance of control for those schools lies with the respective dioceses. Academies are also not recognised on the Balance Sheet as they are controlled by Academy Trusts.

**xii. Investment Property**

Investment properties are those that are used solely to earn rentals and/or for capital appreciation. The definition is not met if the property is used in any way to facilitate the delivery of services or production of goods or is held for sale.

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

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

### xiii. Leases

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

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

#### Council as Lessor

- ***Finance leases***

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

Income from lessees is apportioned between:

- a charge to write down the lease debtor for the acquisition of the leased item; and
- finance income (i.e., interest) which is credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

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

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

## **IFRS 16**

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

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

- ***Operating Leases***

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

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

### Council as Lessee

- *Finance leases*

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

- *Operating Leases*

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

#### **xiv. Overhead and support service recharges**

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

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

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

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

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

**xvi. Property, Plant and Equipment**

**Recognition**

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

**Measurement**

**Assets are initially valued at cost comprising:**

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

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

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

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

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

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

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

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

Assets included in the Balance Sheet at current value are revalued sufficiently regularly to ensure that their carrying amounts are not materially different from the current value at the year-end, but as a minimum every five years. Increases in valuations are matched by credits to the revaluation reserve to recognise unrealised gains. Exceptionally, gains might be credited to the Comprehensive Income and Expenditure Statement where they arise from the reversal of a loss previously charged to a service, adjusted for depreciation that would have been charged if the loss had not been recognised.

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

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

The Revaluation Reserve contains revaluation gains recognised since 1 April 2007 only – the date of its formal implementation. Gains arising before that date have been consolidated into the Capital Adjustment Account.

### **Impairment**

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

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

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

### **Depreciation**

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



### **Depreciation is calculated on the following bases:**

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

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

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

### **Disposals**

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

If assets no longer meet the criteria to be classified as assets held for sale, they are reclassified back to non-current assets and valued at the lower of their carrying amount before they were classified as held for sale; adjusted for depreciation, amortisation or revaluations that would have been recognised had they not been classified as held for sale, and their recoverable amount at the date of the decision not to sell.

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

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

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

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

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

### **Heritage Assets**

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

Heritage assets are measured in the Balance Sheet at insurance value based on market value. Impairment reviews are carried out annually to assess any physical depletion of the assets.

Any impairment is recognised and measured in accordance with the authority's general policies on impairment. Heritage assets held by the Council are deemed to have indefinite lives and are not depreciated. Disposals will be treated in the same manner as other Property, Plant and Equipment.

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

### **Componentisation**

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

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

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

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

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

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

#### **xvii. Service Concessions**

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

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

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

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

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

#### **xviii. Provisions, Contingent Liabilities and Contingent Assets**

##### **Provisions**

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

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

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

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

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

### **Contingent Liabilities**

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

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

### **Contingent Assets**

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

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

### **xix. Reserves**

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

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

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

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

Legislation requires defined items of revenue expenditure charged to services within the Comprehensive Income and Expenditure Statement to be treated as capital expenditure. All such expenditure is transferred from the General Fund Balance via the Movement in Reserves Statement to the Capital Adjustment Account and is included in the Capital Expenditure and Capital Financing disclosure in Note 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 Her Majesty's Revenue and Customs. VAT receivable is excluded from income within the Comprehensive Income and Expenditure Statement.

## Note 2 - Accounting Standards Issued but Not Yet Adopted

The Code of Practice requires that the Council discloses information relating to the impact of an accounting change that will be required by a new standard that has been issued but not yet adopted.

This requirement applies to accounting standards that come into effect for financial years commencing on or before 1 January of the financial year in question (i.e., on or before 1 January 2022 for 2021/22). Disclosure requirements are expected to be included in a subsequent edition of the Code.

- The annual IFRS improvement programme 2018-2020 notes four changed standards:
  - IFRS 1 First-time Adoption – amendment relates to foreign operations of acquired subsidiaries transitioning to IFRS.
  - IAS 37 Onerous Contracts – amendment clarifies the intention of the standard.
  - IAS 41 Agriculture – removal of cash flows for taxation from fair value calculations. This is not expected to impact urban local authorities.
  - IFRS 16 Leases – removal of a misleading example concerning lease incentives.
- Amendments to IAS 16 Property, Plant and Equipment – proceeds before intended use.

- Implementation of IFRS 16 Leases has been deferred until 1 April 2024 but the 2022/23 Code allows for early adoption. The Council has not adopted as of 1 April 2022 and therefore the impact is not known or reasonably estimable on 31 March 2022. The Council will continue to review its lease arrangements to assess the impact of the change.

These changes are not expected to have a material impact on the information provided in the financial statements.

### **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 43 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 2022 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 £0.86m for every year that useful lives had to be reduced.

##### **Valuation of HRA dwellings**

The valuation of HRA dwellings has been split between land and buildings, based on the hectareage of HRA dwellings multiplied by residential land values per hectare in order, to estimate depreciation. The annual depreciation would decrease by £0.173m for a 1% reduction in the land value percentage and would increase by the same amount for a 1% increase in the land value percentage.

##### **Pension Liability**

Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide the Council with expert advice about these assumptions and judgments and has provided the sensitivity analysis shown below for 2021/22:



Sensitivity analysis	£000s	£000s	£000s	£000s	£000s
<b>Adjustment to discount rate</b>	<b>+0.5%</b>	<b>+0.1%</b>	<b>0.0%</b>	<b>-0.1%</b>	<b>-0.5%</b>
Present value of total obligation	858,298	930,676	950,205	970,354	1,057,640
Projected service cost	24,629	28,484	29,547	30,653	35,554
<b>Adjustment to long term salary increase</b>	<b>+0.5%</b>	<b>+0.1%</b>	<b>0.0%</b>	<b>-0.1%</b>	<b>-0.5%</b>
Present value of total obligation	956,626	951,470	950,205	948,951	944,030
Projected service cost	29,628	29,563	29,547	29,530	29,465
<b>Adjustment to pension increases and deferred revaluation</b>	<b>+0.5%</b>	<b>+0.1%</b>	<b>0.0%</b>	<b>-0.1%</b>	<b>-0.5%</b>
Present value of total obligation	1,049,987	968,951	950,205	932,024	864,556
Projected service cost	35,554	30,644	29,547	28,492	24,590
<b>Adjustment to life expectancy assumptions</b>		<b>+ 1 Year</b>	<b>None</b>	<b>- 1 Year</b>	
Present value of total obligation		999,021	950,205	903,925	
Projected service cost		30,905	29,547	28,241	

The effects on the net pension liability of changes in individual assumptions can be measured. For instance, a 0.1% increase in the discount rate assumption would result in a decrease in the pension liability of £20.0m.

### Arrears

At 31 March 2022, the Council had a balance of sundry debtors of £32.657m (net of impairments). A review of significant balances suggested that an impairment of doubtful sundry debts of £8.8m was appropriate. If collection rates were to deteriorate, a 1% increase in the value of impairments for doubtful debts would require an additional £88,000 to set aside as an allowance.

### Service Concessions

Estimates of the future payments due to contractors are based on assumptions regarding inflation and satisfactory performance as determined by the terms laid out within the contract. Inflation increases will lead to the Council having to pay over more to the contractor, and therefore amounts disclosed will be understated. If the contractor's performance is below the service level that has been built into the financial model linked to the Scheme, the contractor will have penalty charges levied against it and therefore the Council's costs will be lower than disclosed. Estimates may also be impacted by other assumptions (e.g. waste volumes). A 1% increase in the amount payable to the contractors due to inflation would result in an estimated additional annual cost of approximately £100,000.

### Business ratepayer appeals

Business ratepayers may lodge appeals against the rateable value given to their properties on the current rating list. The Council makes a provision for this in the Collection Fund, estimated as the expenditure required to settle outstanding appeals based on the likely outcome of those appeals. The provision at 31 March 2022 was £6.916m, which is shared between the Council, Central Government and the Fire Authority. The Council's share of this provision totals

£3.388m. The provision at 31 March 2022 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 £34,000.

### **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:

- £6.8m (£8.2m 2020/21) to RE3 Ltd for waste collection and disposal under the waste collection service concession;
- £48.4m (£47.5m 2020/21) to BFfC for provision of Children's Services. The first full year of the contract was 2019/20;
- £6.6m (£6.4m 2020/21) to Affinity (Reading) Ltd under a service concession to refurbish council-owned housing at North Whitley;
- £3.9m (£4.1m 2020/21) to Reading Transport Ltd for providing free travel under the Concessionary Fares Scheme;
- £3.6m (£3.9m 2020/21) to Northgate Public Services (UK) Ltd for the provision of IT services.

### **Note 6 - Events After the Reporting Period**

Events taking place after November 2023 (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 2022, 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.

2020/21			Service Area	2021/22		
Net Expenditure Chargeable to the GF and HRA Balances £'000	Adjustments £'000	Net Expenditure in the CIES £'000		Net Expenditure Chargeable to the GF and HRA Balances £'000	Adjustments £'000	Net Expenditure in the CIES £'000
35,253	1,993	37,246	Adult Care and Health Services	42,627	2,267	44,894
36,339	(15,039)	21,299	Corporate Support Services	32,208	(6,819)	25,388
50,694	8,270	58,964	Children, Education and Early Help Services	51,130	7,961	59,091
33,355	31,091	64,446	Environment and Neighbourhood Services	23,496	27,022	50,518
(10,428)	(6,735)	(17,163)	Housing Revenue Account	(3,553)	(925)	(4,478)
<b>145,213</b>	<b>19,580</b>	<b>164,792</b>	<b>Cost of Services</b>	<b>145,908</b>	<b>29,505</b>	<b>175,412</b>
(202,213)	28,118	(174,095)	Other Income and Expenditure	(130,775)	(26,360)	(157,134)
<b>(57,000)</b>	<b>47,698</b>	<b>(9,303)</b>	<b>(Surplus) or Deficit on Provision of Services</b>	<b>15,134</b>	<b>3,145</b>	<b>18,278</b>
		<b>(98,931)</b>	<b>Opening General Fund and HRA Balances as at 1 April</b>			<b>(157,288)</b>
		(1,356)	Movement on DSG deficit to Unusable Reserves			(809)
		-	- Transfer from Capital Grants Unapplied to Earmarked Reserve			-
		(57,001)	(Surplus) or Deficit on Provision of Services (Statutory Basis)			15,134
		<b>(157,288)</b>	<b>Closing General Fund and HRA Balances as at 31 March</b>			<b>(142,963)</b>

## Note 7a - Note to the Expenditure and Funding Analysis

2020/21					2021/22					
Capital Statutory Adjustments £'000	Net Pension Statutory Adjustments £'000	Salary Accruals £'000	Other Adjustments £'000	Total Adjustments £'000	Service Area	Capital Statutory Adjustments £'000	Net Pension Statutory Adjustments £'000	Salary Accruals £'000	Other Adjustments £'000	Total Adjustments £'000
250	1,679	65	-	1,994	Adult Care and Health Services	(360)	2,657	(31)	-	2,267
(17,473)	2,193	135	106	(15,039)	Resources & Corporate Budgets	(7,512)	3,269	(32)	(2,544)	(6,819)
4,701	3,412	157	-	8,270	Children, Education and Early Help Services	3,156	5,045	(241)	-	7,961
26,630	4,297	164	-	31,091	Environment and Neighbourhood Services	20,981	6,150	(111)	-	27,022
(8,100)	1,358	7	-	(6,735)	Housing Revenue Account	(2,806)	1,880	-	-	(925)
<b>6,008</b>	<b>12,939</b>	<b>526</b>	<b>106</b>	<b>19,579</b>	<b>Net Cost of Services</b>	<b>13,460</b>	<b>19,002</b>	<b>(415)</b>	<b>(2,544)</b>	<b>29,503</b>
7,438	-	-	-	7,438	Other Operating Expenditure	17,112	-	-	-	17,112
3,080	8,970	-	-	12,050	Financing and investment income	770	12,313	-	-	13,083
(36,246)	-	-	44,876	8,630	Taxation and non - specific grants	(39,225)	-	-	(17,329)	(56,554)
<b>(19,720)</b>	<b>21,909</b>	<b>526</b>	<b>44,982</b>	<b>47,698</b>	<b>Difference between GF/HRA (surplus)/ deficit and CIES (surplus) /deficit</b>	<b>(7,883)</b>	<b>31,315</b>	<b>(415)</b>	<b>(19,873)</b>	<b>3,145</b>

**Net Change for Capital Statutory Adjustments** This column adds in depreciation and impairment and revaluation gains and losses in the services line, and for:

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

### Net Change for the Pensions Adjustments

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

- For services this represents the removal of the employer pension contributions made by the 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	(39,569)	(21,266)	(18,303)
Resources & Corporate Budgets	(70,739)	(49,525)	(21,214)
Children, Education and Early Help Services	(90,637)	(92,133)	1,496
Environment and Neighbourhood Services	(55,585)	(9,860)	(45,725)
Housing Revenue Account	(41,727)	(4,037)	(37,690)
	<b>(298,257)</b>	<b>(176,821)</b>	<b>(121,436)</b>

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

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

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

### Note 7c - Expenditure and Income Analysed by Nature

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

2020/21		2021/22
£'000	Nature of Expenditure or Income	£'000
128,688	Council employees	137,737
10,623	Voluntary Aided Schools	11,314
<b>139,310</b>	<b>Sub total</b>	<b>149,051</b>
35,282	Depreciation, amortisation, impairment	37,988
24,666	Interest payments	28,842
276,330	Other service expenses	286,762
34,397	Business Rates Tariff	33,089
-	Net Loss on Asset Disposals	11,153
1,034	Payments to Housing Capital Receipts Pool	905
<b>511,020</b>	<b>Total Expenditure</b>	<b>547,789</b>
(110,683)	Revenue from external customers and other service income	(123,591)
(4,149)	Interest and investment income	(4,156)
(130,197)	Income from Council Tax and NDR	(155,890)
(274,777)	Government grants and contributions	(245,873)
(516)	Net Gain on Asset Disposals	-
<b>(520,323)</b>	<b>Total Income</b>	<b>(529,511)</b>
<b>(9,302)</b>	<b>(Surplus) or Deficit for Year</b>	<b>18,278</b>

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

This note details the adjustments that are made to the total comprehensive income and expenditure recognised by the 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.

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
<b>Adjustments to the Revenue Resources</b>						
Amounts by which income and expenditure included in the Comprehensive Income and Expenditure Statement are different from revenue for the year calculated in accordance with statutory requirements:						
Pension cost (transferred to (or from) the Pensions Reserve)	(28,264)	(3,051)	-	-	-	31,315
Financial Instruments (transferred to the Financial Instruments Adjustments 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)	-
<b>Total Adjustments to Revenue Resources</b>	<b>(15,535)</b>	<b>(18,289)</b>	<b>-</b>	<b>-</b>	<b>(39,225)</b>	<b>73,049</b>
<b>Adjustments between Revenue and Capital Resources</b>						
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)
<b>Total Adjustments between Revenue and Capital Resources</b>	<b>14,070</b>	<b>16,608</b>	<b>(5,973)</b>	<b>(11,831)</b>	<b>-</b>	<b>(12,875)</b>
<b>Adjustments to Capital Resources</b>						
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)
<b>Total Adjustments to Capital Resources</b>	<b>-</b>	<b>-</b>	<b>6,870</b>	<b>7,560</b>	<b>39,302</b>	<b>(53,732)</b>
<b>Other adjustments (Repayment on Finance Lease)</b>	<b>63</b>	<b>-</b>	<b>32</b>	<b>-</b>	<b>-</b>	<b>(32)</b>
<b>Total Adjustments</b>	<b>(1,465)</b>	<b>(1,680)</b>	<b>929</b>	<b>(4,271)</b>	<b>77</b>	<b>6,409</b>



2020/21	General Fund Balance	Housing Revenue Account	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	Movement in Unusable Reserves
	£000	£000	£000	£000	£000	£000
<b>Adjustments to the Revenue Resources</b>						
Amounts by which income and expenditure included in the Comprehensive Income and Expenditure Statement are different from revenue for the year calculated in accordance with statutory requirements:						
Pension cost (transferred to (or from) the Pensions Reserve)	(19,665)	(2,244)	-	-	-	21,909
Financial Instruments (transferred to the Financial Instruments Adjustments Account)	(104)	-	-	-	-	104
Council tax and NDR (transfers to or from the Collection Fund)	(44,876)	-	-	-	-	44,876
Holiday pay (transferred to the Accumulated Absences reserve)	(520)	(7)	-	-	-	527
Equal pay settlements (transferred to the Unequal Pay / Back Pay Account)	-	-	-	-	-	-
Charges for depreciation and impairment of non-current assets	(31,234)	(3,566)	-	-	-	34,800
Revaluation (gains) / losses on Property plant and equipment	-	-	-	-	-	-
Reversal of impairment of subsidiary holding	529	-	-	-	-	(529)
Movements in the market value of investment properties	(3,080)	-	-	-	-	3,080
Amortisation of intangible assets	(1,010)	-	-	-	-	1,010
Revenue expenditure funded from capital under statute	(6,384)	-	-	-	-	6,384
Amounts of non-current assets write off on disposal or sale as part of the gain/loss on disposal	(3,925)	(1,448)	-	-	-	5,373
Capital grants and contributions unapplied	36,246	-	-	-	(36,246)	-
<b>Total Adjustments to Revenue Resources</b>	<b>(74,023)</b>	<b>(7,265)</b>	<b>-</b>	<b>-</b>	<b>(36,246)</b>	<b>117,534</b>
<b>Adjustments between Revenue and Capital Resources</b>						
Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve	3,319	2,569	(5,888)	-	-	-
Payments to the government housing receipts pool (funded by a transfer from the Capital Receipts Reserve)	(905)	-	905	-	-	-
Posting of Housing Revenue Account resource from revenue to the Major Repairs Reserve	-	10,441	-	(10,441)	-	-
Statutory Provision for the repayment of debt (transfer to the Capital Adjustment Account)	17,301	451	-	-	-	(17,752)
Capital expenditure financed from revenue balances (transfer to the Capital Adjustment Account)	153	249	-	-	-	(402)
<b>Total Adjustments between Revenue and Capital Resources</b>	<b>19,868</b>	<b>13,710</b>	<b>(4,983)</b>	<b>(10,441)</b>	<b>-</b>	<b>(18,154)</b>
Adjustments to Capital Resources	-	-	-	-	-	-
Use of the Capital Receipts Reserve to finance capital expenditure	-	-	4,030	-	-	(4,030)
Use of the Major Repairs Reserve to finance new capital expenditure	-	-	-	10,357	-	(10,357)
Application of capital grants to finance capital expenditure	-	-	-	-	32,087	(32,087)
Cash payments in relation to deferred capital receipts	-	-	(1,295)	-	-	1,295
<b>Total Adjustments to Capital Resources</b>	<b>-</b>	<b>-</b>	<b>2,735</b>	<b>10,357</b>	<b>32,087</b>	<b>(45,179)</b>
Other adjustments (Repayment on Finance Lease)	164	-	(150)	-	-	140
<b>Total Adjustments</b>	<b>(54,145)</b>	<b>6,445</b>	<b>(2,398)</b>	<b>(84)</b>	<b>(4,159)</b>	<b>54,339</b>

\*Subject to roundings

## Note 9 - Transfers to/from Earmarked Reserves

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

	Balance at 31 March 2020	Transfers Out	Transfers In	Balance at 31 March 2021	Transfers Out	Transfers In	Balance at 31 March 2022
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>General Fund Reserves:</b>							
Emergency Planning Reserve	(610)	-	-	(610)	-	-	(610)
Communications Reserve	(200)	-	-	(200)	-	-	(200)
Housing Benefit Subsidy Loss Reserve	(300)	-	(150)	(450)	-	(150)	(600)
Public Health Reserve	(548)	-	(446)	(994)	87	-	(906)
Schools Deficit Liability Reserve	(850)	176	-	(674)	-	-	(674)
Climate Change Reserve	(322)	102	-	(220)	-	-	(220)
Legal & Taxation Reserve	(300)	-	-	(300)	-	-	(300)
Pension Liabilities Reserve	(1,100)	-	-	(1,100)	-	-	(1,100)
Commercial Property Liabilities Reserve	(1,700)	-	-	(1,700)	-	-	(1,700)
Revenue Grants Unapplied Reserve	(7,207)	4,603	(41,920)	(44,524)	16,730	(2,238)	(30,031)
Self Insurance Reserve	(2,314)	-	-	(2,314)	-	(442)	(2,756)
IT & Digital Reserve	(2,278)	-	(313)	(2,591)	-	-	(2,591)
Flexible Capital Receipts Reserve	(6,236)	-	(2,979)	(9,215)	2,480	(352)	(7,088)
Capital Finance Smoothing Reserve	(7,995)	13,176	(19,077)	(13,895)	1,727	(3,127)	(15,295)
Redundancy Reserve	(999)	654	-	(345)	-	-	(345)
Demographic & Cost-Led Pressures Reserve	(2,000)	-	-	(2,000)	-	-	(2,000)
Abortive Capital Costs Reserve	(500)	-	(1,000)	(1,500)	-	-	(1,500)
Collection Fund Smoothing Reserve	(6,281)	60	(774)	(6,996)	799	-	(6,196)
Better Care Fund Reserve	-	-	(454)	(454)	-	(579)	(1,032)
Joint Legal Team Reserve	-	-	(126)	(126)	-	-	(126)
Financial Resilience Reserve	(1,859)	-	(3,535)	(5,393)	-	(195)	(5,588)
DEGNS Strategic Reserve	-	-	(184)	(184)	-	-	(184)
Arts Foundation Fund	-	-	(1)	(1)	1	-	-
Advice & Wellbeing hub	(240)	240	-	-	-	-	-
Adult Social Care Reserve	(951)	951	-	-	-	-	-
Energy Reserve	-	-	-	-	-	(791)	(791)
Ministry of Justice Liability Order Reserve	-	-	-	-	-	(119)	(119)
Procurement Training Reserve	-	-	-	-	-	(50)	(50)
Archives Projects Reserve	-	-	-	-	-	(31)	(31)
Schools	(2,677)	946	(1,554)	(3,285)	975	(709)	(3,019)
DSG	1,768	-	(1,768)	(0)	-	-	(0)
<b>Total General Fund</b>	<b>(45,699)</b>	<b>20,910</b>	<b>(74,280)</b>	<b>(99,070)</b>	<b>22,800</b>	<b>(8,782)</b>	<b>(85,052)</b>
<b>Housing Revenue Account Reserves:</b>							
North Whitley PFI	(9,910)	-	(163)	(10,074)	-	(73)	(10,147)
<b>Total Housing Revenue Account</b>	<b>(9,910)</b>	<b>-</b>	<b>(163)</b>	<b>(10,074)</b>	<b>-</b>	<b>(73)</b>	<b>(10,147)</b>
<b>Total Earmarked Reserves</b>	<b>(55,609)</b>	<b>20,910</b>	<b>(74,444)</b>	<b>(109,143)</b>	<b>22,800</b>	<b>(8,855)</b>	<b>(95,199)</b>

*\*This table is subject to roundings*

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

The Council holds these Reserves for the following purposes:

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

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

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

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

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

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

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

The **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.

## Note 10 - Other Operating Expenditure

2020/21 £'000		2021/22 £'000
130	Levies	131
905	Payments to the Government Housing Capital Receipts Pool	905
(516)	(Gains)/Losses on the disposal of non-current assets	11,153
<b>519</b>	<b>Total</b>	<b>12,189</b>

## Note 11 - Financing and Investment Income and Expenditure

2020/21 £'000		2021/22 £'000
15,592	Interest payable and similar charges	16,529
8,970	Net interest on the net defined benefit liability (asset)	12,313
(1,983)	Interest receivable and similar income	(2,284)
(2,165)	Income and expenditure in relation to investment properties and changes in their fair value	673
104	Other investment income	(2,545)
<b>20,518</b>	<b>Total</b>	<b>24,686</b>

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

2020/21 £'000		2021/22 £'000
(93,447)	Council Tax Income	(100,782)
(36,750)	Non-Domestic rates income	(53,067)
34,397	Non-Domestic Rates Tariff and Levy	33,089
(63,086)	Non-Ringfenced Government Grants	(34,025)
(36,246)	Capital Grants and Contributions	(39,225)
<b>(195,132)</b>	<b>Total</b>	<b>(194,009)</b>

## Note 13 - Officers' Remuneration

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

## 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			<b>163,785</b>		<b>163,785</b>
	Executive Director of Adult Care & Health Services:	140,266			<b>140,266</b>	33,243	<b>173,509</b>
	Executive Director of Resources (Jackie Yates)	154,526			<b>154,526</b>	36,623	<b>191,149</b>
	Executive Director of Environment & Neighbourhood Services:	136,323			<b>136,323</b>	29,302	<b>165,625</b>
	Executive Director of Children's Services 2*	26,595	12		<b>26,606</b>	6,303	<b>32,909</b>
	Director of Public Health Berkshire West 3*	79,848			<b>79,848</b>	18,409	<b>98,257</b>
	Director of Public Health Berkshire West 4*	40,088			<b>40,088</b>	9,501	<b>49,588</b>
	Strategic Communications Manager 5*	27,372	7		<b>27,379</b>	9,900	<b>37,279</b>
	Strategic Communications Manager 6*	32,513			<b>32,513</b>		<b>32,513</b>
	Corporate Legal Adviser 7*	53,153	54		<b>53,208</b>	12,597	<b>65,805</b>
		<b>854,469</b>	<b>73</b>	-	<b>854,542</b>	<b>155,878</b>	<b>1,010,420</b>

Salary, Fees and Allowances includes market supplements, acting up allowances and honorarium

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 Secondment From Royal Borough Of Windsor & Maidenhead Commenced August 2021

7\* 0.5 FTE Returning Officer Fees £9,866

## 2020-21 Senior Officers' Remuneration

2020-21	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)	166,765			<b>166,765</b>		<b>166,765</b>
	Executive Director of Adult Care & Health Services:	138,385	28		<b>138,413</b>	32,797	<b>171,210</b>
	Executive Director of Resources:	140,600			<b>140,600</b>	33,916	<b>174,516</b>
	Executive Director of Environment & Neighbourhood Services:	124,498			<b>124,498</b>	26,499	<b>150,997</b>
	Executive Director of Children's Services 1*	25,570			<b>25,570</b>	6,060	<b>31,630</b>
	Director of Public Health Berkshire West 2*	49,040			<b>49,040</b>	11,622	<b>60,663</b>
	Strategic Communications Manager 3*	59,903			<b>59,903</b>	14,197	<b>74,099</b>
		<b>704,760</b>	<b>28</b>	<b>-</b>	<b>704,789</b>	<b>125,092</b>	<b>829,880</b>

Salary, Fees and Allowances includes market supplements, acting up allowances and honorarium

1\* 0.2 FTE

2\* Post commenced November 2020

3\* 0.9 FTE

## 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:

2020/21 Schools	2020/21 Non-schools	2020/21 Total		2021/22 Schools	2021/22 Non-schools	2021/22 Total
14	38	52	£50,001 to £55,000	14	38	52
13	23	36	£55,001 to £60,000	13	23	36
5	11	16	£60,001 to £65,000	5	11	16
4	4	8	£65,001 to £70,000	4	4	8
6	6	12	£70,001 to £75,000	6	6	12
5	3	8	£75,001 to £80,000	5	3	8
2	4	6	£80,001 to £85,000	2	4	6
1	4	5	£85,001 to £90,000	1	4	5
0	4	4	£90,001 to £95,000	0	4	4
0	5	5	£95,001 to £100,000	0	5	5
0	0	0	£100,001 to £105,000	0	0	0
2	0	2	£105,001 to £110,000	2	0	2
0	2	2	£110,001 to £115,000	0	2	2
0	0	0	£115,001 to £155,000	0	0	0
0	1	1	£155,001 to £160,000	0	1	1
0	1	1	£160,001 to £165,000	0	1	1
<b>52</b>	<b>106</b>	<b>158</b>	<b>Total</b>	<b>52</b>	<b>106</b>	<b>158</b>

#### 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 (£)	
	2020/21	2021/22	2020/21	2021/22	2020/21	2021/22	2020/21	2021/22
£0 - £20,000	-	-	12	14	12	14	111,639	89,135
£20,001 - £40,000	-	-	2	2	2	2	58,050	45,037
£40,001 - £60,000	-	-	2	1	2	1	97,229	57,029
£60,001 - £80,000	-	-	1	1	1	1	68,704	65,678
£80,001 - £100,000	-	-	1	-	1	-	86,782	-
£100,001 - £150,000	-	-	1	-	1	-	118,353	-
£150,001 - £200,000	-	-	1	-	1	-	150,355	-
£200,001 - £250,000	-	-	-	-	-	-	-	-
<b>Total</b>	<b>0</b>	<b>0</b>	<b>20</b>	<b>18</b>	<b>20</b>	<b>18</b>	<b>691,112</b>	<b>256,879</b>
Add: Amounts provided for in CIES not included in bandings							-	-
<b>Total cost included in CIES</b>							<b>691,112</b>	<b>256,879</b>



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

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

#### Note 15 - Members' Allowances

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

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

The total amounts paid to Members and Co-opted Officers during 2021/22 was as follows:

2020/21		2021/22
£		£
388,405	Basic Allowances	394,550
168,315	Special Responsibility Allowance	169,369
-	Dependent Carer's Allowance	14
68	Travelling and Subsistence Allowance	318
4,226	Co-optees' Allowance	4,300
<b>561,013</b>	<b>Total</b>	<b>568,551</b>

#### Note 16 – Related Parties

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

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

- Elected Members;
- Chief Executive;
- Members of the Corporate Management Team (CMT). Additional details of these Officers are provided in Note 13.

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

Four Members sit on the Board of Readibus. This Charity has been established to provide a Scheme for the transportation of elderly and temporarily or permanently disabled people within Reading and the surrounding district. The Council is the major grant funding body for Readibus. In total during 2021/22, the Council incurred costs of £648k (2020/21: £667k) with Readibus.

#### **Transactions with Central Government**

Central Government has an effective general control over the operations of the Council. It is responsible for providing the statutory framework within which the Council operates, provides a significant portion of the Council's funding in the form of grants and prescribes the terms of many of the transactions that the Council has with other parties. Details of the transactions with other Government departments include items reported within Note 21 Capital and Revenue Grants, Note 28 Capital Expenditure, Note 33 Debtors and Note 34 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 £2.67m (2020/21 just over £1.9m) and the entity has no assets, RHPP has been excluded from the Group Accounts on materiality grounds.

Three Members are trustees of the Reading Community Welfare Rights Unit (RCWRU), a registered charity and company. The RCWRU received £79k (2020/21: £82k) from Reading Borough Council representing a material proportion of RCWRU's grant income.

One Member (the current lead Councillor) and the Chief Executive are on the Board of Reading UK CIC, a community interest company that manages the Town Centre Business Improvement District and various other Economic and Business Development activities. All the staff working for the company are seconded from the Council. Although the company's constitution provides that Council connected director's votes are diluted to a weight of less than 20% should they numerically exceed that, 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:

2020/21 Total £'000		2021/22 Total £'000
84	Fees payable to external auditors with regard to external audit services carried out by the appointed auditor for the year	84
59	Fees payable to external auditors for the certification of grant claims and returns 19/20	-
74	Fees payable to external auditors for the certification of grant claims and returns 20/21	-
19	Fees payable to external auditors with regard to external audit services carried out by the appointed auditor for the year 2017/18	-
274	Fees payable to external auditors with regard to external audit services carried out by the appointed auditor for the year 2018/19	-
334	Fees payable to external auditors with regard to external audit services carried out by the appointed auditor for the year 2019/20	-
-	Fees payable to external auditors with regard to external audit services carried out by the appointed auditor for the year 2020/21	(8)
-	PSAA refund of External Audit fees	(17)
<b>844</b>	<b>Total</b>	<b>59</b>

## Note 18 - Trading Operations

The Council operates a trading account for the services below:

### Housing Building Maintenance

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

2020/21 £'000		2021/22 £'000
<b>Housing Building Maintenance</b>		
(8,985)	Turnover	(11,049)
7,877	Expenditure	9,714
<b>(1,108)</b>	<b>(Surplus)/Deficit</b>	<b>(1,335)</b>

## Building Control - Trading Account

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

2020/21 £'000		2021/22 £'000
<b>Building Control Trading Account</b>		
(319)	Turnover	(241)
468	Expenditure	379
<b>150</b>	<b>(Surplus)/Deficit</b>	<b>138</b>

## Note 19 - Pooled Budgets

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

### 1) Berkshire Community Equipment Stores

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

2020/21 £'000		2021/22 £'000
	<b>Funding Within the Pooled Budget</b>	
(816)	Reading Borough Council - Adult Services	(847)
(85)	Reading Borough Council - Children's Services	(102)
(3,516)	Other Berkshire Councils	(3,955)
(6,278)	Berkshire Clinical Commissioning Groups	(6,659)
<b>(10,695)</b>		<b>(11,563)</b>
	<b>Expenditure Within the Pooled Budget</b>	
121	Management Fund Costs	132
10,574	Nottingham Rehab Supplies Equipment	11,431
<b>10,695</b>		<b>11,563</b>
-	<b>Net (Surplus)/Deficit within the scheme 2021/22</b>	-

## 2) Better Care Fund

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

2020/21 £'000		2021/22 £'000
	<b>Funding Provided to the Pooled Budget</b>	
(4,116)	Reading Borough Council	(4,581)
(10,606)	Berkshire West CCG	(11,151)
<b>(14,722)</b>		<b>(15,732)</b>
	<b>Expenditure within the Pooled Budget</b>	
9,460	Reading Borough Council	10,137
5,174	Berkshire West CCG	4,953
<b>14,634</b>		<b>15,090</b>
<b>(88)</b>	<b>(Surplus) for the pooled budget in 21/22</b>	<b>(642)</b>

## Note 20 - Dedicated Schools Grant

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

	Central Expenditure £'000	2021/22 Individual Schools Budget £'000	Total £'000
Final DSG for 2021/22 before Academy recoupment			141,072
Academy figure recouped for 2021/22			(58,880)
<b>Total DSG after Academy recoupment for 2021/22</b>			<b>82,191</b>
Plus: Brought forward from 2020/21			-
Less: Carry forward to 2022/23 agreed in advance			-
<b>Agreed initial budgeted distribution in 2021/22</b>	<b>22,541</b>	<b>60,866</b>	<b>83,407</b>
In year adjustments	(18)	(1,198)	(1,216)
<b>Final budgeted distribution for 2021/22</b>	<b>22,523</b>	<b>59,669</b>	<b>82,191</b>
Less: Actual central expenditure	(23,507)		(23,507)
Less: Actual ISB deployed to schools*		(59,493)	(59,493)
Plus: Local Authority contribution for 2021/22	-	-	-
<b>In-year Carry-forward to 2022/23</b>	<b>(984)</b>	<b>175</b>	<b>(809)</b>
DSG deficit within Unusable Reserves at the end of 2020/21			(1,356)
Addition to DSG deficit within Unusable Reserves at the end of 2021/22			(809)
Total of DSG deficit within Unusable Reserves at the end of 2021/22			(2,164)
<b>New DSG position at the end of 2021/22</b>			<b>(2,164)</b>

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

## Note 21 - Grant Income

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

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

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

General grants and contributions (comprising Revenue Support Grant, NDR redistribution and unringfenced government grants) are disclosed as one or more items on the face of the Comprehensive Income and Expenditure Statement. Revenue grants and contributions that are not general grants described above are credited to service revenue accounts, support services, trading accounts and the Housing Revenue Account.

The Council credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement in 2021/22 as follows:

2020/21 £'000		2021/22 £'000
<b>Credited to Taxation and Non Specific Grant Income</b>		
	<u>Non-Covid Grants</u>	
(32,009)	Business Rates Reliefs	(3,549)
(3,988)	New Homes Bonus	(2,108)
(2,030)	Revenue Support Grant	(2,042)
(224)	Other Non Specific Revenue Grants	(336)
(24,467)	Capital Grants*	(25,470)
-	Capital Grants Donated Assets	-
(11,779)	Capital Contributions (including CIL and S106 monies)*	(13,755)
<b>(74,497)</b>	<b>Total Non-Covid Grants</b>	<b>(47,260)</b>
	<u>Covid Grants</u>	
-	Covid-19 Business Rates Reliefs	(13,010)
-	Local Council Tax Support Schemes	(1,300)
(2)	Local Restrictions & Support Grant Open	(406)
(9,430)	Covid-19 Emergency Unringfenced Funding	(4,523)
(953)	Covid-19 Hardship Fund	-
(1,420)	Local Authority Discretionary Grant	-
(5,842)	Sales Fees and Charges Support Grant	(1,326)
(1,305)	Job Retention Scheme Grant	(166)
(1,175)	Additional Restrictions Grant	(5,133)
(3,190)	Tax Income Guarantee Grant - Business Rates	-
(618)	Tax Income Guarantee Grant - Council Tax	(84)
(430)	Clinically Extremely Vulnerable Grant	-
(469)	Other Non Specific Revenue Grants	(41)
<b>(24,834)</b>	<b>Total Covid Grants</b>	<b>(25,989)</b>
<b>(99,331)</b>	<b>Total</b>	<b>(73,249)</b>



2020/21 Restated £'000		2021/22 £'000
	<b>* Capital Grants</b>	
(1,120)	Active Travel	(1,300)
(1,197)	Disabled Facilities Grant	(1,197)
(3,646)	LEP - Growth Deal Board Transport Projects	-
(3,012)	LTP - Integrated Transport Block Grant	(2,613)
(1,736)	Priority Schools Building Programme	(4,241)
(3,704)	Schools Standards Fund	(12,716)
(580)	LEP - Smart Cities Funding	-
(1,153)	Pothole Action Fund	(988)
(348)	Homes England - Dee Park	(249)
(1,939)	Public Sector Decarbonisation Fund - Schools	-
(865)	S106 Contributions	(4,184)
(5,327)	Network Rail/First Great Western - Green Park Station	(4,265)
(5,587)	Community Infrastructure Levy - Contributions	(5,306)
-	DCLG Brownfield Land release grant for Minster Quarter Scheme	(2,000)
(4,552)	Shared Ownership Affordable Housing	-
(1,480)	Other Capital Grants	(166)
<b>(36,246)</b>	<b>Total</b>	<b>(39,225)</b>

2020/21 £'000		2021/22 £'000
	<b>Credited to Services</b>	
	<u>Non-Covid Grants</u>	
(79,122)	Dedicated Schools Grant	(81,791)
(48,968)	Housing Benefit Subsidy	(44,725)
(9,847)	Public Health Grant	(10,034)
(3,998)	North Whitley PFI - Housing	(3,997)
(3,500)	Pupil Premium	(3,506)
(2,990)	Social Care Grant	(3,132)
(2,613)	Improved Better Care Fund	(2,613)
(1,873)	Teachers Pension Grant	(170)
(1,319)	ESFA Funded Adult Education Grant	(1,380)
(1,197)	Universal Infant Free School Meals	(1,123)
(1,146)	Homelessness Prevention Grant	(1,856)
(1,057)	PFI Central Berkshire Waste Disposal	(1,057)
(745)	Next Steps Accomodation Programme	-
(712)	Unaccompanied Asylum-Seeking Children Funding	(1,385)
(671)	Discretionary Housing Payments	(510)
(650)	Teachers Pay Grant	(60)
(647)	Rough Sleeping Initiative	(1,039)
(637)	Rough Sleeping Drug and Alcohol Treatment	(271)
(558)	Supporting Families	(552)
(534)	PE & Sports Premium	(530)
(521)	Housing Benefit Admin Subsidy	(511)
(458)	Community Safety Grant	(458)
(419)	Sixth Form Funding	(410)
(50)	Holiday Activities and Food Programme	(403)
-	Household Support Fund	(1,131)
-	Kickstart Grant	(766)
-	Rough Sleeping Accomodation Programme	(468)
-	Local Data Accelerator Fund for Children and Families	(443)
(3,118)	Other Non-Covid Grants	(4,238)
<b>(167,350)</b>	<b>Total Non-Covid Grants</b>	<b>(168,559)</b>

2020/21 £'000		2021/22 £'000
	<b>Credited to Services</b>	
	<u>Covid Grants</u>	
(3,871)	Contain Outbreak Management Fund	(1,167)
(2,493)	Infection Control Grant	(1,059)
(989)	Culture Recovery Fund	(515)
(901)	Test and Trace Grant	-
(493)	Covid-19 Catch-up Premium	(356)
(164)	Community Testing Grant	(447)
-	Workforce Recruitment and Retention Fund	(1,075)
-	Covid Local Support Grant	(507)
-	Rapid Testing Fund	(568)
-	Community Vaccine Champions Grant	(485)
(2,580)	Other Covid Grants	(2,083)
<b>(11,491)</b>	<b>Total Covid Grants</b>	<b>(8,262)</b>
<b>(178,841)</b>	<b>Total Grants credited to Services</b>	<b>(176,821)</b>

2020/21 £'000		2021/22 £'000
	<b>Capital Grants and Contributions Receipts in Advance:</b>	
(329)	Other Non-Covid Grants	-
(329)	<b>Total</b>	-

2020/21 £'000		2021/22 £'000
<b>Revenue Grants and Contributions Receipts in Advance:</b>		
(130)	Non-Covid Grants	(545)
<b>(130)</b>	<b>Total Non-Covid Grants</b>	<b>(545)</b>
<u>Covid Grants</u>		
(3,498)	Additional Restrictions Grant	-
(406)	Local Restrictions & Support Grant Open	-
-	Covid Additional Relief Fund	(7,132)
(5)	Other Covid Grants	-
<b>(3,909)</b>	<b>Total Covid Grants</b>	<b>(7,132)</b>
<b>(4,039)</b>	<b>Total</b>	<b>(7,677)</b>

## Note 22 - Property, Plant and Equipment

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

Asset type	Valuation basis	Date of valuation	Valuation frequency
Council dwellings	Existing Use Value – Social Housing	31 March 2022	Annual
Other land and buildings	Existing Use Value	31 March 2022	Five-yearly
Surplus Assets	Fair value	31 March 2022	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 2022 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 least every five years. All valuations have been carried out externally as detailed above.

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

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

- Amenity land rate £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 m<sup>2</sup>

For Valuations based on Comparable/Capitalised rent:

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

Net Initial Yields excludes acquisition costs

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

Stamp Duty is progressive and derived from the set "HMRC (UK excl Scotland, 2019)"

Cap Adj running yield is based on cumulative capital invested

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.

NB. Assets under Construction and Community Assets are not revalued annually.

	Council Dwellings NBV £'000	Other Land & Buildings NBV £'000	Vehicles, Plant & Equipment MBV £'000	Surplus Assets NBV £'000	Total NBV £'000
Carried at historical cost				8,280	8,280
Valued at current value as at:					
Valued prior to 1 April 2018					
31 March 2018		47,914			47,914
31 March 2019		102,327			102,327
31 March 2020		66,124			66,124
31 March 2021		41,502	1,067		42,569
31 March 2022	549,452	65,101		24,213	638,766
<b>Total</b>	<b>549,452</b>	<b>322,968</b>	<b>9,347</b>	<b>24,213</b>	<b>905,980</b>

All asset Valuations were carried out by Sanderson Weatherall LLP.

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

*\*Subject to roundings*

## Property, Plant and Equipment 2020/21

\*This table is subject to roundings

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

\*Subject to roundings



## Note 23 – Infrastructure Assets

Movements on Balances	2020/21 £'000	2021/22 £'000
<b>Net Book Value at 1 April</b>	<b>130,296</b>	<b>125,957</b>
Additions	5,349	8,870
Derecognition	-	-
Reclassifications	1,294	-
Depreciation	(11,748)	(11,494)
Impairment	-	-
Adjustments	767	-
<b>Net Book Value at 31 March</b>	<b>125,957</b>	<b>123,333</b>

Property, Plant and Equipment (PPE)	2020/21 £'000	2021/22 £'000
Infrastructure Assets	125,957	123,333
PPE excluding Infrastructure Assets	914,008	983,368
<b>Net Book Value at 31 March</b>	<b>1,039,965</b>	<b>1,106,701</b>

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

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

This is particularly the case with older infrastructure assets that were either built, developed, or adopted prior to when accounting requirements for their recognition were first introduced. Given the uncertainties attached to the original costs of such historical structures, a consistent methodology cannot be applied to faithfully disclose the derecognition values for such assets. The nature of infrastructure assets is such that there would not usually be an open market in which

to conduct any exchange or to derive an accurate value. In this respect, the ownership of existing infrastructure assets would remain with the Council or any subsequent public authority responsible for holding and maintaining them.

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

## Note 24 - Heritage Assets

2020/21	Heritage Assets	Reading Abbey	Civic Regalia	Other	Total 2021/22
£'000		£'000	£'000	£'000	£'000
2,769	Opening Balance	2,066	497	179	2,743
(105)	Depreciation	(109)	-	-	(109)
78	Acquisitions	17	-	-	17
-	Revaluations	-	-	-	-
-	Disposals	-	-	-	-
<b>2,743</b>	<b>Closing Balance</b>	<b>1,974</b>	<b>497</b>	<b>179</b>	<b>2,651</b>

Heritage assets include:

- Reading Abbey Quarter, in 2009 the remains of Reading Abbey were closed to the public. This was due to their deteriorating condition making them unsafe for visitors. The 'Reading Abbey Revealed' project was conceived by Reading Borough Council in 2010 to develop the Abbey Quarter. In December 2015 the project secured Heritage Lottery funding of £1.77m. This was match-funded by Reading Council with £1.37m from ring-fenced development contributions. This made a total of £3.15m. The Ruins re-opened to the public on 16 June 2018 and the project 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

2020/21 £'000		2021/22 £'000
(5,445)	Rental income from Investment Property	(5,412)
193	Direct operating expenses arising from Investment Property	290
-	Other Income and Expenditure	-
<b>(5,252)</b>	<b>Net (Gain) / Loss</b>	<b>(5,122)</b>

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.

2020/21 £'000		2021/22 £'000
79,060	Opening balance	75,980
(3,080)	Net gains / (losses) from fair value adjustments	(770)
<b>75,980</b>	<b>Closing balance</b>	<b>75,210</b>

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 £1.725 million was charged to revenue in 2021/22 (£1.010 million in 2020/21).

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

2020/21 £'000	Intangible Asset	2021/22 £'000
6,460	Gross Book Value at 1 April	11,491
(4,007)	Accumulated Amortisation at 1 April	(5,017)
<b>2,454</b>	<b>Net Book Value at 1 April</b>	<b>6,475</b>
<b>Changes in year</b>		
5,031	Additions	1,748
-	Transfers Out	(249)
(1,010)	Amortisation	(1,725)
<b>6,475</b>	<b>Net Book Value at 31 March</b>	<b>6,248</b>
<b>11,491</b>	Gross Book Value at 31 March	<b>12,990</b>
(5,017)	Accumulated Amortisation at 31 March	(6,742)
<b>6,475</b>	<b>Closing Balance</b>	<b>6,248</b>

*\*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 2022, the Council has entered into a number of contracts for the construction or enhancement of property, plant and equipment in 2021/22 and future years at a cost of £63m. The major commitments are as follows:

2020/21 £'000		2020/21 £'000
-	Leisure Centre Procurement - Pellikan	23,913
23,448	Housing Revenue Account-New Build	19,828
-	Leisure Centre Procurement - GLL	11,562
-	Reading West Station	3,700
7,717	Green Park Station	3,052
-	Schools Capital Programme	713
373	South Reading MRT Phase 4b	238
-	Finance System ERP	214
207	Mapledurham Playing Fields and Pavilion	-
696	Thames Valley Berkshire Live Lab Project	-
5,737	New ESFA funded schools - Phoenix College	-
333	Transport & Highways Contracts	-
<b>38,511</b>		<b>63,219</b>

## Note 28 - Capital Expenditure and Capital Financing

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

2020/21 £'000		2021/22 £'000
<b>598,925</b>	<b>Opening Capital Finance Requirement</b>	<b>586,418</b>
	Capital investment:	
39,878	Property, plant and equipment	65,743
-	Investment property	-
5,031	Intangible assets	1,748
6,384	Revenue Expenditure Funded through Capital Under Statute	5,333
78	Heritage assets	17
700	Long term debtor	2
50	Long term investment	-
<u>52,121</u>		<u>72,843</u>
	Sources of finance:	
(4,030)	Capital receipts	(4,289)
(32,087)	Government grants and other contributions	(39,302)
(402)	Sums set aside from revenue	(4,687)
(10,357)	Major Repairs Reserve	(7,560)
-	Application of capital receipts to reduce debt	(600)
<u>(46,876)</u>		<u>(56,438)</u>
(17,752)	Minimum Revenue Provision	(8,188)
<b>586,418</b>	<b>Closing Capital Finance Requirement</b>	<b>594,635</b>

2020/21 £'000		2021/22 £'000
	<b>Movements in year:</b>	
5,245	Increase in underlying need to borrow (unsupported by Government financial assistance)	17,005
-	Assets acquired under finance leases	-
-	Assets acquired under PFI contracts	-
(9,877)	Capital receipts applied to reduce existing Capital Financing Requirement	(600)
(7,016)	Revenue reserves applied to reduce existing Capital Financing Requirement	-
(859)	Statutory provision for repayment of debt (Minimum Revenue Provision)	(7,294)
(859)	Statutory provision for PFI and finance lease debt (Minimum Revenue Provision)	(894)
<u>(12,507)</u>	<b>Increase/(decrease) in Capital Finance Requirement</b>	<u>8,217</u>

## 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:

2020/21			2021/22	
Non-current	Current		Non-current	Current
£'000	£'000		£'000	£'000
<b>Financial Assets</b>				
14,649		Fair value through profit and loss Investments	17,184	
6,614		Loans and receivables	8,758	
60		Investments in subsidiaries	60	
		Investment in Energy Company		
		Amortised cost		
36,765	35,676	Investments	18,881	33,717
	59,807	Debtors		
		Cash and cash equivalents		68,551
<b>58,088</b>	<b>95,483</b>		<b>44,883</b>	<b>102,268</b>
		Designated as fair value through other comprehensive income		
<b>58,088</b>	<b>95,483</b>	<b>Total Financial Assets</b>	<b>44,883</b>	<b>102,268</b>
<b>Financial Liabilities</b>				
(384,183)	(7,944)	Amortised cost		
(24,261)	(1,009)	Loans outstanding	(381,825)	(3,054)
		PFI lease liability	(23,147)	(1,114)
	(29,831)	Finance leases		
		Creditors		(45,008)
		Bank overdraft		
<b>(408,444)</b>	<b>(38,784)</b>		<b>(404,972)</b>	<b>(49,176)</b>
		Designated as fair value through other comprehensive income		
<b>(408,444)</b>	<b>(38,784)</b>	<b>Total Financial Liabilities</b>	<b>(404,972)</b>	<b>(49,176)</b>

- 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 33 and 34 also include balances which do not meet the definition of a financial instrument, such as tax-based debtors and creditors.

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

The Council invested £64,000 in 60,000 shares in Municipal Bonds Agency plc (MBA) when the MBA was first established in 2015/16. The Council has designated the holding as fair value through comprehensive income as it does not hold the shares for short-term trading. The Council's holding of £64,000 was written out to the Financial Instruments Revaluation Reserve in 2018/19.

### **Income, Expense, Gains and Losses**

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



	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)
<b>Net (Gains)/Losses on Financial Instruments in Surplus/Deficit on Provision of Services</b>	-	-	-	<b>(2,545)</b>	<b>(2,545)</b>
Interest expense	16,529				16,529
Fee expense				101	101
Impairment Losses				-	-
<b>Total expense in Surplus/Deficit on the Provision of Services</b>	<b>16,529</b>	-	-	<b>101</b>	<b>16,630</b>
Interest income		(1,621)			(1,621)
Dividend income/distributions				(663)	(663)
<b>Total Income in Surplus/Deficit on the Provision of Services</b>	-	<b>(1,621)</b>	-	<b>(663)</b>	<b>(2,284)</b>
<b>Total (Gain)/Loss in Surplus/Deficit on Provision of Services</b>	<b>16,529</b>	<b>(1,621)</b>	-	<b>(3,108)</b>	<b>11,801</b>
<b>Interest revenue</b>					
(Gains) on Revaluation					-
Losses on Revaluation					-
<b>(Surplus)/Deficit arising on Revaluation of Financial Assets in Other Comprehensive Income and Expenditure</b>	-	-	-	-	-
<b>Net (Gain)/Loss for the Year</b>	<b>16,529</b>	<b>(1,621)</b>	<b>0</b>	<b>(3,108)</b>	<b>11,801</b>

	2020/21				
	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				104	104
<b>Net (Gains)/Losses on Financial Instruments in Surplus/Deficit on Provision of Services</b>	-	-	-	<b>104</b>	<b>104</b>
Interest expense	15,592				15,592
Fee expense	2			89	91
Impairment Losses					-
<b>Total expense in Surplus/Deficit on the Provision of Services</b>	<b>15,595</b>	-	-	<b>89</b>	<b>15,683</b>
Interest income		(1,547)			(1,547)
Dividend income/distributions				(722)	(722)
<b>Total Income in Surplus/Deficit on the Provision of Services</b>	-	<b>(1,547)</b>	-	<b>(722)</b>	<b>(2,269)</b>
<b>Total (Gain)/Loss in Surplus/Deficit on Provision of Services</b>	<b>15,595</b>	<b>(1,547)</b>	-	<b>(530)</b>	<b>13,518</b>
<b>Interest revenue</b>					
(Gains) on Revaluation					-
Losses on Revaluation					-
<b>(Surplus)/Deficit arising on Revaluation of Financial Assets in Other Comprehensive Income and Expenditure</b>	-	-	-	-	-
<b>Net (Gain)/Loss for the Year</b>	<b>15,595</b>	<b>(1,547)</b>	-	<b>(530)</b>	<b>13,518</b>

### 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 £8.8m (£6.6m 2020/21). 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 2021.

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

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

## Fair value hierarchy

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

- Level 1** Assets and liabilities at level 1 are those where the fair values are derived from unadjusted quoted prices in active markets for identical assets or liabilities. Products classified as level 1 comprise quoted equities, quoted fixed securities, quoted index linked securities and unit trusts.

**Level 2** Assets and liabilities at level 2 are those where quoted market prices are not available; for example, where an instrument is traded in a market that is not considered to be active, or where valuation techniques are used to determine fair value.

**Level 3** Assets and liabilities at level 3 are those where at least one input that could have a significant effect on the instrument's valuation is not based on observable market data.

#### Transfer between levels 1 and 2

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

#### Reconciliation of fair values within Level 2/3

31 March 2021	Transfers into Level 2	Transfers out of Level 2	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
24,841 Surplus assets	279	-	14	-	(921)	-	24,213
<b>100,821 Total</b>	<b>279</b>	<b>-</b>	<b>14</b>	<b>-</b>	<b>(1,691)</b>	<b>-</b>	<b>99,423</b>

31 March 2020	Transfers into Level 3	Transfers out of Level 3	Purchases	Sales	Unrealised gains and losses	Realised gains and losses	31 March 2021
£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
79,060 Investment Property	-	-	-	-	(3,080)	-	75,980
29,932 Surplus assets	(1,358)	(2,720)	37	-	(760)	(290)	24,841
<b>108,992 Total</b>	<b>(1,358)</b>	<b>(2,720)</b>	<b>37</b>	<b>-</b>	<b>(3,840)</b>	<b>(290)</b>	<b>100,821</b>

### Note 31 – Nature and Extent of Risks Arising from Financial Instruments

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

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

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

#### **Credit Risk**

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

#### Credit and Counterparty Risk – Investments

This risk is minimised through the Annual Investment Strategy available on the Council website which requires that deposits are only made with UK financial institutions where they meet a credit rating of A- from the three major credit rating agencies: Fitch; Standard & Poor's and; Moody's. The Investment Strategy also imposes a maximum sum to be invested within each rating category. No more than £20m is held with any one institution regardless of standing or duration. The Investment Strategy is contained with the Council's Treasury Management Strategy.

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

## Credit risk - treasury investments

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

Fair value through profit and loss £'000	2020/21		Fitch Rating	Fair value through profit and loss £'000	2021/22	
	Assets at amortised cost £'000	Cash and cash equivalents £'000			Assets at amortised cost £'000	Cash and cash equivalents £'000
	14,649					17,184
			AAA			
			AA+			
			AA			
			AA-			
		26,827	A+		30,685	
		20,035	A		27,350	
			A-			
			BBB+			
			BB-			
	36,765	12,054	Not applicable		22,498	
<b>14,649</b>	<b>36,765</b>	<b>58,916</b>		<b>17,184</b>	<b>68,551</b>	

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

### 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 2022	Not past due (0-30 days)				
	£'000	£'000	2-3 months £'000	4-5 months £'000	over 5 months £'000
Debtors individually assessed	5,000	-	-	-	5,000
<b>Expected credit loss (individually assessed)</b>					
Debtors collectively assessed	11,074	6,045	256	425	4,349
Loss rate		9%	37%	4%	90%
<b>Expected credit loss (collectively assessed)</b>	<b>(4,561)</b>	<b>(517)</b>	<b>(94)</b>	<b>(17)</b>	<b>(3,933)</b>
<b>Total Lifetime Expected Credit Losses</b>	<b>(4,561)</b>	<b>(517)</b>	<b>(94)</b>	<b>(17)</b>	<b>(3,933)</b>

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



### Credit risk - long-term debtors

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

As at 31 March 2022, the gross carrying amount of long-term debtors measured at amortised cost was £22.498m (£36.764m at 31 March 2021). Of the balance at 31 March 2022, £22.068m are intra-group loans to wholly owned subsidiaries of the Council. The Council is of the view that the assets of the companies would be sufficient to cover the liabilities without impairment of the loans. Therefore, no credit loss allowance has been recognised in respect of long-term debtors.

### Liquidity risk

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

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

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

Carrying Value	Liability including interest		Carrying Value	Liability including interest
2020/21	2020/21		2021/22	2021/22
£ '000	£'000		£ '000	£ '000
42,629	56,513	Less than one year	49,069	63,669
6,444	23,222	1 - 2 years	3,508	18,672
11,362	51,861	2 - 5 years	21,830	65,671
26,542	93,463	5 - 10 years	30,128	98,050
124,093	287,462	10 - 25 years	63,543	227,805
185,019	250,901	25 - 40 years	189,035	283,492
60,000	66,440	40+ years	95,000	116,247
<b>456,088</b>	<b>829,861</b>		<b>452,113</b>	<b>873,605</b>

## Market Risks

### Interest rate risk

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

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

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

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

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

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

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

At 31 March 2022, if interest rates had been 1% higher with all other variables held constant, the financial effect would be:

	£ '000
Increase in interest payable on variable rate borrowings	0
Increase in interest receivable on variable rate investments	603
<b>Impact on surplus/deficit on the provision of services</b>	<b>603</b>
Decrease in fair value of fixed rate investments	(19)
<b>Impact on Other comprehensive income and expenditure</b>	<b>(19)</b>
Decrease in fair value of fixed rate borrowing liabilities (no impact on the surplus or deficit on the provision of services or other comprehensive income and expenditure)	(77)

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 2022.

### Note 32 - Cash and Cash Equivalents

31 March 2021		31 March 2022
£'000		£'000
12,437	Bank current accounts (including unrepresented bank items)	10,517
(4,175)	Cash held by the Council	(6,785)
51,545	Short term deposits with banks and building societies	64,819
<b>59,807</b>	<b>Total</b>	<b>68,551</b>

## Note 33 – Debtors

### Long term debtors

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

2021/22	Balance at 1 April 2021	New advances recognised	Advances repaid	Transfer (to)/from short term or other	Balance at 31 March 2022
	£'000	£'000	£ '000	£'000	£'000
Amounts due from Subsidiary undertakings	36,314	-	-	(14,245)	22,069
Other long term debtors	451	-	-	(21)	430
	<b>36,765</b>	-	-	<b>(14,266)</b>	<b>22,499</b>

### Short Term Debtors

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

31 March 2021 Restated £'000		31 March 2022 £'000
	<b>Central Government Bodies</b>	
5,532	HMRC	5,703
31,404	Other	13,006
3,941	<b>Other Local Authorities</b>	21,811
368	<b>NHS Bodies</b>	120
	<b>Other Entities and Individuals</b>	
2,606	Business Rates payers	2,459
3,766	Council Tax payers	5,034
2,282	Housing Benefits Overpayments	1,962
682	Housing Rents	590
31,864	Other Sundry Debtors	32,657
<b>82,445</b>	<b>Total</b>	<b>83,341</b>

Impairment Allowances included within the above figures for doubtful debts

31/03/2021 Restated £'000		31 March 2022 £'000
	<b>Other Entities and Individuals</b>	
(3,475)	Business Rates payers	(4,176)
(14,113)	Council Tax payers	(14,682)
(4,502)	Housing Benefits Overpayments	(4,320)
(2,792)	Housing Rents	(2,973)
(7,796)	Other Sundry Debtors	(8,817)
<b>(32,678)</b>	<b>Total</b>	<b>(34,968)</b>

#### Note 34 - Creditors

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

2020/21 £'000		2021/22 £'000
	<b>Central Government Bodies</b>	
(3,475)	HMRC – PAYE and NI	(3,262)
(42,018)	Other	(46,527)
(6,987)	<b>Other Local Authorities</b>	(1,716)
(34)	<b>NHS Bodies</b>	(306)
	<b>Other Entities and Individuals</b>	
(4,438)	Business Rates payers	(6,529)
(19,163)	Council Tax payers	(5,869)
(1,142)	Housing rent	(6,153)
(2,166)	Accumulated Absences	(1,751)
(31,276)	Other creditors	(38,129)
(4,668)	<b>Receipts in Advance</b>	(10,526)
<b>(115,367)</b>	<b>Total</b>	<b>(120,770)</b>

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

2020/21 £'000		2021/22 £'000
(627)	Other Creditors	(627)
<b>(627)</b>	<b>Total</b>	<b>(627)</b>

### Note 35 - Provisions

	Balance at 1 April 2021 £'000	Movement	Balance at 31 March 2022 £'000
Provision for NNDR Appeals	(3,478)	90	<b>(3,388)</b>
Insurance	(1,796)	479	<b>(1,317)</b>
Ordinary Residence Disputes	(857)	-	<b>(857)</b>
Unequal Pay Back Pay	(1,096)	(90)	<b>(1,186)</b>
Other	(179)	(128)	<b>(307)</b>
<b>Total</b>	<b>(7,406)</b>	<b>351</b>	<b>(7,055)</b>

*\*subject to roundings*

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

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

**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 36 - Usable Reserves**

The Usable Reserves of the Council are as follows:

31 March 2021 £'000		31 March 2022 £'000
(7,500)	General Fund	(7,500)
(40,644)	HRA	(40,264)
(10,074)	HRA Earmarked Reserves	(10,147)
(99,070)	GF - Earmarked Reserves	(85,052)
(2,686)	Major Repairs Reserve	(6,957)
(62,824)	Capital Grants Unapplied	(62,746)
(13,748)	Capital Receipts Reserve	(12,818)
<b>(236,544)</b>	<b>Total</b>	<b>(225,484)</b>

**Capital Receipts Reserve**

31 March 2021 £'000		31 March 2022 £'000
(11,349)	Balance 1 April	(13,748)
(7,334)	Capital receipts in year	(6,878)
-	Deferred receipts realised	-
905	Capital receipts pooled	905
-	Advance to RTL	2,614
-	Capital Receipts re Loan repayment	(600)
4,030	Capital receipts used for financing capital expenditure	4,889
-	Equal Pay	-
-	Other movement	-
<b>(13,748)</b>	<b>Balance 31 March</b>	<b>(12,818)</b>

### Major Repairs Reserve (HRA)

31 March 2021 £'000		31 March 2022 £'000
(2,601)	Balance 1 April	(2,685)
(10,441)	Depreciation and amortisation	(11,831)
10,357	Application to finance capital expenditure	7,560
<b>(2,685)</b>	<b>Balance 31 March</b>	<b>(6,957)</b>

### Capital Grants Unapplied

31 March 2021 £'000		31 March 2022 £'000
(58,665)	Balance 1 April	(62,824)
(34,704)	Capital grants recognised in year	(38,534)
30,545	Capital grants and contributions applied	38,611
<b>(62,824)</b>	<b>Balance 31 March</b>	<b>(62,746)</b>

### Note 37 - Unusable Reserves

The Unusable Reserves of the Council are as follows:



31 March 2021 £'000		31 March 2022 £'000
(190,356)	Revaluation Reserve	(241,037)
(390,583)	Capital Adjustment Account	(399,839)
551,445	Pension Reserve	464,659
(3,011)	Deferred Capital Receipts Reserve	(4,993)
32,846	Collection Fund Adjustment Account	15,517
2,166	Accumulated Absences Account	1,751
500	Pooled Fund Adjustment Account	(2,044)
64	Financial Instrument Revaluation Reserve	64
1,356	*Dedicated Schools Grant	2,164
<b>4,427</b>	<b>Total</b>	<b>(163,758)</b>

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

## Revaluation Reserve

2020/21 £ '000		2021/22 £ '000
<b>(167,723)</b>	<b>Balance at 1 April</b>	<b>(190,356)</b>
(30,075)	Upward revaluation of assets	(59,523)
4,423	Downward revaluation of assets and impairment losses	2,220
<b>(25,652)</b>	<b>Surplus or deficit on revaluation of non-current assets not posted to the Comprehensive Income and Expenditure Statement (*)</b>	<b>(57,303)</b>
2,240	Difference between fair value depreciation and historic cost depreciation	3,018
778	Accumulated gains on assets disposed	3,603
-	Other movements	-
<b>3,019</b>	<b>Amount written off to the Capital Adjustment Account</b>	<b>6,621</b>
<b>(190,356)</b>	<b>Balance at 31 March</b>	<b>(241,037)</b>

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.

2020/21 £'000		2021/22 £'000
(373,193)	Balance at 1 April	(390,583)
34,800	Charges for depreciation and impairment of non-current assets	38,405
(528)	Reversal of impairment of subsidiary holding	(2,143)
1,010	Amortisation of intangible assets	1,725
6,384	Revenue expenditure funded from capital under statute	5,333
5,373	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	17,933
<b>47,038</b>	<b>Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:</b>	<b>61,253</b>
(3,019)	Adjusting Amounts written out of the Revaluations Reserve	(6,621)
<b>44,019</b>	<b>Net written out amount of the cost of non-current assets consumed in year</b>	<b>54,632</b>
(4,030)	Use of Capital Receipts Reserve to finance new capital expenditure	(4,889)
(10,357)	Use of the Major repairs reserve	(7,560)
(32,087)	Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement which have been applied to capital expenditure	(39,302)
(17,752)	Statutory provision for the financing of capital investment charged against the General Fund and HRA balance	(8,188)
(402)	Capital expenditure charged against the General Fund and HRA balances	(4,687)
<b>(64,629)</b>	<b>Capital financing applied in year:</b>	<b>(64,626)</b>
3,080	Movement in the fair value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement	770
140	Other Movements	(32)
<b>(390,583)</b>	<b>Balance at 31 March</b>	<b>(399,839)</b>

## Pension Reserve

2020/21 £'000		2021/22 £'000
<b>395,684</b>	<b>Balance at 1 April</b>	<b>551,445</b>
133,852	Actuarial gains and losses on scheme assets and liabilities	(118,101)
38,456	Reversal of charges to the Comprehensive Income and Expenditure Statement	48,938
(16,547)	Employer's pension contributions	(17,623)
<b>551,445</b>	<b>Balance at 31 March</b>	<b>464,659</b>

The Pensions Reserve absorbs the timing differences arising from the different arrangements for accounting for post-employment benefits and for funding benefits in accordance with statutory provisions. The 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.

2020/21 £ '000		2021/22 £ '000
<b>(4,306)</b>	<b>Balance 1 April</b>	<b>(3,011)</b>
1,293	Transfer to the Capital Receipts Reserve upon receipt of cash	-
-	Reversal of Loan repayment transfer	(1,981)
2	Other movements	-
<b>(3,011)</b>	<b>Balance 31 March</b>	<b>(4,993)</b>

## Collection Fund Adjustment Account

2020/21 £'000		2021/22 £'000
<b>(12,030)</b>	<b>Balance at 1 April</b>	<b>32,846</b>
44,876	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	(17,329)
<b>32,846</b>	<b>Balance at 31 March</b>	<b>15,517</b>

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

2020/21 £'000		2021/22 £'000
<b>1,639</b>	<b>Balance at 1 April</b>	<b>2,166</b>
(1,639)	Settlement or cancellation of accrual made at the end of the preceding year	(2,166)
2,166	Amounts accrued at the end of the current year	1,751
<b>2,166</b>	<b>Balance at 31 March</b>	<b>1,751</b>

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

## Pooled Fund Adjustment Account

2020/21 £'000		2021/22 £'000
<b>397</b>	<b>Balance at 1 April</b>	<b>501</b>
103	Unrealised gains/(losses) on adjustment in fair value of financial instruments	(2,545)
<b>501</b>	<b>Balance at 31 March</b>	<b>(2,044)</b>

## Financial Instruments Revaluation Reserve

2020/21 £'000		2021/22 £'000
<b>64</b>	<b>Balance at 1 April</b>	<b>64</b>
-	Downward revaluation of investments	-
<b>64</b>	<b>Balance at 31 March</b>	<b>64</b>

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 38 - Contingent Liabilities

### Municipal Mutual Insurance (MMI)

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

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

### **Duty of Care Claims**

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

### **Equal Pay**

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

### **Wholly-Owned Companies - Pension Liabilities**

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

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

### **Business Rates Appeals**

The Council has estimated that its share of the total maximum exposure to Business Rate Payers' appeals is £8.782m. A provision of £3.388m has been made within the accounts as a prudent but realistic estimate of the level of these appeals that will actually materialise. The remaining £5.392m has therefore been included as a contingent liability.

### Note 39 - Contingent Assets

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

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

### Note 40 - Leases

#### Authority as Lessee - Finance Leases

At the 31 March 2022, the value of assets held under finance leases was judged to be immaterial.

#### Authority as Lessee - Operating Leases

At the 31 March 2022, 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:

2020/21 £ '000		2021/22 £ '000
	Finance lease debtor (net present value of minimum lease payments):	
1,335	current	1,744
1,676	non-current	3,248
121	Unearned finance income	480
-	Unguaranteed residual value of assets	-
<b>3,132</b>	<b>Gross investment in the lease</b>	<b>5,473</b>



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

2020/21			2021/22	
Gross investment in the lease £ '000	Minimum Lease Payments £ '000		Gross investment in the lease £ '000	Minimum Lease Payments £ '000
1,406	1,406	Payments due within one year	1,915	1,915
1,568	1,568	Payments due later than one year and not later than five years	2,235	2,235
158	158	Payments due later than five years	1,323	1,323
<b>3,132</b>	<b>3,132</b>	<b>Total due</b>	<b>5,473</b>	<b>5,473</b>

#### Authority as Lessor - Operating Leases

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

2020/21 £ '000		2021/22 £ '000
5,547	Payments due within one year	6,731
17,190	Payments due later than one year and not later than five years	19,011
14,633	Payments due later than five years	12,406
<b>37,370</b>	<b>Total due</b>	<b>38,148</b>

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

#### Note 41 - Service Concession Arrangements

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

### a) North Whitley Housing PFI scheme

2021/22 was the eighteenth year of a 30-year PFI contract to manage and maintain 1,260 dwellings on the North Whitley estate to defined availability and quality standard (1,262 dwellings remained as at 31 March 2021). 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 £111.9m at 31 March 2022 (£102.4m at 31 March 2021).

#### 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 2022 are as follows:

Service cost	Reimbursement of capital expenditure	2021/22		Total	
		Interest	Total		
£'000	£'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
<b>57,454</b>	<b>18,540</b>	<b>26,861</b>	<b>102,855</b>		

Service cost	Reimbursement of capital expenditure	2020/21				
		£'000	£'000		£'000	£'000
4,007	475	2,496	6,978	within 1 year		
17,091	2,992	10,513	30,596	within 2-5 years		
23,973	7,445	11,498	42,916	within 6-10 years		
16,391	8,103	4,848	29,342	within 11-15 years		
-	-	-	-	within 16-20 years		
<b>61,462</b>	<b>19,016</b>	<b>29,355</b>	<b>109,832</b>			

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

2020/21		2021/22
£'000		£'000
(19,467)	Opening balance	(19,016)
451	Repayment of liability	475
<b>(19,016)</b>		<b>(18,540)</b>

## b) Waste PFI scheme

This is the fifteenth 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

2020/21				2021/22		
Land & Buildings £'000	Plant & Equipment £'000	Total £'000		Land & Buildings £'000	Plant & Equipment £'000	Total £'000
10,235	1,987	12,222	<b>Opening Balance</b>	12,105	1,141	13,246
2,583	(425)	2,158	Revaluations	-	-	-
(148)	(120)	(268)	Depreciation	(130)	(75)	(205)
(566)	(301)	(867)	Impairment	-	-	-
1	-	1	Additions	3	-	3
<b>12,105</b>	<b>1,141</b>	<b>13,246</b>	<b>Closing balance</b>	<b>11,977</b>	<b>1,066</b>	<b>13,043</b>

## 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 2022 are set out below:

2020/21					2021/22			
Service cost £'000	Reimbursement of capital expenditure £'000	Interest £'000	Total £'000		Service cost £'000	Reimbursement of capital expenditure £'000	Interest £'000	Total £'000
2,078	419	546	3,043	within 1 year	2,540	215	341	3,096
9,907	1,605	1,202	12,714	within 2-5 years	9,947	1,909	1,080	12,936
13,691	2,805	689	17,185	within 6-10 years	11,757	2,534	480	14,771
646	249	10	905	within 11-15 years	-	-	-	-
<b>26,322</b>	<b>5,077</b>	<b>2,447</b>	<b>33,847</b>		<b>24,244</b>	<b>4,658</b>	<b>1,901</b>	<b>30,803</b>

\* Subject to roundings

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

2020/21 £'000		2021/22 £'000
(115)	Within one year	(115)
(460)	2 to 5 years	(460)
(575)	6 to 10 years	(487)
(27)	11 to 15 years	0
<b>(1,177)</b>	<b>Total</b>	<b>(1,062)</b>

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

2020/21 £'000		2021/22 £'000
(5,485)	Opening balance	(5,077)
408	Repayment	418
<b>(5,077)</b>	<b>Closing balance</b>	<b>(4,659)</b>

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

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

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

In 2021/22, the Council paid £5.393m to the Teachers Pensions Agency in respect of teachers' retirement benefits, representing 23.4% of pensionable pay (in 2020/21 £5.327m 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 2022/23 are £5.566m.

## Note 43 - Defined Benefit Pension Scheme

### i. Local Government Pension Schemes

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

The Council participates in two post-employment schemes:

- (i) The Royal Berkshire Pension Fund, which is part of the Local Government Pension Scheme (LGPS) and is administered by the Royal Borough of Windsor and Maidenhead. This is a defined benefit scheme, meaning that the Council and employees pay contributions into a fund calculated at a level intended to balance the pension liabilities with investment assets. The Council is responsible for the liabilities of the Council and a share (16.69%) of liabilities of the former Berkshire County Council.
- (ii) Arrangements for the award of discretionary post-retirement benefits upon early retirement - this is an unfunded defined benefit arrangement, under which liabilities are recognised when awards are made. However, there are no investment assets built up to meet these pension liabilities, and cash has to be generated to meet actual pension payments as they fall due.

### Transactions relating to post-employment benefits

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

i. Impact on Comprehensive Income & Expenditure Account

2020/21			2021/22	
Funded £'000	Unfunded £'000		Funded £'000	Unfunded £'000
<b>Comprehensive Income and Expenditure Statement</b>				
<b>Cost of Services</b>				
Service cost comprising:				
29,303	-	Current service cost	37,268	-
284	-	Past service cost	-	-
(338)	-	(Gain) / loss from settlements and / or transfers	(1,072)	-
237	-	Administration expenses	429	-
<b>Other Operating Expenditure:</b>				
Financing and Investment Income and Expenditure				
8,970	-	Net interest expense	12,313	-
<b>38,456</b>	<b>-</b>	<b>Total charged to Surplus and Deficit on Provision of Services</b>	<b>48,938</b>	<b>-</b>
2020/21			2021/22	
Funded £'000	Unfunded £'000		Funded £'000	Unfunded £'000
<b>Other Post-employment Benefits charged to the Comprehensive Income and Expenditure Statement</b>				
Remeasurement of the net defined benefit liability comprising:				
(66,386)	-	Return on plan assets, excluding the amount included in the net interest expense	(37,775)	-
-	-	Other Actuarial (gains)/losses on assets	12,825	-
(8,718)	-	Actuarial gains/(losses) arising from changes in demographic assumptions	(24,697)	-
217,186	2,324	Actuarial gains/(losses) arising from changes in financial assumptions	(58,504)	1,498
(10,554)	-	Other movements in the liability/(asset)	(11,448)	-
<b>131,528</b>	<b>2,324</b>	<b>Total charged to Comprehensive Income and Expenditure Statement</b>	<b>(119,599)</b>	<b>1,498</b>
<b>169,984</b>	<b>2,324</b>	<b>Total charged to Comprehensive Income and Expenditure Statement</b>	<b>(70,661)</b>	<b>1,498</b>

2020/21			2021/22	
Funded £'000	Unfunded £'000		Funded £'000	Unfunded £'000
<b>Movement in Reserves Statement</b>				
(38,456)	-	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	(48,938)	-
<b>Actual amount charged against the General Fund balance for pensions in the year:</b>				
15,721	-	Employer contributions payable to the scheme	16,846	-
-	826	Benefits paid direct to beneficiaries		777
<b>(22,735)</b>	<b>826</b>		<b>(32,092)</b>	<b>777</b>

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

Pensions Assets and Liabilities Recognised in the Balance Sheet						
2020/21				2021/22		
Funded £'000	Unfunded £'000	Total £'000		Funded £'000	Unfunded £'000	Total £'000
<b>(983,947)</b>	<b>(20,149)</b>	<b>(1,004,096)</b>	Present value of the defined obligation	(930,880)	(19,325)	<b>(950,205)</b>
452,651	-	452,651	Fair value of plan assets	485,546	-	<b>485,546</b>
<b>(531,296)</b>	<b>(20,149)</b>	<b>(551,445)</b>	<b>Net (liability) / asset arising from the defined benefit obligation</b>	<b>(445,334)</b>	<b>(19,325)</b>	<b>(464,659)</b>



iii. Reconciliation of the Present Value of the Scheme Liabilities

2020/21			Reconciliation of present value of the scheme liabilities (Defined Benefit Obligations)	2021/22		
Funded	Unfunded	Total		Funded	Unfunded	Total
£'000	£'000	£'000		£'000	£'000	£'000
(758,491)	(18,651)	(777,142)	Opening present value of liabilities	(983,947)	(20,149)	(1,004,096)
(29,303)	-	(29,303)	Current service cost	(37,268)	-	(37,268)
(15,658)	-	(15,658)	Interest cost	(21,371)	-	(21,371)
(4,214)	-	(4,214)	Contributions from scheme participants	(4,379)	-	(4,379)
-	-	-	Remeasurement gain/(loss):	-	-	-
8,718	-	8,718	- Actuarial gains/(losses) arising from changes in demographic assumptions	24,697	-	24,697
(217,186)	(2,324)	(219,510)	- Actuarial gains/(losses) arising from changes in financial assumptions	56,959	47	57,006
10,554	-	10,554	Other	11,448	-	11,448
(284)	-	(284)	Past service cost	-	-	-
-	-	-	Loss on curtailments/settlements	-	-	-
-	-	-	Liabilities assumed on entity combinations	-	-	-
21,818	826	22,644	Benefits paid	22,311	777	23,088
99	-	99	Liabilities extinguished on settlements	670	-	670
<b>(983,947)</b>	<b>(20,149)</b>	<b>(1,004,096)</b>	<b>Closing present value of liabilities</b>	<b>(930,880)</b>	<b>(19,325)</b>	<b>(950,205)</b>

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

2020/21			Movements in the Fair Value of Scheme Assets	2021/22		
Funded £'000	Unfunded £'000	Total £'000		Funded £'000	Unfunded £'000	Total £'000
381,458	-	381,458	Opening fair value of asset	452,651	-	452,651
6,688	-	6,688	Interest income	9,058	-	9,058
-	-	-	Remeasurement gain/(loss):	-	-	-
66,386	-	66,386	Return on plan assets, excluding the amount included in the net interest expense	37,775	-	37,775
15,721	826	16,547	Contributions from employer	16,846	777	17,623
4,214	-	4,214	Contributions by employees into the scheme	4,379	-	4,379
(21,818)	(826)	(22,644)	Net benefits paid out	(22,311)	(777)	(23,088)
239	-	239	Gains on settlements	402	-	402
(237)	-	(237)	Administration expense	(429)	-	(429)
-	-	-	Other (if applicable)	(12,825)	-	(12,825)
<b>452,651</b>	<b>-</b>	<b>452,651</b>	<b>Closing Fair Value of assets</b>	<b>485,546</b>	<b>-</b>	<b>485,546</b>

**Basis for estimating assets and liabilities**

Liabilities have been estimated on an actuarial basis using the projected unit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels etc. Both the LGPS and unfunded discretionary benefits liabilities have been valued by Barnett Waddingham, an independent firm of actuaries with estimates for the Berkshire Pension Fund being based on the latest full valuation as at 31 March 2022.

v. Principal Assumptions

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

2020/21 Years	Life expectancy assumptions	2021/22 Years
	Longevity at 65 for current pensioners	
21.2	Men	21.0
23.9	Women	23.8
	Longevity at 65 for future pensioners	
22.5	Men	22.3
25.4	Women	25.2

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

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

2020/21 £'000	Scheme assets comprised	2021/22 £'000
272,095	Equities	304,554
92,208	Other Bonds and Target Return Portfolio	80,680
55,488	Property	58,704
20,226	Cash	11,431
36,835	Infrastructure	61,700
(24,201)	Longevity insurance	(31,523)
<b>452,651</b>	<b>Total</b>	<b>485,546</b>

## 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%)	(19,994)	20,426
Rate of increase in salaries (increase or decrease by 0.1%)	1,467	(1,454)
Rate of inflation (increase or decrease by 0.1%)	18,810	(18,434)
Longevity (increase or decrease by 1 year)	45,192	(43,096)

### 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 2019 funding valuation, the Council's liabilities were 75% funded. The Council has agreed a strategy with the scheme's actuary to achieve a funding level of 100% over the next 22 years and this will shorten in future years. Funding levels are monitored on an annual basis.

### Triennial Valuation

This Pension note was revised to make an allowance for the results of the formal actuarial valuation as at 31 March 2022. No such allowance has been made for unfunded pension liabilities as the results are yet to be finalised and therefore the value of unfunded benefits has been rolled forward from the last actuarial valuation as at 31 March 2019.

viii. **Estimate of contributions for 2022/23**

The total contributions expected to be made to the Local Government Pension Scheme by the Council in the year to 31 March 2023 are £15.9m (£17.6m in 2021/22).

**Note 44 - Cash Flow from Operating Activities**

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

2020/21 £'000		2021/22 £'000
(1,978)	Interest received	(2,472)
15,681	Interest paid	17,156
<b>13,703</b>	<b>Total</b>	<b>14,684</b>

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

2020/21 £'000		2021/22 £'000
(34,772)	Depreciation	(38,405)
528	Impairment and downward valuations	-
(1,010)	Amortisation	(1,725)
1,203	Movement in contract assets, liabilities and costs	615
(46,751)	(Increase)/decrease in creditors	(3,260)
13,045	Increase/(decrease) in debtors	3,446
100	Increase/(decrease) in inventories	21
(21,909)	Movement in pension liability	(31,315)
(5,373)	Carrying amount of non-current assets and non-current assets held for sale, sold or derecognised	(14,330)
(1,213)	Other non-cash movements charged to the surplus or deficit on provision of services	6,412
<b>(96,152)</b>	<b>Total</b>	<b>(78,541)</b>

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

2020/21 £'000		2021/22 £'000
5,888	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	8,860
36,246	Any other items for which the cash effects are investing or financing cash flows	39,225
-	Proceeds from short-term (not considered to be cash equivalents) and long-term investments	-
<b>42,134</b>	<b>Total</b>	<b>48,085</b>

#### Note 45 - Cash Flow from Investing Activities

2020/21 £'000		2021/22 £'000
43,350	Purchase of property, plant and equipment, investment property and intangible assets	66,129
-	Purchase of short-term and long-term investments	-
700	Other payments for investing activities	-
(7,183)	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(6,350)
-	Proceeds from short-term and long-term investments	-
(36,259)	Other receipts from investing activities	(39,225)
<b>608</b>	<b>Net cash flows from investing activities</b>	<b>20,554</b>

#### Note 46 - Cash Flow from Financing Activities

2020/21 £'000		2021/22 £'000
-	Cash receipts of short-term and long-term borrowing	-
-	Other receipts from financing activities	(5,747)
974	Cash payments for the reduction of outstanding liabilities relating to finance leases and on-Balance-Sheet PFI contracts	1,008
13,266	Repayments of short-term and long-term borrowing	6,956
22,919	Council Tax and NNDR share	(19,336)
<b>37,159</b>	<b>Net cash flows from financing activities</b>	<b>(17,119)</b>

## Housing Revenue Account Income and Expenditure Statement

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

2020/21 £'000		2021/22 £'000
	<b>Expenditure</b>	
5,178	Repairs and Maintenance	8,636
14,956	Supervision and Management	15,252
144	Rents, Rates, Taxes and other charges	392
3,566	Depreciation, impairment and revaluation losses of non-current assets	12,694
18	HRA share of Non-Distributed Costs (IAS past service costs)	(61)
34	Debt Management Costs	26
<b>23,896</b>	<b>Total Expenditure</b>	<b>36,939</b>
	<b>Income</b>	
(35,756)	Dwelling Rents	(36,171)
(35)	Non-Dwelling rents	(41)
(3,998)	PFI Credit	(3,997)
(1,448)	Charges for services and facilities	(1,391)
(141)	Other	(126)
<b>(41,378)</b>	<b>Total Income</b>	<b>(41,727)</b>
(17,480)	<b>Net expenditure or Income of HRA Services as included in the whole authority Comprehensive Income and Expenditure Statement</b>	(4,787)
318	HRA share of other amounts included in the whole authority Net Expenditure of Continuing Operations but not allocated to specific services	309
<b>(2,297)</b>	<b>Net Expenditure of HRA Services</b>	<b>(4,478)</b>
(1,121)	(Gains)/loss on sale of HRA Fixed Assets	(1,374)
7,398	Interest Payable and Similar Charges	7,700
(1,430)	HRA Interest and Investment Income	(1,031)
885	Net Interest on the defined benefit liability/asset	1,171
<b>(11,432)</b>	<b>(Surplus) or deficit for Year on HRA Services</b>	<b>1,987</b>

## Movement on the HRA Statement

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

31 March 2021 £'000	Movement on the HRA Statement	31 March 2022 £'000
<b>(35,821)</b>	Balance on the HRA at the end of the previous year	<b>(40,644)</b>
(11,432)	(Surplus) or deficit on the HRA Income and Expenditure Statement	1,987
6,447	Adjustments between accounting basis and funding basis under statute	(1,680)
(4,984)	Net (increase) or decrease before transfers to or from other reserves	307
163	Transfers to other reserves - PFI Smoothing Reserve	73
<b>(4,821)</b>	<b>(Increase) or decrease on the HRA for the year</b>	<b>380</b>
(40,644)	Balance on the HRA at the end of the current year	(40,264)
(10,074)	Earmarked reserves - PFI Smoothing Reserve	(10,147)
<b>(50,717)</b>	<b>Total HRA Reserves</b>	<b>(50,411)</b>

31 March 2021 £'000	Adjustments between accounting basis	31 March 2022 £'000
<b>(3,114)</b>	Transfers to/(from) the Capital Adjustment Account	<b>(12,218)</b>
1,121	Gain or (loss) on sale of non-current assets	1,374
(2,244)	Contributions to or (from) the Pension Reserve	(3,051)
249	Capital Expenditure funded from the HRA	384
(7)	Transfers to/(from) the Accumulated Absences Account	-
10,441	Transfers to/(from) Major Repairs Reserve	11,831
<b>6,447</b>	<b>Net additional amount required by statute to be debited or (credited) to the HRA Balance for the year</b>	<b>(1,680)</b>

## Notes to the HRA Account

### Note 1 - Analysis of Council Housing Stock

At 31 March 2022, the Council was responsible for managing a housing stock of 6,779 dwellings, including 1,260 within the North Whitley PFI scheme (31 March 2021: 6,801 dwellings, 1,262 in the PFI scheme). These dwellings are of the following types:



31 March 2021				31 March 2022		
<u>Flats</u>	<u>Houses</u>	<u>Total</u>		<u>Flats</u>	<u>Houses</u>	<u>Total</u>
2,916	3,885	6,801	<b>Total number and type of dwellings</b>	2,914	3,865	6,779

## Note 2 – Housing Revenue Account Capital Expenditure

During 2021/22, the Council incurred £21.9m capital expenditure on land, houses and other properties within the HRA (2020/21: £16.1m). The detail of expenditure and the methods of financing are detailed below:

31 March 2021 £'000		31 March 2022 £'000
	<b>Capital Investment</b>	
10,633	Operational Assets	8,083
4,536	Assets Under Construction	13,835
-	REFCUS	-
<b>15,169</b>	<b>Total Capital Expenditure within the HRA</b>	<b>21,919</b>
	<b>Sources of Funding</b>	
(2,371)	Borrowing	(5,867)
(752)	Capital Receipts	(1,933)
(10,357)	Major Repairs Reserve	(7,560)
(249)	Revenue Contributions	(384)
(1,440)	Government Grants and other Contributions	(6,175)
<b>(15,169)</b>	<b>Total Funding</b>	<b>(21,919)</b>

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

31 March 2021 £'000		31 March 2022 £'000
	<b>Operational Assets</b>	
502,925	Dwellings	549,450
4,581	Other Land and Buildings	5,289
	<b>Non Operational Assets</b>	
11,616	Assets Under Construction	22,111
3,396	Surplus Assets	4,615
<b>522,518</b>	<b>Total</b>	<b>581,465</b>

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

Dwellings are initially valued at open market value assuming vacant possession. The vacant possession value of the HRA tenanted dwellings was £1.665m at 31 March 2022 (£1.524m at 31 March 2021). 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 2020/21).

### Note 4 – Depreciation and Impairment

31 March 2021				31 March 2022		
Depreciation £'000	Impairment £'000	Total £'000		Depreciation £'000	Impairment £'000	Total £'000
(10,343)	6,271	(4,072)	Council Dwellings	(11,734)	-	(11,734)
(92)	-	(92)	Other Land and Buildings' Properties	(92)	(1,200)	(1,293)
(5)	604	599	Surplus Assets	(5)	338	333
<b>(10,441)</b>	<b>6,875</b>	<b>(3,566)</b>	<b>Total</b>	<b>(11,831)</b>	<b>(862)</b>	<b>(12,693)</b>

NB. A positive entry indicates an impairment reversal.

## Note 5 – Transactions relating to Retirement Benefits

31 March 2021 £'000		31 March 2022 £'000
1,340	Current Service Cost	1,942
(5)	Past Service Costs	-
-	(Gain)/loss from settlements	(102)
23	Administration expenses	41
885	Net interest expense	1,170
<b>2,243</b>	<b>Total</b>	<b>3,051</b>
<b>2,243</b>	<b>Movement on Pension Reserve</b>	<b>3,051</b>

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

## Note 6 - Total Capital Receipts Generated during the year

31 March 2021 £'000		31 March 2022 £'000
(2,569)	Council Houses	(3,918)
-	Other Property	-
<b>(2,569)</b>	<b>Total</b>	<b>(3,918)</b>

During the year, the Council disposed of 23 dwellings to tenants under the Right to Buy scheme. These disposals, along with non-Right to buy sales (2), generated total capital receipts of £3.9m, of which £0.9m was paid to Central Government as the Council's contribution to the Central Housing Pool. £7.1m of HRA capital receipts was held by the Council as at 31 March 2022 available to be used on replacement housing.

## Note 7 – Rent Arrears and Bad Debt Provision

	2020/21 £'000	2021/22 £'000
<u>Arrears by Tenant</u>		
Current Tenants	1,458	1,377
Former Tenants	778	883
<b>Total Arrears</b>	<b>2,237</b>	<b>2,259</b>

The specific provision for the possible non-collection of all rent related charges at 31 March is £1.560m, which represents 69% of the total outstanding arrears. The calculation assesses the potential for future impairment based on an analysis of arrears with and without arrangements with current and former tenants. These are then further analysed on an age outstanding basis and provisions made on established percentages, relating to the age of debt outstanding.

## Collection Fund

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

2020/21 Business Rates £'000	2020/21 Council Tax £'000	2020/21 Total £'000		2021/22 Business Rates £'000	2021/22 Council Tax £'000	2021/22 Total £'000
			<b>Income:</b>			
-	(111,023)	(111,023)	Council Tax Receivable	-	(118,233)	(118,233)
-	(933)	(933)	Transfer for Transitional Relief, S13A Reliefs and discount for prompt payment	-	(468)	(468)
-	(111,956)	(111,956)		-	(118,701)	(118,701)
(78,532)	-	(78,532)	Business Rates Receivable (net of discretionary and mandatory relief)	(110,451)	-	(110,451)
-	-	-	Transitional Protection Payment Receivable	-	-	-
(78,532)	-	(78,532)		(110,451)	-	(110,451)
-	-	-	Contributions to previous year estimated deficit			
-	-	-	Central Government	(28,383)	-	(28,383)
-	-	-	Reading Borough Council	(25,894)	(1,200)	(27,094)
-	-	-	Royal Berkshire Fire Authority	(548)	(48)	(596)
-	-	-	Thames Valley Police	-	(153)	(153)
-	-	-		(54,825)	(1,401)	(56,226)
<b>(78,532)</b>	<b>(111,956)</b>	<b>(190,488)</b>	<b>Total Income</b>	<b>(165,276)</b>	<b>(120,102)</b>	<b>(285,378)</b>
			<b>Expenditure:</b>			
			Apportionment of previous year's surplus:			
618	-	618	Central Government	-	-	-
10,300	237	10,537	Reading Borough Council	-	-	-
110	10	120	Royal Berkshire Fire Authority	-	-	-
-	30	30	Thames Valley Police	-	-	-
11,028	277	11,305		-	-	-
			Precepts, demands and shares:			
69,920	-	69,920	Central Government	65,709	-	65,709
68,521	96,015	164,536	Reading Borough Council	64,394	99,219	163,613
1,398	3,836	5,234	Royal Berkshire Fire Authority	1,314	3,851	5,165
-	12,272	12,272	Thames Valley Police	-	12,916	12,916
139,839	112,123	251,962		131,417	115,986	247,403
			Write off of uncollectable amounts			
2,589	2,831	5,420	Allowance for impairments	1,544	883	2,427
300	-	300	Provision for appeals	(182)	-	(182)
288	-	288	Cost of collection allowance	289	-	289
355	-	355	Transitional protection payment	500	-	500
3,532	2,831	6,363		2,151	883	3,034
<b>154,399</b>	<b>115,231</b>	<b>269,630</b>	<b>Total Expenditure</b>	<b>133,568</b>	<b>116,869</b>	<b>250,437</b>
75,867	3,275	79,142	Movement on the fund balance	(31,708)	(3,233)	(34,941)
(13,585)	394	(13,191)	(Surplus)/deficit brought forward	62,282	3,669	65,951
<b>62,282</b>	<b>3,669</b>	<b>65,951</b>	<b>(Surplus)/deficit on the Collection Fund as at 31st March</b>	<b>30,574</b>	<b>436</b>	<b>31,010</b>

### (Surplus)/Deficit on the Collection Fund

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

2020/21 Business Rates £ '000	2020/21 Council Tax £ '000	2020/21 Total £ '000		2021/22 Business Rates £ '000	2021/22 Council Tax £ '000	2021/22 Total £ '000
31,956	-	31,956	Central Government	15,131	-	15,131
29,703	3,142	32,845	Reading Borough Council	15,137	379	15,516
623	126	749	Royal Berkshire Fire Authority	306	13	319
-	401	401	Thames Valley Police	-	44	44
<b>62,282</b>	<b>3,669</b>	<b>65,951</b>	<b>Total</b>	<b>30,574</b>	<b>436</b>	<b>31,010</b>

## 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.

2020/21	Non-domestic rateable value and multipliers	2021/22
<b>£315,767,083</b>	Non-domestic rateable value at 31 March	<b>£311,343,913</b>
<b>51.2p</b>	Business rate multiplier - standard rate	<b>51.2p</b>
<b>49.9p</b>	Business rate multiplier - small businesses	<b>49.9p</b>

### 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.

2021/22				
Band	Valuation band limits	Calculated no of chargeable dwellings	Ratio to band D	Equated No of dwellings
	£	No.		No.
AA	Band A entitled to disabled relief reduction	5	5/9	3
A	Up to and including - 40,000	4,943	6/9	3,295
B	40,001 - 52,000	10,764	7/9	8,372
C	52,001 - 68,000	24,341	8/9	21,636
D	68,001 - 88,000	9,574	9/9	9,574
E	88,001 - 120,000	5,185	11/9	6,337
F	120,001 - 160,000	3,047	13/9	4,401
G	160,001 - 320,000	1,768	15/9	2,947
H	More than - 320,001	67	18/9	134
		<b>59,694</b>		<b>56,700</b>
		Adjustments for estimates of new build & non-collection		(852)
		<b>Council tax base</b>		<b>55,848</b>

## Group Accounts

### Introduction

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

- Reading Transport Limited (RTL);
- Homes for Reading (HfR);
- Brighter Futures for Children (BFfC)

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

- Reading Economic Development Company Limited (REDCo);
- Acre Road Industrial Estate Limited (ARIEL);
- Queens Road Car Park Limited (QRCL).

In addition to the above companies:

- the Council has a 49% interest in the Reading-Hampshire Property Partnership (RHPP). This is a joint venture arrangement and 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 2022, which equated to £490 (£490 at 31 March 2021).
- RTL has four wholly owned subsidiaries, Newbury and District Limited (N&D); Courtney Buses Limited (now Thames Valley Buses Limited); Courtney Bodyworks Ltd; and Courtney ATF Ltd which have been consolidated into the Council's Group Accounts.

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

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

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



## Group Financial Statements

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

The following statements have been prepared:

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

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

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

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

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

## Group Accounting Policies

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

### Basis of accounts production

The group accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2021/22, issued by the Chartered Institute of Public Finance and Accountancy (CIPFA).

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

## Critical Judgements in Applying Group Accounting Policies

Group accounts have been prepared using the following financial information:

Reading Borough Council.	Audited financial statements for 2020/21 and unaudited financial statements for 2021/22.
HfR	Audited financial statements for 2021/22 and prior years.
BFFC	Audited financial statements for 2021/22 and prior years.
RTL	Audited financial statements for 2021/22 and prior years.

## Group Comprehensive Income and Expenditure Statement

Gross Expenditure £'000	2020/21		Service Area	2021/22		
	Gross Income £'000	Net Expenditure £'000		Gross Expenditure £'000	Gross Income £'000	Net Expenditure £'000
77,735	(40,488)	37,247	Adult Care and Health Services	84,463	(39,569)	44,894
90,618	(71,496)	19,122	Resources	98,270	(70,238)	28,032
170,067	(129,062)	41,005	Children, Education and Early Help Services	192,773	(128,064)	64,709
100,450	(40,912)	59,538	Environment and Neighbourhood Services	102,504	(55,585)	46,919
43,169	(42,028)	1,141	Transport Services	44,781	(43,800)	981
113	(1,079)	(966)	Housing Services	117	(687)	(569)
23,984	(41,378)	(17,394)	Housing Revenue Account	36,965	(41,727)	(4,762)
<b>506,136</b>	<b>(366,443)</b>	<b>139,693</b>	<b>Group Cost of Services</b>	<b>559,873</b>	<b>(379,670)</b>	<b>180,203</b>
		1,647	Other Operating (Income)/Expenditure			12,189
		21,359	Financing and Investing Income and Expenditure			27,272
		(195,132)	Taxation and Non-Specific Grant Income			(194,009)
		1,131	Corporation Tax payable			(105)
		<b>(31,302)</b>	<b>Group (Surplus)/Deficit on Provision of Services</b>			<b>25,550</b>
		-	(Surplus)/Deficit on Revaluation of Investments			-
		(25,652)	(Surplus)/Deficit on Revaluation of Non-Current Assets			(59,803)
		149,540	Remeasurement of Pension Fund Liabilities			(145,452)
		(304)	Deferred Tax on Pension Liability and Corporation Tax Adjustment			4,691
		<b>123,584</b>	<b>Other Group Comprehensive Income and Expenditure</b>			<b>(200,564)</b>
		<b>92,282</b>	<b>Total Group Comprehensive Income and Expenditure</b>			<b>(175,014)</b>

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'	
	Reserves	Balances	Account	Reserves		Reserve						Reserves		
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'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)
<b>Movements in 2021/22:</b>														
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)
<b>Total Income/Expenditure</b>	<b>(21,125)</b>	<b>-</b>	<b>(21,125)</b>	<b>1,986</b>	<b>-</b>	<b>1,986</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(19,139)</b>	<b>(175,404)</b>	<b>(194,543)</b>	<b>19,531</b>	<b>(175,012)</b>
Consolidation adjustments between Group and Council Accounts	37,418		37,418			-				37,418	-	37,418	(37,418)	-
<b>Net Increase/Decrease</b>	<b>16,293</b>	<b>-</b>	<b>16,293</b>	<b>1,986</b>	<b>-</b>	<b>1,986</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>18,279</b>	<b>(175,404)</b>	<b>(157,125)</b>	<b>(17,887)</b>	<b>(175,012)</b>
Adjustments between Funding and Accounting	(1,465)		(1,465)	(1,680)		(1,680)	930	(4,271)	78	(6,410)	6,409	-		-
<b>Net Increase/Decrease before Transfers to/from Reserves</b>	<b>14,828</b>	<b>-</b>	<b>14,828</b>	<b>306</b>	<b>-</b>	<b>306</b>	<b>930</b>	<b>(4,271)</b>	<b>78</b>	<b>11,871</b>	<b>(168,995)</b>	<b>(157,124)</b>	<b>(17,887)</b>	<b>(175,013)</b>
Transfers to/from Reserves	(14,827)	14,018	(809)	73	(73)	-				(808)	808	-		-
<b>Net Increase/Decrease for year</b>	<b>-</b>	<b>14,018</b>	<b>14,018</b>	<b>379</b>	<b>(73)</b>	<b>306</b>	<b>930</b>	<b>(4,271)</b>	<b>78</b>	<b>11,061</b>	<b>(168,187)</b>	<b>(157,126)</b>	<b>(17,887)</b>	<b>(175,013)</b>
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 Movement in Reserves Statement 2020/21

NB Table subject to roundings

	REVENUE RESERVES						CAPITAL 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	Total Council Usable Reserves	Total Council Unusable Reserves	Total Council Reserves	Council's share of subsidiaries' reserves	Total Group Reserves
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>Balance 31 3 2020</b>	<b>(7,500)</b>	<b>(45,699)</b>	<b>(53,199)</b>	<b>(35,822)</b>	<b>(9,910)</b>	<b>(45,732)</b>	<b>(11,349)</b>	<b>(2,602)</b>	<b>(58,665)</b>	<b>(171,546)</b>	<b>(159,468)</b>	<b>(331,014)</b>	<b>710</b>	<b>(330,304)</b>
Transfer of Schools' Deficit Budget to new adjustment account		(1,768)	(1,768)							(1,768)	1,768			
<b>Movements in 2020/21:</b>														
Surplus/deficit on the provision of services	(58,580)		(58,580)	(11,432)		(11,432)				(70,012)		(70,012)	38,710	(31,302)
Other comprehensive income/expenditure											108,200	108,200	15,384	123,584
<b>Total income/expenditure</b>	<b>(58,580)</b>		<b>(58,580)</b>	<b>(11,432)</b>		<b>(11,432)</b>				<b>(70,012)</b>	<b>108,200</b>	<b>38,188</b>	<b>54,094</b>	<b>92,282</b>
Consolidation adjustments between Group and Council accounts	60,708		60,708							60,708		60,708	(57,493)	3,215
<b>Net increase/decrease</b>	<b>2,128</b>	<b>(1,768)</b>	<b>360</b>	<b>(11,432)</b>		<b>(11,432)</b>				<b>(11,072)</b>	<b>109,968</b>	<b>98,896</b>	<b>(3,399)</b>	<b>95,497</b>
Adjustments between funding and accounting	(54,144)		(54,144)	6,447		6,447	(2,399)	(84)	(4,159)	(54,339)	54,339			
<b>Net increase/decrease before transfers to/from reserves</b>	<b>(52,015)</b>	<b>(1,768)</b>	<b>(53,784)</b>	<b>(4,985)</b>		<b>(4,985)</b>	<b>(2,399)</b>	<b>(84)</b>	<b>(4,159)</b>	<b>(65,411)</b>	<b>164,307</b>	<b>98,896</b>	<b>(3,399)</b>	<b>95,497</b>
Transfers to/from reserves	52,015	(51,603)	412	163	(163)	-				412	(412)			
<b>Net increase/decrease for year</b>		<b>(53,371)</b>	<b>(53,371)</b>	<b>(4,822)</b>	<b>(163)</b>	<b>(4,985)</b>	<b>(2,399)</b>	<b>(84)</b>	<b>(4,159)</b>	<b>(64,998)</b>	<b>163,895</b>	<b>98,897</b>	<b>(3,399)</b>	<b>95,498</b>
			0											
<b>Balance 31 3 2021</b>	<b>(7,500)</b>	<b>(99,070)</b>	<b>(106,570)</b>	<b>(40,644)</b>	<b>(10,073)</b>	<b>(50,717)</b>	<b>(13,748)</b>	<b>(2,686)</b>	<b>(62,824)</b>	<b>(236,545)</b>	<b>4,427</b>	<b>(232,118)</b>	<b>(2,689)</b>	<b>(234,807)</b>

## Group Balance Sheet

2020/2021 £'000	Balance Sheet	Note	2021/22 £'000
946,829	Property, Plant and Equipment	1	1,012,100
125,957	Infrastructure		123,335
2,743	Heritage Assets		2,650
104,085	Investment Property	2	105,816
9,192	Intangible Assets		8,611
-	Pension Assets		0
14,709	Long-Term Investments		17,244
530	Long-Term Debtors		643
<b>1,204,045</b>	<b>Group Non-Current Assets</b>		<b>1,270,399</b>
-	Assets Held for Sale		<b>330</b>
850	Inventories		974
83,767	Short-Term Debtors	3	71,933
73,782	Cash and Cash Equivalents		80,347
<b>158,399</b>	<b>Group Current Assets</b>		<b>153,584</b>
(7,944)	Short-Term Borrowing		(3,054)
(129,148)	Short-Term Creditors	4	(130,799)
(7,406)	Short-Term Provisions		(7,055)
(1,009)	PFI Short-Term Liabilities and Deferred Income		(1,114)
(1,115)	Deferred Income		(395)
0	Grants Received in Advance - Capital		0
<b>(146,622)</b>	<b>Group Current Liabilities</b>		<b>(142,417)</b>
(594)	Long-Term Provisions		(979)
(384,183)	Long-Term Borrowing		(381,825)
(556,457)	Pensions Liabilities	5	(447,492)
(39,447)	Other Long-Term Liabilities	6	(35,976)
(334)	Deferred Tax re Pension Scheme		(5,900)
<b>(981,015)</b>	<b>Group Long-Term Liabilities</b>		<b>(872,172)</b>
<b>234,807</b>	<b>Net Group Assets</b>		<b>409,394</b>
(240,897)	Usable Reserves		(245,636)
6,090	Unusable Reserves		(163,758)
<b>(234,807)</b>	<b>Total Group Reserves</b>		<b>(409,394)</b>

*\*Table is subject to rounding*



**Darren Carter**  
Director of Finance - Section 151 Officer  
25 November 2024

## Group Cash Flow Statement

2020/21 £'000	Cash Flow	Note	2021/22 £'000
(31,302)	Net surplus or (deficit) on the provision of services		25,552
(75,770)	Adjustments to net surplus or deficit on the provision of services for non-cash movements	7	(77,398)
42,134	Adjustments for items included in the net surplus on the provision of services that are investing and financing activities	7	45,941
<b>(64,938)</b>	<b>Net cash flows from Operating Activities</b>		<b>(5,905)</b>
2,526	Investing Activities	7a	22,328
37,159	Financing Activities	7b	(22,987)
<b>(25,253)</b>	<b>Net increase or (decrease) in cash and cash equivalents</b>		<b>(6,565)</b>
48,528	Cash and cash equivalents at the beginning of the reporting period		73,782
<b>73,782</b>	<b>Cash and cash equivalents at the end of the reporting period</b>		<b>80,347</b>

## Notes to the Group Accounts

### Note 1 – Group Property, Plant and Equipment

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

Asset type	Valuation basis	Date of valuation	Valuation frequency
Council dwellings	Existing Use Value – Social Housing	31-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 2022 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 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
<b>Cost or valuation 2021/22</b>							
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)	(16,371)	(1,947)	-	0	(1,704)	(22,449)
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)
<b>At 31 March 2022</b>	<b>549,451</b>	<b>349,534</b>	<b>83,520</b>	<b>8,807</b>	<b>24,213</b>	<b>71,828</b>	<b>1,087,353</b>
<b>Accumulated Depreciation and Impairment</b>							
at 1 April 2021	-	(21,664)	(44,530)	(1,998)	-	(735)	(68,927)
Opening Balance Adjustment	-	-	-	-	-	-	0
Depreciation Charge for Year	(11,735)	(9,587)	(6,036)	(31)	(16)	(22)	(27,427)
Impairments Recognised in the Provision of Services	-	(3,739)	-	-	236	-	(3,503)
Derecognition and Disposals	57	1,035	1,117	-	-	-	2,209
Reclassifications and Transfers	-	269	(120)	-	(19)	(250)	(120)
Other Movements in Depreciation and Impairment	11,678	11,036	0	-	(201)	-	22,513
<b>At 31 March 2022</b>	<b>-</b>	<b>(22,650)</b>	<b>(49,569)</b>	<b>(2,029)</b>	<b>-</b>	<b>(1,007)</b>	<b>(75,255)</b>
<b>Net book value 31 March 2022</b>	<b>549,451</b>	<b>326,884</b>	<b>33,951</b>	<b>6,778</b>	<b>24,213</b>	<b>70,821</b>	<b>1,012,098</b>
<b>Net book value 31 March 2021</b>	<b>502,927</b>	<b>334,635</b>	<b>36,321</b>	<b>6,745</b>	<b>24,841</b>	<b>41,357</b>	<b>946,826</b>



## Group Property, Plant and Equipment 2020/2021

2020/21	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
<b>Cost or valuation 2020/21</b>	474,526	361,996	79,764	8,693	29,932	22,626	977,537
at 1 April 2020							
Opening Balance Adjustment							
Additions	10,893	3,016	4,277	50	37	18,042	36,315
Revaluation Adjustments Recognised in the Revaluation Reserve	23,028	3,809	(425)	-	(760)	-	25,652
Derecognition and Disposals	(1,480)	(3,640)	(1,931)	-	(290)	-	(7,341)
Reclassifications and Transfers	-	1	-	-	(2,720)	1,424	(1,295)
Other Movements in Cost or Valuation*	(4,040)	(8,882)	(834)	-	(1,358)	-	(15,114)
<b>At 31 March 2021</b>	<b>502,927</b>	<b>356,300</b>	<b>80,851</b>	<b>8,743</b>	<b>24,841</b>	<b>42,092</b>	<b>1,015,754</b>
<b>Accumulated Depreciation and Impairment</b>							
at 1 April 2020	-	(15,084)	(40,638)	(1,967)	-	(692)	(58,381)
Opening Balance Adjustment							0
Depreciation Charge for Year	(10,343)	(9,829)	(6,095)	(31)	(15)	-	(26,313)
Impairments Recognised in the Provision of Services	6,271	(6,366)	(301)	-	(1,343)	-	(1,739)
Derecognition and Disposals	32	31	1,670	-	-	-	1,733
Reclassifications and Transfers	-	43	0	-	-	(43)	0
Impairment	4,040	9,542	834	-	1,358	-	15,774
<b>At 31 March 2021</b>	<b>-</b>	<b>(21,663)</b>	<b>(44,530)</b>	<b>(1,998)</b>	<b>-</b>	<b>(735)</b>	<b>(68,926)</b>
<b>Net book value 31 March 2021</b>	<b>502,927</b>	<b>334,637</b>	<b>36,321</b>	<b>6,745</b>	<b>24,841</b>	<b>41,357</b>	<b>946,828</b>
<b>Net book value 31 March 2020</b>	<b>474,526</b>	<b>377,080</b>	<b>120,402</b>	<b>10,660</b>	<b>29,932</b>	<b>21,934</b>	<b>919,156</b>

\* 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.

### Value of Investment Properties

2021/22	RBC £'000	HfR £'000	Total £'000
<b>At 1 April 2021</b>	<b>75,980</b>	<b>28,105</b>	<b>104,085</b>
Additions	-	-	-
Disposals	-	-	-
Reclassifications and transfers	-	-	-
Net gains and losses from fair value adjustments	-	2,500	2,500
<b>At March 2022</b>	<b>75,980</b>	<b>30,605</b>	<b>106,585</b>

2020/21	RBC £'000	HfR £'000	Total £'000
<b>At 1 April 2020</b>	<b>79,060</b>	<b>27,685</b>	<b>106,745</b>
Additions	-	-	-
Disposals	-	-	-
Reclassifications and transfers	-	-	-
Net gains and losses from fair value adjustments	(3,080)	420	(2,660)
<b>At March 2021</b>	<b>75,980</b>	<b>28,105</b>	<b>104,085</b>

## Investment Property - income and expenditure

2021/22	RBC £'000	HfR £'000	Total £'000
Rental income	(5,412)	(1,343)	(6,755)
Direct operating costs	290	294	584
<b>Net gain or loss</b>	<b>(5,122)</b>	<b>(1,049)</b>	<b>(6,171)</b>

2020/21	RBC £'000	HfR £'000	Total £'000
Rental income	(5,445)	(1,310)	(6,755)
Direct operating costs	193	261	454
<b>Net gain or loss</b>	<b>(5,252)</b>	<b>(1,049)</b>	<b>(6,301)</b>

## Note 3 – Debtors

Debtors due within one year

2020/21 Total £'000		2021/22 Total £'000
5,884	Central Government bodies	6,073
1,492	Other local authorities	2,744
368	NHS bodies	120
76,023	Other entities and individuals	62,996
<b>83,767</b>	<b>Total</b>	<b>71,933</b>

## Note 4 – Creditors

Creditors due within one year

2020/21 Total £'000		2021/22 Total £'000
(7,932)	Central Government Bodies	(5,284)
(6,987)	Other Local Authorities	(412)
(34)	NHS Bodies	(306)
(114,195)	Other Entities and Individuals	(124,797)
<b>(129,148)</b>	<b>Total</b>	<b>(130,799)</b>

## Note 5 – Pensions Cost

RTL operates two defined benefit pension schemes for employees:

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

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

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

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

## Transactions relating to post-employment benefits

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

	RBC £'000	Subsidiaries £'000	Group Total £'000
<b>2021/22</b>			
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)
<b>2020/21</b>			
Pension transactions charged or credited to Surplus or Deficit on Provision of Services	38,456	8,271	46,727
Pension transactions charged or credited to Other Comprehensive Income and Expenditure	133,852	15,688	149,540

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

	RBC £'000	Subsidiaries £'000	Group Total £'000
<b>2021/22</b>			
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
<b>Net assets/liabilities arising from defined pension scheme obligations</b>	<b>(464,659)</b>	<b>17,167</b>	<b>(447,492)</b>
<b>2020/21</b>			
Present value of defined pension scheme obligations	(1,004,096)	(94,278)	(1,098,374)
Fair Value of plan assets	452,651	89,266	541,917
<b>Net assets/liabilities arising from defined pension scheme obligations</b>	<b>(551,445)</b>	<b>(5,012)</b>	<b>(556,457)</b>

Subject to roundings

	RBC £'000	Subsidiaries £'000	Group Total £'000
<b>2021/22</b>			
<b>At 1 April</b>	<b>(1,004,096)</b>	<b>(94,277)</b>	<b>(1,098,373)</b>
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	0	0	0
Benefits paid	23,088	1,686	24,774
Obligations - change of estimation		34,356	34,356
Other adjustments	670	0	670
<b>at 31 March</b>	<b>(950,205)</b>	<b>(57,401)</b>	<b>(1,007,606)</b>
<b>2020/21</b>			
<b>at 1 April</b>	<b>(777,142)</b>	<b>(88,433)</b>	<b>(865,575)</b>
Current service cost	(29,303)	(1,233)	(30,536)
Interest cost	(15,658)	(1,835)	(17,493)
EE and ER contributions	(4,214)	(53)	(4,267)
Remeasurement gains and losses	(200,238)	(5,711)	(205,949)
Past service costs	(284)		(284)
Benefits paid	22,644	2,957	25,601
Other adjustments	99	31	130
<b>at 31 March</b>	<b>(1,004,096)</b>	<b>(94,277)</b>	<b>(1,098,373)</b>

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

	RBC £'000	Subsidiaries £'000	Group Total £'000
<b>2021/22</b>			
<b>Assets at 1 April</b>	<b>452,651</b>	<b>89,265</b>	<b>541,916</b>
Return on plan assets	37,775	1,402	39,177
Actuarial gains and losses	9,058	(438)	8,620
Admin costs	(429)	-	(429)
EE and ER contributions	22,002	1,251	23,253
Contributions by scheme participants	-	14	14
Benefits paid	(23,088)	(1,686)	(24,774)
Assets change of estimation	-	(15,240)	(15,240)
Other	(12,825)	-	(12,825)
Curtailments and Settlements	402	-	402
<b>Assets at 31 March</b>	<b>485,546</b>	<b>74,568</b>	<b>560,114</b>
<b>2020/21</b>			
<b>Assets at 1 April</b>	<b>381,458</b>	<b>82,482</b>	<b>463,940</b>
Return on plan assets	66,386	5,972	72,359
Interest income	6,688	1,721	8,409
Admin costs	(237)	(8)	(245)
EE and ER contributions	20,761	2,086	22,847
Contributions by scheme participants	-	-	-
Benefits paid	(22,644)	(2,988)	(25,632)
Curtailments and Settlements	239	-	239
<b>Assets at 31 March</b>	<b>452,651</b>	<b>89,265</b>	<b>541,917</b>

#### iv. Analysis of Scheme Assets

	RBC £'000	Subsidiaries £'000	Group Total £'000
<b>2021/22</b>			
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)
<b>Total</b>	<b>485,546</b>	<b>74,569</b>	<b>560,115</b>
<b>2020/21</b>			
Equities	272,095	28,949	301,044
Bonds	73,925	21,070	94,995
Property	55,488	5,185	60,673
Cash and derivatives	20,226	33,022	53,248
Diversified Growth Funds			
Target Return Portfolio	18,283	626	18,909
Commodities			
Infrastructure	36,835	1,245	38,080
Insurance policies	(24,201)	(831)	(25,032)
<b>Total</b>	<b>452,651</b>	<b>89,266</b>	<b>541,917</b>

#### v. Principal Assumptions

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



	RBC	RTL
Discount rate	2.6%	2.6%
Future salary increases	4.2%	-
Future pension increases	3.2%	2.3%

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

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

2021/22	RBC £'000	Subsidiaries £'000	Group Total £'000
<b>2021/22</b>			
RBC - North Whitley PFI scheme	(17,756)		(17,756)
RBC - Waste PFI scheme	(5,391)		(5,391)
RTL - Finance Lease and HP contracts		(9,394)	(9,394)
Accruals and Deferred Income	(627)	(2,807)	(3,434)
<b>Total</b>	<b>(23,774)</b>	<b>(12,201)</b>	<b>(35,975)</b>

2020/21	RBC £'000	Subsidiaries £'000	Group Total £'000
<b>2020/21</b>			
RBC - North Whitley PFI scheme	(18,541)	-	(18,541)
RBC - Waste PFI scheme	(4,658)	-	(4,658)
RTL - Finance lease and HP contracts	-	(10,970)	(10,970)
Accruals and Deferred Income	(2,055)	(3,223)	(5,278)
<b>Total</b>	<b>(25,254)</b>	<b>(14,193)</b>	<b>(39,447)</b>

## Note 7 – Cash Flow from Operating Activities

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

2020/21 £'000		2021/22 £'000
(626)	Interest received	(2,758)
22,398	Interest paid	17,458
<b>21,772</b>	<b>Total</b>	<b>14,701</b>

2020/21 £'000		2021/22 £'000
(40,374)	Depreciation	(42,532)
-	Impairment and downward valuations	-
(1,367)	Amortisation	(1,725)
3,014	Movement in contract assets, liabilities and costs	615
(42,960)	(Increase)/decrease in creditors	(1,651)
14,304	Increase/(decrease) in debtors	7,389
97	Increase/(decrease) in inventories	124
(5,281)	Movement in pension liability	(31,315)
(5,612)	Carrying amount of non-current assets and non-current assets held for sale, sold or derecognised	(14,330)
2,409	Other non-cash movements charged to the surplus or deficit on provision of services	6,027
<b>(75,770)</b>	<b>Total</b>	<b>(77,398)</b>

2020/21 £'000		2021/22 £'000
5,888	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(2,144)
36,246	Any other items for which the cash effects are investing or financing cash flows	8,860
-	Proceeds from short-term (not considered to be cash equivalents) and long-term investments	39,225
<b>42,134</b>	<b>Total</b>	<b>45,941</b>

### Note 7a - Cash Flow from Investing Activities

2020/21 £'000		2021/22 £'000
45,955	Purchase of property, plant and equipment, investment property and intangible assets	67,790
-	Purchase of short-term and long-term investments	-
-	Other payments for investing activities	113
(7,183)	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(6,350)
-	Proceeds from short-term and long-term investments	-
(36,246)	Other receipts from investing activities	(39,225)
<b>2,526</b>	<b>Net cash flows from investing activities</b>	<b>22,328</b>

### Note 7b - Cash Flow from Financing Activities

2020/21 £'000		2021/22 £'000
-	Cash receipts of short-term and long-term borrowing	-
-	Other receipts from financing activities	(6,342)
974	Cash payments for the reduction of outstanding liabilities relating to finance leases and on-Balance-Sheet PFI contracts	1,009
13,266	Repayments of short-term and long-term borrowing	1,682
22,919	Council Tax and NNDR share	(19,336)
<b>37,159</b>	<b>Net cash flows from financing activities</b>	<b>(22,987)</b>

## **Glossary Of Terms**

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

### **ACCOUNTING PERIOD**

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

### **ACCOUNTING POLICIES**

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

### **ACCRUALS**

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

### **ACTUARIAL GAINS AND LOSSES**

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

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

### **ASSET**

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

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

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

### **ASSETS UNDER CONSTRUCTION**

Capital expenditure on assets where the work is incomplete.

### **AUDIT OF ACCOUNTS**

An independent examination of the 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 a 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 the 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.