



Statement of Accounts 2011/12

Incorporating the Annual Governance Statement

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Foreword

1. Introduction

This foreword provides a brief explanation of the financial aspects of the Council's activities, and draws attention to the Council's financial position and performance for the financial year 2011-12.

Final accounts for the Council for the year ended 31st March 2012, and explanatory notes, are included on pages 22 to 103.

2. Changes to Accounting Policies

The Council has adopted the requirements of Financial Reporting Standard (FRS) 30 (Heritage Assets) and as such, now recognises items held for historic or cultural reasons on the balance sheet. This has resulted in an additional £0.8m of assets being recognised in the balance sheet as at 31st March 2012.

As this is a change of accounting policy, the previous year's figures have been restated to show this change.

3. Major changes from 2010/11

During the year, the Government decided to abolish the Housing Revenue Account (HRA) subsidy system and, as a consequence, required most local housing authorities to make a one-off payment to Central Government. Reading Borough Council was required to pay £147.8m, which has been financed through borrowing from the Public Works Loan Board (PWLB).

4. Accounting Statements

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

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

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

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

The [Movement in Reserves Statement](#) shows the movement in year on the different reserves held by the Council, analysed into general reserves (those that can be applied to fund expenditure or reduce local taxation) and other reserves. The surplus or deficit on the provision of services line shows the true economic cost of providing the Council's services, further details of which are shown in the Comprehensive Income and Expenditure Statement. These are different to the

statutory amounts chargeable to the General Fund balance and the Housing Revenue Account for Council Tax and Dwellings Rent setting purposes. The 'Net increase/decrease before transfers to earmarked reserves' line shows the statutory General Fund balance and Housing Revenue Account balance before any discretionary transfers to or from the earmarked reserves.

The [Comprehensive Income and Expenditure Statement](#) shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation. The Council raises taxation to cover expenditure in accordance with regulations; this may be different from the accounting cost. The taxation position is shown in the Movement in Reserves Statement.

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

The [Cashflow Statement](#) summarises the changes in cash and cash equivalents during the reporting period. The Statement shows how the Council generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities.

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

[Collection Fund](#) - There is a statutory requirement to maintain a Collection Fund and keep its activities separate from those of other Council transactions. The fund shows the transactions (on an accruals basis) of the Council as a billing authority in relation to Non-Domestic Rates and the Council Tax and illustrates the way in which they have been distributed to Precepting authorities and the Comprehensive Income and Expenditure Account. The fund receives payments from Council Tax payers and Business Rate payers. Business Rates are paid into the national pool, from which the Council draws a precept to help meet its General Fund expenditure. Thames Valley Police Authority and the Royal Berkshire Fire and Rescue Service precept on the Council Tax element of the Collection Fund to fund their activities.

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

5. Financial Performance

i. General Fund Performance

The net service expenditure, by directorate, compared with budgeted figures for 2011/12 is shown below:

	Budget	Probable outturn reported as at November	Outturn	Variance to budget	Variance to probable
	£ '000	£ '000	£ '000	£ '000	£ '000
Environment, Culture and Sport	23,832	23,527	23,452	(380)	(75)
Corporate Resources	18,789	18,700	17,868	(921)	(832)
Housing and Community Care	47,933	47,564	47,185	(748)	(379)
Education and Childrens Services	31,219	32,169	31,751	532	(418)
	<u>121,773</u>	<u>121,960</u>	<u>120,256</u>	<u>(1,517)</u>	<u>(1,704)</u>
Capital Financing	12,697	12,366	11,609	(1,088)	(757)
Insurance	706	706	716	10	10
Property and Pension liabilities	2,236	2,386	2,435	199	49
Capitalisation	(500)	(500)	(651)	(151)	(151)
Total	<u>136,912</u>	<u>136,918</u>	<u>134,365</u>	<u>(2,547)</u>	<u>(2,553)</u>
(Use of)/Addition to reserves	(1,000)	(1,000)	997	1,997	1,997
Grants	(10,867)	(10,867)	(10,867)	0	0
(Use of)/Addition to balances	(602)	(608)	(52)	550	556
Budget requirement	<u><u>124,443</u></u>	<u><u>124,443</u></u>	<u><u>124,443</u></u>	<u><u>0</u></u>	<u><u>0</u></u>

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

	2011/12 £ '000
Environment, Culture and Sport	
Highways and Transport	(928)
Planning and Building Control	(22)
Environment and Consumer services	406
Culture	18
Business Support and other variations	146
	<u>(380)</u>
Corporate Resources	
IT Costs	(470)
Staff Costs	(451)
	<u>(921)</u>
Housing and Community Care	
Older Persons Services	9
Learning Disabilities	206
Mental Health	(135)
Physical Disability	126
Safer Communities/DAAT	(110)
Support Services and other Community Care Services	(1,054)
Housing General Fund	210
	<u>(748)</u>
Education and Children's Services	
Central directorate costs	(66)
Locality teams	(272)
School Improvement	(843)
Extended Services	(725)
Social Care - external placements	1,549
Social Care - family placements	709
Social Care - other	(25)
Business transformation	205
	<u>532</u>
Total overspend/(underspend) against budget	<u><u>(1,517)</u></u>

ii. Housing Revenue Account Performance

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

	Budget	Probable outturn reported as at November	Outturn	Variance to budget	Variance to probable
	£ '000	£ '000	£ '000	£ '000	£ '000
Repairs	10,555	10,575	9,468	(1,087)	(1,107)
Management	16,168	15,840	15,685	(483)	(155)
Subsidy	11,369	11,369	11,137	(232)	(232)
Capital	1,306	1,306	1,507	201	201
Total expenditure	39,398	39,090	37,797	(1,601)	(1,293)
Rents	33,880	33,700	33,855	(25)	155
Service Charges	300	300	287	(13)	(13)
PFI Allowance/Grant	3,997	3,997	3,997	0	0
Interest and General Fund contribution	151	151	211	60	60
Total income	38,328	38,148	38,350	22	202
Net expenditure	1,070	942	(553)	(1,623)	(1,495)
HRA balance b/f	7,938	8,783	8,783		
HRA balance c/f	6,868	7,841	9,336		

Overall, the HRA shows an underspend of over £1.6m in comparison with the budget. Approximately £1m of this arises from the repairs budgets, mainly relating to the contingency that was not required, and almost £500k from staffing and running costs budgets that have not been needed this year. Income is broadly in line with budget. There were some additional capital costs as a result of the move to self financing. These will be compensated for in future years by lower interest costs than budgeted for.

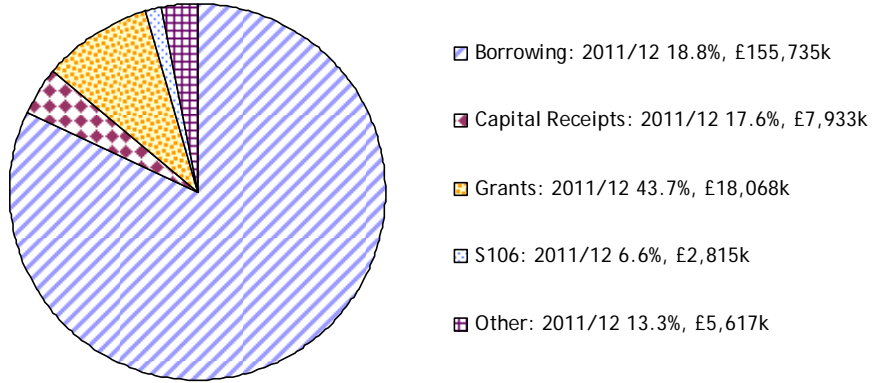
iii. Collection Fund

The Council is required to maintain a separate Collection Fund showing the amounts collected through local taxation, associated costs, and transfers to Precepting bodies. The total Collection Fund surplus as 31st March 2012 was £1,803k (31st March 2011: surplus of £250k), of which the Council's share was £1,335k (2010/11: share of the surplus of £215k). The main accounts show only the Council's share of the Collection Fund transactions.

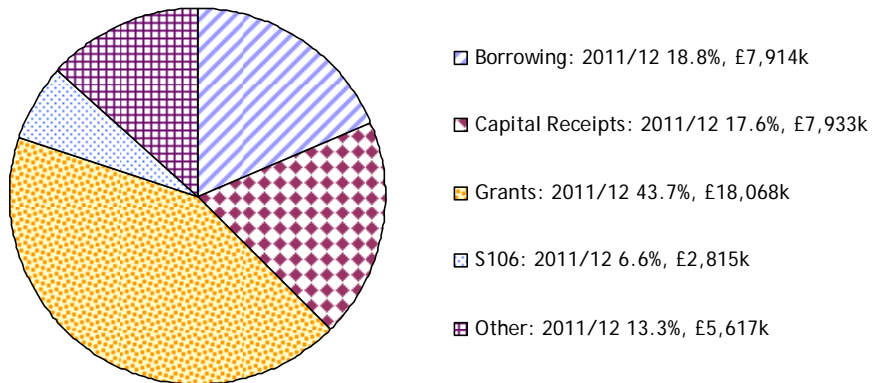
iv. Capital Spend and Borrowing

The Council's capital spending in the year amounted to £190.2m; further details are set out in note 22, page 60.

The chart below shows how the 2011/12 capital programme has been funded:



The above figures include the £147.8m borrowing required to finance the capital expenditure the Council has incurred in relation to the abolition of the HRA subsidy system; if this one off item is excluded, the total capital expenditure during 2011/12 was £42.3m, funded as follows:



6. Pension Fund

The Pension Fund disclosures have been prepared in accordance with International Accounting Standard 19 (Employee Benefits). The Local Government Pension Scheme for Berkshire is administered by the Royal Borough of Windsor and Maidenhead on behalf of the other Berkshire Authorities. There is no net effect on the outturn position in 2011/12, although there is a net pension liability within the Balance Sheet of £226.3m (2010/11: £143.3m). Full details are set out in note 30, page 66.

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

The Council's Medium Term Financial Plan (MTFP) for the period 2013/14 to 2015/16 was approved by Council in February 2012 as part of setting the 2012/13 budget. The plan sets out the forecast level of savings to be found over the next three years assuming a continuing freeze in Council Tax levels.

	Government funding £m	Income from Council Tax £m	Total resources £m	Forecast budget £m	Savings required £m	Savings required %
2012/13	48.3	69.4	117.7	130.9	13.2	10
2014/15	43.0	69.4	112.4	124.2	11.8	10
2015/16	38.2	69.4	107.6	118.7	11.1	9

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

- Maintain the Councils assets in a good state of repair
- Maintain the infrastructure of the Borough (for example, highways)
- Improve the transport network
- Provide additional school places
- Provide social housing

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

Since the plan was prepared, the Government has announced changes to the Local Government financing system; this will result in most of the money from Government financing being replaced by a more localised (business rate) funding which will not be fixed in advance. Furthermore, as a consequence of legislative changes, responsibility and budgets for public health provision will transfer from Berkshire West PCT to the Council from 1st April 2013.

8. Treasury Management

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

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

There have been no material write offs during the year; although as a result of the change to the Council's Debtors system, a number of invoices, totalling £111k, were written off as a result of the age of the debt and the low probability of the money being paid to the Council.

During the year, one new reserve was created; the Office Relocation Reserve has had £1.5m transferred to it from revenue. This reserve has been set up to meet the future costs of the move to the new Civic Centre and the costs of dual running.

10. Post-balance sheet events

There have been no events that have occurred after the balance sheet date which have required adjustment to the figures as presented here.

Annual Governance Statement

Scope of responsibility

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

In discharging this overall responsibility, the Council is responsible for putting in place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions, and which includes arrangements for the management of risk.

The Council has approved and adopted a code of corporate governance, which is consistent with the principles of the CIPFA/SOLACE *Framework Delivering Good Governance in Local Government*. A copy of the code is on our website at www.reading.gov.uk or can be obtained from Policy, Performance & Community, Civic Centre, Reading, RG1 7AE. This statement explains how the Council has complied with the code and also meets the requirements of regulation 4(2) of the Accounts and Audit Regulations 2011 in relation to the publication of the Annual Governance Statement.

The purpose of the governance framework

The governance framework comprises the systems and processes, and culture and values, by which the authority is directed and controlled and its activities through which it accounts to, engages with and leads the community. It enables the authority to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost effective services.

The system of internal control is a significant part of that framework and is designated 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 system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of the Council's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.

The governance framework has been in place at the Council for the year ended 31 March 2012 and up to the date of approval of the statement of accounts.

The Governance Framework

The key elements for the system and process that underpin the Council's governance arrangements for:

- a). **Establishing, communicating and reviewing the achievement of the authority's vision of its purpose and intended outcomes for citizens and service users and its implication for the authority's governance arrangements.**

The Sustainable Community Strategy was finalised in April 2011 and provides the long term partnership vision for Reading in 2030, as agreed by key partners, taking

account of the needs of the different communities and groups in Reading. The vision is built around the cross cutting themes of People, Place and Prosperity.

The Council's Corporate Plan is intended to provide the link between the Strategy and the way in which the Council operates. A Cabinet Report in June 2011 effectively superseded the published Corporate Plan for 2011-2014, reflecting the Council's changed Administration.

Directorate Service Plans are developed and renewed annually to convert the key priorities of the Council into the operational activities of the service.

The working better with you programme was launched in July 2011 and involved a series of events and questionnaires to give businesses and residents a range of opportunities to help set priorities in the current economic climate.

b). Measuring the quality of services for users, for ensuring they are delivered in accordance with the authority's objective and for ensuring that they represent the best use of resources.

The Council's corporate performance is published on a quarterly basis on the Council's website. A directorate overview is also prepared internally which shows the top 6 indicators for each Directorate which are monitored to show progress towards meeting the Council's priorities.

The Core Performance group meet on a monthly basis to review the key performance indicators. Quarterly reports are also presented to Cabinet.

Reporting through these various routes ensures that the quality of service for users is being reviewed regularly at various levels to ensure that they are meeting the priorities.

The Council has adopted various approaches to improving value for money which includes:

- Moving elements of services to the Customer Management Service, where customers can be efficiently dealt with at the first point of contact. This expansion of customer services has also enabled savings to be made each year as business processes are reviewed and the organisation restructured based on a series of key organisational principles including flatter structures and normalising spans of control. This is part of a rolling programme which will continue to ensure the Council is as efficient as possible.
- A systemic analysis of services that appear to be cost/performance outliers as a route into service review, and wider reviews. The review of Commissioning, Procurement and Contract Management concluded in 2011/12 proposed a new operating model to lead and coordinate the Council's procurement strategy. The Council's Management Team are continuing to consider how to change arrangements following the review, though some specific initiatives focused on agency staff and fleet management have been pursued.
- More specifically as part of the general thrust towards improving procurement and contract management, the ICT contract was retendered over the period 2010/11 and was awarded in the summer of 2012 with annual savings of £750,000 achieved along with improvements to IT resilience.

- c). **Defining and documenting roles and responsibilities of the executive, non-executive, scrutiny and officer functions, with clear delegation arrangements and protocols for effective communication.**

The council is responsible for setting the policy and budget framework for the authority and setting the strategic vision and corporate objectives.

From May 2011 the Council formally adopted the indirectly elected (“strong”) leader and Cabinet model of executive governance for the authority. The Leader and Cabinet is responsible for taking all executive decisions within the overall policy and budget framework of the authority.

The Council’s constitution is approved annually and details the roles and responsibilities of the executive, non-executive, scrutiny and officer functions. All Committees have terms of reference which details the responsibilities.

<http://www.reading.gov.uk/council/constitution-of-reading-borough-council/>

There was a change to the committee structure in 2011/12 that included the development of two overview and scrutiny panels (Internal and External) and the establishment of a separate Audit & Governance Committee, to replace the previous scrutiny arrangements that incorporated the audit committee function. The Internal Overview and Scrutiny commission has responsibility for the statutory call-in function of Cabinet decisions and the External Commission is the Councils crime and disorder scrutiny committee and also exercises statutory scrutiny functions in relation to Health.

The Council Management Team (CMT) meets twice a month in order to oversee and direct the delivery of all Council services in accordance with policy and legislative requirements.

During 2011/12 there has been a restructuring of senior management undertaken which came into effect in April 2012. This involved the amalgamation of the Housing and Community Care and Education and Children’s Services Directorates to form one Directorate of Education, Social Services and Housing. The roles of Chief Executive and Director of Corporate Resources were also deleted with the creation of one Director and Council Manager Post, which is currently filled on an interim basis by the previous Director of Corporate Resources.

- d). **Developing, communicating and embedding codes of conduct, defining the standards of behaviour for members and staff.**

The code of conduct for Councillors and Officers forms part of the Constitution. The Standards Committee is responsible for promoting and maintaining high standards of conduct by councillors and co-opted members of the Council and assisting councillors and co-opted members in observing the Code of Conduct.

The expected behaviour of councillors and staff are introduced as part of the induction process and are available on the website and intranet should they need to be referred to at a later date.

The Localism Act ended the statutory requirement for Local Authorities to have a Standards Committee and revoked the model Code of Conduct. A new Local Standards Committee was appointed at the Council’s Annual General Meeting of the 23rd May 2012, and the revised arrangements for a local code of conduct are to be presented to the Standards Committee at its meeting of 12th July 2012 for endorsement subject to the necessary Regulations flowing from the Localism Act

being published. The Code of Conduct will then be put to the Council on 23rd October 2012 for formal adoption.

- e). **Reviewing and updating standing orders, standing financial instructions, a scheme of delegation and supporting procedure notes/manuals, which clearly define how decisions are taken and the process and controls required to manage risks.**

The Council's standing orders and scheme of delegation form part of the Council's constitution which is reviewed annually by the full Council.

Internal audit reviews and external inspections inform the Council on compliance against the standing orders and thereby ensuring economic, effective and efficient use of resources.

Risk is managed through an established corporate framework, backed up by guidance, training and the use of the Council's performance management system. CMT manages and reviews the risk management process and regular reports are provided through the year providing status updates on corporate risks to the Council's Audit & Governance Committee.

The Council's Corporate (Strategic) Risk Register highlights the strategic business risks impacting on the Council's objectives, which in turn is supported by individual directorate risk registers. Risk owners and action plans have been assigned to provide mitigation against identified risks. The Strategic Risk Register has been presented to the Audit & Governance Committee for review every six months.

The Council's scheme of delegations is reviewed by the Monitoring Officer and individual services in light of changes to legislation and the Functions and Responsibilities Regulations.

- f). **Ensuring the authority's financial management arrangements conform with the governance requirements of the CIPFA Statement on the Role of the Chief Financial Officer in Local Government (2010) and the Role of the Head of Internal Audit in Public Service Organisations (2010).**

The authority's financial management arrangements conform to the governance requirements of the CIPFA Statement on the Role of the Chief Financial Officer in Local Government (2010). The Financial management of the authority is conducted in accordance with the Council's constitution and with Financial Regulations.

The Director of Corporate Resources (Chief Finance Officer in accordance with Section 151 of the Local Government Act 1972) was the Council's most senior executive role charged with leading and directing financial strategy and operations for 2011/12. The Head of Finance has become the authority's Chief Finance Officer from 1 April 2012 in the senior management restructure. The Head of Internal Audit gives an objective and evidence based opinion on all aspects of governance, risk management and internal control, and reports quarterly to the Audit and Governance Committee.

- g). **Undertaking the core functions of an audit committee as identified in CIPFA's Audit Committees - Practical Guidance for Local Authorities.**

An Audit and Governance Committee was introduced for the Municipal Year 2011/12.

The Audit and Governance Committee undertake the core functions as identified in CIPFA's Audit Committees Practical Guidance;

- Quarterly reports received from the Head of Audit on the audit plan and issues arising as well as the annual assurance reports.
- Review the annual fraud report
- Minimum six monthly reports on the strategic risk register
- Budget monitoring reports & the external auditors opinion

h). Ensuring compliance with established policies, procedures, laws and regulations.

The Rules of Procedure are included in the Council's Constitution which includes council (standing orders), budget and policy framework, financial and Officer Employment procedure rules. There are provisions for urgent decisions to be made outside of the budget and policy framework within the framework rules. Please see the [Council's Constitution](#) for further details.

Internal Audit review compliance against policies and procedures at an operational level and report significant issues to the Annual and Governance Committee through the quarterly reporting process.

i). The identification and monitoring of whistle blowing informants and for receiving and investigating complaints from the public.

The Council has a whistle blowing policy which is available to all staff on the Intranet and Council website, and ensures that queries about poor professional practice are effectively investigated. We also have an Investigation Team responsible for leading on anti fraud investigations. As well as focusing on false benefit claims, the team has a wider remit that has included a focus on housing tenancy fraud, and as a result of their work 16 properties returned to the Council to be more appropriately let to those in true housing need in 2011/12. Fraud awareness training is available to all members of staff. A fraud newsletter is also produced six monthly and communicated to all staff.

The Corporate Complaints Procedure was reviewed and updated in September 2011, in principle reducing from a 3 stage to a 2 stage process. However, it has not yet been possible to implement this change, as the supporting business processes need development. The current Complaints Procedure is available on the Council's website and the number and outcome of complaints reported on an annual basis.

Complaints about Councillors are reported to the Standards Committee annually.

The Audit and Governance committee receive an Annual Fraud Report which includes details on the number of whistle blowing complaints received and how these were handled.

j). Identifying the development needs of members and senior officers in relation to their strategic roles, supported by appropriate training.

The Council provides a range of training courses available to both Councillors and Officers. All new Councillors receive induction training on appointment which covers Governance arrangements including code of conduct, declarations of interest and decision making and executive arrangements. All members of the Planning and Licensing Committees receive specific training on planning and licensing matters before the first committee of the new municipal year.

The training and development needs of senior officers are considered periodically by the Council Management Team. Support to meet identified needs and objectives is reviewed and agreed with officers as part of their regular individual supervision and annual appraisal.

K). Establishing clear channels of communication with all sections of the community and other stakeholders, ensuring accountability and encouraging open consultation.

The Council publishes a corporate plan which details the Council's priorities and objectives.

Road shows were undertaken during 2011 with residents to receive feedback on what is as part of the 'Working better with you' campaign, the Council ran Let's talk events which focus on the bigger issues facing the Council.

A number of special interest groups/forums are co-ordinated by the Council to bring together service users, residents, service providers, voluntary organisations and partners to discuss current issues and proposals for change. The details of all current and historical consultations are available on the Council's website. <http://www.reading.gov.uk/council/Consultations/>.

To encourage transparency the Council aims to publish information within a month of each quarter end about all transactions with an invoice value over £500. This data has been published in accordance with Governmental guidelines and is available for reuse under the Open Government License.

The Council, as Local Planning Authority, routinely secures planning obligations via Section 106 of the Town and Country Planning Act 1990, in order to mitigate the impact of development on the town's infrastructure and services. The majority of these obligations are in the form of financial contributions, normally paid to the Council as the development is implemented. The Council's Cabinet approves the allocation of individual receipts on an annual basis to help fund a range of agreed capital projects. Details of the individual receipts used, along with a summary of the receipts received and carried forward are published each financial year.

l). Incorporating good governance arrangements in respect of partnerships and other group working and reflecting these in the authority's overall governance arrangements.

Work has been undertaken to strengthen business continuity arrangements in relation to key third party providers. This has improved greatly with business continuity plans being a part of the tendering process and therefore forms part of all new working arrangements.

Review of effectiveness

The Council has responsibility for conducting at least annually, a review of the effectiveness of its governance framework including the system of internal control.

The process for maintaining and reviewing the effectiveness of the governance framework with The Council are:

- Annual reviews undertaken by Internal Audit concerning governance, risk management and system of internal control.
- Annual service planning to align service development against strategic goals
- Assessment of the authority's financial management arrangements against the CIPFA statement on the Role of the Chief Financial Officer in Local Government (2010).
- Meetings of the Audit and Governance Committee who consider the work and recommendations by the internal auditors on a quarterly basis and external auditors' annual report.
- Meetings of the Internal and External Overview Scrutiny Commissions where reports by other bodies are considered and Cabinet decisions are called in.
- Annual review of the Council's financial accounts and supporting systems by the external auditors leading to their opinion as published in the year-end statements.
- Annual reviews and, where appropriate, update of the Authority's constitution including standing orders and financial instructions.
- Ongoing review of strategic, operational and project risks and the actions required to mitigate them.
- Monthly budget monitoring by the Council Management Team, supported by established monitoring processes, with quarterly reports to the Audit and Governance Committee.
- The completion of annual assurance statements by Directors which are supported by Head of Service self assessments on governance.
- Annual review of standards and complaints about Councillors by the Monitoring Officer to the Standards Committee.
- In year Review of the progress made in addressing the actions identified as part of the Annual Governance Statement.

We have been advised on the implications of the results of the reviews of the effectiveness of the governance framework and plan to address weaknesses and ensure continuous improvement of the systems in place.

We propose over the coming year to take steps to address the below matters to further enhance our governance arrangement. We are satisfied that these steps will address the need for improvements that were identified in our review of effectiveness and will monitor their implementation and operation as part of our next annual review.

Signed

Councillor Jo Lovelock,
Leader of Council

Signed

Dave Peasley,
Director and Council Manager

On behalf of the members and senior officers of Reading Borough Council

Key Governance actions planned for 2012/13

	Issue	Action	Responsible Officer(s)
1	Business Continuity	To continue to build on achieving and embedding business continuity plans, particularly focusing on the review of critical plans.	Council Management Team / Strategic Risk Management Group
2	Budget & Financial Management	Identify and deliver further savings options to meet the challenges arising from the cuts in public and local government spending and funding settlements. Develop & manage a budget and financial management strategy to operate within available resources over the period to 2015 (as recognised in the Risk Register). To continue to monitor the Council's net expenditure against budget to ensure the projected savings and income targets are delivered.	Cabinet/Council Management Team /Senior Leadership Team (Head of Finance)
3	Information Management/Security	The information security programme for 2012/13 is to include completion of work to establish a comprehensive list of information asset owners and guidance for them in meeting their responsibilities. It will also see the start of work towards document marking for all Council documents.	Head of Policy, Performance & Community
4	Risk Management	To continue to develop and embed a risk management culture across all service areas, and ensure that all relevant staff are trained in risk management techniques. Address areas identified as requiring attention in the CIPFA/SOLACE risk benchmarking exercise.	Council Management Team / Strategic Risk Management Group
5	Equal Pay Claims	Legal Advisors have been appointed to help the Council in assessing and defending equal pay claims made. A provision exists within the accounts to cover the potential costs of any successful claims.	Council Management Team(Head of HR)
6	Health Economy Agenda	Working with the other Berkshire Unitary Councils, Berkshire NHS and CCG on transition of Public Health services/funding to local authority control from April 2013, with scrutiny through the Reading Health and Well Being Board.	Director and Council Manager (Director of Education, Social Services and Housing)
7	Recruitment & Retention of Social Workers	Ensure that there is effective and sufficient recruitment of permanent qualified social work staff.	Director of Education, Social Services and Housing
8	Standards	To develop a local standards regime and thereafter code of conduct to replace the statutory process for 2012/13.	Head of Legal & Democratic Services (as Monitoring Officer)
9	Ofsted report Action plan	Implement the action plans flowing from the OFSTED inspection report and the local assurance test.	Director of Education, Social Services and Housing/CMT
10	School Leasing Recommendations	Address all matters and the recommendations flowing from the audit reviews of schools with significant leasing issues.	Director of Education, Social Services and Housing/ Head of Finance/Head of Legal & Democratic Services

Annual Governance Statement

	Issue	Action	Responsible Officer
11	Senior Management Changes	To ensure that the reduction in senior management capacity and the impact of re-structuring does not damage delivery of Council objectives and services to residents. Update governance arrangement and the scheme of delegation to reflect the new directorate structure. The process to replace the deleted posts of the Chief Executive and Director of Corporate resources with a Managing Director is being led by the Personnel Committee	Cabinet / Council Management Team / Director of Education, Social Services & Housing / Personnel Committee
12	Availability of school places in all statutory year groups over the next ten years.	A strategy to address initial demand for 2012 and 2013 by running additional reception classes within existing schools is being taken forward for approval given the capital implications. Revenue implications are being funded from headroom as agreed with Schools Forum. Community engagement for 2014 onwards will happen in first half of 2012/13 to shape future planning and mitigate risk.	Director of Education, Social Services and Housing
13	Procurement & Contract Management	Reviews of some contract arrangements in 2011/12 have identified some procedural weaknesses. As a response the Council is developing is commissioning, procurement and contract management arrangements to mitigate the growing risk in this area of activity.	Council Management Team
14	Welfare Reforms (Localisation of support for Council Tax etc)	A Welfare Reform Steering Group has been set up to oversee the work needed to implement the necessary changes.	Council Management Team /Head of Policy, Performance & Community

Independent Auditor's report
(To follow)

Statement of Responsibilities

The Authority's responsibilities

The Council is required to:

- Make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this authority, for 2011/12, that officer was the Director of Resources.
- Manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets.
- Arrange for the approval of the Statement of Accounts at the conclusion of the audit; in this Authority, the approval is delegated to the Audit and Governance Committee.

The Chief Financial Officer's Responsibilities

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

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

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

The Chief Financial Officer has also:

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

During the financial year 2011/12, the Chief Financial Officer was Dave Peasley; from 1st April 2012, the post has been filled by Alan Cross, who has signed off the Statement of Accounts as the Council's Section 151 Officer.

Approval of the Accounts

The financial statements, and accompanying notes, set out on pages 22 to 103, have been prepared and published in accordance with the Accounts and Audit Regulations 2011

These statements give a true and fair view of the financial position of Reading Borough Council as at 31st March 2012, and of its income and expenditure for the financial year 2011/12.

Alan Cross CPFA
Head of Finance, Reading Borough Council

September 2012.

Core Financial Statements

Movement in Reserves Statement - summary

	Total General Reserves £ '000	Total Unusable Reserves £ '000	Total Authority Reserves £ '000
Balance at 31st March 2010	58,401	344,134	402,535
Total comprehensive income and expenditure	(79,341)	72,956	(6,385)
Adjustments between accounting basis and funding basis under regulation	69,804	(69,804)	0
Net (increase)/decrease before transfers to earmarked reserves	(9,537)	3,152	(6,385)
Transfer to/(from) earmarked reserves	0	0	0
(Increase)/decrease in year	(9,537)	3,152	(6,385)
Balance at 31st March 2011	48,864	347,286	396,150

	Total General Reserves £ '000	Total Unusable Reserves £ '000	Total Authority Reserves £ '000
Balance at 31st March 2011	48,864	347,286	396,150
Total comprehensive income and expenditure	(132,697)	(43,715)	(176,412)
Adjustments between accounting basis and funding basis under regulation	145,665	(145,665)	0
Net (increase)/decrease before transfers to earmarked reserves	12,968	(189,380)	(176,412)
Transfer to/(from) earmarked reserves	0	0	0
(Increase)/decrease in year	12,968	(189,380)	(176,412)
Balance at 31st March 2012	61,832	157,906	219,738

A full breakdown of the Movement in Reserves Statement is provided in Note 16, page 45

Core Financial Statements

Comprehensive Income and Expenditure Statement (CIES)

2010/11 Net expenditure £ '000 (restated)		2011/12 Gross expenditure £ '000	2011/12 Gross income £ '000	Net expenditure £ '000
1,065	Central Services to the public	15,051	(14,109)	942
13,730	Cultural and Related Services	23,514	(10,412)	13,102
15,421	Environmental and Regulatory Services	37,934	(22,945)	14,989
4,427	Planning Services	8,742	(1,823)	6,919
12,034	Highways, Roads and Transport Services	24,289	(13,648)	10,641
21,782	Education	104,345	(89,027)	15,318
18,977	Children and Families Services	23,064	(2,199)	20,865
51,228	Community Care	66,319	(16,031)	50,288
10,768	Housing Services	108,617	(110,556)	(1,939)
15,381	Other Services	19,749	(12,915)	6,834
666	Corporate and Democratic Core	776	(43)	733
(46,069)	Non-distributed Costs	1,663	0	1,663
78,784	Exceptional item - HRA valuation loss	0	0	0
0	Exceptional item - HRA self financing	147,821	0	147,821
198,194	Cost Of Services	581,884	(293,708)	288,176
	Other Operating Expenditure			
105	Levies payable			105
453	Payments of Housing capital receipts to Government pool			633
65	(Gain)/loss on disposal of non current (fixed) assets			(910)
20,596	Transfers to new Academy Schools			0
21,219				(172)
	Financing and Investment Income and Expenditure			
10,603	Interest element of debt, finance leases and PFI			11,048
11	Premium on early repayment of debt			15
9,360	Pensions interest costs, net of expected return on scheme assets			6,614
(1,981)	Investment Interest income			(3,502)
(1,191)	Changes in fair value of investment properties			(255)
21	Gains/loss on disposal of investment properties			0
(1,492)	Rentals received on investment properties			(1,338)
136	Expenses incurred on investment properties			84
15,467				12,666
	Taxation and Non-Specific Grant Income			
(68,174)	Council tax			(68,827)
(48,353)	NNDR			(42,649)
(7,021)	RSG			(13,183)
(12,244)	Non service related revenue grants and contributions			(11,990)
(19,747)	Non service related capital grants and contributions			(31,324)
(155,539)				(167,973)
79,341	(Surplus) or Deficit on Provision of Services			132,697
(1,290)	Surplus or deficit on revaluation of non current assets			(31,845)
(71,666)	Actuarial gains / losses on pension assets / liabilities			75,560
(72,956)	Other Comprehensive Income and Expenditure			43,715
6,385	Total Comprehensive Income and Expenditure			176,412

Core Financial Statements

Balance Sheet

1 st April 2010	31 st March 2011		Note	31 st March 2012	31 st March 2012
Restated	Restated			£ '000	£ '000
£ 000	£ '000			£ '000	£ '000
407,903	301,948	Council Dwellings		303,154	
220,305	217,065	Other Land and Buildings		248,283	
11,847	10,151	Vehicles, Plant and Equipment		7,614	
170,659	180,478	Infrastructure		183,400	
9,150	9,831	Community Assets		10,124	
5,763	5,768	Assets Under Construction		10,236	
825,627	725,241	Property, Plant and Equipment	19		762,811
656	708	Heritage Assets	21	792	
29,149	31,264	Investment Property	19,26	32,900	
573	493	Intangible Assets	1	296	
12,375	0	Assets Held for Sale (> 1 year)		0	
3,974	3,974	Long Term Investments		3,974	
3,553	3,048	Long Term Debtors	27	7,893	
50,280	39,487				45,855
875,907	764,728	Long Term Assets			808,666
45,061	45,021	Short Term Investments		14,996	
177	191	Inventories	28	185	
29,704	45,240	Short Term Debtors	29	38,122	
6,601	6,775	Cash and Cash Equivalents		16,040	
870	14,442	Assets Held for Sale (< 1 year)		9,744	
82,413	111,669	Current Assets			79,087
958,320	876,397	Total Assets			887,753
(23,685)	(52,225)	Short Term Borrowing		(19,525)	
(43,272)	(53,771)	Short Term Creditors	31	(42,615)	
(17,919)	(17,844)	Grant Receipts in Advance	35	(10,051)	
(131)	(138)	Short Term Finance Lease Liabilities	24	(116)	
(85,007)	(123,978)	Current Liabilities			(72,307)
873,313	752,419	Total Assets less Current Liabilities			815,446
(352)	(215)	Long Term Finance Lease Liabilities	24	(54)	
(36,088)	(35,457)	Long Term PFI Lease Liabilities	25	(34,820)	
(3,175)	(4,820)	Provisions	32	(6,320)	
(184,208)	(172,434)	Long Term Borrowing	36	(328,263)	
(246,954)	(143,343)	Liability relating to Defined Benefit Pension Scheme	30	(226,251)	
(470,777)	(356,269)	Long Term Liabilities			(595,708)
402,536	396,150	Net Assets			219,738
		<i>Financed by:</i>			
		General reserves	17		
34,915	24,846	- Earmarked reserves		26,983	
9,223	8,784	- Housing Revenue Account		9,337	
237	114	- Capital Receipts Reserve		1,019	
4,762	6,491	- Capital Grants Unapplied		16,138	
		- General Fund:			
2,470	2,684	Schools		2,461	
6,794	5,945	Non-schools		5,894	
58,401	48,864				61,832
		Unusable reserves	18		
526,678	431,577	- Capital Adjustment Account		299,558	
(860)	215	- Collection Fund Adjustment Account		1,551	
1,386	1,148	- Deferred Capital Receipts		911	
(3,000)	0	- Equal Pay Back Pay Account		0	
1,324	1,401	- Financial Instruments Account		1,397	
(246,954)	(143,343)	- Pensions Reserve		(226,251)	
69,146	59,918	- Revaluation Reserve		83,695	
(3,585)	(3,630)	- Short-term Accumulated Compensated Absences Account		(2,955)	
344,135	347,286				157,906
402,536	396,150	Total Reserves			219,738

Alan Cross CPFA September 2012

Cashflow Statement

31 March 2011 £000s		31 March 2012 £000s
(79,341)	Net surplus or (deficit) on the provision of services	(132,697)
93,581	Adjust net surplus or deficit on the provision of services for non-cash movements (Note A)	32,761
(25,545)	Adjust for items included in the net surplus or deficit on the provision of services that are investing and financing activities (Note A)	(41,311)
(11,305)	Net cash flows from Operating Activities	(141,247)
(3,887)	Investing Activities (Note C)	20,140
15,366	Financing Activities (Note D)	130,372
174	Net increase or decrease in cash and cash equivalents	9,265
6,601	Cash and cash equivalents at the beginning of the reporting period	6,775
6,775	Cash and cash equivalents at the end of the reporting period	16,040

Notes to the Cashflow statement are provided in note 38, page 75.

Notes to the Accounts

1. Statement of Accounting Policies

i. Introduction

The Council prepares accounts for a financial year ending 31st March; this Statement of Accounts details the performance of the Council for 2011/12, and the balance sheet position as at 31st March 2012.

The accounts are prepared in accordance with the proper practices set out in the Accounts and Audit Regulations 2011, primarily the Code of Practice on Local Authority Accounting in the United Kingdom 2011/12 ('The Code'), and the Service Reporting Code of Practice (SeRCOP), supported by International Financial Reporting Standards (IFRSs).

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

ii. Accruals

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

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

iii. Business Improvements Districts

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

iv. Cash and Cash equivalents

Cash is represented by cash in hand, and deposits with financial institutions which are repayable on demand, without incurring penalties.

Cash equivalents are deposits that mature within 3 months of the original investment date, and are readily convertible to known amounts of cash with an insignificant risk of a change to its value.

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

v. Exceptional items

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

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

Prior period adjustments may be required as a result of a change in accounting policy, or to correct a material error. Material errors discovered in prior year figures are corrected retrospectively by adjusting the opening balances and all affected comparative figures. No material errors required correction in 2011/12.

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

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

vii. Employee benefits .

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

The Council participates in two different pension schemes:

- Teachers Pension Scheme, an unfunded scheme administered by Capita on behalf of the Department for Education (DfE).
- Local Government Pension Scheme (LGPS), a funded scheme administered by the Royal Borough of Windsor and Maidenhead. As it is a funded scheme, both the Council and Employees contribute to the scheme at levels intended to balance the pension liabilities with the investment assets of the scheme.

In accordance with The Code and IAS 19 ('Employee Benefits'), these statements incorporate the Council's assets and liabilities based on its

future pension commitments. The Scheme Actuary calculates the cost of retirement on an annual basis, therefore these accounts reflect the costs of providing retirement benefits to employees in the accounting period in which they are earned by the employees, as well as the related finance costs and any other changes in valuations that occur within the financial year. Actuarial gains and losses are recognised within the 'other comprehensive income and expenditure' section of the Comprehensive Income and Expenditure Statement.

Details of the scheme assets, liabilities and payments to the funds are set out in note 30 to these accounts.

viii. Events after the balance sheet date

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

Two types of post-balance sheet events exist:

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

For 2011/12, the Council has not made any adjustments for events after the balance sheet date.

ix. Financial Instruments

Loans raised by the Council, mainly through the Public Works Loans Board (PWLB) in accordance with their circular, are pooled. All interest is charged to the Comprehensive Income and Expenditure Statement. The Housing Revenue Account (HRA) is charged with interest in accordance with statutory criteria (calculated at an average rate of 3.56% in 2011/2012).

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

x. Foreign Currency transactions

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

xi. Government Grants and Contributions

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

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

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

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

xii. Heritage Assets

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

If the asset cannot be valued, or the costs involved in obtaining a valuation would not be commensurate with the additional benefits this would provide the user of the accounts, the nature and importance of the asset have been disclosed in appendix 1 (page 111) to the accounts, but they are not included in the balance sheet. The museum collection is not valued, due to the size of the collection, but the items considered to be of the greatest cultural importance are detailed in appendix 1. The Council's policy regarding the acquisition and disposal of assets for the museum is available online on the [Reading Museum website](#).

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

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

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

xiii. Intangible Assets

Intangible assets are non-financial items which do not have a physical form, but it has been identified that the Council can expect to benefit from in the future, for example software licences.

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

xiv. Interests in companies

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

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

The financial statements within the group accounts (pages 89 to 97) consolidate the Council's results, and that of Reading Transport and REDCO Group. Any transactions between organisations within the group have been eliminated from the statements.

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

xv. Inventories and work in progress

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

xvi. Investment properties

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

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

xvii. Leases

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

All material leases have been assessed against the tests of control set out in the Code. Where these tests have changed the classification of the lease in

comparison to its classification under the former Statement of Recommended Practice, adjustments have been made to ensure that the financial statements reflect the current classification.

Council as lessee

- *Finance leases*
Property, plant and equipment are recognised on the balance sheet at the inception of the lease at the lower of fair value of the asset, or the present value of the minimum lease payments. The asset recognised is matched with a liability for the lease payments to the supplier. Lease payments made in year are split between:
 - an element writing down the lease liability over the life of the lease
 - a finance charge to the Comprehensive Income and Expenditure Statement.
- *Operating leases*
Rentals due under an operating lease are charged in full to the Comprehensive Income and Expenditure Statement on a straight line basis. No asset or liability is recognised in the balance sheet.

Council as lessor

For leases in existence at 31st March 2010, where the Council is the lessor, the terms of the Local Authorities (Capital Finance and Accounting) (Amendment) (England) Regulations (2010) allow for a continuation of the accounting treatment adopted for the lease under the SORP. The Council is following this treatment for all existing leases where it is the lessor.

- *New finance leases*
For all new finance leases, the relevant asset is written out of the balance sheet as a disposal, with the carrying amount transferred to the Comprehensive Income and Expenditure Statement along with the gain or loss on disposal. This is matched by a long term debtor on the balance sheet. As capital receipts cannot be used to increase the general fund balance, premia received have to be transferred to the Capital Receipts reserve through the Movement in Reserves Statement. Lease income is split between:
 - a charge for the acquisition of the leased item which is used to write down the long term debtor.
 - finance income, credited to the Comprehensive Income and Expenditure Statement.
- *Operating leases*
If the Council grants an operating lease, the asset remains within the Council's balance sheet, and the rental payments received are credited to the Other Operating Expenditure line within the Comprehensive Income and Expenditure Statement.

xviii. Overhead and support service recharges

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

Cost	Apportionment basis
Staff	Officers use of time
Administrative buildings	Area occupied
IT	Use of computer resources

xix. Property, plant and equipment

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

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

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

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

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

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

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

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

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

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

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

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

For HRA housing assets, whilst this threshold does not apply at an individual dwelling level, the Council intends to implement a component based approach to depreciation of the stock as a whole from 2012/13; however, some elements may need to be phased in over the next 5 years in line with legislation.

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

Assets held for sale and disposals

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

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

Receipts from the disposal of assets in excess of £10,000 are classed as capital receipts. For receipts resulting from the disposal of housing land and properties, a proportion (75% for dwellings, 50% for land and other assets, less allowances and statutory reductions) is payable to the Government. This amount is shown within the Comprehensive Income and Expenditure Statement; the retained portion is

credited to the Capital Receipts Reserve, to be used to fund affordable housing and regeneration projects.

xx. Private Finance Initiative (PFI) and similar contracts

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

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

xxi. Provisions, contingent liabilities and contingent assets

- Provisions

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

Provisions are charged to the appropriate service line(s) in the Comprehensive Income and Expenditure Statement in the year the Council becomes aware of the obligation, and are the best estimate of the value as at the balance sheet date. The eventual payment is charged to the balance sheet provision. Provisions are reviewed each year, with the balance increased or decreased as required. Details of the provisions made by the Council are set out in note 32, page 70.

- Contingent liabilities

A contingent liability is recognised when an event occurs which gives the Council a possible obligation, but the existence of the liability will only be confirmed by uncertain future events over which the Council does not have sole control. Contingent liabilities are disclosed as a note to the accounts; in 2010/11, the Council recognised no contingent liabilities.

- Contingent assets

A contingent asset is recognised when an event occurs which gives the Council a possible asset, but the existence of the asset will only be confirmed by uncertain future events over which the Council does not have sole control. Contingent assets are disclosed as a note to the accounts; in 2011/12, the Council recognised one contingent asset.

xxii. Reserves

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

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

Details of the reserves held by the Council are set out in note 17, page 50.

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

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

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

xxiv. Equal pay backpay

The Council has established an Equal Pay Provision, since under the Equal Pay Act (1970, as amended) employees are entitled to equal pay for work of equal value. Payments are envisaged in future years, but the extent of this cannot be accurately quantified at present.

xxv. VAT

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

2. Critical judgements in applying accounting policies

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

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

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

- The Council offered various employees terms to terminate their employment contracts on a voluntary basis during 2011/12. The accounts include accruals for the cost of those termination payments where the decision to end the contract was taken by 31st March 2012, although some of the contracts will run to dates (that in some cases have not been finalised) in 2012/13.

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

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

Item	Uncertainties	Effect if actual results differ from assumptions
- Assumptions used in the calculation of depreciation	Actual useful life of the asset	
- Assumptions about future events affecting provisions	Timing and magnitude of the liability	Provision may be insufficient to cover liability if under estimated, or too large a provision may be made if the liability is over estimated.
- Principal actuarial assumptions regarding defined benefit pension schemes	The actuaries for the Royal Berkshire pension scheme use a number of assumptions when calculating the net liabilities of the scheme. These include: - changes in inflation - salary increases - discount rates - returns on scheme assets - life expectancy of scheme members	Full details of the sensitivity analysis in respect of changes to the discount rates and life expectancies conducted by the actuaries are set out in note 30 page 66. The estimates interact in complex ways, and as a result, the actuaries advised that total experience adjustments on scheme liabilities of £8,673k, and £(17,067)k on scheme assets needed to be recognised in 2011/12 as a result of updating assumptions.
- Assessments of the recoverable amounts of arrears and other debtors	Levels of bad debt provision have been calculated on the basis of the current economic conditions and historic experience of debt collection	If the levels of bad debts are higher than have been allowed for in the Comprehensive Income and Expenditure Statement, a cost to revenue will occur in future years.
- Assessment of future payments for PFI schemes	Estimates of the future payments to contractors are based on assumptions regarding inflation and performance	Increase in inflation will lead to the Council having to pay over more to the contractor, so amounts included here will be understated. If the contractor's performance is lower than has been built into the financial model, the contractor will have penalty charges levied against it, and therefore the Council's costs will be lower than set out here.

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

IFRS 7, Financial Instruments: Disclosures (transfers of financial assets), has been amended, with the intention that the amendment will assist the user of the accounts in evaluating the level of risk associated with the transfer of financial assets, and the effect this would have on the Council's financial position.

It is anticipated that the Council is unlikely to be involved in such transfers, and as a result, no additional disclosures are likely to be required in 2012/13.

5. Transfers to Academy Schools

During 2011/12, two schools became Academies. No capital assets were transferred as part of the lease agreements, as one school was a former Foundation School (therefore the assets had already been removed from the Council's balance sheet) and the second school occupies a building also partially used by the Council, who also own the freehold of the site.

Lease transfers of the assets and school balances relating to these schools have been made over to the Academy Trusts, with value of the transfers (2011/12: £0, 2010/11: £20.6m) recognised separately within 'other operating expenditure' within the Comprehensive Income and Expenditure Statement on page 23.

6. Agency income and expenditure

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

In aggregate, joint arrangements administered by various authorities (including some liabilities related to the activities of the former Berkshire County Council) cost £12.2m (2010/11: £12.9m). The Council administered £4.6m (2010/11: £4.6m) of this total; the most significant joint arrangements run by the Council include:

Child Care Lawyers (£2.4m)
Coroners Service (£0.9m)
Berkshire Records Office (£0.7m)

7. Partnership schemes under Section 31 of the Health Act 1999

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

Currently the Council is involved in three partnership schemes:

- Community Equipment Service

The partnership is operated by the Ambulance Trust, with Slough Borough Council as the lead authority; there are 8 partners to the agreement - the six Berkshire Unitary Authorities and two Primary Care Trusts. From 1st April 2012, the service will no longer be provided by the Ambulance Trust, following a major contract tendering exercise. The partnership operates a central warehouse of equipment, which is loaned to clients to help them remain in their own homes, or speed their discharge from hospital. Equipment can range from walking sticks to special hydraulic beds.

In 2011/12, the gross expenditure was £2.9m (2010/11: £2.8m), to which the Council contributed £0.3m (2010/11: £0.3m)

- Reading DAAT

The Council is in partnership with Berkshire West PCT, West Berkshire Council and Wokingham Borough Council for drug and alcohol programme work across the area.

The scheme is managed by Reading Borough Council, and provides drug treatment for adults, including substitute prescribing clinics, drug and alcohol detoxification programmes and drug testing. In 2011/12, the gross expenditure was £0.92m, to which the Council contributed £0.36m.

- External Placements for Children

The Council is in a partnership agreement with Berkshire West PCT. The Council is the host body for the partnership, and as such has responsibility for the administration of the pool.

The purpose of the partnership is to commission services specifically for children residing in the Borough who are under 19 years of age and have been assessed with complex, multiple and high level needs and who require a placement outside of the Borough from voluntary or independent sector providers. This includes residential care education, agency foster care and incidental costs including therapy and support.

The financial performance of the partnership is shown below:

2010/11 £ '000		2011/12 £ '000
	<u>Funding</u>	
2,266	Reading Borough Council - general fund	3,024
2,950	Reading Borough Council - schools budget/sixth form funding	2,700
510	Berkshire West PCT	443
<u>5,726</u>		<u>6,167</u>
	<u>Expenditure</u>	
767	Social care placements	1,379
3,926	Education placements	2,849
2,317	Independent fostering	3,564
<u>7,010</u>		<u>7,792</u>
<u>1,284</u>	Net Deficit/(Surplus)	<u>1,625</u>

£319k of the deficit in 2011/12 is funded from the Dedicated Schools Grant, with the balance of £1,306k coming from the General Fund. The pooled budget arrangement ceased as at 31st December 2011. The above reflects the pool to the 31st March 2012; from 1st January 2012, the PCT has contributed on a case-by-case basis, rather than a fixed sum. The net deficit is included within the 'Children and Families Services' line of the CIES.

8. Members' Allowances

Payments to members are made under the provisions of the Local Authorities (Members Allowances) (England) Regulations 2003. A breakdown of the amounts paid per member is available on the Council's website www.reading.gov.uk. In

addition, Co-optees allowances are payable to non-Councillor members sitting on the Standards Committee, or any sub-committee set up by the Standards Committee.

The total amounts paid to Members and Co-opted officers during 2011/12 was £439,746 (2010/11: £438,772), split over the following categories:

2010/11 £ (restated)		2011/12 £
376,677	Basic Allowance	377,273
59,405	Special Responsibility Allowance	58,800
1,269	Travelling and Subsistence Allowance	1,461
2,215	Co-optees' Allowance	2,212
439,566		439,746

The 2010/11 figures have been restated after the identification of additional travel and subsistence expenses paid to Councillors during the year, totalling £794.

9. Officers' remuneration

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

2011/12

<u>Postholder information</u>	Salary (including fees and allowances)	Compensation for loss of office	Total Remuneration	Employer's pension contributions	Total remuneration including pension contributions
Chief Executive: ¹					
Michael Coughlin	152,951	158,684	311,635	22,943	334,578
Director of Corporate Resources: ²					
Dave Peasley	50,000	0	50,000	0	50,000
Director of Education and Children's Services: ³					
Anna Wright	119,979	119,650	239,629	153,249	392,878
Director of Environment, Culture and Sport:					
Amar Dave	93,442	0	93,442	14,016	107,458
Director of Housing and Community Care:					
Avril Wilson	99,984	0	99,984	14,998	114,982
Head of Policy, Performance and Community:					
Zoe Hanim	84,998	0	84,998	12,999	97,997
Head of Legal and Democratic Services: ⁴					
Chris Brooks	80,008	0	80,008	12,001	92,009
Head of Central Administration/Project Manager: ⁵					
John Painter	36,680	0	36,680	6,539	43,220

2011/12 Notes:

- The posts of Chief Executive and Director of Resources have been deleted, and the combined role of these posts is currently being covered by Dave

Peasley as Director and Council Manager. As a result of the deletion of the Chief Executive post, Michael Coughlin was made redundant on 31st March 2012; the figures above include the one-off costs to terminate his employment.

2. Dave Peasley opted for flexible retirement from 1st March 2011; as part of this arrangement, Mr Peasley's salary has been reduced. From the 1st April 2012, he has been covering the post of Director and Council Manager.
3. Following the decision to merge the Directorate of Education and Children's Services with the Directorate of Community Care and Housing, the post of Director of Children's Services was deleted and Anna Wright was retired early on grounds of redundancy from 31st March 2012. The figures above include the one-off costs to terminate her employment, and £135,252 in respect of additional contributions payable to the Pension Fund.
4. Chris Brooks is a member of CMT as the Statutory Monitoring Officer, taking over the role from John Painter from 1st August 2012. The figures above show his salary for the full year.
5. John Painter opted for flexible retirement from 1st August 2011. This was agreed by the Personnel Committee prior to 31st March 2011, and so all of the costs associated with this retirement were borne in 2010/11. The figures above show both his salary as the Head of Central Administration (including his role as the Statutory Monitoring Officer) up to 31st July 2011, and his subsequent role of Project Manager.

2010/11

<u>Postholder information</u>	Salary (including fees and allowances)	Compensation for loss of office	Total Remuneration	Employer's pension contributions	Total remuneration including pension contributions
Chief Executive: Michael Coughlin	148,377	0	148,377	21,811	170,188
Director of Corporate Resources: ¹ Dave Peasley	109,564	0	109,564	180,518	290,082
Director of Education and Children's Services: Anna Wright	119,979	0	119,979	17,637	137,616
Director of Environment, Culture and Sport: ² Anita Cacchioli	38,326	143,723	182,049	5,634	187,683
Director of Environment, Culture and Sport: ³ Amar Dave	85,162	0	85,162	12,519	97,681
Director of Housing and Community Care: ⁴ Avril Wilson	89,412	0	89,412	13,144	102,555
Head of Policy, Performance and Community: Zoe Hanim	86,660	0	86,660	12,739	99,399
Head of Central Administration: ⁵ John Painter	76,683	0	76,683	61,731	138,414

2010/11 Notes:

1. Dave Peasley opted for flexible retirement from 1st March 2011, the above Employer's Pension Fund contribution includes the one off cost of £165,025 payable to the Pension Fund as a result of the Personnel Committee's decision agreeing Mr Peasley's flexible retirement. From 1st March 2011 Mr Peasley's

salary has reduced from £114,979 to £50,000 as part of the flexible retirement arrangements thereby generating an on-going saving of £86,000 pa (once Employer's National Insurance and Pension Fund contributions have been allowed for).

2. Anita Cacchioli left the organisation on 31st July 2010.
3. Amar Dave took over the post of Interim Director of Environment, Culture and Sport on 1st August 2010, the figures above represent his salary at his previous level of Head of Culture from 1st April 2010 to 31st July 2010, and at his new level from 1st August 2010 to 31st March 2011.
4. Avril Wilson took over the post of Interim Director of Housing and Community Care on 3rd May 2010, the figures above represent her salary at her previous level of Head of Housing from 1st April 2010 to 2nd May 2010, and at her new level from 3rd May 2010 to 31st March 2011.
5. John Painter was not a member of the CMT but as the Statutory Monitoring Officer normally attended CMT meetings. Personnel Committee agreed Mr Painter could take flexible retirement from 1st August 2011. The employer's pension contribution includes the one-off cost of £49,000, payable to the pension fund as a result of the Personnel Committee's decision.

Including the individuals disclosed for 2011/12, the Council had the following numbers of employees receiving payments (including salary payments and compensation payments for loss of office, but excluding additional contributions to the Pension Fund) in excess of £50,000 during the year:

2010/11		2011/12		
Total Staff Numbers	Remuneration band £	Total Staff Numbers	Non-schools	Schools
0	310,000 to 314,999	1	1	0
0	235,000 to 239,999	1	1	0
0	190,000 to 194,999	1	1	0
1	180,000 to 184,999	0	0	0
1	145,000 to 149,999	0	0	0
1	135,000 to 139,999	0	0	0
1	130,000 to 134,999	0	0	0
1	120,000 to 124,999	0	0	0
1	115,000 to 119,999	0	0	0
2	105,000 to 109,999	0	0	0
1	100,000 to 104,999	2	1	1
1	95,000 to 99,999	1	1	0
2	90,000 to 94,999	2	2	0
10	85,000 to 89,999	5	4	1
7	80,000 to 84,999	3	2	1
10	75,000 to 79,999	9	5	4
8	70,000 to 74,999	7	5	2
16	65,000 to 69,999	21	12	9
26	60,000 to 64,999	16	9	7
40	55,000 to 59,999	30	17	13
85	50,000 to 54,999	70	46	24
<u>214</u>		<u>169</u>	<u>107</u>	<u>62</u>
	2010/11 comparatives:	<u>214</u>	<u>148</u>	<u>66</u>

10. Exit packages

As a result of various changes being implemented by the authority, a number of individuals have received exit packages, including redundancy compensation. The following table (and prior year comparators) shows those received during the year (including the costs borne by the Council for the additional contribution to the Pension Funds where this was part of the exit package).

Where the total salary and compensation for loss of office payable to an individual in the course of the year exceeds £50,000, the individual is also included in the figures in note 9 above.

2010/11				
Banding (£)	Voluntary departures	Other departures	Total number of exit packages	Total value of exit packages (£)
150,000 to 200,000	1	0	1	157,074
100,001 to 150,000	1	0	1	143,723
80,001 to 100,000	1	0	1	85,567
60,001 to 80,000	1	1	2	137,615
40,001 to 60,000	11	1	12	579,008
20,001 to 40,000	38	4	42	1,133,537
1 to 20,000	76	19	95	782,860
	129	25	154	3,019,384

2011/12				
Banding (£)	Voluntary departures	Other departures	Total number of exit packages	Total value of exit packages (£)
250,000 to 300,000	1	0	1	254,902
150,000 to 200,000	1	0	1	150,705
80,001 to 100,000	2	0	2	173,063
60,001 to 80,000	4	0	4	278,437
40,001 to 60,000	11	0	11	492,099
20,001 to 40,000	39	4	43	1,206,482
1 to 20,000	98	12	110	858,338
	156	16	172	3,414,026

11. Related parties transactions

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

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

- Elected Members
- Chief Executive
- Members of the Council Management Team (details of these officers are set out in note 9)

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

Five Councillors sit on the board of the Royal Berkshire Fire and Rescue Service,

One Councillor sits on the board of Thames Valley Police,

Five Councillors sit on the board of Readibus, a voluntary organisation grant funded by the Council.

Within the CMT, one Officer declared an interest in accordance with section 117 of the Local Government Act (1972). The husband of the Council's Director of Education and Children's Services is employed as a Director of Performance and Communication in the Young People's Learning Agency (YPLA). This role is internally focused to the YPLA, and does not determine funding for Local Authorities; furthermore, the Director of Education and Children's Services left the employ of the Council on 31st March 2012.

Transactions with Central Government

Central Government has an effective general control over the general operations of the Council. It is responsible for providing the statutory framework within which the Council operates, provides a significant part of the Council's funding in the form of grants and prescribes the terms of many of the transactions that the Council has with other parties. Details of the transactions with Government departments are set out within the segmental reporting (note 1, page 78), capital and revenue grants (note 35), and details of capital expenditure (note 22).

Transactions with other public bodies

The Council has a pooled budget arrangement with the other Berkshire Unitary Authorities for the provision of medical equipment. Full details of the transactions with the pool are set out in note 7, page 37.

Transactions with bodies wholly owned or controlled by the Council

The Council has substantial interests in 4 companies (Reading Transport Limited and the three companies making up REDCO group) - full details of the Council's interest in Reading Transport are set out in the Group Accounts (pages 89 to 103). Included within the Council's 'Cost of Services' line within the Comprehensive Income and Expenditure Statement is £3.3m expenditure that the Council has incurred with RTL, and £0.3m of income from the company.

12. Dedicated Schools Grant

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

Details of the deployment of DSG receivable in 2011/12 are as follows:

	Central Expenditure £ '000	ISB* £ '000	Total £ '000
Final DSG for 2011/12			87,091
Exceptional Circumstances grant			238
Academy Recoupment			(16,387)
Brought forward from 2010/11			(498)
Carry forward into 2012/13 already agreed			0
Agreed budget distribution in 2011/12	12,970	57,474	70,444
In-year adjustments	(774)	774	0
Less actual central expenditure	(11,959)		(11,959)
Less actual ISB deployed to schools		(57,824)	(57,824)
Carry forward into 2012/13	237	424	661

* ISB is the individual schools budget, the above figures show the total devolved to all Local Authority schools within the Borough

13. Carbon Reduction Commitment Allowances

The financial year 2011/12 is the first time the Council has have to recognise an obligation to purchase Carbon Reduction Commitment (CRC) Allowances to cover the carbon dioxide emissions produced but the Council's estate over the course of the year. This charge has been allocated to the services on the basis of the use of each building. For 2011/12, the Council had an obligation to purchase CRC allowances totalling £203k (2010/11: n/a).

14. Audit fees

The amounts paid by the Council to the external auditors (KPMG) and to the Audit Commission are as follows:

2010/11 £ '000		2011/12 £ '000
260	Fees payable to KPMG for external audit services	221
6	Fees payable in respect of statutory inspections	0
40	Fees payable for the certification of grant claims and returns	41
13	Fees payable for any other services provided by the external auditor over and above those detailed above	0
<u>319</u>		<u>262</u>

15. Exceptional or prior year items

In 2011/12, the Council recognised one exception item within the HRA. £147.8m of expenditure result from the write-off of the capital expenditure incurred by the Council as a result of the requirement to buy itself out of the HRA subsidy system.

16. Amounts shown in the Movements in Reserves Statement

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

Notes to the Accounts

2010/11 Movement in Reserves (restated) - General Reserves

	General Fund Balance £ '000	Earmarked General Fund Reserves £ '000	Housing Revenue Account £ '000	Earmarked HRA Reserves £ '000	Capital Receipts Reserve £ '000	Major Repairs Reserve £ '000	Capital Grants Unapplied £ '000	Total General Reserves £ '000
Balance at 1 April 2010	9,264	28,015	9,223	6,900	237	0	4,762	58,401
Surplus/(deficit) on provision of services	5,382		(84,723)					(79,341)
Surplus/(deficit) on revaluation of non-current assets								0
Actuarial gains/(losses) on pension assets/liabilities								0
Total comprehensive income & expenditure	5,382	0	(84,723)	0	0	0	0	(79,341)
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	22,004		12,199					34,203
Revaluation losses on Property, Plant and Equipment	0		78,784					78,784
Movement in the market value of Investment Properties	(940)							(940)
Amortisation of intangible assets	268		3					271
Capital grants and contributions applied							(21,914)	(21,914)
Revenue expenditure funded from capital under statute	5,116							5,116
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	21,431		886					22,317
-Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:								
Statutory provision for the financing of capital investment	(7,237)		(384)					(7,621)
Capital expenditure charged against the General Fund and HRA balance	(134)							(134)
-Adjustments primarily involving the Capital Grants Unapplied Account:								
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	(23,367)						23,367	0
-Adjustments primarily involving the Capital Receipts Reserve:								
Transfer of cash proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(635)		(1,000)		1,635			0
Use of Capital Receipts Reserve to finance new capital expenditure					(1,810)			(1,810)
Contribution from the Capital Receipts Reserve to finance the payments to the Government's capital receipts pool	453				(453)			0
Transfer from Deferred Capital Receipts Reserve upon receipt of cash					238			238
Repayment of long term debtors					203			203
-Adjustments primarily involving the Major Repairs Reserve:								
Reversal of Major Repairs Allowance credited to the HRA			(2,977)		2,977			0
Use of Major Repairs Reserve to finance new capital expenditure					(2,977)			(2,977)
Use of Major Repairs Reserve to finance previous years capital expenditure			120					120
- 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	(77)							(77)
- Adjustments Primarily involving the Pensions Reserve:								
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	(18,548)		(1,697)					(20,245)
Employer's pension contributions and direct payments to pensioners payable in year	(10,853)		(847)					(11,700)
- 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	(1,075)							(1,075)
- Adjustment primarily involving the Unequal Pay Back Pay Adjustment Account								
Amounts 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	(3,000)							(3,000)
-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	23		22					45
Adjustments between accounting basis and funding basis under regulations	(16,571)	0	85,109	0	(187)	0	1,453	69,804
Net increase/(decrease) before transfers to earmarked reserves	(11,189)	0	386	0	(187)	0	1,453	(9,537)
Transfer to/(from) earmarked reserves	10,554	(10,769)	(825)	700	64	0	276	0
Increase/(decrease) in year	(635)	(10,769)	(439)	700	(123)	0	1,729	(9,537)
Balance at 31 March 2011	8,629	17,246	8,784	7,600	114	0	6,491	48,864

Notes to the Accounts

2010/11 Movement in Reserves (restated) - Unusable Reserves

	Revaluation Reserve £ '000	Capital Adjustment Account £ '000	Financial Instruments Adjustment Account £ '000	Equal Pay Backpay £ '000	Deferred Capital Receipts £ '000	Pension Reserve £ '000	Collection Fund Adjustment Account £ '000	Accumulated Absences £ '000	Total Unusable Reserves £ '000
Balance at 1 April 2010	69,145	526,678	1,324	(3,000)	1,386	(246,954)	(860)	(3,585)	344,134
Surplus/(deficit) on provision of services									0
Surplus/(deficit) on revaluation of non-current assets	1,290								1,290
Actuarial gains/(losses) on pension assets/liabilities						71,666			71,666
Total comprehensive income & expenditure	1,290	0	0	0	0	71,666	0	0	72,956
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	(1,887)	(32,316)							(34,203)
Revaluation losses on Property, Plant and Equipment		(78,784)							(78,784)
Movement in the market value of Investment Properties	(2,837)	3,777							940
Amortisation of intangible assets		(271)							(271)
Capital grants and contributions applied		21,914							21,914
Revenue expenditure funded from capital under statute		(5,116)							(5,116)
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(5,793)	(16,524)							(22,317)
- Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:									
Statutory provision for the financing of capital investment		7,621							7,621
Capital expenditure charged against the General Fund and HRA balance		134							134
- Adjustments primarily involving the Capital Grants Unapplied Account:									
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement									0
- Adjustments primarily involving the Capital Receipts Reserve:									
Transfer of cash proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement									0
Use of Capital Receipts Reserve to finance new capital expenditure		1,810							1,810
Contribution from the Capital Receipts Reserve to finance the payments to the Government's capital receipts pool									0
Transfer from Deferred Capital Receipts Reserve upon receipt of cash					(238)				(238)
Repayment of long term debtors		(203)							(203)
Adjustments primarily involving the Major Repairs Reserve:									
Reversal of Major Repairs Allowance credited to the HRA									0
Use of Major Repairs Reserve to finance new capital expenditure		2,977							2,977
Use of Major Repairs Reserve to finance previous years capital expenditure		(120)							(120)
- 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			77						77
- Adjustments Primarily involving the Pensions Reserve:									
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement						20,245			20,245
Employer's pension contributions and direct payments to pensioners payable in year						11,700			11,700
- 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							1,075		1,075
- Adjustment primarily involving the Unequal Pay Back Pay Adjustment Account									
Amounts 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				3,000					3,000
- 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								(45)	(45)
Adjustments between accounting basis and funding basis under regulations	(10,517)	(95,101)	77	3,000	(238)	31,945	1,075	(45)	(69,804)
Net increase/(decrease) before transfers to earmarked reserves	(9,227)	(95,101)	77	3,000	(238)	103,611	1,075	(45)	3,152
Transfer to/(from) earmarked reserves									0
Increase/(decrease) in year	(9,227)	(95,101)	77	3,000	(238)	103,611	1,075	(45)	3,152
Balance at 31 March 2011	59,918	431,577	1,401	0	1,148	(143,343)	215	(3,630)	347,286

Notes to the Accounts

2011/12 Movement in Reserves - General Reserves

	General Fund Balance	Earmarked General Fund Reserves	Housing Revenue Account	Earmarked HRA Reserves	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	Total General Reserves
Balance at 31 March 2011	8,629	17,246	8,784	7,600	114	0	6,491	48,864
Surplus/(deficit) on provision of services	12,881		(145,578)					(132,697)
Surplus/(deficit) on revaluation of non-current assets								0
Actuarial gains/(losses) on pension assets/liabilities								0
Total comprehensive income & expenditure	12,881	0	(145,578)	0	0	0	0	(132,697)
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	16,543		13,879					30,422
Revaluation losses on Property, Plant and Equipment	0		(10,535)					(10,535)
Movement in the market value of Investment Properties	(131)		0					(131)
Amortisation of intangible assets	283		0					283
Capital grants and contributions applied							(21,677)	(21,677)
HRA self financing	0		147,821					147,821
Revenue expenditure funded from capital under statute	6,632							6,632
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	6,399		1,037					7,436
-Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:								
Statutory provision for the financing of capital investment	(7,724)		(371)					(8,095)
Capital expenditure charged against the General Fund and HRA balance	(164)		0					(164)
-Adjustments primarily involving the Capital Grants Unapplied Account:								
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	(31,324)		0				31,324	0
-Adjustments primarily involving the Capital Receipts Reserve:								
Transfer of cash proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(7,161)		(1,185)		8,346			0
Use of Capital Receipts Reserve to finance new capital expenditure					(7,933)			(7,933)
Contribution from the Capital Receipts Reserve to finance the payments to the Government's capital receipts pool	633				(633)			0
Transfer from Deferred Capital Receipts Reserve upon receipt of cash					237			237
Repayment of long term debtors					539			539
-Adjustments primarily involving the Major Repairs Reserve:								
Reversal of Major Repairs Allowance credited to the HRA			(4,659)		4,659			0
Use of Major Repairs Reserve to finance new capital expenditure					(4,659)			(4,659)
Use of Major Repairs Reserve to finance previous years capital expenditure			148					148
- 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	4							4
- Adjustments Primarily involving the Pensions Reserve:								
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	17,631		844					18,475
Employer's pension contributions and direct payments to pensioners payable in year	(10,817)		(310)					(11,127)
- 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	(1,336)							(1,336)
-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	(671)		(4)					(675)
Adjustments between accounting basis and funding basis under regulations	(11,203)	0	146,665	0	556	0	9,647	145,665
Net increase/(decrease) before transfers to earmarked reserves	1,678	0	1,087	0	556	0	9,647	12,968
Transfer to/(from) earmarked reserves	(1,952)	1,637	(534)	500	349			0
Increase/(decrease) in year	(274)	1,637	553	500	905	0	9,647	12,968
Balance at 31 March 2012	8,355	18,883	9,337	8,100	1,019	0	16,138	61,832

Notes to the Accounts

2011/12 Movement in Reserves - Unusable Reserves

	Revaluation Reserve	Capital Adjustment Account	Financial Instruments Adjustment Account	Deferred Capital Receipts	Pension Reserve	Collection Fund Adjustment Account	Accumulated Absences	Total Unusable Reserves
Balance at 31 March 2011	59,918	431,577	1,401	1,148	(143,343)	215	(3,630)	347,286
Surplus/(deficit) on provision of services								0
Surplus/(deficit) on revaluation of non-current assets	31,845							31,845
Actuarial gains/(losses) on pension assets/liabilities					(75,560)			(75,560)
Total comprehensive income & expenditure	31,845	0	0	0	(75,560)	0	0	(43,715)
Adjustments between accounting basis and funding basis under regulations								
- Adjustments primarily involving the Capital Adjustment Account								
Charges for depreciation and impairment of non-current assets	(3,057)	(27,365)						(30,422)
Revaluation losses on Property, Plant and Equipment		10,535						10,535
Movement in the market value of Investment Properties	0	131						131
Amortisation of intangible assets		(283)						(283)
Capital grants and contributions applied		21,677						21,677
HRA self financing		(147,821)						(147,821)
Revenue expenditure funded from capital under statute		(6,632)						(6,632)
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(5,011)	(2,425)						(7,436)
-Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:								
Statutory provision for the financing of capital investment		8,095						8,095
Capital expenditure charged against the General Fund and HRA balance		164						164
-Adjustments primarily involving the Capital Grants Unapplied Account:								
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement								0
-Adjustments primarily involving the Capital Receipts Reserve:								
Transfer of cash proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement								0
Use of Capital Receipts Reserve to finance new capital expenditure		7,933						7,933
Contribution from the Capital Receipts Reserve to finance the payments to the Government's capital receipts pool								0
Transfer from Deferred Capital Receipts Reserve upon receipt of cash				(237)				(237)
Repayment of long term debtors		(539)						(539)
-Adjustments primarily involving the Major Repairs Reserve:								
Reversal of Major Repairs Allowance credited to the HRA								0
Use of Major Repairs Reserve to finance new capital expenditure		4,659						4,659
Use of Major Repairs Reserve to finance previous years capital expenditure		(148)						(148)
- 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				(4)				(4)
- Adjustments Primarily involving the Pensions Reserve:								
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement					(18,475)			(18,475)
Employer's pension contributions and direct payments to pensioners payable in year					11,127			11,127
- 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						1,336		1,336
-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							675	675
Adjustments between accounting basis and funding basis under regulations	(8,068)	(132,019)	(4)	(237)	(7,348)	1,336	675	(145,665)
Net increase/(decrease) before transfers to earmarked reserves	23,777	(132,019)	(4)	(237)	(82,908)	1,336	675	(189,380)
Transfer to/(from) earmarked reserves								0
Increase/(decrease) in year	23,777	(132,019)	(4)	(237)	(82,908)	1,336	675	(189,380)
Balance at 31 March 2012	83,695	299,558	1,397	911	(226,251)	1,551	(2,955)	157,906

17. General Reserves

The general reserves of the Council can be used to finance the Council day-to-day operations of the Council, and its capital activities. Details of the in-year movements are set out in note 16, page 45. A number of reserves are earmarked for specific purposes; the movements in year for these are shown below:

	Balance at 31st March 2011	Movement in year	Balance at 31st March 2012
	£ '000	£ '000	£ '000
<u>Earmarked Reserves</u>			
BCC Liabilities Reserve Account	0	(103)	(103)
Centrally retained DSG	(498)	498	0
Emergency Planning	300	(100)	200
General Fund Reserve Account	88	10	98
Legal and Taxation Reserve	250	0	250
North Whitley PFI	7,600	500	8,100
Office Relocation Reserve	0	1,500	1,500
Organisational Change	1,300	200	1,500
Pension Liabilities	1,000	(700)	300
Property Liabilities	300	(100)	200
Prudential Reserve	1,153	2,447	3,600
Repayment of grants Reserve	250	0	250
Revenue Grant Unapplied Reserve	6,489	(446)	6,043
Self insurance	4,914	(119)	4,795
Transforming services	1,700	(1,450)	250
	<u>24,846</u>	<u>2,137</u>	<u>26,983</u>

The Council holds these reserves for the following purposes:

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

The Centrally Retained DSG Reserve formerly held the unallocated balance or cumulative overspend against the centrally held element. The retained element of the DSG is now held within the Council's revenue grant balances.

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

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

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

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

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

The Organisational Change Reserve has been established to help meet the costs of managerial re-organisation and associated costs.

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

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

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

The Repayment of Grant Reserve has been set up to allow for adverse reductions to the Council's expected and received Government grant income.

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

The Self Insurance Reserve was set up to meet estimated liabilities in connection with internally held risks related to the Council's insurance programme. In particulate, the first £25,000 of any claim bought under the Council's Third Party and Employer's Liability Insurance is internally funded; for fire-related claims, the first £50,000 of any claim is internally funded.

The Transforming Services Reserve was established to help provide resources for developing the Council's Transforming Services agenda.

18. Unusable Reserves

The unusable reserves of the Council are as follows:

2010/11		2011/12
£ '000		£ '000
59,918	Revaluation Reserve	83,695
(143,343)	Pensions Reserve	(226,251)
431,577	Capital Adjustment Account	299,558
1,148	Deferred Capital Receipts	911
1,401	Financial Instruments Adjustment Account	1,397
215	Collection Fund Adjustment Account	1,551
(3,630)	Short term Accumulating Compensated Absences Account	(2,955)
<u>347,286</u>		<u>157,906</u>

These reserves have primarily arisen as a result of accounting treatments that the Council has to follow as a result of the Code (and its predecessor document, the SORP). These sums are not available to finance the operations of the Council.

- Revaluation Reserve

2010/11 £ '000		2011/12 £ '000	2011/12 £ '000
69,145	Balance at 1st April		59,918
24,114	Upward revaluation of assets	33,355	
(22,824)	Downward revaluation of assets and impairment losses not charged to the Comprehensive Income and Expenditure Statement	(1,510)	
(1,887)	Difference between fair value depreciation and historic cost depreciation	(3,057)	
(5,793)	Accumulated gains on assets disposed of	(5,011)	
<u>(6,390)</u>	Surplus or deficit on revaluation of non-current assets not posted to the Comprehensive Income and Expenditure Statement		23,777
(2,837)	Assets transferred to/from Investment properties	0	
<u>(2,837)</u>	Amount written off to the Capital Adjustment Account		0
<u>59,918</u>	Balance at 31st March		<u>83,695</u>

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. The Reserve was introduced as a result of the changes to Local Government Capital Accounting, effective from 1st April 2007.

- Pension Reserve

Full details of the movement in the Pension Reserve are given in note 30, page 66. 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.

2010/11 £ '000		2011/12 £ '000
(246,954)	Balance at 1st April	(143,343)
71,666	Actuarial gains and losses on scheme assets and liabilities	(75,560)
20,245	Reversal of charges to the Comprehensive Income and Expenditure Statement	(18,475)
11,700	Employers pension contributions	11,127
<u>(143,343)</u>	Balance at 31st March	<u>(226,251)</u>

- 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.

2010/11 £ '000		2011/12 £ '000	2011/12 £ '000
526,678	Balance at 1st April		431,577
	Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:		
(32,316)	Charges for depreciation and impairment of non-current assets	(27,365)	
(78,784)	Revaluation losses on PPE	10,535	
(271)	Amortisation of intangible assets	(283)	
(5,116)	Revenue expenditure funded from capital under statute (including HRA self-financing)	(154,453)	
(16,524)	Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(2,425)	
(133,011)			(173,991)
	Capital financing applied in year:		
1,810	Use of the capital receipts reserve	7,933	
2,857	Use of the Major repairs reserve	4,511	
21,914	Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement which have been applied to capital expenditure	21,677	
7,621	Statutory provision for the financing of capital investment charged against the General Fund and HRA balance	8,095	
(203)	Repayment of long term debtors	(539)	
134	Capital expenditure charged against the General Fund and HRA balances	164	
34,133			41,841
2,837	Assets Transferred from Investment Properties	0	
940	Movement in the market of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement	131	
3,777			131
<u>431,577</u>	Balance at 31st March		<u>299,558</u>

- Deferred Capital Receipts

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

2010/11 £ '000		2011/12 £ '000
1,386	Balance at 1st April	1,148
(238)	Transfer to Capital receipts reserve on receipt of cash	(237)
<u>1,148</u>	Balance at 31st March	<u>911</u>

- 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.

2010/11 £ '000		2011/12 £ '000
1,324	Balance at 1st April	1,401
1	(Premia)/ Discounts incurred in year and charged to Comprehensive Income and Expenditure Statement	0
76	Proportion of premia incurred in previous years to be charged against the General Fund balance in accordance with statutory requirements	(4)
<u>77</u>	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	(4)
<u>1,401</u>	Balance at 31st March	<u>1,397</u>

- Collection Fund Adjustment Account

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

2010/11 £ '000		2011/12 £ '000
(860)	Balance at 1st April	215
1,075	Amount by which Council Tax credited to the Comprehensive Income and Expenditure Statement is different from Council Tax calculated for the year in accordance with statutory requirements	1,336
<u>215</u>	Balance at 31st March	<u>1,551</u>

- 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.

2010/11 £ '000		2011/12 £ '000
(3,585)	Balance at 1st April	(3,630)
3,585	Settlement or cancellation of accrual made at the end of the preceding year	3,630
(3,630)	Amounts accrued at the end of the current year	(2,955)
<u>(3,630)</u>	Balance at 31st March	<u>(2,955)</u>

19. Fixed Assets

All expenditure on capital assets during the year have been included under "additions" in the following table, although some items have been fully depreciated or impaired in the year. In accordance with the accounting policies set out in note 1, page 26, all fixed assets (except investment properties) are revalued on a five-year rolling programme, with the effective date of revaluations being 1st April of the financial year. Investment properties are revalued on an annual basis. The valuations were undertaken under the direction of Bruce Tindall, the Head of Development, who is a member of the Royal Institute of Chartered Surveyors.

There have been no changes in accounting estimates that have had an effect during 2011/12, and none are currently expected to have an effect in 2012/13.

Notes to the Accounts

	Dwellings	Other land and Buildings	Vehicles, Plant and Equipment	Infrastructure assets	Community Assets	Assets under construction	Investment properties	Assets held for sale (> 1 yr)	Total
	£ '000	£ '000	£ '000	£ '000	£ '000	£ '000	£ '000	£ '000	£ '000
Gross Book value at 1st April 2010	506,039	337,487	28,064	197,835	10,834	5,763	41,184	13,381	1,140,587
Additions	6,609	8,830	4,662	14,990	819	5	63	0	35,978
Disposals	(298)	0	0	0	0	0	(535)	0	(833)
Reinstatements	40	0	0	0	0	0	0	0	40
Revaluations	569	23,545	0	0	0	0	940	0	25,054
Assets written out	(8,081)	(24,749)	(4,596)	0	5	0	0	0	(37,421)
Movements or transfers	0	(15,809)	(589)	0	0	0	1,068	(13,380)	(28,710)
Gross Book value at 31st March 2011	504,878	329,304	27,541	212,825	11,658	5,768	42,720	1	1,134,695
Accumulated Depreciation at 1st April 2010	(14,934)	(59,971)	(15,409)	(27,176)	(544)	0	0	(1)	(118,035)
Depreciation charge for the year	(3,923)	(6,394)	(5,652)	(5,171)	0	0	0	0	(21,140)
Depreciation relating to disposals	0	0	0	0	0	0	0	0	0
Depreciation on assets written out	5,133	1,389	4,436	0	0	0	0	0	10,958
Adjustment to depreciation for movements or transfers	0	14,610	181	0	0	0	0	0	14,791
Accumulated Depreciation at 31st March 2011	(13,724)	(50,366)	(16,444)	(32,347)	(544)	0	0	(1)	(113,426)
Accumulated Valuation losses at 1st April 2010	(27,054)	0	0	0	(17)	0	0	0	(27,071)
Losses charged for the year	(101,213)	0	0	0	0	0	0	0	(101,213)
Losses on disposals	90	0	0	0	0	0	0	0	90
Losses on assets written out	902	0	0	0	0	0	0	0	902
Adjustment to impairments for movements or transfers	0	0	0	0	0	0	0	0	0
Accumulated valuation losses at 31st March 2011	(127,275)	0	0	0	(17)	0	0	0	(127,292)
Accumulated Impairment at 1st April 2010	(56,148)	(57,211)	(808)	0	(1,123)	0	(12,035)	(1,005)	(128,330)
Impairments charged for the year	(5,783)	(6,836)	(195)	0	(149)	0	251	0	(12,712)
Impairments on disposals	0	0	0	0	0	0	0	0	0
Impairments on assets written out	0	3,874	57	0	5	0	0	0	3,936
Adjustment to impairments for movements or transfers	0	(1,700)	0	0	0	0	328	1,005	(367)
Accumulated Impairment at 31st March 2010	(61,931)	(61,873)	(946)	0	(1,267)	0	(11,456)	0	(137,473)
Net book value as at 31st March 2011	301,948	217,065	10,151	180,478	9,830	5,768	31,264	0	756,504

Notes to the Accounts

	Dwellings	Other land and Buildings	Vehicles, Plant and Equipment	Infrastructure assets	Community Assets	Assets under construction	Investment properties	Assets held for sale (> 1 yr)	Total
	£ '000	£ '000	£ '000	£ '000	£ '000	£ '000	£ '000	£ '000	£ '000
Gross Book value at 1st April 2011	504,878	329,304	27,541	212,825	11,658	5,768	42,720	1	1,134,695
Additions	5,263	8,564	1,828	8,164	541	5,367	86	0	29,813
Disposals	(491)	0	(187)	0	0	0	0	0	(678)
Reinstatements	0	0	0	0	0	0	0	0	0
Revaluations	24	33,330	0	0	0	0	132	0	33,486
Assets written out	(8,969)	(2,690)	(4,264)	0	0	0	0	(1)	(15,924)
Movements or transfers	0	(36,465)	(1,119)	0	0	(899)	1,322	0	(37,161)
Gross Book value at 31st March 2012	500,705	332,043	23,799	220,989	12,199	10,236	44,260	0	1,144,231
Accumulated Depreciation at 1st April 2011	(13,724)	(50,366)	(16,444)	(32,347)	(544)	0	0	(1)	(113,426)
Depreciation charge for the year	(4,812)	(8,700)	(4,161)	(5,242)	0	0	0	0	(22,915)
Depreciation relating to disposals	0	0	100	0	0	0	0	0	100
Depreciation on assets written out	3,923	137	4,264	0	0	0	0	1	8,325
Adjustment to depreciation for movements or transfers	0	27,891	215	0	0	0	0	0	28,106
Accumulated Depreciation at 31st March 2012	(14,613)	(31,038)	(16,026)	(37,589)	(544)	0	0	0	(99,810)
Accumulated Valuation losses at 1st April 2011	(127,275)	0	0	0	(17)	0	0	0	(127,292)
Losses charged for the year	10,535	0	0	0	0	0	0	0	10,535
Losses on disposals	(496)	0	0	0	0	0	0	0	(496)
Losses on assets written out	1,492	0	0	0	0	0	0	0	1,492
Adjustment to impairments for movements or transfers	0	0	0	0	0	0	0	0	0
Accumulated Impairment at 31st March 2012	(115,744)	0	0	0	(17)	0	0	0	(115,761)
Accumulated Impairment at 1st April 2011	(61,931)	(61,873)	(946)	0	(1,267)	0	(11,456)	0	(137,473)
Impairments charged for the year	(5,263)	2,220	787	0	(247)	0	123	0	(2,380)
Impairments on disposals	0	0	0	0	0	0	0	0	0
Impairments on assets written out	0	197	0	0	0	0	0	0	197
Adjustment to impairments for movements or transfers	0	6,734	0	0	0	0	(27)	0	6,707
Accumulated Impairment at 31st March 2012	(67,194)	(52,722)	(159)	0	(1,514)	0	(11,360)	0	(132,949)
Net book value as at 31st March 2012	303,154	248,283	7,614	183,400	10,124	10,236	32,900	0	795,711

20. Intangible assets

The primary intangible assets recognised by the Council are purchased software and software licences; these are amortised over the life of the assets (2 to 5 years), with the charges going to the relevant service line within the Net Cost of Service in the Comprehensive Income and Expenditure Statement.

The movements in year on the balance sheet carrying value of intangible assets are as follows:

2010/11 £ '000		2011/12 £ '000
1,033	Gross book value at 1st April	1,224
(460)	Accumulated Amortisation at 1st April	(731)
<u>573</u>	Net book value at 1st April	<u>493</u>
191	Acquisitions	86
(271)	Amortisation	(283)
<u><u>493</u></u>	Net book value at 31st March	<u><u>296</u></u>

There have been no changes in accounting estimates that have impacted on the Council's intangible assets, and no individual asset is material to the Council's accounts on its own.

21. Heritage assets

The Council holds a number of assets that have been classified as heritage assets as a result of the introduction of FRS30. The movement in year of the balance sheet carrying values are shown below:

	Assets Held at Cost		Assets held at valuation		Total £ '000
	Father Willis Organ £ '000	Art works £ '000	Civic Regalia £ '000	Land and Buildings £ '000	
Opening balance 1st April 2010	130	33	491	1	655
Additions	0	0	0	53	53
Disposals	0	0	0	0	0
Closing balance 31st March 2011	<u>130</u>	<u>33</u>	<u>491</u>	<u>54</u>	<u>708</u>
Opening balance 1st April 2011	130	33	491	54	708
Additions	0	0	0	84	84
Disposals	0	0	0	0	0
Closing balance 31st March 2012	<u>130</u>	<u>33</u>	<u>491</u>	<u>138</u>	<u>792</u>

Since April 2007, the following changes have occurred to the value of the Council's holdings of heritage assets:

	2011/12 £ '000	2010/11 £ '000	2009/10 £ '000	2008/09 £ '000	2007/08 £ '000
Cost of assets acquired in year	83	54	0	0	0
Value of assets donated in year	0	0	0	0	0
Carrying amount of assets disposed of in year	0	0	0	0	0
Total impairments recognised in year	0	0	(1,700)	0	(544)
Other charges	0	1	0	0	0
Net changes in balance sheet value in the year:	<u>83</u>	<u>55</u>	<u>(1,700)</u>	<u>0</u>	<u>(544)</u>

The impairment in 2009/10 was to the value of Kings Meadow Pool, which was judged to have a nil value.

The value of the Council's art works have been calculated based on sale prices of similar works by the same artist over the past decade. The Civic regalia is held at insurance valuation, with the last revaluation occurring in 1991.

The Abbey Ruins were formerly recognised on the balance sheet as a community assets valued at historic cost; they have been reclassified to heritage assets, but retain this method of valuation.

The County Archive collection is legally owned by West Berkshire Council, but operational control lies with Reading Borough Council. It contains the archives of the Royal County of Berkshire, with items dating back almost 900 years. In the event of an insurance claim relating to the Archive collection, any payment will be shared between the six Berkshire authorities. The asset is of a highly specialised nature, so although an insurance valuation is held, this is not regarded as an accurate proxy for the actual value of the collection; as a result, the County Archive collection is not recognised on the balance sheet.

In addition to these assets, the Council holds a large number of heritage assets to which no value can be attached, either as a result of the nature of these assets, or the task would be of a very specialist nature, and so the costs incurred in obtaining a valuation would exceed the benefits of obtaining these valuations. A list of these assets, and their importance is set out in [Appendix 1](#) to these accounts.

22. Capital expenditure

The total capital expenditure for the year (including expenditure on finance leases and PFI assets) is shown in the table below, along with the sources of financing used to fund it. Where capital expenditure is financed through borrowing, the expenditure results in an increase in the Capital Financing requirement (CFR), the movement in the CFR is shown in the second part of the note below.

2010/11 £ '000		2011/12 £ '000
257,460	Opening Capital Financing requirement	271,987
	Capital investment:	
5,316	School Improvements	5,239
1,148	School Construction Works	2,225
15,135	Road & Transport Projects	8,165
3,556	Other Buildings & Developments	2,142
1,067	Housing Renovation Grants	937
2,253	Social Housing Grants	5,562
2,458	Business Transformation	383
366	Vehicles and related equipment	91
602	Land Stabilisation	3,666
0	HRA self-financing payment	147,821
7,079	Council Housing	5,635
0	Loan to Reading Transport Limited	5,690
2,382	Other (Environmental, Leisure and Crime Reduction)	2,613
<u>41,362</u>		<u>190,169</u>
	Sources of finance:	
(1,810)	Capital receipts	(7,933)
(21,914)	Government grants and other contributions	(21,679)
(134)	Sums set aside from revenue	(163)
(2,977)	Major Repairs Reserve	(4,659)
<u>(26,835)</u>		<u>(34,434)</u>
<u>271,987</u>	Closing Capital Financing requirement	<u>427,722</u>
	Movements in year:	
14,527	Borrowing to finance capital expenditure	7,914
0	Borrowing to finance HRA subsidy buy-out	147,821
<u>14,527</u>	Increase/(decrease) in CFR	<u>155,735</u>

As part of the Government's reforms to HRA subsidy, the Council incurred capital expenditure of £147.8m in a one off payment to the Government; this cost has been funded through borrowing. The Council's financial model shows that this debt can be paid off in less than 30 years if all of the model's assumptions are realised. The Council will be making some repayments in accordance with a revised MRP (debt repayment) policy agreed for 2012/13.

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

Due to the varied nature of the capital works undertaken by the Council, not all of the capital expenditure incurred results in an upward movement in the value of the fixed asset held by the Council. The table below shows how the total capital expenditure (note 22) relates to the movement in fixed assets (note 19):

2010/11 £ '000		2011/12 £ '000
35,978	Additional per fixed asset statement	29,813
	Plus:	
191	Intangible additions	86
5,116	REFCUS (excluding HRA self-financing)	6,632
0	Loan to RTL	5,690
53	Heritage asset additions	83
23	Current Assets held for Sale	44
0	HRA self-financing payment (REFCUS)	147,821
<u>41,361</u>	Total capital expenditure on Council services	<u>190,169</u>

24. Leases**Council as the lessee***- Finance leases*

The Council has a number of pre-existing vehicle leases that under the SORP were treated as operating leases, but that under the Code must be treated as finance leases. At the 31st March 2012, the Council held vehicles valued at £170k as property, plant and equipment on the balance sheet (31st March 2011: £353k).

The Council is committed to making minimum payments under these leases comprising the settlement of the long term liability for the use of the vehicles, and the finance costs that will be payable by the authority.

The payments are made up of the following amounts:

2010/11 £'000		2011/12 £'000
	Finance lease liabilities recognised on balance sheet:	
138	Current (due within one year)	116
215	Non-current (due after one year)	54
<u>353</u>	Total balance sheet costs	<u>170</u>
118	Total finance costs payable in future years	42
<u>471</u>	Total due	<u>212</u>

The minimum payments will be payable over the following periods:

2010/11 £'000			2011/12 £'000	
Minimum Lease payments	Finance costs		Minimum Lease payments	Finance costs
138	62	Payments due within 1 year	116	31
215	56	Payments due between 1 to 5 years	54	11
<u>353</u>	<u>118</u>		<u>170</u>	<u>42</u>

-Operating leases

The Council leases a number of buildings and vehicles through operating leases. The costs of these leases are charged in full to the relevant service area in the Comprehensive Income and Expenditure Statement. The future minimum lease payments due in future years are immaterial.

Council as the lessor

- Finance leases

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

- Operating leases

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

2010/11 £'000			2011/12 £'000	
1,828		Payments due within one year	1,795	
6,641		Payments due later than one year and not later than five years	7,180	
5,156		Payments due later than five years	0	
<u>13,625</u>	Total due		<u>8,975</u>	

25. PFI schemes

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

- 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 that started on 10th May 2004. There are no significant termination or renewal options within the contract.

Assessment under IFRIC 12 in 2009/10, resulted in the assets, valued at £40m and a liability of £27m as at 31st March 2011, 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 2011 Balance brought forward	(26,991)	40,020	13,029
Disposals	0	(64)	(64)
Revaluations	0	770	770
Depreciation and Impairment	0	(815)	(815)
Repayment of liability	370	0	370
31st March 2012 Balance carried forward	<u>(26,621)</u>	<u>39,911</u>	<u>13,290</u>

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

31 March 2011		As at 31st March 2012			
Total £ '000		Liability £ '000	Interest £ '000	Service Cost £ '000	Total £ '000
	Due within:				
6,749	1 year	97	2,247	4,606	6,950
29,080	2 to 5 years	1,740	8,827	19,386	29,953
41,535	6 to 10 years	3,234	10,001	29,547	42,782
46,436	11 to 15 years	4,824	8,319	33,565	46,708
46,708	16 to 20 years	10,491	5,447	30,770	46,708
28,552	21 years plus	6,235	829	12,146	19,210
<u>199,060</u>	Total	<u>26,621</u>	<u>35,670</u>	<u>130,020</u>	<u>192,311</u>

- *Waste PFI scheme*

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

As a result of the 2009/10 assessment of this scheme under IFRIC 12, buildings valued at £7.9m and plant valued at £1.6m were brought onto the Council's balance sheet, reflecting the Council's share of the total scheme assets. A corresponding long term liability to WRG was also recognised. The movements relating to this scheme during 2011/12 are as follows:

	Scheme Assets			
	Balance sheet liability	Other land and buildings	Vehicle, plant and equipment	Net
	£ '000	£ '000	£ '000	£ '000
1st April 2011 Balance brought forward	(8,466)	7,681	1,512	727
Depreciation and Impairment	0	(282)	(112)	(394)
Repayment of liability	267	0	0	267
31st March 2012 Balance carried forward	<u>(8,199)</u>	<u>7,399</u>	<u>1,400</u>	<u>600</u>

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

31 March 2011		As at 31st March 2012			
Total		Liability	Interest	Service Cost	Total
£ '000		£ '000	£ '000	£ '000	£ '000
	Due within:				
7,964	1 year	205	542	7,253	8,000
33,932	2 to 5 years	976	2,015	31,918	34,909
48,491	6 to 10 years	1,659	2,086	49,276	53,021
55,365	11 to 15 years	2,334	1,425	55,885	59,644
63,509	16 to 20 years	3,025	501	59,656	63,182
9,504	21 years plus	0	0	0	0
<u>218,765</u>	Total	<u>8,199</u>	<u>6,569</u>	<u>203,988</u>	<u>218,756</u>

26. Investment Properties

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

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

2010/11 £'000		2011/12 £'000
(1,492)	Rental income from investment properties	(1,474)
137	Direct operating expenses arising from investment properties	89
(251)	Impairment (gains)/losses on investment properties	(123)
(940)	Revaluation (gains)/losses on investment properties	(132)
<u>(2,546)</u>		<u>(1,640)</u>

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

27. 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 2011 £ '000	New advances £ '000	Advances repaid £ '000	Balance at 31st March 2012 £ '000
Probation debt	117	0	(56)	61
Reading Transport Limited	2,831	5,690	(763)	7,758
Former Council house mortgages	50	0	(12)	38
Individual - private housing	30	0	0	30
Staff car loans	20	0	(14)	6
	<u>3,048</u>	<u>5,690</u>	<u>(845)</u>	<u>7,893</u>

28. Inventories

The levels of stock held by the Council, and the areas to which it relates are as follows:

2010/11 £ '000		2011/12 £ '000
87	ENCAS	81
92	Building Maintenance	72
12	Other	32
<u>191</u>		<u>185</u>

29. Debtors

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

2010/11 £ '000		2011/12 £ '000
7,751	Central Government Bodies	3,335
1,839	Other Local Authorities	3,003
132	NHS Bodies	99
35,518	Other entities and individuals (including rent arrears and trade debtors)	31,685
<u>45,240</u>		<u>38,122</u>

30. Post-employment benefits

The Council 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 2011/12, the Council paid employer's contributions of £3.6m (2010/11: £4.8m), representing 14.1% of employee's pensionable pay (2010/11: 14.1%). No added years payments, discretionary enhancements or retirement lump sums were made during the year.

ii. Local Government Pension Scheme

The Council pays contributions into the Royal Berkshire Pension Fund, which is managed on behalf of the Authority by the Royal Borough of Windsor and Maidenhead. This is a defined benefit final salary scheme into which both the employer and employee make contributions. The last full actuarial valuation of the fund was carried out as at 31st March 2010.

In 2011/12, the Council paid employer's contributions of £11.7m (2010/11: £11.7m) into the fund, this represents 14.7% of employees pensionable pay (2010/11: 14.7%).

- Impact on the Income and Expenditure Account

Year to 31st March 2011 £ '000		Year to 31st March 2012 £ '000
16,142	Current service costs	11,088
25,684	Interest on obligation	22,967
(16,324)	Expected return on scheme assets	(16,354)
(44,887)	Past service costs	0
(860)	Losses/(gains) on curtailments and settlements	1,312
<u>(20,245)</u>	Total	<u>19,013</u>
18,901	Actual return on scheme assets	(713)

During 2011/12, there were 42 additional early retirements (2010/11: 19 early retirements).

- Reconciliation of the opening and closing balances of the present value of the defined benefit obligation:

Year to 31st March 2011 £ '000		Year to 31st March 2012 £ '000
505,939	Opening defined benefit obligation	417,026
16,142	Service cost	11,088
25,684	Interest cost	22,967
(77,124)	Actuarial losses/(gains)	58,493
0	Losses/(gains) on curtailments	1,364
(1,305)	Liabilities extinguished on settlements	(426)
(10,855)	Estimated benefits paid (net of transfers in)	(14,261)
(44,887)	Past service costs	0
4,367	Contributions by scheme participants	3,905
(935)	Unfunded pension payments	(942)
<u>417,026</u>	Closing defined benefit obligation	<u>499,214</u>

- Reconciliation of the opening and closing balances of the fair value of scheme assets:

Year to 31st March 2011 £ '000		Year to 31st March 2012 £ '000
258,985	Opening fair value of scheme assets	273,682
16,324	Expected return on scheme assets	16,354
(5,459)	Actuarial gains/(losses)	(17,067)
11,700	Contributions by employer (including unfunded)	11,664
4,367	Contributions by scheme participants	3,905
(11,790)	Estimated benefits (net of transfers in and including unfunded)	(15,203)
(445)	Receipt/(payment) of bulk transfer value	(374)
<u>273,682</u>	Fair value of scheme assets at end of period	<u>272,961</u>

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

31st March 2011 £ '000			31st March 2012 £ '000	
397,112	Present value of funded obligation		486,572	
273,682	Fair value of scheme assets (bid value)		272,962	
123,430	Net liability		213,610	
19,913	Present value of unfunded obligation		12,641	
143,343	Net Liability in balance sheet		226,251	

- The primary Actuarial assumptions made in assessing the pension fund have been:

Changes in price bases:

	31st March 2012		31st March 2011		31st March 2010	
	% p.a.	Real	% p.a.	Real	% p.a.	Real
RPI increases	3.3%	-	3.5%	-	3.9%	-
CPI increases	2.5%	-0.8%	2.7%	-0.8%	n/a	-
Salary increases	4.5%	1.2%	4.8%	1.3%	5.4%	1.5%
Pension increases	2.5%	-0.8%	2.7%	-0.8%	3.9%	-
Discount rate	4.6%	1.3%	5.5%	1.9%	5.5%	1.5%

Mortality assumptions:

31st March 2011		31st March 2012
	Longevity at 65 for current pensioners (years):	
22.7	Males	23.0
25.4	Females	25.6
	Longevity at 65 for members retiring in 20 years (years):	
24.8	Males	25.0
27.4	Females	27.6

Expected rates of return on scheme assets

The expected return on assets is based on the long term future expected investment class as at the beginning of the period. The return on gilts and other bonds are assumed to be the gilt yield and corporate bond yield (with an adjustment to default risk) respectively at the relevant date. The actuaries have assumed the return on equities and properties to be a margin above gilt rates. The following expected returns have been adopted:

Asset Class:	Expected return (% p.a.) at		
	1st April 2012	1st April 2011	1st April 2010
Equities	6.7%	7.9%	7.9%
Gilts	0.0%	4.5%	4.5%
Other Bonds	4.6%	5.5%	5.5%
Property	4.8%	6.0%	6.0%
Cash	3.0%	3.0%	3.0%
Alternative Assets	5.0%	5.0%	5.0%

As in previous years, it is assumed that 50% of retiring members will opt to increase their lump sums to the maximum amount allowed.

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

31st March 2011			31st March 2012	
£ '000	%		£ '000	%
107,976	31%	Equities	117,297	35%
0	0%	Gilts	0	0%
94,044	27%	Other Bonds	83,784	25%
27,864	8%	Property	33,513	10%
17,415	5%	Cash	6,703	2%
101,009	29%	Alternative Assets	93,838	28%
<u>348,308</u>	<u>100%</u>	Total	<u>335,135</u>	<u>100%</u>

- Scheme history

	Year to				
	March 2012	March 2011	March 2010	March 2009	March 2008
	£ '000	£ '000	£ '000	£ '000	£ '000
Defined benefit obligation	(499,214)	(417,025)	(505,938)	(315,386)	(335,499)
Scheme assets	272,961	273,682	258,985	192,881	271,858
Surplus/(Deficit)	(226,252)	(143,343)	(246,954)	(122,505)	(63,641)
Experience adjustments on scheme liabilities	8,673	13,187	(9,911)	0	(9,428)
Percentage of liabilities (RBC)	2.5%	4.20%	-1.80%	0%	-2.20%
Experience adjustments on scheme assets	(17,067)	(5,459)	51,725	(101,454)	(37,773)
Percentage of assets (RBC)	-6.2%	-2.40%	19.80%	-52.20%	13.60%
Cumulative actuarial gains and losses	(165,014)	(89,454)	(161,119)	(44,845)	8,673

Assets are shown at bid price (estimated where necessary) for the periods prior to 31st March 2010. The defined benefit obligation shows the underlying liabilities that the Council has in the long run to pay retirement benefits. The total liability

of £226.25m (2009/10: £143.34m) 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. The deficit on the Local Government scheme will be made good by increased contributions over the remaining working life of employees, as assessed by the scheme actuary.

- Estimate of contributions for 2012/13

	Year to 31st March 2013 £ '000
Service costs	13,931
Interest costs	23,045
Return on assets	(14,845)
Total	22,131
Employer contribution	9,199

31. Creditors

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

2010/11 £ '000		2011/12 £ '000
(4,232)	Central Government Bodies	(6,344)
(834)	Other Local Authorities	(2,553)
(100)	NHS Bodies	(516)
(2)	Public corporations and trading funds	(3)
(48,603)	Other entities and individuals	(33,199)
(53,771)		(42,615)

32. Provisions

	Balance at 1st April 2011 £ '000	Increases in provisions £ '000	In-year movements Amounts of provisions used in year £ '000	Transfers from provisions £ '000	Balance at 31st March 2012 £ '000
Equal Pay Back Pay	4,500	1,500	0	0	6,000
Homelessness Costs	20	0	0	0	20
Rent deposit guarantee	300	0	0	0	300
	4,820	1,500	0	0	6,320

Equal Pay Backpay Provision - The Council has established an Equal Pay Provision since under the Equal Pay Act 1970 (as amended) employees are entitled to equal pay for work of equal value. Payments are envisaged in future years, but the extent of those cannot be quantified accurately at the present.

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

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

33. Contingent liabilities

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

Contingent liabilities are not recognised in the Statement of Accounts, but are monitored to ensure that where an obligation or transfer of economic benefit to another party has become probable, a provision is made. The financial statements include provisions based on management's best estimate of the outcome of these uncertainties. Whilst any disputes are ongoing the Council does not disclose the quantum or timing of any possible settlement as this could prejudice its 'commercial' position. As at 31st March 2012, the Council has not recognised any contingent liabilities.

34. Contingent assets

Contingent assets represent benefits due to the Council in relation to a past activity, if a future event occurs. On the advice from, and with the assistance of its VAT advisor, the Council has submitted a number of claims regarding VAT to, and appealed various assessments raised by HM Revenue and Customs (HMRC), totalling approximately £6.5m.

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

35. 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 sitting in a reserve.

- Capital grants

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

2010/11 £ '000		2011/12 £ '000
16,880	Grants credited to non-specific grant income	27,817
3,332	Grants credited to services	0
2,867	S106 and other contributions credited to non-specific grant income	3,507
287	S106 and other contributions credited to services	0
<u>23,366</u>	Total	<u>31,324</u>

At the 31st March 2012, the Council had a number of grant and other contribution balances remaining that had conditions attached to them, and so are recognised as capital grants received in advance:

2010/11 £ '000		2011/12 £ '000
916	Miscellaneous Government Grants	453
10,066	Standards Fund	2,186
1,223	Other contributions	924
5,639	Developers Contributions	6,488
<u>17,844</u>		<u>10,051</u>

- Revenue grants

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

2010/11 £ '000		2011/12 £ '000
82,564	Housing and Council Tax Benefits	86,913
6,974	Housing Subsidy	8,656
78,077	Education Services	80,364
3,809	Community Care	8,509
8,540	Children and Families	4,991
5,464	Other grants	6,250
<u>185,428</u>	Total	<u>195,683</u>

36. Long term borrowing

The table below shows the long term borrowing commitment that the Council had at the 31st March 2012; these items are all due for repayment after 31st March 2013.

2010/11		2011/12
£ '000		£ '000
145,622	Public Works Loan Board	301,436
(3,188)	less modified loans carrying value	(3,173)
30,000	Banks and Financial Institutions	30,000
<u>172,434</u>		<u>328,263</u>

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

2010/11		2011/12
£ '000		£ '000
6,507	1 - 2 years	11,507
21,520	2 - 5 years	22,520
14,475	5 - 10 years	25,229
1,120	10 - 25 years	46,180
2,000	25 - 40 years	93,000
100,000	40+ years	103,000
<u>145,622</u>		<u>301,436</u>

Accounting guidelines require premia and discounts to be written off to the Income and Expenditure Account as incurred. Various adjustments required by regulation are then required to spread the cost or income over (typically) a 10 year period. The Council made no premature repayments in 2011/12 (2010/11: £10m premature repayment with an immaterial net discount).

During the year, the Council arranged £165.3m of new PWLB loans, £147.8m of which were in connection with HRA self-financing (2010/11: £24.8m of new loans). Full details of the Council's Treasury Management activity are published separately in the Council's Annual Treasury Report (and are available online at www.reading.gov.uk).

The residual £3.173m in connection with modified loans in the table above arises from the premia incurred on various loans rescheduled in 2004/05 and 2005/06, which was accounted for as a modification. All other premia and discounts incurred have been charged to the Income and Expenditure Account.

The PWLB has advised that using its repayment rate to calculate premature repayment sums, the fair value of the £309.9m of PWLB loans (including £8.5m within short term borrowing, as they are scheduled to mature within the next 12 months) held as at 31st March 2012, was £344.2m (the £160.1m par value at 31st March 2011 then had a fair value of £163.0m on the same basis). The Council estimates that if held to maturity, using current PWLB borrowing rates at 31st March to discount the fair value of loans at 31st March 2012 would be £300.8m (31st March 2011: £140.7m)

37. Financial Instruments

As well as the Council's borrowings and investments, including premia and discounts associated with their early repayment and also provisions for liabilities, financial instruments include financial assets and liabilities such as trade debtors, trade creditors, and cash & bank balances (taxation debtors (i.e. Council Tax arrears) are excluded from the definition).

The Council considers that impairments of assets including those implemented as a result of the move to IFRS based accounts should be determined in broadly the same way as their equivalent pre-IFRS approach, so the accounts include an impairment of debtors calculated in broadly the same way as the approach to determining the provision for doubtful debts historically.

Three PWLB loans raised in 2005/06 have been treated as modified, and carry unamortised premia arising from premature repayments at that time. The Code requires that the remainder be written off to the Income and Expenditure Account over the life of these loans. Other premia were written off when the Council moved to an IFRS based approach, except for a balance of premia and discounts that was expected to be matched by Housing Subsidy entitlement through to 2016/17. By 31st March 2012, when the Housing Subsidy regime ended, the remaining balance was an immaterial net discount, which will be credited to the HRA in 2012/13.

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

	Long Term		Current	
	31.3.2011 £'000	31.3.2012 £'000	31.3.2011 £'000	31.3.2012 £'000
Financial Instruments Balances Carried Forward				
Financial Liabilities at Amortised Cost	(172,434)	(328,263)	(105,054)	(57,564)
Total Borrowings	(172,434)	(328,263)	(105,054)	(57,564)
Loans and Receivables at Amortised Cost	3,048	7,893	44,607	50,983
Available for Sale Assets	0	0	59,463	24,740
Total Investments	3,048	7,893	104,070	75,723

In addition we are required to disclose the nature and extent of risks arising from financial instruments to which we are exposed, and how they have been managed; including credit, liquidity and market risk. Credit and Liquidity risks exist for current and longer term receivables. In the above table they have been impaired (effectively a doubtful debt provision is held) to match broadly the historic experience of their non payment. With regard to investment instruments, the

Council approves a treasury investment strategy each year that indicates that investments are only made to highly rated counterparties, with an emphasis on security and liquidity over yield, and some spread within the market to mitigate market risks and preserve capital. There has never been an actual default experience, and therefore it is not considered necessary to impair investments from their nominal value.

As at 31st March 2012, £30m borrowing (31st March 2011: £30m) was on LOBO terms (with the lender to the Council having options to change the interest rate at various dates). The counterparty has options which could impact the potential value of those arrangements. In the Council's Balance Sheet and the above table these financial instruments are shown at their nominal value.

38. Notes to the Cashflow Statement

- Note A to the Cashflow Statement

2010/11 £ '000		2011/12 £ '000
<u>(79,341)</u>	Net Surplus or (Deficit) on the Provision of Services	<u>(132,697)</u>
	<u>Adjust net surplus or deficit on the provision of services for non cash movements</u>	
133,835	Depreciation and impairment	30,422
(251)	Impairment and downward valuations	(10,535)
271	Amortisation	283
40	Adjustment for movements in fair value of investments classified as Fair Value through Comprehensive Income and Expenditure Statement	0
(13)	Increase/(Decrease) in Interest Creditors	77
9,384	Increase/(Decrease) in Creditors	(9,252)
227	(Increase)/Decrease in Interest and Dividend Debtors	(40)
(18,154)	(Increase)/Decrease in Debtors	5,574
(13)	(Increase)/Decrease in Inventories	6
(31,945)	Pension Liability	7,349
(581)	Contributions to/(from) Provisions	1,500
1,721	Carrying amount of non-current assets sold	7,437
(940)	Movement in Investment Property Values	(132)
0	Other non-cash movements	72
<u>93,581</u>		<u>32,761</u>
	<u>Adjust for items included in the net surplus or deficit on the provision of services that are investing or financing activities</u>	
(23,643)	Capital Grants credited to surplus or deficit on the provision of services	(31,325)
0	Net adjustment from the sale of short and long term investments	(753)
(1,902)	Proceeds from the sale of property plant and equipment, investment property and intangible assets	(9,233)
<u>(25,545)</u>		<u>(41,311)</u>
<u>(11,305)</u>	Net Cash Flows from Operating Activities	<u>(141,247)</u>

- Note B to the Cashflow Statement

2010/11 £ '000		2011/12 £ '000
	Operating activities within the cashflow statement include the following cash flows relating to interest	
2,429	Interest Received	3,200
(10,893)	Interest Paid	(11,230)
<u>(8,464)</u>		<u>(8,030)</u>

- Note C to the Cashflow Statement

2010/11 £ '000		2011/12 £ '000
(33,064)	Purchase of Property, Plant and Equipment, investment property and intangible assets	(36,161)
(60,000)	Purchase of short and long term investments	(21,500)
0	Other payments for Investing Activities	(5,690)
1,942	Proceeds from the sale of property plant and equipment, investment property and intangible assets	8,907
60,000	Proceeds from short-term and long-term investments	52,278
27,235	Other Receipts from Investing Activities	22,306
<u>(3,887)</u>	Total Cash Flows from Investing Activities	<u>20,140</u>

- Note D to the Cashflow Statement

2010/11 £ '000		2011/12 £ '000
70,230	Cash receipts of short and long term borrowing	187,311
(626)	Billing Authorities - Council Tax and NNDR adjustments	8,033
(53,477)	Repayment of Short-Term and Long-Term Borrowing	(64,197)
(761)	Cash payments for the reduction of the outstanding liabilities relating to finance leases and on-balance sheet PFI contracts	(775)
<u>15,366</u>	Total Cash Flows from Financing Activities	<u>130,372</u>

- Note E to the Cashflow Statement

As at 31st March 2011 £ '000		As at 31st March 2012 £ '000
11,679	Cash and Bank Balances	20,212
(4,904)	Bank Overdraft	(4,172)
<u>6,775</u>		<u>16,040</u>

Notes to the Accounts

39. Reconciliation between amounts reported to Cabinet in budget monitoring, and amounts reported in the Comprehensive Income and Expenditure Statement.

For the year ended 31 March 2012

Service Information	Environment, Culture and Sport	Education and Childrens Services	Corporate Resources	Housing and Community Care	General Fund Subtotal	HRA	Total
	£ '000	£ '000	£ '000	£ '000	£ '000	£ '000	£ '000
Total Income	(49,071)	(92,585)	(81,684)	(28,416)	(251,756)	(34,579)	(286,335)
Employee expenses	21,691	74,669	16,508	21,074	133,942	3,410	137,352
Other operating expenses	50,834	48,486	83,045	54,526	236,891	24,009	260,900
Total operating expenses	72,525	123,155	99,553	75,600	370,833	27,419	398,252
Net Cost of Services	23,454	30,570	17,869	47,184	119,077	(7,160)	111,917

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

Cost of Services in Service Analysis	£ '000	111,917
Add amounts not reported in Directorate budget monitoring		176,259
Net Cost of Services in Comprehensive Income and Expenditure Statement		288,176

Reconciliation to Subjective Analysis (Single Entity)

	Service Analysis	Not reported in budget monitoring	Net Cost of Services	Corporate Amounts	Total
	£ '000	£ '000	£ '000	£ '000	£ '000
Services income	(286,335)		(286,335)		(286,335)
Interest and investment income			0	(3,501)	(3,501)
Income from council tax			0	(68,827)	(68,827)
Government grants and contributions		2,494	2,494	(99,147)	(96,653)
Other Income		(5,348)	(5,348)		(5,348)
Transfers from reserves and balances		(4,218)	(4,218)		(4,218)
Total Income	(286,335)	(7,072)	(293,407)	(171,475)	(464,882)
Employee expenses	137,352		137,352		137,352
Other service expenses	260,900		260,900		260,900
Depreciation, amortisation and impairment		30,709	30,709		30,709
HRA recovery of valuation loss		(10,535)	(10,535)		(10,535)
Capitalisation		(1,180)	(1,180)		(1,180)
Revenue expenditure funded from capital under statute		6,632	6,632		6,632
HRA self-financing payment		147,821	147,821		147,821
Redundancy payments		2,197	2,197		2,197
Pension fund adjustments		733	733		733
Insurances		852	852		852
Other expenditure		2,817	2,817		2,817
Transfers to reserves and balances		2,126	2,126		2,126
Interest Payments and debt restructuring			0	11,063	11,063
Pension interest costs, net of return on scheme assets			0	6,614	6,614
Precepts & Levies			0	105	105
Payments to Housing Capital Receipts Pool			0	633	633
Gain or Loss on Disposal of Fixed Assets			0	(910)	(910)
Investment properties		1,159	1,159	(1,509)	(350)
Total operating expenses	398,252	183,331	581,583	15,996	597,579
Surplus or deficit on the provision of services	111,917	176,259	288,176	(155,479)	132,697

Notes to the Accounts

For the year ended 31 March 2011

Service Information	Environment, Culture and Sport	Education and Childrens Services	Corporate Resources	Housing and Community Care	General Fund Subtotal	HRA	Total
	£ '000	£ '000	£ '000	£ '000	£ '000	£ '000	£ '000
Total Income	(48,900)	(122,858)	(79,011)	(29,630)	(280,399)	(32,654)	(313,053)
Employee expenses	25,320	92,632	16,205	24,161	158,318	3,530	161,848
Other operating expenses	49,953	57,943	80,079	55,230	243,205	26,252	269,457
Total operating expenses	75,273	150,575	96,284	79,391	401,523	29,782	431,305
Net Cost of Services	26,373	27,717	17,273	49,761	121,124	(2,872)	118,252

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

Cost of Services in Service Analysis	£ '000	118,252
Add amounts not reported in Directorate budget monitoring		79,942
Net Cost of Services in Comprehensive Income and Expenditure Statement		198,194

Reconciliation to Subjective Analysis (Single Entity)

	Service Analysis	Not reported in budget monitoring	Net Cost of Services	Corporate Amounts	Total
	£ '000	£ '000	£ '000	£ '000	£ '000
Services income	(313,053)		(313,053)		(313,053)
Interest and investment income			0	(1,981)	(1,981)
Income from council tax			0	(68,174)	(68,174)
Government grants and contributions		(4,169)	(4,169)	(87,365)	(91,534)
Other Income		(701)	(701)		(701)
Transfers from reserves and balances		(1,209)	(1,209)		(1,209)
Total Income	(313,053)	(6,079)	(319,132)	(157,520)	(476,652)
Employee expenses	161,848		161,848		161,848
Other service expenses	269,457		269,457		269,457
Depreciation, amortisation and impairment		114,399	114,399		114,399
Capitalisation		(4,202)	(4,202)		(4,202)
Revenue expenditure funded from capital under statute		5,116	5,116		5,116
Redundancy payments		3,692	3,692		3,692
Pension fund adjustments		(41,225)	(41,225)		(41,225)
Insurances		829	829		829
Other expenditure		2,961	2,961		2,961
Transfers to reserves and balances		3,290	3,290		3,290
Interest Payments and debt restructuring			0	10,614	10,614
Pension interest costs, net of return on scheme assets			0	9,360	9,360
Precepts & Levies			0	105	105
Payments to Housing Capital Receipts Pool			0	453	453
Gain or Loss on Disposal of Fixed Assets			0	65	65
Investment properties		1,161	1,161	(2,526)	(1,365)
Transfer of Academy Schools to Academy Trusts			0	20,596	20,596
Total operating expenses	431,305	86,021	517,326	38,667	555,993
Surplus or deficit on the provision of services	118,252	79,942	198,194	(118,853)	79,341

Housing Revenue Account

Income and Expenditure Account

2010/11 £ '000		2011/12 £ '000	£ '000
	Expenditure (including pension costs in accordance with IAS 19):		
5,203	Repairs and Maintenance	4,262	
12,618	Supervision and management	12,014	
207	Rents, rates, taxes and other charges	645	
7,455	Negative Housing Revenue Account subsidy payable	6,992	
0	HRA self-financing	147,821	
78,784	Valuation loss/(gain)	(10,535)	
12,195	Depreciation and impairment of HRA assets	13,882	
40	Debt management costs	92	
(3,658)	HRA share of Non-Distributed Costs (IAS 19 past service costs)	110	
112,844			175,283
	Income:		
(31,597)	Gross dwelling rents	(33,116)	
(425)	Gross non-dwelling rents	(418)	
(1,155)	Charges for services	(1,178)	
0	Increase/(decrease) in provision for bad debts	63	
(33,177)			(34,649)
79,667	Net Cost of HRA services as included in the whole authority Comprehensive Income and Expenditure Statement		140,634
563	HRA share of Corporate and Democratic Core		631
80,230	Net Cost of HRA services		141,265
	HRA share of the operating income and expenditure included in the whole authority Comprehensive Income and Expenditure Statement:		
(114)	Gain or loss on sale of HRA non-current assets		(148)
4,085	Interest payable and similar charges		4,234
140	Amortisation of premiums and discounts		130
(313)	HRA interest and investment income		(344)
695	Pensions interest cost and expected return on pension assets		441
84,723	(Surplus) or deficit for the year on HRA services		145,578

Movement on the Housing Revenue Account Statement

2010/11		2011/12
£ '000		£ '000
(9,223)	Balance at the end of the previous reporting period	(8,784)
(87,810)	Adjustments between accounting basis and funding basis under regulations	(146,105)
<u>(97,033)</u>	Net increase or decrease before transfers to or from reserves	<u>(154,889)</u>
3,526	Transfers to or from reserves	(26)
84,723	Increase/(decrease) in year on the HRA	145,578
<u>(8,784)</u>	Balance on the HRA as at the end of the current reporting period	<u>(9,337)</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 generally accepted accounting practices, rather than the amount to be funded from rents and grants. Authorities charge rents to cover expenditure in accordance with regulations; these may be different from the accounting cost. The increase or decrease in the year, on the basis on which rents are raised, is shown in the Movement on the HRA Statement.

2. Housing Subsidy

Until 31st March 2012, the HRA subsidy system was the system through which the Government determined the amounts local authorities needed to spend on their council housing and whether a subsidy was required to support this expenditure. HRA subsidy was the sum paid by Government to the Council to make up any shortfall between income and expenditure on the HRA. In 2011/12, the Council paid £7m to Central Government (2010/11: payment of £7.5m to Central Government), as the Council's notional HRA showed a surplus.

As explained elsewhere, the HRA subsidy system has been abolished and the Council was required to make a one-off payment of £147.8m as a consequence.

3. 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

2010/11 £ '000		2011/12 £ '000
	Adjustments between accounting basis and funding basis under regulations:	
(86,516)	Difference between interest payable and similar charges including amortisation of premia and discounts determined in accordance with the Code and those determined in accordance with statute	2,006
(1,288)	Difference between any other item of income and expenditure determined with the Code and determined in accordance with statutory HRA requirements	(290)
0	HRA self financing	(147,821)
(120)	Transfers to/from the Capital Adjustment Account	(148)
114	Gain or loss on the sale of HRA non-current assets	148
<u>(87,810)</u>		<u>(146,105)</u>
	Transfers to or from reserves	
2963	HRA share of contributions to or from the Pension Reserve	(550)
847	Employers' contributions payable to the Pension Fund and retirement benefits payable direct to pensioners	310
(1,109)	Transfers to/from the Major Repairs Reserve	(320)
825	Transfers to/from other HRA reserves	534
<u>3,526</u>		<u>(26)</u>
<u>(84,284)</u>	Net additional amount required by statute to be credited to the Housing Revenue Account Balance for the year	<u>(146,131)</u>

4. The Council's Dwelling Stock

At 31st March 2012, the Council was responsible for managing a housing stock of 7,122 dwellings, including 1,337 within the North Whitley PFI scheme (1st April 2011: 7,232 dwellings, 1,337 in the PFI scheme). In 2011-12 the number of dwellings within the HRA estate reduced by 110. As well as 6 dwellings sold under Right to Buy and 1 dwelling sold as a non-Right to Buy property, 103 dwellings were removed from the stock as they are due for demolition as part of the Dee Park regeneration project. The number of dwellings by category at 31st March was as follows:

2010/11 Number of dwellings		2011/12 Number of dwellings
4,060	Houses and bungalows	4,048
3,172	Flats	3,074
<u>7,232</u>	Total dwellings	<u>7,122</u>

The total Balance Sheet value of the Council's HRA assets at 31st March 2012 was £307.8m (31st March 2011: £306.5m), split across the following areas:

2010/11 £ '000		2011/12 £ '000
	Operational assets:	
301,948	Dwellings	303,154
2,402	Other land and buildings	2,481
2,141	Non-operational assets	2,141
<u>306,491</u>	Total asset value	<u>307,776</u>

The Balance Sheet value of dwellings within the HRA is intended to demonstrate the economic cost of providing council housing at rents less than open market value. Dwellings are initially valued at open market value and a Social Housing Adjustment factor is applied to recognize that as tenanted properties the dwellings are not available with vacant possession. In 2011/12 the Social Housing Adjustment factor remained at 32% (2010/11: 32%); the effect of this is to reduce the vacant possession value of the dwellings from £960.8m to £303m (2010/11: vacant possession value of £954m, adjusted balance sheet value of £302m).

5. The Major Repairs Reserve (MRR)

The MRR records the unspent balance of the HRA subsidy paid to the Council in the form of the Major Repair Allowance (MRA). The movements in the MRR in year were:

2010/11 £ '000		2011/12 £ '000
0	Balance on the MRR as at 1st April	0
4,086	Transfer from Housing Revenue Account	4,980
(163)	- Depreciation on non-dwellings	(168)
(946)	- (Excess)/Shortfall of depreciation on dwellings over Major Repairs Allowance	(153)
(2,977)	Financing of capital expenditure	(4,659)
0	Balance on the MRR as at 31st March	0

6. HRA capital expenditure

During 2011/12, the Council incurred £158.5m capital expenditure on land, houses and other properties within the HRA (2010/11: £6.8m). The detail of expenditure, and the methods of financing are detailed below:

2010/11 £ '000		2011/12 £ '000
	HRA capital expenditure:	
6,599	Housing	5,190
224	Other	5,496
0	HRA self-financing payment	147,821
6,823		158,507
	Financed by:	
(3,846)	Borrowing	(148,485)
0	Capital Receipts	(3,173)
0	Developers Contributions	(359)
(2,977)	MRR	(4,659)
0	Grants	(1,831)
(6,823)		(158,507)

The increase in 'other HRA capital expenditure' is due to works at the former Avenue School site on Northumberland Road to create an Extra Care Housing development, which will form part of the HRA dwelling stock once complete. The HRA self financing payment is a one-off cost incurred by the Council in conjunction with the abolition of housing subsidy; the borrowing incurred will be repaid through future rental incomes.

7. HRA capital receipts

During the year, the Council disposed of six dwellings to tenants under the Right to buy scheme, one non-right to buy housing disposal, and two disposals of housing land occurred within the year. The disposals generated total capital receipts of £1.2m, of which £637k was paid to Central Government as the Council's contribution to the Central Housing Pool.

8. Interest

£4.26m (2010/11: £4.1m) was charged in total to the HRA, of this £1.96m (2010/11: £1.8m) was charged in accordance with the provisions of the Local Government and Housing Act 1989 (Item 8), and £2.3m (2010/11: £2.3m) relating to the Housing PFI scheme (see note 25, page 62 of the main accounts).

9. Impairments

In accordance with the accounting policies set out on page 26, impairments of £8.9m (2010/11: £8.1m) in respect of HRA properties were charged to the HRA. The split of impairments was as follows:

2010/11		2011/12
£ '000		£ '000
7,898	Dwellings	8,817
214	Other properties	83
<u>8,112</u>		<u>8,900</u>

10. Depreciation

The total charge for depreciation for Houses and other properties within the HRA was £4.98m for 2011/12 (2010/11: £4.1m), split as follows

2010/11		2011/12
£ '000		£ '000
	Operational assets:	
3,923	Dwellings	4,812
163	Buildings	168
<u>4,086</u>		<u>4,980</u>

11. 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.

12. Rent Arrears and other debts

At the 31st March 2012, the rent arrears were £842,449 (2010/11: £785,048); a provision of £600,000 in respect of uncollectable debts has been recognised on the Balance Sheet (2010/11: £600,000). An increase of £63,000 was made to the general HRA bad debt provision primarily relating to rechargeable repairs.

13. Exceptional or prior year items

In 2011/12, the Council recognised one exception items within the HRA: £147.8m of expenditure as a consequence of writing-off of the capital expenditure incurred by the Council as a result of the abolition of the HRA subsidy system.

Collection Fund Account

2010/11 £ '000		2011/12 £ '000	2011/12 £ '000
	<u>Income:</u>		
69,104	Council Tax received	69,475	
11,955	Council Tax benefits	12,067	
			81,542
87,845	Income collectable from business rate payers		96,667
750	Contribution towards previous year's Collection Fund Deficit		250
169,654	Total income		178,459
	<u>Expenditure:</u>		
	Precepts and demands from:		
68,174	Reading Borough Council	68,827	
8,162	Thames Valley Police	8,240	
2,944	Royal Berkshire Fire Authority	2,972	
			80,039
	Business Rates:		
87,562	Payment to the National Pool	96,393	
283	Costs of collection	274	
			96,667
	Impairment of debts:		
36	Write off of uncollectable amounts	15	
1,243	Allowance for impairments	185	
			200
168,404	Total expenditure		176,906
1,250	Movement on fund balance		1,553
(1,000)	Surplus/(deficit) brought forward		250
250	Surplus on the Collection Fund Account as at 31st March		1,803

Notes to the Collection Fund Account

1. The Collection Fund

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

2. National Non-Domestic Rates

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

The total Non-Domestic rateable value at 31st March 2011 was £246,669,407 (31st March 2010: £249,415,909). The business rate multiplier set by Central Government for 2011/12 was 42.6p for small businesses, and 43.3p for all other businesses.

3. Council Tax

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

The tax base is made up of the number of chargeable dwellings in each valuation band (after adjustment for discounts where applicable). These are converted into an equivalent number of Band D dwellings. In October 2010, there were 54,773 Band D equivalent properties on the Council Tax register:

2010/11 Band D Equivalent Dwellings	Band	Property Value	Taxable Properties	2011/12 Ratio	Band D Equivalent Dwellings
2,897	A	Up to £40,000	5,595	6/9	2,939
8,685	B	From £40,001 to £52,000	13,275	7/9	8,682
20,836	C	From £52,001 to £68,000	27,160	8/9	21,126
8,763	D	From £68,001 to £88,000	10,008	9/9	8,950
5,744	E	From £88,001 to £120,000	5,233	11/9	5,842
4,294	F	From £120,001 to £160,000	3,205	13/9	4,337
2,782	G	From £160,001 to £320,000	1,775	15/9	2,783
115	H	£320,001 upwards	77	18/9	114
<u>54,116</u>			<u>66,328</u>		<u>54,773</u>

In January 2011, the Council estimated that the Council Tax base would be 53,404; during the year, the tax base averaged 54,406 Band D equivalent properties.

4. Precepting bodies

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

2010/11 £ '000		Share as at 31st March 2012		Total £ '000
		Precept/Demand £ '000	Surplus £ '000	
68,389	Reading Borough Council	68,827	1,335	70,162
8,188	Thames Valley Police Authority	8,240	160	8,400
2,953	Royal Berkshire Fire Authority	2,972	58	3,030
79,530		80,039	1,553	81,592

Group Accounts

1. Introduction

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

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

RTL was founded in 1986 to meet the requirements of the Transport Act, and provides local bus services within the Greater Reading and West Berkshire areas, along with holidays and excursions, and the hire of drivers and buses for private hire.

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

2. Financial Performance

The activities and performance of each of the subsidiaries during the year 2011/12 is set out below:

RTL: As at 31st March 2012, net current assets were £1.0m (£2.8m in 2010/11).

REDCO: The group's net current assets were £0.0m (as at 31st March 2011 £0.0m). In 2011/12 the company broke even, and the group made no profit or loss (2010/11: broke even).

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

Group Accounts

For the year ended 31 March 2012

Service Information	Environment, Culture and Sport £ '000	Education and Childrens Services £ '000	Corporate Resources £ '000	Housing and Community Care £ '000	General Fund Subtotal £ '000	HRA £ '000	Total £ '000
Total Income	(48,807)	(92,585)	(81,684)	(28,416)	(251,492)	(34,579)	(286,071)
Employee expenses	21,691	74,669	16,508	21,074	133,942	3,410	137,352
Other operating expenses	47,639	48,372	83,044	54,526	233,581	24,009	257,590
Total operating expenses	69,330	123,041	99,552	75,600	367,523	27,419	394,942
Net Cost of Services	20,523	30,456	17,868	47,184	116,031	(7,160)	108,871

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

Cost of Services in Service Analysis	E '000	108,871
Add amounts not reported in Directorate budget monitoring		179,070
Net Cost of Services in Comprehensive Income and Expenditure Statement		<u>287,941</u>

Reconciliation to Subjective Analysis (Group)

	Service Analysis £ '000	Subsidiary results (RTL etc) £ '000	Not reported in budget monitoring £ '000	Net Cost of Services £ '000	Corporate Amounts		Total £ '000
					Subsidiaries	RBC	
Services income	(286,071)	(21,268)		(307,339)			(307,339)
Interest and investment income				0	(37)	(3,244)	(3,281)
Income from council tax				0		(68,827)	(68,827)
Government grants and contributions			2,494	2,494		(99,147)	(96,653)
Other Income			(5,348)	(5,348)			(5,348)
Transfers from reserves and balances			(4,218)	(4,218)			(4,218)
Total Income	(286,071)	(21,268)	(7,072)	(314,411)	(37)	(171,218)	(485,666)
Employee expenses	137,352	14,065		151,417			151,417
Other service expenses	257,590	6,075		263,665			263,665
Depreciation, amortisation and impairment		2,959	30,709	33,668			33,668
HRA recovery of valuation loss			(10,535)	(10,535)			(10,535)
Capitalisation			(1,180)	(1,180)			(1,180)
Revenue expenditure funded from capital under statute			6,632	6,632			6,632
HRA self-financing payment			147,821	147,821			147,821
Redundancy payments			2,197	2,197			2,197
Pension fund adjustments			733	733			733
Insurances		685	852	1,537			1,537
Other expenditure			2,817	2,817			2,817
Transfers to reserves and balances			2,126	2,126			2,126
Interest Payments and debt restructuring				0	302	11,063	11,365
Pension interest costs, net of return on scheme assets				0	910	6,614	7,524
Precepts & Levies				0		105	105
Payments to Housing Capital Receipts Pool				0		633	633
Gain or Loss on Disposal of Fixed Assets				0	(466)	(910)	(1,376)
Tax expenses - Corporation tax payable				0	(277)		(277)
Investment properties			1,159	1,159		(1,509)	(350)
RTL restructuring costs		295		295			295
Total operating expenses	394,942	24,079	183,331	602,352	469	15,996	618,817
Surplus or deficit on the provision of services	108,871	2,811	176,259	287,941	432	(155,222)	133,151

Group Accounts

For the year ended 31 March 2011

Service Information	Environment, Culture and Sport £000s	Education and Childrens Services £000s	Corporate Resources £000s	Housing and Community Care £000s	General Fund Subtotal £000s	HRA £000s	Total £000s
Total Income	(48,858)	(122,858)	(79,011)	(29,630)	(280,357)	(32,654)	(313,011)
Employee expenses	25,320	92,632	16,205	24,161	158,318	3,530	161,848
Other operating expenses	46,543	57,759	80,078	55,216	239,596	26,252	265,848
Total operating expenses	71,863	150,391	96,283	79,377	397,914	29,782	427,696
Net Cost of Services	23,005	27,533	17,272	49,747	117,557	(2,872)	114,685

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

	£000s
Cost of Services in Service Analysis	114,685
Add amounts not reported in Directorate budget monitoring	83,127
Net Cost of Services in Comprehensive Income and Expenditure Statement	197,812

Reconciliation to Subjective Analysis

Service Analysis £000s	Subsidiary results (RTL etc) £000s	Not reported in budget monitoring £000s	Net Cost of Services £000s	Corporate Amounts Subsidiaries £000s	RBC £000s	Total £000s
Services income	(313,011)	(20,740)	(333,751)			(333,751)
Interest and investment income			0		(1,882)	(1,882)
Income from council tax			0		(68,174)	(68,174)
Government grants and contributions			(4,169)	(4,169)	(87,365)	(91,534)
Other income			(701)	(701)		(701)
Transfers from reserves and balances			(1,209)	(1,209)		(1,209)
Total Income	(313,011)	(20,740)	(6,079)	(339,830)	0	(497,251)
Employee expenses	161,848	15,028		176,876		176,876
Other service expenses	265,848	5,920		271,768		271,768
Depreciation, amortisation and impairment		2,462	114,399	116,861		116,861
Capitalisation			(4,202)	(4,202)		(4,202)
Revenue expenditure funded from capital under statute			5,116	5,116		5,116
Redundancy payments			3,692	3,692		3,692
Pension fund adjustments			(41,225)	(41,225)		(41,225)
Insurances		515	829	1,344		1,344
Other expenditure			2,961	2,961		2,961
Transfers to reserves and balances			3,290	3,290		3,290
Interest Payments and debt restructuring			0	0	591	11,204
Pension interest costs, net of return on scheme assets			0	0	1,016	10,376
Precepts & Levies			0	0	105	105
Payments to Housing Capital Receipts Pool			0	0	453	453
Gain or Loss on Disposal of Fixed Assets			0	0	(173)	(108)
Tax expenses - Corporation tax payable			0	0	(140)	(140)
Investment properties			1,161	1,161		(1,365)
Transfer of Academy Schools to Academy Trusts			0	0	20,596	20,596
Total operating expenses	427,696	23,925	86,021	537,642	1,294	577,602
Surplus or deficit on the provision of services	114,685	3,185	79,942	197,812	1,294	(118,755)

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 45), with those of the Group entities, providing the overall change in the Council's total reverses.
- The Group Comprehensive income and Expenditure Statement, which brings together the Comprehensive Income and Expenditure Statement produced by the Council and the Profit and Loss Statement produced by Reading Transport.
- The Group Balance sheet, which recognises the year end position of all of the group entities.
- The Group Cashflow statement, which consolidates the cashflow statements for the Council and RTL only, as the cashflows associated with REDCo are immaterial.

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 26. The following differences are recognised:

- Basis of account production

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

- Depreciation of Fixed Assets

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

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

This fixed assets policy has not been changed to match the Council's methodology as the change would not be material to the group. The depreciation charge in the Income and Expenditure Account for 2011/12 for RTL is £2.96m (2010/11: £2.46m).

Group Accounts

5. Group Financial Statements
Group Movement in Reserves Statement

	General Fund Balance	Earmarked General Fund Reserves	Housing Revenue Account	Earmarked HRA Reserves	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	Total General Reserves	Total Unusable Reserves	Total Authority Reserves	Authority's share of subsidiaries	Total Group Reserves
Balance at 31 March 2010	16,351	28,015	9,223	6,900	237	0	4,762	65,488	343,301	408,789	(21,374)	387,415
Surplus/(deficit) on provision of services	4,372		(84,723)					(80,351)		(80,351)		(80,351)
Surplus/(deficit) on revaluation of non-current assets								0	1,290	1,290		1,290
Actuarial gains/(losses) on pension assets/liabilities								0	71,666	71,666	4,178	75,844
Other gains/(losses)											650	650
Total comprehensive income & expenditure	4,372	0	(84,723)	0	0	0	0	(80,351)	72,956	(7,395)	4,828	(2,567)
Adjustments between group accounts and the authorities accounts	(9)							(9)	0	-9	-12	-21
Net increase/(decrease) before transfer	4,363	0	(84,723)	0	0	0	0	(80,360)	72,956	(7,404)	4,816	(2,588)
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	22,004		12,199					34,203	(34,203)	0	0	0
Revaluation losses on Property, Plant and Equipment			78,784					78,784	(78,784)	0	0	0
Movement in the market value of Investment Properties	(940)							(940)	940	0	0	0
Amortisation of intangible assets	268		3					271	(271)	0	0	0
Capital grants and contributions applied							(21,914)	(21,914)	21,914	0	0	0
Revenue expenditure funded from capital under statute	5,116							5,116	(5,116)	0	0	0
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	21,431		886					22,317	(22,317)	0	0	0
-Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:												
Statutory provision for the financing of capital investment	(7,237)		(384)					(7,621)	7,621	0	0	0
Capital expenditure charged against the General Fund and HRA balance	(134)							(134)	134	0	0	0
-Adjustments primarily involving the Capital Grants Unapplied Account:												
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	(23,367)						23,367	0	0	0	0	0
-Adjustments primarily involving the Capital Receipts Reserve:												
Transfer of cash proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(635)		(1,000)		1,635			0	0	0	0	0
Use of Capital Receipts Reserve to finance new capital expenditure					(1,810)			(1,810)	1,810	0	0	0
Contribution from the Capital Receipts Reserve to finance the payments to the Government's capital receipts pool	453				(453)			0	0	0	0	0
Transfer from Deferred Capital Receipts Reserve upon receipt of cash					238			238	(238)	0	0	0
Repayment of long term debtors					203			203	(203)	0	0	0
Adjustments primarily involving the Major Repairs Reserve:												
Reversal of Major Repairs Allowance credited to the HRA			(2,977)			2,977		0	0	0	0	0
Use of Major Repairs Reserve to finance new capital expenditure						(2,977)		(2,977)	2,977	0	0	0
Use of Major Repairs Reserve to finance previous years capital expenditure			120					120	(120)	0	0	0
- Adjustments primarily involving the Financial Instruments Adjustment Account:												
Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with regulation	(77)							(77)	77	0	0	0
- Adjustments Primarily involving the Pensions Reserve:												
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	(18,548)		(1,697)					(20,245)	20,245	0	0	0
Employer's pension contributions and direct payments to pensioners payable in year	(10,853)		(847)					(11,700)	11,700	0	0	0
- Adjustment primarily involving the Collection Fund Adjustment Account												
Amount by which Council Tax income credited to the Comprehensive Income and Expenditure Statement is different from Council Tax income calculated for the year in accordance with statutory requirements	(1,075)							(1,075)	1,075	0	0	0
- Adjustment primarily involving the Unequal Pay Back Pay Adjustment Account												
Amounts 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	(3,000)							(3,000)	3,000	0	0	0
-Adjustments primarily involving the Accumulated Absences Account:												
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	23		22					45	(45)	0	0	0
Adjustments between accounting basis and funding basis under regulations	(16,571)	0	85,109	0	(187)	0	1,453	69,804	(69,804)	0	0	0
Net (increase)/decrease before transfers to earmarked reserves	(12,208)	0	386	0	(187)	0	1,453	(10,556)	3,152	(7,404)	4,816	(2,588)
Transfer to/(from) earmarked reserves	10,554	(10,769)	(825)	700	64		276	0	0	0	0	0
(Increase)/decrease in year	(1,654)	(10,769)	(439)	700	(123)	0	1,729	(10,556)	3,152	(7,404)	4,816	(2,588)
Balance at 31 March 2011	14,697	17,246	8,784	7,600	114	0	6,491	54,932	346,453	401,385	(16,558)	384,827

Group Accounts

	General Fund Balance	Earmarked General Fund Reserves	Housing Revenue Account	Earmarked HRA Reserves	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	Total General Reserves	Total Unusable Reserves	Total Authority Reserves	Authority's share of subsidiaries	Total Group Reserves
Balance at 31 March 2011	14,697	17,246	8,784	7,600	114	0	6,491	54,932	346,453	401,385	(16,558)	384,827
Surplus/(deficit) on provision of services	12,427		(145,578)					(133,151)	0	(133,151)		(133,151)
Surplus/(deficit) on revaluation of non-current assets								0	31,845	31,845		31,845
Actuarial gains/(losses) on pension assets/liabilities								0	(75,560)	(75,560)	4,896	(70,664)
Other gains/(losses)								0	(565)	(565)	(7)	(572)
Total comprehensive income & expenditure	12,427	0	(145,578)	0	0	0	0	(133,151)	(44,280)	(177,431)	4,889	(172,542)
Adjustments between group accounts and the authorities accounts								0	0	0	1,130	1,130
Net increase/(decrease) before transfer	12,427	0	(145,578)	0	0	0	0	(133,151)	(44,280)	(177,431)	6,019	(171,412)
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	16,543		13,879					30,422	(30,422)	0		0
Revaluation losses on Property, Plant and Equipment			(10,535)					(10,535)	10,535	0		0
Movement in the market value of Investment Properties	(131)							(131)	131	0		0
Amortisation of intangible assets	283							283	(283)	0		0
Capital grants and contributions applied							(21,677)	(21,677)	21,677	0		0
HRA self-financing			147,821					147,821	(147,821)	0		0
Revenue expenditure funded from capital under statute	6,632							6,632	(6,632)	0		0
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	6,399		1,037					7,436	(7,436)	0		0
-Insertion of Items not debited or credited to the Comprehensive Income and Expenditure Statement:									0			
Statutory provision for the financing of capital investment	(7,724)		(371)					(8,095)	8,095	0		0
Capital expenditure charged against the General Fund and HRA balance	(164)							(164)	164	0		0
-Adjustments primarily involving the Capital Grants Unapplied Account:									0			
Application of grants to capital financing credited to the Comprehensive Income and Expenditure Statement								0	0	0		0
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	(31,324)						31,324	0	0	0		0
-Adjustments primarily involving the Capital Receipts Reserve:									0			
Transfer of cash proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(7,161)		(1,185)		8,346			0	0	0		0
Use of Capital Receipts Reserve to finance new capital expenditure					(7,933)			(7,933)	7,933	0		0
Contribution from the Capital Receipts Reserve to finance the payments to the Government's capital receipts pool	633				(633)			0	0	0		0
Transfer from Deferred Capital Receipts Reserve upon receipt of cash					237			237	(237)	0		0
Repayment of long term debtors					539			539	(539)	0		0
-Adjustments primarily involving the Major Repairs Reserve:									0			
Reversal of Major Repairs Allowance credited to the HRA			(4,659)			4,659		0	0	0		0
Use of Major Repairs Reserve to finance new capital expenditure						(4,659)		(4,659)	4,659	0		0
Use of Major Repairs Reserve to finance previous years capital expenditure			148					148	(148)	0		0
- Adjustments primarily involving the Financial Instruments Adjustment Account:									0			
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	4							4	(4)	0		0
- Adjustments Primarily involving the Pensions Reserve:									0			
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	17,631		844					18,475	(18,475)	0		0
Employer's pension contributions and direct payments to pensioners payable in year	(10,817)		(310)					(11,127)	11,127	0		0
- Adjustment primarily involving the Collection Fund Adjustment Account									0			
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	(1,336)							(1,336)	1,336	0		0
- Adjustment primarily involving the Unequal Pay Back Pay Adjustment Account									0			
Amounts 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								0	0	0		0
-Adjustments primarily involving the Accumulated Absences Account:									0			
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	(671)		(4)					(675)	675	0		0
-Adjustments between accounting basis and funding basis under regulations	(11,203)	0	146,665	0	556	0	9,647	145,665	(145,665)	0	0	0
Net (increase)/decrease before transfers to earmarked reserves	1,224	0	1,087	0	556	0	9,647	12,514	(189,945)	(177,431)	6,019	(171,412)
Transfer to/(from) earmarked reserves	(1,952)	1,637	(534)	500	349	0	0	0	0	0		0
(Increase)/decrease in year	(728)	1,637	553	500	905	0	9,647	12,514	(189,945)	(177,431)	6,019	(171,412)
Balance at 31 March 2012	13,969	18,883	9,337	8,100	1,019	0	16,138	67,446	156,508	223,954	(10,539)	213,415

Group Comprehensive Income and Expenditure Statement

2010/11 £ '000		2011/12 £ '000	2011/12 £ '000	2011/12 £ '000
Net expenditure		Expenditure	Income	Net expenditure
	Gross expenditure, gross income and net expenditure of continuing operations			
1,065	Central Services to the public	15,051	(14,109)	942
13,729	Cultural and Related Services	23,513	(10,412)	13,101
15,421	Environmental and Regulatory Services	37,934	(22,945)	14,989
4,427	Planning Services	8,742	(1,823)	6,919
11,852	Highways, Roads and Transport Services	44,879	(34,652)	10,227
21,598	Education	104,242	(89,027)	15,215
18,977	Children and Families Services	23,053	(2,199)	20,854
51,215	Community Care	66,319	(16,031)	50,288
10,767	Housing Services	108,617	(110,556)	(1,939)
15,381	Other Services	19,748	(12,915)	6,833
665	Corporate and Democratic Core	776	(43)	733
(46,069)	Non-distributed Costs	1,663	0	1,663
78,784	Exceptional items	148,116	0	148,116
197,812	Cost of Services	602,653	(314,712)	287,941
	Other Operating Expenditure			
105	Levies payable			105
453	Payments to Housing capital receipts to Government Pool			633
(108)	(Gain) or loss on disposal of non-current assets			(910)
20,596	Transfers to Academy schools			0
21,046				(172)
	Financing and Investment Income and Expenditure			
11,193	Interest payable on debt, finance leases (lessee), and interest element of PFI unitary charge			11,350
11	Premium on early repayment of debt			15
10,376	Pensions interest costs, net of expected return of scheme assets			7,524
(1,882)	Investment interest income			(3,282)
(1,191)	Changes in fair value of investment properties			(255)
21	(Gain) or loss on disposal of investment properties			(466)
(1,492)	Rentals received on investment properties			(1,338)
136	Expenses incurred on investment properties			84
17,172				13,632
	Taxation and Non-specific Grant income			
(68,174)	Council Tax			(68,827)
(48,353)	NNDR			(42,649)
(7,021)	RSG			(13,183)
(12,244)	Non-service related revenue grants and contributions			(11,990)
(19,747)	Non-service related capital grants and contributions			(31,324)
(155,539)				(167,973)
80,491	(Surplus) or deficit on provision of services			133,428
(140)	Tax expenses - Corporation tax payable			(277)
80,351	Group (Surplus) or deficit			133,151
(1,290)	(Surplus) or deficit on revaluation of non current assets			(31,845)
(75,844)	Actuarial gains/losses on pension assets/liabilities			70,664
0	Prior Period adjustments (RTL)			7
(650)	Group adjustments			(565)
2,567	Total Comprehensive Income & Expenditure			171,412

Group Accounts

Group Balance Sheet

1st April 2010 (restated) £ '000	31st March 2011 (restated) £ '000		31st March 2012 £ '000	31st March 2012 £ '000
		Tangible Fixed Assets		
		Operational Assets		
407,903	301,948	Council Dwellings	303,154	
224,964	221,625	Other Land & Buildings	252,747	
25,639	23,307	Plant, Furniture & Equipment	25,335	
170,659	180,478	Infrastructure Assets	183,400	
9,150	9,831	Community Assets	10,124	
				774,760
		Non-Operational Assets		
29,149	31,264	Investment Properties	32,900	
5,763	6,179	Assets under construction	10,567	
12,375	0	Assets held for sale	0	
				43,467
669	636	Intangible Fixed Assets		484
<u>886,271</u>	<u>775,268</u>	Total Fixed Assets		<u>818,711</u>
656	708	Heritage Assets		792
5	5	Long Term Investments		5
305	217	Long Term Debtors		135
<u>887,237</u>	<u>776,198</u>	Total Long Term Assets		<u>819,643</u>
		Current Assets		
870	14,442	Assets held for sale		9,744
387	459	Inventory		454
31,017	46,788	Debtors		39,539
45,061	45,021	Short Term Investments		14,996
10,105	12,141	Cash and Cash Equivalents		19,336
<u>974,677</u>	<u>895,049</u>	Total Assets		<u>903,712</u>
		Current Liabilities		
(23,685)	(52,225)	Temporary Borrowing		(19,525)
(45,403)	(57,315)	Creditors		(45,314)
(17,919)	(17,844)	Capital Grants - Receipts in advance		(10,051)
(131)	(138)	Short Term Finance Lease Liabilities		(116)
<u>887,539</u>	<u>767,527</u>	TOTAL ASSETS LESS CURRENT LIABILITIES		<u>828,706</u>
(192,935)	(181,875)	Long Term Borrowing		(335,445)
(352)	(215)	Long Term Finance Lease Liabilities		(54)
(36,088)	(35,457)	PFI Finance Lease Liabilities		(34,820)
(4,038)	(5,575)	Provisions		(7,010)
(266,711)	(159,578)	Liability related to defined benefit pension scheme		(237,962)
<u>387,415</u>	<u>384,827</u>	TOTAL ASSETS LESS LIABILITIES		<u>213,415</u>
		Financed by:		
		<i>General Reserves</i>		
4,762	6,491	Capital Grants Unapplied		16,138
678	952	Profit & Loss Reserve		1,936
9,223	8,784	Housing Revenue Account		9,337
237	114	Usable Capital Reserve		1,019
10,370	9,512	General Fund Balance		8,940
2,470	2,684	Schools balances		2,461
382	393	Trust Funds		406
34,915	24,846	Earmarked Reserves		26,983
<u>63,037</u>	<u>53,776</u>			<u>67,220</u>
		<i>Unusable Reserves</i>		
69,146	59,918	Revaluation Reserve		83,695
526,678	431,577	Capital Adjustment Account		299,558
1,324	1,401	Financial Instruments Adjustment Account		1,397
(3,000)	0	Equal Pay Backpay Account		0
1,386	1,148	Deferred Capital Receipts		911
(266,711)	(159,578)	Pension Reserve		(237,962)
(860)	215	Collection Fund Adjustment Account		1,551
(3,585)	(3,630)	Accumulated Absences		(2,955)
<u>324,378</u>	<u>331,051</u>			<u>146,195</u>
<u>387,415</u>	<u>384,827</u>	TOTAL RESERVES AND BALANCES		<u>213,415</u>

Group Cashflow Statement

31 March 2011 £000s		31 March 2012 £000s
(80,351)	Net (surplus) or deficit on the provision of services	(133,151)
96,968	Adjust net surplus or deficit on the provision of services for noncash movements (Note A)	34,035
(26,166)	Adjust for items included in the net surplus or deficit on the provision of services that are investing and financing activities (Note A)	(40,332)
<hr/>		<hr/>
(9,549)	Net cash flows from Operating Activities	(139,448)
(5,300)	Investing Activities (Note C)	19,528
16,885	Financing Activities (Note D)	127,115
<hr/>		<hr/>
<u>2,036</u>	Net increase or decrease in cash and cash equivalents	<u>7,195</u>
10,105	Cash and cash equivalents at the beginning of the reporting period	12,141
12,141	Cash and cash equivalents at the end of the reporting period	19,336

Notes to the Group Cashflow statement are provided in note 3, page 100.

Notes to the Group Accounts

1. Comprehensive Income and Expenditure Statement

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

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

- Inclusion of RTL costs within Highways, Roads and Transportation Services (2011/12: £3.2m, 2010/11: £3.4m)
- Inclusion of REDCo within other services (2011/12: broke even, 2010/11: broke even)
- Inclusion of pensions interest costs and return on assets for RTL (2011/12 net costs of £0.9m, 2010/11 net cost of £1m)
- Inclusion of trust funds managed by the Council, which are not included in the Council's account (net income transferred to reserve in 2011/12 £13,337, net transfer to reserve in 2010/11 £30,754)

The notes to the Comprehensive Income and Expenditure Statement are not materially altered by the inclusion of the subsidiaries in these accounts, therefore the notes provided on pages 26 to 79 still apply with the exception of note 30, page 66. The information set out below supplements the information provided on these pages.

2. Pension Costs

RTL operates two defined benefit pension schemes for employees:

- Employees at 20th October 1986 have been deemed to be employees of RBC for pension purposes and are members of the Local Government superannuation scheme, to which the company contributes in accordance with the Local Government Superannuation regulations.
- Employees who joined the company between 20th October 1986 and 31st March 2010, together with any employees who were eligible for the Local Government scheme and who wished to leave that scheme, were eligible to join the Reading Transport Staff Retirement Scheme. This scheme was closed to new members from April 2010.

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

The funds are valued every three years by independent qualified actuaries, the rates of contribution payable being determined by the actuaries (the most recent valuation was at 31st March 2010). Pension costs are accounted for on the basis of charging the expected cost of providing pensions over the year during which the company benefits from the employees' services. Variations in the pension cost are spread over the expected service lives on current employees.

No other retirement benefits are provided to RTL employees.

Reconciliation of the present value of defined benefit scheme obligations:

2010 £ '000		2011 £ '000
60,640	Balance at start of year	58,943
1,463	Current service cost	1,565
3,077	Interest cost	2,978
(4,314)	Actuarial losses	(7,494)
443	Contributions	101
(2,335)	Benefits paid	(2,456)
(31)	Unfunded pension payments	(30)
0	Losses on curtailments	16
<u>58,943</u>	Balance at end of year	<u>53,623</u>

Reconciliation to the balance sheet:

2010 £ '000		2011 £ '000
58,514	Present value of funded obligations	53,238
(38,650)	Fair value of plan assets	(38,984)
<u>19,864</u>		<u>14,254</u>
429	Present value of unfunded obligations	385
<u>20,293</u>	Plan deficit	<u>14,639</u>
(4,058)	Related deferred tax asset	(2,928)
<u>16,235</u>	Net liability	<u>11,711</u>

Amounts recognised in the profit and loss account:

2010 £ '000		2011 £ '000
	Included in administrative expenses:	
1,463	Current service costs	1,565
0	Loss on curtailments	16
	Included in other finance costs:	
3,077	Interest cost	2,978
(2,061)	Expected return on plan assets	(2,068)
<u>2,479</u>		<u>2,491</u>
3,259	Actual return on scheme assets	674

Amounts recognised in the Statement of Total Recognised Gains and Losses:

2010 £ '000		2011 £ '000
5,512	Actuarial gains/(losses) recognised in the statement of total recognised gains and losses	6,100
(18,627)	Cumulative actuarial losses recognised in the statement of total recognised gains and losses	(12,527)

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

1,285	Reading Transport Staff Retirement Scheme	5,015
4,227	Local Government Superannuation Fund	1,085
<u>5,512</u>		<u>6,100</u>

Major categories of plan assets as a percentage of total plan assets:

2010 %		2011 %
	Major categories of plan assets	
40.34	Equities	39.67
37.87	Other bonds	34.69
8.43	Property	11.15
5.70	Cash	2.84
7.66	Other bonds	11.65
<u>100.00</u>		<u>100.00</u>

Principal actuarial assumptions:

2010 %		2011 %
5.00	Discount rates	5.40
	Expected rates of return on plan assets:	
6.40	Equities	6.00
3.90	Gilts	3.50
5.00	Other bonds	5.40
5.00	Property	4.40
4.10	Cash	3.50
3.30	Future salary increases	3.20
3.30	Inflation assumption (RPI)	3.20
2.80	CPI increase	2.50
3.00	Future pension increases - pre 1997*	3.00
3.30	Future pension increase - pre 1997 - 2006*	3.20
2.50	Future pension increases	2.30

* applicable to the Reading Transport Staff Retirement Scheme only

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 26 to 79 still apply, with the exception of the following notes:

- **Group Debtors (partially replaces note 29)**

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

2010/11 Group £'000	RBC £'000	RTL £'000	2011/12			Group £'000
			REDCO £'000	Trusts £'000		
46,788 Sundry Debtors	37,911	1,628	0	0		39,539
<u>46,788</u>	<u>37,911</u>	<u>1,628</u>	<u>0</u>	<u>0</u>		<u>39,539</u>

- **Group Creditors (partially replaces note 31)**

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:

2009/2010 Group £'000	2010/11 Group £'000	RBC £'000	RTL £'000	2011/12			Group £'000
				REDCO £'000	Trusts £'000		
(45,403)	(57,315) Sundry Creditors	(41,558)	(3,756)	0	0		(45,314)
<u>(45,403)</u>	<u>(57,315)</u>	<u>(41,558)</u>	<u>(3,756)</u>	<u>0</u>	<u>0</u>		<u>(45,314)</u>

3. Notes to the Cash Flow Statement

- Note A

2010/11 £ '000		2011/12 £ '000
(80,351)	Net Surplus or (Deficit) on the Provision of Services	(133,151)
	<u>Adjust net surplus or deficit on the provision of services for non cash movements</u>	
136,297	Depreciation	33,381
(251)	Impairment and downward valuations	(10,535)
91	Amortisation	283
40	Adjustment for movements in fair value of investments classified as Fair Value through Profit & Loss account	0
(13)	Increase/Decrease in Interest Creditors	77
10,360	Increase/Decrease in Creditors	(9,722)
227	Increase/Decrease in Interest and Dividend Debtors	(40)
(17,655)	Increase/Decrease in Debtors	6,218
(71)	Increase/Decrease in Inventories	5
(33,280)	Pension Liability	6,808
(689)	Contributions to/(from) Provisions	1,639
2,169	Carrying amount of non-current assets sold	7,437
(940)	Movement in Investment Property Values	(132)
683	Other non-cash movements	(1,384)
96,968		34,035
	<u>Adjust for items included in the net surplus or deficit on the provision of services that are investing or financing activities</u>	
(23,643)	Capital Grants credited to surplus or deficit on the provision of services	(31,325)
0	Net adjustment from the sale of short and long term investments	(753)
(2,523)	Proceeds from the sale of property plant and equipment, investment property and intangible assets	(8,254)
(26,166)		(40,332)
(9,549)	Net Cash Flows from Operating Activities	(139,448)

- Note B

2010/11 £ '000		2011/12 £ '000
	Operating activities within the cashflow statement include the following cash flows relating to interest	
2,268	Interest Received	3,237
(11,334)	Interest Paid	(11,802)
(9,066)		(8,565)

- Note C

Group Accounts

2010/11		2011/12
£ '000		£ '000
(35,013)	Purchase of Property, Plant and Equipment, investment property and intangible assets	(45,094)
(60,000)	Purchase of short and long term investments	(21,500)
2,676	Proceeds from the sale of property plant and equipment, investment property and intangible assets	11,538
60,000	Proceeds from short-term and long-term investments	52,278
27,037	Other Receipts from Investing Activities	22,306
<u>(5,300)</u>	Total Cash Flows from Investing Activities	<u>19,528</u>

- Note D

2010/11		2011/12
£ '000		£ '000
70,230	Cash receipts of short and long term borrowing	188,811
(626)	Billing Authorities - Council Tax and NNDR adjustments	8,033
(53,898)	Repayment of Short-Term and Long-Term Borrowing	(66,319)
3,426	Other receipts from financing activities	24
(2,247)	Cash payments for the reduction of the outstanding liabilities relating to finance leases and on-balance sheet PFI contracts	(3,434)
<u>16,885</u>	Total Cash Flows from Financing Activities	<u>127,115</u>

- Note E

As at 31st March		As at 31st March
2010		2011
£ '000		£ '000
11,753	Cash and Bank Balances	23,107
(4,496)	Bank Overdraft	(3,771)
<u>7,257</u>		<u>19,336</u>

Glossary

Accounts and Audit Regulations 2011

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

Accruals

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

Acre Road Industrial Estate Limited (ARIEL)

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

Amortisation

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

Assets held for sale

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

Audit and Governance Committee

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

Balance Sheet

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

Business Improvements District (BID)

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

Capital

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

Cash equivalents

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

Cashflow Statement

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

CIPFA

The Chartered Institute of Public Finance and Accountancy.

Collection Fund

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

Components

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

Comprehensive Income and Expenditure Statement

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

Contingent Assets

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

Contingent Liabilities

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

Council Management Team (CMT)

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

Council Tax

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

Debtor

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

Dedicated Schools Grant (DSG)

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

Deferred Capital Receipts

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

Depreciation

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

Dwelling Stock

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

Freehold

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

FRS

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

General Fund

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

General Reserves

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

Group Accounts

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

Heritage Assets

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

Housing Revenue Account

The separate account relating to the Council's housing Stock, the costs of which are met in part from council tenant rents.

IFRIC

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

Impairments

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

Intangible assets

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

International Financial Reporting Standards (IFRS)

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

Inventories

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

Investment properties

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

Leases

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

Local Government Pension Scheme

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

Long term borrowing

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

Major Repair Allowance (MRA)

An allowance within the housing subsidy system intended to provide for the long term maintenance needs of the Council's (non PFI) housing stock.

Major Repairs Reserve (MRR)

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

Movement in Reserves Statement

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

National Non-Domestic Rates

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

Precepting bodies

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

Private Finance Initiative (PFI)

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

Property, plant and equipment

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

Provisions

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

Queens Road Car Park Limited (QRCL)

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

Reading Economic Development Company Limited (REDCo)

The holding company for ARIEL and QRCP.

Reading Transport Limited (RTL)

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

Reserves

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

Revaluation Gains

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

Revenue

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

Revenue expenditure funded from capital under statute (REFCUS)

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

Service Reporting Code of Practice (SeRCOP)

The CIPFA code that provides guidance on how the Council's Services should report their accounts.

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.

SORP

The Statement of Recommended Practice, superseded in 2010/11 by the Code of Practice on Local Authority Accounting.

Statement of Accounting Policies

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

Teacher Pension Scheme

The main occupational pension scheme for Teachers.

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

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

UK GAAP (Generally Accepted Accounting Practice)

The overall body of standards and regulations that prior to 2010/11 guided the determination of how the Council's accounts were prepared (largely superseded by the adoption of IFRS).

Unusable Reserves

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

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Appendix One- Heritage Assets recognised, but for which no value can be ascertained

Abbey Gate

Grade I listed gatehouse to Reading Abbey, originally build between the 12th and 14th centuries, but remodelled in 1861 by Sir George Gilbert Scott.

Abbey Head of Bishop and Coronation of Virgin Capital (1991.1.569 and 1992.95.1)

Stones recovered from around Berkshire from the former Reading Abbey.

Archway connecting Forbury Gardens, including retaining walls flanking path to Abbey

Grade II* structure incorporating Victorian arch with numerous mediaeval fragments of the Abbey walls.

Bayeux Tapestry Replica (1995.108.1)

Full sized copy of the Bayeux tapestry, made in 1885 by the Leek Embroidery Society. It was acquired for the Borough in 1895 by the former Mayor of Reading, Arthur Hill.

Burma Star Stone

Memorial stone located in the Forbury Gardens, dedicated to the casualties of the Burma Campaign (1941-1945).

Cartwheeling Boys Sculpture

1981 brick and metal work sculpture by Brian J. H. Slack, commemorating the links between Reading and Düsseldorf.

Drinking Fountain (outside St. Lawrence Church)

Grade II listed drinking fountain on the south side of St Lawrence Church's tower. One large stone bowl with two smaller dog bowls below.

Garden walls (Caversham Court)

Variety of listed walls within the overall listed landscape of Caversham Court, including the Crinkle Crankle wall and heated wall.

George Palmer statue (Palmer Park)

Grade II listed statue of George Palmer, founder of Huntley and Palmers biscuits, made in 1891 by George Simmonds.

Head of Serapis (1995.4.4)

Stone sculpture of the head of Serapis, the Egyptian god of fertility and the afterlife.

Henry 1st Memorial Cross (the Anglian Cross)

Grade II listed memorial, erected in the Forbury Gardens during 1909, to Henry I, who was buried in Reading Abbey.

Horse troughs in Scours Lane, School Road, Bedford Road and Armour Hill

Variety of horse troughs, made of stone or precast concrete, located in a number of locations throughout the Borough. The horse trough on School Road was manufactured by the George and Annis Bills Trust, and is one of only 3 in the country.

John Piper Tapestries "Rural Reading" and "Reading Townscape"

Two large tapestries by the British artist John Piper, commissioned to celebrate the opening of the Civic Centre in 1976

King Edward VII Statue

Statue made in 1902 by George Wade to commemorate the coronation of Edward VII, located on Station Approach.

Lord Reading's statue

Stone statue of Rufus Isaacs, 1st Marquess of Reading (1860 - 1935) and former Viceroy of India; crafted by Charles Jagger, this statue was originally located in Coronation Park, Delhi, but was removed and eventually erected in the King George V Memorial Gardens in 1971.

Maiwand Lion (Forbury Gardens)

Grade II listed 1886 cast iron statue of a lion made by Young and Co, Pimlico, commemorating the members of the 66th Berkshire Regiment who lost their lives in the Afghan campaign of 1879-1880.

Monument to Bernard Laurence Hieatt at Reading Cemetery

Grade II monument to Bernard Laurence Hieatt (1909-1930), killed whilst participating in a motorcycle race at Brooklands. The monument is the form of a smiling young man in a racing suit.

Plummary Wall

Grade II listed Mid 19th Century wall on site of and probably incorporating the mediaeval Plummary wall. Wall of mixed flint, random rubble and brick with low mid-19th century railings.

Portrait of Queen Elizabeth (1980.168.1)

Oil on panel portrait of Queen Elizabeth I, dating to approximately 1575; artist unknown.

Queen Victoria Jubilee Fountain

Grade II listed fountain (not functioning) commemorating the golden jubilee of Queen Victoria; made of Portland stone and polished granite.

Queen Victoria Statue (Blagrove Street)

Grade II listed Carrara marble statue of Queen Victoria, made in 1857 by George Simmonds

Reading International Brigade Memorial

Portland stone War Memorial commemorating the Spanish Civil War (1936-1939), located outside of the Civic Centre, Reading.

Sarcophagus monument at Reading Cemetery

Grade II listed Italianate monument to Mary Wienholt (1834-1889) located in Reading Cemetery, made of Carrara marble.

St. Anne's Well

Victorian brick well head to mediaeval well with reputed healing properties.

Shelter in the Forbury

Victorian grade II listed shelter in Forbury gardens, constructed from large fragments from the former Reading Abbey.

Silchester Eagle (1995.4.1)

Cast bronze statue of an eagle, discovered at the former Roman town of Calleva (near Silchester); regarded as one of the most naturalistic representations of an animal from Roman Britain.

Silchester Fluteplayer (1995.4.3)

Cast bronze figure of Euterpe, one of the nine muses, holding a tibia.

Silchester Horse (1995.4.2)

Cast bronze figure of a prancing horse, discovered at the former Roman town of Calleva (near Silchester). The horse may be pre-Roman in date.

Silchester Rings (1986.41.1 and 1995.2.1)

Roman gold rings with gemstones, found at the former Roman town of Calleva (near Silchester).

The Soane Monument (Market Place)

Grade II* Portland Stone monument designed by Sir John Soane, 1804.

Walls/railings/gates (Eldon Square)

Cast iron railings, dating to circa 1840, with Bath stone corner piers.

War Memorial - Christchurch Meadows

Stone war memorial for Caversham, located within Christchurch Meadows Recreation Grounds.

War Memorial - Men of Reading and Berkshire

Stone cenotaph, designed by Edward Gunstone, located in the Forbury gardens in memory of the casualties of World War One.

War Memorial - S and E Collier Limited

Brick memorial to the casualties of World War One, located at the junction of Water Road and Windrush Way .

War Memorial - Tilehurst Triangle

Stone memorial to the casualties of World War One, located on Tilehurst Triangle.

Whitley Pump

Former water pump located on Whitley Street, marking the terminus of the North-South tram network in Reading.

Wood carvings in: Prospect Park, View Island, Clayfield Copse, The Cowsey

Wooden artworks commissioned by a range of sculptors

References:

English Heritage - National Heritage list <http://list.english-heritage.org.uk/>

Reading Museum - Details of collections

<http://www.readingmuseum.org.uk/collections>

United Kingdom National inventory of War Memorials <http://www.ukniwm.org.uk/>