

Statement of Accounts 2013/14

(Draft)

Incorporating the Annual
Governance Statement



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Foreword

1. Introduction

This foreword provides a brief explanation of the financial aspects of the Council's activities, and draws attention to the Council's financial position and performance for the financial year 2013/14.

Final accounts for the Council for the year ended 31st March 2014, and explanatory notes, are included on pages 23 to 106.

2. Changes to Accounting Policies

As a result of changes to IAS 19 (Employee benefits), some figures for 2012/13 have been restated by the Actuary for the LGPS pension scheme. These changes have been reflected within the 'Post-employment benefits' note (note 32, page 73), but have not been reflected within the 2012/13 CIES figures, as they have been judged to be immaterial to the Accounts as a whole.

3. Major changes from 2012/13

During the year the Council has reorganised its management structure to improve services to the public and reduce costs. The process of restructuring is on-going and will continue through the 2014/15 financial year.

From 1st April 2013, responsibility for Public Health services transferred from the Primary Care Trusts to Local Authorities within England. In Berkshire, elements of this service are being run on a Joint Arrangement basis by Bracknell Forest Borough Council. The figures within this document reflect Reading Borough Council's elements of this.

From 2013/14, the distribution of National Non-Domestic Rates (NNDR) has been changed. In earlier years, NNDR was fully pooled nationally; this has now changed to 50% national pooling, with 49% being retained by the Council and 1% to the Fire and Rescue Authority. In addition, the Council is required to pay a levy at 44% on its share of any NNDR income above a Government-set baseline. The Council is also required to establish a provision for appeals; Government regulations permit this to be phased in over a five year period.

4. Accounting Statements

The Statement of Accounts has been produced in accordance with The Code of Practice on Local Authority Accounting in the United Kingdom (The Code). The Code specifies that the following statements must be produced:

The [Statement of Responsibilities](#) sets out the respective responsibilities of the Council, the Audit and Governance Committee, and the Head of Finance.

The [Annual Governance Statement](#) accompanies the accounts and will be signed by the Managing Director and the Leader of the Council, after being approved by the Audit and Governance Committee; it explains the arrangements the Council has put in place for corporate governance, which underpins the wider management of the Council's corporate governance arrangements.

The [Statement of Accounting Policies](#) explains the basis of the figures and any estimation techniques in the accounts.

The [Movement in Reserves Statement](#) shows the movement in year on the different reserves held by the Council, analysed into general reserves (those that can be applied to fund expenditure or reduce local taxation) and other reserves. The surplus or deficit on the provision of services line shows the true economic cost of providing the Council's services, further details of which are shown in the Comprehensive Income and Expenditure Statement. These are different to the statutory amounts chargeable to the General Fund balance and the Housing Revenue Account for Council Tax and Dwellings Rent setting purposes. The 'Net increase/decrease before transfers to earmarked reserves' line shows the statutory General Fund balance and Housing Revenue Account balance before any discretionary transfers to or from the earmarked reserves.

The [Comprehensive Income and Expenditure Statement](#) 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. The Council raises taxation to cover expenditure in accordance with regulations; this may be different from the accounting cost. The taxation position is shown in the Movement in Reserves Statement.

The [Balance Sheet](#) shows the value of the Council's assets and liabilities as at 31st March. The net assets (assets less liabilities) are matched by the reserves held by the Council; reserves fall into two categories - general and unusable. General reserves can be utilised by the Council to provide services, subject to the need to provide a prudent minimum level of reserves, and any statutory or other restrictions upon their use. Unusable reserves cannot be used to fund service provision, this category of reserves includes those that hold unrealised gains (the Revaluation Reserve), where the amount would only be realised once an asset is sold; and reserves that hold timing differences shown in the Movements in Reserves Statement line 'Adjustments between accounting basis and funding basis under regulations'.

The [Cashflow Statement](#) summarises the changes in cash and cash equivalents 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 [Housing Revenue Account \(HRA\)](#) records the Council's statutory obligation to account separately for the costs of its role as a housing landlord, as defined in Schedule 4 of the Local Government and Housing Act 1989 and in accordance with the HRA (Accounting Practices) Directions 2011. It shows the major elements of housing revenue expenditure: maintenance, administration, and capital financing costs and how these are met by rents and other income.

[Collection Fund](#) - There is a statutory requirement to maintain a Collection Fund and keep its activities separate from those of other Council transactions. The fund shows the transactions (on an accruals basis) of the Council as a billing authority in relation to Non-Domestic Rates and the Council Tax and illustrates the way in which they have been distributed to precepting authorities and the Comprehensive Income and Expenditure Account. The fund receives payments from Council Tax payers and Business Rate payers. Fifty percent of Business Rates are paid into the national pool, the balance is split between the Council (49%) and the Royal Berkshire Fire and Rescue Service (1%) to fund General Fund activities. Thames

Valley Police and the Royal Berkshire Fire and Rescue Service precept on the Council Tax element of the Collection Fund to fund their activities.

The [Group Accounts](#) provides a Comprehensive Income and Expenditure Account, Group Balance Sheet, movement of reserves statement and cash flow statement for the Council and its subsidiaries: Reading Economic Development Company, Queens Road Car Park Company, Acre Road Industrial Estate, and Reading Transport Limited.

5. Financial Performance

i. General Fund Performance

The net service expenditure, by directorate, compared with budgeted figures for 2013/14 is shown below:

	Budget	Outturn	Variance to budget
	£ '000	£ '000	£ '000
Corporate Support Services	13,787	12,512	(1,275)
Environment and Neighbourhood Services	27,636	30,265	2,629
Education, Adults and Children's Services	75,593	74,472	(1,121)
	<u>117,016</u>	<u>117,249</u>	<u>233</u>
Capital Financing	12,400	11,427	(973)
Insurance	791	656	(135)
Corporate Property, Pension & Other Liabilities, including Environment Agency Levy	1,900	1,504	(396)
Redundancy Provision	800	800	0
Capitalisation	0	(250)	(250)
Additional Transfer to Redundancy Reserve	0	1,921	1,921
Total	<u>132,907</u>	<u>133,307</u>	<u>400</u>
NNDR Compensation Grant less Levy	0	(156)	(156)
Grants	(2,044)	(2,508)	(464)
(Use of)/Addition to balances and reserves	0	220	220
Budget requirement	<u><u>130,863</u></u>	<u><u>130,863</u></u>	<u><u>0</u></u>

The main areas of overspends (positive figures) and underspends (negative figures) against the Council's approved service budgets are set out below:

	2013/14 £ '000
Corporate Support Services	
Customer Services	(467)
Legal services	(521)
HR and Payroll Services	(164)
Other	(123)
	<u>(1,275)</u>
Environment and Neighbourhood Services	
Transport and Streetcare	(506)
Planning, Development and Regulatory Services	590
Housing and Neighbourhood Services	(192)
Economic and Cultural Development	2,614
Other	123
	<u>2,629</u>
Education, Adults and Children's Services	
Children's Services	(410)
Adults' Services	(659)
Education and Early Years	430
Commissioning and Improvement	(398)
Other	(84)
	<u>(1,121)</u>
Total overspend/(underspend) against service budgets	<u><u>233</u></u>

ii. Housing Revenue Account Performance

The Housing Revenue Account (HRA) shows the income and expenditure on Council Housing; a comparison between the actual income and expenditure and the budget is shown below:

	Budget	Outturn	Variance to budget
	£ '000	£ '000	£ '000
Repairs	12,245	10,480	(1,765)
Management	16,897	15,890	(1,007)
Capital	11,160	11,165	5
Total expenditure	<u>40,302</u>	<u>37,535</u>	<u>(2,767)</u>
Rents	35,671	35,260	(411)
Service Charges	485	459	(26)
PFI Allowance/Grant	3,997	3,997	0
Interest and General Fund contribution	149	175	26
Total income	<u>40,302</u>	<u>39,891</u>	<u>(411)</u>
Net expenditure	0	(2,356)	(2,356)
HRA balance b/f	11,171	10,892	
HRA balance c/f	11,171	13,248	

Overall, the HRA shows an underspend of £2.3m in comparison with the budget.

iii. Collection Fund

The Council is required to maintain a separate Collection Fund showing the amounts collected through local taxation, associated costs, and transfers to Precepting bodies. The total Collection Fund surplus as at 31st March 2014 was £3,485k (Council Tax: £2,495k, Business Rate: £990K; as at 31st March 2013: surplus of £2,698k entirely relating to Council Tax). The Council's share of the Council Tax surplus was £2,140k (2012/13: 2,318k) and of the Business Rates surplus £485k.

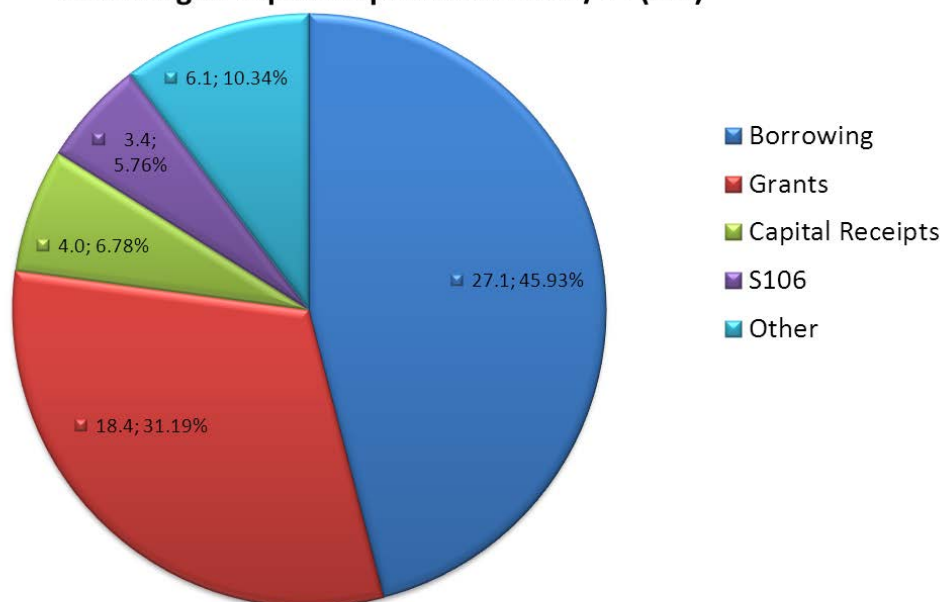
The main accounts show only the Council's share of the Collection Fund transactions; of the Council Tax surplus, £1,650k was taken into account when setting the Council's 2014/15 Council Tax, the balance will be taken into account when the 2015/16 Council Tax is set.

iv. Capital Spend and Borrowing

The Council's capital spending in the year amounted to £59m; further details are set out in note 19, page 64.

The chart below shows how the 2013/14 capital programme has been funded:

Financing of capital expenditure 2013/14 (£m)



6. Pension Fund

The Pension Fund disclosures have been prepared in accordance with International Accounting Standard 19 (Employee Benefits). The Local Government Pension Scheme for Berkshire is administered by the Royal Borough of Windsor and Maidenhead on behalf of the other Berkshire Authorities. There is no net effect on the outturn position in 2013/14, although there is a net pension liability within the Balance Sheet of £257.5m (2012/13: £240.9m). Full details are set out in note 32, page 73.

7. Planned future developments in service delivery and the current economic climate

The Council's Medium Term Financial Plan (MTFP) for the period 2014/15 to 2016/17 was approved by Council in February 2014 as part of setting the 2014/15 budget. The plan sets out the savings to be found over the next three years, assuming Council Tax at 2014/15 levels.

Financial Year	Government funding, NDR local share and surpluses on the Collection Fund	Income from Council Tax	Total resources	Forecast budget	Savings required	Savings required
	£ 'm	£ 'm	£ 'm	£ 'm	£ 'm	%
2014/15	64.7	65.1	129.8	137.9	8.1	6%
2015/16	51.7	65.7	117.4	131.6	14.2	11%
2016/17	46.2	66.3	112.5	128.6	16.1	13%

The plan also sets out the Council's indicative capital investment plans designed to fit with the corporate aims:

- Creating and sharing prosperity
- Ensuring people are supported and protected when they need to be, and/or are healthy and can thrive in their community
- An attractive, safe and well-kept town
- Good quality public services

Details of the MTFP can be found on the Council's website at www.reading.gov.uk.

8. Treasury Management

Full details of the Treasury Management policy, the Treasury outturn report, borrowing facilities and investments are available on the Council's website at <http://www.reading.gov.uk>.

9. Provisions, Reserves, contingencies and material write offs.

There have been no material write offs during the year and no new provisions have been created during the year.

10. Post-balance sheet events

The Council has recognised no non-adjusting post-balance sheet event in the year.

Annual Governance Statement

1 Why We Have This Document

- 1.1 The Council is required to publish an Annual Governance Statement (AGS), with its Statement of Accounts which must be supported by a comprehensive assurance gathering process.

2 What Governance Is Like In The Council (The Scope)

- 2.1 We are responsible for ensuring that the Council's 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. In discharging this overall responsibility, we are responsible for putting in place proper arrangements for the governance of the Council's affairs, facilitating the effective exercise of its functions, and which include arrangements for the management of risk.
- 2.2 The Council has adopted a code of corporate governance which is consistent with the principles of the CIPFA/SOLACE Framework Delivering Good Governance in Local Government. This has recently been refreshed and a Council Policy Statement about Governance is being considered by Members. This statement explains how we govern our affairs.

3 The Purpose Of Our Governance Framework

- 3.1 The governance framework comprises the systems and processes, and culture and values, by which we are directed and controlled, and the activities through which we are accountable to, engage with and lead our communities. The framework is attached at appendix A. This enables us to monitor the achievement of the Council's priorities in the Corporate Plan and other key strategies to improve service delivery and to test and consider that these continue to provide value for money.
- 3.2 Our governance framework has been in place for the year ended 31 March 2014 and up to the date of approval of the statement of accounts.

4 Our Governance Framework Political Leadership

- 4.1 Councillors are elected by residents of the Borough every four years to represent them in taking decisions about council services and funding. Reading is divided into 16 wards and 46 members are elected to represent them. In the Council Chamber, the councillors make decisions that set the policy direction of the organisation.
- 4.2 The party that receives the most votes forms an Administration and therefore has a greater influence on key decisions within the Council. The Council appoints a Leader of the Council, Deputy Leader of the Council, lead councillors and chairs of the committees at the Annual General Meeting. There are nine lead councillors who have particular responsibilities or 'portfolio's such as Health, Housing and Adult Social Care.
- 4.3 The Council and the Committees shape what services are delivered and how Reading develops and grows sustainably. The Council is responsible for approving the priorities for the Council each year via the Corporate Plan supported by the resources in the Council's Budget and Financial Plan. The Council and Committees also develops policies, makes constitutional decisions and decides on local legislation.

4.4 The Council has developed a set of guiding values to help decision making and agree priorities:

- **Fair**
 - tackling inequality and promoting residents’ rights
 - ensuring residents are part of decision making
 - ensuring our staff have enough support
- **Caring**
 - putting residents at the heart of what we do
 - working with residents to look after each other
- **Enterprising**
 - unlocking the power of our communities
 - acting now to create a better future

4.5 To translate these principles into clear outcomes that will deliver its vision for the Reading we have set three strategic priorities:

Priority 1:	Creating and sharing prosperity.
Priority 2:	People are supported and protected when they need to be. People are healthy and can thrive in their community.
Priority 3:	An attractive, safe and well-kept town.
Priority 4:	Good quality public services.

Good decision-making

4.6 Members sit on a variety of [committees](#) - mostly open to the public - that manage the organisation’s different functions. The Council reviewed its decision making arrangements and approved a move to a committee system of decision making in 2013. This created four cross-party committees whose membership is proportionate to the representation of each political party on the Council. These committees are:

- Policy Committee;
- Adults, Children’s and Education Committee;
- Housing , Neighbourhoods and Leisure Committee; and
- Strategic Environment, Planning and Transport Committee.

4.7 In the new committee arrangement the four standing committees also carry out overview and scrutiny exercises.

4.8 There are also committees for Audit & Governance, Licensing, Planning and Personnel. All the committees set goals and guidelines for the operation of services.

4.9 Our Constitution sets out the roles of, and relationships between the Council, the committees involved in making our policies and officers. The Constitution also sets out the responsibility of each group or individual for making particular types of decisions or for director decisions relating to particular responsibilities. Under the Constitution, all decisions that we make or that are made on our behalf must be made in line with the principles and frameworks set out in the Constitution.

- 4.10 The Constitution also sets out how members of the public can get involved in the decisions we make (under the 'Access to Information Rules'). We have a legal responsibility to carry out consultations before we make certain decisions.
- 4.11 During the year, no changes were made to full Council, or to the authority's existing regulatory and non-executive committees. The former Traffic Management Advisory Panel has been reconstituted as a sub-committee of the relevant standing committee. The regulatory committees - Licensing Applications and Planning Applications - together with the Audit and Governance, Personnel, and Standards Committees have continued to be set up as committees of full Council. In addition, a Health and Wellbeing Board has been set up as a committee of full Council.

Day-to-day operations

- 4.12 The day-to-day work is carried out by officers within the Council. Their direction comes from Council and the Committees. Officers are employees of the Council and are non-political and ensure that the work is carried out as decided by Council and the Committees.
- 4.13 Some officers have statutory duties that they must uphold. Our Managing Director is 'Head of paid service' and is responsible for the organisation's efficient management. The role also involves giving Members strategic advice on policy-related issues, drawing on the experience and expertise of the organisation as a whole. All officers must provide objective, comprehensive and impartial advice to councillors so that they can rely upon this to make decisions. Through our recruitment and learning and development we ensure that officers have the right skills and experience to ensure that governance is strong and they understand the requirement of legislation and how this needs to be considered when making recommendation to councillors and when delivering services. The remaining statutory roles of Monitoring Officer, Chief Financial Officer & (statutory) Director of Children's Services are fulfilled by relevant members of the Corporate Management Team. The role of Director of Public Health is fulfilled by one person for all authorities in Berkshire who is employed by Bracknell Forest BC.

5 Working Better With You

- 5.1 We welcome views from the public and community as part of the constitutional process. These views are considered through formal and informal consultation processes, attendance at local meetings (e.g. community meetings) or contact with a local ward councillor. Trades unions are consulted on issues that affect staff.
- 5.2 During the last year we have continued to work hard to communicate (and receive feedback on) our aims for the community. We have done this in a number of ways, including:
- Our 'Working Better With You' initiative, which aims to improve the way we engage with residents, building lasting relationships and finding ways of working better together for the benefit of Reading;
 - The 'Let's Talk' consultation meetings - talking to schools and parents about the sites for extra schools and classrooms. Consulting with residents on modernising day care services and improving residential services; and
 - Using social media as a tool for communicating with the community on important developments and working on plans to develop the council's website.
- 5.3 We get regular and detailed information on what people think about the quality of each of our services and we use this feedback to improve services. Through our 'Working

Better With You' initiative, we have been providing opportunities for Reading people to get involved in the decision-making process so their views play a major part in helping to set spending priorities.

6 Key Strategy Documents

- 6.1 We continue to review and update the **Constitution** as necessary and have begun work on updating the Scheme of Delegation and Financial Procedural Rules to reflect the changes following restructuring of services within the Council. Moving forward a programme of work has begun to review and consolidate operational and financial procedures which underpin the Council's constitution. The driver for this review is to introduce shorter and clearer policies for staff.
- 6.2 The Council's **Corporate and Financial Plan** provides the link between our strategic priorities and the way in which the Council operates. Corporate and Financial plans for 2014-2017 were approved by full Council in February 2014, and the process for keeping these plans under review moved to an annual update of a three year rolling plan.
- 6.3 The overall budget and policy framework is set by the Council and all decisions are made within this framework. The Council's Financial Plan is a key reference tool for the Medium Term Resources Strategy, which enables us to make best use of financial, human, technological and other resources available and to enable the continued provision of value for money services that meet the needs of residents, businesses and other stakeholders.
- 6.4 We delivered our 2013/14 net budget and we approved a robust balanced budget for 2014/15 within the context of a rolling 3 year financial plan. The Council agreed £15m of further savings, £10m of which is to be delivered in 2014/15 and we identified a series of zero based budget reviews that have commenced to deliver further savings of £25m towards the estimated £40m savings needed over the 2014-17 period. During the year we identified the need to further improve the process for setting and managing income targets.
- 6.5 We are working in a rapidly changing landscape that presents opportunities, risks and challenges. Because of the Government's plans to cut public debt, all local authorities are having their funding reduced. We are also seeing service pressures and new responsibilities. As a result, we know that we need to rebalance our service delivery to meet new needs and opportunities and also be realistic about what we can and cannot do moving forward, given we have some £40m to save over the next 3 years. Because of this we started to reshape the Council in 2013/14, moving to a more decentralised and flatter structure. In some cases the Council's Reshape programme has led to new ways of working and we continue to reduce management posts and costs whilst reviewing all staffing structures to ensure they remain fit for purpose.

7 Monitoring And Managing Services

- 7.1 We continue to monitor and manage our service delivery as part of good governance within the Council as follows:
 - During 2013/14 we reviewed and developed our approach to performance management to further promote the performance culture;
 - Implementation of the new Council Health & Safety Action Plan;
 - Further development of compliance with information security standards;
 - The Audit and Governance Committee is responsible for monitoring the effective development and operation of corporate governance in the council;

- Safeguarding practices and performance are kept under continuous review at all levels and escalation processes are in place;
 - We continue to monitor staff capacity and develop capacity/demand modelling in children's services;
 - There are regular external audit and challenge as well as regular internal themed audits and performance is regularly reported to the Corporate Management Team;
 - Using Peer Reviews to reflect upon our practices;
 - Implementing a new organisational structure as part of the Council's 'Reshape' programme;
 - A digital strategy has been agreed as the framework for action and incorporates the replacement and update of the Council's website;
 - A comprehensive review of assets including a rolling program of condition surveys has informed a prioritised program of works;
 - A programme of learning and development to officers and members. Senior officers are keep abreast of developments in their profession;
-
- A training needs analysis has begun to assess any potential skills shortages, single points of reliance and also staff that could be deployed in other areas of the organisation if required. The training needs analysis will inform a new Workforce Development Plan to ensure that training and support is available to all staff but also particularly staff whose roles have changed or are going to change to minimise potential risks; and
 - We monitor performance through feedback from its residents and service users. Regular satisfaction surveys are undertaken of residents and service users and analyses of complaints raised under the Council's Corporate Complaints Policy are regularly reported and considered by CMT.

8 Review Of Effectiveness

8.1 We are responsible for carrying out, at least once a year, a review of how effective our governance framework is, including our system of internal control. Our review of how effective our systems and procedures are is supported by the work of CMT and the Head of Audit's Annual Assurance Report. The review also includes comments made by the External Auditor and other review agencies and inspectors. The process that has been applied in maintaining and reviewing the effectiveness of the governance framework includes the following:

- The Council's internal management processes, such as performance monitoring and reporting; the staff performance appraisal framework; internal surveys; monitoring of policies, such as the corporate complaints and health and safety policies; and the corporate budget process;
- An annual self-assessment of the adequacy of the governance arrangements in services completed by each head of service and assurance statement by each director;
- The Council's internal audit coverage, which is planned using a risk-based approach. The outcome from the internal audit coverage helps form the Head of Audit's opinion on the overall adequacy of the Council's Internal Control Framework, which is reported in his annual report;
- The Head of Audit's annual report on anti-fraud and corruption activities;
- OFSTED annual children's services assessment;
- The Care Quality Commission's inspection of safeguarding and looked after children services;
- External Audit of the council's financial statements;
- The work of the Audit and Governance Committee, which reviews the outcomes from the Annual Audit Plan and the annual report of the Head of Audit;

- Annual review of standards and complaints about councillors by the Monitoring Officer to the Standards Committee.

8.2 We have made progress in implementing actions contained within the 2012/2013 Annual Governance Statement. Some of the actions identified last year have been completed:

- The OFSTED Safeguarding and the Local Assurance Test Action Plan has been implemented.
- We have made progress in improving information governance throughout the Council's operations.
- We have continued to build on achieving and embedding business continuity plans, particularly focusing on the review of critical plans.
- Continued work to embed Health & Safety policy, governance and monitoring.
- Prepared and published a new Corporate Plan to deliver the Administration's programme.
- Reading Transport Ltd has reviewed and updated its business processes.

8.2 Other actions are on-going and reflected in the implementation plan attached at appendix 2.

9 Priorities For Improvement

9.1 The annual review of governance, supported by head of service governance self-evaluations and Directorate Assurance Statements, signed off by each Director have given us evidence of how effective our governance framework is. As a result, we have put in place an improvement plan as mentioned at 8.3 above. Over the next year we will be taking steps to continue to improve what we do.

9.2 We are satisfied that these steps will bring about the improvements that we identified in our review of effectiveness, and we will monitor these improvements as part of our next annual review.

Signed:.....

Signed:.....

Ian Wardle, Managing Director

Councillor Jo Lovelock, Leader of Council

On behalf of the members and officers of Reading Borough Council



Appendix B: 2013/14 Annual Review of Corporate Governance Arrangements - Improvement Plan for 2014/15

Ref	Action	CMT lead
AGS1	We will develop and manage a budget and financial management strategy to operate within available resources over the period to 2017/18	Ian Wardle
AGS2	Strengthen financial and budget management throughout Council services and provide effective financial management support considering reducing budgets and the changing nature of income	Alan Cross
AGS3	Update and approve a revised Scheme of Delegation and Financial Procedure Rules	Chris Brooks
AGS4	Continue to develop our commissioning, procurement and contract management	Avril Wilson
AGS5	Produce a new workforce development plan to take into account of Reshaping the Council, new skills required at the changing demands on services	Avril Wilson
AGS6	Manage the availability of school places in all statutory year groups	Avril Wilson
AGS7	Review the budget monitoring and profiling arrangements in Leisure and Cultural Services to ensure the service deals with changing income levels and patterns of activity	Alison Bell
AGS8	Continue to implement the Information Security Action Plan and standards. Enable the Public Service programme (PSN) connectivity between the Council and NHS Health ICT systems	Chris Brooks
AGS9	Review and consolidate operational and financial procedures and introduce shorter and clearer policies and procedures	Zoe Hanim
AGS10	Continue to undertake work on embedding the policy, delivery, governance and monitoring arrangements for Health & Safety	Ian Wardle

Appendix B: 2013/14 Annual Review of Corporate Governance Arrangements - Improvement Plan for 2014/15

Ref	Action	CMT lead
AGS11	Develop further the Special Educational Needs (SEN) Strategy to enable schools to meet the needs of children and young people with higher levels of need	Avril Wilson
AGS12	Continue to refresh forecasts to maintain level of understanding and develop capacity/demand modelling in children's services	Avril Wilson
AGS13	Deliver the Digital Strategy and a new Website to ensure residents, businesses and visitors have access to good quality services and information	Zoe Hanim
AGS14	Deliver an ICT improvement plan to ensure that information is stored, managed and accessed appropriately and efficiently to support service delivery	Zoe Hanim

Independent Auditor's report

Statement of Responsibilities

The Authority's responsibilities

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 authority, for 2013/14, that Officer was the Head 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 Authority, the approval is delegated to the Audit and Governance Committee.

The Chief Financial Officer's Responsibilities

The Chief Financial Officer is responsible for the preparation of the authority'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

The financial statements, and accompanying notes, set out on pages 23 to 106, have been prepared and published in accordance with the Accounts and Audit Regulations 2011.

These statements give a true and fair view of the financial position of Reading Borough Council as at 31st March 2014, and of its income and expenditure for the financial year 2013/14.

Alan Cross CPFA
Head of Finance, Reading Borough Council
30th September 2014.

Core Financial Statements

Movement in Reserves Statement - summary

	Total General Reserves £ '000	Total Unusable Reserves £ '000	Total Authority Reserves £ '000
Balance at 31st March 2012	61,832	157,906	219,738
Total comprehensive income and expenditure	(29,175)	(200)	(29,375)
Adjustments between accounting basis and funding basis under regulation	30,606	(30,606)	0
Net increase/(decrease) before transfers to earmarked reserves	1,431	(30,806)	(29,375)
Transfer to/(from) earmarked reserves	0	0	0
Increase/(decrease) in year	1,431	(30,806)	(29,375)
Balance at 31st March 2013	63,263	127,100	190,363

	Total General Reserves £ '000	Total Unusable Reserves £ '000	Total Authority Reserves £ '000
Balance at 31st March 2013	63,263	127,100	190,363
Total comprehensive income and expenditure	12,811	(2,125)	10,686
Adjustments between accounting basis and funding basis under regulation	2,902	(2,902)	0
Net increase/(decrease) before transfers to earmarked reserves	15,713	(5,027)	10,686
Transfer to/(from) earmarked reserves	(111)	111	0
Increase/(decrease) in year	15,602	(4,916)	10,686
Balance at 31st March 2014	78,865	122,184	201,049

A full breakdown of the Movement in Reserves Statement is provided in Note 15, page 49

Comprehensive Income and Expenditure Statement (CIES)

2012/13 Net expenditure £ '000		Gross expenditure £ '000	2013/14 Gross income £ '000	Net expenditure £ '000
1,568	Central Services to the Public	3,647	(1,840)	1,807
10,748	Cultural and Related Services	20,752	(8,910)	11,842
14,654	Environmental and Regulatory Services	22,501	(8,356)	14,145
4,052	Planning Services	4,192	(1,131)	3,061
12,053	Highways, Roads and Transport Services	28,033	(17,008)	11,025
24,368	Education	127,660	(95,600)	32,060
23,082	Children and Families Services	25,309	(2,326)	22,983
48,438	Community Care	60,198	(9,664)	50,534
2,716	Housing Services	97,988	(122,400)	(24,412)
0	Public Health	7,141	(7,722)	(581)
7,479	Other Services	25,813	(21,257)	4,556
675	Corporate and Democratic Core	942	(42)	900
(1,155)	Non-distributed Costs	644	0	644
148,678	Cost Of Services	424,820	(296,256)	128,564
	Other Operating Expenditure			
105	Levies payable			112
640	Payments of Housing capital receipts to Government pool			755
(2,853)	(Gain)/loss on disposal of non current (fixed) assets			614
16,106	Transfers to new Academy Schools			3,468
13,998				4,949
	Financing and Investment Income and Expenditure			
15,041	Interest element of debt, finance leases and PFI			14,309
14	Premium on early repayment of debt			16
8,030	Net interest on Defined Benefit Liability			10,294
(1,831)	Investment Interest income			(1,720)
109	Changes in fair value of investment properties			(1,476)
0	Gains/loss on disposal of investment properties			(94)
(1,154)	Rentals received on investment properties			(1,534)
105	Expenses incurred on investment properties			113
20,314				19,908
	Taxation and Non-Specific Grant Income			
(69,439)	Council tax (including Council Tax Benefit in 2013/14)			(63,944)
(50,998)	National Non-Domestic Rates			(26,271)
(989)	Revenue Support Grant			(40,307)
(12,606)	Non service related revenue grants and contributions			(7,270)
(19,783)	Non service related capital grants and contributions			(28,440)
(153,815)				(166,232)
29,175	(Surplus) or Deficit on Provision of Services			(12,811)
(4,090)	(Surplus)/deficit on revaluation of non current assets			297
4,290	Actuarial (gains)/losses on pension assets and liabilities			1,828
200	Other Comprehensive (Income) and Expenditure			2,125
29,375	Total Comprehensive (Income) and Expenditure			(10,686)

Core Financial Statements

Balance Sheet

31 st March 2013 £ '000	Note	31 st March 2014 £ '000	31 st March 2014 £ '000
287,361		298,504	
230,831		242,009	
7,752		7,555	
189,899		193,792	
10,678		11,195	
10,601		5,698	
<u>737,122</u>	18		758,753
795		797	
34,308	18	35,055	
343		304	
1,838		649	
3,977		3,974	
6,914	22	9,889	
<u>48,175</u>			50,668
<u>785,297</u>			<u>809,421</u>
9,996		25,996	
186		233	
25,271	23	23,587	
26,659		10,719	
4,099		6,185	
<u>66,211</u>			66,720
<u>851,508</u>			<u>876,141</u>
(11,525)		(6,525)	
(39,532)	24	(47,059)	
(9,487)	26	(9,904)	
(54)		0	
<u>(60,598)</u>			(63,488)
<u>790,910</u>			<u>812,653</u>
(34,518)	28	(34,028)	
(8,320)	29	(9,720)	
(316,848)	30	(310,335)	
(240,861)	32	(257,521)	
<u>(600,547)</u>			(611,604)
<u>190,363</u>			<u>201,049</u>
<i>Financed by:</i>			
General reserves			
9,795	16	16,279	
3,336		4,592	
31,153		35,847	
- General Fund:			
2,803		3,214	
5,284		5,503	
10,892		13,430	
<u>63,263</u>			78,865
Unusable reserves			
282,281	17	299,134	
2,315		2,625	
657		510	
1,294		1,202	
(240,861)		(257,521)	
84,608		79,261	
(3,194)		(3,027)	
<u>127,100</u>			122,184
<u>190,363</u>			<u>201,049</u>

Alan Cross CPFA, 30th September 2014

Cashflow Statement

31st March 2013 £ '000		31st March 2014 £ '000
(29,175)	Net surplus or (deficit) on the provision of services	12,811
101,945	Adjust net surplus or deficit on the provision of services for non-cash movements (Note A)	40,934
(28,293)	Adjust for items included in the net surplus or deficit on the provision of services that are investing and financing activities (Note A)	(34,402)
44,477	Net cash flows from Operating Activities	19,343
(5,289)	Investing Activities (Note C)	(24,025)
(28,569)	Financing Activities (Note D)	(11,258)
10,619	Net increase or decrease in cash and cash equivalents	(15,940)
16,040	Cash and cash equivalents at the beginning of the reporting period	26,659
26,659	Cash and cash equivalents at the end of the reporting period	10,719

Notes to the Cashflow statement are provided in note 35, page 78.

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1. Statement of Accounting Policies

i. Introduction

The Council prepares accounts for a financial year ending 31st March; this Statement of Accounts details the financial performance of the Council for 2013/14, and the balance sheet position as at 31st March 2014.

The accounts are prepared in accordance with the proper practices set out in the Accounts and Audit Regulations 2011, primarily the Code of Practice on Local Authority Accounting in the United Kingdom 2013/14 ('The Code'), and the Service Reporting Code of Practice (SeRCOP), supported by International Financial Reporting Standards (IFRSs).

The following accounting policies are consistent with these requirements. Where there was a degree of uncertainty over the actual monetary value of an item, estimates have been used. Any estimates have been determined by considering all relevant facts and their impact on the Council's accounts.

ii. Accruals

Income and expenditure is accrued for in the year in which the supply occurs, rather than when the transfer of cash actually happens.

When income or expenditure is recognised, but the cash has not transferred, a debtor (where income has been recognised) or creditor (where expenditure has been recognised) for the relevant amount is included in the balance sheet. Where there is uncertainty regarding the payment of a debt, the balance is written down and an equivalent charge made to revenue for the income that may not be collected.

iii. Business Improvements Districts (BID)

A BID is a mechanism that allows local businesses to agree to pay a nominal supplement on their business rates bill to provide additional services and facilities to improve their trading environment. BIDs are driven entirely by the businesses within the defined area. The Council effectively acts as an agent for Reading UK CIC, and as such collects the supplement on behalf of the BID company, and passes it on, less an administration charge.

iv. Cash and Cash equivalents

Cash is represented by cash in hand, and deposits with financial institutions which are repayable on demand, without incurring penalties. Cash equivalents are deposits that mature within 3 months of the original investment date, and are readily convertible to known amounts of cash with an insignificant risk of a change to its value.

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 Authority's cash management policy.

v. Exceptional items

Material, one off, items of income and expenditure are disclosed separately within the Net Cost of Services in the Comprehensive Income and Expenditure Statement. If the item has a significant impact on the position of Council, further details will be set out in a note to the accounts.

vi. Employee benefits

- **Benefits payable during employment**
Under the terms of IAS 19, the Council is required to accrue for the cost of short term benefits due to employees, but untaken as at 31st March. These benefits include amounts for untaken annual leave, flexi-time and time off in lieu. Amounts corresponding to the value of these untaken benefits are charged to the individual services, but then reversed out through the Movement in Reserves Statement, ensuring that it has no impact on the Council's overall financial position. It is not expected that these amounts will be converted to direct cash payments to employees.
- **Pension and retirement benefits**
As part of the terms and conditions of employment of its Officers and other employees, the Council offers membership to one of the three pension schemes in which it participates. Although the benefits from these will not arise until the employee retires, the Council has a commitment to make the payments that need to be disclosed at the time that employees earn their future entitlement.

The Council participates in three different pension schemes:

- a) Teachers' Pension Scheme, an unfunded scheme administered by Capita on behalf of the Department for Education (DfE).
- b) Local Government Pension Scheme (LGPS), a funded scheme administered by the Royal Borough of Windsor and Maidenhead. As it is a funded scheme, both the Council and Employees contribute to the scheme at levels intended to balance the pension liabilities with the investment assets of the scheme.
- c) National Health Service Pension scheme, an unfunded scheme for NHS staff; the Council makes payments to this scheme for former PCT staff who transferred over to the Authority as part of the transfer of responsibilities for Public Health. The figures for this scheme are immaterial for the Accounts, and so are not disclosed separately.

In accordance with The Code and IAS 19 ('Employee Benefits'), these statements incorporate the Council's assets and liabilities based on its future pension commitments. The Scheme Actuary calculates the cost of retirement on an annual basis; therefore these Accounts reflect the costs of providing retirement benefits to employees in the accounting period in which they are earned by the employees, as well as the related finance costs and any other changes in valuations that occur within the financial year. Actuarial gains and losses are recognised within the 'Other Comprehensive Income and Expenditure' section of the Comprehensive Income and Expenditure Statement.

Details of the scheme assets, liabilities and payments to the funds are set out in note 32 to these accounts.

vii. Equal pay backpay

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 of this cannot be accurately quantified at present.

viii. Events after the balance sheet date

If an event occurs between the balance sheet date and the approval of the accounts which has an impact on the financial position, the Council is obliged to assess the impact, and adjust the accounts as necessary.

Two types of post-balance sheet events exist:

- Those that provide clearer evidence of the actual conditions prevailing at the balance sheet date - the Accounts would be adjusted to reflect this information
- Those where an event has occurred subsequent to the balance sheet date, but which has not altered the actual position of the Council at this date - this would be explained in a note to the Accounts.

ix. Financial Instruments

Loans raised by the Council, mainly through the Public Works Loans Board (PWLB) in accordance with their circular, are pooled. All interest is charged to the Comprehensive Income and Expenditure Statement. The Housing Revenue Account (HRA) is charged with interest based on the actual loans held by the Council (2013/14 average rate of interest: 3.44%) taking account of 'internal borrowing'.

As part of its interest and debt management, on occasion the Council repays loans before their maturity date; usually receiving a discount or incurring a premium. Such gains and losses on premature repayment of debt are recognised in the Comprehensive Income and Expenditure Statement in the year they occur, unless they meet the modification test in The Code (i.e. the present values of the debt restructured has not changed significantly). Otherwise they are adjusted through the Financial Instruments Adjustment Account (FIAA) in accordance with statutory criteria. Where PWLB borrowing is repaid and replaced on the same day, gains and losses are amortised using the effective interest rate method provided the modification test criteria set out in the Code are met. For financial assets and liabilities carried at fair value, the fair value has been determined using discounted cash flow analysis

x. Foreign Currency transactions

All transactions within these accounts are in sterling; where the Council has carried out a transaction in a foreign currency, the transaction has been converted to sterling on the basis of the exchange rate at the time of the transaction.

xi. Government Grants and Contributions

Government grants and third party contributions are recognised as income within the Accounts when the Council is reasonably sure that:

- It will comply with the conditions attached to the payments
- The contribution or grant will be received.

Income is only recognised in the Comprehensive Income and Expenditure Statement once any conditions attached to the contribution or grant are 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.

Any contributions received where the conditions have not been met are held as receipts in advance on the balance sheet; when the conditions are satisfied, the grant or contribution is credited to the Comprehensive Income and Expenditure Statement. Grant balances in excess of the expenditure actually incurred are then reversed out through the Movement in Reserves Statement.

xii. Heritage Assets

Heritage assets are held solely on the ground of their cultural, historical or scientific importance. When a value can be reliably ascertained for heritage assets, they are held on the balance sheet at that value, although this is subject to a £10,000 de minimis limit.

If the asset cannot be valued, or the costs involved in obtaining a valuation would not be commensurate with the additional benefits this would provide the user of the accounts, the nature and importance of the asset have been disclosed in appendix 1 to these accounts, but they are not included in the balance sheet. The museum collection is not valued, due to the size of the collection, but the items considered to be of the greatest cultural importance are detailed in appendix 1. The Council's policy regarding the acquisition and disposal of assets for the museum is available online on the [Reading Museum website](#).

If the cost of the asset is known, the asset is recognised on the balance sheet at that value, otherwise an appropriate valuation methodology has been used to ascertain the value of the Council's Heritage Assets. The Code permits a number of methods of valuation to be used, and the Council has used a range of these methodologies to calculate balance sheet valuations. These methods include insurance valuations and art sale prices. Revaluation of heritage assets is carried out as and when it is requested by service managers, rather than being part of the 5 year rolling revaluation programme for non-current assets.

An annual review of the Council's assets is carried out to ensure that all assets held as Heritage Assets continue to meet the requirements of the Code definition, and that there has been no material change in the value or condition of the assets in the year. If there is evidence that the value of the asset has materially changed since the last assessment, a review is carried out; the subsequent change in valuation being recognised either in the revaluation reserve (in the case of an upwards revaluation), or in the Comprehensive Income and Expenditure Statement (in the case of an impairment).

Depreciation is not charged on heritage assets, as they are judged to have an indefinite lifespan.

xiii. Intangible Assets

Intangible assets are non-financial items which do not have a physical form, but it has been identified that the Council can expect to benefit from in the future, for example software licences. The Council recognises both current and non-current intangible assets on its balance sheet.

The Council has a requirement to purchase allowances to off-set the carbon emissions from the Council's estate over the course of the year. Unused allowances held at the end of the year are recognised on the balance sheet as current intangible assets. It is anticipated that these will be used to offset future years Carbon Reduction Commitment (CRC) requirements, rather than being traded.

As no active market exists for the majority of the Council's non-current intangible assets, they are initially valued at cost, and then amortised over their useful economic life (typically 2 to 5 years for software licences). Amortisation and impairments are charged to the relevant service within the Comprehensive Income and Expenditure Statement. This is then reversed out of the General Fund via the Movement in Reserves Statement.

xv. Interests in companies

The Council has reviewed the relationships it has with its partner organisations to determine which should fall within the scope of the group. The Council has interests in four companies which it considers should be incorporated within the group; these companies are:

- Reading Transport Limited (RTL) - founded in 1986 to meet the requirements of the Transport Act (1985)
- Reading Economic Development Company Limited (REDCO Group) - a group of three companies - REDCO, Acre Road Industrial Estate Limited and Queens Road Car Park Limited. REDCO Group had minimal assets.

The financial statements within the group accounts (pages 91 to 106) consolidate the Council's results, and that of Reading Transport and REDCO Group. Any transactions between organisations within the group have been eliminated from the group financial statements.

The Council is also a trustee for a number of charitable land holdings; these rely on revenue support from the Council. Whilst immaterial, these are consolidated into the group accounts for completeness.

xvi. Inventories and work in progress

Inventories held at 31st March are included within the balance sheet at the lower of cost and net realisable value.

xvii. Investment properties

Properties owned by the Council for the purposes of income generation or capital appreciation, rather than service delivery, are classified on the balance sheet as investment properties.

Investment properties are initially valued at fair value, but revalued annually. Gains or losses upon revaluation are recognised within the financing and investment income line within the Comprehensive Income and Expenditure Statement, as are rental incomes. Revaluation gains are reversed out of the General Fund through the Movement in Reserves Statement.

xviii. Leases

The Council is involved in agreements by which equipment, land and buildings are leased from other organisations and leased out to organisations and individuals.

All material leases have been assessed against the tests of control set out in the Code. Where these tests have changed the classification of the lease in comparison to its classification under the former Statement of Recommended Practice, adjustments have been made to ensure that the financial statements reflect the current classification.

Council as lessee

- *Finance leases*

Property, plant and equipment are recognised on the balance sheet at the inception of the lease at the lower of fair value of the asset, or the present value of the minimum lease payments. The asset recognised is matched with a liability for the lease payments to the supplier. Lease payments made in year are split between:

- an element writing down the lease liability over the life of the lease, and
- a finance charge to the Comprehensive Income and Expenditure Statement.

- *Operating leases*

Rentals due under an operating lease are charged in full to the Comprehensive Income and Expenditure Statement on a straight line basis. No asset or liability is recognised in the balance sheet.

Council as lessor

- *New finance leases*

For all new finance leases, the relevant asset is written out of the balance sheet as a disposal, with the carrying amount transferred to the Comprehensive Income and Expenditure Statement along with the gain or loss on disposal. This is matched by a long term debtor on the balance sheet. As capital receipts cannot be used to increase the general fund balance, premia received have to be transferred to the Capital Receipts reserve through the Movement in Reserves Statement. Lease income is split between:

- a charge for the acquisition of the leased item which is used to write down the long term debtor, and
- finance income, credited to the Comprehensive Income and Expenditure Statement.

- *Operating leases*

If the Council grants an operating lease, the asset remains within the Council's balance sheet, and the rental payments received are credited to the Other Operating Expenditure line within the Comprehensive Income and Expenditure Statement.

xix. Overhead and support service recharges

All costs of overheads and support services are apportioned to those areas that benefit from the supply or service. This is done in accordance with the principles set out in the CIPFA Service Reporting Code of Practice (SeRCOP). The most commonly used apportionment bases are:

Cost	Apportionment basis
Staff	Officer's use of time
Administrative buildings	Area occupied
IT	Use of computer resources

xx. Prior period adjustments, changes to accounting policies and estimates

Prior period adjustments may be required as a result of a change in accounting policy, or to correct a material error. Material errors discovered in prior year figures are corrected retrospectively by adjusting the opening balances and all affected comparative figures. No material errors required correction in 2012/13.

Changes to accounting estimates are not changes to accounting policy, and so only require changes to be made in the current and future years, rather than requiring a prior period adjustment.

The accounting policies of the Council are only changed when required to by proper accounting practices or the change provides more reliable or relevant information regarding the financial position of the Council. When a change is made, it is applied retrospectively, unless stated otherwise, so that the financial statements reflect the position the Council would have been in if the policy had always been in place.

xxi. Property, plant and equipment

Any physical assets owned by the Council that are used for the provision of services, rather than held for the generation of income, are classified as property, plant and equipment (PPE).

- Recognition
Expenditure on the acquisition, creation or enhancement of PPE is capitalised on an accruals basis, provided that the benefits provided to the Council last for longer than one year.
- Measurement
Assets are initially valued at cost, which comprises the purchase price, plus any costs to get the assets to the final location and operating as intended by management.

Assets are held on the balance sheet according to the following valuations bases:

Asset type	Valuation basis
Infrastructure, community assets and assets under construction	Depreciated historic cost
Dwellings	Fair value based on existing use value for social housing
All other PPE assets	Fair value based on existing use value

Where there is no market evidence for a fair value, primarily due to the specialised nature of the asset, depreciated replacement cost (DRC) is used in lieu of the fair value.

The Council's assets are revalued on a five-year rolling programme, unless it has become apparent that due to a change in conditions, an interim revaluation is required. Any increases in valuations are credited to the revaluation reserve to recognise the unrealised gain.

Where decreases in valuations (impairments) occur, these are accounted for by:

- Reduction of the value of the revaluation reserve for that asset (if one exists) to zero if necessary.
- If there are no unrealised gains in the revaluation reserve for that asset, or the impairment is greater than the total revaluation reserve for the asset, the balance of the impairment is written down against the various service lines in the Comprehensive Income and Expenditure Statement.

The revaluation reserve has only been in use since 1st April 2007, therefore the reserve only contains unrealised gains recognised since this date. Gains and losses recognised prior to 1st April 2007 are consolidated within the Capital Adjustment Account.

Depreciation is provided for on all assets, with the exception of land, assets under construction, and investment properties. Depreciation is calculated on the basis of the following asset lives:

Asset type	Useful economic life (years)
Major new buildings on Council-owned land	40 - 60
Major extensions to existing buildings and major remodelling of infrastructure	20 - 40
Major refurbishment of existing buildings	20
Major transport infrastructure	30
Other transport capital expenditure	15
Small items of capitalised expenditure	3 - 10
Vehicles	5 - 7

Items of PPE valued at over £1m will be assessed when revalued to see whether any separately identifiable components need to be recognised. Components will only be recognised where the value is at least £0.2m, and the remaining useful economic life of the component is significantly different to that of the host asset. When an item of PPE has separately identifiable components, the components are depreciated separately.

For HRA housing assets, whilst this threshold does not apply at an individual dwelling level, the Council intends to implement a component based approach to depreciation of the stock as a whole from 2014/15; based on a review of its long term maintenance programme undertaken in 2013/14.

Where a revaluation gain has been recognised, this is depreciated; the charge is equal to the difference between the current value depreciation charged on the asset and the depreciation that would be charged if an historic cost basis had been used.

Assets held for sale and disposals

The Code includes a new class of assets: 'non-current assets held for disposal'; when assets are being actively marketed, and the disposal is expected to occur within the next 12 months, the asset is reclassified as a non-current asset held for disposal. Prior to reclassification, the asset is revalued, and then carried at the lower of the revaluation and the fair value less costs of disposal. If there is a subsequent decrease in the fair value less disposal costs, the loss is charged to the 'other operating expenditure' within the Comprehensive Income and Expenditure Statement.

If it becomes clear that the asset no longer meets the criteria for Assets Held for Sale, they are reclassified back to non-current assets and valued at the lower of their carrying amount prior to being classified as being held for sale (adjusted for depreciation, amortisation or revaluations that would have been incurred if the original reclassification had not occurred), and their recoverable amount at the date of the decision not to sell.

Receipts from the disposal of assets in excess of £10,000 are classed as capital receipts. For receipts resulting from the disposal of housing land and properties, a proportion is payable to the Government, this amount is shown within the Comprehensive Income and Expenditure Statement; the retained portion is credited to the Capital Receipts Reserve. Part of the sales receipts are required to be used to fund affordable housing or regeneration projects.

xxii. Private Finance Initiative (PFI) and similar contracts

The Council is involved with two PFI schemes: one with Affinity (Reading) Limited for the management of housing stock in North Whitley, the other with WRG Limited for waste disposal.

IFRIC 12 requires the Council to assess the level of control each party has within the contract; the result of this assessment is that both of the Council's PFI schemes are recognised on the Council's balance sheet. The in-year charges are split between a service charge element (chargeable to the relevant service line within the Comprehensive Income and Expenditure Statement), interest (chargeable to interest payable and similar charges within the Comprehensive Income and Expenditure Statement) and an MRP element (equal to the capital repayment made in year).

xxiii. Provisions, contingent liabilities and contingent assets

- Provisions

Provisions are made when an event occurs that gives the Council a legal or constructive obligation that is likely to require settlement by a transfer of money or service potential, and a reliable estimate can be made of the magnitude and timing of the obligation.

Provisions are charged to the appropriate service line(s) in the Comprehensive Income and Expenditure Statement in the year the Council becomes aware of the obligation, and are the best estimate of the value as at the balance sheet date. The eventual payment is charged to the balance sheet provision. Provisions are reviewed each year, with the balance increased or decreased as required. Details of the provisions made by the Council are set out in note 29, page 70.

- Contingent liabilities

A contingent liability is recognised when an event occurs which gives the Council a possible obligation, but the existence of the liability will only be confirmed by uncertain future events over which the Council does not have sole control. Contingent liabilities are disclosed as a note to the accounts; in 2013/14, the Council recognised no contingent liabilities.

- Contingent assets

A contingent asset is recognised when an event occurs which gives the Council a possible asset, but the existence of the asset will only be confirmed by uncertain future events over which the Council does not have sole control. Contingent assets are disclosed as a note to the accounts; in 2013/14, the Council recognised one contingent asset, details are included in note 34, page 78.

xxiv. Reserves

The Council sets aside specific amounts for future policy purposes or to cover contingencies. The reserve is created via the Movement in Reserves Statement; when expenditure is incurred that is to be funded from the reserve, the expenditure is recognised within the relevant service line in the Comprehensive Income and Expenditure Statement, with the reserve being appropriated back to the General Fund via the Movement in Reserves Statement, so there is no net Council Tax impact of the expenditure.

The Council's reserves are divided between General Reserves, established as above, where the Council has some discretion over its approach, and Unusable Reserves, where the Local Authority Accounting Framework has created various reserves that are not available for general use.

Details of the reserves held by the Council are set out in note 16, page 54.

xxv. Revenue expenditure funded from capital under statute (REFCUS)

REFCUS represents expenditure which may be correctly capitalised, but which does not result in the creation of a non-current asset in the Council's Accounts. The expenditure is written off to the Comprehensive Income and Expenditure Statement in full in the year in which it is incurred.

Common areas of expenditure classed as REFCUS include capital expenditure at Foundation, Voluntary Controlled and Voluntary Aided Schools, and Disabled Facilities Grants.

xxvi. Termination Benefits

Termination benefits are amounts payable as a result of a decision by the Authority to terminate an officer's employment. This may occur for a variety of reasons including an officer's decision to apply for voluntary release or redundancy, and if certain age related and membership conditions are met termination benefits include the early release of pension benefits.

Termination benefits are charged on an accruals basis to the appropriate service or, where applicable, to the Non-Distributed Costs line in the Comprehensive Income and Expenditure Statement when the authority can no longer withdraw the offer of those benefits. Where termination benefits include the enhancement of pensions, statutory provisions require the Accounts to be charged with the amount payable by the Authority to the pension fund or pensioner in the year.

In the Movement in Reserves Statement, appropriations are required to and from the Pensions Reserve to remove the notional debits and credits for pension enhancement termination benefits 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.

xxvii. VAT

The Accounts are prepared excluding VAT, except where the Council is unable to recover VAT paid.

2. Critical judgements in applying accounting policies

In the course of applying the accounting policies detailed above, the Council has had to make judgements about significant transactions and balances. The critical judgements made in the production of this Statement of Accounts are as follows:

- The Council is involved with two PFI contracts, after an assessment under the requirements of IFRIC 12, it has been determined that these are effectively under the control of the Council. The accounting policies relating to PFI schemes have therefore been applied to these two arrangements, and the associated assets recognised on the Council's balance sheet.

- The Council has a number of properties for which it receives rental income. The nature of these holdings have been assessed against the Code requirements for investment properties. Properties that are held solely for the rental incomes received, or for increases in the capital value of the building, have been treated as investment properties, and the income and expenditure resulting from them are included within 'Investment income' in the Comprehensive Income and Expenditure Statement.

- The Council offered various employees terms to terminate their employment contracts on a voluntary basis during 2013/14. The accounts include accruals for the cost of those termination payments where the decision to end the contract was taken by 31st March 2014, although some of the contracts will run to dates (that in some cases have not been finalised) in 2014/15.

3. Assumptions made about the future and other major sources of estimation uncertainty

The Accounts include a number of estimates that are based on assumptions regarding future events, the effects of which cannot be accurately gauged in advance. The disclosures below are limited to those estimates that have a significant risk of requiring a material adjustment in future financial years.

Item	Uncertainties	Effect if actual results differ from assumptions
- Assumptions used in the calculation of depreciation	Actual useful life of the asset	If the actual life is actually less than that used to calculate depreciation, depreciation will be understated in the CIES.
- Assumptions about future events affecting provisions	Timing and magnitude of the liability	Provision may be insufficient to cover liability if under estimated, or too large a provision may be made if the liability is over estimated.
- Principal actuarial assumptions regarding defined benefit pension schemes	The actuaries for the Royal Berkshire pension scheme use a number of assumptions when calculating the net liabilities of the scheme. These include: <ul style="list-style-type: none"> - changes in inflation - salary increases - discount rates - returns on scheme assets - life expectancy of scheme 	Full details of the sensitivity analysis in respect of changes to the discount rates and life expectancies conducted by the actuaries are set out in note 32 page 73.

Item	Uncertainties	Effect if actual results differ from assumptions
	members	
- Assessments of the recoverable amounts of arrears and other debtors	Levels of bad debt provision have been calculated on the basis of the current economic conditions and historic experience of debt collection	If the levels of bad debts are higher than have been allowed for in the Comprehensive Income and Expenditure Statement, a cost to revenue will occur in future years.
- Assessment of future payments for PFI schemes	Estimates of the future payments to contractors are based on assumptions regarding inflation and performance	Increase in inflation will lead to the Council having to pay over more to the contractor, so amounts included here will be understated. If the contractor's performance is lower than has been built into the financial model, the contractor will have penalty charges levied against it, and therefore the Council's costs will be lower than set out here.

4. **The impact of accounting changes required by new standards that have been issued, but not yet adopted.**

A number of accounting standards have had amendments issued that will affect the 2014/15 financial year.

IFRS 10 - Consolidated Financial Statements

Changes to this standard have resulted in changes to the control tests used to determine group boundaries. The old 'existing control' test required the parent organisation to be able to show they had the power to govern financial and operating policies so as to obtain benefits from the subsidiary's activities.

The new test of control requires the parent organisation to be able to demonstrate all three of:

- Power over the investee (including voting rights)
- Exposure to or rights to variable returns (irrespective of the legal form of the rewards)
- Ability to use the power of the parent organisation to affect the amounts of the investor's returns

It is not expected that these changes will impact the Council's existing group boundaries.

IFRS 11 - Joint arrangements

The amendment to IFRS 11 changes the classification of joint arrangements. The number of arrangement types are reduced from three to two - joint operations and joint ventures. The focus on the nature of the relationship has been shifted slightly to concentrate on how the rights and obligations of the group bodies are shared, as opposed to the legal structure of the arrangements. It is not expected that this will lead to any changes to the Council's existing group accounts.

IFRS 12 - Disclosures of interests in other entities

The introduction of this standard aims to ensure that an organisation discloses all interests in other entities. As the Council already has to make extensive disclosures covering transactions with related parties, it is not anticipated that the adoption of this standard will lead to material changes in the Council's accounts.

IAS 32 - Financial instruments (presentation)

IAS 32 sets out how an entity should classify financial assets and liabilities, and the situations where an entity can offset one against another. It is not anticipated that the changes to this standard will lead to material changes to the Council's accounts.

IFRS 13 - Fair value measurement

The changes introduced in this standard amend the valuation basis for PPE assets. The fair value of an asset is determined by its 'highest and best use' and is a market based measure, rather than being entity specific. It is likely that the amendments to this standard will require changes to the way the Council values of its assets. The magnitude of these changes cannot yet be accurately quantified, but any changes will be guided by the 2014/15 CIPFA Code of Practice on Local Authority Accounting in the United Kingdom.

5. Transfers to Academy Schools

Under certain circumstances, schools within the Councils asset base can apply for Academy status. When this occurs, the associated assets are been removed from the Council's balance sheet; the value of the write offs being recognised within the 'Other operating expenditure' section of the Comprehensive Income and Expenditure Statement. In 2013/15, one school was granted Academy status, resulting in a write off of assets totalling £4,642k from the Council's balance sheet.

6. Agency income and expenditure

The Council is not involved in any formal agency arrangements, but as a result of Local Government Reorganisation, various services within Berkshire are provided by one authority on behalf of the others.

In aggregate, joint arrangements administered by various authorities (including some liabilities related to the activities of the former Berkshire County Council) cost £25m (2012/13: £12.7m); the large increase year-on-year is due to the new responsibility for Public Health services which has been transferred to Local Authorities from the Primary Care Trusts; this is being administered by, in part, Bracknell Forest Borough Council as part of the joint arrangement process.

The Council administered £5.6m (2012/13: £5.6m) of this total; the most significant joint arrangements run by the Council include:

Child Care Lawyers (£3.1m)
 Coroner's Service (£0.9m)
 Berkshire Records Office (£0.8m)

7. Partnership schemes under Section 31 of the Health Act 1999 and Section 75 of the NHS Act 2006

Section 31 of the Health Act (1999) enables the establishment of joint working arrangements between NHS bodies and Local Authorities. These pooled funds enable bodies to work together to address specific local health issues.

Currently the Council is involved in two partnership schemes:

- Community Equipment Service

The partnership is operated by NRS Healthcare Limited, with Slough Borough Council as the lead authority; the contract began during 2012/13, following a retendering exercise during 2011/12. The partnership operates a central warehouse of equipment, which is loaned to clients to help them remain in their own homes, or to speed their discharge from hospital. Equipment can range from walking sticks to special hydraulic beds.

The partners to this agreement include the six Berkshire Unitary Authorities, and the local Clinical Commissioning Groups. In 2013/14, the gross expenditure of the partnership was £5.6m, to which the Council contributed £0.3m (2012/13: gross expenditure £2.7m, Council's contribution £0.3m)

- Carers Information and Advice Service

The Carers Information and Advice Service supports unpaid carers in Reading (the lead authority), West Berkshire and Wokingham. It is funded by those three Authorities, as well as local Clinical Commissioning Groups. The gross expenditure during 2013/14 was £276k, to which the Council contributed £97k (2012/13: gross expenditure £276k, Council's contribution £97k).

8. Members' Allowances

Payments to members are made under the provisions of the Local Authorities (Members Allowances) (England) Regulations 2003. A breakdown of the amounts paid per member is available on the Council's website www.reading.gov.uk. In addition, Co-optees allowances are payable to non-Councillor members sitting on the Standards Committee, or any sub-committee set up by the Standards Committee.

The total amounts paid to Members and Co-opted officers during 2013/14 was £446,846 (2012/13: £441,648), split over the following categories:

2012/13		2013/14
£		£
378,385	Basic Allowance	378,164
58,590	Special Responsibility Allowance	63,836
214	Dependent Carer's Allowance	81
1,506	Travelling and Subsistence Allowance	1,544
2,953	Co-optees' Allowance	3,221
441,648		446,846

9. 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:

2013/14

Postholder information	Salary (including fees and allowances)	Compensation for loss of office	Total Remuneration	Employer's pension contributions	Total remuneration including pension contributions
Managing Director: ¹ Ian Wardle	144,624	0	144,624	21,195	165,819
Interim Director of Environment, Culture and Sport: ² Amar Dave	53,236	0	53,236	8,358	61,594
Director of Environment and Neighbourhood Services: ³ Alison Bell	81,171	0	81,171	12,744	93,915
Director of Education, Adult and Children's Services: Avril Wilson	114,979	0	114,979	18,052	133,031
Head of Finance: Alan Cross	86,660	0	86,660	13,606	100,266
Head of Customer Services: Zoe Hanim	86,660	0	86,660	13,606	100,266
Head of Legal and Democratic Services: ⁴ Chris Brooks	84,169	0	84,169	13,215	97,384
Head of Communications: ⁵ Derek Plews	69,962	0	69,962	10,988	80,949
Head of Human Resources: ⁶ Anne Burton	57,512	80,885	138,397	9,029	147,426

1. The amounts shown above include £9,624 of taxable expenses paid to Ian Wardle.
2. Amar Dave left the authority on 13 October 2013.
3. Following the reshaping of the authority's management structure during the year, Alison Bell was appointed Director of Environment and Neighbourhood Services on 4 October 2013, and became a member of CMT. The figures above represent her salary at her previous level of Head of Planning & Development from 1 April 2013 to 3 October 2013, and at her new level from 4 October 2013 to 31 March 2014.
4. Chris Brooks also serves as the Council's Returning Officer; the figures for 2013/14 and 2012/13 do not include sums payable to him for this role.
5. Derek Plews left the authority on 4 April 2014, the amounts show above also include 4 days pay in April 2014.
6. Anne Burton left the authority under the voluntary release scheme on 31 December 2013.

2012/13

Postholder information	Salary (including fees and allowances)	Total Remuneration	Employer's pension contributions	Total remuneration including pension contributions
Managing Director: ¹ Ian Wardle	21,295	21,295	3,279	24,574
Interim Director and Council Manager: ² Dave Peasley	57,586	57,586	0	57,586
Interim Director of Environment, Culture and Sport: Amar Dave	96,433	96,433	14,851	111,284
Director of Housing and Community Care: Avril Wilson	114,979	114,979	17,707	132,686
Head of Finance: Alan Cross	86,660	86,660	13,346	100,006
Head of Policy, Performance and Community: Zoe Hanim	86,660	86,660	13,346	100,006
Head of Legal and Democratic Services: Chris Brooks	83,492	83,492	12,767	96,259
Head of Communications: ³ Derek Plews	67,943	67,943	10,463	78,406
Head of Human Resources: Anne Burton	76,683	76,683	11,809	88,492

1. Ian Wardle joined the Council as Managing Director on 4th February 2013, the figures above only reflect his salary from this date to 31st March 2013.
2. Dave Peasley opted for flexible retirement from 1st March 2011; as part of this agreement, Mr Peasley's salary was reduced. From the 1st April 2012 to 3rd February 2013 he was the Council's Head of Paid Service.
3. Derek Plews joined the Corporate Management Team in February 2013.

Including the individuals disclosed above for 2013/14, the Council had the following numbers of employees receiving payments (including salary payments and compensation payments for loss of office, but excluding additional contributions to the Pension Fund) in excess of £50,000 during the year:

2012/13		2013/14		
Total Staff Numbers	Remuneration band £	Total Staff Numbers	Non-schools	Schools
0	140,000 to 144,999	1	1	0
0	135,000 to 139,999	2	2	0
0	130,000 to 134,999	1	0	1
0	115,000 to 119,999	1	1	0
1	110,000 to 114,999	1	1	0
1	105,000 to 109,999	2	1	1
1	100,000 to 104,999	1	1	0
1	95,000 to 99,999	2	2	0
2	90,000 to 94,999	1	0	1
5	85,000 to 89,999	7	7	0
4	80,000 to 84,999	7	6	1
5	75,000 to 79,999	7	6	1
6	70,000 to 74,999	13	9	4
16	65,000 to 69,999	16	11	5
11	60,000 to 64,999	22	12	10
27	55,000 to 59,999	25	22	3
54	50,000 to 54,999	67	57	10
134		176	139	37
	2012/13 comparatives:	134	90	44

10. Exit packages

As a result of various changes being implemented by the authority, a number of individuals have received exit packages, including redundancy compensation. The following table (and prior year comparators) shows those received 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 in the figures in note 9 above.

2013/14				
Banding (£)	Voluntary departures	Other departures	Total number of exit packages	Total value of exit packages (£)
150,000 to 200,000	1	0	1	167,542
100,001 to 150,000	1	0	1	123,359
80,001 to 100,000	6	0	6	531,604
60,001 to 80,000	7	1	8	574,274
40,001 to 60,000	18	0	18	916,391
20,001 to 40,000	37	2	39	1,125,380
1 to 20,000	63	3	66	554,514
	133	6	139	3,993,064

2012/13					
Banding (£)	Voluntary departures	Other departures	Total number of exit packages	Total value of exit packages (£)	
80,001 to 100,000	1	0	1	80,885	
60,001 to 80,000	0	0	0	0	
40,001 to 60,000	5	0	5	246,671	
20,001 to 40,000	21	2	23	604,365	
1 to 20,000	55	0	55	476,555	
	82	2	84	1,408,476	

11. Related parties transactions

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

The key personnel responsible for the major decisions of the Council are:

- Elected Members
- Managing Director
- Members of the Corporate Management Team (details of these Officers are set out in note 9)

Members are required to complete the Register of Members' Interests; a full copy of this is maintained and available to view during office hours). From the register, it has been identified that:

One councillor is the Chief Executive of Berkshire Women's Aid (BWA). This company aims to provide confidential support, information, outreach services and refuge accommodation for victims and children affected by domestic violence. A significant proportion of BWA's total income is received from the Council, although the majority of this is for the provision of contracted services. BWA is also in receipt of a small grant from the Council.

Five councillors sit on the board of Readibus; the charity has been established to provide a scheme for the transport of elderly and temporarily or permanently disabled people within Reading and the surrounding area. The Council is the major grant funding body for Readibus, providing grant income of £388k in 2013/14 (2012/13: £388k).

No members of CMT declared any financial interests during 2013/14

Transactions with Central Government

Central Government has an effective general control over the general operations of the Council. It is responsible for providing the statutory framework within which the Council operates, provides a significant part 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 Government departments are set out within the segmental reporting (note 36 page 83), capital and revenue grants (note 26), and details of capital expenditure (note 19).

Transactions with other public bodies

The Council is involved with a number of pooled budget arrangements under Section 75 of the NHS Act 2006; the counterparties to these arrangements include

the other Berkshire Authorities, and a number of health trusts. Full details of the transactions with the pool are set out in note 7, page 42.

Transactions with bodies wholly owned or controlled by the Council

The Council has substantial interests in 4 companies (Reading Transport Limited and the three companies making up REDCO group) - full details of the Council's interest in Reading Transport are set out in the Group Accounts (pages 91 to 106). Included within the Council's 'Cost of Services' line within the Comprehensive Income and Expenditure Statement is £4.8m expenditure that the Council has incurred with RTL.

12. 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 receivable in 2013/14 are as follows:

	Central Expenditure £ '000	ISB* £ '000	Total £ '000
Final DSG for 2013/14 before Academy recoupment			95,005
Academy figure recouped for 2013/14			21,952
Total DSG after Academy recoupment for 2013/14			<u>73,053</u>
Brought forward from 2012/13			690
Carry forward to 2014/15 agreed in advance			0
Agreed initial budgeted distribution	17,195	56,548	<u>73,743</u>
In year adjustments	(1,072)	1,072	0
Final budgeted distribution for 2013/14	<u>16,123</u>	<u>57,620</u>	<u>73,743</u>
Less actual central expenditure	16,092		16,092
Less actual ISB deployed to schools*		55,998	55,998
Plus Local Authority contribution for 2013/14	0	0	0
Carry-forward to 2014/15	<u>31</u>	<u>1,622</u>	<u>1,653</u>

* ISB is the individual schools budget, the above figures show the total devolved to all Local Authority schools and Early Years Single Funding Formula allocations to Private, Voluntary and Independent providers within the Borough.

13. Audit fees

In 2012/13, KPMG were reappointed as the Council's external auditors by the Audit commission; this contract runs for 5 years until 2016/17. The amounts payable by the Council to KPMG for external audit services are as follows:

2012/13		2013/14
£ '000		£ '000
144	Fees payable to KPMG for external audit services	144
18	Fees payable for the certification of grant claims and returns	24
<u>162</u>		<u>168</u>

14. Post-balance sheet events

No adjusting or non-adjusting post-balance sheet events have been recognised in year.

15. Amounts shown in the Movements in Reserves Statement

The statement below details the adjustments made to the Council's General Fund and Housing Revenue Account for the year to account for the differences between proper accounting practice and amounts that are allowed to debited or credited under statute, and any transfers to or from reserves. The reserves are split into either general reserves (those available to fund the day to day operations of the Council, and its capital works) and unusable reserves (funds that are not available for this purpose):

2012/13 Movement in Reserves - General Reserves

	General Fund Balance	Earmarked General Fund Reserves	Housing Revenue Account	Earmarked HRA Reserves	Major Repairs Reserve	Capital Receipts Reserve	Capital Grants Unapplied	Total General Reserves
	£ '000	£ '000	£ '000	£ '000	£ '000	£ '000	£ '000	£ '000
Balance at 31 March 2012	8,355	18,883	9,337	8,100	0	1,019	16,138	61,832
Surplus/(deficit) on provision of services	(21,088)		(8,087)					(29,175)
Surplus/(deficit) on revaluation of non-current assets								0
Actuarial gains/(losses) on pension assets/liabilities								0
Total comprehensive income & expenditure	(21,088)	0	(8,087)	0	0	0	0	(29,175)
Adjustments between accounting basis and funding basis under regulations								
- Adjustments primarily involving the Capital Adjustment Account								
Charges for depreciation and impairment of non-current assets	37,457		12,645					50,102
Revaluation losses on Property, Plant and Equipment	3,723		6,985					10,708
Movement in the market value of Investment Properties	(50)							(50)
Amortisation of intangible assets	227							227
Capital grants and contributions applied							(26,125)	(26,125)
Revenue expenditure funded from capital under statute	4,532							4,532
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	2,214		2,204					4,418
-Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:								
Statutory provision for the financing of capital investment	(8,066)		(4,158)					(12,224)
Capital expenditure charged against the General Fund and HRA balance	(743)		(643)					(1,386)
-Adjustments primarily involving the Capital Grants Unapplied Account:								
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	(19,782)						19,782	0
-Adjustments primarily involving the Capital Receipts Reserve:								
Transfer of cash proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(4,941)		(2,330)			7,271		0
Use of Capital Receipts Reserve to finance new capital expenditure						(5,342)		(5,342)
Contribution from the Capital Receipts Reserve to finance the payments to the Government's capital receipts pool	640					(640)		0
Transfer from Deferred Capital Receipts Reserve upon receipt of cash						254		254
Repayment of long term debtors						658		658
-Adjustments primarily involving the Major Repairs Reserve:								
Reversal of Major Repairs Allowance credited to the HRA			(5,064)		5,064			0
Use of Major Repairs Reserve to finance new capital expenditure					(5,064)			(5,064)
- Adjustments primarily involving the Financial Instruments Adjustment Account:								
Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with regulation	103							103
- Adjustments Primarily involving the Pensions Reserve:								
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	20,415		912					21,327
Employer's pension contributions and direct payments to pensioners payable in year	(10,705)		(302)					(11,007)
- Adjustment primarily involving the Collection Fund Adjustment Account								
Amount by which Council Tax income credited to the Comprehensive Income and Expenditure Statement is different from Council Tax income calculated for the year in accordance with statutory requirements	(764)							(764)
-Adjustments primarily involving the Accumulated Absences Account:								
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	305		(66)					239
Adjustments between accounting basis and funding basis under regulations	24,565	0	10,183	0	0	2,201	(6,343)	30,606
Net increase/(decrease) before transfers to earmarked reserves	3,477	0	2,096	0	0	2,201	(6,343)	1,431
Transfer to/(from) earmarked reserves	(3,745)	3,670	(541)	500		116		0
Increase/(decrease) in year	(268)	3,670	1,555	500	0	2,317	(6,343)	1,431
Balance at 31 March 2013	8,087	22,553	10,892	8,600	0	3,336	9,795	63,263

2012/13 Movement in Reserves - Unusable Reserves

	Revaluation Reserve	Capital Adjustment Account	Financial Instruments Adjustment Account	Deferred Capital Receipts	Pension Reserve	Collection Fund Adjustment Account	Accumulated Absences	Total Unusable Reserves
	£ '000	£ '000	£ '000	£ '000	£ '000	£ '000	£ '000	£ '000
Balance at 31 March 2012	83,695	299,558	1,397	911	(226,251)	1,551	(2,955)	157,906
Surplus/(deficit) on provision of services								0
Surplus/(deficit) on revaluation of non-current assets	4,090							4,090
Actuarial gains/(losses) on pension assets/liabilities					(4,290)			(4,290)
Total comprehensive income & expenditure	4,090	0	0	0	(4,290)	0	0	(200)
Adjustments between accounting basis and funding basis under regulations								
- Adjustments primarily involving the Capital Adjustment Account								
Charges for depreciation and impairment of non-current assets	(3,298)	(46,804)						(50,102)
Revaluation losses on Property, Plant and Equipment		(10,708)						(10,708)
Movement in the market value of Investment Properties	122	(72)						50
Amortisation of intangible assets		(227)						(227)
Capital grants and contributions applied		26,125						26,125
Revenue expenditure funded from capital under statute		(4,532)						(4,532)
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		(4,418)						(4,418)
-Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:								
Statutory provision for the financing of capital investment		12,224						12,224
Capital expenditure charged against the General Fund and HRA balance		1,386						1,386
-Adjustments primarily involving the Capital Grants Unapplied Account:								
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement								0
-Adjustments primarily involving the Capital Receipts Reserve:								
Transfer of cash proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement								0
Use of Capital Receipts Reserve to finance new capital expenditure		5,342						5,342
Contribution from the Capital Receipts Reserve to finance the payments to the Government's capital receipts pool								0
Transfer from Deferred Capital Receipts Reserve upon receipt of cash				(254)				(254)
Repayment of long term debtors		(658)						(658)
-Adjustments primarily involving the Major Repairs Reserve:								
Reversal of Major Repairs Allowance credited to the HRA								0
Use of Major Repairs Reserve to finance new capital expenditure		5,064						5,064
- Adjustments primarily involving the Financial Instruments Adjustment Account:								
Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with regulation			(103)					(103)
- Adjustments Primarily involving the Pensions Reserve:								
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement					(21,327)			(21,327)
Employer's pension contributions and direct payments to pensioners payable in year					11,007			11,007
- Adjustment primarily involving the Collection Fund Adjustment Account								
Amount by which Council Tax income credited to the Comprehensive Income and Expenditure Statement is different from Council Tax income calculated for the year in accordance with statutory requirements						764		764
-Adjustments primarily involving the Accumulated Absences Account:								
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements							(239)	(239)
Adjustments between accounting basis and funding basis under regulations	(3,176)	(17,278)	(103)	(254)	(10,320)	764	(239)	(30,606)
Net increase/(decrease) before transfers to earmarked reserves	914	(17,278)	(103)	(254)	(14,610)	764	(239)	(30,806)
Transfer to/(from) earmarked reserves								0
Increase/(decrease) in year	914	(17,278)	(103)	(254)	(14,610)	764	(239)	(30,806)
Balance at 31 March 2013	84,609	282,280	1,294	657	(240,861)	2,315	(3,194)	127,100

2013/14 Movement in Reserves - General Reserves

	General Fund Balance	Earmarked General Fund Reserves	Housing Revenue Account	Earmarked HRA Reserves	Major Repairs Reserve	Capital Receipts Reserve	Capital Grants Unapplied	Total General Reserves
	£ '000	£ '000	£ '000	£ '000	£ '000	£ '000	£ '000	£ '000
Balance at 31 March 2013	8,087	22,553	10,892	8,600	0	3,336	9,795	63,263
Surplus/(deficit) on provision of services	(7,489)		20,300					12,811
Surplus/(deficit) on revaluation of non-current assets								0
Actuarial gains/(losses) on pension assets/liabilities								0
Total comprehensive income & expenditure	(7,489)	0	20,300	0	0	0	0	12,811
Adjustments between accounting basis and funding basis under regulations								
- Adjustments primarily involving the Capital Adjustment Account								
Charges for depreciation and impairment of non-current assets	25,007		5,622					30,629
Revaluation (gains)/losses on Property, Plant and Equipment	0		(13,944)					(13,944)
Movement in the market value of Investment Properties	1,425		0					1,425
Amortisation of intangible assets	137		0					137
Capital grants and contributions applied							(21,956)	(21,956)
Revenue expenditure funded from capital under statute	7,863		0					7,863
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	2,645		2,847					5,492
-Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:								
Statutory provision for the financing of capital investment	(7,977)		(4,249)					(12,226)
Capital expenditure charged against the General Fund and HRA balance	(443)		0					(443)
-Adjustments primarily involving the Capital Grants Unapplied Account:								
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	(28,440)		0				28,440	0
-Adjustments primarily involving the Capital Receipts Reserve:								
Transfer of cash proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(1,920)		(3,052)			4,972		0
Use of Capital Receipts Reserve to finance new capital expenditure						(4,017)		(4,017)
Contribution from the Capital Receipts Reserve to finance the payments to the Government's capital receipts pool	755					(755)		0
Transfer from Deferred Capital Receipts Reserve upon receipt of cash						258		258
Repayment of long term debtors						708		708
-Adjustments primarily involving the Major Repairs Reserve:								
Reversal of Major Repairs Allowance credited to the HRA			(5,564)		5,564			0
Use of Major Repairs Reserve to finance new capital expenditure					(5,471)			(5,471)
- Adjustments primarily involving the Financial Instruments Adjustment Account:								
Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with regulation	92							92
- Adjustments Primarily involving the Pensions Reserve:								
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	26,191		1,039					27,230
Employer's pension contributions and direct payments to pensioners payable in year	(12,145)		(253)					(12,398)
- Adjustment primarily involving the Collection Fund Adjustment Account								
Amount by which Council Tax income credited to the Comprehensive Income and Expenditure Statement is different from Council Tax income calculated for the year in accordance with statutory requirements	(310)							(310)
-Adjustments primarily involving the Accumulated Absences Account:								
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	(199)		32					(167)
Adjustments between accounting basis and funding basis under regulations	12,681	0	(17,522)	0	93	1,166	6,484	2,902
Net increase/(decrease) before transfers to earmarked reserves	5,192	0	2,778	0	93	1,166	6,484	15,713
Transfer to/(from) earmarked reserves	(4,562)	4,401	(240)	200	0	90		(111)
Increase/(decrease) in year	630	4,401	2,538	200	93	1,256	6,484	15,602
Balance at 31 March 2014	8,717	26,954	13,430	8,800	93	4,592	16,279	78,865

2013/14 Movement in Reserves - Unusable Reserves

	Revaluation Reserve	Capital Adjustment Account	Financial Instruments Adjustment Account	Deferred Capital Receipts	Pension Reserve	Collection Fund Adjustment Account	Accumulated Absences	Total Unusable Reserves
	£ '000	£ '000	£ '000	£ '000	£ '000	£ '000	£ '000	£ '000
Balance at 31 March 2013	84,609	282,280	1,294	657	(240,861)	2,315	(3,194)	127,100
Surplus/(deficit) on provision of services								0
Surplus/(deficit) on revaluation of non-current assets	(297)							(297)
Actuarial gains/(losses) on pension assets/liabilities					(1,828)			(1,828)
Total comprehensive income & expenditure	(297)	0	0	0	(1,828)	0	0	(2,125)
Adjustments between accounting basis and funding basis under regulations								
- Adjustments primarily involving the Capital Adjustment Account								
Charges for depreciation and impairment of non-current assets	(3,167)	(27,462)						(30,629)
Revaluation gains/(losses) on Property, Plant and Equipment		13,944						13,944
Movement in the market value of Investment Properties	208	(1,633)						(1,425)
Amortisation of intangible assets		(137)						(137)
Capital grants and contributions applied		21,956						21,956
Revenue expenditure funded from capital under statute		(7,863)						(7,863)
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	(2,091)	(3,401)						(5,492)
-Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:								
Statutory provision for the financing of capital investment		12,226						12,226
Capital expenditure charged against the General Fund and HRA balance		443						443
-Adjustments primarily involving the Capital Grants Unapplied Account:								
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement								0
-Adjustments primarily involving the Capital Receipts Reserve:								
Transfer of cash proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement								0
Use of Capital Receipts Reserve to finance new capital expenditure		4,017						4,017
Contribution from the Capital Receipts Reserve to finance the payments to the Government's capital receipts pool								0
Transfer from Deferred Capital Receipts Reserve upon receipt of cash				(258)				(258)
Repayment of long term debtors		(708)						(708)
-Adjustments primarily involving the Major Repairs Reserve:								
Reversal of Major Repairs Allowance credited to the HRA								0
Use of Major Repairs Reserve to finance new capital expenditure		5,471						5,471
- Adjustments primarily involving the Financial Instruments Adjustment Account:								
Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with regulation			(92)					(92)
- Adjustments Primarily involving the Pensions Reserve:								
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement					(27,230)			(27,230)
Employer's pension contributions and direct payments to pensioners payable in year					12,398			12,398
- Adjustment primarily involving the Collection Fund Adjustment Account								
Amount by which Council Tax income credited to the Comprehensive Income and Expenditure Statement is different from Council Tax income calculated for the year in accordance with statutory requirements						310		310
-Adjustments primarily involving the Accumulated Absences Account:								
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements							167	167
Adjustments between accounting basis and funding basis under regulations	(5,050)	16,853	(92)	(258)	(14,832)	310	167	(2,902)
Net increase/(decrease) before transfers to earmarked reserves	(5,347)	16,853	(92)	(258)	(16,660)	310	167	(5,027)
Transfer to/(from) earmarked reserves				111				111
Increase/(decrease) in year	(5,347)	16,853	(92)	(147)	(16,660)	310	167	(4,916)
Balance at 31 March 2014	79,262	299,133	1,202	510	(257,521)	2,625	(3,027)	122,184

16. General Reserves

The general reserves of the Council can be used to finance the Council day-to-day operations of the Council, and its capital activities. Details of the in-year movements are set out in note 15, page 49. A number of reserves are earmarked for specific purposes; the movements in year for these are shown below:

	Balance at 31st March 2013	Movement in year	Balance at 31st March 2014
	£ '000	£ '000	£ '000
<u>Earmarked Reserves</u>			
BCC Liabilities Reserve Account	(105)	(57)	(162)
Business Rates Reserve	575	(575)	0
DEACS Strategic Reserve	0	2,730	2,730
Emergency Planning	200	0	200
General Fund Reserve Account	110	(9)	101
HRA Major Repairs Reserve	0	93	93
Legal and Taxation Reserve	310	(60)	250
North Whitley PFI	8,600	200	8,800
Office Relocation Reserve	1,500	(396)	1,104
Organisational Change	3,700	100	3,800
Pension Liabilities	300	0	300
Property Liabilities	200	0	200
Prudential Reserve	3,300	0	3,300
Repayment of grants Reserve	250	(250)	0
Revenue Grant Unapplied Reserve	6,835	3,750	10,585
Self insurance	5,068	(522)	4,546
Transforming services	310	(310)	0
	<u>31,153</u>	<u>4,694</u>	<u>35,847</u>

The Council holds these reserves for the following purposes:

The BCC Liabilities Reserve was transferred on 1st April 1998 and has been established to cover liabilities arising, including insurance liabilities in connection with internally held risks of the former County Council.

The Business Rates Reserve was set up at the end of 2012/13 to mitigate the risk of successful appeals against business rate assessments exceeding the resources that were otherwise being established in the Collection Fund. During 2013/14, other provision has been made and the risk to the General Fund balance is now considered much lower. As a result the reserve has been closed and the balance transferred to the Organisation Change Reserve.

The DEACS Strategic Reserve has been set up to enable the cost of variable and long term increasing demographic demand for education and (mainly) social care services to be managed within the context of tight fixed budgets. The DEACS directorate has some revenue budget provision for this; the reserve mitigates the risk of demand on that provision being exceeded.

The Emergency Planning Reserve has been set up to meet any additional costs arising from flooding and adverse winter weather conditions.

The General Fund Reserve consists of a number of holding and suspense accounts set up for specific purposes in the General Fund.

The HRA Major Repairs Reserve receives income from depreciation charges on HRA assets and is used to finance capital expenditure on within the HRA.

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 unbudgeted legal liabilities and taxation matters.

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

The Office Relocation Reserve has been created to meet the costs of the move to the new Civic Centre and the costs of dual running.

The Organisational Change Reserve has been established to help meet the costs of the Council's reshaping programme and associated costs.

The Pension Liabilities Reserve has been set up to cover potential future pension fund liabilities arising from employer contribution rate fluctuations and/or from organisational change.

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

The Prudential Reserve has been established to enable the borrowing and related treasury costs associated with 'unsupported' borrowing the Council becomes committed to in principle to be phased in over a period of time.

The Repayment of Grant Reserve was set up to allow for adverse reductions to the Council's expected and received government grant income. It was closed in 2013/14 and the balance transferred to the Organisational Change Reserve.

The Revenue Grants Unapplied Reserve has been set up 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 set up 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.

The Transforming Services Reserve was established to help provide resources for developing the Council's Transforming Services agenda. It was closed in 2013/14 and the balance transferred to the Organisational Change Reserve.

17. Unusable Reserves

The unusable reserves of the Council are as follows:

2012/13 £ '000		2013/14 £ '000
84,609	Revaluation Reserve	79,262
(240,861)	Pensions Reserve	(257,521)
282,280	Capital Adjustment Account	299,133
657	Deferred Capital Receipts	510
1,294	Financial Instruments Adjustment Account	1,202
2,315	Collection Fund Adjustment Account	2,625
(3,194)	Short term Accumulating Compensated Absences Account	(3,027)
<u>127,100</u>		<u>122,184</u>

These reserves have primarily arisen as a result of accounting treatments that the Council has to follow as a result of the Code. These sums are not available to finance the operations of the Council.

i. Revaluation Reserve

The Revaluation Reserve carries the gains and losses that have occurred as a result of changes in the value of the Council's property holdings.

2012/13 £ '000		2013/14 £ '000	2013/14 £ '000
83,695	Balance at 1st April		84,609
12,460	Upward revaluation of assets	1,967	
(8,369)	Downward revaluation of assets and impairment losses not charged to the Comprehensive Income and Expenditure Statement	(1,002)	
0	Accumulated gains on assets written off	<u>(1,262)</u>	
<u>4,091</u>	Surplus or deficit on revaluation of non-current assets not posted to the Comprehensive Income and Expenditure Statement		(297)
0	Accumulated gains on assets disposed of	(2,091)	
(3,299)	Difference between fair value depreciation and historic cost depreciation	(3,167)	
<u>122</u>	Assets transferred to/from Investment properties	<u>208</u>	
<u>(3,177)</u>	Amount written off to the Capital Adjustment Account		(5,050)
<u>84,609</u>	Balance at 31st March		<u>79,262</u>

ii. Pension Reserve

Full details of the movement in the Pension Reserve are given in note 32, page 73. The Pensions Reserve adjusts for the timing difference that arises between accounting for post-employment benefits and accounting for pension schemes according with statutory provisions. Whilst the Reserve shows a significant deficit, statutory arrangements ensure that funding will have been set aside by the time the benefits come to be paid.

2012/13		2013/14
£ '000		£ '000
(226,251)	Balance at 1st April	(240,861)
(4,290)	Actuarial gains and losses on scheme assets and liabilities	(1,828)
(21,327)	Reversal of charges to the Comprehensive Income and Expenditure Statement	(27,230)
11,007	Employers pension contributions	12,398
<u>(240,861)</u>	Balance at 31st March	<u>(257,521)</u>

iii. 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 enhancement of those assets under statutory provisions.

2012/13 £ '000		2013/14 £ '000	2013/14 £ '000
299,558	Balance at 1st April		282,280
	Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:		
(46,804)	Charges for depreciation and impairment of non-current assets	(27,462)	
(10,708)	Revaluation losses on PPE	13,944	
(227)	Amortisation of intangible assets	(137)	
(4,532)	Revenue expenditure funded from capital under statute	(7,863)	
(4,418)	Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(3,401)	
<u>(66,689)</u>		<u></u>	(24,919)
	Capital financing applied in year:		
5,342	Use of the capital receipts reserve	4,017	
5,064	Use of the Major repairs reserve	5,471	
26,125	Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement which have been applied to capital expenditure	21,956	
12,224	Statutory provision for the financing of capital investment charged against the General Fund and HRA balance	12,226	
(658)	Repayment of long term debtors	(708)	
1,386	Capital expenditure charged against the General Fund and HRA balances	443	
<u>49,483</u>		<u></u>	43,405
(122)	Assets Transferred from Investment Properties	(208)	
50	Movement in the market of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement	(1,425)	
<u>(72)</u>		<u></u>	(1,633)
<u><u>282,280</u></u>	Balance at 31st March		<u><u>299,133</u></u>

iv. Deferred Capital Receipts

The Deferred Capital Receipts Reserve holds the gains recognised on the disposal of non-current assets for which cash settlement has not yet taken place. The most significant item recognised within the Reserve is a loan made to RTL, which is being repaid over 10 years.

2012/13 £ '000		2013/14 £ '000
911	Balance at 1st April	657
0	New loans advanced	110
(254)	Transfer to Capital receipts reserve on receipt of cash	(257)
<u>657</u>	Balance at 31st March	<u>510</u>

v. Financial Instruments Adjustment Account

The Financial Instruments Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for income and expenses relating to certain financial instruments and for bearing losses or benefiting from gains in accordance with statutory provisions.

2012/13 £ '000		2013/14 £ '000
1,397	Balance at 1st April	1,294
(103)	Proportion of premia incurred in previous years to be charged against the General Fund balance in accordance with statutory requirements	(92)
(103)	Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement differ from finance costs chargeable in the year in accordance with statutory requirements	(92)
<u>1,294</u>	Balance at 31st March	<u>1,202</u>

vi. Collection Fund Adjustment Account

The Collection Fund Adjustment Account manages the differences arising from the recognition of income in the Comprehensive Income and Expenditure Statement against the statutory arrangements for paying across amounts to the General Fund from the Collection Fund.

From 2013/14, as well as affecting Council Tax, transfers between the Comprehensive Income and Expenditure Statement and Collection Fund, entries arise because of changes to the distribution of NNDR. These include the entries that arise because the Council has elected to phase in the charge of its provision for NNDR appeals over 5 years.

2012/13 £ '000		2013/14 £ '000
1,551	Balance at 1st April	2,315
764	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	310
<u>2,315</u>	Balance at 31st March	<u>2,625</u>

vii. Accumulated Absences Account

The Accumulated Absences Account absorbs the differences that would otherwise arise on the General Fund and HRA balance as a result of accruing for compensated absences earned but not taken as at 31st March, for example annual leave entitlements. Statutory arrangements require that the impact on the General Fund and HRA balance is neutralised by transfers to or from the Account.

2012/13 £ '000		2013/14 £ '000
(2,955)	Balance at 1st April	(3,194)
2,955	Settlement or cancellation of accrual made at the end of the preceding year	3,194
(3,194)	Amounts accrued at the end of the current year	(3,027)
<u>(3,194)</u>	Balance at 31st March	<u>(3,027)</u>

18. Fixed Assets

All expenditure on capital assets during the year has been included under 'additions' in the following table, although some items have been fully depreciated or impaired in the year. A reconciliation between the 'additions' figure here, and the total capital expenditure for the year is shown in note 20, page 65.

In accordance with the accounting policies set out in note 1, page 29, all fixed assets (except investment properties) are revalued on a five-year rolling programme, with the effective date of revaluations being 1st April of the financial year. Investment properties are revalued on an annual basis. The valuations were undertaken under the direction of Bruce Tindall, the Head of Development, who is a member of the Royal Institute of Chartered Surveyors.

There have been no changes in accounting estimates that have had an effect during 2013/14, and none are currently expected to have an effect in 2014/15.

Notes to the Accounts

	Dwellings	Other land and Buildings	Vehicles, Plant and Equipment	Infrastructure assets	Community Assets	Assets under construction	Investment properties	Assets held for sale (> 1 yr)	Total
	£ '000	£ '000	£ '000	£ '000	£ '000	£ '000	£ '000	£ '000	£ '000
Cost or Valuation at 1st April 2012	317,767	279,321	23,640	220,989	10,668	10,236	32,900	0	895,521
Additions	5,779	12,056	2,090	11,942	693	365	51	0	32,976
Revaluation increases/(decreases) recognised in the Revaluation Reserve	(21)	9,126	1,208	0	0	0	0	0	10,313
Revaluation increases/(decreases) recognised in the I and E	(6,986)	(3,723)	0	0	0	0	(349)	0	(11,058)
Impairment losses/(reversals) through the I and E	(12,386)	(20,887)	(6,062)	0	(139)	0	241	0	(39,233)
Impairment losses/(reversals) through the Revaluation Reserve	(8)	(6,421)	0	0	0	0	0	0	(6,429)
Derecognition - disposals	(1,390)	0	0	0	0	0	0	0	(1,390)
Derecognition - other	(664)	0	0	0	0	0	0	0	(664)
Reclassifications	0	0	0	0	0	0	1,465	1,838	3,303
Other movements	0	(4,857)	(444)	0	0	0	0	0	(5,301)
Cost or Valuation at 31st March 2013	302,091	264,615	20,432	232,931	11,222	10,601	34,308	1,838	878,038
Accumulated Depreciation at 1st April 2012	(14,613)	(31,038)	(16,026)	(37,589)	(544)	0	0	0	(99,810)
Depreciation charge for the year	(4,929)	(8,401)	(2,882)	(5,443)	0	0	0	0	(21,655)
Depreciation written out to the I and E	4,804	513	5,868	0	0	0	0	0	11,185
Depreciation written out to the Revaluation Reserve	8	200	0	0	0	0	0	0	208
Other movements in depreciation	0	4,942	360	0	0	0	0	0	5,302
Accumulated Depreciation at 31st March 2013	(14,730)	(33,784)	(12,680)	(43,032)	(544)	0	0	0	(104,770)
Net book value as at 31st March 2013	287,361	230,831	7,752	189,899	10,678	10,601	34,308	1,838	773,268

Notes to the Accounts

	Dwellings	Other land and Buildings	Vehicles, Plant and Equipment	Infrastructure assets	Community Assets	Assets under construction	Investment properties	Assets held for sale (> 1 yr)	Total
	£ '000	£ '000	£ '000	£ '000	£ '000	£ '000	£ '000	£ '000	£ '000
Cost or Valuation at 1st April 2013	302,091	264,615	20,432	232,931	11,222	10,601	34,308	1,838	878,038
Additions	5,495	24,950	2,596	9,501	625	172	0	3	43,342
Revaluation increases/(decreases) recognised in the Revaluation Reserve	30	1,937	0	0	0	0	0	0	1,967
Revaluation increases/(decreases) recognised in the I and E	13,944	0	0	0	0	0	25	0	13,969
Impairment losses/(reversals) through the I and E	(58)	(10,701)	(4,031)	(87)	(108)	0	1,451	(3)	(13,537)
Impairment losses/(reversals) through the Revaluation Reserve	0	(2,010)	0	0	0	0	0	0	(2,010)
Derecognition - disposals	(2,847)	0	(112)	0	0	0	0	0	(2,959)
Derecognition - other	0	0	0	0	0	0	0	0	0
Reclassifications	0	5,736	(88)	0	0	(5,074)	(729)	(1,190)	(1,345)
Other movements	(4,928)	(2,088)	(362)	0	0	0	0	0	(7,378)
Cost or Valuation at 31st March 2014	313,727	282,439	18,435	242,345	11,739	5,699	35,055	648	910,087
Accumulated Depreciation at 1st April 2013	(14,730)	(33,784)	(12,680)	(43,032)	(544)	0	0	0	(104,770)
Depreciation charge for the year	(5,422)	(8,950)	(2,397)	(5,520)	0	0	0	0	(22,289)
Depreciation written out to the I and E	0	157	3,757	0	0	0	0	0	3,914
Depreciation written out to the Revaluation Reserve	0	52	0	0	0	0	0	0	52
Derecognition - disposals	0	0	55	0	0	0	0	0	55
Derecognition - other	0	0	0	0	0	0	0	0	0
Reclassifications	0	6	22	0	0	0	0	0	28
Other movements in depreciation	4,928	2,088	362	0	0	0	0	0	7,378
Accumulated Depreciation at 31st March 2014	(15,224)	(40,431)	(10,881)	(48,552)	(544)	0	0	0	(115,632)
Net book value as at 31st March 2014	298,503	242,008	7,554	193,793	11,195	5,699	35,055	648	794,455

19. Capital expenditure and the Capital Finance Requirement

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.

2012/13 £ '000		2013/14 £ '000
434,814	Opening Capital Finance Requirement	422,481
	Capital investment:	
704	Business Transformation	1,006
5,779	Council Housing	5,495
1,360	Housing Renovation Grants	681
0	Loan to Reading Transport Limited	3,832
1,343	Other Buildings & Developments	1,405
184	Plaza West	12,322
11,942	Road & Transport Projects	9,501
11,020	School Construction and Development Works	19,915
2,477	School Improvements	2,597
237	Social Housing Grants	172
2,763	Other (Environmental, Leisure, Vehicle Procurement and Crime Reduction)	2,046
<u>37,809</u>		<u>58,972</u>
	Sources of finance:	
(5,341)	Capital receipts	(4,018)
(26,127)	Government grants and other contributions	(21,956)
(743)	Sums set aside from revenue	(443)
(5,707)	HRA Major Repairs Reserve	(5,471)
<u>(37,918)</u>		<u>(31,888)</u>
(12,224)	Minimum Revenue Provision	(12,226)
<u>422,481</u>	Closing Capital Finance Requirement	<u>437,339</u>
	Movements in year:	
(109)	Borrowing to finance capital expenditure	27,084
(12,224)	Minimum Revenue Provision	(12,226)
<u>(12,333)</u>	Increase/(decrease) in Capital Finance Requirement	<u>14,858</u>

20. **Reconciliation of the movement in fixed assets to the total capital expenditure of the Council.**

Due to the varied nature of the capital works undertaken by the Council, not all of the capital expenditure incurred results in an upward movement in the value of the fixed assets held by the Council. The table below shows how the total capital expenditure (note 19) reconciles to the movement in fixed assets (note 18):

2012/13 £ '000		2013/14 £ '000
32,976	Additional per fixed asset statement	43,342
	Plus:	
274	Intangible additions	98
4,532	REFCUS	7,863
0	Loan to RTL	3,832
3	Heritage asset additions	2
24	Current Assets held for Sale	3,835
<u>37,809</u>	Total capital expenditure on Council services	<u>58,972</u>

21. **Investment Properties**

The Council owns a number of assets that are held either for the rental income that they generate, or for capital appreciation of the asset. These assets are solely held for the generation of income for the Council, and provide no service benefits to the Council; as a result, these assets are recognised as investment properties in the Council's balance sheet.

Rental income and revaluation gains recognised in the Comprehensive Income and Expenditure Statement under the 'investment income' heading for the year are as follows:

2012/13 £ '000		2013/14 £ '000
(1,256)	Rental income from investment properties	(1,534)
109	Direct operating expenses arising from investment properties	113
159	Impairment (gains)/losses on investment properties	(1,451)
(51)	Revaluation (gains)/losses on investment properties	(25)
0	(Gains)/losses on disposal of investment properties	(94)
<u>(1,039)</u>		<u>(2,991)</u>

This includes costs that the Council is obliged to meet as part of its duties as the landlord of the property.

22. 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:

	Balance at 1st April 2013	New advances	Advances repaid	Balance at 31st March 2014
	£ '000	£ '000	£ '000	£ '000
Reading Transport Limited	6,864	3,944	(959)	9,849
Former Council house mortgages	19	0	(7)	12
Individual - private housing	27	0	0	27
Staff car loans	4	0	(3)	1
	<u>6,914</u>	<u>3,944</u>	<u>(969)</u>	<u>9,889</u>

23. Debtors

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

2012/13		2013/14
£ '000		£ '000
8,328	Central Government Bodies	5,444
3,069	Other Local Authorities	3,166
133	NHS Bodies	1,011
13,741	Other entities and individuals (including rent arrears and trade debtors)	13,966
<u>25,271</u>		<u>23,587</u>

25. Creditors

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

2012/13		2013/14
£ '000		£ '000
(1,820)	Central Government Bodies	(2,223)
(3,289)	Other Local Authorities	(849)
(223)	NHS Bodies	(439)
(34,200)	Other entities and individuals	(43,548)
<u>(39,532)</u>		<u>(47,059)</u>

26. Government and non-government grants

All grant receipts in year are assessed to ascertain whether the use of them has conditions attached to them, or merely restrictions on their use. Conditional grants are held within 'receipts in advance' on the balance sheet until the conditions have been met, unconditional grants are credited to the Comprehensive

Income and Expenditure Statement when they are received, with any unused balance held in a reserve.

i. Capital grants and contributions

The grant balances credited to the Comprehensive Income and Expenditure Statement during the year are as follows:

2012/13 £ '000		2013/14 £ '000
17,394	Grants credited to non-specific grant income	24,845
2,389	S106 and other contributions credited to non-specific grant income	3,595
<u>19,783</u>	Total	<u>28,440</u>

At the 31st March 2014, the Council had a number of grant and other contribution balances remaining that had conditions attached to them, and so have been recognised as capital grants received in advance:

2012/13 £ '000 (restated)		2013/14 £ '000
280	Miscellaneous Government Grants	280
1,284	Education grants	626
732	Other contributions	699
7,191	Developers contributions	8,299
<u>9,487</u>		<u>9,904</u>

iii. Revenue grants

The revenue grant balances credited to the Comprehensive Income and Expenditure Statement during the year are as follows:

2012/13 £ '000		2013/14 £ '000
90,920	Housing and Council Tax Benefits	81,303
79,584	Education Services	76,270
9,044	Community Care	3,026
4,168	Children and Families	3,925
0	Public Health	7,466
3,997	HRA grant	3,997
0	City Deal (Berkshire wide)	2,700
5,617	Other grants	7,302
<u>193,330</u>	Total	<u>185,989</u>

27. Leases**i. Council as the lessee***- Finance leases*

At the 31st March 2014, the value of assets held under finance leases was judged to be immaterial.

ii. Council as the lessor

The Council restructured its loan arrangements with Reading Transport Limited during the year, which has been treated as a modification of the original loans, although the form of the revised arrangement was a lease of the assets from the Council to RTL.

- Finance leases

The Council has no assets that it leases out under a finance lease

- 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:

2012/13		2013/14
£ '000		£ '000
1,626	Payments due within one year	1,324
5,511	Payments due later than one year and not later than five years	4,684
<u>7,137</u>	Total due	<u>6,008</u>

28. PFI schemes

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

i. North Whitley Housing PFI scheme

The Council has a PFI contract for the management and maintenance of 1,374 dwellings for a 30-year period from 2004 to 2034 (1,319 dwellings remained as at 31st March 2014). There are no significant termination or renewal options within the contract.

Assessment under IFRIC 12 in 2009/10 resulted in the scheme assets, and a liability for the future payments, being included on the Council's balance sheet. The in-year movements for these assets and liabilities are as follows:

	Balance sheet liability £ '000	Scheme Assets £ '000	Net £ '000
1st April 2013 Balance brought forward	(26,523)	40,205	13,682
Disposals	n/a	(321)	(321)
Revaluations	n/a	1,151	1,151
Depreciation and Impairment	n/a	(821)	(821)
Repayment of liability	270	n/a	270
31st March 2014 Balance carried forward	<u>(26,253)</u>	<u>40,214</u>	<u>13,961</u>

Future payments to Affinity (Reading) Ltd are dependent on performance targets being met; however, if these targets are met (as is expected), estimated payments due to the Company over the remainder of the contract are as follows:

31st March 2013	As at 31st March 2014			
Total	Liability	Interest	Service Cost	Total
£ '000	£ '000	£ '000	£ '000	£ '000
	Due within:			
7,160	16	2,217	5,141	7,374
30,852	2,494	8,513	20,770	31,777
44,065	3,990	9,416	31,701	45,107
46,707	6,670	7,442	32,596	46,708
46,709	13,083	3,597	30,556	47,236
9,869	0	0	0	0
<u>185,362</u>	<u>26,253</u>	<u>31,185</u>	<u>120,764</u>	<u>178,202</u>
Total				

ii. Waste PFI scheme

In 2006/07 the Council, along with Wokingham and Bracknell Forest Borough Councils, entered into a PFI contract with WRG (RE3 Ltd) for the disposal of waste, which expires in 2031/32. As part of the contract, WRG have built a waste transfer station, materials recycling facility, civic amenity site and offices on Council-owned land at Smallmead. At the end of the contract, ownership of the assets will revert to the Council on whose land the facilities have been built. The total value of the future payments, modelled at financial close, was estimated to be £611m, to be shared between the three authorities based on their relative waste throughputs. Actual payments will depend on the contractor's performance, as well as the individual Council's waste collection.

As a result of the 2009/10 assessment of this scheme under IFRIC 12, buildings and plant representing the Council's share of the scheme assets, and a liability for the future payments the Council will have to make under the terms of the contract, have been recognised on the Council's balance sheet.

The balance sheet movements relating to this scheme during 2013/14 are as follows:

Notes to the Accounts

	Scheme Assets			
	Balance sheet liability	Other land and buildings	Vehicle, plant and equipment	Net
	£ '000	£ '000	£ '000	£ '000
1st April 2013 Balance brought forward	(7,994)	12,073	2,472	6,551
Depreciation charge for year	n/a	(293)	(95)	(388)
Repayment of liability	219	n/a	n/a	219
31st March 2014 Balance carried forward	<u>(7,775)</u>	<u>11,780</u>	<u>2,377</u>	<u>6,382</u>

The payments that the Council will have to make to WRG under the Waste PFI contract, split between the repayment of liabilities, service charges and interest are shown below. These costs are based on estimates of the future value of the cash payments that will be made, assuming RPI is consistently at 2.5%.

31st March 2013		As at 31st March 2014			
Total		Liability	Interest	Service Cost	Total
£ '000		£ '000	£ '000	£ '000	£ '000
	Due within:				
7,760	1 year	235	513	7,570	8,318
34,744	2 to 5 years	1,118	1,875	33,409	36,402
49,929	6 to 10 years	1,901	1,848	48,800	52,549
57,021	11 to 15 years	2,678	1,089	56,760	60,527
46,355	16 to 20 years	1,843	174	38,130	40,147
<u>195,809</u>	Total	<u>7,775</u>	<u>5,499</u>	<u>184,669</u>	<u>197,943</u>

29. Provisions

	In-year movements		
	Balance at 1st April 2013	Increases in provisions	Balance at 31st March 2014
	£ '000	£ '000	£ '000
Equal Pay Back Pay	8,000	1,400	9,400
Homelessness Costs	20	0	20
Rent deposit guarantee	300	0	300
	<u>8,320</u>	<u>1,400</u>	<u>9,720</u>

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 of those cannot be quantified accurately at the present.

Homelessness Costs Provision - The Council has leased various properties to provide accommodation for homeless households. Under the terms of the leases, there are likely to be liabilities when the leases end; the Homelessness Costs Provision has been established to meet these liabilities.

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

30. Long term borrowing

The table below shows the long term borrowing commitment that the Council had at the 31st March 2014; these items are all due for repayment after 31st March 2015.

2012/13		2013/14	
£ '000		£ '000	
289,930	Public Works Loan Board	283,423	
(3,158)	less modified loans carrying value	(3,143)	
30,076	Banks and Financial Institutions	30,055	
<u>316,848</u>		<u>310,335</u>	

An analysis for the Public Works Loan Board (PWLB) debt is provided below:

2012/13		2013/14	
£ '000		£ '000	
6,507	1 - 2 years	9,507	
22,187	2 - 5 years	17,520	
21,396	5 - 10 years	18,896	
44,840	10 - 25 years	43,500	
112,000	25 - 40 years	121,000	
83,000	40+ years	73,000	
<u>289,930</u>		<u>283,423</u>	

Full details of the Council's Treasury Management activity are published separately in the Council's Annual Treasury Report (and are available online at www.reading.gov.uk). No new loans were arranged in 2013/14 (2012/13 no new loans raised).

Accounting requirements require premia and discounts to be written off to the Income and Expenditure Account as incurred. Various adjustments required by regulation are then required to spread the cost or income over (typically) a 10 year period. The residual £3.1m in connection with modified loans in the table above arises from the premia incurred on three loans rescheduled in 2004/05 and 2005/06 accounted for as a modification. The code requires that the remainder is written off to the Income and Expenditure Account over the life of these loans.

The PWLB has advised that using its repayment rate to calculate premature repayment sums, the fair value of the £289.9m of long term PWLB loans above held as at 31st March 2014 (including £9.8m loans maturing within a year), was £311.8m

(the £301.4m par value at 31st March 2013 then had a fair value of £343.9m on the same basis). The Council (with the assistance of its treasury advisor) estimates that if held to maturity, using current PWLB borrowing rates at 31st March to discount the fair value of loans at 31st March 2014 would be £269.5m (31st March 2013: £300.0m).

31. Financial Instruments

As well as the Council's borrowings and investments, including premia and discounts associated with their early repayment and also provisions for liabilities, financial instruments include financial assets and liabilities such as trade debtors, trade creditors, and cash & bank balances. (Taxation debtors (i.e. Council Tax arrears) are excluded from the definition). The Council estimates impairments of trade and taxation debtors, so that the balance sheet shows the net amount we expect to recover.

The Council is required to analyse financial instruments between long term (due for settlement in more than 12 months) and current (settlement due within 12 months). In this analysis we have treated debtors, creditors, cash & bank balances as current together with those investments and borrowings that fall due within 12 months. Most borrowings and some investments (over 12 months duration) have been analysed as long term. The Council has some borrowing and lending to banks under LOBO/callable structures where the duration is uncertain. At the current time, for this analysis we have assumed these structures will run to their maximum duration. The long term elements include premia and discounts accounted for as loan modifications (as indicated above), and the following table provides the analysis:

	Long Term		Current	
	31st March 2013	31st March 2014	31st March 2013	31st March 2014
	£'000	£'000	£'000	£'000
Financial Instruments Balances Carried Forward				
Financial Liabilities at Amortised Cost	(316,848)	(310,335)	(46,782)	(48,442)
Total Borrowings	(316,848)	(310,335)	(46,782)	(48,442)
Loans and Receivables at Amortised Cost	6,914	9,889	42,958	36,643
Available for Sale Assets	1,838	649	14,095	32,181
Total Investments	8,752	10,538	57,053	68,824

We are also required to disclose the nature and extent of risks arising from financial instruments; including credit, liquidity and market risk. Credit and Liquidity risks exist for current and longer term receivables. In the above table they have been impaired (effectively a doubtful debt provision is held) to match broadly the historic experience of their non-payment. With regard to investment instruments, the Council approves a treasury investment strategy each year that indicates that investments are only made to highly rated counterparties, with an emphasis on security and liquidity over yield, and some spread within the market to mitigate market risks and preserve capital. There has never been an actual default experience, and therefore it is not considered necessary to impair investments from their nominal value.

As at 31st March 2014, £30m borrowing (2013: £30m) was on LOBO terms (with the lender to the Council having options to change the interest rate at various dates). The counterparty has options which could impact the potential value of those

arrangements. In the Council's Balance Sheet and the above table these financial instruments are shown at their nominal value; the Council's treasury advisor has estimated the fair value of the LOBO loans at 31st March 2014 to be £37.9m (2013 £43.1m).

32. Post-employment benefits

The Council materially contributes to two pension schemes: the Local Government Pension Scheme, and the Teachers' Pension Scheme; details of contributions and scheme performance are set out in notes i and ii below.

i. Teachers' Pension Scheme

The Council makes payments to the Teachers' Pension Scheme, a contributory scheme run by Teachers' Pensions on behalf of the Department for Education. It is classified as a defined contribution scheme as it does not allow the identification of liabilities consistently and reliably between participating authorities. Finance is only required to be raised to cover a deficit in the Teachers' Pension scheme once pensions are actually paid.

In 2013/14, the Council paid employer's contributions of £3.5m (2012/13: £3.5m), representing 14.1% of employee's pensionable pay (2012/13: 14.1%). No added years payments, discretionary enhancements or retirement lump sums were made during the year.

ii. Local Government Pension Scheme

The Council pays contributions into the Royal Berkshire Pension Fund, which is managed on behalf of the Authority by the Royal Borough of Windsor and Maidenhead. This is a defined benefit final salary scheme into which both the employer and employee make contributions. The last full actuarial valuation of the fund was carried out as at 31st March 2013.

In 2013/14, the Council paid employer's contributions of £12.4m (2012/13: £11.0m) into the fund, representing 14.7% of employees pensionable pay (2012/13: 14.7%).

a) Impact on the Income and Expenditure Account

2012/13 £ '000 (restated)		2013/14 £ '000
13,297	Service Costs	16,690
10,306	Net interest on defined liability	10,294
204	Administration expenses	247
<u>23,808</u>	Total	<u>27,231</u>
28,987	Actual return on scheme assets	9,084

During 2013/14, there were 22 additional early retirements (2012/13: 16 early retirements).

b) Reconciliation of the opening and closing balances of the present value of the defined benefit obligation

2012/13		2013/14
£ '000		£ '000
(restated)		
499,204	Opening defined benefit obligation	541,430
13,973	Current service cost	16,040
22,676	Interest cost	23,966
17,858	Change in financial assumptions	10,518
0	Change in demographic assumptions	(24,418)
567	Experience losses/(gains) on defined benefit obligation	2,458
(1,500)	Liabilities assumed/(extinguished) on settlements	(719)
(14,479)	Estimated benefits, net of transfers in	(16,416)
346	Past service costs, including curtailments	1,117
3,712	Contributions by scheme participants	4,104
(926)	Unfunded pension payments	(946)
<u>541,430</u>	Closing defined benefit obligation	<u>557,134</u>

c) Reconciliation of the opening and closing balances of the fair value of scheme assets

2012/13		2013/14
£ '000		£ '000
(restated)		
272,959	Opening fair value of scheme assets	300,577
12,369	Interest on assets	13,672
16,618	Return on assets less interest	(4,601)
0	Other actuarial gains/(losses)	(8,670)
(204)	Administration expenses	(247)
11,007	Contributions by employer (including unfunded)	12,398
3,712	Contributions by scheme participants	4,104
(15,406)	Estimated benefits paid and unfunded net of transfers in	(17,362)
(478)	Settlement prices received/(paid)	(252)
<u>300,577</u>	Fair value of scheme assets at end of period	<u>299,620</u>

d) Reconciliation between the fair value of assets and liabilities, and the balance sheet liability

31st March 2013		31st March 2014	
£ '000		£ '000	
(restated)			
528,117	Present value of funded obligation	544,596	
300,577	Fair value of scheme assets (bid value)	299,620	
227,539	Net liability	244,976	
13,314	Present value of unfunded obligation	12,538	
240,853	Net Liability in balance sheet	257,514	

The defined benefit obligation shows the underlying liabilities that the Council has in the long run to pay retirement benefits. The total liability of £257.5m (2012/13: £240.85m) has not had a substantial impact on the net worth of the Council as recorded in the Balance Sheet because statutory arrangements for funding the deficit mean that the financial position of the Council remains healthy. At the last actuarial valuation, carried out in 2013, the deficit recovery period was set at 30 years.

f) The primary Actuarial assumptions made in assessing the pension fund

i. Changes in price bases:

	31st March 2014		31st March 2013		31st March 2012	
	% p.a.	Real	% p.a.	Real	% p.a.	Real
RPI increases	3.4%	-	3.4%	-	3.3%	-
CPI increases	2.6%	-0.8%	2.6%	-0.8%	2.5%	-0.8%
Salary increases	4.4%	1.0%	4.6%	1.2%	4.5%	1.2%
Pension increases	2.6%	-0.8%	2.6%	-0.8%	2.5%	-0.8%
Discount rate	4.1%	0.7%	4.6%	1.2%	4.6%	1.3%

The Actuaries have set their assumptions with reference to market conditions as at 31st March 2014. The discount rate used is the annualised yield at the 20 year point on the Merrill Lynch AA rated corporate bond curve.

The RPI increase assumption has been set with reference to the difference between conventional gilt yields and index-linked yields at the 31st March using the 20 year point of the Bank of England spot inflation curve.

ii. Mortality assumptions:

31st March 2013			31st March 2014	
Longevity at 65 for current pensioners (years):				
23.1	Males			22.7
25.7	Females			26.0
Longevity at 65 for members retiring in 20 years (years):				
25.1	Males			24.9
27.6	Females			28.3

iii. Expected rates of return on scheme assets

The Royal Berkshire Pension Scheme's assets consist of the following categories, listed by proportion held:

31st March 2013			31st March 2014	
£ '000	%		£ '000	%
3,005	1%	Gilts	2,996	1%
0	0%	Cash	5,993	2%
63,121	21%	Other Bonds	47,939	16%
123,237	41%	Equities	125,841	42%
30,058	10%	Property	35,954	12%
-	-	Target Return	53,932	18%
-	-	Commodities	26,966	9%
-	-	Infrastructure	11,984	4%
81,156	27%	Alternative Assets	-	-
-	-	Longevity Insurance	(11,984)	-4%
<u>300,577</u>	<u>100%</u>	Total	<u>299,621</u>	<u>100%</u>

For 2013/14, the return on the fund (on a bid value to bid value basis) is estimated to be 3%.

The Royal Berkshire Pension Schemes 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 dependants. 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.

g) Sensitivity Analysis

The above figures are based on the Actuaries 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:

	£ '000	£ '000	£ '000
Adjustment to discount rate	-0.10%	0.00%	0.10%
Present value of total obligation	567,736	557,133	546,740
Projected service cost	14,348	14,013	13,687
Adjustment to long term salary increase	-0.10%	0.00%	0.10%
Present value of total obligation	555,696	557,133	558,579
Projected service cost	14,013	14,013	14,013
Adjustment to pension increases and deferred revaluation	-0.10%	0.00%	0.10%
Present value of total obligation	547,998	557,133	566,455
Projected service cost	13,681	14,013	14,353
Adjustment to mortality age rating assumption	- 1 year	None	+ 1 year
Present value of total obligation	576,783	557,133	537,659
Projected service cost	14,495	14,013	13,536

h) Estimate of contributions for 2014/15

	Year to 31st March 2015 £ '000
Service costs	14,013
Net interest on the defined liability	11,202
Administration expenses	246
Total	25,461
Employer contribution	10,593

33. Contingent liabilities

From time to time, there are uncertainties surrounding potential liabilities in connection with capital or other projects in which the Council is involved. Where claims are unquantifiable at the balance sheet date, or possible but not probable, such claims are treated as contingent liabilities.

Contingent liabilities are not recognised in the Statement of Accounts, but are monitored to ensure that where an obligation or transfer of economic benefit to another party has become probable, a provision is made. The financial statements include provisions based on management's best estimate of the outcome of these uncertainties. Whilst any disputes are ongoing the Council does not disclose the quantum or timing of any possible settlement as this could prejudice its 'commercial' position. In 2013/14, the Council has not recognised any contingent liabilities.

34. Contingent assets

Contingent assets represent benefits due to the Council in relation to a past activity, if a future event occurs. On the advice from, and with the assistance of its tax advisors, the Council has submitted a number of claims regarding VAT to, and appealed various assessments raised by HM Revenue and Customs (HMRC), totalling approximately £8.1m (As at 31st March 2013: £7.3m).

The recovery of this VAT is contingent upon both the outcome of a VAT tribunal involving other local authorities, and HMRC being satisfied that the Council's circumstances are similar to theirs. In relation to these claims, if successful, the Council will also receive interest on the VAT involved. A separate claim is being pursued that such interest should be compounded, and that claim is contingent upon successful legal action.

The Council has also made a claim to HMRC associated with landfill tax overpaid historically.

35. Notes to the Cashflow Statement

a) Note A to the Cashflow Statement

2012/13 £ '000		2013/14 £ '000
(29,175)	Net Surplus or (Deficit) on the Provision of Services	12,811
	<u>Adjust net surplus or deficit on the provision of services for non cash movements</u>	
49,945	Depreciation and impairment	32,079
10,708	Impairment and downward valuations	(13,944)
227	Amortisation	137
0	Adjustment for movements in fair value of investments classified as Fair Value through Comprehensive Income and Expenditure Statement	3
(52)	Increase/(Decrease) in Interest Creditors	(4)
2,601	Increase/(Decrease) in Creditors	2,913
289	(Increase)/Decrease in Interest and Dividend Debtors	(73)
21,445	(Increase)/Decrease in Debtors	2,141
(1)	(Increase)/Decrease in Inventories	(47)
10,320	Pension Liability	14,833
2,000	Contributions to/(from) Provisions	1,400
4,418	Carrying amount of non-current assets sold	3,401
109	Movement in Investment Property Values	(26)
(64)	Other non-cash movements	(1,879)
101,945		40,934
	<u>Adjust for items included in the net surplus or deficit on the provision of services that are investing or financing activities</u>	
(19,783)	Capital Grants credited to surplus or deficit on the provision of services	(28,441)
(465)	Net adjustment from the sale of short and long term investments	(171)
(8,045)	Proceeds from the sale of property plant and equipment, investment property and intangible assets	(5,790)
(28,293)		(34,402)
44,477	Net Cash Flows from Operating Activities	19,343

b) Note B to the Cashflow Statement

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

2012/13		2013/14	
£ '000		£ '000	
2,120	Interest Received	1,647	
(15,093)	Interest Paid	(14,313)	
<u>(12,973)</u>		<u>(12,666)</u>	

c) Note C to the Cashflow Statement

2012/13		2013/14	
£ '000		£ '000	
(35,123)	Purchase of Property, Plant and Equipment, investment property and intangible assets	(43,462)	
(56,003)	Purchase of short and long term investments	(61,000)	
(1,560)	Other payments for Investing Activities	(3,834)	
4,774	Proceeds from the sale of property plant and equipment, investment property and intangible assets	299	
61,465	Proceeds from short-term and long-term investments	45,155	
21,158	Other Receipts from Investing Activities	38,817	
<u>(5,289)</u>	Total Cash Flows from Investing Activities	<u>(24,025)</u>	

d) Note D to the Cashflow Statement

2012/13		2013/14	
£ '000		£ '000	
88	Cash receipts of short and long term borrowing	3,016	
(8,721)	Billing Authorities - Council Tax and NNDR adjustments	799	
(19,518)	Repayment of Short-Term and Long-Term Borrowing	(14,529)	
(418)	Cash payments for the reduction of the outstanding liabilities relating to finance leases and on-balance sheet PFI contracts	(544)	
<u>(28,569)</u>	Total Cash Flows from Financing Activities	<u>(11,258)</u>	

e) Note E to the Cashflow Statement

31st March 2013 £ '000		31st March 2014 £ '000	
31,541	Cash and Bank Balances	15,939	
(4,882)	Bank Overdraft	(5,220)	
<u>26,659</u>		<u>10,719</u>	

36.Reconciliation between amounts reported to Policy Committee in budget monitoring, and amounts reported in the Comprehensive Income and Expenditure Statement.

For the year ended 31 March 2014						
Service Information	Environment and Neighbourhood Services £ '000	Corporate Support Services £ '000	Education, Adults' and Children's Services £ '000	General Fund Subtotal £ '000	HRA £ '000	Total £ '000
Total Income	(47,568)	(94,155)	(108,316)	(250,039)	(36,120)	(286,159)
Employee expenses	29,114	16,082	84,165	129,361	2,371	131,732
Other operating expenses	48,455	90,335	101,974	240,764	15,180	255,944
Total operating expenses	77,569	106,417	186,139	370,125	17,551	387,676
Net Cost of Services	30,001	12,262	77,823	120,086	(18,569)	101,517

Reconciliation to Net Cost of Services in Comprehensive Income and Expenditure Statement

	£ '000
Cost of Services in Service Analysis	101,517
Add amounts not reported in Directorate budget monitoring	27,047
Net Cost of Services in Comprehensive Income and Expenditure Statement	128,564

Reconciliation to Subjective Analysis (Single Entity)

	Service Analysis £ '000	Not reported in budget monitoring £ '000	Net Cost of Services £ '000	Corporate Amounts £ '000	Total £ '000
Services income	(286,159)		(286,159)		(286,159)
Interest and investment income			0	(1,720)	(1,720)
Income from council tax			0	(63,944)	(63,944)
Income from business rates			0	(26,271)	(26,271)
Government grants and contributions			0	(76,017)	(76,017)
Other Income		(4,493)	(4,493)		(4,493)
Transfers from reserves and balances		(5,604)	(5,604)		(5,604)
Total Income	(286,159)	(10,097)	(296,256)	(167,952)	(464,208)
Employee expenses	131,732		131,732		131,732
Other service expenses	255,944		255,944		255,944
Depreciation, amortisation and impairment		30,238	30,238		30,238
HRA recovery of valuation loss		(13,944)	(13,944)		(13,944)
Capitalisation		(5,719)	(5,719)		(5,719)
Revenue expenditure funded from capital under statute		7,863	7,863		7,863
Redundancy payments		2,777	2,777		2,777
Pension fund adjustments		4,599	4,599		4,599
Insurances		830	830		830
Other expenditure		(2,966)	(2,966)		(2,966)
Transfers to reserves and balances		13,466	13,466		13,466
Interest Payments and debt restructuring			0	14,325	14,325
Pension interest costs, net of return on scheme assets			0	10,294	10,294
Precepts & Levies			0	112	112
Payments to Housing Capital Receipts Pool			0	755	755
Gain or Loss on Disposal of Fixed Assets			0	614	614
Investment properties			0	(2,991)	(2,991)
Transfer of Academy Schools to Academy Trusts			0	3,468	3,468
Total operating expenses	387,676	37,144	424,820	26,577	451,397
Surplus or deficit on the provision of services	101,517	27,047	128,564	(141,375)	(12,811)

Notes to the Accounts

For the year ended 31 March 2013

Service Information	Environment and Neighbourhood Services £ '000	Corporate Support Services £ '000	Education, Adults' and Children's Services £ '000	General Fund Subtotal £ '000	HRA £ '000	Total £ '000
Total Income	(50,206)	(96,213)	(112,061)	(258,480)	(35,510)	(293,990)
Employee expenses	24,232	16,788	88,687	129,707	3,052	132,759
Other operating expenses	54,505	95,898	92,155	242,558	14,874	257,432
Total operating expenses	78,737	112,686	180,842	372,265	17,926	390,191
Net Cost of Services	28,531	16,473	68,781	113,785	(17,584)	96,201

Reconciliation to Net Cost of Services in Comprehensive Income and Expenditure Statement

	£ '000
Cost of Services in Service Analysis	96,201
Add amounts not reported in Directorate budget monitoring	52,477
Net Cost of Services in Comprehensive Income and Expenditure Statement	148,678

Reconciliation to Subjective Analysis (Single Entity)

	Service Analysis £ '000	Not reported in budget monitoring £ '000	Net Cost of Services £ '000	Corporate Amounts £ '000	Total £ '000
Services income	(293,990)		(293,990)		(293,990)
Interest and investment income			0	(1,831)	(1,831)
Income from council tax			0	(69,439)	(69,439)
Government grants and contributions			0	(84,377)	(84,377)
Other Income		(3,751)	(3,751)		(3,751)
Transfers from reserves and balances		(2,292)	(2,292)		(2,292)
Total Income	(293,990)	(6,043)	(300,033)	(155,647)	(455,680)
Employee expenses	132,759		132,759		132,759
Other service expenses	257,432		257,432		257,432
Depreciation, amortisation and impairment		42,087	42,087		42,087
HRA recovery of valuation loss		6,985	6,985		6,985
Capitalisation		(6,344)	(6,344)		(6,344)
Revenue expenditure funded from capital under statute		4,532	4,532		4,532
Redundancy payments		833	833		833
Pension fund adjustments		2,337	2,337		2,337
Insurances		871	871		871
Other expenditure		1,436	1,436		1,436
Transfers to reserves and balances		4,842	4,842		4,842
Interest Payments and debt restructuring			0	15,056	15,056
Pension interest costs, net of return on scheme assets			0	8,030	8,030
Precepts & Levies			0	105	105
Payments to Housing Capital Receipts Pool			0	640	640
Gain or Loss on Disposal of Fixed Assets			0	(2,853)	(2,853)
Investment properties			0	(940)	(940)
Transfer of Academy Schools to Academy Trusts		941	941	16,106	17,047
Total operating expenses	390,191	58,520	448,711	36,144	484,855
Surplus or deficit on the provision of services	96,201	52,477	148,678	(119,503)	29,175

Housing Revenue Account

Income and Expenditure Account and Movement on the HRA

2012/13 £ '000		2013/14 £ '000	£ '000
	Expenditure (including pension costs in accordance with IAS 19):		
4,709	Repairs and Maintenance	5,135	
13,080	Supervision and management	12,704	
135	Rents, rates, taxes and other charges	259	
12,645	Depreciation and impairment of HRA assets	5,622	
77	Debt management costs	106	
(44)	HRA share of Non-Distributed Costs (IAS 19 past service costs)	50	
30,602			23,876
6,985	Valuation loss/(gain)		(13,944)
37,587			9,932
	Income:		
(34,107)	Gross dwelling rents	(34,479)	
(404)	Gross non-dwelling rents	(403)	
(1,004)	Charges for services	(998)	
(3,997)	Grant income	(3,997)	
(39,512)			(39,877)
(1,925)	Net Expenditure or Income of HRA services as included in the whole authority Comprehensive Income and Expenditure Statement		(29,945)
581	HRA share of Corporate and Democratic Core		617
(1,344)	Net Expenditure of HRA services		(29,328)
	HRA share of the operating income and expenditure included in the whole authority Comprehensive Income and Expenditure Statement:		
(126)	Gain or loss on sale of HRA non-current assets		(205)
9,318	Interest payable and similar charges		9,017
132	Amortisation of premiums and discounts		43
(326)	HRA interest and investment income		(335)
433	Pensions interest cost and expected return on pension assets		508
8,087	(Surplus) or deficit for the year on HRA services		(20,300)
(9,337)	Balance at the end of the previous reporting period		(10,892)
(14,637)	Adjustments between accounting basis and funding basis under regulations		12,744
(23,974)	Net increase or decrease before transfers to or from reserves		1,852
4,995	Transfers to or from reserves		5,018
8,087	Increase/(decrease) in year on the HRA		(20,300)
(10,892)	Balance on the HRA as at the end of the current reporting period		(13,430)

Notes to the Housing Revenue Account

1. The Housing Revenue Account (HRA)

The HRA Income and Expenditure Statement shows the economic cost in the year of providing housing services in accordance with generally accepted accounting practices, rather than the amount to be funded from rents and grants. Authorities charge rents to cover expenditure in accordance with regulations; 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.

2. 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

2012/13 £ '000		2013/14 £ '000
	Adjustments between accounting basis and funding basis under regulations:	
	Difference between any other item of income and expenditure determined with the Code and determined in accordance with statutory HRA requirements	(32)
(14,829)	66 Transfers to/from the Capital Adjustment Account	12,571
126	126 Gain or loss on the sale of HRA non-current assets	205
<u>(14,637)</u>		<u>12,744</u>
	Transfers to or from reserves	
(912)	(912) HRA share of contributions to or from the Pension Reserve	(1,039)
302	302 Employers' contributions payable to the Pension Fund and retirement benefits payable direct to pensioners	253
5,064	5,064 Transfers to/from the Major Repairs Reserve	5,564
541	541 Transfers to/from other HRA reserves	240
<u>4,995</u>		<u>5,018</u>
<u>(9,642)</u>	Net additional amount required by statute to be credited to the Housing Revenue Account Balance for the year	<u>17,762</u>

3. The Council's Dwelling Stock

At 31st March 2014, the Council was responsible for managing a housing stock of 7,000 dwellings, including 1,319 within the North Whitley PFI scheme (31st March 2013: 7,038 dwellings, 1,328 in the PFI scheme). In 2013/14 the number of dwellings within the HRA estate reduced by 38. As well as 36 dwellings sold under Right to Buy, 2 dwellings were removed from the stock as they were converted for use as sheltered accommodation. The number of dwellings by category at 31st March was as follows:

2012/13 Number of dwellings		2013/14 Number of dwellings
4,026	Houses and bungalows	3,998
3,012	Flats	3,002
<u>7,038</u>	Total dwellings	<u>7,000</u>

The total Balance Sheet value of the Council's HRA assets at 31st March 2013 was £302.9m (31st March 2012: £292.1m), split across the following areas:

2012/13 £ '000		2013/14 £ '000
	Operational assets:	
287,361	Dwellings	298,504
2,585	Other land and buildings	2,457
2,164	Non-operational assets	1,984
<u>292,110</u>	Total asset value	<u>302,945</u>

The Balance Sheet value of dwellings within the HRA is intended to demonstrate the economic cost of providing council housing at rents less than open market value. Dwellings are initially valued at open market value and a Social Housing Adjustment factor is applied to recognize that as tenanted properties the dwellings are not available with vacant possession. In 2013/14 the Social Housing Adjustment factor remained at 32% (2012/13: 32%); the effect of this is to reduce the vacant possession value of the dwellings from £944.3m to £298.5m (2012/13: vacant possession value of £908.5m, adjusted balance sheet value of £287.4m).

4. The Major Repairs Reserve (MRR)

The MRR received transfers from the HRA representing depreciation of HRA assets. The reserve is used to finance HRA capital expenditure; the movements in the MRR in year were:

2012/13 £ '000		2013/14 £ '000
0	Balance on the MRR as at 1st April	0
	Transfers from Housing Revenue Account:	
4,928	- Depreciation on dwellings	5,422
136	- Depreciation on non-dwellings	142
(5,064)	Financing of capital expenditure	(5,471)
<u>0</u>	Balance on the MRR as at 31st March	<u>93</u>

5. HRA capital expenditure

During 2013/14, the Council incurred £5.7m capital expenditure on land, houses and other properties within the HRA (2012/13: £6m). The detail of expenditure and the methods of financing are detailed below:

2012/13		2013/14
£ '000		£ '000
	HRA capital expenditure:	
5,707	Housing	5,471
309	Other	196
<u>6,016</u>		<u>5,667</u>
	Financed by:	
(72)	Capital Receipts	(196)
(237)	Developers Contributions	0
(5,064)	MRR	(5,471)
(643)	Revenue Contributions	0
<u>(6,016)</u>		<u>(5,667)</u>

6. HRA capital receipts

During the year, the Council disposed of 36 dwellings to tenants under the Right to Buy scheme. The disposals generated total capital receipts of £3.1m, of which £740k was paid to Central Government as the Council's contribution to the Central Housing Pool. £1.3m of HRA capital receipts was held by the Council as at 31st March 2014 to be used on replacement housing.

7. Interest

£9.0m (2012/13: £9.3) was charged in total to the HRA, of this £2.2m (2012/13: £2.3m) related to the Housing PFI scheme (see note 28, page 68 of the main accounts).

8. Impairments

In accordance with the accounting policies set out on page 29, impairments of £58k (2012/13: £7.6m) in respect of HRA properties were charged to the HRA. The split of impairments was as follows:

2012/13		2013/14
£ '000		£ '000
7,582	Dwellings	0
0	Other properties	58
<u>7,582</u>		<u>58</u>

9. Depreciation

The total charge for depreciation for dwellings and other properties within the HRA was £5.6m for 2013/14 (2012/13: £5.1m), split as follows

2012/13		2013/14
£ '000		£ '000
	Operational assets:	
4,928	Dwellings	5,422
136	Buildings	142
<u>5,064</u>		<u>5,564</u>

10. HRA contributions to the Pension Reserve

The HRA has been charged with a share of the pension costs of the Council in accordance with IAS 19; these costs are included within the HRA Income and Expenditure Statement.

11. Rent Arrears and other debts

At the 31st March 2014, the rent arrears were £704,678 (2012/13: £855,571); a provision of £600,000 in respect of uncollectable debts has been recognised on the Balance Sheet (2012/13: £600,000).

12. Exceptional or prior year items

In 2013/14, the Council recognised no exception items within the HRA.

Collection Fund Account

2012/13 £ '000		2013/14 £ '000	2013/14 £ '000	2013/14 £ '000
Total		Business Rates	Council Tax	Total
<u>Income:</u>				
70,093	Council Tax receivable		75,236	75,236
12,204	Council Tax benefits		(125)	(125)
<u>82,297</u>			<u>75,111</u>	<u>75,111</u>
89,577	Business Rates receivable (net of discretionary and mandatory relief)	106,541		106,541
(500)	Contribution towards previous year's (estimated) Collection Fund Deficit/(surplus)	0	0	0
<u>171,374</u>	Total income	<u>106,541</u>	<u>75,111</u>	<u>181,652</u>
<u>Expenditure:</u>				
Apportionment of previous year's surplus:				
	Central Government	0		0
	Reading Borough Council	0	1,418	1,418
	Royal Berkshire Fire Authority	0	170	170
	Thames Valley Police		61	61
<u>0</u>		<u>0</u>	<u>1,649</u>	<u>1,649</u>
Precepts, demands and shares:				
	Central Government	49,776		49,776
69,439	Reading Borough Council	47,963	62,526	110,489
2,999	Royal Berkshire Fire Authority	979	2,888	3,867
8,314	Thames Valley Police		7,493	7,493
<u>80,752</u>		<u>98,718</u>	<u>72,907</u>	<u>171,625</u>
89,305	Payment of Business Rates to the National Pool			
Charges to the Collection Fund;				
26	Write off of uncollectable amounts	107	32	139
124	Allowance for impairments	1,057	726	1,783
0	Provision for appeals	5,400	0	5,400
272	Cost of collection allowance	269	0	269
<u>422</u>		<u>6,833</u>	<u>758</u>	<u>7,591</u>
<u>170,479</u>	Total Expenditure	<u>105,551</u>	<u>75,314</u>	<u>180,865</u>
895	Movement on the fund balance	990	(203)	787
1,803	Surplus/(deficit) brought forward	0	2,698	2,698
<u>2,698</u>	Surplus on the Collection Fund as at 31st March	<u>990</u>	<u>2,495</u>	<u>3,485</u>

Notes to the Collection Fund Account

1. The Collection Fund

The Collection Fund 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 tax payers and distribution to precepting bodies and the Government of Council Tax and Non-Domestic Rates.

2. National Non-Domestic Rates

Business rates are organised on a national basis, with the Government specifying a multiplier rate; a business's rate liability is calculated by multiplying this amount by the business's rateable value.

The total Non-Domestic rateable value at 30th March 2014 was £247,830,747 (31st March 2013: £240,879,592). The business rate multiplier set by Central Government for 2013/14 was 46.2p for small businesses, and 47.1p for all other businesses.

3. Council Tax

The Council is required to set the Council Tax for the Borough of Reading. The level of Council Tax is calculated by dividing the Budget requirement, less Revenue Support Grant and the contribution from the NNDR pool, by the tax base.

The tax base is made up of the number of chargeable dwellings in each valuation band (after adjustment for discounts where applicable). These are converted into an equivalent number of Band D dwellings. In October 2012, there were 55,149 Band D equivalent properties on the Council Tax register:

2012/13		2013/14			
Band D Equivalent Dwellings	Band	Property Value	Taxable Properties	Ratio	Band D Equivalent Dwellings
2,969	A	Up to £40,000	5,539	6/9	2,926
8,799	B	From £40,001 to £52,000	13,320	7/9	8,822
21,309	C	From £52,001 to £68,000	27,567	8/9	21,581
9,040	D	From £68,001 to £88,000	10,311	9/9	9,079
5,892	E	From £88,001 to £120,000	5,257	11/9	5,905
4,343	F	From £120,001 to £160,000	3,229	13/9	4,351
2,788	G	From £160,001 to £320,000	1,792	15/9	2,791
120	H	£320,001 upwards	81	18/9	123
<u>55,260</u>			<u>67,096</u>		<u>55,578</u>

In January 2013, the Council estimated that the Council Tax base would be 48,628; during the year, the tax base averaged 49,131 Band D equivalent properties.

4. Precepting bodies

The Council Tax element of the Collection Fund is drawn upon by three organisations: Reading Borough Council, Thames Valley Police and the Royal Berkshire Fire and Rescue Authority. The precepts and demands made by all three, and their share of the year end surplus, are shown below:

2012/13 £ '000		Share as at 31st March 2014 - Council Tax		
		Precept/Demand £ '000	Surplus/(Deficit) £ '000	Total £ '000
70,209	Reading Borough Council	62,526	(174)	62,352
8,406	Thames Valley Police	7,493	(21)	7,472
3,032	Royal Berkshire Fire and Rescue Authority	2,888	(8)	2,880
81,647		72,907	(203)	72,704

The Business Rates element of the Collection Fund is drawn upon by Central Government, Reading Borough Council and the Royal Berkshire Fire and Rescue Authority. The precepts and demands made by all three, and their share of the year end surplus, are shown below:

	Share as at 31st March 2014 - Business Rates		
	Precept/Demand £ '000	Surplus/(Deficit) £ '000	Total £ '000
Central Government	49,776	495	50,271
Reading Borough Council	47,963	485	48,448
Royal Berkshire Fire and Rescue Authority	979	10	989
	98,718	990	99,708

Group Accounts

1. 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'. Four organisations have been identified as needing to be consolidated within the Group:

- Reading Transport Limited (RTL)
- Reading Economic Development Company Limited (REDCo):
- Acre Road Industrial Estate Limited (ARIEL)
- Queens Road Car Park Limited (QRCL)

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 hire of drivers and buses for private hire.

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

2. Financial Performance

The activities and performance of each of the subsidiaries during the year 2013/14 is set out below:

RTL: As at 31st March 2014, net current assets were £1.6m (£1.2m in 2012/13).

REDCO: The group's net current assets were £0.0m (as at 31st March 2013 £0.0m); in 2013/14 the company broke even (2012/13: broke even).

The Group segmental analysis is shown below, these figures exclude any transactions that have occurred between members of the group.

Group Accounts

For the year ended 31 March 2014

Service Information	Environment and Neighbourhood Services £ '000	Corporate Support Services £ '000	Education, Adults' and Children's Services £ '000	General Fund Subtotal £ '000	HRA £ '000	Total £ '000
Total Income	(47,529)	(94,155)	(108,316)	(250,000)	(36,120)	(286,120)
Employee expenses	29,114	16,082	84,165	129,361	2,371	131,732
Other operating expenses	43,808	90,334	101,852	235,994	15,180	251,174
Total operating expenses	72,922	106,416	186,017	365,355	17,551	382,906
Net Cost of Services	25,393	12,261	77,701	115,355	(18,569)	96,786

Reconciliation to Net Cost of Services in Comprehensive Income and Expenditure Statement

	£ '000
Cost of Services in Service Analysis	96,786
Add amounts not reported in Directorate budget monitoring	30,663
Net Cost of Services in Comprehensive Income and Expenditure Statement	127,449

Reconciliation to Subjective Analysis (Group)

	Service Analysis £ '000	Subsidiary results (RTL etc) £ '000	Not reported in budget monitoring £ '000	Net Cost of Services £ '000	Corporate Amounts		Total £ '000
					Subsidiaries	RBC	
Services income	(286,120)	(22,316)	0	(308,436)			(308,436)
Interest and investment income			0	0	(51)	(1,521)	(1,572)
Income from council tax			0	0		(63,944)	(63,944)
Income from business rates			0	0		(26,271)	(26,271)
Government grants and contributions			0	0		(76,017)	(76,017)
Other Income			(4,493)	(4,493)			(4,493)
Transfers from reserves and balances			(5,604)	(5,604)			(5,604)
Total Income	(286,120)	(22,316)	(10,097)	(318,533)	(51)	(167,753)	(486,337)
Employee expenses	131,732	14,497		146,229			146,229
Other service expenses	251,174	7,454		258,628			258,628
Depreciation, amortisation and impairment		3,353	30,238	33,591			33,591
HRA recovery of valuation loss			(13,944)	(13,944)			(13,944)
Capitalisation			(5,719)	(5,719)			(5,719)
Revenue expenditure funded from capital under statute			7,863	7,863			7,863
Redundancy payments			2,777	2,777			2,777
Pension fund adjustments			4,599	4,599			4,599
Insurances		628	830	1,458			1,458
Other expenditure			(2,966)	(2,966)			(2,966)
Transfers to reserves and balances			13,466	13,466			13,466
Interest Payments and debt restructuring			0	0	476	14,126	14,602
Pension interest costs, net of return on scheme assets			0	0	724	10,294	11,018
Precepts & Levies			0	0		112	112
Payments to Housing Capital Receipts Pool			0	0		755	755
Gain or Loss on Disposal of Fixed Assets			0	0	(255)	614	359
Tax expenses - Corporation tax payable			0	0	105		105
Investment properties			0	0		(2,991)	(2,991)
RTL restructuring costs			0	0			0
Transfer of Academy Schools to Academy Trusts			0	0		3,468	3,468
Total operating expenses	382,906	25,932	37,144	445,982	1,050	26,378	473,410
Surplus or deficit on the provision of services	96,786	3,616	27,047	127,449	999	(141,375)	(12,927)

Group Accounts

For the year ended 31 March 2013 (restated)						
Service Information	Environment and Neighbourhood Services	Corporate Support Services	Education, Adults' and Children's Services	General Fund Subtotal	HRA	Total
	£ '000	£ '000	£ '000	£ '000	£ '000	£ '000
Total Income	(50,202)	(96,189)	(112,061)	(258,452)	(35,510)	(293,962)
Employee expenses	24,232	16,788	88,687	129,707	3,052	132,759
Other operating expenses	50,387	95,896	92,015	238,298	14,874	253,172
Total operating expenses	74,619	112,684	180,702	368,005	17,926	385,931
Net Cost of Services	24,417	16,495	68,641	109,553	(17,584)	91,969

Reconciliation to Net Cost of Services in Comprehensive Income and Expenditure Statement

Cost of Services in Service Analysis	£ '000
	91,969
Add amounts not reported in Directorate budget monitoring	55,264
Net Cost of Services in Comprehensive Income and Expenditure Statement	<u>147,233</u>

Reconciliation to Subjective Analysis (Group)

	Service Analysis	Subsidiary results (RTL etc)	Not reported in budget monitoring	Net Cost of Services	Corporate Amounts Subsidiaries	RBC	Total
	£ '000	£ '000	£ '000	£ '000		£ '000	£ '000
Services income	(293,962)	(22,302)		(316,264)			(316,264)
Interest and investment income				0	(42)	(1,563)	(1,605)
Income from council tax				0		(69,439)	(69,439)
Government grants and contributions				0		(84,377)	(84,377)
Other Income			(3,751)	(3,751)			(3,751)
Transfers from reserves and balances			(2,292)	(2,292)			(2,292)
Total Income	(293,962)	(22,302)	(6,043)	(322,307)	(42)	(155,379)	(477,728)
Employee expenses	132,759	14,293		147,052			147,052
Other service expenses	253,172	6,654		259,826			259,826
Depreciation, amortisation and impairment		3,526	42,087	45,613			45,613
HRA recovery of valuation loss			6,985	6,985			6,985
Capitalisation			(6,344)	(6,344)			(6,344)
Revenue expenditure funded from capital under statute			4,532	4,532			4,532
Removal of Avenue Centre				0			0
Redundancy payments			833	833			833
Pension fund adjustments			2,337	2,337			2,337
Insurances		615	871	1,486			1,486
Other expenditure			1,437	1,437			1,437
Transfers to reserves and balances			4,842	4,842			4,842
Interest Payments and debt restructuring				0	233	15,056	15,289
Pension interest costs, net of return on scheme assets				0	899	8,030	8,929
Precepts & Levies				0		105	105
Payments to Housing Capital Receipts Pool				0		640	640
Gain or Loss on Disposal of Fixed Assets				0	(100)	(2,853)	(2,953)
Tax expenses - Corporation tax payable				0	57	0	57
Investment properties				0		(940)	(940)
RTL restructuring costs				0	15	0	15
Transfer of Academy Schools to Academy Trusts			941	941		16,106	17,047
Total operating expenses	385,931	25,088	58,521	469,540	1,104	36,144	506,788
Surplus or deficit on the provision of services	91,969	2,786	52,478	147,233	1,062	(119,235)	29,060

3. 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 Movement in Reserves Statement, which combines the in-year movements of the financial reserves of the Council (as shown on page 49), with those of the Group entities, providing the overall change in the Council's total reverses.
- 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 Statement produced by Reading Transport.
- The Group Balance sheet, which recognises the year end position of all of the group entities.
- The Group Cashflow statement, which consolidates the cashflow statements for the Council and RTL only, as REDCo has no cashflows.

4. Group Accounting Policies

The Accounting policies for the subsidiary companies are not materially different to those of the Council, set out in note 1, page 29. The following differences are recognised:

- Basis of account production

The Council is required to produce its accounts in accordance with the IFRS Code, whereas RTL produces its accounts in line with UK GAAP and the Companies Act 2006. Work has been carried out to look at the accounting treatment of the major items within the RTL accounts to see if there is a material difference between the Company's treatment of them, and the treatment that would be required under IFRS. No material items requiring adjustment have been discovered.

- Depreciation of Fixed Assets

Except for freehold land, depreciation is calculated so as to write off the cost of the asset less their estimated residual value on a systematic basis over the expected useful lives of the assets concerned. The principal annual rates used for this purpose are:

Fixed Asset Category	Depreciation Basis
Buildings	2% - 4% straight line
Plant and Machinery	10% - 20% straight line
Buses	10% straight line
Other Vehicles	9½% - 33% straight line

This fixed assets policy has not been changed to match the Council's methodology as the change would not be material to the group. The depreciation charge in the Income and Expenditure Account for 2013/14 for RTL is £3.4m (2012/13: £3.5m).

5. Group Financial Statements
Group Movement in Reserves Statement

	General Fund Balance	Earmarked General Fund Reserves	Housing Revenue Account	Earmarked HRA Reserves	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	Total General Reserves	Total Unusable Reserves	Total Authority Reserves	Authority's share of subsidiaries	Total Group Reserves
	£ '000	£ '000	£ '000	£ '000	£ '000	£ '000	£ '000	£ '000	£ '000	£ '000	£ '000	£ '000
Balance at 31 March 2012	11,401	18,883	9,337	8,100	1,019	0	16,138	64,878	157,906	222,784	(9,369)	213,415
Surplus/(deficit) on provision of services	(21,088)		(8,087)					(29,175)	0	(29,175)	115	(29,060)
Surplus/(deficit) on revaluation of non-current assets	0							0	4,090	4,090		4,090
Actuarial gains/(losses) on pension assets/liabilities	0							0	(4,290)	(4,290)	(2,765)	(7,055)
Other gains/(losses)	0							0	0	0	4,718	4,718
Total comprehensive income & expenditure	(21,088)	0	(8,087)	0	0	0	0	(29,175)	(200)	(29,375)	2,068	(27,307)
Adjustments between group accounts and the authorities accounts	1,186							1,186	0	1186	-5,160	-3,974
Net increase/(decrease) before transfer	(19,902)	0	(8,087)	0	0	0	0	(27,989)	(200)	(28,189)	(3,092)	(31,281)
Adjustments between accounting basis and funding basis under regulations												
- Adjustments primarily involving the Capital Adjustment Account												
Charges for depreciation and impairment of non-current assets	37,457		12,645					50,102	(50,102)			
Revaluation losses on Property, Plant and Equipment	3,723		6,985					10,708	(10,708)			
Movement in the market value of Investment Properties	(50)							(50)	50			
Amortisation of intangible assets	227							227	(227)			
Capital grants and contributions applied							(26,125)	(26,125)	26,125			
Revenue expenditure funded from capital under statute	4,532							4,532	(4,532)			
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	2,214		2,204					4,418	(4,418)	0		0
-Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:												
Statutory provision for the financing of capital investment	(8,066)		(4,158)					(12,224)	12,224	0		0
Capital expenditure charged against the General Fund and HRA balance	(743)		(643)					(1,386)	1,386	0		0
-Adjustments primarily involving the Capital Grants Unapplied Account:												
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	(19,782)						19,782	0	0	0		0
-Adjustments primarily involving the Capital Receipts Reserve:												
Transfer of cash proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(4,941)		(2,330)		7,271			0	0	0		0
Use of Capital Receipts Reserve to finance new capital expenditure					(5,342)			(5,342)	5,342	0		0
Contribution from the Capital Receipts Reserve to finance the payments to the Government's capital receipts pool	640				(640)			0	0	0		0
Transfer from Deferred Capital Receipts Reserve upon receipt of cash					254			254	(254)	0		0
Repayment of long term debtors					658			658	(658)	0		0
-Adjustments primarily involving the Major Repairs Reserve:												
Reversal of Major Repairs Allowance credited to the HRA			(5,064)			5,064		0	0	0		0
Use of Major Repairs Reserve to finance new capital expenditure						(5,064)		(5,064)	5,064	0		0
- Adjustments primarily involving the Financial Instruments Adjustment Account:												
Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with regulation	103							103	(103)	0		0
- Adjustments Primarily involving the Pensions Reserve:												
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	20,415		912					21,327	(21,327)	0		0
Employer's pension contributions and direct payments to pensioners payable in year	(10,705)		(302)					(11,007)	11,007	0		0
- Adjustment primarily involving the Collection Fund Adjustment Account												
Amount by which Council Tax income credited to the Comprehensive Income and Expenditure Statement is different from Council Tax income calculated for the year in accordance with statutory requirements	(764)							(764)	764	0		0
-Adjustments primarily involving the Accumulated Absences Account:												
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	305		(66)					239	(239)	0		0
-Adjustments between accounting basis and funding basis under regulations	24,565	0	10,183	0	2,201	0	(6,343)	30,606	(30,606)	0	0	0
Net (increase)/decrease before transfers to earmarked reserves	4,663	0	2,096	0	2,201	0	(6,343)	2,617	(30,806)	(28,189)	(3,092)	(31,281)
Transfer to/(from) earmarked reserves	(3,745)	3,670	(541)	500	116			0	0	0		0
(Increase)/decrease in year	918	3,670	1,555	500	2,317	0	(6,343)	2,617	(30,806)	(28,189)	(3,092)	(31,281)
Balance at 31 March 2013	12,319	22,553	10,892	8,600	3,336	0	9,795	67,495	127,100	194,595	(12,461)	182,134

Group Accounts

	General Fund Balance	Earmarked General Fund Reserves	Housing Revenue Account	Earmarked HRA Reserves	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	Total General Reserves	Total Unusable Reserves	Total Authority Reserves	Authority's share of subsidiaries	Total Group Reserves
	£ '000	£ '000	£ '000	£ '000	£ '000	£ '000	£ '000	£ '000	£ '000	£ '000	£ '000	£ '000
Balance at 31 March 2013	12,319	22,553	10,892	8,600	3,336	0	9,795	67,495	127,100	194,595	(12,461)	182,134
Surplus/(deficit) on provision of services	(7,489)		20,300					12,811	0	12,811	160	12,971
Surplus/(deficit) on revaluation of non-current assets								0	(297)	(297)	0	(297)
Actuarial gains/(losses) on pension assets/liabilities								0	(1,828)	(1,828)	(2,232)	(4,060)
Other gains/(losses)								0	0	0	4,384	4,384
Total comprehensive income & expenditure	(7,489)	0	20,300	0	0	0	0	12,811	(2,125)	10,686	2,312	12,998
Adjustments between group accounts and the authorities accounts	(2,715)							(2,715)	0	(2,715)	(1,255)	-3,970
Net increase/(decrease) before transfer	(10,204)	0	20,300	0	0	0	0	10,096	(2,125)	7,971	1,057	9,028
Adjustments between accounting basis and funding basis under regulations												
- Adjustments primarily involving the Capital Adjustment Account												
Charges for depreciation and impairment of non-current assets	25,007		5,622					30,629	(30,629)			
Revaluation losses on Property, Plant and Equipment			(13,944)					(13,944)	13,944			
Movement in the market value of Investment Properties	1,425							1,425	(1,425)			
Amortisation of intangible assets	137							137	(137)			
Capital grants and contributions applied							(21,956)	(21,956)	21,956			
Revenue expenditure funded from capital under statute	7,863							7,863	(7,863)			
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	2,645		2,847					5,492	(5,492)	0		0
-Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:												
Statutory provision for the financing of capital investment	(7,977)		(4,249)					(12,226)	12,226	0		0
Capital expenditure charged against the General Fund and HRA balance	(443)							(443)	443	0		0
-Adjustments primarily involving the Capital Grants Unapplied Account:												
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	(28,440)						28,440	0	0	0		0
-Adjustments primarily involving the Capital Receipts Reserve:												
Transfer of cash proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(1,920)		(3,052)		4,972			0	0	0		0
Use of Capital Receipts Reserve to finance new capital expenditure					(4,017)			(4,017)	4,017	0		0
Contribution from the Capital Receipts Reserve to finance the payments to the Government's capital receipts pool	755				(755)			0	0	0		0
Transfer from Deferred Capital Receipts Reserve upon receipt of cash					258			258	(258)	0		0
Repayment of long term debtors					708			708	(708)	0		0
-Adjustments primarily involving the Major Repairs Reserve:												
Reversal of Major Repairs Allowance credited to the HRA			(5,564)		5,564			0	0	0		0
Use of Major Repairs Reserve to finance new capital expenditure					(5,471)			(5,471)	5,471	0		0
- Adjustments primarily involving the Financial Instruments Adjustment Account:												
Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with regulation	92							92	(92)	0		0
- Adjustments Primarily involving the Pensions Reserve:												
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	26,191		1,039					27,230	(27,230)	0		0
Employer's pension contributions and direct payments to pensioners payable in year	(12,145)		(253)					(12,398)	12,398	0		0
- Adjustment primarily involving the Collection Fund Adjustment Account												
Amount by which Council Tax income credited to the Comprehensive Income and Expenditure Statement is different from Council Tax income calculated for the year in accordance with statutory requirements	(310)							(310)	310	0		0
-Adjustments primarily involving the Accumulated Absences Account:												
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	(199)		32					(167)	167	0		0
-Adjustments between accounting basis and funding basis under regulations	12,681	0	(17,522)	0	1,166	93	6,484	2,902	(2,902)	0		0
Net (increase)/decrease before transfers to earmarked reserves	2,477	0	2,778	0	1,166	93	6,484	12,998	(5,027)	7,971	1,057	9,028
Transfer to/(from) earmarked reserves	(4,562)	4,401	(240)	200	90	0	0	(111)	111	0		0
(Increase)/decrease in year	(2,085)	4,401	2,538	200	1,256	93	6,484	12,887	(4,916)	7,971	1,057	9,028
Balance at 31 March 2014	10,234	26,954	13,430	8,800	4,592	93	16,279	80,382	122,184	202,566	(11,404)	191,162

Group Comprehensive Income and Expenditure Statement

2012/13 £ '000		2013/14 £ '000	2013/14 £ '000	2013/14 £ '000
Net expenditure		Expenditure	Income	Net expenditure
Gross expenditure, gross income and net expenditure of continuing operations				
1,568	Central Services to the public	3,647	(1,840)	1,807
10,747	Cultural and Related Services	20,750	(8,910)	11,840
14,654	Environmental and Regulatory Services	22,501	(8,356)	14,145
4,046	Planning Services	4,192	(1,131)	3,061
10,734	Highways, Roads and Transport Services	49,320	(39,285)	10,035
24,236	Education	127,543	(95,600)	31,943
23,074	Children and Families Services	25,304	(2,326)	22,978
48,438	Community Care	60,198	(9,664)	50,534
2,715	Housing Services	97,988	(122,400)	(24,412)
0	Public Health	7,140	(7,722)	(582)
7,501	Other Services	25,813	(21,257)	4,556
675	Corporate and Democratic Core	942	(42)	900
(1,155)	Non-distributed Costs	644	0	644
0	Exceptional items	0	0	0
147,233	Cost of Services	445,982	(318,533)	127,449
Other Operating Expenditure				
105	Levies payable			112
640	Payments to Housing capital receipts to Government Pool			755
(2,953)	(Gain) or loss on disposal of non-current assets			359
15	RTL restructuring costs			0
16,106	Transfers to Academy schools			3,468
13,913				4,694
Financing and Investment Income and Expenditure				
15,274	Interest payable on debt, finance leases (lessee), and interest element of PFI unitary charge			14,586
14	Premium on early repayment of debt			16
8,929	Net interest on Defined Benefit Liability			11,018
(1,605)	Investment interest income			(1,572)
109	Changes in fair value of investment properties			(1,476)
0	(Gain) or loss on disposal of investment properties			(94)
(1,154)	Rentals received on investment properties			(1,534)
105	Expenses incurred on investment properties			113
21,672				21,057
Taxation and Non-specific Grant income				
(69,439)	Council Tax			(63,944)
(50,998)	NDR			(26,271)
(989)	RSG			(40,307)
(12,606)	Non-service related revenue grants and contributions			(7,270)
(19,783)	Non-service related capital grants and contributions			(28,440)
(153,815)				(166,232)
29,003	(Surplus) or deficit on provision of services			(13,032)
57	Tax expenses - Corporation tax payable			105
29,060	Group (Surplus) or deficit			(12,927)
(4,090)	(Surplus) or deficit on revaluation of non current assets			297
7,055	Actuarial gains/losses on pension assets/liabilities			4,060
(552)	Deferred Tax on Pension liability (RTL)			(454)
	Prior Period adjustments (RTL)			
(4,166)	Group adjustments			(4)
27,307	Total Comprehensive (Income) & Expenditure			(9,028)

Group Accounts

Group Balance Sheet

31st March 2013 £ '000		31st March 2014 £ '000	31st March 2014 £ '000
	Tangible Fixed Assets		
	Operational Assets		
287,361	Council Dwellings	298,504	
235,200	Other Land & Buildings	246,283	
22,535	Plant, Furniture & Equipment	23,162	
189,899	Infrastructure Assets	193,792	
10,678	Community Assets	11,195	
			772,936
	Non-Operational Assets		
34,308	Investment Properties	35,055	
11,100	Assets under construction	7,219	
1,838	Assets held for sale	649	
			42,923
562	Intangible Fixed Assets		543
793,481	Total Fixed Assets		816,402
795	Heritage Assets		797
8	Long Term Investments		5
51	Long Term Debtors		42
794,335	Total Long Term Assets		817,246
	Current Assets		
4,099	Assets held for sale		6,185
489	Inventory		560
27,014	Debtors		26,882
9,996	Short Term Investments		25,996
30,726	Cash and Cash Equivalents		14,350
866,659	Total Assets		891,219
	Current Liabilities		
(11,525)	Temporary Borrowing		(6,525)
(43,117)	Creditors		(51,309)
(9,487)	Capital Grants - Receipts in advance		(9,904)
(54)	Short Term Finance Lease Liabilities		0
802,476	TOTAL ASSETS LESS CURRENT LIABILITIES		823,481
(321,824)	Long Term Borrowing		(314,209)
(34,518)	PFI Finance Lease Liabilities		(34,028)
(8,981)	Provisions		(10,576)
(255,019)	Liability related to defined benefit pension scheme		(273,506)
182,134	TOTAL ASSETS LESS LIABILITIES		191,162
	Financed by:		
	<i>General Reserves</i>		
9,795	Capital Grants Unapplied		16,279
31,153	Earmarked Reserves		35,847
9,516	General Fund Balance		7,020
10,892	Housing Revenue Account		13,430
(12,878)	Profit & Loss Reserve		(11,834)
2,803	Schools balances		3,214
417	Trust Funds		430
3,336	Usable Capital Reserve		4,592
55,034			68,978
	<i>Unusable Reserves</i>		
84,609	Revaluation Reserve		79,261
282,280	Capital Adjustment Account		299,134
1,294	Financial Instruments Adjustment Account		1,202
657	Deferred Capital Receipts		510
(240,861)	Pension Reserve		(257,521)
2,315	Collection Fund Adjustment Account		2,625
(3,194)	Accumulated Absences		(3,027)
127,100			122,184
182,134	TOTAL RESERVES AND BALANCES		191,162

Group Cashflow Statement

31 March 2013 £ '000		31 March 2014 £ '000
(29,060)	Net (surplus) or deficit on the provision of services	12,927
105,155	Adjust net surplus or deficit on the provision of services for noncash movements (Note A)	42,797
(28,493)	Adjust for items included in the net surplus or deficit on the provision of services that are investing and financing activities (Note A)	(33,973)
<u>47,602</u>	Net cash flows from Operating Activities	<u>21,751</u>
(6,648)	Investing Activities (Note C)	(25,984)
(29,564)	Financing Activities (Note D)	(12,148)
<u>11,390</u>	Net increase or decrease in cash and cash equivalents	<u>(16,381)</u>
19,336	Cash and cash equivalents at the beginning of the reporting period	30,726
30,726	Cash and cash equivalents at the end of the reporting period	14,345

Notes to the Group Cashflow statement are provided in note 4, page 104.

Notes to the Group Accounts

1. Comprehensive Income and Expenditure Statement

This statement shows the expenditure and income for the group, analysed by service and how it was financed.

The notes to the group Comprehensive Income and Expenditure Statement have been reproduced only where there is a material difference from those in the Reading Borough Council's Comprehensive Income and Expenditure Statement. The main changes from the Council's Comprehensive Income and Expenditure Statement are:

- Inclusion of RTL expenditure (net of transactions with other group bodies) totalling £21.3m within Highways, Roads and Transportation.
- Inclusion of RTL income (net of transactions with other group bodies) totalling £22.3m within Highways, Roads and Transportation.
- Inclusion of REDCo within other services (2013/14: broke even, 2012/13: broke even).
- Inclusion of pensions interest costs and return on assets for RTL (2013/14 net costs of £1.1m, 2012/13 net costs of £0.9m)
- Inclusion of trust funds managed by the Council, which are not included in the Council's account (net income transferred to reserve in 2013/14 £8,645, net income transferred to reserve in 2012/13 £9,487)

The notes to the Comprehensive Income and Expenditure Statement are not materially altered by the inclusion of the subsidiaries in these accounts, therefore the notes provided on pages 27 to 83 still apply with the exception of note 32, page 73. The information set out below supplements the information provided on these pages.

2. Pension Costs

RTL operates two defined benefit pension schemes for employees:

- Employees at 20th October 1986 have been deemed to be employees of RBC for pension purposes and are members of the Local Government superannuation scheme, to which the company contributes in accordance with the Local Government Superannuation regulations.
- Employees who joined the company between 20th October 1986 and 31st March 2010, together with any employees who were eligible for the Local Government scheme 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.

RTL also operates a defined contribution pension scheme for the benefit of employees who joined the company after April 2010.

The funds are valued every three years by independent qualified actuaries, the rates of contribution payable being determined by the actuaries (the most recent valuation was at 31st March 2013). 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.

No other retirement benefits are provided to RTL employees.

a) Reconciliation of the present value of defined benefit scheme obligations

2012		2013
£ '000		£ '000
53,623	Balance at start of year	59,827
1,294	Current service cost	1,147
2,868	Interest cost	2,668
4,344	Actuarial losses	4,364
84	Contributions	71
(2,355)	Benefits paid	(2,305)
(31)	Unfunded pension payments	(31)
<u>59,827</u>	Balance at end of year	<u>65,741</u>

b) Reconciliation of fair value of plan assets

2012		2013
£ '000		£ '000
38,984	Balance at start of the year	42,130
1,969	Expected return on plan assets	1,944
1,579	Actuarial gains/(losses)	2,132
1,900	Contributions by company	1,819
84	Contributions by participants	71
(2,386)	Benefits paid	(2,336)
<u>42,130</u>	Balance at end of the year	<u>45,760</u>

c) Reconciliation to the balance sheet

2012		2013
£ '000		£ '000
59,446	Present value of funded obligations	65,353
(42,130)	Fair value of plan assets	(45,760)
<u>17,316</u>		<u>19,593</u>
381	Present value of unfunded obligations	388
<u>17,697</u>	Plan deficit	<u>19,981</u>
(3,539)	Related deferred tax asset	(3,996)
<u>14,158</u>	Net liability	<u>15,985</u>

d) Amounts recognised in the profit and loss account

2012		2013
£ '000		£ '000
	Included in administrative expenses:	
1,294	Current service costs	1,147
0	Loss on curtailments	0
	Included in other finance costs:	
2,868	Interest cost	2,668
(1,969)	Expected return on plan assets	(1,944)
<u>2,193</u>		<u>1,871</u>
3,548	Actual return on scheme assets	4,076

e) Amounts recognised in the Statement of Total Recognised Gains and Losses

2012		2013
£ '000		£ '000
(2,765)	Actuarial gains/(losses) recognised in the statement of total recognised gains and losses	(2,232)
(15,292)	Cumulative actuarial losses recognised in the statement of total recognised gains and losses	(17,524)

An analysis of the actuarial gains/(losses) recognised in the statement of total recognised gains and losses, split between each scheme is shown below:

(2,051)	Reading Transport Staff Retirement Scheme	(367)
(714)	Local Government Superannuation Fund	(1,865)
<u>(2,765)</u>		<u>(2,232)</u>

f) Major categories of plan assets as a percentage of total plan assets

2012		2013
%		%
	Major categories of plan assets	
44.23	Equities	54.48
31.58	Other bonds	7.14
9.97	Property	9.18
4.16	Cash	20.04
10.06	Other bonds	9.16
<u>100.00</u>		<u>100.00</u>

g) Principal actuarial assumptions:

2012		2013
%		%
4.50	Discount rates	4.50
	Expected rates of return on plan assets:	
5.40	Equities	6.00
2.90	Gilts	4.30
4.50	Other bonds	6.30
5.40	Property	3.40
2.90	Cash	4.10
2.00	Future salary increases	2.40
2.70	Inflation assumption (RPI)	3.40
2.00	CPI increase	2.40
3.00	Future pension increases - pre 1997*	3.00
3.00	Future pension increase - pre 1997 - 2006*	3.40
2.00	Future pension increases	2.30

* applicable to the Reading Transport Staff Retirement Scheme only

3. Balance Sheet

The notes to the group balance sheet are not materially changed by the inclusion of the subsidiaries in these accounts; therefore the notes provided on pages 27 to 83 still apply, with the exception of the following notes:

- Group Debtors (partially replaces note 23)

The intra-group transactions have been removed from sundry debtors in both the subsidiary and council's results. There were no movements on other types of debtors. All of the debtors of the subsidiaries were classed as sundry debtors. The outstanding sundry debtors as at 31st March for the group were:

2012/13	2013/14		
Group	RBC	RTL	Group
£'000	£'000	£'000	£'000
27,014 Sundry Debtors	23,527	3,355	26,882
<u>27,014</u>	<u>23,527</u>	<u>3,355</u>	<u>26,882</u>

- Group Creditors (partially replaces note 24)

The intra-group transactions have been removed from sundry creditors in both the subsidiaries and the council's results. The outstanding sundry creditors of the group as at 31st March were as follows:

2012/13 Group £'000	2013/14		Group £'000
	RBC £'000	RTL £'000	
(43,117) Sundry Creditors	(45,786)	(5,523)	(51,309)
<u>(43,117)</u>	<u>(45,786)</u>	<u>(5,523)</u>	<u>(51,309)</u>

4. Notes to the Cash Flow Statement

a) Note A

2012/13 £ '000		2013/14 £ '000
<u>(29,060)</u>	Net Surplus or (Deficit) on the Provision of Services	<u>12,927</u>
	<u>Adjust net surplus or deficit on the provision of services for non cash movements</u>	
53,471	Depreciation	35,394
10,708	Impairment and downward valuations	(13,944)
(983)	Amortisation	(226)
0	Adjustment for movements in fair value of investments classified as Fair Value through Profit & Loss account	3
(52)	Increase/Decrease in Interest Creditors	(4)
3,648	Increase/Decrease in Creditors	3,495
289	Increase/Decrease in Interest and Dividend Debtors	(73)
20,891	Increase/Decrease in Debtors	884
(35)	Increase/Decrease in Inventories	(71)
10,627	Pension Liability	14,161
1,971	Contributions to/(from) Provisions	1,487
4,582	Carrying amount of non-current assets sold	4,472
109	Movement in Investment Property Values	(26)
<u>(71)</u>	Other non-cash movements	<u>(1,879)</u>
105,155		43,673
	<u>Adjust for items included in the net surplus or deficit on the provision of services that are investing or financing activities</u>	
(19,783)	Capital Grants credited to surplus or deficit on the provision of services	(28,441)
(465)	Net adjustment from the sale of short and long term investments	(180)
(8,245)	Proceeds from the sale of property plant and equipment, investment property and intangible assets	(6,228)
<u>(28,493)</u>		<u>(34,849)</u>
<u>47,602</u>	Net Cash Flows from Operating Activities	<u>21,751</u>

b) Note B

2012/13 £ '000		2013/14 £ '000
Operating activities within the cashflow statement include the following cash flows relating to interest		
1,894	Interest Received	1,499
(14,324)	Interest Paid	(13,638)
<u>(12,430)</u>		<u>(12,139)</u>

c) Note C

2012/13 £ '000		2013/14 £ '000
(35,788)	Purchase of Property, Plant and Equipment, investment property and intangible assets	(46,160)
(56,003)	Purchase of short and long term investments	(61,000)
(1,560)	Other payments for Investing Activities	(3,834)
4,974	Proceeds from the sale of property plant and equipment, investment property and intangible assets	1,977
61,465	Proceeds from short-term and long-term investments	45,155
20,264	Other Receipts from Investing Activities	37,878
<u>(6,648)</u>	Total Cash Flows from Investing Activities	<u>(25,984)</u>

d) Note D

2012/13 £ '000		2013/14 £ '000
88	Cash receipts of short and long term borrowing	3,016
(8,721)	Billing Authorities - Council Tax and NNDR adjustments	799
0	Precepting Authorities Only - Appropriation to/from Collection Fund Adjustment Account	0
(19,534)	Repayment of Short-Term and Long-Term Borrowing	(14,866)
0	Other receipts from financing activities	195
(1,397)	Cash payments for the reduction of the outstanding liabilities relating to finance leases and on-balance sheet PFI contracts	(1,292)
<u>(29,564)</u>	Total Cash Flows from Financing Activities	<u>(12,148)</u>

e) Note E

As at 31st March 2013 £ '000		As at 31st March 2014 £ '000	
35,196	Cash and Bank Balances	19,145	
(4,470)	Bank Overdraft	(4,801)	
<u>30,726</u>		<u>14,344</u>	

Glossary

Accounts and Audit Regulations 2011

The secondary legislative framework setting out the requirements for the Statement of Accounts, including the timetable and process for their approval.

Accruals

The basis of the Council's accounts - income and expenditure is accounted for in the financial period in which the goods or services are provided or received (as appropriate), rather than when they are physically paid for in cash.

Acre Road Industrial Estate Limited (ARIEL)

A subsidiary company owned by the Council which was formed to provide industrial starter units at Acre Road.

Amortisation

The reduction in the fair value of an intangible asset by writing down its cost over a period of years.

Assets held for sale

Capital Assets within the Council's estate that it is actively looking to sell.

Audit and Governance Committee

The purpose of the Audit Committee & Governance Committee is to provide independent assurance of the adequacy of the risk management framework, corporate governance and the associated control environment, independent scrutiny of the authority's financial and non-financial performance to the extent that it affects the authority's exposure to risk and weakens the control environment, and to oversee the financial reporting process.

Balance Sheet

All of the assets, liabilities, balances and reserves of the Council at the end of the financial year.

Business Improvements District (BID)

A levy raised within an area of the town paid for by an additional charge to town centre businesses in addition to their business rates liabilities, the levy income being managed by Reading UK CIC, as the BID promoter.

Capital

Items of expenditure that the Council expects to benefit from for more than one year, which adds to the value of an asset, or increases the life of that asset.

Cash equivalents

Cash equivalents are investments held by the Council, with a total investment term of three months or less, and that are readily convertible into a known amount of cash without penalty.

Cashflow Statement

A record of the cash inflows and outflows arising from transactions with third parties throughout the year.

CIPFA

The Chartered Institute of Public Finance and Accountancy.

Collection Fund

A separate account maintained to keep the transactions relating to the collection and distribution of NNDR and Council Tax separate to those of the Council's other activities.

Components

Major, separately identifiable, parts of a larger asset that either contribute a significant part of the overall value of the asset, or which have a significantly different useful economic life to the host asset.

Comprehensive Income and Expenditure Statement

An annual statement summarising all the Council's transactions over the course of a year.

Contingent Assets

Items that the Council believes it is due to benefit from in the future, but the timing and or amounts involved are uncertain. Disclosure is by way of a note to the accounts.

Contingent Liabilities

Liabilities that the Council believes it may be liable for in the future, but the timing or amounts involved are uncertain. Disclosure is by way of a note to the accounts

Corporate Management Team (CMT)

The body of officers with overall responsibility for the day to day leadership, direction and management of the Council.

Council Tax

A form of local taxation based on historic banded property values, which contributes to the total income of the Council.

Debtor

An individual or company who owed the Council money at the end of the financial year.

Dedicated Schools Grant (DSG)

A ring fenced grant from the Department for Education for the financing of the Schools' budget.

Deferred Capital Receipts

An account that holds the gains recognised on the disposal of fixed assets, for which cash settlement has not yet been received (for example old Council mortgages).

Depreciation

The reduction in the fair value of tangible asset by writing down its cost over a period of years.

Dwelling Stock

The housing estate owned by the Council in the Housing Revenue Account.

Freehold

An asset (usually land or buildings) that the Council owns, as opposed to leases.

FRS

Financial Reporting Standard, a UK Accounting Standard that the Council has followed in the preparation of the Accounts.

General Fund

All of the Council's accounts and activities, apart from the items of Housing covered by the HRA. These costs are met in part by the revenues raised through Council Tax.

General Reserves

Reserves held by the Council that can be used to finance capital or revenue activities.

Group Accounts

The accounts and financial position of the Council and all of its recognised subsidiaries, from which any transactions between members of the group have been removed.

Heritage Assets

An asset with historic, artistic, or scientific qualities held and maintained primarily for its contribution to knowledge and culture.

Housing Revenue Account

The separate account relating to the Council's housing stock, the costs of which are met in part by rent collected from Council Tenants.

IASB

International Accounting Standards Board - the independent standard setting body of the IFRS foundation; its members are responsible for the development and publication of IFRSs.

IFRIC

International Financial Reporting Interpretations Committee, an international Accounting Standard that the Council has followed in the preparation of the Accounts.

Impairments

A reduction in the value of an asset below the amount previously recognised on the balance sheet for it.

Intangible assets

A non-monetary asset which has no physical form, for example software licenses.

International Financial Reporting Standards (IFRS)

International Accounting Standards that the Council has followed in the preparation of the accounts.

Inventories

Formerly known as stock; goods the Council either trades in, or which form components of work the Council does to its property on a day to day basis.

Investment properties

Properties that the Council owns for rental income or capital appreciation only; these assets provide no service benefits.

Leases

An agreement by which the Council uses assets owned by a third party (leased in) or the Council grants use of one of its assets to a third party. These can vary from short term agreements to terms in excess of one hundred years. All leases have been assessed to see if they should be treated as finance leases (capital) or operating leases (revenue).

Local Government Pension Scheme

The main occupational pension scheme for Local Government Employees; the Council's scheme is administered by the Royal Borough of Windsor and Maidenhead.

Long term borrowing

Borrowing with a maturity period at the year-end date of more than 365 days.

Major Repairs Reserve (MRR)

A reserve within the Housing Revenue Account that receives the depreciation charges the Council makes on its housing stock which may be used for HRA capital expenditure or to repay HRA debt.

Movement in Reserves Statement

A financial statement within the annual accounts summarising all of the movements between the Council's reserves.

National Non-Domestic Rates

Also known as Business Rates - a business's NNDR liability is calculated by multiplying the nationally determined multiplier rate by the business's rateable value (subject to various transitional and other reliefs).

Precepting bodies

Bodies that can put in a demand against the Collection Fund. These bodies are: Reading Borough Council, The Royal Berkshire Fire and Rescue Service and Thames Valley Police.

Private Finance Initiative (PFI)

A means of acquiring services and assets through the use of an external company to whom performance risk is transferred. Contract lengths are typically 20-40 years, and involve some capital investment in the early contract years with regular performance related payments to the company, that may be split between repayment of the principal sum relating to the lease of assets, an element for interest and a service or management charge.

Property, plant and equipment

The non-current assets (or fixed assets) held by the Council.

Provisions

Sums identified as being required to meet known future liabilities whose timing is uncertain.

Queens Road Car Park Limited (QRCL)

A subsidiary company owned by the Council which was formed to build a multi-storey carpark on Queens Road.

Reading Economic Development Company Limited (REDCo)

The holding company for ARIEL and QRCP.

Reading Transport Limited (RTL)

A subsidiary company owned by the Council formed to meet the requirement of the Transport Act. It provides bus services in the greater Reading area.

Reserves

Balances recognized by the Council, and that back up the assets and liabilities in the balance sheet. These reserves are in turn split between general reserves and unusable reserves.

Revaluation Gains

An increase in the value of an asset upon revaluation, rather than upon disposal. For investment properties, these gains are recognised in the Comprehensive Income and Expenditure Statement as being a return on the investment.

Revenue

The day to day items of income and expenditure received and incurred by the Council.

Revenue expenditure funded from capital under statute (REFCUS)

Capital expenditure on assets not owned by the Council, for example making disabled access adaptations to a privately owned home.

Service Reporting Code of Practice (SeRCOP)

The CIPFA code that provides guidance on financial reporting to stakeholders.

Social Housing Adjustment factor

A multiplier applied to the value of the Council's dwelling stock to reflect that they are tenanted properties, rather than being available with vacant possession.

Statement of Accounting Policies

The rules and practices adopted by the Council that determine how transactions and events are shown or costed.

Teacher Pension Scheme

The main occupational pension scheme for Teachers.

The Code of Practice on Local Authority Accounting in the United Kingdom

Produced by CIPFA, this document specifies the principles and practices of accounting required to give a true and fair view of the financial position and transactions of the Council.

Unusable Reserves

Reserves held by the Council in regards to accounting treatments that the Council has had to follow as a result of the Code, and its predecessor document the SORP.

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