

To: Councillors Stevens (Chairman), Brock,
Davies, Gittings, McKenna, Terry and
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27 July 2018

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AUDIT AND GOVERNANCE COMMITTEE - 1 AUGUST 2018 - ADDITIONAL PAPERS

A meeting of the Audit & Governance Committee will be held on Wednesday 1 August 2018 at 6.30pm in the Council Chamber, Civic Offices, Reading.

Further to the agenda for the above meeting, please find attached Item 4, marked to follow on the original agenda.

	<u>PAGE NO</u>
Item 4 ACCOUNTS 2016/17 & 2017/18 UPDATE	A1
This report sets out the ongoing and future actions to deliver the 2016/17 and 2017/18 accounts.	

READING BOROUGH COUNCIL

DIRECTOR OF RESOURCES

TO:	AUDIT & GOVERNANCE COMMITTEE		
DATE:	1 AUGUST 2018	AGENDA ITEM:	4
TITLE:	2016/17 AND 2017/18 ACCOUNTS		
LEAD COUNCILLOR:	Councillor Brock	PORTFOLIO:	FINANCE
SERVICE:	FINANCE	WARDS:	BOROUGHWIDE
LEAD OFFICER:	MATT DAVIS	TEL:	
JOB TITLE:	HEAD OF FINANCE	E-MAIL:	Matthew.Davis@reading.gov.uk

1. EXECUTIVE SUMMARY

- 1.1 As the Committee are aware, the 2016/17 Accounts should originally have been audited and signed off by 30th September 2017. Regular reports have been made to the Committee providing updates on progress towards completing the audit. This report updates the Committee on progress since the April 2018 meeting.
- 1.2 The new Finance structure was implemented in May 2018, however not all vacancies have yet been filled as some posts have proved difficult to fill in the current job market. It is anticipated that all initial vacancies will be filled in the next few weeks, but a handful of further vacancies have arisen over the last couple of months as employees have taken other opportunities.
- 1.3 Further significant work has been undertaken by officers since the last meeting to fully resolve the outstanding points identified by Ernst and Young (the Council's external auditors) in relation to the 16/17 accounts as well as commencing work on the 2017/18 accounts.
- 1.4 A final draft of the 2016/17 Statement of Accounts is attached at Appendix 1 and has been submitted to Ernst & Young (EY) in advance of them returning to complete the audit.
- 1.5 The 17/18 Statement and all supporting working papers for the core statements and associated notes will be submitted to EY by the end of August. EY will be back on site towards the end of August and throughout September to finalise the 2016/17 audit and undertake the 2017/18 audit.

Appendix 1 2016/17 Statement of Accounts

2. RECOMMENDED ACTION

- 2.1 To note the submission of the revised 2016/17 draft accounts to the External Auditor for their final review.
- 2.2 To note the progress made in closing the 2017/18 accounts.

BACKGROUND AND PROCESS

- 3.1 It was reported to the last meeting of the Committee that a revised version (ver. 6) was submitted to the External Auditor on 20th March. It was also reported that there were a number of queries raised by EY that were still outstanding. It was not possible to resolve all outstanding queries raised in the time available.

In particular the two key issues identified in EY's technical review: the valuation bases used for Property Plant and Equipment and the carrying value of the Council's PFI contracts remained unresolved due to their complexity and specialist nature.

- 3.2 To assist with resolving these two key areas, a technical specialist with extensive experience of assisting local authorities in improving their processes for closing their accounts and in providing specialist technical advice and assistance was subsequently engaged. Based on their review of the work already undertaken and conversations with EY's technical specialists, changes have been made to the Accounts and working paper methodology, format and structure, which it is anticipated will address EY's concerns.
- 3.3 This process has led to the identification of a number of items which have historically been treated incorrectly and led to a number of movements in the accounts across the Balance Sheet and other core statements. This has not had an impact on the overall General Fund balance of £6.500m but has seen other (usable and unusable) reserves balances change. As noted in Table 1 (see para 3.4), whilst earmarked reserves appear to have reduced by £2.216m, this is largely due to re-classifying some of those reserves as provisions or short term creditors (still available for future use by the Council albeit reported in a different part of the Balance Sheet) and the re-analysis of the PFI balances has identified an additional £0.845m of resources which has been used to bolster the risk and transformation reserves.
- 3.4 The key changes to the Balance Sheet between the previous (Version 6) accounts issued on the 20th of March and the final draft as attached at Appendix 1 are summarised in the table below:

Table 1 - Key Changes from Version 6 of the Accounts:

	Note	Version 6 (£,000's)	Final (£,000's)	Change (£,000's)
<u>BALANCE SHEET</u>				
Vehicles, Plant & Equipment		8,393	21,750	13,357
Infrastructure		215,078	194,561	(20,517)
Surplus Assets		29,247	29,538	291
Property Plant & Equipment		252,718	245,849	(6,869)
Long Term Debtors		10,155	8,996	(1,159)
Long Term Assets		262,873	254,845	(8,028)
Short Term Debtors		22,126	23,285	1,159
Assets Held for Sale < 1Year		731	440	(291)
Current Assets		22,857	23,725	868
Short Term Creditors	1	(63,941)	(67,286)	(3,345)
Short Term Provisions	1	(7,763)	(7,479)	284
Short Term Lease Liabilities		(798)	0	798
Current Liabilities		(72,502)	(74,765)	(2,263)
Long Term PFI Lease Liabilities		(30,961)	(31,535)	(574)
PFI Deferred Income		0	(1,637)	(1,637)
NET ASSETS		182,267	170,633	(11,634)
Earmarked Reserves	1	(79,166)	(76,950)	2,216
General Fund Balance		(6,500)	(6,500)	0
Usable Reserves		(85,666)	(83,450)	2,216
Capital Adjustment Account		(447,448)	(420,256)	27,192
Revaluation Reserve		(169,373)	(187,147)	(17,774)
Unusable Reserves		(616,821)	(607,403)	9,418
TOTAL RESERVES		(702,487)	(690,853)	11,634

Note 1: Earmarked reserves have fallen by £2.216m reflecting the movement of £1.660m of the previously reported Insurance Reserve into a provision, and the recognition of £2.188m of unused grant income which is now correctly recognised as being held with conditions and as such moved to Short Term Creditors. These movements from reserves to provisions are partly offset by £0.845m of additional earmarked reserves made available following the correction of the PFI balances.

- 3.5 EY's Associate Partner, Maria Grindley, has indicated that she will have a full complement of experienced audit staff available to resume the Council's 2016/17 audit from August. In light of this and the internal work that has been undertaken it is envisaged that the audited 2016/17 accounts will be presented to the next meeting of this Committee.
- 3.6 The continuing pressure of the 2016/17 work, including the final review of the working papers outlined above, has meant that the 2017/18 Accounts process has been significantly delayed. An appropriate notice was placed on the Council's website on the 31st of May to that effect to indicate that the

accounts were not yet closed and that formal public inspection would commence as soon as practical. A notice to communicate that the accounts are available for public inspection will be made at the same time the 2017/18 accounts are sent to external audit at the end of August.

3.7 The work undertaken on reviewing the working papers for 2016/17 has been a useful training exercise with the Finance Team and will assist in the production of improved working papers for 2017/18. The final accounting entries for 2017/18 can also now be made based on the 2016/17 final draft.

3.8 However, it is anticipated that, even with utilising the Closedown Software from the Chartered Institute of Public Finance and Accountancy to produce the 2017/18 accounts, there is a further three to four weeks of work required to complete the process. The 2017/18 draft statement will therefore be submitted to EY by the last working day of August and be made available for public inspection from the same date.

4. EQUALITY IMPACT ASSESSMENT

4.1 Not applicable.

5. LEGAL IMPLICATIONS

5.1 None arising directly from this report.

6. FINANCIAL IMPLICATIONS

6.1 As set out in the body of the report.

Statement of Accounts 2016/17

Unaudited Final Draft



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Narrative Foreword

1. An Introduction to Reading Borough Council

Reading is a thriving and diverse town, home to over 160,000 people living in more than 70,000 households. The population has grown by 9% over the last 10 years and will continue to grow.

The Council's Corporate Plan set out the services and activity the Council plans to undertake over the next few years. It is informed by all the information the Council holds about the needs of residents, including information about those in poverty. As the town changes the needs change and some areas are experiencing an increase in service demands despite significant reductions in funding from Central Government.

Whilst progress has been made in delivering priorities and in narrowing the gap there is ambition to do more for the communities that the Council serves. This is proving to be challenging given the need to balance the budget and reducing financial resources.

2. Strategic Finance Director's Statement

2016/17 was a challenging year for the Council. Prior to the start of the year the Revenue Support Grant Distribution System was changed by Central Government, and the Council's allocation was £5m lower than expected. In year service demands, particularly for Children's Services, led to a £5.4m service budget overspend (as reported in these accounts). These financial shocks to the organisation amounting to around 10% of the annual budget requirement, have had profound impacts on the Council, and Financial Services have found it very challenging to respond to these circumstances. Nevertheless, it was a year in which systems and plans were developed to deal with the impact of further resource reduction. Key areas of progression were:

- Enabling the Council to set a lawful budget for 2017/18;
- Ensuring the Council's audit of the 2015/16 accounts (by EY, the Council's new auditor) was unqualified although the audit was not completed until later than the normal statutory deadline, and there were a larger than normal number of audit adjustments;
- Resource Panels have continued in both Adult & Children's Social Care Services, generally including finance staff that have been involved in challenging demand / use of agency through close working in particular with the Children's, Education and Early Help Directorate;
- Continuing to develop and embed the use of Oracle Fusion, the Council's main finance system; in particular in 2016/17 month end reports were automated, and training notes were improved and supplemented by video resource.

Looking forward to 2017/18 Financial Services has a number of priority areas for focus in the coming year, most notably:

- Ongoing work on medium term financial planning and addressing the budget gap to ensure a measure of Financial Sustainability to 2019/2020 and beyond;
- Continued development and improvement of the Council's financial systems, together with associated training to facilitate improved financial management;
- The implementation of improved "Purchase to Pay" processes;
- Redesign the accounts production process to meet the new two month deadline;
- Addressing the control weaknesses identified in the Annual Governance Statement (included with these accounts).

3. Council's Performance

The Council's Corporate Plan for 2016/19 was agreed when the 2016/17 budget was set and set out the Council's priority areas, as follows:

- Safeguarding and protecting those that are most vulnerable
- Providing the best life through education, early help and healthy living
- Providing homes for those most in need
- Keeping the town clean, safe, green and active
- Providing infrastructure to support the economy
- Remaining financially sustainable to deliver these service priorities.

Operational Performance against these priorities is reported to the Policy Committee periodically. However, since 2015/16 there has been a significant and growing budget gap (between resources and underlying spending), which the Council has been seeking to close in 2017/18.

The current Corporate Plan remains that for 2016/19 and is found at

http://www.reading.gov.uk/media/4621/Appendix-1---Corporate-Plan-2016-19---Building-a-Better-Borough/pdf/Appendix_1_-_Corporate_Plan_2016-19_-_Building_a_Better_Borough.pdf

4. Financial Performance

Economic Climate

Over the 2010-20 decade the Government has reduced Reading's funding. Demand for many services is growing, as the number of properties and population grows.

New responsibilities are being passed to the Council, sometimes with insufficient funding (e.g. the Care Act). Further significant reductions have been set by Central Government until 2019/20.

Financial Management

Revenue

The service expenditure, by directorate, compared with budgeted figures for 2016/17 is shown below:

	Budget	Outturn	Variance to budget
	£ '000	£ '000	£ '000
Environment and Neighbourhood Services	32,178	28,327	(3,851)
Children, Education and Early Help Services	33,927	38,221	4,294
Adult Care and Health Services	40,009	42,271	2,262
Corporate Support Services	12,427	14,571	2,144
	<u>118,541</u>	<u>123,390</u>	<u>4,849</u>
Corporate items	13,088	18,195	5,107
Central Grants	(4,606)	(4,606)	-
Council Tax & Business Rates Income	(120,197)	(120,197)	-
Total	<u>6,826</u>	<u>16,782</u>	<u>9,956</u>
Movement to/(from) Earmarked Reserves	(6,800)	(14,234)	(7,434)
Decrease on General Fund Balance	<u>26</u>	<u>2,548</u>	<u>2,522</u>

Overall the table above shows the Council planned to spend £118.5m in service directorates but at the year-end there was a service overspend of £4.8m. In the original budget the Council envisaged drawing down around £5.5m of usable reserves and balances, but because of the overspend, particularly in Children's Services, the final use of reserves was £12.1m. In addition £1.5m of one off funding was used to reduce capital financing.

Reconciliation of Out-turn to General Fund reserves

The Reconciliation of the full year out-turn to the movement in general fund balance is shown below:

	£000's
Transfer to General Fund balance	879
Transfer of Schools balances to earmarked reserves	<u>(3,427)</u>
Total movement on General Fund	<u>(2,548)</u>

Environment & Neighbourhood Services - The Directorate underspent its budget by £3.9.4m. This reflected both reduced expenditure and over-achievement in income. Transport and Streetcare was £0.4m underspent, Planning Development & Regulatory Services £0.8m underspent, and £0.5m underspent in Housing & neighbourhoods. In addition a one off remeasurement of the Service Concession for waste disposal of £1.4m added to the underspend.

Children, Education & Early Help Services - The Directorate's budget was overspent by £4.3m due to significant pressure on children in care placements and the need to take on agency staff to ensure appropriate cover was in place to deliver essential services. Within the Schools block, there has been a need to carry forward an overall deficit of £3.2m mainly because of a deficit on the high needs block, due to demand. This has been transferred to earmarked reserves.

The Council is working within the framework of a SEND Strategy with partners, including parents/carers and young people, to understand properly the profile of needs of children and young people, to build capacity to meet needs earlier and to develop local provision to meet local need.

New proposals will be implemented to recover the current in-year deficit to reverse the increasing debt. The LA will publish a 5 year plan to recover the current debt while fulfilling the LA's statutory responsibilities.

The current report detailing the DSG deficit and plan for recovery is published at :

http://www.reading.gov.uk/media/7181/4-DSG-2016-17-outturn--DSG-2017-18/pdf/4_DSG_2016-17_outturn_DSG_2017-18.pdf

Adult Care & Health Services - The Directorate's budget was overspent by £2.3m. £1.65m of this arose as a result of service demands on the adult social care service, due to significant pressures in community services packages and related care costs. The balance of the overspend related to an ordinary residence case that the council expects to have backdated costs. Provision for this was made at the end of the financial year.

Corporate Support Services - The Directorate was overspent by £2.1m. This mainly arose because a shortfall between housing benefit expenditure and subsidy entitlement.

Corporate Items - The underlying capital financing position was better than forecast, with borrowing and borrowing costs lower, and investments and investment returns higher than budget. £1.5m of capital receipts were used to repay historic debt at the year end. Corporate items also include various property and pension liabilities as well as the NNDR Levy.

The Council continues to have a pension fund deficit, and the position includes allowances to meet costs that will fall due for payment and which are unlikely to be covered by other resources in the near future. Overall the year end Capitalisation, for which there was a capital budget in place, enabled the movement of the General Fund balance to be better than was planned in February.

Housing Revenue Account Performance

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

	Budget	Outturn	Variance to budget
	£ '000	£ '000	£ '000
Repairs	14,961	13,502	(1,459)
Management	16,654	15,583	(1,071)
Capital Financing	10,600	10,385	(215)
Total expenditure	42,215	39,470	(2,745)
Total income	40,175	41,771	1,596
Net expenditure	2,040	(2,301)	(4,341)
Movement to/(from) Earmarked Reserves	-	224	224
Decrease on HRA Balance	2,040	(2,077)	(4,117)
HRA balance b/f	22,103	22,103	
HRA balance c/f	20,063	24,180	

Overall the HRA shows an underspend on expenditure budgets of £2.7m; management costs were less than budget and expenditure on repairs was £1.5m less than budget. This is explained as follows:

- (1) £0.6m of this was due to a provisional budget built in for an updated heating system at Coley High Rise, this project is not now taking place.
- (2) £0.4m is slippage relating to the multi-year improvement scheme to blocks of flats at Hexham Road.
- (3) The rest is made up of unused contingency budget £0.4m and minor slippages in the repairs programme.

Income was £1.6m greater than forecast, as rent recovery remained strong and there was a further improvement in void turnaround times. Overall the HRA balance increased by £2.1m, but over the 30 year life of the HRA business plan we expect all current resources to be needed to keep the housing to the quality standards that tenants reasonably expect.

Collection Fund

The Council is required to maintain a separate Collection Fund showing the amounts collected from Council Tax and business rates. This income is transferred in accordance with budget decisions to the General Fund and Fire & Police Precepting bodies, together with some 72% of business rates income being transferred to Central Government (including tariff and levy amounts). At the year end the Collection Fund had a surplus of £5.4m (a surplus of £4.0m on the business rates element and a £1.4m surplus on the Council Tax element of the fund). In comparison to 31 March 2016 there had been a deficit of £6.4m (a deficit on the business rates element of £6.2m and a Council Tax deficit of £0.2m), which was taken into account in setting the budget for 2017/18. The Income and Expenditure Accounts show only the Council's share of the Collection Fund transactions.

Performance of Group Companies

Reading Transport Limited (RTL) is a fully owned subsidiary of the Council. Its accounts have been prepared under FRS102. The results of RTL are consolidated within the group accounts since these are significant. Other Group entities are not consolidated due to their immaterial nature.

The Council has assessed the difference in basis for the preparation of RTL's accounts to those of the Council which are produced under the Code of Practice on Local Authority Accounting as modified for IFRS.

The significant differences on the basis of preparation of the accounts relate to the valuation of property assets and capital grants. Property assets for RTL are based on a historic cost model whilst those of the Council are on a revaluation model. Grant income received by RTL is accounted for under the performance method under FRS102 where the grants received are deferred and amortised to income over the life of the respective assets. The Council recognises grants in income when any grant conditions have been met and this income is transferred to either the Capital Grants Unapplied Reserve or, if the grant has been utilised, to the Capital Adjustment Account.

For RTL there are no material adjustments in respect of fixed assets and capital grants and, as a result, there are no corresponding adjustments in the Capital Adjustment Account or Revaluation Reserve in the group balance sheet.

RTL's operating costs are shown as a separate Transport Services heading in the Group Accounts.

Key performance headlines are as follows:

Turnover for the financial year ended 31st March 2017 increased by 7.5% to £33.29m, however, with operating costs increasing by 8.4% to £31.66m, operating profit fell by 6.3% to £1.64m over the same period.

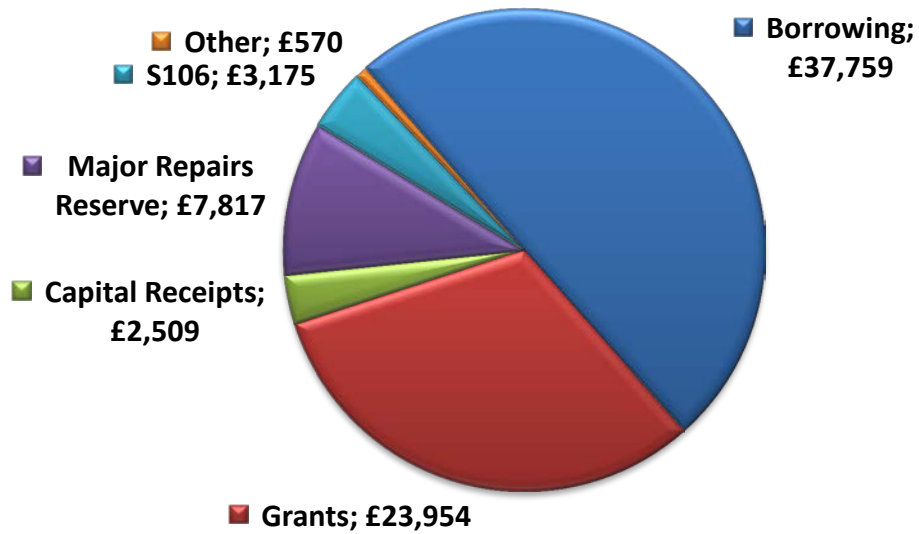
RTL still remains profitable but pressures are on the wages, salaries and pension costs lines. The Council remains committed to maintaining an appropriate level of scrutiny to ensure that RTL delivers value for money and is profitable.

Capital Spend and Borrowing

The Council's capital spending in the year amounted to £75.8m; this was largely associated with a number of priority areas as noted within the Corporate Plan.

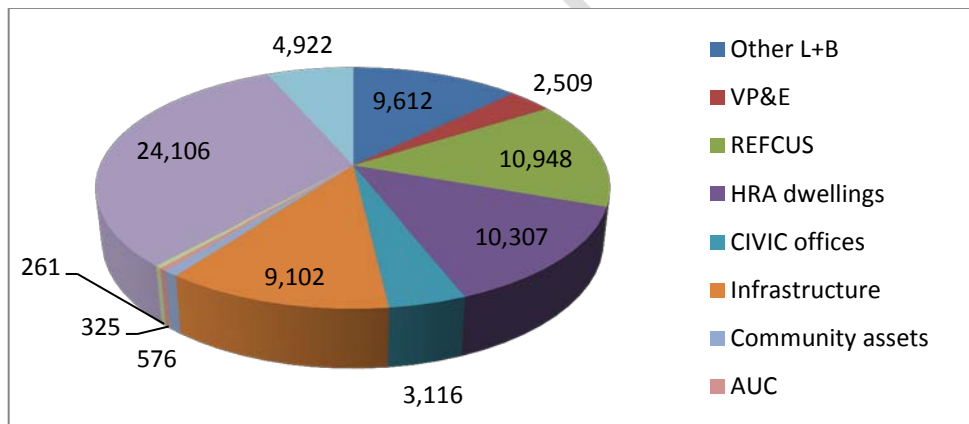
The chart overleaf shows how the 2016/17 capital programme has been funded:

Financing of capital expenditure 2016/17 (£'000)



The chart below shows the main categories where the capital programme has been expended:

Analysis of capital expenditure (£'000s)



The capital outturn in 2016/17 by priority area and funding is shown below

	Approved	
	Budget	Actual
	£'000	£'000
Safeguarding & Protect Vulnerable	3,437	3,402
Providing best life through education, early help and healthy living	19,954	16,235
Providing homes for those most in need	12,254	10,179
Keeping the town clean, safe, green and active	5,711	6,886
Providing infrastructure to support the economy	9,638	8,614
Remaining financially sustainable to deliver these service priorities	32,451	30,466
Total	83,445	75,782
HRA	12,628	10,568
General Fund	70,817	65,214
Funded by:		
Grant	9,491	23,953
S106 Receipts & Other Contributions	1,238	3,744
Borrowing	63,617	37,759
Other (mainly HRA/MRA)	9,099	10,326
	<u>83,445</u>	<u>75,782</u>

The total expenditure of £75.782m as above is less than the total expenditure as disclosed in note 28 of £79.026m. This is as a result of additional expenditure of £3.242m, relating to the recognition of the values of property, plant and equipment for the waste PFI scheme, following a review of the entries derived from the accounting model.

Variances between budget and actual are largely explained by slippage of expenditure (and grant) from 2015/16 to 2016/17 or 2016/17 to 2017/18. In some cases additional expenditure was incurred as extra funding became available from Government or third parties (reflected in the change of use of grant, S106 and other contributions financing from budget to actual).

Pension Liabilities

The Local Government Pension Scheme for Berkshire is administered by the Royal Borough of Windsor and Maidenhead on behalf of the other Berkshire Authorities. The Pension Fund notes have been prepared in accordance with International Accounting Standard 19 (Employee Benefits). There is no net effect on the outturn position in 2016/17, although there is a net pension liability within the Balance Sheet of £451m (2015/16: £334m). Full details are set out in note Error! Reference source not found., page Error! Bookmark not defined..

Financial Challenges in 2017/18 and Outlook

The Council approved a Medium Term Financial Plan (MTFP) for the period 2017/18 to 2019/20 in February 2017 as part of setting the 2017/18 budget. The plan sets out savings that have been agreed and further budget reductions to be found over the three years. In particular the report identified savings of £18.7m were needed

in the 2018/19 and 2019/20 financial years. It was only possible to set a budget by exhausting all available reserves and capital receipts and a revised MTFP was approved in July in line with the then Director of Finance's statutory advice on the budget.

The Council's medium term modelling has been updated to reflect the four year Funding Settlement announced in December 2015, which the Council accepted in October 2016. The MTFP also takes into account inflation, pensions, capital financing and national insurance changes as well as allowances for specific and general risks.

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

Service Delivery

There were no significant changes to service delivery in the 2016/17 year that materially impacted the accounts.

Balance Sheet

The Council's balance sheet position showed a 9.5% reduction in net assets. The largest contributing factor to this is a £117m increase in pension liabilities, though this is offset by a £138m increase in long term assets, which includes the purchase of £24m investment properties. The largest factor in the net movement, that arose from factors in the Council's direct control, is the £41m increase in short term borrowing. Usable reserves fell by £13.7m, and apart from the minimum General Fund Balance of £5m, Insurance and HRA PFI Reserves, all other reserves have been committed to finance day to day expenditure.

31st March 2016 (Restated) £ '000	31st March 2016 (Restated) £ '000		31st March 2017 £ '000
852,747	978,716	Non-current assets	1,116,651
2,325	(51,496)	Net current liabilities	(101,500)
(696,016)	(673,588)	Long term liabilities and provisions	(785,740)
<u>159,056</u>	<u>253,632</u>	Net assets	<u>229,411</u>
		Represented by:	
(98,329)	(90,721)	Useable Reserves	(76,951)
(60,727)	(162,911)	Unuseable Reserves	(152,460)
<u>(159,056)</u>	<u>(253,632)</u>		<u>(229,411)</u>

The Balance Sheet is a position statement at the end of the financial year. It shows what the Council owns (assets) and the money owed (liabilities). The net assets of the Council are represented by various reserves that have built up over time (dating back to the 19th century). As indicated above most of these reserves cannot be used to pay for day to day services and are valuation gains or accounting adjustments associated with the Council's asset base and pension liabilities.

Treasury Management & Cash Flow

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>.

Cash and Cash Equivalents was £22.1m as at 31 March 2017, (£8.3m as at 31 March 2016). The cash position largely reflected the Council's treasury policy of relying on "internal borrowing" (i.e. using the underlying cash and reserves of the Council to pay for long term assets, rather than external borrowing) in the present interest rate climate. The main factors which impact cash are:

- Acquisitions and disposals relating to the capital programme, and related borrowing
- The movement of reserves balances, together with grants and contributions unapplied

As at 31 March 2017 the Council held £22m short term cash investments, slightly higher than the normal minimum for operational purposes of £10m.

	31st March 2016 £m	31st March 2017 £m
Cash and other cash equivalents	8	22
Short Term Investments	-	-
Total	8	22

As indicated above whilst £38m of "borrowing finance" was used to pay for the capital programme, no new long term borrowing was actually undertaken, indeed £6m borrowing was repaid, as money borrowed in earlier years (that was held as cash or short term investments at the beginning of the year) was used to pay for this expenditure. However, temporary borrowing increased by £41m.

5. **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.
6. **Post-balance sheet events**
The Council has not recognised any non-adjusting post-balance sheet event in the year.
7. **People**
Headcount for the Council at 31 March 2017 is 4,356 (2016 4,259), including schools.
8. **Principal Risks and Uncertainties**
The Council's Corporate Risk Register is periodically presented to the Audit & Governance Committee.

9. Explanation of Accounting Statements

The remainder of this report 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 2016/17 (unless covered by the above). Final accounts for the Council for the year ended 31st March 2017, and explanatory notes, are included on pages 44 to 132.

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 Core Statements are:

The Comprehensive Income and Expenditure Statement shows the accounting cost in the year of providing services in accordance with International Financial Reporting Standards, 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. There have been changes to the format of this statement this year; service expenditure is now shown broadly in line within the Council's management structure rather than by service. This is intended to ensure the published accounts are more aligned with in year financial reporting.

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 Balance Sheet shows the value of the assets and liabilities recognised by the Council. The net assets of the Council (assets less liabilities) are matched by the reserves held.

The Cashflow Statements 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.

Supplementary Financial Statements are:

The Housing Revenue Account (HRA) records the Council's costs and income in 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 2016. 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.

The Collection Fund Account shows how much Council Tax was raised in Reading during the year, and how it was allocated between the Council, Fire and Police authorities. The Collection Fund also provides details of Non-Domestic Rates collected by the Council on behalf of Central Government and amount retained by the Council and allocated to the Fire authority.

The Group Accounts provide a Comprehensive Income and Expenditure Statement, Group Balance Sheet, Movement in 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.

The Notes to these financial statements provide more detail about the Council's accounting policies and individual transactions.

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.

Unaudited Final Draft

Annual Governance Statement

1.0 INTRODUCTION

- 1.1 This Annual Governance Statement for 2016/17 builds upon those of previous years. It summarises key governance mechanisms and records the significant governance issues that need to be addressed over the coming year. The Council's Corporate Governance arrangements are enshrined in the Council's Constitution, which can be found on the Council's website: <http://www.reading.gov.uk/constitution>.
- 1.2 Reading Borough Council (RBC) is responsible for ensuring that its business is conducted in accordance with the law and proper standards and that public money is safeguarded, properly accounted for and used economically, efficiently and effectively. In support of this a governance framework has been in place at the Council for the year ended 31 March 2017 and up to the date of approval of the Statement of Accounts.
- 1.3 This statement also enables the Council to meet its requirements under the Accounts and Audit Regulations 2015, which requires that the Council prepares an annual governance statement.

2.0 THE GOVERNANCE FRAMEWORK

- 2.1 Corporate governance refers to the process by which organisations are directed, controlled and held to account. Major elements of this framework are to monitor the achievement of strategic objectives, manage the Council's finances and provide a framework for public engagement. The governance framework of the Council endeavours to ensure that all operations and activities are fully compliant with these requirements.
- 2.2 The Council's Corporate Plan provides the link between our strategic priorities and the way in which the Council operates. The Corporate Plan and the Council's budget to support the delivery of the Council's service priorities for 2016-2019 were approved by full Council in February 2016. The priorities within the Corporate Plan form the basis of our spending plans over these three years, and identify an on-going need to reduce our budget gap further. Therefore, the plan and the budget continue to be updated every year (on a rolling three year basis) to take account the changing outlook.
- 2.3 The level of Council Tax for each financial year is set through a structured process of budget setting and review. The annual Revenue and Capital budgets are prepared by officers working with the Administration, and presented to Policy Committee for consideration before approval by the Full Council. Significant changes are subject to public consultation.
- 2.4 The overall budget and policy framework is set by the Council and all decisions are made within this framework. The medium term financial plan is incorporated as part of the Corporate Plan.

The Council's Corporate Plan can be found on the Council's website: http://www.reading.gov.uk/media/4621/Corporate-Plan-and-Budget-2016-2019/pdf/Corporate_Plan_and_Budget_2016-2019.pdf

The Council also produces a Treasury Management Strategy Statement each year, which helps it manage the Council's cash flows, lending and borrowing activities and the mitigation of the risks associated with these activities. This is also considered and approved by the Full Council as part of the budget each year.

- 2.5 Members of the public and councillors are able to ask public questions about Council business at Council meetings, Policy and service committees (which are usually webcast). Other regulations permit the inspection of the accounts being audited and related documents during the audit process.
- 2.6 In support of the framework, the system of internal control is very important and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness.

The Constitution

- 2.7 The conduct of the Council is defined by formal procedures and rules, which are set out in the Council's Constitution.
- 2.8 All Councillors meet together at Full Council meetings which are normally open to the public. 6 Council meetings took place in the 2016/17 municipal year.
- 2.9 As well as delivering statutorily-defined services to its residents, the Council also appoints a Returning Officer who is responsible for the administration of elections, referendums and other ballots within the Council's area. The Head of Legal & Democratic Services performs this role and no challenges have been received in respect of the Returning Officer's performance of his duties.

Key Statutory Officers

- 2.10 **The Head of Paid Service** (in RBC this is the Chief Executive¹) is responsible for all of the staff of the Council and for leading an effective corporate management team of directors and senior officers who focus on both strategic cross-directorate issues and operational delivery of individual service accountabilities. The Chief Executive's team of senior officers propose policy options and advise as necessary on possible action to elected councillors, who take the key decisions. The Chief Executive has overall responsibility for implementing Council priorities, managerial leadership, policy advice and the efficient and effective operation of the Council.
- 2.11 The **Interim Director of Finance** is appointed as Chief Finance Officer² (CFO) under Section 151 of the Local Government Act 1972. The CFO helps to develop and implement strategy and to resource and deliver the organisation's strategic objectives

¹ In 2016/2017 the head of paid service was the Managing Director. The Chief Executive was appointed during March 2017 and joined the Council full time in June 2017

² The Council appointed an Interim Director of Finance as CFO in October 2016; prior to that the Head of Finance was the CFO.

sustainably and in the public interest. The CFO is actively involved in, and brings influence to bear on, all material business decisions to ensure immediate and longer term financial implications are considered, that opportunities and risks are fully taken into account, and that there is alignment with the Council's financial strategy.

- 2.12 Furthermore, the CFO, supported by the Head of Finance, leads on delivery by the whole organisation in regard of financial management so that public money is safeguarded at all times and used appropriately.
- 2.13 The Council is required to appoint a **Monitoring Officer** and at RBC this is the Head of Legal & Democratic Services. The Monitoring Officer's functions include maintaining the Constitution, and overseeing compliance with the law and supporting the Standards Committee in the promotion of high standards of Member Conduct. The Standards Committee reported its review of the Members Code of Conduct on 30th June 2016. Whilst there have been 3 complaints about Member Conduct, involving 3 members, none of these cases required an investigation to be undertaken. The Head of Legal & Democratic Services has delegated authority to institute, conduct and where appropriate defend and settle criminal or civil legal proceedings and claims concerning the Council's responsibilities and interests, to take action to protect the interests of the Council and to give legal effect to any decision or action properly taken by the Council or a Committee or person on behalf of the Council.
- 2.14 To support the Annual Governance review, each directorate is required to complete a Directorate Governance Statement in relation to systems of internal control and governance arrangements. These are signed off by the relevant director. The directorate assurance statements demonstrate that directorates have evaluated and assessed their internal control environment to ensure controls are embedded across key areas including decision making, service planning and delivery, performance management, partnership governance and financial management.
- 2.15 These statements along with the other aspects of governance outlined have enabled the Council to conclude that it has an effective governance framework including systems of internal control, although improvements are required. One such improvement is a review and updating in 2017/18 of the Council's Code of Corporate Governance.

Partnership Governance

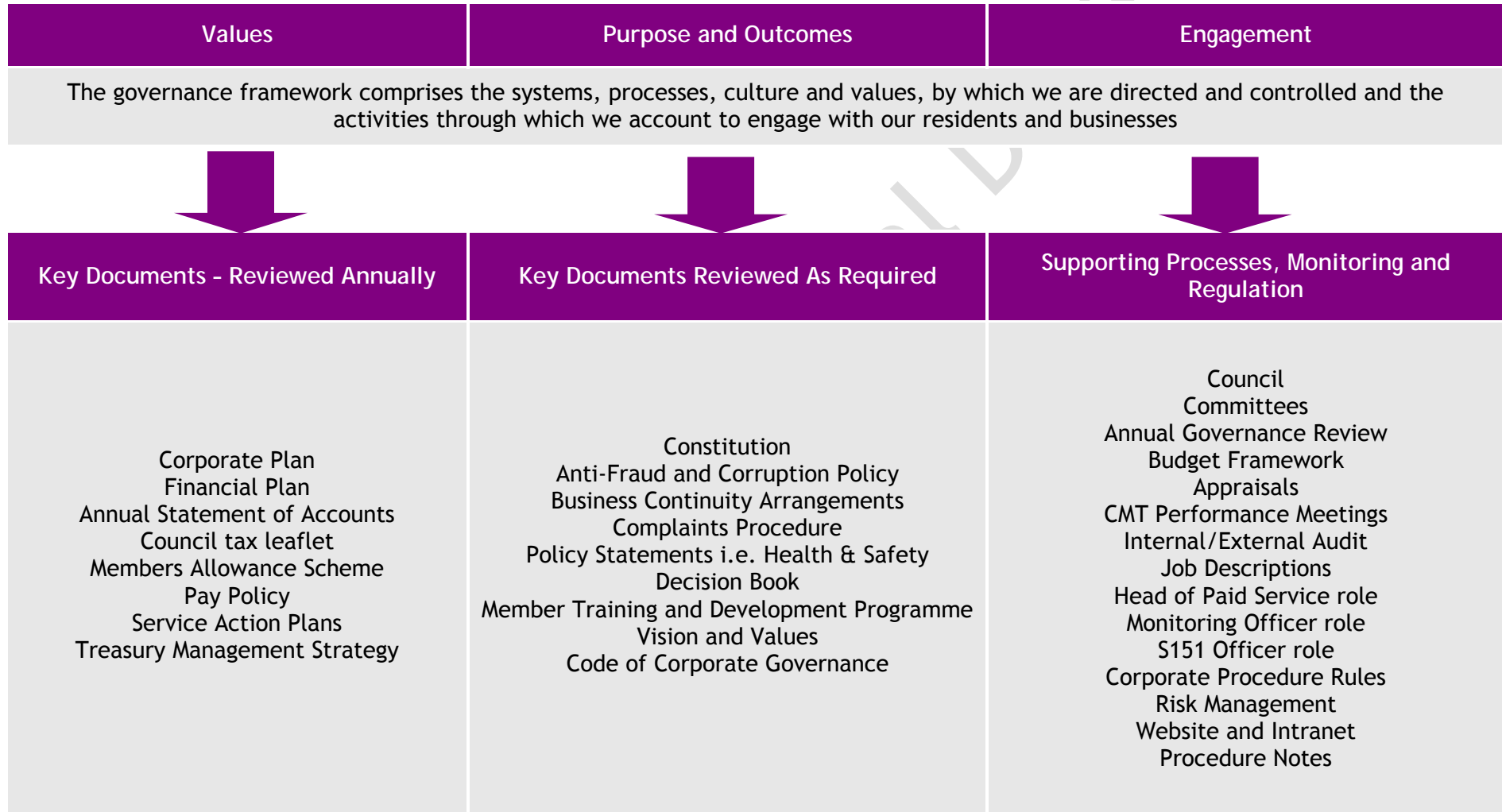
- 2.16 The Council has created a housing company, 'Homes for Reading Limited' (HfR), wholly owned by the Council with the aim of purchasing 500 residential properties to rent. HfR was incorporated as a Private Limited Company on 6th April 2016 and directors have been registered at Companies House. The HfR Board (which includes the HfR Executive Management Team, consisting of two senior council officers, 4 councillors and 2 non-executive directors, meet monthly to agree policy and processes. A company Managing Director and Company Secretary have also been appointed.
- 2.17 The Council also owns Reading Transport Ltd (RTL)(which was incorporated in 1986 to comply with the Transport Act 1985) and runs the town's bus services. The Board

includes councillors, executive directors and non-executive directors and the company operates at arms-length from the Council.

- 2.18 Both HfR and RTL have a formal governance structures, operates their own risk management strategy and are subject to internal and external inspection and audit, in compliance with the Companies Act (2006).
- 2.19 The Council shares a number of services with other councils, such as building control and health & safety. Each Council retains its own sovereignty and staff who work within the shared service arrangement do so through an agreement under section 113 of the Local Government Act 1972 whereby they are seconded to work on behalf of other Councils as well as continuing to work for their own employing authority.

Annual Governance Review

The following diagram outlines the Council’s governance framework around three streams of core activity - values, purpose & outcomes, and engagement:



Audit and Governance Committee

2.20 The Audit and Governance Committee is the committee charged with governance and receives reports that deal with issues of good governance as well as those in need of improvement. During 2016/17 the Committee met in April 2016, July 2016, September 2016, November 2016 and January 2017. The Committee considers standing agenda items as well as specific items at particular times of the year, in part driven by the annual accounts preparation and finalisation and any matters that require further reporting. During the year the Committee reviewed:

- internal audit and counter fraud activity reports;
- Performance of the Internal Audit;
- Implementation of recommendations;
- Internal Audit annual plan;
- Local Audit and Accountability Act;
- staffing issues;
- External Audit annual letter;
- External Audit annual plan;
- annual statement of accounts;
- risk registers;
- Chief Auditors annual audit opinion on internal control, governance & risk management.

Overview and Scrutiny Process

2.21 The statutory overview and scrutiny functions of the Council are exercised by individual committees in respect of the functions, services and partnerships that they cover, and by the Policy Committee in respect of functions, services and partnerships that cover more than one committee. The statutory external scrutiny functions of the Council, in respect of health, crime and disorder, and flood prevention, are delegated to individual committees.

Risk Management

2.22 It is recognised that risk management is an integral part of good governance. The Council's Risk Management Strategy Statement sets out the intended approach to risk management to be implemented by services. All councillors and officers are responsible for ensuring that risk implications are considered in the decisions they take.

2.23 The successful delivery of the Council's Risk Management Strategy depends on its ability to manage risk, rather than to eliminate it altogether.

2.30 The requirement for Health & Safety training is contained within the Council's Health & Safety Policy, whereby the training for *Heads of Service and Directors* is principally based on Business Risk Management. This enables health and safety to be integrated into the overall risk management process. In order to meet the requirements of Health & Safety Training we appointed the Council's insurers to provide strategic risk management

training including health & safety, for Directors and Heads of Service during 2016/17.

Managing the Risk of Fraud

- 2.31 The financial resources available to the Council need to be maximised and used effectively, in order to help achieve the corporate strategies. One aspect to assisting with maximising available resources is to reduce the opportunity for fraud and misappropriation. The Council will not tolerate fraud or corruption by its councillors, employees, suppliers, contractors or service users and will take all necessary steps to investigate any allegation of fraud or corruption and pursue sanctions available in each case, including removal from office, dismissal and/or prosecution.
- 2.32 The Anti-Fraud and Corruption Strategy summarises the Council's position, building on the content of a number of corporate policy statements incorporated in the Council's Constitution, namely:
- Members Code of Conduct;
 - Officers Code of Conduct;
 - Whistleblowing Policy;
 - Financial Regulations; and,
 - Contract Standing Orders.
- 2.33 Procedures are available to all council managers and staff, which provide guidance on what actions they need to take in the event of becoming aware, or suspicious of, a fraud or an act of corruption being committed against the Council, either internally or externally by individuals or organisations.
- 2.34 Individual fraud cases are normally handled by the Audit & Investigations Team who mainly deal with fraud encountered in areas such as benefits schemes (e.g. Council Tax support etc.), council tenancies, blue badges and/or social care payments. Quarterly updates are provided to the Council's Audit & Governance Committee. Although the Council administers Housing Benefit, most Housing Benefit Fraud is investigated by DWP officers, and the Council makes referrals as necessary.
- 2.35 We have no knowledge of any actual, suspected or alleged fraud affecting the Council, which would cause a material misstatement in the financial statement's either through fraudulent financial reporting and/or misstatements resulting from misappropriation of assets for 2016/2017. An incident of fraud was uncovered during a review of the Planning Department's S106 data system in May 2016, whereby Section 106 contributions for two developments, totalling £42,000, were fraudulently diverted into the personal bank account of a now former employee. The former employee was charged with offences under the Fraud Act and sentenced to two years imprisonment in August 2016. The transactions related to the 2015/16 financial year and have since been reported.

Anti-Bribery and Corruption

- 2.36 All members of staff have a responsibility to declare any offer of a gift, hospitality, benefit or service, even if the offer is not accepted. Each member of staff is responsible for bringing any offer to the attention of their manager and for recording their offers, both accepted and declined. When an offer is received, employees need to record this in the Gifts and Hospitality Register.

Managing Finances

- 2.37 The Council complies with the governance requirements of the CIPFA Statement on the Role of the Chief Financial Officer in Local Government (2010). The Council appointed an Interim Director of Finance in September 2016 to fulfil Section 151 responsibilities; prior to this the role was fulfilled by the Head of Finance.
- 2.38 The Section 151 Officer is a qualified and suitably experienced accountant who is responsible for the proper administration of the Council's financial affairs, and for ensuring the lawfulness and financial prudence of financial transactions. The Interim Director of Finance is a regular attendee of the Corporate Management Team meeting, with responsibility for leading and advising on the strategic financial decisions impacting on the Council's delivery of its objectives, ensuring continuing effective financial controls, risk management and leadership and management of the Council's Finance Service.

3.0 INTERNAL AUDIT AND EXTERNAL AUDIT ASSURANCE

- 3.1 The Council receives a substantial amount of assurance from the work that is undertaken by its Internal Audit Service and its external auditors (Ernst & Young). The role of Internal Audit is to provide independent assurance that the Council's risk management, governance and internal control processes are operating effectively.
- 3.2 The role of External Audit is to review the financial statements, obtain evidence that they are materially correct and provide an opinion as to whether these represent a true and fair view of the financial position of the Council. In addition, External Audit also audit some grant claims and provide a value for money opinion assessing whether proper arrangements are in place for securing financial resilience and challenging how the Council secures economy, efficiency and effectiveness.

Internal Audit

- 3.3 The Internal Audit Service operates in accordance with Public Sector Internal Audit Standards which have been developed specifically for the Public Sector by CIPFA. Compliance with these standards is externally assessed on a cyclical basis and is due to be undertaken in 2017/18. During 2016/17, a self-assessment of compliance was undertaken and no significant areas of non-compliance were found.
- 3.4 One of the assurance statements the Council receives is the annual opinion of the Chief Auditor in respect of the control framework. The opinion of the Chief Auditor in respect of audit work completed in 2016/17 is that limited assurance can be taken that arrangements to secure governance, risk management and internal control within those areas audited, are suitably designed and applied effectively.
- 3.5 Those audits which received limited (or no assurance opinions), are set out below:
- Information Governance
 - Subject Access Requests
 - Corporate Governance Framework
 - Electronic Document & Records Management
 - Nursing & Residential Care Packages
- 3.6 Those key financial systems and processes which received limited assurance, are as follows:
- General ledger,
 - Bank & Cash Reconciliations
 - Accounts receivable
 - Accounts payable

External Audit

- 3.7 The Council's external auditor for the 2015/16 accounts Ernst & Young (EY), issued an adverse value for money conclusion on 17 November 2016. This means that they had concerns over the Council's arrangements for securing financial resilience and for how it secures value for money in its use of resources.
- 3.8 Although they did not identify any significant deficiencies in the design or operation of an internal control that might result in a material misstatement in the financial statements and which the Council does not know about, they found that some of the basic financial controls were not working as expected. In particular, the regular completion of reconciliations was not timely. This increased the risk of fraud errors remaining undetected.

- 3.9 They highlighted that the financial and performance information used by the Council is not always accurate and reliable and therefore did not help informed decision making. Furthermore EY commented that planned action had not been taken to achieve sustainable savings during 2015/2016 that may have prevented the need for significant savings to be made as a matter of urgency in the 2016/17 budget.
- 3.10 EY made statutory recommendations in February 2017 under Section 24 Schedule 7 (2) of the Local Audit and Accountability Act 2014 by way of a letter calling for sustainable resource deployment in relation to the immediate and medium term financial position of the Council and the need for robust budget monitoring. The Council formally considered and approved an officer response to these recommendations at its February 2017 meeting and progress towards addressing the recommendations is being monitored by the Audit & Governance Committee.

Audit Opinion

- 3.11 EY issued an unqualified opinion on the Council's 2015/16 financial statements on 17 November 2016. This means that they believe the 2015/16 financial statements (as amended following audit) gave a true and fair view of the financial position of the Council and of its expenditure and income for that year. EY's audit of the financial statements identified various adjustments to the draft accounts which the Council agreed to make. Some adjustments were not material and were impractical to make and this was reported to the Committee. The adjustments did not affect the usable resources as reported in the draft accounts. The audit raised recommendations to improve controls over bank and housing rent account year end reconciliation procedures and IT controls over applications and infrastructure. The Council has been addressing these recommendations.

Annual Governance Statement

- 3.11 EY reviewed the Annual Governance Statement for 2015/16 and concluded that it was sound, consistent with the principles of the CIPFA/SOLACE Framework and correlated with their understanding of the governance arrangements of the Council.

Whole of Government Accounts

- 3.12 EY review and report to the Department of Communities & Local Government (DCLG) and the National Audit Office on the Council's Whole of Government Accounts return. The extent of their review is specified by the National Audit Office. EY reported to the Audit & Governance Committee in January that they had completed this work (and agreed the final return).

4.0 KEY GOVERNANCE CHALLENGES

- 4.1 We continue to monitor and manage our service delivery as part of good governance within the Council. Whilst some actions reported in the 2015/16 Annual Governance Statement have been addressed during 2015/16, with no significant residual issues, the majority remain as work in progress:
- i. A financial sustainability plan was submitted to Government on 14 October 2016, setting out the process for achieving sustainability. A lawful budget was set for the 2017/18 financial year at the meeting of Council on 21 February 2017 but it required significant use of reserves and one off measures. It therefore included a requirement to identify actions to address the remaining financial gap in 2017/18 to 2019/20 by the second quarter of the 2017/18 financial year. Officers have proposed recommendations to the Policy Committee in July 2017 to address these requirements.
 - ii. Work is ongoing to further develop the financial support to the Council. The Budget Managers Handbook has been completed and made available to budget holders. The service provided by Corporate Finance is under review to ensure the Council's needs are met.
 - iii. The Council developed a Learning and Improvement Plan for Children's Services following the Ofsted Inspection in June 2016 when the Council's Children's Services were judged by Ofsted to be 'inadequate' (see section 5). The progress and performance against the plan is monitored by the independently chaired Children's Services Improvement Board on a monthly basis. The Board receives a comprehensive performance dataset and highlight report (with RAG status) focused on the 18 outcome areas, as well as an update of the Plan setting out the current position.
 - iv. The Council has put in place a governance structure and provided operational expertise and resource for Health and Safety.
 - v. During 2016/17 the Council introduced and monitored arrangements to ensure an efficient and effective handover for senior management, particularly related to the role of Managing Director during 2016/17. This culminated in the appointment of a new Chief Executive (as Head of Paid Service) in March 2017. The Interim Managing Director's contract ended at the end of March and the Director of Environment & Neighbourhood Services agreed to take on the role of Acting Chief Executive for the short period between then and the arrival of the new Chief Executive in June 2017.
 - vi. The Adult Social Care Transformation (ASC) programme continues to evolve in line with service priorities and the financial challenges of the Council. In 2016/17 the Programme delivered approximately £1.4 million savings. For 2017/18, the programme will be aligned to the new ASC strategy and will form part of the overarching delivery plan. In addition the service will continue to maximise any synergies with the Better Care Fund to ensure that best use of limited resources is made and solutions to address the challenges faced across the health and social care landscape are developed.

- vii. Resource panels have been established in Adult and Children's Services to manage demand and ensure appropriate service provision, delivering services within statutory requirements and operating within budget.
- viii. Key information governance issues have been addressed and continue to be implemented. The Council's IT policies have been updated and rolled out, and the Protocol Policy, which is soon to be rolled out, will for the first time introduce a dynamic IT policy system into the Council's compliance regime. Automatic Document Marking for all emails was rolled out in March 2017. Projects to meet the next step of Payment Card Industry Data Security Standards and connect to the health service over their N3 network are ongoing.
- ix. A project gateway approach for all ICT and digital projects has been introduced via the Digital and ICT Board and a review of the governance arrangements. This is working well. Towards the end of 2016, a Delivery Unit was set up in Corporate Support Services which is developing a Council-wide Change Programme. This incorporates robust governance arrangements for programme and project management across the Council.
- x. Following the S106 fraud (paragraph 2.35,) new processes have been introduced to improve control over income. In addition, a new S106 data system has been installed. In due course, it is anticipated that the new system can link directly to Oracle Fusion, the Council's main finance system, as this will be the most efficient way of monitoring receipts.
- xi. Work has been undertaken to deal with changes to the IR35 Regulations from 6 April 2017, which altered the way tax and National Insurance was paid if someone was contracted to work for a client through an intermediary (commonly affecting agency and interim staff engaged by the Council). IR35 could significantly alter the costs of some placements and could drive a renegotiation of charge rates. Positions potentially affected by the change were identified and managers worked with HR to make an assessment of whether or not workers were within the scope of the Regulations.

5.0 SIGNIFICANT GOVERNANCE ISSUES

- 5.1 As part of continuing efforts to improve governance arrangements the following issues, as highlighted in this year's Annual Governance Statement, have been identified for improvement.

Children's Services

- 5.2 In August 2016, Ofsted issued an inspection report on services for children in need of help and protection; children looked after and care leavers and a review of the effectiveness of the Local Safeguarding Children Board. It concluded that children's services in Reading were inadequate and found

serious, persistent and systemic failures in the services provided to children who need help and protection. The inspection found that children are left too long in situations of unknown and acute risk. The report also found leadership, management and governance to be inadequate and that instability in the senior leadership team had impeded progress in addressing identified weaknesses in services for children and families.

- 5.3 The Council accepted the findings of the Inspection and developed an Improvement Plan as a response to it, supported by the appointment of a Commissioner for Children's Services. The Council also reports performance against the actions in the Improvement Plan, to the Adult, Children and Education Committee, three times a year.
- 5.4 Following the Ofsted Inspection, the Council re-organised its Children's Services Leadership Team. A new operating model for Children's Social Care had been implemented in August 2016. This included an increase in the overall establishment of social work posts, to create an effective and affordable children's services structure for Reading, which will enable the delivery of safe and effective services to meet local need.
- 5.5 Moving forward a key objective within the Learning and Improvement Plan is to increase the number of permanent (compared to agency) social care staff across the service. The Directorate is reviewing its workforce development strategy, including its approach to recruitment and retention in Reading's Children's Services, to secure a permanent and competent children's services workforce to deliver responsive and safe services.
- 5.6 To address the collective need for cost avoidance and improvements to the Directorate a project has been initiated to create a single co-located Access to Resources Team (ART). The objective is the realignment of functions across Children's Services and Commissioning into a single team with a clear governance and accountability structure that addresses permanence for children within the financial constraint of the Council whilst delivering value of spend across Children's Services. The project commenced on 1st April 2017.

Interim & Agency Staff

- 5.7 During 2016/17 the Council made particularly significant use of interim & agency Staff, including several roles within the Corporate Management Team. The Council is in the process of replacing as many of these interim staff with permanently employed staff as possible, as quickly as practicable. This will reduce costs and deliver more stability in leadership and at practice level.

Financial Challenge

- 5.8 The Council has developed a financial strategy, which allowed a legal budget to be set for 2017/18. However, this is achieved in part through the reliance on £11m reserves, which necessitates using all but critical reserves. This means that the S151 Officer concluded that reserves are no longer adequate and has recommended that these reserves be rebuilt over the medium term to a more sustainable level. The Budget Report identifies there is a residual gap in the baseline budget in 2018/19 and 2019/20 currently estimated as £18.7m, which needs to be closed through the development of budget proposals by quarter 2 of 2017. £13.7m of this gap is in 2018/19.
- 5.9 Savings proposals for 2017/18 in particular have been through a process to ensure directors, CMT and lead members can be assured of their deliverability. However, the level of detail of savings plans does vary, as does the use of profiling for budgets. Regarding one off solutions, it is agreed that these should be avoided wherever possible. Agreed savings are supported by a delivery plan, and until the saving is delivered, responsible officers are required to report monthly on the delivery plan on a RAG basis. A revised and strengthened monitoring process was put in place from 1st April 2017, which will ensure that budget monitoring and RAG savings reviews are consistently reporting the same information.
- 5.10 Delivery of a robust Medium Term Financial Strategy for the period 2017/18 to 2019/20 requires a number of success factors:
- i) Thorough review of underpinning assumptions to ensure that they are prudent;
 - ii) Identification of new proposals for delivering savings, income or efficiencies;
 - iii) Commitment from councillors and officers to accept and deliver robust proposals;
 - iv) A culture of sound financial management that recognises that each £ of expenditure must deliver full value and that every £ of income must be collected.

Internal Controls

- 5.11 During 2016/17 Internal Audit expressed limited assurance over particular and individual systems of internal controls which resulted in a number of systems improvements to further strengthen financial and operational controls:
- *General Ledger* - There is a lack of clear documented business processes and identification of responsibilities that identify and describe the operation of some of the feeder systems and the requirements for data

input on a manual or spreadsheet basis. The input of unstructured or poor quality data from feeder systems (particularly the linked AP system) increases the need for remedial action in the General Ledger in the form of journal activity. The creation and approval of journals is a single person process and there are poor audit trails to support some transactions.

- *Accounts Payable* - The Council is not actively managing its procurement of goods and services through the Accounts Payable system. In part this creates an unnecessary level of administrative delay by not effectively managing its supplier database. There is no formal accreditation process for the majority of suppliers who are chosen by the manager making the order. The data on the system is mainly unstandardized and of a poor quality and obstructs timely analysis of procurement options and management reporting on and analysis of procurement activity. Resources are unnecessarily utilised to support a system that incorporates a large amount of “one off” purchasing activity in terms of purchase orders and suppliers, which in turn generates an unnecessarily high volume of low value transactions that puts time pressures on paying suppliers. The Council is considering how to effectively streamline these processes and make them more robust.
- *Bank & Cash Reconciliations* - The regular completion of reconciliations was not timely in 2016/2017, there is no centrally held list of the control account reconciliations and no process in place to ensure these are completed in a timely way. The bank account reconciliation had not been kept up to date and unreconciled items need to be cleared. The Interim Director of Finance has confirmed that the Finance Service is committed to bringing the bank account reconciliation up-to-date and for it to be completed on a monthly basis going forward. Lessons are being drawn out to ensure that the reconciliations for 2017/18 can progress in a timely manner.
- *Accounts Receivable* - Services are not (always) raising invoices promptly or providing sufficient detail on invoices, which in turn affects effective collection performance, as Income & Recovery staff also have to act as intermediaries when accounts are queried by customers. There are different procedures in place for the monitoring and chasing of unpaid invoices with no apparent consistency, priority or direction as to the work of Income & Recovery staff and in particular the order that accounts are worked on.
- *Nursing & Residential Care Packages* - There needs to be an improvement in audit trails to better evidence placement decisions made by the Adult Funding Panel and to improve procedures to ensure care packages are reviewed annually to comply with statutory review processes. The Adult Social Care Transformation Team has been working to improve the function of the Adult Funding Panel process.

- *Information Governance & Data Protection* - The audit highlighted a need to improve governance structures to evidence the effective management of information governance and data protection to meet evidence based accreditation programmes like PCIDSS³ for credit card use and N3⁴ for Health Service connectivity. The Head of Customer Services has confirmed that action is being taken to improve governance in this area including revised policies and procedures, enforced document marking, identification of Information Asset Owners and staff training.
- *Subject Access Requests* - Under the Data Protection Act 1998, individuals have a right to access information held about them by any organisation that processes personal data. There was a lack of a consistent policy and procedure which could be applied to subject access requests. The Council's Employment and Information Solicitor has confirmed that different routes of access have been merged into a single route, which will be co-ordinated and monitored via Legal Services. A new policy and procedure has been implemented and key officers are being trained by Legal Services.
- *Electronic Document & Records Management* - The Council uses an Electronic Document Records Management system which offers considerable savings in paper handling and associated processes. Current internal processes to collect and manage the transportation of paper documents for scanning do not provide sufficient guarantees that documents will be safely accounted for and are in need of strengthening to protect the Council from the risk of data loss. The Business Systems Support Team is progressing with the work to redesign the overall service provision including the arrangements for the secure transfer of hard copy documents.
- *Corporate Governance* - a review was conducted of the Council's governance arrangements, including consideration of the ownership, completeness and currency of documentation that the Council is required to hold, publicise and periodically review in relation to its governance arrangements. A number of corporate governance processes were found to be in need of improvement, with a number of key documents out of date and not communicated to staff on commencing employment with the Council or on a regular basis during their employment.
- *Risk Management* - While risk management techniques are deployed, they have been less than robust at the strategic level throughout 2016/17, and need to be improved going forward. Risks have always been managed, but risk registers need to be updated more frequently at directorate and Corporate Management Team level.

³PCI DSS is the Payment Card Industry Data Security Standard, that was set up to help businesses process card payments securely and reduce card fraud.

⁴N3 is the National Network for the NHS. Public health intelligence teams based in local authorities need to be connected to N3 in order to fulfil their function.

Compliance

5.12 A theme through a number of the significant governance issues is a lack of compliance. That is, the Council has in place, in most areas, an appropriate set of governance arrangements yet these are not followed leading to weaknesses in internal controls. This produces a heightened risk of fraud, corruption &/or poor value for money with the consequent negative reputational impact. During 2017/18 in addition to improving systems and processes themselves, attention will be paid to professional practice and compliance to drive up standards.

6 CONCLUSION AND PRIORITIES FOR IMPROVEMENT

6.1 The annual review of governance provides evidence of how effective our governance framework is and as a result, we have put in place an implementation plan shown in appendix A. Over the next year we will be taking steps to continue to improve what we do, especially focussed on the significant governance issues.

6.2 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:.....

Peter Sloman, Chief Executive

Signed:.....

Councillor Jo Lovelock, Leader of Council

On behalf of the members and officers of Reading Borough Council

Unaudited Final Draft

Annual Governance Statement 2016/17 Implementation Plan						
No.	Management Action	How implemented	Progress	Due date	Status	Responsible Officer
1.	Prepare and agree a robust and deliverable Medium Term Financial Strategy for the period 2017/18 to 2019/20.	Development of a robust MTFS for 2017/18 to 2019/20	Revised MTFS being presented to Policy Committee on 17 July 2017, with further work on robustness and delivery planned.	July 2017	Reports prepared for Committee showing balanced positions for 2017/18 and 2018/19. More work required to balance 2019/20	Director of Finance
2.	Prepare and deliver a robust savings monitoring programme to ensure that savings are delivered and/or adjusted according to a strong governance process.	Implementation of a more robust budget and savings monitoring regime overseen by the Corporate Programme Delivery Group	Corporate Programme Delivery Group now oversees robust savings monitoring regime. Changes to the proposals are monitored and controlled.	May 2017	Implemented and now embedding	Head of Customer Services
3.	Put in place a robust regime for the reconciliation of control accounts on an ongoing basis.	EY recommended that a centrally held list of reconciliations should be kept, so this should be implemented by creating (and keeping up to date) such a list	Most reconciliations have been done to 31 March 2017, but the list has not yet been established	List in place and status recorded of all reconciliations by 31 Aug 2017	In progress - list being started	Head of Finance (with Chief Technical Accountant)

Annual Governance Statement 2016/17 Implementation Plan						
No.	Management Action	How implemented	Progress	Due date	Status	Responsible Officer
4.	Ensure that Children's Services has an appropriate level of resources and that there are processes in place to monitor the resource allocated to the service and the achievement of service improvements required.	<p>Additional resources have been added to the Finance Team supporting Children's Services this includes the appointment of the Interim Directorate Accountant from the end of November 2016, secondment of the Senior Analyst to the Team from March 2017, and now access to an Interim Senior Analyst. This was to enable improved monitoring of the Children's Services budgets. As well as overall improvements to monitor budgets and improving the relationship between Children's Services and Finance.</p> <p>Key monitoring piece of work is LAC Modelling and the development of the MOSAIC system.</p>	<p>DCEEH DMT have a clearer understanding of the Children's Services budgets and the implementation of the MTFs for Children's Services was completed with the full involvement of DMT.</p> <p>The accounts closure process has impacted the process of the introduction of further improvements Now closure has been completed the improvements can gather pace again.</p>	<p>June</p> <p>September 2017</p>	<p>Partly achieved, further improvements depend upon Team resourcing</p> <p>Not yet started</p>	Director of Finance

Annual Governance Statement 2016/17 Implementation Plan						
No.	Management Action	How implemented	Progress	Due date	Status	Responsible Officer
5.	Further develop the financial culture of the Council.	<p>A revised budget management handbook will be made available and it is planned to have some training sessions to launch and embed it.</p> <p>CMT will further scrutinise financial information and seek to lead by example in terms of the culture.</p>	<p>Revised handbook was published in April 2017.</p> <p>Training sessions are being planned for September 2017.</p> <p>CMT already scrutinises finance and performance information, but will undertake more intense investigation to ensure that expenditure is delivered in line with the budget.</p>	<p>April 2017</p> <p>September 2017</p> <p>June 2017 (first monitoring for 2017/18)</p>	<p>Complete</p> <p>In planning</p> <p>Commenced</p>	Director of Finance
6.	Children's Services: Meet the objectives within the Learning and Improvement plan for Children's Services following the Ofsted Inspection in June 2016.	A detailed action plan has been prepared, that is monitored by ACE Committee	Actions are in various states of progress - see most recent report to ACE	Various to 31/3/18 and beyond	In progress	Director of Children's, Education & Early Help services
7.	Replacement of agency and interim staff with permanently employed staff.	Staff in post on permanent appointments wherever possible	Recruitment Drive underway in Children's Services to attract and retain SW and management staff. In other areas, initial scoping work has been done and there	30 September 2017	In progress	Head of Legal and Democratic Services

Annual Governance Statement 2016/17 Implementation Plan						
No.	Management Action	How implemented	Progress	Due date	Status	Responsible Officer
			would be little in the way of realisable savings.			
8a.	Internal Controls: <i>General Ledger</i> - detailed action plan in response to Internal Audit findings to be completed and delivered.	Action Plan has been drafted for review setting out in detail how each recommendation will be addressed in the short and medium term	Actions contained within the action are being progressed; the highest priority recommendations are being addressed in the shortest timescale	August 2017 for high priority October 2017 for medium and low priority	Actions underway; none yet complete	Financial Systems Manager
8b.	Internal Controls: <i>Accounts Payable</i> - detailed action plan in response to Internal Audit findings to be completed and delivered.	<ol style="list-style-type: none"> 1. Specialist Payments Team Change Manager to be appointed. 2. Change Manager to review AP Audit Management Action Plan and complete Management Response, Response Person and Target Date plus create detailed supporting implementation plan that addresses all points raised and integrates solutions with introduction of upcoming supplier portal 	<p>Interim Accounts Payable Change Manager Appointed</p> <p>Documents reviewed by Change Manager and commented</p> <p>Summary top level run through completed with Accounts Payable team</p> <p>Balance of actions o/s</p>	<p>5 June 2017</p> <p>8 June 2017</p> <p>9 June 2017</p>	Actions commenced, but further actions to be completed within four months	Accounts Payable Change Manager

Annual Governance Statement 2016/17 Implementation Plan						
No.	Management Action	How implemented	Progress	Due date	Status	Responsible Officer
8c.	Internal Controls: <i>Bank Reconciliation</i> - regular completion of timely reconciliations throughout the year	A revised properly structured procedure will be put in place to complete the bank reconciliation, with proper "walk through" possible Bank account reconciliation completed in timely way and reviewed by a senior officer on a monthly basis, within the month	Considerable work has been done to identify the weaknesses of the existing process (substantially by the Treasury & VAT officer, under the guidance of the Interim Chief Accountant This has identified the need to change some of the processes, and a revised process will now be put in place	Process in place from July with suitable "back entries" for months up to July 2017	Work commenced and in Progress	Head of Finance
8d.	Internal Controls: <i>Information Governance & data protection</i> Improve governance structures to mitigate risk of breach of data protection legislation	Revised procedures, improved training and awareness	Ongoing training to staff, and improved breach reporting procedures has meant that more mitigation is in place. Work is underway to ensure that the Council is compliant with the new General Data Protection Regulation (GDPR) when it comes into force in May 2018	Dec 17	In progress	Head of Legal & Democratic Services

Annual Governance Statement 2016/17 Implementation Plan						
No.	Management Action	How implemented	Progress	Due date	Status	Responsible Officer
8e.	<p>Internal Controls: <i>Subject Access Requests</i> Under the Data Protection Act 1998, individuals have a right to access information held about them. A consistent policy and procedure should be applied to subject access requests.</p>	<p>Different routes of access have been merged into a single route, which will be co-ordinated and monitored via Legal Service</p> <p>A new policy and procedure has been implemented and key officers are being trained by Legal Services</p>	<p>Training has been delivered to key service areas and teams who are likely to come in contact with SARs.</p>	31 March 17	Complete	Head of Legal & Democratic Services
8f.	<p>Internal Controls: <i>Electronic Document & Records Management -</i> Internal processes to collect and manage the transportation of paper documents for scanning must provide sufficient guarantees that documents will be safely accounted for and protect the Council from the risk of data loss.</p>	<p>The Business Systems Support Team is progressing with the work to redesign the overall service provision including the arrangements for the secure transfer of hard copy documents</p>	<p>A range of process and procedure improvements have been implemented to increase in internal controls and safeguards.</p> <p>Choice of courier used is to be reviewed.</p> <p>Individual information Asset Owners will need to periodically assure themselves that arrangements for transfer of documents are appropriate for the nature of the data they include.</p>	31 Dec 2017	In Progress	Head of Customer Services -

Annual Governance Statement 2016/17 Implementation Plan						
No.	Management Action	How implemented	Progress	Due date	Status	Responsible Officer
8g.	<p>Internal Controls: <i>Accounts receivable</i> All services raise invoices promptly and provide sufficient details on invoices to improve collection performance</p>	<p>Refreshed procedures are being written up to accurately reflect the procedures we have in place for raising, monitoring and chasing of unpaid invoices.</p> <p>These procedures will be re-launched and shared with other service areas, to ensure the quality of information provided on invoices is improved.</p>	<p>We are currently working on a proposal to recommend with the validation from internal audit, a significant change to the way invoices are being raised currently. Whereby directorates/services would forward details of potential invoices to Income & Recovery for the team to then raise centrally.</p> <p>This could have several potential advantages for the Council and could improve the efficiency and effectiveness of income collection and recovery. This proposal is to be further investigated and presented to CMT for discussion in the near future.</p>	31 August 2017	In progress	Head of Customer Services/Head of Finance

Annual Governance Statement 2016/17 Implementation Plan						
No.	Management Action	How implemented	Progress	Due date	Status	Responsible Officer
8h.	Internal Controls: <i>Nursing & residential care packages</i> > Improve audit trails to provide better evidence of placement decisions made by the Adult Funding Panel.	Alternative support options are considered and tried in some cases before requests for long term placements are made, an example being the rehab beds at the Willows. There is a clear audit trail for those individuals presented at panel, out of panel decisions also have an audit trail - these decisions relate mainly to hospital discharges. Evidence for placement and justification for decision is clearly recorded. The panel has representation from commissioning who contribute to the decision making process.	These are clearly recorded; an audit of the panel pro-formas and decision log will be completed to ensure compliance with the process annually.	Ongoing	Green	Director of Adult Services
	Improve procedures to ensure care packages are reviewed annually to comply with statutory review process	Reviews are recorded in mosaic, this generates a review date. Managers run reports from Mosaic to monitor performance and compliance.	Review project in place to support compliance with reviews. Reports run for managers to review evidence of performance.	Ongoing	Amber	

Annual Governance Statement 2016/17 Implementation Plan						
No.	Management Action	How implemented	Progress	Due date	Status	Responsible Officer
8i.	Internal Controls: <i>Corporate Governance</i> Improve a number of corporate governance processes, update key documents and communicate to staff on starting employment with the Council or on a regular basis during their employment.	The officers code of conduct will be reviewed and updated to ensure it reflects current practice and requirements Review Code of Corporate Governance Use of NetConsent to roll out key policies and procedures	Code of Conduct currently being updated (June 2017). It will be considered at CMT before going on to LJF and Personnel Committee for formal approval.	30 September 2017	On going	Head of Legal and Democratic Services
8j.	Internal Controls: <i>Strengthen and embed the processes for the management of risk.</i> Current deployment is not robust enough for risk management to be a key influence in decision making	Develop the current directorate risk registers specifying the owner of each action	Risk action plan updated for 2017/18. Directorate risk registers programmed in for quarterly discussion at DMTs. Strategic risk register programmed in for quarterly review at CMT. Level 4 Risk Management training, supplied by Council's insurers being scheduled for senior officers.	1 st April 2017 31 Dec 2017	Complete Ongoing	Director of Finance

Annual Governance Statement 2016/17 Implementation Plan						
No.	Management Action	How implemented	Progress	Due date	Status	Responsible Officer
8k.	Internal Controls: <i>Compliance</i> An appropriate set of governance arrangements exist yet these are not followed rigorously which then allows weaknesses in internal controls.	Attention will be paid to professional practice and compliance to drive up standards, as well as cultural change efforts in terms of the operation of the council.	Through the development of the AGS and actions plans such as this one, plus an appropriate focus on discipline and good governance then improvements will be made. More formal interventions in terms of organisational development will be required in due course.	May 2017 September 2017	Developing and ongoing Requires planning	Director of Finance
9.	Develop a clear & consistent strategy or procedure for advising new and existing staff of their responsibility to declare interests and register gifts of hospitality.	Designation of officers in each Directorate to hold registers. Recommunication of expectations on staff.	Each Director will be asked to nominate an individual in their area to hold the register. There will be communication and NetConsent approval to remind all staff of what to declare, why and to whom.	31 October 2017	ongoing	Head of Legal, HR & Democratic services
10.	Align performance reporting processes to ensure CMT is fully sighted on organisational health and performance.	New framework in place and embedded with regular review meetings scheduled for 2017/18	Regular meetings are in place for reporting and performance however, it is proposed to review and refresh framework during 17/18	End July 2017	ongoing	Head of Customer Services

**Independent auditor's report to the members of
Reading Borough Council**

Unaudited Final Draft

Statement of Responsibilities

The Council'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 Council, for 2016/17, the Chief Financial Officer was the Head of Finance up to 6 October 2016 and the Interim Director of Finance thereafter.
- Manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets.
- Arrange for the approval of the Statement of Accounts at the conclusion of the audit; in this Council, the approval is delegated to the Audit and Governance Committee.

The Chief Financial Officer's Responsibilities

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

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

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

The Chief Financial Officer has also:

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

Approval of the Accounts

The financial statements, and accompanying notes, including the Housing Revenue Account and the Collection Fund set out on pages 44 to 145, have been prepared and published in accordance with the Accounts and Audit Regulations 2015.

Jacqueline Yates
Director of Resources

[Date]

Core Financial Statements

Comprehensive Income and Expenditure Statement

Gross expenditure £ '000 (Restated)	2015/16 Gross income £ '000 (Restated)	Net expenditure £ '000 (Restated)		Gross expenditure £ '000	2016/17 Gross income £ '000	Net expenditure £ '000
70,862	(27,487)	43,375	Adult Care and Health Services	67,919	(23,688)	44,231
122,866	(95,077)	27,789	Corporate Support Services	111,736	(94,361)	17,375
162,326	(109,947)	52,379	Children, Education and Early Help Services	168,001	(105,371)	62,630
83,472	(35,169)	48,303	Environment and Neighbourhood Services	92,018	(40,371)	51,647
(47,332)	(41,843)	(89,175)	Housing Revenue Account	7,083	(41,413)	(34,330)
392,194	(309,523)	82,671	Cost of Services	446,757	(305,204)	141,553
		4,313	Other Operating Expenditure (Note 8)			7,173
		25,172	Financing and Investment Income and Expenditure (Note 9)			23,106
		(147,431)	Taxation and Non-specific Grant income (Note 10)			(155,076)
		(35,275)	(Surplus)/deficit on provision of services			16,756
		(158)	Valuation (gains)/losses in Fair Value of investments			648
		(23,826)	(Surplus)/deficit on revaluation of non current assets			(94,452)
		(35,317)	Actuarial gains/(losses) on pension assets/liabilities			101,269
		(59,301)	Other Comprehensive Income & Expenditure			7,465
		(94,576)	Total Comprehensive Income & Expenditure			24,221

Movement in Reserves Statement

MOVEMENT IN RESERVES												
	General Fund Balance (Restated) £'000s	Earmarked Gen Fund Reserves £'000s	Housing Revenue Account £'000s	Earmarked HRA Reserves £'000s	Capital Receipts Reserve £'000s	Major Repairs Reserve £'000s	Capital Grants Unapplied £'000s	Total Usable Reserves (Restated) £'000s	Total Unusable Reserves (Restated) £'000s	Total Authority Reserves (Restated) £'000s	Group Usable Reserves £'000s	Total Group Reserves (Restated) £'000s
Balance as at 31 March 2015												
-As previously reported	(8,839)	(28,457)	(18,345)	(9,000)	(9,753)	-	(23,935)	(98,329)	(70,740)	(169,069)	7,835	(161,234)
-Prior period adjustment	-	-	-	-	-	-	-	-	10,013	10,013	-	10,013
-As restated	(8,839)	(28,457)	(18,345)	(9,000)	(9,753)	-	(23,935)	(98,329)	(60,727)	(159,056)	7,835	(151,221)
Movement in reserves during 2015/16												
(Surplus)/deficit on provision of services	45,849	-	(81,124)	-	-	-	-	(35,275)	-	(35,275)	(1,227)	(36,502)
Other Comprehensive Income & Expenditure	-	-	-	-	-	-	-	-	(59,301)	(59,301)	65	(59,236)
Total Comprehensive Income and Expenditure	45,849	-	(81,124)	-	-	-	-	(35,275)	(59,301)	(94,576)	(1,162)	(95,738)
Adjustments between Group Accounts and Authority Accounts	-	-	-	-	-	-	-	-	-	-	(2,791)	(2,791)
Adjustments between accounting basis and funding basis under regulations (Note 19)	(39,963)	-	77,266	-	(9,132)	-	14,712	42,883	(42,883)	-	-	-
Net (increase)/decrease before Transfers to Earmarked Reserves	5,886	-	(3,858)	-	(9,132)	-	14,712	7,608	(102,184)	(94,576)	(3,953)	(98,529)
Transfers to/(from) Earmarked Reserves (Note 20)	(6,095)	6,095	100	(100)	-	-	-	-	-	-	-	-
(Increase)/ decrease for the year	(209)	6,095	(3,758)	(100)	(9,132)	-	14,712	7,608	(102,184)	(94,576)	(3,953)	(98,529)
Balance as at 31 March 2016	(9,048)	(22,362)	(22,103)	(9,100)	(18,885)	-	(9,223)	(90,721)	(162,911)	(253,632)	3,882	(249,750)

	General Fund Balance (Restated) £'000s	Earmarked Gen Fund Reserves £'000s	Housing Revenue Account £'000s	Earmarked HRA Reserves £'000s	Capital Receipts Reserve £'000s	Major Repairs Reserve £'000s	Capital Grants Unapplied £'000s	Total Usable Reserves (Restated) £'000s	Total Unusable Reserves (Restated) £'000s	Total Authority Reserves (Restated) £'000s	Group Usable Reserves £'000s	Total Group Reserves (Restated) £'000s
Movement in reserves during 2016/17												
Balance as at 31 March 2016												
-As previously reported	(9,048)	(22,362)	(22,103)	(9,100)	(18,885)	-	(9,223)	(90,721)	(177,702)	(268,423)	3,882	(264,541)
-Prior period adjustment	-	-	-	-	-	-	-	-	14,791	14,791	-	14,791
-As restated	(9,048)	(22,362)	(22,103)	(9,100)	(18,885)	-	(9,223)	(90,721)	(162,911)	(253,632)	3,882	(249,750)
(Surplus)/deficit on provision of services	42,313	-	(25,557)	-	-	-	-	16,756	-	16,756	(1,925)	14,831
Other Comprehensive Income & Expenditure	-	-	-	-	-	-	-	-	7,465	7,465	4,612	12,077
Total Comprehensive Income and Expenditure	42,313	-	(25,557)	-	-	-	-	16,756	7,465	24,221	2,687	26,908
Adjustments between accounting basis and funding basis under regulations (Note 19)	(25,441)	-	23,256	-	(1,313)	-	512	(2,986)	2,986	-	-	-
Net (increase)/decrease before Transfers to Earmarked Reserves	16,872	-	(2,301)	-	(1,313)	-	512	13,770	10,451	24,221	2,687	26,908
Transfers to/(from) Earmarked Reserves (Note 20)	(14,324)	14,324	224	(224)	-	-	-	-	-	-	-	-
(Increase)/ decrease for the year	2,548	14,324	(2,077)	(224)	(1,313)	-	512	13,770	10,451	24,221	2,687	26,908
Balance as at 31 March 2017	(6,500)	(8,038)	(24,180)	(9,324)	(20,198)	-	(8,711)	(76,951)	(152,460)	(229,411)	6,569	(222,842)

Balance Sheet

31st March 2015 (Restated) £ '000	31st March 2016 (Restated) £ '000	Note	£ '000	31st March 2017 £ '000
328,531	399,644	Council Dwellings	465,945	
247,352	291,700	Other Land and Buildings	337,479	
20,394	20,542	Vehicles, Plant and Equipment	21,749	
189,398	194,814	Infrastructure	194,561	
11,539	11,711	Community Assets	12,303	
-	-	Assets under construction	325	
5,000	4,895	Surplus Assets	29,538	
<u>802,214</u>	<u>923,306</u>	Property, Plant & Equipment		1,061,900
825	917	Heritage Assets	1,113	
32,033	29,046	Investment Property	25,910	
258	190	Intangible Assets	115	
8,742	15,913	Long Term Investments	18,617	
8,675	9,344	Long Term Debtors	8,996	
<u>50,533</u>	<u>55,410</u>			<u>54,751</u>
852,747	978,716	Long Term Assets		1,116,651
6,347	3,291	Assets Held for Sale	440	
15,000	-	Short term investments	-	
154	254	Inventories	254	
36,900	28,202	Short Term Debtors	23,286	
26,528	8,324	Cash and Cash Equivalents	22,146	
<u>84,929</u>	<u>40,071</u>	Current Assets		46,126
937,676	1,018,787	Total Assets		1,162,777
(9,525)	(21,074)	Short Term Borrowing	(62,241)	
(61,117)	(47,560)	Short Term Creditors	(67,285)	
-	(11,450)	Short Term Provisions	(7,479)	
-	(1,622)	Deferred Income	-	
(11,008)	(8,841)	Grants Received in Advance	(9,632)	
<u>(81,650)</u>	<u>(90,547)</u>	Current Liabilities		(146,637)
856,026	928,240	Total Assets less Current Liabilities		1,016,140
(33,777)	(32,780)	PFI Lease Liabilities	(31,535)	
-	-	PFI Deferred Income	(1,637)	
(11,120)	(13,320)	Long Term Provisions	(14,320)	
(301,116)	(294,522)	Long Term Borrowing	(288,273)	
(350,957)	(333,986)	Liability relating to defined benefit pension scheme	(450,964)	
<u>(696,970)</u>	<u>(674,608)</u>	Long Term Liabilities		(786,729)
<u>159,056</u>	<u>253,632</u>	Net Assets		<u>229,411</u>
(98,329)	(90,721)	<i>Financed by:</i> Usable Reserves	(76,951)	
(60,727)	(162,911)	Unusable Reserves	(152,460)	
<u>(159,056)</u>	<u>(253,632)</u>	Total Reserves		<u>(229,411)</u>

Cashflow Statement

31st March 2016 (Restated) £ '000	31st March 2017 £ '000
(35,275) Net (surplus)/deficit on the provision of services	16,756
Adjust net surplus or deficit on the provision of services for non-cash (10,500) movements (Note A)	(61,381)
Adjust for items included in the net surplus or deficit on the provision of 28,576 services that are investing and financing activities (Note A)	32,717
<u>(17,199) Net cash flows from Operating Activities</u>	<u>(11,908)</u>
34,047 Investing Activities (Note C)	34,600
1,356 Financing Activities (Note D)	(36,514)
<u>18,204 Net (increase)/decrease in cash and cash equivalents</u>	<u>(13,822)</u>
26,528 Cash and cash equivalents at the beginning of the reporting period	8,324
8,324 Cash and cash equivalents at the end of the reporting period	22,146

Notes to the Cashflow statement are provided in note 42

Notes to the Accounts

1. Accounting Policies

i. General Principles

The Statement of Accounts summarises the Council's transactions for the 2016/17 financial year and its position as at the 31 March 2017.

The Council is required to prepare an annual Statement of Accounts by the Accounts and Audit Regulations 2015, which require the accounts to be prepared in accordance with proper accounting practices. These practices primarily comprise *the CIPFA Code of Practice on Local Authority Accounting in the United Kingdom 2016/17 (the Code)*, supported by International Financial Reporting Standards (IFRS).

The accounting convention adopted in the Statement of Accounts is principally historical cost, modified by the revaluation of certain categories of non-current assets and financial instruments. The Statement of Accounts has been prepared on a "going concern" basis.

ii. Accruals of Income and Expenditure

Activity is accounted for in the year that it takes place, not simply when cash payments are made or received. In particular:

- Revenue from the sale of goods is recognised when the Council transfers the significant risks and rewards of ownership to the purchaser and it is probable that economic benefits associated with the transaction will flow to the Council.
- Revenue from the provision of services is recognised when the authority can measure reliably the percentage of completion of the transaction and it is probable that economic benefits or service potential associated with the transaction will flow to the authority.
- Supplies are recorded as expenditure when they are consumed - where there is a gap between the date supplies are received and their consumption, they are carried as inventories on the Balance Sheet.
- Expenses in relation to services received (including services provided by employees) are recorded as expenditure when the services are received rather than when payments are made.
- Interest receivable on investments and payable on borrowings is accounted for respectively as income and expenditure on the basis of the effective interest rate for the relevant financial instrument.
- When revenue or expenditure is recognised, but the cash has not transferred, a debtor or creditor for the relevant amount is included in the Balance Sheet.

Where debts may not be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.

iii. **Cash and Cash Equivalents**

Cash is represented by cash in hand and on-demand deposits with financial institutions repayable without penalty on notice of not more than 24 hours.

Cash equivalents are highly liquid investments that mature in not more than seven days from the acquisition date and are readily convertible to known amounts of cash with insignificant risk of value change.

In the balance sheet, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and form an integral part of the Council's cash management.

iv. **Employee Benefits**

Benefits Payable during employment

Short-term employee benefits are those due to be settled wholly within 12 months of the year-end. They include such benefits as wages and salaries, paid annual leave, paid sick leave, bonuses and non-monetary benefits (eg cars) for current employees and are recognised as an expense for services in the year in which employees render service to the authority. An accrual is made for the cost of holiday entitlements (or any form of leave, eg time off in lieu) earned by employees but not taken before the year-end which employees can carry forward into the next financial year. The accrual is made at the wage and salary rates applicable in the following accounting year, being the period in which the employee takes the benefit. The accrual is charged to the Provision of Services, but then reversed out through the Movement in Reserves Statement so that holiday entitlements are charged to revenue in the financial year in which the holiday absence occurs.

Termination Benefits

Termination benefits are amounts payable as a result of a decision by the Council to terminate an Officer's employment before the normal retirement date or an Officer's decision to accept voluntary redundancy in exchange for those benefits. Costs are charged on an accruals basis to the Corporate Support Services line in the Comprehensive Income and Expenditure Statement at the earlier of when the Council can no longer withdraw the offer of the benefits or when the Council recognises costs for a restructuring.

Post Employment Benefits

Employees of the Council may be members of one of three separate pension schemes:

- a) The Teachers' Pension Scheme, administered by Capita Teachers' Pensions on behalf of the Department for Education (DfE);

- b) The Local Government Pension Scheme (LGPS), administered by the Royal Borough of Windsor and Maidenhead;
- c) The National Health Service Pension scheme.

All of the above schemes provide defined benefits to members (e.g. retirement lump sums and pensions).

However, the arrangements for the Teachers' Pension Scheme and the NHS Pension Scheme mean that liabilities for these benefits cannot be identified to the Council. These schemes are, therefore, accounted for as if they are Defined Contributions Schemes and no liability for future payment of benefits is recognised in the Balance Sheet. Children, Education and Early Help Services and Adult Care and Health Service lines in the Comprehensive Income and Expenditure Statement are charged with the employer's contributions payable to the Teachers' and NHS Pension schemes in year.

The Local Government Pension Scheme

The Local Government Pension Scheme (LGPS) is accounted for as a Defined Benefits Scheme.

The liabilities of the Berkshire Pension Fund attributable to the Council are included in the Balance Sheet on an actuarial basis using the projected unit method, i.e. an assessment is made of the future payments that will be made in relation to retirement benefits earned to date by scheme members based on assumptions about mortality rates, employee turnover, etc., and projected earnings of current members.

Liabilities are measured on an actuarial basis discounted to present value using the projected unit method. The discount rate used is determined in reference to the market yields of high quality corporate bonds at 31 March.

The assets of Berkshire Pension Fund, attributable to the Council, are included in the Balance Sheet at their fair value:

- quoted securities - current bid price
- unquoted securities - professional estimate
- unitised securities - current bid price
- property - market value

Service costs of the LGPS Defined Benefits Scheme are recognised as a charge in the Comprehensive Income and Expenditure Statement (CIES) against the services for which employees worked. Net interest expenses on the defined liability are included in the 'Financing and Investment' line within the CIES. Gains and losses on settlements are recognised in the 'Corporate Support

Services' line within the CIES. Actuarial gains and losses are recognised in the 'Other Comprehensive Income and Expenditure' line within the CIES.

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

Discretionary Benefits

The Council has restricted powers to make discretionary awards of retirement benefits in the event of early retirements. Any liabilities estimated to arise as a result of an award to any member of staff (including teachers) are accrued in the year of the decision to make the award and are accounted for on the same basis as Defined Benefit Schemes.

v. Financial Instruments

Financial instruments are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value and carried at their amortised cost.

Financial Liabilities

Financial liabilities are initially measured at fair value and are subsequently carried at amortised cost. For most of the borrowings that the Council has, this means that the amount presented in the Balance Sheet is the outstanding principal repayable plus accrued interest; and interest charged to the Comprehensive Income and Expenditure Statement is the amount payable for the year according to the loan agreement.

Annual charges to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement are based on the carrying amount of the liability, multiplied by the effective rate of interest for the instrument.

For non-PWLB loans the fair value is deemed to be the standard new loan rate also published by the PWLB on 31 March 2017.

Financial Assets

Financial assets are classed as loans and receivables measured at amortised cost.

Financial assets classed as available for sale have been valued at fair value - for further details please refer to Note 37.

Where assets become impaired because of a likelihood arising from a past event that payments due under the contract will not be made, the asset is written down

and a charge made to the relevant service (for receivables specific to that service) or the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. The impairment loss is measured as the difference between the carrying amount and the present value of the revised future cash flows discounted at the asset's original effective interest rate. Any gains and losses that arise on the de-recognition of the asset are credited or debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

Available-for-Sale Assets

Unrealised gains and losses in the fair value of available for sale assets are reported in the Other Comprehensive Income and Expenditure section of the CIES and held on the Balance Sheet in the Available for Sale Reserve until the assets are derecognised. Interest and dividend income is reported in the Financing and Investment Income and Expenditure line within the CIES.

vi. Government Grants and Contributions

Whether paid on account, by instalment or in arrears, government grants and third party contributions are recognised as due to the Council when there is reasonable assurance that:

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

Income is only recognised in the Comprehensive Income and Expenditure Statement once any conditions attached to the contribution or grant have been met. A condition can stipulate how an asset purchased with grant can be used, or a service provided, with the risk of having to repay the grant to the awarding body if the conditions are not complied with.

Grants and contributions received where the conditions have not been satisfied are carried on the Balance Sheet as creditors. When conditions are satisfied or there are no conditions, the grant or contribution is credited to the relevant service line (for revenue grants and contributions) or Taxation and Non-Specific Grant (for non-ringfenced revenue grants and all capital grants) in the Comprehensive Income and Expenditure Statement.

Where capital grants are credited to the Comprehensive Income and Expenditure Statement, they are reversed out of the General Fund Balance in the Movement in Reserves Statement. Where the grant has yet to be used to finance capital expenditure, it is posted to the Capital Grants Unapplied Reserve. Where it has been applied, it is posted to the Capital Adjustment Account. Amounts in the Capital Grants Unapplied Reserve are transferred to the Capital Adjustment Account once they have been applied to fund capital expenditure.

vii. Interests in Companies and Other Entities

Companies

The Council has interests in five wholly owned subsidiary companies, which:

- are carried on the Council Balance Sheet at historic cost less any provision for impairment and;
- where material and actively trading they have been consolidated into the Council's Group Accounts on a line by line basis after first re-aligning accounting policies with the Council where appropriate and eliminating intra-Group transactions.

Schools

Schools maintained by the Council are recognised on the Balance Sheet as the balance of control lies with the Council. Consequently all those schools' assets, liabilities, reserves and cash flows are recognised in the Council's financial statements (and not the Group Accounts). Voluntary Aided and Voluntary Controlled schools are not recognised on the Council's Balance Sheet as the balance of control for those schools lies with the respective dioceses.

viii. Investment Property

ix.

Investment properties are initially measured at cost and subsequently at fair value. Properties are not depreciated but are revalued annually according to property market conditions at the year-end.

Revaluation gains and losses are recognised in the Financing and Investment Income and Expenditure line within the Comprehensive Income and Expenditure Statement. However, regulations do not permit unrealised gains and losses to impact the General Fund balance. Therefore gains and losses are reversed via the Movement in Reserves Statement and posted to the Capital Adjustment Account.

x. Leases

Council as Lessor

- *Finance leases*

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

Income from lessees is apportioned between:

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

- *Operating Leases*

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

xi. Overhead and support service recharges

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

xii. Prior period adjustments

Prior period adjustments have been recognised to correct material errors discovered in prior accounting years. These have been corrected retrospectively by adjusting the opening Balance Sheet for 2015/16 and all affected comparative amounts for 2015/16 and are disclosed at Note 2.

xiii. Property, Plant and Equipment

Recognition

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

Measurement

Assets are initially valued at cost including:

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

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

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

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

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

Asset type	Valuation basis
Infrastructure, community assets, vehicles, plant and equipment	Depreciated historic cost
Council Dwellings	Current value determined using Existing Use Value for Social Housing (EUV-SH)
Assets under Construction	Historic cost
Surplus Assets	Fair value, estimated at highest and best use from a market participant's perspective.
All other Property, Plant and Equipment assets	Current value, determined as the amount that would be paid for an asset based on its Existing Use Value (EUV)

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

Assets included in the Balance Sheet at current value are revalued sufficiently regularly to ensure that their carrying amounts are not materially different from the current value at the year-end, but as a minimum every five years. The Revaluation Reserve contains revaluation gains recognised since 1 April 2007 only - the date of its formal implementation. Gains arising before that date have been consolidated into the Capital Adjustment Account. Exceptionally, gains might be credited to the Comprehensive Income and Expenditure Statement where they arise from the reversal of a loss previously charged to a service, adjusted for depreciation that would have been charged if the loss had not been recognised.

Impairment

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

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

Depreciation

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

Depreciation is calculated on the following bases:

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

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

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

Disposals

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

xiv. Service Concessions

Service concessions e.g. Private Finance Initiatives (PFI) and similar contracts are contracts to receive services, where the responsibility for making available the property, plant and equipment needed to provide the services passes to the contractor. The Council recognises the assets used under the contracts on its Balance Sheet within Property, Plant and Equipment, because ownership of the

property, plant and equipment will pass to the Council at the end of the contract terms for no additional charge.

The original recognition of these assets at current value (based on the cost to purchase the property, plant and equipment) was balanced by the recognition of a liability for amounts due to the scheme operator to pay for the capital investment. Non-current assets recognised on the Balance Sheet are revalued and depreciated in the same way as property, plant and equipment owned by the authority.

xv. Provisions, Contingent Liabilities and Contingent Assets

Provisions

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

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

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

Contingent Liabilities

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

Contingent Assets

A contingent asset arises where an inflow of economic resources arising from a past event is uncertain and depends on uncertain future events not wholly within the control of the Council.

Contingent Assets are not included in the Balance Sheet but are identified within the relevant Note to the Statement of Accounts.

xvi. Reserves

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

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

xvii. Revenue Expenditure Funded from Capital Under Statute (REFCUS)

Legislation requires defined items of revenue expenditure charged to services within the Comprehensive Income and Expenditure Statement to be treated as capital expenditure. All such expenditure is transferred from the General Fund Balance via the Movement in Reserves Statement to the Capital Adjustment Account and is included in the Capital Expenditure and Financing disclosure at Note 28.

xviii. Value Added Tax (VAT)

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

2. Prior Period Adjustments

2.1 Collection Fund

During the year under review errors were identified relating to the accounting entries for the Collection Fund in previous financial years. These related to entries in respect of business rates affecting the appeals provision, creditors balances and the Collection Fund Adjustment Account. As the amounts involved are considered to be material the correction of these errors has been treated as a prior period adjustment with the result that the comparatives for the previous year and the 2014-15 balance sheet have been restated.

2.1 Infrastructure Assets

Infrastructure assets have historically been depreciated on the reducing balance basis, which is not in line with the accounting policy of the Council which is to depreciate such assets on the straight line basis. This incorrect accounting treatment has been prevalent since the Council was formed several years ago. Detailed recalculations have been carried out to determine the extent of this error which indicate that depreciation has been materially understated in the prior years. As a result the accounts for 2015-16 have been restated as well as the 2014-15 balance sheet.

The impact of these prior period adjustments are as follows:

Effect on the Opening Balance Sheets

	Balance Sheet at 31 March 2015				Balance Sheet at 31 March 2016			
	Balances at Restatement		Restatement	Restated	Balances at Restatement		Restatement	Restated
	31 March	Collection	Infrastructure	Balances at	31 March	Collection	Infrastructure	Balances at
	2015	Fund		31 March	2016	Fund		31 March
	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s
Vehicles, plant and equipment	10,045	-	10,349	20,394	8,992	-	11,550	20,542
Infrastructure	206,232	-	(16,834)	189,398	213,183	-	(18,369)	194,814
Total Property, plant and equipment	808,699	-	(6,485)	802,214	930,125	-	(6,819)	923,306
Total Long term Assets	859,232	-	(6,485)	852,747	985,535	-	(6,819)	978,716
Short Term Debtors	37,060	(160)	-	36,900				
Total Current Assets	85,089	(160)	-	84,929				
Short Term Creditors	(57,749)	(3,368)	-	(61,117)	(36,525)	(11,035)	-	(47,560)
Short Term Provisions					(14,513)	3,063	-	(11,450)
Total Current Liabilities	(79,236)	(3,368)	-	(82,604)	(83,595)	(7,972)	-	(91,567)
Net Assets	169,069	(3,528)	(6,485)	159,056	268,423	(7,972)	(6,819)	253,632
Capital Adjustment Account	(340,712)		6,485	(334,227)	(411,173)		6,819	(404,354)
Collection Fund Adjustment Account	(3,342)	3,528		186	(4,754)	7,972		3,218
Total Unusable Reserves	(70,740)	3,528	6,485	(60,727)	(177,702)	7,972	6,819	(162,911)
Total Reserves	(169,069)	3,528	6,485	(159,056)	(268,423)	7,972	6,819	(253,632)

Notes to the Accounts

Effect on the Comprehensive Income and Expenditure Statement 2015-16

	As Previously Stated 2015-16 £000s	Restatement Collection Fund £000s	Restatement Infrastructure £000s	Restated 2015-16 £000s
Gross Expenditure				
Corporate Support Services	119,027	4,444	-	123,471
Environment and Neighbourhood Services	83,138	-	334	83,472
Net Cost of Services	77,893	4,444	334	82,671
(Surplus)/deficit on provision of services	(40,053)	4,444	334	(35,275)
Total Comprehensive Income & Expenditure	(99,354)	4,444	334	(94,576)

Movement in Reserves Statement

	Usable Reserves				Unusable Reserves			
	As Previously Stated 2015-16 £000s	Restatement Collection Fund £000s	Restatement Infrastructure £000s	Restated 2015-16 £000s	As Previously Stated 2015-16 £000s	Restatement Collection Fund £000s	Restatement Infrastructure £000s	Restated 2015-16 £000s
Balance at 31 March 2015	(98,329)	-	-	(98,329)	(70,740)	3,528	6,485	(60,727)
(Surplus)/deficit on provision of services	(40,053)	4,444	334	(35,275)				
Total comprehensive income & expenditure	(40,053)	4,444	334	(35,275)				
Adjustments between accounting basis and funding basis under regulations								
Charges for depreciation and impairment of non-current assets	5,009	-	(334)	4,675	(5,009)	-	334	(4,675)
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	1,412	(4,444)	-	(3,032)	(1,412)	4,444	-	3,032
Net(increase)/decrease before transfers to earmarked reserves	7,608	-	-	7,608	(106,962)	4,444	334	(102,184)
(Increase)/decrease in year	(209)	-	-	(209)	(106,962)	4,444	334	(102,184)
Balance at 31 March 2016	(90,721)	-	-	(90,721)	(177,702)	7,972	6,819	(162,911)

Movement in Reserves Statement-Total Reserves

	As Previously Stated 2015-16 £000s	Restatement Collection Fund £000s	Restatement Infrastructure £000s	Restated 2015-16 £000s
Balance at 31 March 2015	(169,069)	3,528	6,485	(159,056)
(Surplus)/deficit on provision of services	(40,053)	4,444	334	(35,275)
Total comprehensive income & expenditure	(99,354)	4,444	334	(94,576)
Net (increase)/decrease before transfers to earmarked reserves	(99,354)	4,444	334	(94,576)
(Increase)/decrease in year	(99,354)	4,444	334	(94,576)
Balance at 31 March 2016	(268,423)	7,972	6,819	(253,632)

3. Critical judgements in applying accounting policies

In the course of applying the Accounting Policies detailed above, the Council has made certain key decisions regarding complex transactions. The critical judgements made within this Statement of Accounts are:

- There is a high degree of uncertainty regarding future levels of funding for Local Government and the impact of the decision for Britain to leave the Economic Union (EU) remains unclear. However, the Council takes the view that this uncertainty is not yet sufficient indication that the value of the Council's assets might need to be impaired due to reduced levels of service provision or the need to close associated facilities;
- Waste and Housing service concessions - the Council is deemed to control the services and the residual assets created under both the waste management contract with RE3 Ltd and the housing contract with Affinity (Reading) Ltd. The accounting policies for service concessions have been applied to these contracts, with assets valued at £107m (£76m 2015-16) recognised within the Council's Balance Sheet;
- The Council has a number of properties for which it receives rental income. The nature of these holdings has been assessed against the Code requirements for Investment Properties in line with IAS 40 *Investment*

Property, and the definition of this asset class. Properties that are held principally for the rental incomes received, or for increases in the capital value of the building, have been treated as Investment Properties, with the income and expenditure resulting from them included within the 'Investment Income' line in the Comprehensive Income and Expenditure Statement (CIES);

- The Council has completed a school by school assessment across the different schools operated within the Borough in order to determine the individual accounting treatments. Judgements have been made to determine the arrangements in place and the accounting treatment of the Non-Current Assets. As a result, the Council recognises school assets for Community schools on the Balance Sheet. The Council does not recognise assets relating to Academies, Voluntary Aided (VA), Voluntary Controlled (VC) or Free Schools as the view has been adopted that these entities were deemed to be owned by the relevant Dioceses or Trust following consultation and review;
- The Council has to determine whether individual leases are Operating or Finance in nature, based upon assessment criteria as outlined in IAS 17 *Leases* and IFRIC 4 *Determining whether or not an arrangement contains a lease*. The relevant accounting policy applied to the lease is based upon the outcome of this assessment;
- The Council is required by the Code to identify and disclose all pooled budget arrangements. The Council has determined that all joint funding and partnership arrangements entered into under the provisions of section 75 of the NHS Act 2006 should be treated as pooled budgets. Two such arrangements have been identified namely the Better Care Fund and the Community Equipment Service. Further details are provided in Note 13;
- Based upon the criteria described in the Code, the Council has undertaken a detailed review to assess the extent of Group accounting relationships. The Council has identified the entities that it consolidates on the basis of materiality in relation to the financial statements. Reading Transport Limited (RTL) is deemed to constitute a material Group interest and this wholly-owned subsidiary has been consolidated within the Group Accounts. The Council has a number of interests in other entities which have been deemed as falling outside the scope of consolidation on the grounds of significant influence and control in line with the Code. Furthermore, the Council's interests in these entities in aggregate are not sufficiently substantial to warrant consolidation within the Group Accounts.

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

The Statement of Accounts contains estimated figures that are based on assumptions made by the authority about the future or that are otherwise uncertain. Estimates are made taking into account historical experience, current trends and other relevant factors. However, because balances cannot be determined with certainty, actual results could be materially different from the assumptions and estimates.

The items in the authority's Balance Sheet at 31 March 2017 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

Property, Plant and Equipment

Assets are depreciated over useful lives that are dependent on assumptions about the level of repairs and maintenance that will be incurred in relation to individual assets. The current economic climate makes it uncertain that the authority will be able to sustain its current spending on repairs and maintenance, bringing into doubt the useful lives assigned to assets.

If the useful life of assets is reduced, depreciation increases and the carrying amount of the assets falls. It is estimated that the annual depreciation charge for buildings would increase by £0.8m for every year that useful lives had to be reduced;

Pension Liability

Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide the authority with expert advice about the assumptions to be applied.

The effects on the net pension liability of changes in individual assumptions can be measured. For instance, a 0.1% increase in the discount rate assumption would result in a decrease in the pension liability of £15.4m. However, the assumptions interact in complex ways;

Arrears

At 31 March 2017, the authority had a balance of sundry debtors of £4.66m. A review of significant balances suggested that an impairment of doubtful debts of £1.12m was appropriate. However, in the current economic climate it is not certain that such an allowance would be sufficient.

If collection rates were to deteriorate, a 1% increase in the value of impairments for doubtful debts would require an additional £50,000 to set aside as an allowance;

Service Concessions

Estimates of the future payments due to contractors are based on assumptions regarding inflation and satisfactory performance as determined by the terms laid out within the contract.

Inflation increases will lead to the Council having to pay over more to the contractor and, therefore, amounts disclosed will be understated. If the contractor's performance is below the service level that has been built into the financial model linked to the Scheme, the contractor will have penalty charges levied against it and therefore the Council's costs will be lower than disclosed. Estimates may also be impacted by other assumptions (e.g. waste volumes). A 1% increase in the amount payable to the contractor due to inflation would result in an estimated additional annual cost of approximately £150,000;

Business ratepayer appeals

Business ratepayers may lodge appeals against the rateable value given to their properties on the current rating list. The Council makes a provision for this in the Collection Fund, estimated as the expenditure required to settle outstanding appeals based on the likely outcome of those appeals. The provision at 31 March 2017 was £10.55m, which is shared between the Council, Central Government and the Fire Authority. The Council's share of this provision is 49%, a total of £5.17m.

The provision at 31 March 2017 has been calculated using information provided by a company specialising in business rate calculations including provisions for appeals. Their calculation has been reviewed and is estimated to be reasonable but at this stage the eventual outcome of all outstanding appeal cases cannot be assessed with certainty. A 1% variance between actual and expected outcomes would increase the Council's share of potential write offs by £50,000.

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

Under the Code of Practice on Local Authority Accounting in the United Kingdom 2016/17(the Code), the Council is required to disclose information setting out the impact of an accounting change required by a new accounting standard that has been issued but not yet adopted by the Code.

As of the 31st March 2017, no new accounting standards have been issued but not yet adopted by the Council.

6. Expenditure and Funding Analysis

2015-16			2016-17		
Expenditure chargeable to GF & HRA balances	Adjustment between funding & accounting basis	Net Expenditure in the CIES	Expenditure chargeable to GF & HRA balances	Adjustment between funding & accounting basis	Net Expenditure in the CIES
(Restated) £'000s	(Restated) £'000s	(Restated) £'000s	£'000s	£'000s	£'000s
42,495	880	43,375	43,033	1,198	44,231
15,568	12,826	28,394	18,078	(703)	17,375
36,557	15,822	52,379	46,267	16,363	62,630
31,893	15,805	47,698	29,576	22,071	51,647
(23,443)	(65,732)	(89,175)	(23,115)	(11,215)	(34,330)
103,070	(20,399)	82,671	113,839	27,714	141,553
(4,885)	9,198	4,313	513	6,660	7,173
32,925	(7,753)	25,172	29,903	(6,797)	23,106
(129,082)	(18,349)	(147,431)	(129,684)	(25,392)	(155,076)
2,028	(37,303)	(35,275)	14,571	2,185	16,756
(27,184)			(31,151)		
2,028			14,571		
(5,995)			(14,100)		
(31,151)			(30,680)		
General Fund	HRA	Total	General Fund	HRA	Total
(8,839)	(18,345)	(27,184)	(9,048)	(22,103)	(31,151)
(209)	(3,758)	(3,967)	2,548	(2,077)	471
(9,048)	(22,103)	(31,151)	(6,500)	(24,180)	(30,680)

The Expenditure and Funding Analysis shows how annual expenditure is used and funded from annual resources (government grants, rents, council tax and business rates).

The Funding Analysis also shows how this expenditure is allocated for decision making purposes between the Council's directorates/services/departments. Income and expenditure accounted for under generally accepted accounting practices is presented more fully in the Comprehensive Income and Expenditure Statement.

7. Note to the Expenditure and Funding Analysis

2015-2016				2016-17			
Adjustments for Capital Purposes (Restated) (Note 1)	Net change for the Pension Adjustments (Note 2)	Other Differences (Restated) (Note 3)	Total Adjustments (Restated) (Note 4)	Adjustments for Capital Purposes (Note 1)	Net change for the Pension Adjustments (Note 2)	Other Differences (Note 3)	Total Adjustments (Note 4)
£'000s	£'000s	£'000s	£'000s	£'000s	£'000s	£'000s	£'000s
(47)	924	3	880				
5,596	1,121	6,109	12,826	635	565	(2)	1,198
13,105	2,691	26	15,822	3,565	258	(4,526)	(703)
14,102	1,688	15	15,805	14,563	1,797	3	16,363
(66,128)	416	(20)	(65,732)	20,914	1,145	12	22,071
(33,372)	6,840	6,133	(20,399)	(11,295)	107	(27)	(11,215)
9,198	0	0	9,198	28,382	3,872	(4,540)	27,714
(19,650)	11,506	391	(7,753)	6,660	-	-	6,660
(16,937)	0	(1,412)	(18,349)	(19,056)	11,838	421	(6,797)
(60,761)	18,346	5,112	(37,303)	(27,022)	-	1,631	(25,391)
				(11,036)	15,710	(2,488)	2,186

Gross expenditure, gross income and net expenditure of continuing operations

Adult Care and Health Services	635	565	(2)	1,198
Corporate Support Services	3,565	258	(4,526)	(703)
Children, Education and Early Help Services	14,563	1,797	3	16,363
Environment and Neighbourhood Services	20,914	1,145	12	22,071
Housing Revenue Account	(11,295)	107	(27)	(11,215)
Cost of Services	28,382	3,872	(4,540)	27,714
Other Operating Expenditure	6,660	-	-	6,660
Financing and Investment Income and Expenditure	(19,056)	11,838	421	(6,797)
Taxation and Non-specific Grant Income	(27,022)	-	1,631	(25,391)
(Surplus) or deficit on provision of services	(11,036)	15,710	(2,488)	2,186

Note 1 Adjustments for Capital Purposes

This column adds in depreciation and impairment and revaluation gains and losses in the services line, and for:

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

Note 2 Net Change for the Pensions Adjustments

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

- **For services** this represents the removal of the employer pension contributions made by the Council as allowed by statute and the replacement with current service costs and past service costs.
- **For Financing and investment income and expenditure** - the net interest on the defined benefit liability is charged to the CIES

Note 3 Other Differences

Other differences between amounts debited/credited to the Comprehensive Income and Expenditure Statement and amounts payable/receivable to be recognised under statute:

- **For Financing and investment income and expenditure** the other differences column recognises adjustments to the General Fund for the timing differences for premiums and discounts.
- The charge under Taxation and non-specific grant income and expenditure represents the difference between what is chargeable under statutory regulations for Council Tax and NDR that was projected to be received at the start of the year and the income recognised under generally accepted accounting practices in the Code. This is a timing difference as any difference will be brought forward in future Surpluses or Deficits on the Collection Fund.

8. Material Items of Income and Expense

Where material items are not disclosed on the face of the Comprehensive Income and Expenditure Statement, the nature and amount of material items are set out below:

The Council has a Public Finance Initiative contract for the provision of Waste Disposal Services. Net service concession payments to the Contractor after recharges are made to partner councils were £9.0m (£8.5m 2015/16);

The Council has a Joint Arrangement with Bracknell Forest Borough Council for Public Health Services. Payments to Bracknell totalled £5.9m (£4.2m 2015/16);

The Council has a Public Finance Initiative contract for the provision of Housing in North Whitley. Service Concession payments to the Contractor were £6.5m (£6.3m 2015/16);

The Council pays its subsidiary, Reading Transport Limited (RTL), for the costs associated with providing free travel under the Concessionary Fares scheme. Payments to RTL totalled £3.8m (£3.7m 2015/16);

When a school transfers to Academy status the associated assets are removed from the Council's Balance Sheet with the value of the asset write-off being recognised within the Other Operating Expenditure section in the Comprehensive Income and Expenditure Statement. One Community Primary School transferred to Academy Status (one school in 2015/16). The amount charged to the CIES was £3.7m (£3.1m 2015/16);

The Council has a contract with a specialist public services company for the provision of IT services. Payments to the Contractor totalled £3.3m (£3.5m 2015/16).

9. Agency Income and Expenditure

The Council is not involved in any formal Agency arrangements. However, following Local Government Reorganisation, various services within Berkshire are provided by one Authority on behalf of the others.

In aggregate, Joint Arrangements administered by various Local Authorities (including Public Health, which is administered by Bracknell Forest Borough Council) cost £34.1m (2015/16: £29.7m).

The Council administered £6.7m (2015/16: £6.5m) of this total. The most significant Joint Arrangements managed by the Council include:

Child Care Lawyers (£4.1m)
 Coroner's Service (£1.3m)
 Berkshire Records Office (£0.8m)

10. Other Operating Expenditure

2015/16		2016/17
£		£
115	Levies	116
921	Payments to the Government Housing Capital Receipts Pool	1,182
3,277	(Gains)/losses on the disposal of non-current assets	5,875
4,313		7,173

11. Financing and Investment Income and Expenditure

2015/16		2016/17
£		£
14,025	Interest payable and similar charges	15,319
11,506	Net interest on the net defined benefit liability (asset)	11,838
(1,595)	Interest receivable and similar income	(1,842)
1,236	Income and expenditure in relation to investment properties and changes in their fair value	(2,209)
25,172		23,106

12. Taxation and Non-Specific Grant Income and Expenditure

2015/16		2016/17
£		£
(70,350)	Council tax income	(72,672)
(52,006)	Non-domestic rates income	(53,067)
22,183	Non-domestic rates expenditure	22,368
(24,295)	Revenue support grant	(16,826)
(6,027)	Other non-ringfenced government grants	(7,857)
(16,936)	Capital grants and contributions	(27,022)
<u>(147,431)</u>		<u>(155,076)</u>

13. Pooled Budgets

The Council is party to a number of pooled budget arrangements for adult social care and support services. Details of these arrangements for 2016/17 are as follows:

The Better Care Fund (BCF)

The BCF is a programme that incorporates both NHS and Local Government organisations. The Fund's primary purpose is to ensure that vulnerable clients are placed at the centre of their own care and support packages so that such individuals are provided with 'wraparound' fully integrated health and social care, resulting in an improved experience and better quality of life. Reading Borough Council has entered into a Pooled Budget Arrangement with South Reading Clinical Commissioning Group (CCG) and North and West Reading CCG. The total value of this Fund at the end of 2016/17 was £10.417m (2015/16: £10.196m), with the Council's budgeted contribution as £0.337m (2015/16: £0.337m). The Council hosted schemes worth £6.649m in total at the end of 2016/17 (2015/16: £6.284m).

Community Equipment Service

The pooled budget for community equipment was established under Section 75 of the NHS Act 2006 with West Berkshire District Council as the lead commissioner. This arrangement exists between the six Berkshire Unitary Authorities and the local Clinical Commissioning Groups covering the same geographical area. 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. West Berkshire District Council purchases the equipment on behalf of the partners and charges them for what they use. In 2016/17, the gross expenditure of the partnership was £7.7m (2015/16: £7.3m), to which the Council contributed £0.44m (2015/16: £0.44m).

14. 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 other sub-committee formed by the Standards Committee.

The total amounts paid to Members and Co-opted Officers during 2016/17 was £452,238 (2015/16: £449,922), split over the following categories:

2015/16		2016/17
£		£
378,230	Basic Allowance	378,390
65,636	Special Responsibility Allowance	69,021
105	Dependent Carer's Allowance	21
2,730	Travelling and Subsistence Allowance	1,585
3,221	Co-optees' Allowance	3,221
<u>449,922</u>		<u>452,238</u>

15. 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:

2016/17

Postholder information	Total Remuneration	Employer's pension contributions	Total remuneration including pension contributions
Managing Director ¹	34,839	5,992	40,831
Director of Environment & Neighbourhood Service	116,129	19,974	136,103
Head of Finance	89,277	15,356	104,633
Head of Customer Services	89,277	15,360	104,637
Head of Legal and Democratic Services ⁴	104,696	18,008	122,704
Director of Adult Care & Health Services ²	97,165	16,705	113,870
Director of Children, Education and Early Help Services ³	67,791	11,282	79,073

- 1 The Managing Director left the Council in June 2016.
- 2 The Director of Adult Care & Health Services left the Council in January 2017.
- 3 The Director of Children, Education and Early Help Services joined the Council in August 2016 as Head of Governance and Business Support. In December 2016 they were then appointed Interim Director of Children, Education and Early Help Services.
- 4 The Head of Legal and Democratic Services received £15,419 fees for acting as the Returning Officer, this is included in the total remuneration figure.

In addition, the Council paid a total of £201,580 to Penna PLC for the provision of an Interim Director of Children, Education and Early Help Services for the period April 2016 to December 2016, Solace In Business Ltd £135,975 for the services of an Interim Managing Director from July 2016 to March 2017, Penna plc £127,791 for the services of an Interim Finance Director from October 2016 to March 2017, and £51,233 to Adecco for the services of an Interim Director of Adult Care & Health Services from February 2017 to March 2017.

2015/16

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	135,000	-	135,000	22,545	157,545
Director of Environment and Neighbourhood Services: Alison Bell ¹	151,018	-	151,018	23,069	174,087
Director of Adult Care and Health Services ²	113,063	-	113,063	18,881	131,944
Director of Children, Education and Early Help Services ³	45,713	57,714	103,427	7,627	111,054
Head of Finance	88,393	-	88,393	14,762	103,155
Head of Customer Services	88,393	-	88,393	14,762	103,155
Head of Legal and Democratic Services ⁴	105,063	-	105,063	17,623	122,686

- 1 The Director of Environment and Neighbourhood Services' salary includes an adjustment of £36,039 relating to the 2013/14 and 2014/15 years following a regrading of her post. Her salary for the year was £114,979.
- 2 The Director of Adult Care and Health Services joined the Council in April 2015, and in addition to her substantive role was the statutory Director of Children's Services between 5 November 2015 and 31 January 2016.
- 3 The Director of Children, Education and Early Help Services joined the Council in July 2015 and left on 5 November 2015.
- 4 The Head of Legal and Democratic Services received £12,281 fees for acting as the Returning Officer, this is included in the total remuneration figure.

In addition, the Council paid a total of £107,777 to Penna PLC for the provision of an Interim Director of Children, Education and Early Help Services for the periods April 2015 to June 2015 and February 2016 to March 2016.

Including the individuals disclosed above for 2016/17, the Council had the following number 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 financial year:

Remuneration band £	2015/16			2016/17		
	Non-schools	Schools	Total Staff Numbers	Non-schools	Schools	Total Staff Numbers
135,000 to 139,999	1	0	1	1	0	1
110,000 to 114,999	0	1	1	0	0	0
100,000 to 104,999	2	0	2	1	1	2
95,000 to 99,999	2	1	3	1	1	2
90,000 to 94,999	1	0	1	0	1	1
85,000 to 89,999	5	1	6	4	1	5
80,000 to 84,999	1	0	1	5	3	8
75,000 to 79,999	3	2	5	2	1	3
70,000 to 74,999	5	6	11	5	7	12
65,000 to 69,999	6	11	17	6	7	13
60,000 to 64,999	5	9	14	9	10	19
55,000 to 59,999	10	7	17	23	6	29
50,000 to 54,999	27	9	36	54	10	64
	68	47	115	111	48	159

16. Exit Packages

As a result of various changes being implemented by the Council, a number of individuals have received Exit Packages, including redundancy compensation. The following table (and prior year comparators) shows those amounts 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 within the amounts disclosed in Note 9 above.

2016/17				
Banding (£)	Voluntary departures	Other departures	Total number of exit packages	Total value of exit packages (£)
100,001 to 150,000	-	1	1	127,911
80,001 to 100,000	-	-	-	-
60,001 to 80,000	-	-	-	-
40,001 to 60,000	1	3	4	193,762
20,001 to 40,000	-	9	9	314,739
1 to 20,000	1	30	31	250,412
	<u>2</u>	<u>43</u>	<u>45</u>	<u>886,824</u>

Band £1 to £20,000 includes 4 exit packages with payments totalling £4,054.09 that relate to 2015/16 departures. The number of 2015/16 departures are not included in the total of exit departures.

2015/16				
Banding (£)	Voluntary departures	Other departures	Total number of exit packages	Total value of exit packages (£)
80,001 to 100,000	-	1	1	90,567
60,001 to 80,000	1	1	2	138,690
40,001 to 60,000	-	1	1	44,019
20,001 to 40,000	1	5	6	173,035
1 to 20,000	15	15	30	311,645
	<u>17</u>	<u>23</u>	<u>40</u>	<u>757,956</u>

17. Related Parties Transactions

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

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

- Elected Members;
- Chief Executive;
- Members of the Corporate Management Team (CMT). Additional details of these Officers are provided in Note 15)

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

One Member is the Chief Executive of Berkshire Women's Aid (BWA) and one Member has declared that their partner is employed by 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 (total

Council expenditure and grant funding in 2016/17 being £516k (2015/16: £400k). The majority of this is for the provision of contracted services and BWA is also in receipt of a sundry grant sum from the Council.

One Member has a partner who is employed by Reading Borough Council as a Social Worker.

Five Members sit on the Board of Readibus. This Charity has been established to provide a Scheme for the transportation of elderly and temporarily or permanently disabled people within Reading and the surrounding district. The Council is the major grant funding body for Readibus. In total during 2016/17, the Council incurred costs of £767k (2015/16: £793k) with Readibus, of which £390k (2015/16: £388k) was for grant funding, with the balance allocated to the provision of services.

No members of CMT declared any material financial interests during 2016/17 or 2015/16.

Transactions with Central Government

Central Government has an effective general control over the operations of the Council. It is responsible for providing the statutory framework within which the Council operates, provides a significant portion of the Council's funding in the form of grants and prescribes the terms of many of the transactions that the Council has with other parties. Details of the transactions with other Government departments include items reported within Note 26 *Capital and Revenue Grants* and Note 20 *Capital Expenditure*.

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 13 *DACHS Pooled Budgets*.

Transactions with Bodies wholly owned or controlled by the Council

The Council has substantial interests in 5 companies (Reading Transport Limited, Homes for Reading Limited and the three companies making up the REDCO Group). Full details of the Council's interest in Reading Transport Limited are described in the Group Accounts. Included within the Council's Cost of Services line in the Comprehensive Income and Expenditure Statement is £4.9m (2015/16: £5.1m) of expenditure that the Council has incurred with this entity. Homes for Reading Limited has not yet traded and REDCO is dormant.

Transactions with Bodies where the Council can exhibit 'significant influence'

The Council holds 49% of the shareholding of Reading-Hampshire Property Partnership (RHPP); this is a Joint Venture between the Council and Hampshire County Council and provides services to support work on property, notably the Primary School Expansion Programme. The Council has been assessed as being able to exert significant influence over the organisation but as transactions with RHPP total £1.8m (2015/16: less than £2.6m) and the entity has no assets, RHPP has been excluded from the Group Accounts on materiality grounds.

The Council's Leader and Managing Director are on the Board of Reading UK CIC, a community interest company that manages the Town Centre Business Improvement District and various other Economic and Business Development activities. All the staff working for the company are seconded from the Council. Although the company's constitution provides that Council connected director's votes are diluted to a weight of less than 20% should they numerically exceed that (which did not happen during 2016/17), the Council does exhibit some influence as the majority of the turnover is derived directly or indirectly from the Council.

18. Dedicated Schools Grant

School funding is provided to Local Authorities by means of a ring-fenced grant from the Department for Education. The split between individual schools is by a formula agreed by local schools through the Schools' Forum; the Forum also agrees the split between the total amount devolved to schools and the amount retained by the Council for central expenditure. Details of the deployment of DSG amounts receivable in 2016/17 is as follows:

Notes to the Accounts

	Central Expenditure	ISB*	Total
	£ '000	£ '000	£ '000
Final DSG for 2016/17 before Academy recoupment	(23,795)	(87,844)	(111,639)
Academy figure recouped for 2016/17	1,766	32,740	34,506
Total DSG after Academy recoupment for 2016/17	<u>(22,029)</u>	<u>(55,104)</u>	<u>(77,133)</u>
Plus: Brought forward from 2015/16	1,171	-	1,171
Less: Carry forward to 2017/18 agreed in advance	-	-	-
Agreed initial budgeted distribution in 2016/17	<u>(20,858)</u>	<u>(55,104)</u>	<u>(75,962)</u>
In year adjustments	-	(8)	(8)
Final budgeted distribution for 2016/17	<u>(20,858)</u>	<u>(55,112)</u>	<u>(75,970)</u>
Less: actual central expenditure	20,995	-	20,995
Less: actual ISB deployed to schools*	-	55,112	55,112
Plus: Local Authority contribution for 2016/17	(137)	-	(137)
Carry-forward to 2017/18	<u><u>-</u></u>	<u><u>-</u></u>	<u><u>-</u></u>

Authority schools and Early Years Single Funding Formula allocations to Private, Voluntary and Independent providers within the Borough.

19. Audit fees

The Council's external auditors are EY. The financial year to 31 March 2017 is the second year of a three year appointment. The amounts payable by the Council to EY for external audit services are as follows:

2015/16 £ '000	2016/17 £ '000
117 Fees payable to external auditors with regard to external audit services	225
20 Fees payable to external auditors for the certification of grant claims	27
- Fees payable for any other services provided by the external auditor	6
137	258

20. Post Balance Sheet Events

Since 1 April 2017, a limited company named Brighter Futures for Children has been established to operate Children Services. A grant of £2.9m to implement the project has been approved by the Secretary of State. Further details of the project are available on the Council's website see <http://news.reading.gov.uk/brighter-futures/>.

21. Expenditure and Income Analysed by Nature

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

Although employees of Voluntary Aided and Foundation Schools are not employees of the Council, in terms of requirements of the Code, they are required to be consolidated into the single entity accounts of the Council. Accordingly employee benefits expenses include employee costs relating to these organisations.

2015/16 (Restated) £ '000	2016/17 £ '000
145,258 Employee benefits expenses	148,693
(43,847) Depreciaton, amortisation, impairment	15,881
34,009 Interest payments	27,157
301,140 Other service expenses	287,994
22,183 NNDR Tariff	22,368
921 Payments to Housing Capital Receipts Pool	1,182
14,857 Carrying Amount of Non-Current Asset Disposals	11,426
<u>474,521</u> Total Expenditure	<u>514,701</u>
(128,041) Revenue from external customers and other service income	(131,016)
(1,783) Interest and investment income	(1,842)
(122,355) Income from Council Tax and NDR	(125,739)
(246,037) Government grants and contributions	(233,709)
(11,580) Proceeds from the Disposal of Non-Current Assets	(5,639)
<u>(509,796)</u> Total Income	<u>(497,945)</u>
<u>(35,275)</u> (Surplus)/deficit on provision of services	<u>16,756</u>

Segmental Income

Income (Revenue from external customers and other service income) received on a segmental basis is analysed below:

2015/16 (Restated) £ '000	2016/17 £ '000
(9,877) Adult Care and Health Services	(7,629)
(21,506) Corporate Support Services	(21,512)
(23,473) Children, Education and Early Help Services	(19,841)
(35,001) Environment and Neighbourhood Services	(43,593)
(38,184) Housing Revenue Account	(38,441)
<u>(128,041)</u>	<u>(131,016)</u>

22. Amounts included in the Movement in Reserves Statement

	General Fund Balance (Restated) £'000	Earmarked Gen Fund Reserves £'000	Housing Revenue Account £'000	Earmarked HRA Reserves £'000	Capital Receipts Reserve £'000	Major Repairs Reserve £'000	Capital Grants Unapplied Reserves £'000	Total Usable Reserves (Restated) £'000	Total Unusable Reserves (Restated) £'000	Total Authority Reserves (Restated) £'000
2015-16										
Balance as at 31 March 2015										
-As previously reported	(8,839)	(28,457)	(18,345)	(9,000)	(9,753)	-	(23,935)	(98,329)	(70,740)	(169,069)
-Prior period adjustment	-	-	-	-	-	-	-	-	10,013	10,013
-As restated	(8,839)	(28,457)	(18,345)	(9,000)	(9,753)	-	(23,935)	(98,329)	(60,727)	(159,056)
Movement in reserves during 2015/16										
(Surplus)/deficit on provision of services	45,849	-	(81,124)	-	-	-	-	(35,275)	-	(35,275)
(Surplus)/deficit on revaluation of non-current assets	-	-	-	-	-	-	-	-	(23,826)	(23,826)
Valuation (gains)/losses in Fair Value of investments	-	-	-	-	-	-	-	-	(158)	(158)
Actuarial remeasurements	-	-	-	-	-	-	-	-	(35,317)	(35,317)
Total Comprehensive Income and Expenditure	45,849	-	(81,124)	-	-	-	-	(35,275)	(59,301)	(94,576)
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	(23,618)	-	28,293	-	-	-	-	4,675	(4,675)	-
Revaluation (gains) / losses on Property plant and equipment	-	-	37,835	-	-	-	-	37,835	(37,835)	-
Movements in the market value of investment properties	1,121	-	-	-	-	-	-	1,121	(1,121)	-
Amortisation of intangible assets	(117)	-	-	-	-	-	-	(117)	117	-
Capital grants and contributions applied	-	-	-	-	-	-	31,649	31,649	(31,649)	-
Revenue expenditure funded from capital under statute	(9,769)	-	-	-	-	-	-	(9,769)	9,769	-
Amounts of non-current assets write off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure	(11,875)	-	(6,008)	-	-	-	-	(17,883)	17,883	-
Statutory provision for the financing of capital investment	4,966	-	4,554	-	-	-	-	9,520	(9,520)	-
Capital expenditure charged against the General Fund and HRA balances	215	-	588	-	-	-	-	803	(803)	-
Adjustments primarily involving the Capital Grants Unapplied Account:										
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	16,937	-	-	-	-	-	(16,937)	-	-	-

Notes to the Accounts

	General Fund Balance (Restated) £'000	Earmarked Gen Fund Reserves £'000	Housing Revenue Account £'000	Earmarked HRA Reserves £'000	Capital Receipts Reserve £'000	Major Repairs Reserve £'000	Capital Grants Unapplied Reserves £'000	Total Usable Reserves (Restated) £'000	Total Unusable Reserves (Restated) £'000	Total Authority Reserves (Restated) £'000
2015-16(continued)										
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	3,515	-	6,091	-	(9,606)	-	-	-	-	-
Use of the Capital Receipts Reserve to finance new capital expenditure	-	-	-	-	937	-	-	937	(937)	-
Contribution from the Capital Receipts Reserve to finance the payments to the Government capital receipts pool	(921)	-	-	-	921	-	-	-	-	-
Transfer from Deferred Capital Receipts Reserve upon receipt of cash	2,054	-	-	-	(400)	-	-	1,654	(1,654)	-
Repayment of Long Term Debtors	-	-	-	-	(984)	-	-	(984)	984	-
Adjustment primarily involving the Major Repairs Reserve:										
Reversal of notional Major Repairs Allowance credited to the HRA	-	-	6,900	-	(6,900)	-	-	-	-	-
Use of the Major Repairs Reserve to finance new capital expenditure	-	-	-	-	6,900	-	6,900	(6,900)	-	-
Adjustments primarily involving the Financial Instruments Adjustment										
Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are difference from finance costs chargeable in the year in accordance with regulation	(391)	-	-	-	-	-	-	(391)	391	-
Adjustment primarily involving the Pensions Reserve:										
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	(30,156)	-	(1,283)	-	-	-	-	(31,439)	31,439	-
Employer's pension contributions and direct payments to pensioners payable in	12,817	-	276	-	-	-	-	13,093	(13,093)	-
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	(3,032)	-	-	-	-	-	-	(3,032)	3,032	-
Adjustment primarily involving the Unequal Pay Back Pay Adjustment										
Amount by which amounts charged for Equal Pay claims to the Comprehensive Income and Expenditure Statement are different from the cost of settlements chargeable in the year in accordance with statutory requirements	(1,650)	-	-	-	-	-	-	(1,650)	1,650	-
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	(59)	-	20	-	-	-	-	(39)	39	-
Adjustments between accounting basis and funding basis under regulations	(39,963)	-	77,266	-	(9,132)	-	14,712	42,883	(42,883)	-
Net (increase)/decrease before Transfers to Earmarked Reserves	5,886	-	(3,858)	-	(9,132)	-	14,712	7,608	(102,184)	(94,576)
Transfers (to)/ from Earmarked Reserves	(6,095)	6,095	100	(100)	-	-	-	-	-	-
(Increase)/ decrease for the year	(209)	6,095	(3,758)	(100)	(9,132)	-	14,712	7,608	(102,184)	(94,576)
Balance as at 31 March 2016	(9,048)	(22,362)	(22,103)	(9,100)	(18,885)	-	(9,223)	(90,721)	(162,911)	(253,632)

Notes to the Accounts

2016/17	General Fund Balance £'000	Housing Revenue Account £'000	Capital Receipts Reserve £'000	Major Repairs Reserve £'000	Capital Grants Unapplied £'000	Total Usable Reserves £'000	Total Unusable Reserves £'000	Total Authority Reserves £'000
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	(28,146)	11,470	-	-	-	(16,676)	16,676	-
Movements in the market value of investment properties	1,158	-	-	-	-	1,158	(1,158)	-
Amortisation of intangible assets	(111)	-	-	-	-	(111)	111	-
Capital grants and contributions applied	-	-	-	-	27,534	27,534	(27,534)	-
Revenue expenditure funded from capital under statute	(11,775)	(33)	-	-	-	(11,808)	11,808	-
Amounts of non-current assets write off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure	(7,107)	(4,086)	-	-	-	(11,193)	11,193	-
Statutory provision for the financing of capital investment	6,031	4,620	-	-	-	10,651	(10,651)	-
Capital expenditure charged against the General Fund and HRA balances	165	-	-	-	-	165	(165)	-
Adjustments primarily involving the Capital Grants Unapplied Account:								
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	27,022	-	-	-	(27,022)	-	-	-

Notes to the Accounts

	General Fund	Housing Revenue Account	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied Reserves	Total Usable Reserves	Total Unusable Reserves	Total Authority Reserves
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
2016-17 (continued)								
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	1,489	4,226	(5,715)	-	-	-	-	-
Use of the Capital Receipts Reserve to finance new capital expenditure	-	-	2,509	-	-	2,509	(2,509)	-
Use of the Capital Receipts Reserve to repay debt	-	-	1,500	-	-	1,500	(1,500)	-
Contribution from the Capital Receipts Reserve to finance the payments to the Government capital receipts pool								
Transfer from Deferred Capital Receipts Reserve upon receipt of cash	(1,182)	-	1,182	-	-	-	-	-
Repayment of Long Term Debtors	(520)	-	242	-	-	(278)	278	-
Adjustment primarily involving the Major Repairs Reserve:								
Reversal of notional Major Repairs Allowance credited to the HRA	-	7,816	-	(7,816)	-	-	-	-
Use of the Major Repairs Reserve to finance new capital expenditure	-	-	-	7,816	-	7,816	(7,816)	-
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	(421)	-	-	-	-	(421)	421	-
Adjustment primarily involving the Pensions Reserve:								
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	(27,624)	(1,106)	-	-	-	(28,730)	28,730	-
Employer's pension contributions and direct payments to pensioners payable in	12,698	322	-	-	-	13,020	(13,020)	-
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	6,341	-	-	-	-	6,341	(6,341)	-
Adjustment primarily involving the Unequal Pay Back Pay Adjustment Account								
Amount by which amounts charged for Equal Pay claims to the Comprehensive Income and Expenditure Statement are different from the cost of settlements chargeable in the year in accordance with statutory requirements	(4,500)	-	-	-	-	(4,500)	4,500	-
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	1,041	27	-	-	-	1,068	(1,068)	-
Adjustments between accounting basis and funding basis under regulations	(25,441)	23,256	(1,313)	-	512	(2,986)	2,986	-

23. Usable Reserves

The Usable Reserves of the Council can be used to finance the day-to-day operations of the Council, and its Capital activities. A number of Reserves are earmarked for specific purposes; the movements in year for these are shown below:

2015/16			2016/17		
Bal b/f	Movement	Bal c/f	Bal b/f	Movement	Bal c/f
£ '000	in year	£ '000	£ '000	in year	£ '000
£ '000	£ '000	£ '000	£ '000	£ '000	£ '000
<u>Earmarked Reserves-General Fund</u>					
(3,750)	3,750	-	-	-	-
(200)	-	(200)	(200)	-	(200)
(106)	(2)	(108)	(108)	(116)	(224)
(250)	-	(250)	(250)	-	(250)
(5,400)	400	(5,000)	(5,000)	3,547	(1,453)
(300)	-	(300)	(300)	(787)	(1,087)
(200)	-	(200)	(200)	-	(200)
(3,300)	(2,150)	(5,450)	(5,450)	5,450	-
(9,810)	4,357	(5,453)	(5,453)	3,711	(1,742)
(5,141)	(260)	(5,401)	(5,401)	2,519	(2,882)
<u>(28,457)</u>	<u>6,095</u>	<u>(22,362)</u>	<u>(22,362)</u>	<u>14,324</u>	<u>(8,038)</u>
<u>Earmarked Reserves-HRA</u>					
			(9,100)	(224)	(9,324)
Total Earmarked Reserves					
			<u>(31,462)</u>	<u>14,100</u>	<u>(17,362)</u>

The Council holds these Reserves for the following purposes:

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

The General Fund Reserve consists of a number of Holding and Suspense Accounts set-up for specific purposes in the General Fund;

The Legal and Taxation Reserve has been set-up as a contingency to help meet unbudgeted legal costs and/or liabilities arising from litigation and other previously unbudgeted legal liabilities and taxation matters;

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

The Organisational Change Reserve has been established to help meet the costs of the Council's change programmes and associated costs. This reserve includes School individual Balances totalling £2.153m and Dedicated School Grant negative reserve of £3.196m;

The Pension Liabilities Reserve has been formed to cover potential future Pension Fund Liabilities arising from Employer contribution rate fluctuations and/or from organisational change;

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

The Prudential Reserve was established to enable borrowing and related costs to be phased over time. At the end of 2016/17 the reserve was closed and the balance transferred to General Fund;

The Revenue Grants Unapplied Reserve has been formed to hold Revenue Grant balances where the conditions for use have been met but relevant expenditure has not yet been incurred. The Grant balance will be transferred out to match relevant expenditure incurred in future years.

The Self-Insurance Reserve was formed to meet estimated liabilities in connection with internally-held risks related to the Council's Insurance programme. In particular, the first £100,000 of any claim bought under the Council's Third Party and Employer's Liability Insurance is internally funded; for fire-related claims, the first £50,000 of any claim is internally funded. Following independent review the £1.1m of reserves had been moved to the General Fund at the end of 2016/17.

24. Unusable Reserves

The Unusable Reserves of the Council are as follows:

2015/16 (Restated) £ '000	2016/17 £ '000
(98,084) Revaluation Reserve	(187,146)
114 Available for Sale Financial Instruments Reserve	762
333,986 Pensions Reserve	450,964
(404,354) Capital Adjustment Account	(420,257)
(1,893) Deferred Capital Receipts	(1,615)
(422) Financial Instruments Adjustment Account	(1)
3,218 Collection Fund Adjustment Account	(3,123)
1,650 Unequal Backpay Account	6,150
2,874 Short term Accumulating Compensated Absences Account	1,806
<u>(162,911)</u>	<u>(152,460)</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:

2015/16 £ '000	2016/17 £ '000	2016/17 £ '000
(79,698) Balance at 1st April		(98,084)
(23,800) Upward revaluation of assets	(96,795)	
Downward revaluation of assets and impairment losses not charged to the Comprehensive Income and Expenditure		
(26) Statement	<u>2,345</u>	
Surplus or deficit on revaluation of non-current assets not posted to the Comprehensive Income and Expenditure		
(23,826) Statement		(94,450)
987 Accumulated gains on assets disposed of	3,026	
Difference between fair value depreciation and historic cost		
4,183 depreciation	5,318	
270 Assets transferred to/(from) Investment properties	<u>(2,956)</u>	
5,440 Amount written off to the Capital Adjustment Account		5,388
<u>(98,084) Balance at 31st March</u>		<u>(187,146)</u>

ii. Available-for-Sale Financial Instruments Reserve

The Available-for-Sale Financial Instruments Reserve contains unrealised gains and losses on investments classed as Available for Sale. Once investments are sold, and the gain or loss actually realised, this amount is transferred from this Reserve:

2015/16 £ '000	2016/17 £ '000
272 Balance at 1st April	114
(158) Unrealised gains/(losses) on adjustment in fair value of financial instruments	648
<u>114 Balance at 31st March</u>	<u>762</u>

iii. Pension Reserve

Full details of the movement in the Pension Reserve are given in Note 39. 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:

2015/16 £ '000	2016/17 £ '000
350,957	333,986
(35,316)	101,268
31,438	28,730
(13,093)	(13,020)
<u>333,986</u>	<u>450,964</u>

iv. 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.

Notes to the Accounts

2015/16 £ '000 (As Restated)	2016/17 £ '000	2016/17 £ '000
Balance at 1st April		
(340,712) -As previously reported		(411,173)
6,485 -Prior year adjustment (Refer to Note 2)		6,819
(334,227) -As restated		(404,354)
Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:		
(8,858) Charges for depreciation and impairment of non-current assets	11,357	
(37,835) Revaluation gains/(losses) on PPE	-	
117 Amortisation of intangible assets	111	
9,769 Revenue expenditure funded from capital under statute	11,808	
16,896 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	8,167	
(19,911)		31,443
Capital financing applied in year:		
(937) Use of the capital receipts reserve	(2,509)	
(6,900) Use of the Major repairs reserve	(7,816)	
(31,649) Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement which have been applied to capital expenditure	(27,534)	
(9,520) Statutory provision for the financing of capital investment charged against the General Fund and HRA balance	(10,651)	
984 Repayment of long term debtors	1,031	
(803) Capital expenditure charged against the General Fund and HRA balances	(165)	
(48,825)		(47,644)
(270) Assets Transferred from Investment Properties	-	
(1,121) Movement in the fair value of Investment Properties debited or credited to the Comprehensive Income and Expenditure	1,798	
- Repayment of Borrowing	(1,500)	
(1,391)		298
(404,354) Balance at 31st March		(420,257)

v. 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 lease made to Reading Transport Limited (RTL), which is over a period of 10 years:

2015/16 £ '000	2016/17 £ '000
(239) Balance at 1st April	(1,893)
(2,054) New deferred capital receipts recognised	-
400 Transfer to Capital receipts reserve on receipt of cash	278
<u>(1,893)</u> Balance at 31st March	<u>(1,615)</u>

vi. 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:

2015/16 £ '000	2016/17 £ '000
(813) Balance at 1st April	(422)
391 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	421
<u>(422)</u> Balance at 31st March	<u>(1)</u>

vii. 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. Due to incorrect entries being made in the prior years the opening position has been restated-refer to note 2 for details.

2015/16 (Restated) £ '000	2016/17 £ '000
Balance at 1st April	
(3,342) -As previously reported	(4,754)
3,528 -Prior period adjustment(Refer to Note 2)	7,972
186 -As restated	3,218
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	
3,032	(6,341)
3,218 Balance at 31st March	(3,123)

viii. Equal Pay Backpay Account

As explained in note 33 below the Equal Pay Backpay Account shows the balance of the Equal Pay Provision that the Council has not funded from revenue resources.

2015/16 £ '000	2016/17 £ '000
- Balance at 1st April	1,650
1,650 Increase/ (decrease) in unfunded provision for back pay in relation to Equal Pay cases	4,500
- Cash settlements paid in the year	-
1,650 Balance at 31st March	6,150

ix. 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.

2015/16		2016/17
£ '000		£ '000
2,835	Balance at 1st April	2,874
(1,760)	Settlement or cancellation of accrual made at the end of the preceding year	(2,874)
1,799	Amounts accrued at the end of the current year	1,806
<u>2,874</u>	Balance at 31st March	<u>1,806</u>

25. Property, Plant and Equipment

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 25, page 101.

In accordance with the accounting policies set out in note 0, page 50, all non-current assets (except investment properties and assets held for sale) are revalued on a five-year rolling programme, with the effective date of revaluations being 1st April of the financial year with an assessment being carried out at the end of the year to confirm no material movements have occurred since that date. Investment properties and assets held for sale are revalued on an annual basis. Surplus assets are revalued if required or a confirmation obtained that they are held at highest and best value. 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 2016/17, and none are currently expected to have an effect in 2017/18.

Property, Plant and Equipment Movements 2016-17

	Dwellings	Other land and Buildings	Vehicles, Plant and Equipment	Infrastructure assets	Community Assets	Assets under construction	Surplus Assets	Total
	£ '000	£ '000	£ '000	£ '000	£ '000	£ '000	£ '000	£ '000
Cost or Valuation at 1st April 2016								
-As previously reported	406,397	324,449	22,942	273,230	11,711	-	4,895	1,043,624
-Prior period adjustment(Refer to note 2)	-	-	18,848	(18,848)	-	-	-	-
-As restated	406,397	324,449	41,790	254,382	11,711	-	4,895	1,043,624
Additions	10,307	13,966	6,513	6,018	668	325	3,376	41,173
Revaluation increases/(decreases) recognised in the Revaluation Reserve	48,178	40,373	(176)	-	-	-	8,422	96,797
Impairment (losses)/reversals through the I and E	18,978	(2,971)	(46)	-	(75)	-	(348)	15,538
Impairment (losses)/reversals through the Revaluation Reserve	-	(2,113)	(2)	-	-	-	(230)	(2,345)
Derecognition - disposals	(4,087)	(7,269)	(4,106)	-	(1)	-	-	(15,463)
Reclassifications	435	14,889	-	-	-	-	13,423	28,747
Elimination of accumulated depreciation following revaluation	(6,798)	(16,786)	(468)	-	-	-	-	(24,052)
Cost or Valuation at 31st March 2017	473,410	364,538	43,505	260,400	12,303	325	29,538	1,184,019
Accumulated Depreciation at 1st April 2016								
-As previously reported	(6,753)	(32,749)	(13,950)	(60,046)	-	-	-	(113,498)
-Prior year adjustment (Refer to Note 2)	-	-	(7,298)	479	-	-	-	(6,819)
As restated	(6,753)	(32,749)	(21,248)	(59,567)	-	-	-	(120,317)
Depreciation charge for the year	(7,465)	(12,691)	(4,979)	(6,272)	-	-	-	(31,407)
Depreciation written out to the I and E	-	799	3,950	-	-	-	-	4,749
Depreciation written out to the Revaluation Reserve	-	231	-	-	-	-	-	231
Derecognition - disposals	-	4	53	-	-	-	-	57
Reclassifications	(45)	561	-	-	-	-	-	516
Elimination of accumulated depreciation following revaluation	6,798	16,786	468	-	-	-	-	24,052
Accumulated Depreciation at 31st March 2017	(7,465)	(27,059)	(21,756)	(65,839)	-	-	-	(122,119)
Net book value as at 31st March 2017	465,945	337,479	21,749	194,561	12,303	325	29,538	1,061,900

Property, Plant and Equipment Movements 2015-16

	Dwellings £ '000	Other land and Buildings £ '000	Vehicles, Plant and Equipment £ '000	Infrastructure assets £ '000	Community Assets £ '000	Assets under construction £ '000	Surplus Assets £ '000	Total £ '000
Cost or Valuation at 1st April 2015								
-As previously reported	334,354	275,819	21,743	260,456	11,539	-	5,000	908,911
-Prior period adjustment(Refer to note 2)	-	-	16,468	(16,468)	-	-	-	-
-As restated	334,354	275,819	38,211	243,988	11,539	-	5,000	908,911
Additions	10,409	32,160	2,771	14,866	271	-	10	60,487
Revaluation increases/(decreases) recognised in the Revaluation Reserve	35,073	(174)	(1,233)	(2,092)	(2)	-	-	31,572
Revaluation increases/(decreases) recognised in the I and E	323	23,172	-	-	-	-	300	23,795
Impairment (losses)/reversals through the I and E	34,696	3,531	(2)	-	(97)	-	(415)	37,713
Impairment (losses)/reversals through the Revaluation Reserve	-	26	-	-	-	-	-	26
Derecognition - disposals	(2,635)	(3,809)	(337)	-	-	-	-	(6,781)
Derecognition - other	-	-	-	-	-	-	-	-
Reclassifications	-	-	-	-	-	-	-	-
Elimination of accumulated depreciation following revaluation	(5,823)	(6,276)	-	-	-	-	-	(12,099)
Cost or Valuation at 31st March 2016	406,397	324,449	39,410	256,762	11,711	-	4,895	1,043,624
Accumulated Depreciation at 1st April 2015								
-As previously reported	(5,823)	(28,467)	(11,698)	(54,224)	-	-	-	(100,212)
-Prior period adjustment(Refer to Note 2)	-	-	(6,118)	(367)	-	-	-	(6,485)
As restated	(5,823)	(28,467)	(17,816)	(54,591)	-	-	-	(106,697)
Depreciation charge for the year	(6,753)	(11,260)	(3,723)	(6,490)	-	-	-	(28,226)
Depreciation written out to the I and E	-	16	1,231	333	-	-	-	1,580
Depreciation written out to the Revaluation Reserve	-	5	-	-	-	-	-	5
Derecognition - disposals	-	681	240	-	-	-	-	921
Derecognition -other	-	-	-	-	-	-	-	-
Reclassifications	-	-	-	-	-	-	-	-
Elimination of accumulated depreciation following revaluation	5,823	6,276	-	-	-	-	-	12,099
Accumulated Depreciation at 31st March 2016	(6,753)	(32,749)	(20,068)	(60,748)	-	-	-	(120,318)
Net book value as at 31st March 2016	399,644	291,700	19,342	196,014	11,711	-	4,895	923,306

26. Investment Properties

The following tables summarise the movement in the fair value of the investment properties over the year:

	Investment properties £ '000
Cost or Valuation at 1st April 2016	29,046
Additions	23,999
Net gains/(losses) from changes in fair value	98
Derecognition - disposals	(821)
Reclassifications	(26,412)
Cost or Valuation at 31st March 2017	<u>25,910</u>

	Investment properties £ '000
Cost or Valuation at 1st April 2015	32,033
Additions	200
Net gains/(losses) from changes in fair value	2,427
Derecognition - disposals	(5,100)
Reclassifications	(514)
Cost or Valuation at 31st March 2016	<u>29,046</u>

Income and expenditure in relation to investment properties and the changes in their fair value comprised:

2015/16 £'000	2016/17 £'000
(1,420) Rental Income less expenditure	(2,022)
5,082 (Gain) or loss on disposal	(88)
(2,426) Change in fair value	(99)
<u>1,236</u> Per Comprehensive Income and Expenditure Statement	<u>(2,209)</u>

There are no restrictions on the Council's ability to realise the value inherent in its investment property or on the Council's right to the remittance of income and the proceeds of disposal. In addition there are no contractual obligations on the Council to repair, maintain or enhance investment properties.

27. Assets Held for Sale

	Assets Held for Sale £ '000
Cost or Valuation at 1st April 2016	3,291
Reclassifications	(2,851)
Cost or Valuation at 31st March 2017	<u>440</u>
	Assets Held for Sale £ '000
Cost or Valuation at 1st April 2015	6,347
Additions	4,771
Impairments recognised in the I & E	(4,688)
Disposals	(3,653)
Reclassifications	514
Cost or Valuation at 31st March 2016	<u>3,291</u>

28. Capital expenditure and the Capital Financing 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.

2015/16	2016/17
£ '000	£ '000
440,840	466,441
Opening Capital Finance Requirement	
Capital investment:	
60,487	41,173
Property, plant and equipment	
200	23,999
Investment property	
49	36
Intangible assets	
9,769	11,808
Revenue Expenditure Funded through Capital Under Statute	
110	196
Heritage assets	
4,771	-
Current assets held for sale	
- Loan to Reading Transport Limited	1,448
- Other	366
<u>75,386</u>	<u>79,026</u>
Sources of finance:	
(913)	(2,509)
Capital receipts	
(31,649)	(27,534)
Government grants and other contributions	
(215)	(164)
Sums set aside from revenue	
(7,488)	(7,817)
Major Repairs Reserve	
<u>(40,265)</u>	<u>(38,024)</u>
(9,520)	(10,651)
Minimum Revenue Provision	
- Repayment of debt using capital receipts	(1,500)
<u>466,441</u>	<u>495,292</u>
Closing Capital Finance Requirement	
Movements in year:	
25,602	28,851
Increase in underlying need to borrow (unsupported by Government financial assistance)	
<u>25,602</u>	<u>28,851</u>
Increase/(decrease) in Capital Finance Requirement	

29. Capital commitments

At 31st March 2017, the Council has entered into a number of contracts for the construction or enhancement of property, plant and equipment in 2017-18 and future years at a cost of £5.462m. The major commitments are as follows:

	2016/17 £ '000
South Reading MRT Phase 1b and Phase 2	2,578
Reading Abbey Revealed	1,575
School Expansion at EP Collier	466
School Expansion at Hodsoll Road	417
Other small schemes	426
	<u>5,462</u>

30. Debtors

Long term debtors

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

	Balance at 1st April 2016 £ '000	New advances recognised £ '000	Advances repaid £ '000	Transfer (to)/from short term £ '000	Balance at 31st March 2017 £ '000
NCP Limited	1,801	-	(266)	(154)	1,381
Reading Transport Limited	7,510	1,448	(1,043)	(1,142)	6,773
Other mortgages and Loans	33	-	(11)	-	22
Other long term debtors	-	-	-	820	820
	<u>9,344</u>	<u>1,448</u>	<u>(1,320)</u>	<u>(476)</u>	<u>8,996</u>

Short Term Debtors

The outstanding debtors due within one year recognised by the Council at the 31st March 2017, net of impairments for bad debts, were:

2015/16		2016/17
£ '000		£ '000
6,589	Central Government Bodies	3,576
4,523	Other Local Authorities	1,320
2,032	NHS Bodies	1,273
15,058	Other entities and individuals (including rent arrears and trade debtors)	17,117
28,202		23,286

31. Creditors

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

2015/16		2016/17
(Restated)		
£ '000		£ '000
(1,668)	Central Government Bodies	(2,894)
(889)	Other Local Authorities	(2,388)
(1,020)	NHS Bodies	(444)
(43,983)	Other entities and individuals	(60,403)
(47,560)		(66,129)

32. 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:

2015/16 £ '000	2016/17 £ '000
(10,471) Grants credited to non-specific grant income	(22,380)
(6,466) S106 and other contributions credited to non-specific grant income	(4,642)
<u>(16,937) Total</u>	<u>(27,022)</u>

At the 31st March 2017, 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:

2015/16 £ '000	2016/17 £ '000
(45) Miscellaneous Government Grants	(45)
(682) Education grants	(488)
(8,114) Developers' contributions	(9,099)
<u>(8,841)</u>	<u>(9,632)</u>

ii. Revenue grants

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

2015/16 £ '000	2016/17 £ '000
(78,292) Housing Benefit Subsidy	(74,758)
(79,518) Education Services	(78,522)
(5,832) Community Care	(6,322)
(6,847) Children and Families	(5,445)
(9,060) Public Health	(10,471)
(3,997) HRA PFI grant	(3,997)
(9,773) Other grants	(11,052)
<u>(193,319) Total</u>	<u>(190,567)</u>

33. Leases

i. Council as the lessee

At the 31st March 2017, the value of assets held under finance leases was judged to be immaterial. In addition the Council does not have any material operating leases.

ii. Council as the lessor

- Finance leases

The Council has leased buses to Reading Transport Ltd. The Council's gross investment in the lease is made up of the minimum lease payments expected to be received over the remaining term and the residual value of the assets when the lease(s) come to an end. The minimum lease payments comprise settlement of the long-term debtor for the interest in the assets and the finance income which will

be earned by the Council in future years while the debt is still outstanding. The gross investment is disclosed below.

2015/16 £ '000		2016/17 £ '000
	Finance lease debtor (net present value of minimum lease payments):	
1,008	current	1,142
6,500	non-current	6,772
913	Unearned finance income	815
-	Unguaranteed residual value of assets	-
<u>8,421</u>	Gross investment in the lease	<u>8,729</u>

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

2015/16			2016/17	
Gross investment in the lease £ '000	Minimum Lease Payments £ '000		Gross investment in the lease £ '000	Minimum Lease Payments £ '000
1,248	1,248	Payments due within one year	1,379	1,379
4,990	4,990	Payments due later than one year and not later than five years	5,623	5,623
2,183	2,183	Payments due later than five years	1,727	1,727
<u>8,421</u>	<u>8,421</u>	Total due	<u>8,729</u>	<u>8,729</u>

- 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:

2015/16 £ '000		2016/17 £ '000
1,318	Payments due within one year	2,514
4,578	Payments due later than one year and not later than five years	8,867
-	Payments due later than five years	11,754
<u>5,896</u>	Total due	<u>23,135</u>

34. PFI schemes

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

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 (1,282 dwellings remained as at 31st March 2017). There are no significant termination or renewal options within the contract.

Assessment under IFRIC 12 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 2016 Balance brought forward	(25,535)	51,862	26,327
Additions	-	-	-
Disposals	n/a	(365)	(365)
Revaluations	n/a	7,818	7,818
Depreciation and Impairment	n/a	(1,186)	(1,186)
Repayment of liability	753	n/a	753
31st March 2017 Balance carried forward	<u>(24,782)</u>	<u>58,129</u>	<u>33,347</u>

Future payments to Affinity (Reading) Limited 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:

2015/16	2016/17			
	Liability £ '000	Interest £ '000	Service Cost £ '000	Total £ '000
Total				
£ '000	£ '000	£ '000	£ '000	£ '000
Due within:				
6,524 1 year	506	2,092	4,036	6,634
27,767 2 to 5 years	2,728	7,909	17,600	28,237
38,798 6 to 10 years	4,824	8,319	26,310	39,453
43,896 11 to 15 years	10,491	5,447	28,699	44,637
29,060 16 to 20 years	6,233	829	12,391	19,453
<u>146,045</u> Total	<u>24,782</u>	<u>24,596</u>	<u>89,036</u>	<u>138,416</u>

ii. Waste PFI scheme

In 2006/07 the Council, along with Wokingham Borough Council and Bracknell Forest Borough Council, entered into a PFI contract with FCC (RE3 Ltd) for the disposal of waste, which expires in 2031/32. As part of the contract, FCC 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 £513m, 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 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 2016/17 are as follows:

	Balance sheet liability		Scheme Assets		Net £ '000
	Lease Liability	Deferred Third Party Income	Other land and buildings	Vehicle, plant and equipment	
	£ '000	£ '000	£ '000	£ '000	
1st April 2016 Balance brought forward	(7,245)	-	11,194	2,195	6,144
Additions	(760)	(2,483)	2,651	592	-
Revaluations	-	-	(463)	(176)	(639)
Depreciation charge for year	-	-	(665)	(369)	(1,034)
Impairments	-	-	(1,574)	-	(1,574)
Repayment of liability	1,253	846	-	-	2,099
31st March 2017 Balance carried forward	<u>(6,752)</u>	<u>(1,637)</u>	<u>11,143</u>	<u>2,242</u>	<u>4,996</u>

The payments that the Council will have to make to FCC (RE3 Limited) 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%.

2015/16	2016/17				2016/17 Release of Deferred Third Party Income £ '000	
	Total	Liability	Interest	Service Cost		Total
£ '000	£ '000	£ '000	£ '000	£ '000	£ '000	
Due within:						
9,506	1 year	367	497	2,713	3,577	115
42,668	2 to 5 years	1,727	1,675	11,547	14,949	460
65,480	6 to 10 years	2,124	1,421	16,660	20,205	575
82,209	11 to 15 years	2,534	480	15,601	18,615	487
12,538	16 to 20 years	-	-	-	-	-
<u>212,401</u>	Total	<u>6,752</u>	<u>4,073</u>	<u>46,521</u>	<u>57,346</u>	<u>1,637</u>

35. Provisions

	Balance at 1st April 2016 (Restated) £ '000	Amounts Used in 2016/17 £ '000	Unused Amounts reversed in 16/17 £ '000	Additional Provisions Made in 2016/17 £ '000	Balance at 31st March 2017 £ '000
Short Term Provisions					
Provision for NNDR Appeals	(8,085)	2,915			(5,170)
Insurance	-	-		(1,659)	(1,659)
Other	-	-	-	(650)	(650)
	<u>(8,085)</u>	<u>2,915</u>	<u>-</u>	<u>(2,309)</u>	<u>(7,479)</u>
Long Term Provisions					
Unequal Pay Back Pay	(13,000)	60		(1,060)	(14,000)
Rent deposit guarantee	(320)	-		-	(320)
	<u>(13,320)</u>	<u>60</u>		<u>(1,060)</u>	<u>(14,320)</u>
Total Provisions	<u>(21,405)</u>	<u>2,975</u>	<u>-</u>	<u>(3,369)</u>	<u>(21,799)</u>

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

Insurance Provision - a provision has been made to meet known liabilities on claims under the Council's insurance arrangements. This new provision has been funded by a transfer from the Insurance Reserve.

Equal Pay Backpay Provision - The Council has established an Equal Pay Provision since, under the Equal Pay Act 1970 (as amended), employees are entitled to equal pay for work of equal value. Payments are envisaged in future years, but the extent and final timing of these cannot be fully quantified accurately at the date of these accounts, but depending upon the outcome of legal proceedings could be 10-20% higher than that provided. In respect of £6.15m of the above provisions, the Council has taken advantage of the Local Authorities Capital Finance and Accounting Regulations that provide discretion not to charge the full provision to the accounts, so this sum is not backed by resources. Some of the capital receipts shown in the Capital Receipts Reserve will be used instead.

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

36. Long term borrowing

The table below shows the long term borrowing commitment that the Council had at the 31st March 2017; these items are all due for repayment after 31st March 2018.

2015/16 £ '000		2016/17 £ '000
267,409	Public Works Loan Board	261,236
(3,108)	Less: modified loans carrying value	(3,089)
30,221	Banks and Financial Institutions	30,126
<u>294,522</u>		<u>288,273</u>

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

2015/16 £ '000		2016/17 £ '000
6,173	1 - 2 years	4,840
11,795	2 - 5 years	14,216
15,941	5 - 10 years	22,180
56,500	10 - 25 years	58,000
114,000	25 - 40 years	99,000
63,000	40+ years	63,000
<u>267,409</u>		<u>261,236</u>

Full details of the Council's Treasury Management activity are published separately in the Council's Annual Treasury Report (which is available online at www.reading.gov.uk). No new loans were arranged in 2016/17 (2015/16 no new loans raised) and no loans were prematurely repaid. Premia and discounts incurred on early repayment are written off as incurred, but various adjustments are required or permitted by regulation 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 being written off to the Income and Expenditure Account over the life of the replacement loans.

37. Financial Instruments

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

2015/16			2016/17	
Long Term	Short Term		Long Term	Short Term
£'000	£'000		£'000	£'000
Loans and Receivables				
9,344	25,523	Debtors	8,996	21,330
-	8,324	Cash and cash equivalents	-	22,146
<u>9,344</u>	<u>33,847</u>		<u>8,996</u>	<u>43,476</u>
Available for Sale Assets				
11,886	-	Investments	14,252	-
<u>21,230</u>	<u>33,847</u>	Total financial assets	<u>23,248</u>	<u>43,476</u>
Financial liabilities at amortised cost				
Loans and Receivables				
(294,522)	(21,074)	Borrowing	(288,273)	(62,241)
-	(40,867)	Creditors	-	(31,015)
(31,760)	-	PFI lease liability	(31,536)	-
<u>(326,282)</u>	<u>(61,941)</u>	Total financial liabilities	<u>(319,809)</u>	<u>(93,256)</u>

The value of debtors and creditors reported in the table above are solely those amounts meeting the definition of a financial instrument. The balances of debtors and creditors reported in the balance sheet and Notes 30 and 31 also include balances which do not meet the definition of a financial instrument such as tax-based debtors and creditors.

Financial Instruments - Gains and Losses

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

	Financial Liabilities		Financial Assets		Total	Total
	Amortised Cost	Loans and Receivables	Available for Sale Assets	2016/17	2015/16	
	£'000	£'000	£'000	£'000	£'000	
Interest Expense	15,319	-	-	15,319	14,025	
Interest payable and similar charges	15,319	-	-	15,319	14,025	
Interest income	-	(1,582)	-	(1,582)	(1,595)	
Interest and Investment Income	-	(1,582)	-	(1,582)	(1,595)	
Net impact on (surplus)/deficit on provision of Services	15,319	(1,582)	-	13,737	12,430	
Gains on Revaluation	-	-	-	-	(158)	
Losses on Revaluation	-	-	(648)	(648)	-	
Impact in Other Comprehensive Income	-	-	(648)	(648)	(158)	
Net (Gain)/Loss for the Year	15,319	(1,582)	(648)	13,089	12,272	

Financial Instruments-Fair Values

Financial liabilities and financial assets classed as financial liabilities at amortised cost and loans and receivables are carried in the balance sheet at amortised cost.

Their fair values can be estimated by calculating the present value of cashflows that will take place over the remaining term of the instruments.

2015/16		2016/17	
Carrying amount	Fair Value	Carrying amount	Fair Value
£'000	£'000	£'000	£'000
Loans and receivables			
34,867	34,867	30,326	30,326
8,324	8,324	22,146	22,146
<u>43,191</u>	<u>43,191</u>	<u>52,472</u>	<u>52,472</u>
Financial Liabilities at amortised Cost			
Borrowing:			
(264,301)	(319,500)	(258,147)	(349,325)
(30,221)	(48,300)	(25,000)	(48,800)
-	-	(5,126)	(7,400)
(21,074)	(21,074)	(62,241)	(62,654)
<u>(315,596)</u>	<u>(388,874)</u>	<u>(350,514)</u>	<u>(468,179)</u>
(40,867)	(40,867)	(31,015)	(31,015)
(31,760)	(43,683)	(31,536)	(41,557)
<u>(388,223)</u>	<u>(473,424)</u>	<u>(413,065)</u>	<u>(540,752)</u>

The fair value of creditors, debtors and cash and cash equivalents is assumed to be their carrying value as they are realisable within 12 months.

The fair value of financial liabilities held at amortised cost is higher than their balance sheet carrying amount because the Council's portfolio of loans includes a number of loans where the interest rate payable is higher than the current rates available for similar loans as at the Balance Sheet date.

Risks Relating to Financial Instruments

The main risks covered are:

- *Credit Risk:* The possibility that the counterparty to a financial asset will fail to meet its contractual obligations, causing a loss to the Council.
- *Liquidity Risk:* The possibility that the Council might not have the cash available to make contracted payments on time.
- *Market Risk:* The possibility that an unplanned financial loss will materialise because of changes in market variables such as interest rates or equity prices.

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. The maturity analysis of the PWLB long-term borrowings are detailed in note 36.

Market Risks-Interest Rate Risk

The Council is exposed to risk in terms of its exposure to interest rate movements on its borrowings and investments. Movements in interest rates have a complex impact on the Council. For instance, a rise in interest rates would have the following effects:

- Borrowings at variable rates - the interest expense will rise.
- Borrowings at fixed rates - the fair value of the liabilities borrowings will fall
- Investments at variable rates - the interest income credited will rise
- investments at fixed rates - the fair value of the assets will fall.

Investments classed as "loans and receivables" and loans borrowed are not carried at fair value, so changes in their fair value will have no impact on Comprehensive Income and Expenditure. However, changes in interest payable and receivable on variable rate borrowings and investments will be posted to the Surplus or Deficit on the Provision of Services. Movements in the fair value of fixed rate investments classed as "available for sale" will be reflected in Other Comprehensive Income and Expenditure.

Market Risks-Price Risk

The market prices of the Council's fixed rate bond investments and its units in pooled bond funds are governed by prevailing interest rates and the market risk associated with these instruments is managed alongside interest rate risk.

The Council's investment in a pooled property fund is subject to the risk of falling commercial property prices. This risk is limited by the Council's maximum exposure to property investments of £14.2m. A 5% fall in commercial property prices would result in a £0.7m charge to Other Comprehensive Income & Expenditure - this would have no impact on the Surplus or Deficit on the Provision of Services until the investment was sold.

38. Fair Value

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

Description of asset or liability	Valuation Hierarchy	Basis of Valuation	Observable and unobservable inputs	Key sensitivities
Borrowing from Public Works Loans Board (PWLB) and Lender Option Borrower Option loans (LOBOs) and Service Concessions	Level 1	The fair values have been estimated by discounting the remaining cashflows or the borrowing using the PWLB certainty rate for new loans	Not required	Not required
Shares in unlisted companies not included in Group Accounts	Level 1	Council share of net asset values	Not required	Not required
Property Fund	Level 3	Closing bid price where bid and offer prices are published	Adjusted for net capital current assets	Estimated acquisition and disposal costs - 5%
Long-term loans	Level 3	Capital value of unpaid loan	Council accounting records	None
Investment property	Level 3	Investment method of valuation	Assumed void periods, estimated rental value. Existing lease terms and rentals	Estimated acquisition and disposal costs - 5%
Non-current assets held for sale and surplus assets	Level 3	Mostly development land which has been valued by staff in the Council's Property Services division who are RICS qualified valuers on a five year rolling programme. Some based on offers received, with adjustments for conditions.	Development land values, site constraints, variables in market evidence, build & site clearance costs, planning permissions/requirements, costs of sale	Planning permissions, estimated disposal costs of 5%

Sensitivity of assets valued at level 3

Having analysed historical data and current market trends, the Council's advisers have determined that the valuation methods described above are likely to be accurate to within the following ranges, and have set out below the consequent potential impact on the closing value of investments held at 31 March 2017.

2016/17	Assessed valuation range (+/-)		Value at 31 March 2017 £'000	Value on increase £'000	Value on decrease £'000
	+	-			
Property Fund	5%	5%	14,237	14,949	13,525
Long-term loans	0%	0%	8,996	8,996	8,996
Investment property	5%	5%	25,910	27,206	24,615
Assets held for sale	0%	5%	440	440	418
Surplus assets	0%	5%	29,538	29,538	28,061
Total			79,121	81,128	75,615

Notes to the Accounts

2015/16	Assessed valuation range (+/-)		Value at 31 March 2016 £'000	Value on increase £'000	Value on decrease £'000
	+	-			
Property Fund	5%	5%	11,886	12,480	11,292
Long-term loans	0%	0%	9,344	9,344	9,344
Investment property	5%	5%	29,046	30,498	27,594
Assets held for sale	0%	5%	3,291	3,291	3,126
Surplus assets	0%	5%	4,895	4,895	4,650
Total			58,462	60,509	56,006

Fair value hierarchy

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

Level 1

Assets and liabilities at level 1 are those where the fair values are derived from unadjusted quoted prices in active markets for identical assets or liabilities.

Level 2

Assets and liabilities at level 2 are those where quoted market prices are not available; for example, where an instrument is traded in a market that is not considered to be active, or where valuation techniques are used to determine fair value. The Council has no level 2 assets or liabilities.

Level 3

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

The following table provides an analysis of the financial and non-financial assets and liabilities of the Council grouped into levels 1 to 3, based on the level at which the fair value is observable.

2015/16			2016/17		
Quoted market price	With significant unobservable inputs	Total	Quoted market price	With significant unobservable inputs	Total
Level 1 £'000	Level 3 £'000	£'000	Level 1 £'000	Level 3 £'000	£'000
Assets					
	9,344	9,344		8,996	8,996
	11,886	11,886	15	14,237	14,252
	37,232	37,232		55,888	55,888
	58,462	58,462	15	79,121	79,136
Liabilities					
288,483			323,477		323,477
30,221		30,221	30,126		30,126
32,780		32,780	31,536		31,536
351,484	-	63,001	385,139	-	385,139

Transfer between levels 1 and 2

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

Reconciliation of fair values within Level 3

2016/17	Fair Value at 31 March 2016 £'000	Transfers into Level 3 £'000	Transfers out of Level 3 £'000	Purchases £'000	Sales £'000	Unrealised gains and losses £'000	Realised gains and losses £'000	Fair Value at 31 March 2017 £'000
Property fund	11,886	-	-	3,000	-	(649)	-	14,237
Long-term loans	9,344	-	(476)	1,448	(1,320)	-	-	8,996
Investment property	29,046	-	(26,412)	23,999	(821)	98	-	25,910
Assets held for sale	3,291	-	(2,851)	-	-	-	-	440
Surplus assets	4,895	16,799	-	-	-	8,192	(348)	29,538
Total	58,462	16,799	(29,739)	28,447	(2,141)	7,641	(348)	79,121

Transfers out of Investment Properties and Assets Held For Sale reflect the reclassification of assets to Land and Building reflecting the operational nature of the assets.

Transfers into Surplus assets shows the effect of several assets being declared surplus by the Council, having been reclassified from Land and Building assets.

2015/16	Fair Value at 31 March 2015 £'000	Transfers into Level 3 £'000	Transfers out of Level 3 £'000	Purchases £'000	Sales £'000	Unrealised gains and losses £'000	Realised gains and losses £'000	Fair Value at 31 March 2016 £'000
Property fund	4,728	-	-	7,000	-	158	-	11,886
Long-term loans	8,675	-	-	2,054	(1,385)	-	-	9,344
Investment property	32,033	-	(514)	200	(5,100)	2,427	-	29,046
Assets held for sale	6,347	5,285	-	-	(3,653)	-	(4,688)	3,291
Surplus assets	5,000	10	-	-	(0)	-	(115)	4,895
Total	56,783	5,295	(514)	9,254	(10,138)	2,585	(4,803)	58,462

39. 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 2016/17, the Council paid employer's contributions of £4m (2015/16: £4m), representing 16.4% of employee's pensionable pay (2015/16: 16.4%). No added years payments, discretionary enhancements or retirement lump sums were made during the year.

ii. Local Government Pension Schemes

The Council pays contributions into the Royal Berkshire Pension Fund, which is managed on behalf of the Council 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 Council is also responsible for a share (16.69%) of the former Berkshire County Council (BCC) Local Government Pension Scheme. This scheme is also administered by the Royal Borough of Windsor and Maidenhead. Although now closed, a liability remains for the pensioners that were in the scheme when BCC ceased to exist.

The last full actuarial valuation of both schemes was carried out as at 31st March 2013.

In 2016/17, the Council paid employer's contributions of £13m (2015/16: £13m) into the fund, representing 16.2% of employees pensionable pay (2015/16: 16.2%).

a) Impact on the Income and Expenditure Account

2015/16 £ '000	2016/17 £ '000
Comprehensive Income and Expenditure Statement	
Cost of Services	
19,701 -Current Service costs	16,656
232 -Administration expenses	237
Financing and Investment Income and Expenditure	
11,506 -Net Interest on defined liability	11,838
Total post employment benefits charged to (Surplus)/deficit on provision of services	
31,439	28,731
Other Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement:	
(35,317) Remeasurements (liabilities and assets)	101,268
Total post employment benefits charged to the Comprehensive Income and Expenditure Statement	
(3,878)	129,999
Movement in Reserves Statement	
Reversal of net charges made to the Surplus or Deficit for the Provision of Services for post-employment benefits in accordance with the Code	
(31,439)	(28,730)
Actual amount charged against the General Fund Balance for pensions in the year:	
Employer's contributions payable to the Scheme and Retirement Benefits payable to Pensioners	
13,093	13,020
Total Movement in Reserves	
(18,346)	(15,710)

During 2016/17, there were 8 additional early retirements (2015/16: 7 early retirements).

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

2015/16 £ '000	2016/17 £ '000
(678,937) Opening defined benefit obligation	(655,288)
(19,431) Current service cost	(17,614)
(22,610) Interest cost	(23,703)
51,239 Change in financial assumptions	(161,234)
- Change in demographic assumptions	7,180
564 Experience losses/(gains) on defined benefit obligation	8,694
292 Liabilities assumed/(extinguished) on settlements	1,429
17,743 Estimated benefits, net of transfers in	16,480
(528) Past service costs, including curtailments	(244)
(4,549) Contributions by scheme participants	(4,580)
929 Unfunded pension payments	904
<u>(655,288)</u> Closing defined benefit obligation	<u>(827,976)</u>

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

2015/16 £ '000	2016/17 £ '000
327,988 Opening fair value of scheme assets	321,301
11,104 Interest on assets	11,866
(16,487) Return on assets less interest	37,773
- Other actuarial gains/(losses)	6,320
(232) Administration expenses	(237)
13,093 Contributions by employer (including unfunded)	13,021
4,549 Contributions by scheme participants	4,580
(18,680) Estimated benefits paid and unfunded net of transfers in	(17,384)
(34) Settlement prices received/(paid)	(227)
<u>321,301</u> Fair value of scheme assets at end of period	<u>377,013</u>

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

2015/16 £ '000	2016/17 £ '000
(643,734) Present value of funded obligation	(815,975)
<u>321,301</u> Fair value of scheme assets (bid value)	<u>377,013</u>
(322,432) Net liability	(438,963)
<u>(11,554)</u> Present value of unfunded obligation	<u>(12,001)</u>
<u>(333,986)</u> Net Liability in balance sheet	<u>(450,964)</u>

The defined benefit obligation shows the underlying liabilities that the Council has in the long run to pay retirement benefits. The total liability of £451m (2015/16: £334m) 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.

- e) The primary Actuarial assumptions made in assessing the pension fund

- i. Changes in price bases:

	2016/17		2015/16	
	% p.a.	Real	% p.a.	Real
RPI increases	3.6%	-	3.3%	-
CPI increases	2.7%	-0.9%	2.4%	-0.9%
Salary increases	4.2%	0.6%	4.2%	0.9%
Pension increases	2.7%	0.0%	2.4%	0.0%
Discount rate	2.8%	-1.4%	3.7%	-0.5%

The Actuary has made assumptions with reference to market conditions as at 31st March 2017. 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:

2015/16		2016/17
Longevity at 65 for current pensioners (years):		
22.9	Males	23.0
26.2	Females	25.0
Longevity at 65 for members retiring in 20 years (years):		
25.2	Males	25.1
28.6	Females	27.4

iii. Expected rates of return on scheme assets

	2016/17		2015/16	
	% p.a.	Real	% p.a.	Real
RPI increases	3.6%	-	3.3%	-
CPI increases	2.7%	-0.9%	2.4%	-0.9%
Salary increases	4.2%	0.6%	4.2%	0.9%
Pension increases	2.7%	0.0%	2.4%	0.0%
Discount rate	2.8%	-1.4%	3.7%	-0.5%

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

2015/16		2016/17	
£ '000	%	£ '000	%
4,680	1%	-	0%
16,206	5%	39,550	10%
44,061	14%	56,193	15%
145,268	45%	183,923	49%
37,561	12%	51,979	14%
60,470	19%	38,939	10%
10,592	3%	6,249	2%
15,358	5%	19,142	5%
(12,895)	-4%	(18,962)	-5%
321,301	100%	377,013	100%
Total			

These assets are allocated as follows:

	As at 31st December 2016 % Quoted	As at 31st December 2016 % Unquoted
Equities		
UK	4.3%	
Overseas	19.9%	
Overseas Unit Trusts	12.4%	
Overseas Private Equity		10.7%
UK Private Equity		1.4%
Property		
UK Pooled Property Funds	3.5%	0.3%
Overseas Pooled Property Funds	7.8%	2.2%
Other Bonds		
Private Fixed Interest		10.4%
Overseas Unit Trusts	4.5%	
Absolute Return Portfolio		
Absolute Return Portfolio	0.0%	10.3%
Infrastructure		
UK Infrastructure		0.2%
Overseas Infrastructure		4.9%
Commodities		
Overseas Commodities	1.2%	0.5%
Cash and Cash Equivalents		
Derivatives	-0.6%	
Cash/Temporary Investments	10.3%	
Amount receivable for sales of investments	1.4%	
Net Current Assets		
Debtors	0.1%	
Creditors	-0.7%	
Prepaid contributions	0.0%	
Longevity Insurance		-5.0%
Total	64.1%	35.9%

For 2016/17, the return on the fund (on a bid value to bid value basis) is estimated to be 15%.

The Royal Berkshire Pension Scheme entered into a longevity insurance contract to cover all members of the Fund who had started receiving their pension by the end of July 2009 and their 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.

f) Sensitivity Analysis

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

	£ '000	£ '000	£ '000
Adjustment to discount rate	0.10%	0.00%	-0.10%
Present value of total obligation	811,978	827,968	844,292
Projected service cost	26,426	27,098	27,788
Adjustment to long term salary increase	0.10%	0.00%	-0.10%
Present value of total obligation	830,057	827,968	825,896
Projected service cost	27,098	27,098	27,098
Adjustment to pension increases and deferred revaluation	0.10%	0.00%	-0.10%
Present value of total obligation	842,200	827,976	814,021
Projected service cost	27,788	27,098	26,424
Adjustment to mortality age rating assumption	+ 1 year	None	- 1 year
Present value of total obligation	858,747	827,976	798,326
Projected service cost	27,962	27,098	26,260

g) Estimate of contributions for 2017/18

	Year to 31st March 2018 £ '000
Service costs	27,098
Net interest on the defined liability	12,132
Administration expenses	278
Total	39,508
Employer contribution	15,156

40. Contingent liabilities

Contingent Liabilities represent expenses the Council may incur in relation to a past activity if a future event occurs.

The Council's previous insurer, Municipal Mutual Insurance (MMI), went into a solvent run-off in September 1992 and is subject to a contingent scheme of arrangement which became effective in January 1994. In November 2012 the Directors of the company resolved to trigger the Scheme of Arrangement as a solvent run-off could no longer be foreseen. Ernst and Young, the Scheme Administrator imposed an initial levy of 15% in January 2014 under the terms of the scheme. A further levy of 10% was imposed by the Scheme Administrator in April 2016 and based on information currently held; the final aggregate levy may be up to 28%. The Council has sufficient resources in the Earmarked Insurance Reserve to cover any further anticipated levy.

41. Contingent Assets

Contingent Assets represent benefits due to the Council in relation to a past activity if a future event occurs.

In 2014/15 the Council, with the assistance of its tax advisers, submitted a VAT claim to Royal Mail totalling approximately £1.6m. The recovery of the sum involved is dependent upon the outcome of legal action involving other Local Authorities.

The Council has a potential claim against a contractor who had developed a Supported Living development. Discussions and negotiations are ongoing and the final recovery is not expected to exceed £1m.

42. Notes to the Cashflow Statement

Note A to the Cashflow Statement

2015/16 (Restated) £ '000	2016/17 £ '000
(32,081) Net Surplus or (Deficit) on the Provision of Services	16,756
<u>Adjust net surplus or deficit on the provision of services for non cash movements</u>	
4,582 Depreciation and impairment	(33,880)
37,835 Impairment and downward valuations	19,741
(117) Amortisation	(111)
(10,986) (Increase)Decrease in Creditors	(16,767)
(8,201) Increase/(Decrease) in Debtors	(4,294)
101 (Increase)/Decrease in Inventories	-
(18,346) Pension Liability	(15,710)
(17,883) Carrying amount of non-current assets sold	(11,193)
2,515 Other non-cash movements	833
(10,500)	(61,381)
<u>Adjust for items included in the net surplus or deficit on the provision of services that are investing or financing activities</u>	
16,937 Capital Grants credited to surplus or deficit on the provision of services	27,002
39 Net adjustment from the sale of short and long term investments	-
20 Premiums or Discounts on the repayment of financial liabilities	-
Proceeds from the sale of property plant and equipment, investment	
11,580 property and intangible assets	5,715
28,576	32,717
(14,005) Net Cash Flows from Operating Activities	(11,908)

Note B to the Cashflow Statement

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

2015/16 £ '000	2016/17 £ '000
Operating activities within the cashflow statement include the following cash flows relating to interest	
(1,352) Interest Received	(1,810)
11,167 Interest Paid	15,259
<u>9,815</u>	<u>13,449</u>

Note C to the Cashflow Statement

2015/16 £ '000	2016/17 £ '000
Purchase of Property, Plant and Equipment, investment property and 68,404 intangible assets	65,285
158,924 Purchase of short and long term investments - Other payments for Investing Activities	3,352 1,448
Proceeds from the sale of property plant and equipment, investment (9,926) property and intangible assets	(5,715)
(166,939) Proceeds from short-term and long-term investments	-
(16,416) Other Receipts from Investing Activities	(29,770)
<u>34,047</u> Total Cash Flows from Investing Activities	<u>34,600</u>

Note D to the Cashflow Statement

2015/16 £ '000	2016/17 £ '000
(17,520) Cash receipts of short and long term borrowing	(197,100)
5,316 Billing Authorities - Council Tax and NNDR adjustments	(2,224)
12,563 Repayment of Short-Term and Long-Term Borrowing	162,182
Cash payments for the reduction of the outstanding liabilities relating to 997 finance leases and on-balance sheet PFI contracts	628
<u>1,356</u> Total Cash Flows from Financing Activities	<u>(36,514)</u>

Note E to the Cashflow Statement

2015/16 £ '000	2016/17 £ '000
8,324 Cash and Bank Balances	22,146
<u>8,324</u>	<u>22,146</u>

Unaudited Final Draft

Housing Revenue Account

Income and Expenditure Account and Movement on the HRA

2015/16 £ '000	2016/17 £ '000
Expenditure	
5,540 Repairs and Maintenance	5,560
11,530 Supervision and Management	11,850
356 Rents, Rates, Taxes and Other Charges	293
588 Revenue Funding of Capital	-
60 Increase/(decrease) in Provision for Bad or Doubtful Debts	-
Depreciation, Impairment and Revaluation losses/(gains) in relation to Non-	
(66,128) current Assets	(11,161)
29 HRA share of Non-Distributed Costs (IAS past service costs)	(180)
88 Debt Management Costs	109
<u>(47,937) Total HRA Expenditure</u>	<u>6,471</u>
Income	
(36,267) Dwellings Rents	(35,743)
(415) Non-dwellings Rents	(430)
(1,072) Charges for Services and Facilities	(1,104)
(3,997) Grant (PFI)	(3,997)
(92) Contributions towards Expenditure	(137)
<u>(41,843) Total HRA Income</u>	<u>(41,413)</u>
Net Cost of HRA services as included in the whole-authority Income	
<u>(89,780) and Expenditure Account</u>	<u>(34,941)</u>
605 HRA services share of Corporate and Democratic Core	614
Net cost of HRA Services including HRA share of costs not allocated to	
<u>(89,175) specific services</u>	<u>(34,328)</u>
(83) (Gain)/loss on sale of HRA non-current assets	(141)
8,474 Interest payable and similar charges	8,519
(341) HRA interest and investment income	(318)
591 Pensions interest costs and expected return on pension assets	677
<u>(80,534) (Surplus) or deficit for the year on HRA Services</u>	<u>(25,590)</u>

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

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

2015/16 £'000	2016/17 £'000
Movement on the Housing Revenue Account Statement	
(18,345) Balance on the HRA at the end of the previous reporting period	(22,103)
Adjustments between the accounting basis and funding basis:	
(80,534) (Surplus) or deficit for the year on the HRA Services	(44,273)
6,900 Transfer to Major Repairs Reserve	7,817
83 (Gain) or loss on sale of HRA non-current assets	301
70,682 Transfer to/from the Capital Adjustment Account (CAA)	16,070
(2,869) Net (increase) or decrease before transfers to or from reserves	(20,085)
(1,283) Transfer to/(from) Pension Reserve	(1,106)
Employers's contributions payable to the Pension Fund and retirement benefits payable direct to pensioners	322
20 Accumulated absences adjustment	27
100 Transfers (to) or from earmarked reserves - PFI Smoothing Reserve	224
(3,756) Increase or (decrease) in year on the HRA	(20,618)
(22,103) Balance on the HRA at the end of the current reporting period	(24,180)
(9,100) Earmarked reserves - PFI Smoothing Reserve	(9,324)
(31,203) Total HRA Reserves	(33,504)

3. The Council's Dwelling Stock

At 31st March 2017, the Council was responsible for managing a housing stock of 6,875 dwellings, including 1,282 within the North Whitley PFI scheme (31st March 2016: 6,883 dwellings, 1,289 in the PFI scheme). The changes in stock were as follows:

2015/16	2016/17
Number of dwellings	Number of dwellings
3,922 Houses and bungalows	3,902
2,961 Flats	2,973
<u>6,883</u> Total dwellings	<u>6,875</u>

These dwellings are of the following types:

2015/16	2016/17
Number of	Number of
3,922 Houses and bungalows	3,902
2,961 Flats	2,973
<u>6,883</u> Total dwellings	<u>6,875</u>

The total Balance Sheet value of the Council's HRA assets at 31st March 2017 was £474.9m (31st March 2016: £404.2m), split across the following areas:

2015/16	2016/17
£ '000	£ '000
399,644	465,945
2,184	9,002
2,356	-
<u>404,184</u> Total asset value	<u>474,947</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 recognise that as tenanted properties the dwellings are not available with vacant possession. In 2016/17 the Social Housing Adjustment factor was amended to 33% (2015/16: 32%); the effect of this is to reduce the vacant possession value of the dwellings of £1,408m in 2016/17 to £466m (2015/16: vacant possession value of £1,238m, adjusted balance sheet value of £399m). In 2016/17, Non-operational assets have been transferred to Other Land and buildings.

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:

2015/16 £ '000	2016/17 £ '000
- Balance on the MRR as at 1st April	-
Transfers from Housing Revenue Account:	
6,753 - Depreciation on dwellings	7,465
147 - Depreciation on non-dwellings	352
(6,900) Financing of capital expenditure	(7,817)
<u>- Balance on the MRR as at 31st March</u>	<u>0</u>

5. HRA capital expenditure

During 2016/17, the Council incurred £10.6m capital expenditure on land, houses and other properties within the HRA (2015/16: £10.4m). The detail of expenditure and the methods of financing are detailed below:

2015/16 £ '000	2016/17 £ '000
HRA capital expenditure:	
9,957 Housing	10,141
461 Other	427
<u>10,418</u>	<u>10,568</u>
Financed by:	
(1,679) Borrowing	(1,796)
(913) Capital Receipts	(843)
(6,900) MRR	(7,817)
(588) Revenue Contributions	-
(338) Grants	(112)
<u>(10,418)</u>	<u>(10,568)</u>

6. HRA capital receipts

During the year, the Council disposed of 26 dwellings to tenants under the Right to Buy scheme. The disposals generated total capital receipts of £4.1m, of which £1.182m was paid to Central Government as the Council's contribution to the Central Housing Pool. £12m of HRA capital receipts was held by the Council as at 31st March 2017 to be used on replacement housing.

7. Interest

£8.5m (2015/16: £8.5m) was charged in total to the HRA, of this £2.2m (2015/16: £2.2m) related to the Housing PFI scheme (see note 32, page 97 of the main accounts).

8. Impairments

In accordance with the accounting policies set out on page 50, net impairment reversals of £37.411m (2015/16: £35.193m) in respect of HRA properties were charged to the HRA. The majority of this sum was a large reversal of impairments to dwellings recognised in previous years.

2015/16 £ '000	2016/17 £ '000
(35,187) Dwellings	(18,868)
(6) Other properties	(2)
<u>(35,193)</u>	<u>(18,870)</u>

9. Depreciation

The total charge for depreciation for dwellings and other properties within the HRA was £7.8m for 2016/17 (2015/16: £6.9m), split as follows:

2015/16 £ '000	2016/17 £ '000
Operational assets:	
6,753 Dwellings	7,465
145 Other Properties	352
2 Non-operational assets	-
<u>6,900</u>	<u>7,817</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 2017, the rent arrears were £776,057 (2015/16: £828,023); a provision of £600,000 in respect of uncollectable debts has been recognised on the Balance Sheet (2015/16: £600,000).

Collection Fund Account

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

2015/16 (Restated) £ '000	2015/16 (Restated) £ '000	2015/16 (Restated) £ '000		2016/17 £ '000	2016/17 £ '000	2016/17 £ '000
Business Rates	Council Tax	Total		Business Rates	Council Tax	Total
Income:						
-	80,953	80,953	Council Tax receivable	-	86,374	86,374
-	(21)	(21)	Council Tax benefits	-	(20)	(20)
-	80,932	80,932		-	86,354	86,354
109,335	-	109,335	Business Rates receivable (net of discretionary and mandatory relief)	113,422	-	113,422
109,335	80,932	190,267	Total income	113,422	86,354	199,776
Expenditure:						
Apportionment of previous year's surplus:						
868	-	868	Central Government	500	-	500
850	1,888	2,738	Reading Borough Council	490	202	692
17	86	103	Royal Berkshire Fire Authority	10	9	19
-	226	226	Thames Valley Police	-	24	24
1,735	2,200	3,935		1,000	235	1,235
Precepts, demands and shares:						
52,608	-	52,608	Central Government	53,650	-	53,650
51,556	68,462	120,018	Reading Borough Council	52,577	72,470	125,047
1,052	3,042	4,094	Royal Berkshire Fire Authority	1,073	3,128	4,201
-	8,210	8,210	Thames Valley Police	-	8,523	8,523
105,216	79,714	184,930		107,300	84,121	191,421
27	5	32	Write off of uncollectable amounts	-	12	12
(97)	1,450	1,353	Allowance for impairments	722	975	1,697
4,100	-	4,100	Provision for appeals	(5,950)	(550)	(6,500)
270	-	270	Cost of collection allowance	272	-	272
-	-	-	Transitional protection payment	(122)	-	(122)
4,300	1,455	5,755		(5,078)	437	(4,641)
111,251	83,369	194,620	Total Expenditure	103,222	84,793	188,015
(1,916)	(2,436)	(4,352)	Movement on the fund balance	10,200	1,561	11,761
Surplus/(deficit) brought forward						
2,916	2,229	5,145	-As previously reported	1,000	(207)	793
(7,200)	-	(7,200)	-Prior period adjustment	(7,200)	-	(7,200)
(4,284)	2,229	(2,055)	-As restated	(6,200)	(207)	(6,407)
Surplus/(deficit) on the Collection Fund as at 31st March						
(6,200)	(207)	(6,407)		4,000	1,354	5,354

Surplus/(Deficit) on the Collection Fund

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

2015/16 (Restated) £ '000	2015/16 (Restated) £ '000	2015/16 (Restated) £ '000		2016/17 £ '000	2016/17 £ '000	2016/17 £ '000
Business Rates	Council Tax	Total		Business Rates	Council Tax	Total
(3,100)	-	(3,100)	Central Government	2,000	-	2,000
(3,038)	(179)	(3,217)	Reading Borough Council	1,960	1,163	3,123
(62)	(8)	(70)	Royal Berkshire Fire Authority	40	52	92
-	(20)	(20)	Thames Valley Police	-	139	139
(6,200)	(207)	(6,407)	Total	4,000	1,354	5,354

Notes to the Collection Fund Account

1. 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 31st March 2017 was £254,697,476 (31st March 2016: £249,711,720). The business rate multiplier set by Central Government for 2015/16 was 48.0p for small businesses, and 49.3p for all other businesses.

2. 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 retained business rates, 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 2015, there were 51,453 Band D equivalent properties on the Council Tax register:

2015/16			2016/17		
Band D Equivalent Dwellings	Band	Property Value	Taxable Properties	Ratio	Band D Equivalent Dwellings
3,106	A	Up to £40,000	5,485	6/9	3,147
9,131	B	From £40,001 to £52,000	13,371	7/9	9,240
22,286	C	From £52,001 to £68,000	27,411	8/9	22,429
9,340	D	From £68,001 to £88,000	10,110	9/9	9,440
6,080	E	From £88,001 to £120,000	5,299	11/9	6,121
4,385	F	From £120,001 to £160,000	3,203	13/9	4,412
2,869	G	From £160,001 to £320,000	1,800	15/9	2,880
123	H	£320,001 upwards	75	18/9	118
<u>57,320</u>			<u>66,754</u>		<u>57,787</u>

In January 2016, the Council estimated that the Council Tax base for 2016/17 would be 51,050.

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 wholly owned 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. Reading Borough Council owns 100% of the share capital and is able to control the operating, governance and financial policies of the company. In addition the Council has two representatives on the Board of Directors.

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 2016/17 is set out below:

RTL: As at 31st March 2017, net current assets were £4.9m (£2.2m in 2015/16).

REDCO: The group's net current assets were £Nil (as at 31st March 2017 £Nil); in 2016/17 the company broke even (2015/16: broke even).

The group accounts are consolidated using the Council accounts prepared under the CIPFA code, as modified for IFRS, with RTL's which is prepared under FRS102. The expenditure and funding analysis is only reported for RBC due to the difference in preparing the financial statements and the different operation of these entities.

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 46), 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 Limited.
- 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 52. The following differences are recognised:

Basis of accounts production

The Council is required to produce its accounts in accordance with the CIPFA Code of Practice, whereas RTL produces its accounts in line with FRS102 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 the CIPFA Code of Practice. No material items requiring adjustment have been discovered.

Depreciation of Property, Plant and Equipment

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	6 2/3% - 33% straight line
Other Vehicles	9 1/2% - 33% straight line

This property, plant and equipment 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 2016/17 for RTL is £2.9m (2015/16: £2.8m).

Capital Grants

Capital grants received by Reading Transport Limited (RTL) are accounted for under the provisions of FRS102 and the company has opted to use the performance model whereby capital grants are initially credited to deferred income and released to income over the expected useful lives of the relevant assets in equal annual instalments. The deferred income balances are analysed between long-term and short-term and reflected in the Balance Sheet as such. Although this methodology is acceptable under UK GAAP this policy is not compliant with the Code under which the group accounts have been prepared. In prior periods this divergence with the Code has not been considered material, however, in the current year RTL received grants of £1.389m which is considered to be material. Accordingly the group accounts have been amended to comply with the Code. The effect of this adjustment is to increase grant income by £1.389m with a corresponding reduction in short-term creditors and long term lease liabilities by £0.49m and £1.34m respectively. The grant income has subsequently reversed from the general fund to the Capital Adjustment Account through the Movement in Reserves Statement. Although there are grant creditor balances totalling £0.288m these have not been adjusted for on the grounds of immateriality.

Group Financial Statements

The Group Movement in Reserves Statement is shown on pages 45 and 46.

Group Comprehensive Income and Expenditure Statement

2015/16 £ '000 (Restated)	2015/16 £ '000 (Restated)	2015/16 £ '000 (Restated)		2016/17 £ '000	2016/17 £ '000	2016/17 £ '000
Expenditure	Income	Net expenditure		Expenditure	Income	Net expenditure
			Gross expenditure, gross income and net expenditure of continuing operations			
70,862	(27,487)	43,375	Adult Care and Health Services	67,918	(23,688)	44,230
126,977	(95,058)	31,919	Corporate Support Services	111,736	(94,361)	17,375
162,072	(109,947)	52,125	Children, Education and Early Help Services	167,709	(105,371)	62,338
82,533	(35,169)	47,364	Environment and Neighbourhood Services	92,018	(40,371)	51,647
24,384	(25,873)	(1,489)	Transport Services	27,069	(28,396)	(1,327)
(47,332)	(41,843)	(89,175)	Housing Revenue Account	7,083	(41,413)	(34,330)
<u>419,496</u>	<u>(335,377)</u>	<u>84,119</u>	Net Cost of Services	<u>473,533</u>	<u>(333,600)</u>	<u>139,933</u>
		800	Other Operating Expenditure			7,037
		29,197	Financing and Investment Income and Expenditure			24,237
		(147,431)	Taxation and Non-specific Grant income			(156,465)
		<u>(33,315)</u>	(Surplus)/deficit on provision of services			<u>14,742</u>
		65	Tax expense - Corporation tax payable			106
		<u>(33,250)</u>	Group (Surplus)/deficit on the Provision of Services			<u>14,848</u>
		(23,826)	(Surplus)/deficit on revaluation of non current assets			(94,457)
		(158)	Valuation (gains)/losses in Fair Value of investments			648
		(31,837)	Actuarial gains/(losses) on pension assets/liabilities			106,255
		(696)	Deferred Tax on Pension liability (RTL)			(369)
		<u>(89,767)</u>	Total Comprehensive Income & Expenditure			<u>26,925</u>

Group Balance Sheet

2014/15 (Restated) £ '000	2015/16 (Restated) £ '000		2016/17 £ '000	2016/17 £ '000
328,531	399,644	Council Dwellings	465,945	
251,530	295,783	Other Land & Buildings	341,462	
40,521	43,120	Plant, Furniture & Equipment	45,124	
189,398	194,814	Infrastructure Assets	194,561	
11,539	11,711	Community Assets	12,303	
449	180	Assets under construction	1,936	
5,000	4,895	Surplus Assets	29,538	
<u>826,968</u>	<u>950,147</u>	Property, Plant & Equipment		1,090,869
825	917	Heritage Assets	1,113	
32,033	29,046	Investment Properties	25,910	
458	476	Intangible Assets	396	
44	57	Long Term Investments	410	
4,728	11,886	Available for Sale Financial Instruments	14,237	
38	1,836	Long Term Debtors	1,082	
<u>38,126</u>	<u>44,218</u>			43,148
<u>865,094</u>	<u>994,365</u>	Long Term Assets		<u>1,134,017</u>
6,347	3,291	Assets Held for Sale	440	
390	518	Inventory	583	
37,463	30,343	Short Term Debtors	28,795	
15,000	-	Short Term Investments	-	
31,486	11,415	Cash and Cash Equivalents	25,284	
<u>90,686</u>	<u>45,567</u>	Current Assets		55,102
955,780	1,039,932	Total Assets		<u>1,189,119</u>
(9,525)	(21,074)	Short Term Borrowing	(62,241)	
(63,960)	(52,469)	Short Term Creditors	(71,581)	
-	(11,450)	Short Term Provisions	(7,479)	
(11,008)	(8,841)	Grants Received in advance	(9,632)	
-	(1,020)	Short Term PFI Lease Liabilities	(989)	
<u>(84,493)</u>	<u>(94,854)</u>	Current Liabilities		(151,922)
871,287	945,078	Total Assets less Current Liabilities		1,037,197
(301,116)	(294,522)	Long Term Borrowing	(288,273)	
(8,186)	(10,154)	Long Term Finance Lease Liabilities	(9,387)	
(33,777)	(31,760)	Long Term PFI Lease Liabilities	(32,183)	
(11,860)	(13,971)	Provisions	(14,963)	
		Provision for Accumulated Absences		
(365,127)	(344,921)	Liability related to defined benefit pension scheme	(469,550)	
<u>(720,066)</u>	<u>(695,328)</u>	Long Term Liabilities		(814,356)
<u>151,221</u>	<u>249,750</u>	Net Assets		<u>222,842</u>
		Financed by:		
(90,494)	(86,839)	Usable Reserves		(68,993)
(60,727)	(162,911)	Unusable Reserves		(153,849)
<u>(151,221)</u>	<u>(249,750)</u>	TOTAL RESERVES AND BALANCES		<u>(222,842)</u>

Group Cashflow Statement

31 March 2016 £ '000	31 March 2017 £ '000
(41,222) Net (surplus)/deficit on the provision of services	16,114
(6,518) Adjust net (surplus)/deficit on the provision of services for noncash movements (Note A)	(63,657)
28,262 Adjust for items included in the net surplus or deficit on the provision of services that are investing and financing activities (Note A)	33,224
(19,478) Net cash flows from Operating Activities	(14,319)
35,337 Investing Activities (Note B)	39,182
4,212 Financing Activities (Note C)	(38,732)
20,071 Net (increase)/decrease in cash and cash equivalents	(13,869)
31,486 Cash and cash equivalents at the beginning of the reporting period	11,415
11,415 Cash and cash equivalents at the end of the reporting period	25,284

Notes to the Group Cashflow Statement are provided in Note Error! Reference source not found..

Notes to the Group Accounts

1. Group Comprehensive Income and Expenditure Statement

This Statement shows the expenditure and income for the Group analysed by Service and how these amounts were 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 Council's Comprehensive Income and Expenditure Statement. The material changes from the Comprehensive Income and Expenditure Statement are:

- Inclusion of Reading Transport Limited (RTL) expenditure (net of transactions with other Group bodies) totalling £26.5m within Transport Services;
- Inclusion of RTL income (net of transactions with other Group bodies) totalling £27.1m within Transport Services;
- Inclusion of pensions interest costs and return on assets for RTL (2016/17: net costs of £1.9m, 2015/16: net costs of £2.0m) (excluding actuarial losses)

The Notes to the Comprehensive Income and Expenditure Statement are not materially altered by the inclusion of the subsidiaries in these Accounts, and therefore the Notes provided on Pages 51 to 125 are valid with the exception of Note 7 on Page 116. The information described below supplements the information provided on these pages.

2. Pension Costs

(Pensions disclosures are based on the RTL accounts for the year ended 25th September 2016)

RTL operates two defined benefit pension schemes for employees:

- Employees at 20 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.

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.

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

No other retirement benefits are provided to RTL employees.

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

2015/16 £ '000	2016/17 £ '000
(68,645) Balance at start of year	(69,956)
(1,351) Current service cost	(2,360)
(2,561) Interest cost	(3,594)
(87) Actuarial losses	(19,213)
(72) Contributions	(96)
2,730 Benefits paid	4,336
30 Unfunded pension payments	45
<u>(69,956) Balance at end of year</u>	<u>(90,838)</u>

b) Reconciliation of fair value of plan assets

2015/16 £ '000	2016/17 £ '000
50,932 Balance at start of the year	56,287
1,931 Expected return on plan assets	17,398
4,074 Actuarial gains/(losses)	(79)
(13) Admin expenses	(21)
2,051 Contributions by company	2,952
72 Contributions by participants	96
(2,760) Benefits paid	(4,381)
<u>56,287 Balance at end of the year</u>	<u>72,252</u>

c) Reconciliation to the balance sheet

2015/16 £ '000	2016/17 £ '000
(69,583) Present value of funded obligations	(90,393)
56,287 Fair value of plan assets	72,252
<u>(13,296)</u>	<u>(18,141)</u>
(373) Present value of unfunded obligations	(445)
<u>(13,669) Plan deficit</u>	<u>(18,586)</u>
2,734 Related deferred tax asset	3,093
<u>(10,935) Net liability</u>	<u>(15,493)</u>

d) Amounts recognised in the profit and loss account

2015/16 £ '000	2016/17 £ '000
Included in administrative expenses:	
1,351 Current service costs	2,360
Included in other finance costs:	
630 Interest cost	502
13 Administrative Expenses	21
1,994	2,883

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

2015/16 £ '000	2016/17 £ '000
Actuarial gains/(losses) recognised in the statement of	
3,987 total recognised gains and losses*	(4,986)
(809) Deferred tax on pension scheme liability	767
12 - Current tax adj in respect of pension contribution	15
- - Changes in tax rates	(413)
3,190 for the year	(4,617)

* Effect of transition to FRS102 - restated

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

2015/16 %	2016/17 %
Major categories of plan assets	
37.56% Equities	32.94%
12.60% Other bonds	0.00%
10.00% Property	30.21%
34.02% Cash	8.68%
0.36% Gilts	2.41%
4.53% Target return portfolio	9.47%
0.88% Commodities	0.35%
1.06% Infrastructure	1.07%
-1.00% Longevity Insurance	-1.10%
100.00%	100.00%

g) Principal actuarial assumptions:

2015/16 %		2016/17 %
3.60	Discount rates	2.10
	Expected rates of return on plan assets:	
2.40	Future salary increases	2.10
3.30	Inflation assumption (RPI)	3.20
2.40	CPI increase	2.20
3.00	Future pension increases - pre 1997*	2.40
3.40	Future pension increase - pre 1997 - 2006*	2.60
2.20	Future pension increases	2.20

* 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 52 to 110 still apply, with the exception of the following notes:

• Group Short Term Debtors

The intra-group transactions have been removed from short term debtors in both the subsidiary and the 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:

2015/16 Group £'000	2016/17		
	RBC £'000	RTL £'000	Group £'000
30,343 Sundry Debtors	23,071	5,724	28,795
<u>30,343</u>	<u>23,071</u>	<u>5,724</u>	<u>28,795</u>

• Group Short Term Creditors

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:

2015/16 Group £'000	2016/17		
	RBC £'000	RTL £'000	Group £'000
(52,469) Sundry Creditors	(65,891)	(5,690)	(71,581)
<u>(52,469)</u>	<u>(65,891)</u>	<u>(5,690)</u>	<u>(71,581)</u>

4. Comprehensive Income and Expenditure Statement

- Capital grants and contributions

2015/16	2016/17		
Group	RBC	RTL	Group
£'000	£'000	£'000	£'000
Grants credited to non-specific grant			
(10,470) income	(22,380)	(1,389)	(23,769)
S106 and other contributions credited			
(6,466) to non-specific grant income	(4,642)	-	(4,642)
<u>(16,936) Total</u>	<u>(27,022)</u>	<u>(1,389)</u>	<u>(28,411)</u>

5. Notes to the Cash Flow Statement

a) Group Cashflow - Note A

2015/16	2016/17
£ '000	£ '000
<u>(41,222)</u> Net Surplus or (Deficit) on the Provision of Services	<u>16,114</u>
<u>Adjust net surplus or deficit on the provision of services for non cash movements</u>	
1,800 Depreciation	(36,881)
37,835 Impairment and downward valuations	19,741
166 Amortisation	(111)
(3,051) (Increase)/Decrease in Creditors	(17,782)
(7,854) Increase/(Decrease) in Debtors	(969)
129 Increase/(Decrease) in Inventories	65
(17,082) Pension Liability	(16,998)
- Contributions to/(from) Provisions	8
(17,883) Carrying amount of non-current assets sold	(11,564)
(578) Other non-cash movements	833
<u>(6,518)</u>	<u>(63,657)</u>
<u>Adjust for items included in the net surplus or deficit on the provision of services that are investing or financing activities</u>	
16,937 Capital Grants credited to surplus or deficit on the provision of services	27,002
39 Net adjustment from the sale of short and long term investments	-
20 Premiums or Discounts on the repayment of financial liabilities	-
11,266 Proceeds from the sale of property plant and equipment, investment property and intangible assets	6,222
<u>28,262</u>	<u>33,224</u>
<u>(19,478) Net Cash Flows from Operating Activities</u>	<u>(14,319)</u>

Group Cashflow - Note B

2015/16 £ '000	2016/17 £ '000
Operating activities within the cashflow statement include the following cash flows relating to interest	
(1,362) Interest Received	(1,621)
14,404 Interest Paid	15,699
13,042	14,078

b) Group Cashflow - Note C

2015/16 £ '000	2016/17 £ '000
69,248 - Purchase of property, plant and equipment, investment property and intangible assets	70,779
158,924 - Purchase of short-term and long-term investments	3,352
0 - Other payments for investing activities	0
(10,608) - Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(6,222)
0 - Capital grants	0
(166,939) - Proceeds from short-term and long-term investments	0
(15,288) - Other receipts from investing activities	(28,727)
35,337 Total Cash Flows from Investing Activities	39,182

c) Group Cashflow - Note D

2015/16 £ '000	2016/17 £ '000
(17,520) - Cash receipts of short- and long-term borrowing	(197,100)
(35) - Other receipts from financing activities	(1,136)
135 - Cash payments for the reduction of the outstanding liabilities relating to finance leases and on-balance sheet PFI contracts (Principal)	2,105
16,316 - Repayments of short- and long-term borrowing	163,225
5,316 - Other payments for financing activities	(5,826)
4,212 Total Cash Flows from Financing Activities	(38,732)

d) Group Cashflow - Note E

2015/16 £ '000	2016/17 £ '000
11,415 Cash and Bank Balances	25,284
11,415	25,284

Unaudited Final Draft

Glossary

Accounting Period

The period of time covered by the Council's Statement of Accounts. The Council's financial year covers the period 1 April to 31 March.

Accounting Policies

The specific principles, bases, conventions, rules and practices applied by the Council in preparing and presenting these financial statements.

Accounting Standards

A set of accounting rules governing how financial statements are to be prepared (see International Financial Reporting Standards).

Accrual

The recognition of income and expenditure in the year that benefits to these amounts occur and not when any cash amounts are received or paid.

Accumulated Absences Account

This account represents the value of Council employees' annual leave rolled over from one financial year to another.

Acre Road Industrial Estate Limited (ARIEL)

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

Actuary

An independent adviser to the Council regarding the year-end financial position of the Pension Fund.

Actuarial Valuation

Every three years, the Council reviews the assets and liabilities of the Pension Fund and reports on the Fund's financial position and recommended employers' contribution rates. The last full valuation of the Scheme was in 2016.

Amortisation

The write-down of an Intangible Asset or loan balance to the Comprehensive Income and Expenditure Statement over an appropriate time period. To represent a measure of the economic benefits derived from Fixed Assets that are consumed during the period.

Assets held for sale

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

Balance Sheet

A summary of all the assets, liabilities and other balances of the Council at the end of an accounting period.

Budget

A forecast of future expenditure and income plans for the Council. Detailed Revenue Budgets are prepared for each year-end and it is on the basis of these sums that Council Tax is determined. Budgets are revised during the year for changes as necessary.

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 Adjustment Account

Represents amounts set aside from Revenue or Capital Receipts to finance capital expenditure on Property, Plant and Equipment (PPE) or for the repayment of external loans or certain other capital financing transactions.

Capital Expenditure

Expenditure on the purchase of new PPE or expenditure which adds to the value of an existing PPE asset.

Capital Financing Requirement

Represents the Council's need to borrow for a Capital purpose.

Capital Grants Received in Advance

Capital Grants and contributions that have conditions which may require future repayment if not spent.

Capital Grants Unapplied

Grant sums that will be used to fund future Capital Expenditure.

Capital Receipt

Income received from the sale of capital assets, including Land or Buildings.

Capital Receipts Reserve

Represents proceeds from the sale of capital assets available to fund future Capital financing or to repay debt.

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 without penalty.

Cashflow Statement

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

Collection Fund

A statutory Account maintained to record the transactions relating to the collection and distribution of National Non-Domestic Rates (NDR) and Council Tax, separate to those of the Council's other activities.

Collection Fund Adjustment Account

The Collection Fund Adjustment Account represents the timing differences between accounting for Business Rates and Council Tax on an accounting and statutory basis.

Components

Significant and separately-identifiable parts of a larger asset that either contribute a major part of the overall value of the asset or which have a vastly different useful economic life to the host asset.

Comprehensive Income and Expenditure Statement (CIES)

An annual statement summarising the income and expenditure from the Council's Services during the year demonstrating how costs have been financed from Government grants and income from local taxpayers.

Contingent Assets

Items that the Council believes that 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

Where possible 'one-off' future liabilities or losses are identified but the level of uncertainty is such that the creation of a Provision is not appropriate.

Corporate Management Team (CMT)

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

Council Tax

A local tax based on historic banded Property values, which contributes to the total income of the Council (and precepting bodies).

Creditors

Monies owed by the Council to external parties for goods and services received.

Debtors

Monies owed to the Council by individuals and organisations.

Dedicated Schools Grant (DSG)

Ring-fenced sums received from the Department for Education (DfE) and used to finance Schools' budgets.

Deferred Capital Receipts

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

Deferred Income (Receipt in Advance)

This represents an amount received as a result of the Council entering into a building lease. The receipt is subsequently released over the lease term.

Deferred Liabilities

Future sums that the Council is contractually obliged to pay in future years. These liabilities often relate to Private Finance Initiative (PFI) Schemes.

Defined Benefit Pension Scheme

An Employer Pension Scheme which defines benefits independently of the contributions payable. Within this type of Scheme, the Council is committed to a specified monthly benefit on retirement for employees that is predetermined by a formula based upon employees' earnings histories as opposed to dependency on individual investment returns within the Pension Fund.

Depreciation

The measure of the wearing out, consumption or other reduction in the useful economic life of capital assets, whether arising from use, the passage of time or obsolescence through technological or other changes.

Dwelling Stock

The Houses owned by the Council, and as included within the Housing Revenue Account.

Earmarked Reserves

Amounts set aside for a specific purpose to meet future expenditure commitments or potential liabilities, for which it is not appropriate to establish separate provisions.

Fair Value

In relation to the value of Financial Instruments, this is the amount for which an asset can be exchanged or a liability settled between knowledgeable and willing parties in an arm's length transaction.

Finance Lease

A lease that substantially transfers the risks and rewards associated with the ownership of an asset to the lessee.

Financial Instrument

A contract that gives rise to the creation of a financial asset for one entity and Corresponding financial liability or equity instrument of another.

Financial Instrument Adjustments Account

This Account represents the balance of deferred discounts or premia relating to the premature redemption of Public Works Loans Board (PWLB) debt.

Freehold

An asset (usually Land or Buildings) that the Council owns and does not lease.

General Fund (GF)

The major Revenue Account from which the costs of providing the majority of the Council's Services are met.

Gross Spending

The total cost of supplying services before any income such as Government Grants, fees and charges are deducted.

Group Accounts

Where the Council has a material interest in a separate entity, this entity's assets and liabilities may need to be incorporated within a set of Group Accounts. If an Authority does control an entity, it is defined as a subsidiary for accounting purposes.

Heritage Asset

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

Historic Cost

Where the value of an asset is defined by past purchase price rather than current market value.

Homes for Reading Limited

A subsidiary company owned by the Council which was formed to purchase and rent homes in the private sector.

Housing Revenue Account (HRA)

A summary Account within the Statement of Accounts maintained separately from the General Fund in order to itemise the specific income and expenditure relating to the provision of Council Housing.

International Accounting Standards Board (IASB)

The independent standard setting body of the IFRS foundation. The IASB's members are responsible for the development and publication of IFRSs.

International Financial Reporting Interpretations Committee (IFRIC)

An international Accounting Standard that the Council has followed in the preparation of the Accounts.

Impairment

A decrease in the value of capital assets caused by a consumption of economic benefit or by a general reduction in value (due to obsolescence, damage or an adverse change in the environment).

Infrastructure Assets

Inalienable assets; expenditure on which is only recoverable by continued use of the asset created. There is no prospect of future sale or alternative use. Examples include roads, bridges and tunnels.

Intangible Assets

Non-financial long-term assets that do not have physical substance but are identifiable and controlled by the Council, for instance purchased software licences.

Interest Rate Risk

The uncertainty of interest paid or received on variable rate financial instruments and the effect of interest rate fluctuations in interest rates on the fair values of such instruments.

International Financial Reporting Standards (IFRS)

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

Inventories

Comprises the value of Stock held and Work in Progress at year-end.

Investment Properties

Properties that the Council owns for rental income and/or capital appreciation purposes rather than for the delivery of Services.

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. Leases can vary from short-term agreements to terms in excess of 100 years. All leases have been assessed to see if they should be treated as Finance Leases (Capital) or Operating Leases (Revenue in nature).

Local Government Pension Scheme (LGPS)

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

Long-Term Borrowing

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

Major Repairs Reserve (MRR)

A Reserve within the Housing Revenue Account that receives the Depreciation charges that the Council makes on its Housing Stock, this may be used for HRA Capital Expenditure or to repay HRA debt.

Minimum Revenue Provision (MRP)

The sum that has to be charged to Revenue to provide for the redemption of debt. This Provision does not apply within the HRA.

Movement in Reserves Statement (MIRS)

A summary of the Council's Reserves at the year-end date split between Usable and Non-Usable Reserves.

National Non-Domestic Rates

Non-Domestic Rates (Business Rates) are paid into a central pool managed by Central Government. These funds are subsequently redistributed to Councils as part of the Local Government Finance Settlement.

Net Book Value (NBV)

Applicable to the year-end value of capital assets after Depreciation has been deducted.

Net Realisable Value (NRV)

The open market value of an asset less any expenses incurred in realising the asset.

Non-Current Assets Held for Sale

Capital assets whose carrying amount is to be recovered principally through sale as opposed to via continued use by the Council.

Precepting Bodies

Bodies that can submit a demand against the Collection Fund. These bodies are Reading Borough Council (RBC), The Royal Berkshire Fire and Rescue Service and Thames Valley Police (TVP).

Private Finance Initiative (PFI)

Contracts whereby Private Sector suppliers provide services and/or capital investment in return for a unitary payment subject to agreed performance targets.

Property, Plant and Equipment (PPE)

The Non-Current Assets retained by the Council within the Balance Sheet. Such assets have a physical existence and are expected to be used for a period in excess of 1 year, examples including Land and Buildings.

Provisions

Amounts set aside for liabilities and losses which are uncertain or very likely to occur but where the exact amount or timing of the payment are uncertain.

Queens Road Car Park Limited (QRCP)

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 Hampshire Property Partnership Limited.

A subsidiary company with Hampshire County Council which was formed to enable them to provide building and property related services to the Council.

Reading Transport Limited (RTL)

A subsidiary company owned by the Council, formed to meet the requirement of the Transport Act. It provides and operates Bus Services in Reading and the surrounding area.

Reserves

Amounts set aside to fund items of anticipated expenditure that do not fall within the definition of a Provision. These incorporate General Reserves or earmarked reserves set aside for a specific purpose (either usable or unusable).

Revaluation Reserve

Represents the increase in value of the Council's Land and Building assets from 1 April 2007 onwards.

Revenue Expenditure

The day-to-day expenditure of the Council including costs such as wages and salaries, goods and services and Capital Financing charges.

Revenue Expenditure Funded from Capital Under Statute (REFCUS)

Expenditure on assets not owned by the Council, for example making disabled access adaptations to a privately-owned home or expenditure ordinarily charged to revenue, both of which are allowed to be charged to capital under regulations.

Service Level Agreements (SLA)

Agreements between operational units that state the price and specifications of the support service by one function to another.

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.

Soft Loan

A loan that the Council provides at an interest rate below the established market rate to community or other not-for-profit organisations.

Statement of Accounting Policies

The rules and practices adopted by the Council that determine how transactions and events are disclosed or costed within the Statement of Accounts.

Support Services

Activities of a professional, technical and administrative nature which are not front-line Council Services in their own right, but which support front-line Service departments such as Finance, Information Technology and Human Resources.

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 year-end financial position and transactions of the Council.

Unusable Reserves

These Reserves represent balances that cannot be spent as part of the Council's medium-term financial plan. Examples include the Revaluation Reserve and Capital Adjustment Account.

Usable Reserves

Reserves held by the Council that can be used to finance either Capital or Revenue activities.

Value for Money (VfM)

This term is used to describe the relationship between the Economy, Efficiency and Effectiveness (known as the 'three E'S) of a service, function or activity. Value for Money is high when there is an optimum balance between all three.