



Financial Statements

2016/17

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1 Introduction

The Accounts and Audit Regulations 2015 require the Council to produce a Statement of Accounts for each financial year giving certain specified information. This Narrative Report accompanies the accounts and provides a brief explanation of the financial aspects of Bracknell Forest Council's activities and draws attention to the main characteristics of the Council's financial position. To assist readers, a glossary of accounting terms is included on pages 100 to 106.

Bracknell Forest is a Unitary Council and following the transfer of its housing stock accounts for its expenditure in two distinct categories:

General Fund Revenue Account – This includes day to day spending on all services. Expenditure is financed mainly from government grant, a proportion of the Business Rates income collected, charges to users of services, and Council Tax.

Capital – All improvements and additions to the Council's assets and the creation of new assets with a life or more than one year are included in this category. This expenditure is primarily financed from the sale of capital assets, government grants, contributions from developers, and borrowing from internal and external sources.

This Narrative Report is followed by:

- **The Annual Governance Statement** which accompanies the accounts and has been signed by the Chief Executive and Leader of the Council, after being approved by the Governance and Audit Committee. It explains the arrangements the Council has for the governance of its affairs and for ensuring that there is a sound system of internal control;
- **The Independent Auditor's Report** which includes the auditor's opinion on the Statement of Accounts and assesses the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources.
- **The Statement of Accounts** which incorporates the following main statements and related notes:
 - **The Statement of Responsibilities** which sets out the respective responsibilities of the Council, the Governance and Audit Committee and the Borough Treasurer.
 - **The Comprehensive Income & Expenditure Statement**, which 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 Council Tax. Councils raise Council Tax to cover expenditure in accordance with regulations; this may be different from the accounting cost. The Council Tax position is shown in the Movement in Reserves Statement.
 - **The Movement in Reserves Statement**, which shows the movement in the year on the different reserves held by the Council, analysed into 'usable reserves' (i.e. those that can be applied to fund expenditure or reduce local taxation) and other reserves.
 - **The Balance Sheet**, which shows the value as at the Balance Sheet date of the assets and liabilities recognised by the Council. The net assets of the Council

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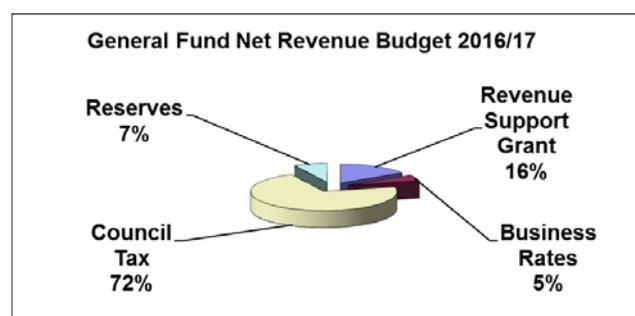
(assets less liabilities) are matched by the reserves held by the Council. Reserves are reported in two categories. The first category of reserves are usable reserves, i.e. those reserves that the Council may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use (for example the Capital Receipts Reserve that may only be used to fund capital expenditure or repay debt). The second category of reserves is those that the Council is not able to use to provide services. This category of reserves includes reserves that hold unrealised gains and losses (for example the Revaluation Reserve), where amounts would only become available to provide services if the assets are sold; and reserves that hold timing differences shown in the Movement in Reserves Statement section 'Adjustments between accounting basis and funding basis under regulations'.

- **The Cash Flow Statement**, which shows the changes in cash and cash equivalents (investments that mature in three months or less) of the Council during the reporting period. The statement shows how the Council generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities. The amount of net cash flows arising from operating activities is a key indicator of the extent to which the operations of the Council are funded by way of Council Tax and grant income or from the recipients of services provided by the Council. Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute to the Council's future service delivery. Cash flows arising from financing activities are useful in predicting claims on future cash flows by providers of capital (i.e. borrowing) to the Council.
- **The Collection Fund**, which records the Council Tax and Business Rates raised by the Council during the year and how they are subsequently distributed.

2 Revenue Expenditure

The Council, at its meeting on 24 February 2016, set a revenue budget for the 2016/17 financial year of £70.278m. The total authorised General Fund net expenditure for the 2016/17 financial year was £73.234m (including parish precepts of £2.956m). Further increases to service budgets can be approved if they are financed from earmarked and other reserves. When these further budgets are approved an equivalent sum is transferred from the reserve to the revenue account. These transfers do not have an impact on the overall budget.

This expenditure was to be met by Government Grant (Revenue Support Grant), a proportion of the Business Rates collected, Council Tax and the use of reserves, as shown in the following chart.



The low proportion met from Business Rates reflects the large deficit on the Collection Fund in 2015/16 (£11.8m) which impacted on the 2016/17 budget. The table on page 5

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compares actual outturn expenditure incurred with the amended budgets for the year for the General Fund. This table reflects the Council's departmental structure during 2016/17, which is the basis for the internal management of performance against budgets, as for the first time does the Comprehensive Income & Expenditure Statement.

Asset valuations (£9.3m), depreciation (£0.7m), pension adjustments (-£3.6m) account for most of the net increase in service department budgets since the original budget was approved. These are reversed out of the accounts and therefore there is no net change to the overall budget. Other significant adjustments included in-year savings (-£3.2m) and allocations from the Contingency fund (£1.0m).

Council spending was within budget for the nineteenth successive year. From the table on page 5 it can be seen that an under spend of -£3.515m occurred on the General Fund. The most significant factor in this was delivery of the in-year savings, approved in order to minimise the drawing from General Reserves to balance the budget. The most significant variances from budget are explained in the sections below.

3 Major Revenue Variances

The major variances occurred in the following areas:

Corporate Services/Chief Executive's Office

- Additional income from Industrial and Commercial Properties, primarily from the purchase of two new properties (-£0.447m) and from legal fees (-£0.037m).
- An under spend in the Operations Unit primarily from reduced Home to School Transport costs (-£0.264m).
- An external consultant has undertaken a piece of work to complete some assessment alterations on a number of properties paying Business Rates. This has generated an additional -£1.000m+ of income for the Collection Fund but the costs cannot be charged to the Collection Fund and result in an over spend in the Local Tax Collection budget (£0.216m).
- Under spends on internal and external audit work (-£0.031m).

Children, Young People and Learning

- Within Learning and Achievement, additional income was earned at the Bracknell Open Learning Centre from lettings and courses and fixed penalty notices (-£0.060m). In addition, a saving was achieved on higher education fees (-£0.041m).
- Within Children's Social Care significant cost increases occurred through greater use of the Childcare Solicitor service (operated by Reading Borough Council as a Berkshire Joint Arrangement) due to a doubling in the number of cases in court. This reflects the national position (£0.387m). The increase in court cases also contributed to additional Special Guardianship Orders (£0.145m). These costs were partly offset by additional income at Larchwood Respite Home (-£0.031m) and from other local authorities relating to adoptions (-£0.045m) plus under spends on direct payments to young people (-£0.053m) and on care and accommodation needs for looked after children (-£0.030m).
- An under spend on staff costs across the department primarily relating to vacancies (-£0.201m).

Adult Social Care, Health and Housing

- An under spend on Learning Disabilities (-£1.869m) offset by additional costs within the Community Mental Health Team Older Adults (£1.595m) and Older People &

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Long Term Conditions (£0.486m). These variances primarily relate the cost of residential and nursing placements, other care package costs and additional Continuing Health Care Funding.

- A significant increase in the recovery of Housing Benefit overpayments during the year resulted in additional net income (-£0.187m). Other savings were achieved in Housing by taking the supporting older people contract back in-house (-£0.128m), generating additional income from Forestcare (-£0.060m) and by purchasing additional property, principally through the Council owned company Downshire Homes Ltd, which has significantly reduced the cost of short-term bed & breakfast accommodation (-£0.081m).
- Within Commissioning and Resources there has been an under spend on the budget for grants and donations (-£0.334m) and additional income has also been generated from deputyship and appointeeship clients and Downshire homes Ltd (-£0.070m).

Environment, Culture and Communities

- Additional income at the Cemetery and Crematorium (-£0.181m), Bracknell Leisure Centre (-£0.100m), from Building Control (-£0.090m) and from the Community Infrastructure Levy to cover administrative costs (-£0.055m).
- An under spend on Waste Disposal due to reduced tonnages, in part from the introduction of non-residents access restrictions (-£0.208m).
- Concessionary Fares under spent due to a reduction in passenger numbers (-£0.247m).
- An over spend on Coral Reef due to the closure of the facility for capital works (£0.467m).
- An under spend on the Local Development Framework due to the reduced cost of the archaeology evaluation (-£0.043m) and on staff due to vacancies (-£0.032m).
- An under spend on land charges primarily from the over provision for legal fees for the joint claim by local authorities in respect of Personal Search companies (-£0.062m).
- An overspend on Highways Maintenance where delays to the LED street lighting project have meant projected savings on electricity have not been fully realised (£0.229m).

Non-Departmental / Council Wide

- Higher cash balances have been sustained throughout the year resulting in additional interest from investments and from paying all 2016/17 employers and employees pension fund contributions, in full, in advance. (-£0.358m).
- Internally funded capital expenditure was financed from internal borrowing to spread the cost impact on revenue. The capital expenditure charged to the General Fund budget was therefore not required (-£0.430m). Refinancing of earlier capital expenditure, higher than forecast capital receipts in 2015/16 and significant carry forwards into 2016/17 have all helped to create an under spend against the Minimum Revenue Provision (-£0.588m).
- The balance payable for Glitnir Bank held in Icelandic Krónur in an interest bearing escrow account in Iceland was auctioned off generating a receipt of £0.595m. This was less than the estimate included in the accounts at 31 March 2016 and has therefore generated a further impairment in 2016/17 (£0.161m).
- A net overspend resulting from changes in Section 31 grant for reliefs, the end of year levy payment and withdrawals from the Business Rates Equalisation Reserve compared to the budgeted position (£0.626m).
- An in-year savings programme was implemented to reduce the use of balances down from the £5.161m included in the original budget (-£3.398m)

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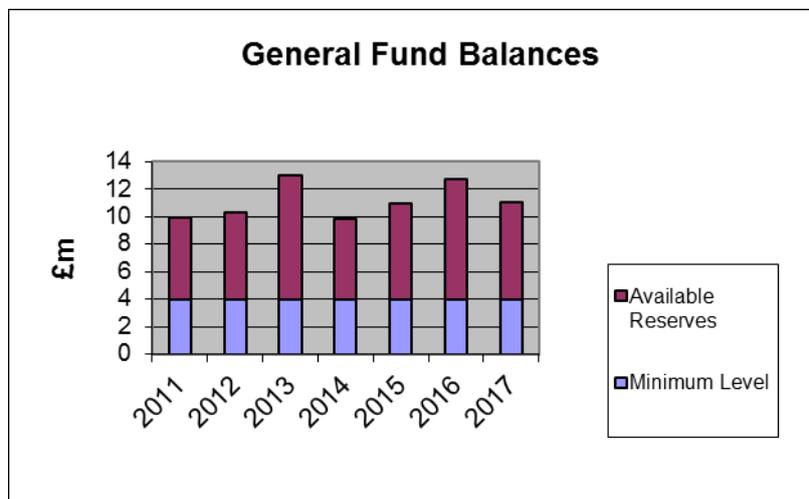
- Transfers into the Transformation Reserve (£1.400m), including from the Demographic Pressures and Projects Reserve (-£0.200m) and the Early Intervention Reserve (-£0.200m). Addition to the Structural Changes Reserve (£0.750m) to fund any staffing implications from the Council's transformation programme. The creation of new reserves for Town Centre Regeneration (£0.250m) and Commercial Property Acquisitions (£0.150m), the latter funded by a transfer from the School Masterplans and Feasibility Studies Reserve (-£0.150m).

Information on key performance indicators will be published in the final Corporate Performance Overview Report for the year which will be included on the 6 June 2017 Executive Agenda.

| GENERAL FUND | Original Budget £000 | Latest Budget £000 | Actual £000 | Variance £000 |
|---|----------------------------|--------------------------|-----------------|------------------|
| Corporate Services (including Chief Executive's) | 7,770 | 7,473 | 6,922 | (551) |
| Children, Young People and Learning | 27,234 | 27,030 | 27,135 | 105 |
| Adult Social Care, Health and Housing | 37,550 | 36,433 | 35,816 | (617) |
| Environment, Culture & Communities | 34,113 | 39,864 | 39,492 | (372) |
| Net cost of General Fund services | 106,667 | 110,800 | 109,365 | (1,435) |
| In-year Savings | 0 | 3,398 | 0 | (3,398) |
| Capital Charges & Revenue Expenditure Funded from Capital Under Statute | (13,844) | (22,739) | (22,739) | 0 |
| Capital Expenditure Charged to the General Fund | 0 | 430 | 0 | (430) |
| IAS 19 Pension Adjustment | (6,697) | (3,061) | (3,061) | 0 |
| Council Wide Services including Business Rates Growth | (975) | (2,444) | (2,723) | (279) |
| Interest Receipts | (71) | (154) | (509) | (355) |
| Interest Payable | 75 | 616 | 613 | (3) |
| Icelandic Banks Impairment | 0 | 0 | 161 | 161 |
| Minimum Revenue Provision | 1,853 | 2,180 | 1,592 | (588) |
| Levying Bodies | 108 | 110 | 107 | (3) |
| S106 Contributions to Revenue | 0 | (126) | (126) | 0 |
| Contribution to Capital Reserves | (300) | 0 | 0 | 0 |
| Contingency | 1,000 | 0 | 0 | 0 |
| New Homes Bonus Grant | (3,899) | (3,926) | (3,934) | (8) |
| Local Services Support Grant | (3) | (4) | (5) | (1) |
| Transition Grant | (934) | (934) | (934) | 0 |
| Net Budget Requirement | 82,980 | 84,146 | 77,807 | (6,339) |
| Parish Precepts | 2,956 | 2,956 | 2,956 | 0 |
| Contributions to/(from) Earmarked Reserves | (12,702) | (13,868) | (11,044) | 2,824 |
| Amount to be met from Government Grants and Local Taxation | 73,234 | 73,234 | 69,719 | (3,515) |
| Resources To Finance Above | | | | |
| Council Tax Payers | (52,751) | (52,751) | (52,751) | 0 |
| Collection Fund Surplus | 11,378 | 11,378 | 11,378 | 0 |
| Revenue Support Grant | (11,283) | (11,283) | (11,283) | 0 |
| Business Rates (locally retained element) | (15,404) | (15,404) | (15,404) | 0 |
| Contribution to/(from) General Reserves | (5,174) | (5,174) | (1,659) | 3,515 |
| Total Resources | (73,234) | (73,234) | (69,719) | 3,515 |

4 General Reserves

As the actual outturn for 2016/17 was an under spend of -£3.515m, the Council has only withdrawn £1.659m from General Reserves rather than the budgeted £5.174m. This is primarily due to the in-year savings programme agreed after the original budget was approved and means that more resources are available to assist the Council with balancing future years' budgets. The General Reserves balance at 31st March 2017 was £11.071m. The following chart shows the movement in the level of General Fund Balances including the minimum recommended prudent balance.



5 Pension Reserve

The Statement of Accounts has been prepared in accordance with International Accounting Standard 19 – Employee Benefits (IAS 19). Although IAS 19 has not directly affected the net outturn position, the Council's Balance Sheet includes a pension liability and a pension reserve of £282.2m as at 31 March 2017. The pension liability reflects the Fair Value of future pension liabilities that have been incurred less the assets that have already been set aside to fund them.

The net pension liabilities decrease the overall level of reserves however this does not represent a reduction in cash reserves and does not impact on Council Tax levels. Whilst the pension liability suggests a significant shortfall between the forecast cost of future pensions and the current level of assets built up in the pension fund, these figures are a snapshot at a point in time and the pension assets are subject to fluctuations in value subject to the current state of the stock and bond markets.

The Council's contribution rate to the pension fund is formally determined by the scheme actuary every three years. After the valuation on 31 March 2013, the employer future service funding rate was set at 12.8% of pensionable pay with the variable past service deficit element paid as a lump sum in each financial year (£2.433m in 2016/17).

The actuarial valuation completed as at 31 March 2016 indicated that the assets of the Fund represent 75% (75% on 31 March 2013) of the accrued liabilities of the Fund. For 2017/18 the employer future service funding rate will be set at 14.3% and the lump sum payment will reduce to £2.083m.

Employee contribution rates currently range from 5.5% to 11.4% dependent upon actual salary.

6 Capital Expenditure

The Council has funded its capital programme from three main sources:

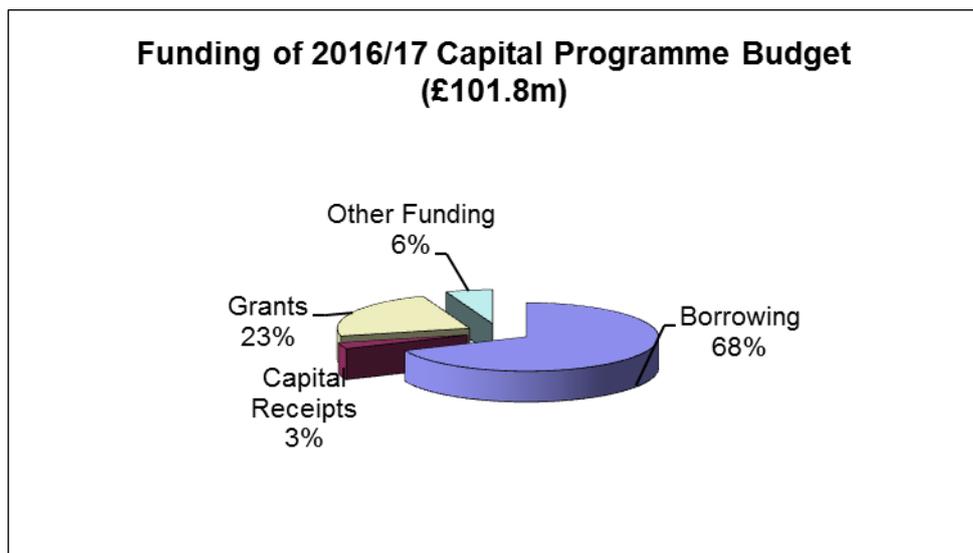
- Capital Receipts
- Government Grants
- Section 106 Receipts, Community Infrastructure Levy and other contributions

The Council had been heavily reliant on housing sales to generate new capital receipts. Following the transfer of the housing stock to Bracknell Forest Homes (BFH) in 2007/08, the Council still receives a share of any Right-To-Buy (RTB) proceeds in addition to a share of capital receipts from a VAT Shelter scheme. Proceeds from the scheme, which relate to backlog repairs in the transferred stock, are to be shared for 10 years following the transfer.

The disposal of other assets has become increasingly important to the capital programme; however current market conditions may mean that the immediate disposal of an asset is not necessarily in the Council's best interests. All surplus, or potentially surplus, property is therefore reported to every meeting of the Asset Management Group (AMG) who co-ordinate and manage the Council's disposal programme.

As the Council's accumulated capital receipts have been fully utilised the Council has to fund part of the 2016/17 capital programme from internal or external borrowing. Due to the size of the capital programme the Council started to borrow externally in 2016/17.

The Council originally approved a capital programme of £80.8m for 2016/17 (including £1m for unspecified Invest to Save Schemes), plus a further £21.0m carried forward from 2015/16, to be funded as shown in the following chart.



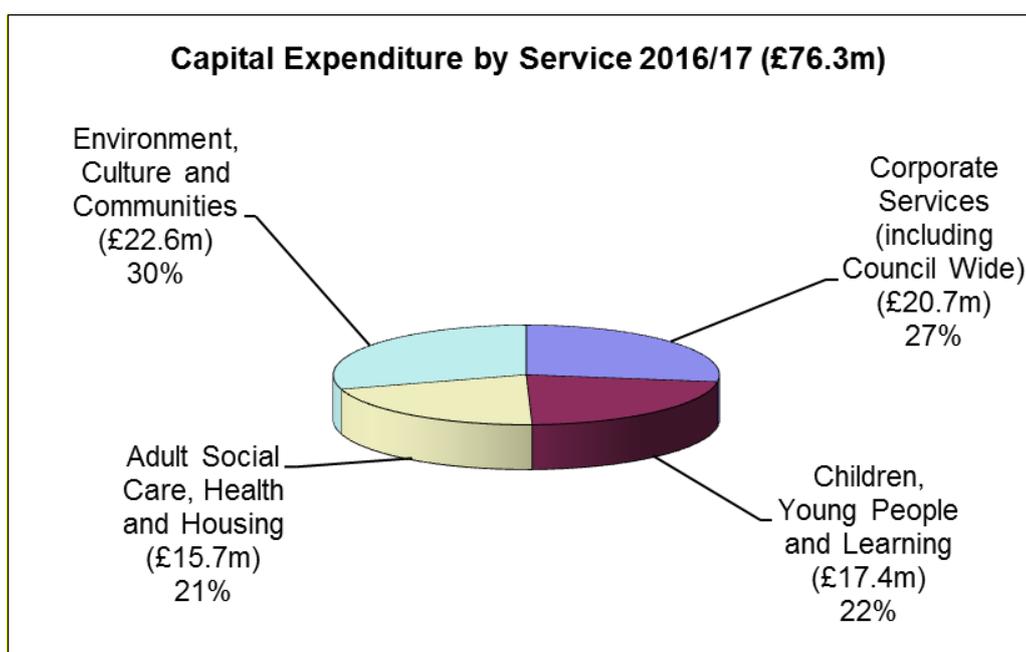
The Council actually spent £76.3m on capital projects in 2016/17 to maintain and enhance existing assets and to create or purchase new assets. Many schemes included in the capital programme are both technically and logistically complex to implement. Issues such as planning approvals, land transfers and inclement weather can all lead to unavoidable delays. In addition, their financial scale requires a lengthy tender process to ensure the best price is obtained prior to letting the contract. It is therefore extremely difficult to complete such schemes within the financial year for which they are approved. The Council

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regularly reviews progress on the capital programme through its budget monitoring during the year and has established cash budget profiles to assist this.

A number of commercial and investment properties were purchased during the year with the primary aim of generating additional income for the Council. Amber House was purchased with the aim of providing affordable housing on the site. A capital loan was also made to Downshire Homes Ltd which is a wholly owned subsidiary of the Council. Its purpose is to provide accommodation for homeless people and people with learning disabilities. By setting up the company the Council has been able to save costs by increasing the supply of such accommodation. In the first year of trading the company acquired 20 properties, 15 of which are used as homeless accommodation and five as shared accommodation for people with learning disabilities.

The following chart illustrates the expenditure by service, with details of individual schemes and financing being provided in the table on page 9.



During the year, £3.434m of capital receipts were used to fund capital expenditure. The most significant receipts were from the sale of land (£1.0m), the VAT Shelter scheme (£0.3m) and the RTB-sharing scheme with Bracknell Forest Homes (£1.6m) and loan repayments (£0.3m).

The net increase (after repayments) in the Council's Capital Financing Requirement (CFR) was £49.4m to £111.7m as at 31 March 2017. This is a measure of the capital expenditure incurred historically by the Council that has yet to be financed and represents the underlying need to borrow. The Council borrowed £20m from the Public Works Loans Board in 2016/17 on a long term basis and £5m from the Greater London Authority on a short term basis to finance capital expenditure (see Note 35). A charge is made each year to revenue known as the Minimum Revenue Provision which writes down the balance of the CFR over time. Further details can be found in Note 20.

The value of the Council's Long Term Assets was £591.7m as at 31 March 2017.

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| CAPITAL PROGRAMME EXPENDITURE 2016/17 | | |
|--|-------------|---------------|
| | £000 | £000 |
| Corporate Services (including Council Wide Schemes) | | |
| ICT Schemes | 846 | |
| Improvements, Maintenance & Refurbishment of Buildings | 1,030 | |
| Public Realm Works | 944 | |
| Purchase of Commercial and Investment Properties | 17,841 | 20,661 |
| Children, Young People and Learning | | |
| Great Hollands School | 2,797 | |
| Other Primary School Projects | 1,341 | |
| Other Secondary School Projects | 780 | |
| Binfield Learning Village | 9,975 | |
| Delegated Schools Capital | 287 | |
| Maintenance of Buildings | 1,769 | |
| Other Schemes | 440 | 17,389 |
| Adult Social Care, Health and Housing | | |
| ICT Schemes | 152 | |
| Purchase of Amber House | 6,148 | |
| Loan to Downshire Homes Ltd | 6,332 | |
| Other Housing Schemes | 3,110 | 15,742 |
| Environment, Culture and Communities | | |
| Highways | 10,213 | |
| Coral Reef Enhancement Project | 8,209 | |
| Replacement of LED Street Lights | 1,617 | |
| Access, Mobility, Transport and Travel Choice | 121 | |
| Traffic Management | 235 | |
| Travel to School | 64 | |
| Local Safety Schemes | 126 | |
| Parking | 807 | |
| Waste Management | 92 | |
| Leisure - Outdoor Recreation | 343 | |
| Leisure - Major Works | 205 | |
| Cemetery and Crematorium | 256 | |
| Other Schemes | 220 | 22,508 |
| Total Capital Expenditure 2016/17 | | 76,300 |
| FINANCING: | | |
| Capital Receipts | 3,434 | |
| Capital Grants & Contributions | 21,871 | |
| Increase in Capital Financing Requirement | 50,995 | |
| Total Financing | | 76,300 |

7 Changes to Accounting Policies

As a result of the Telling the Story review of the presentation of local authority financial statements there have been changes to the format of the Comprehensive Income and Expenditure Statement and the Movement in Reserves Statement, and the introduction of the new Expenditure and Funding Analysis. The Expenditure and Funding Analysis can be found at Note 5 which also includes an analysis of income by department. It shows how annual expenditure is used and funded under regulations in comparison to the Comprehensive Income and Expenditure Statement which reports income and expenditure in accordance with generally accepted accounting practices. It also shows how expenditure and income is allocated for decision making purposes between the Council's departments.

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Decisions about resource allocation are taken by the Council's Corporate Management Team on the basis of monthly budget monitoring reports analysed across departments. Within the Comprehensive Income and Expenditure Statement the cost of services is now analysed using this departmental structure rather than the service analysis defined in CIPFA's Service Reporting Code of Practice for Local Authorities.

The Movement in Reserves Statement has now been simplified with the detailed analysis of the adjustments between the accounting basis and funding basis under regulations now included in Note 8.

8 Provisions and Write-offs

The provision for Business Rates appeals is required to cover the liabilities arising from the refunding of ratepayers who successfully appeal against the rateable value of their properties on the rating list. The Council's share of the provision has increased by £4.19m to £5.96m primarily due to a significant increase in the number and value of outstanding appeals and their likelihood of success.

General Fund write-offs totalling £0.127m were made in 2016/17 over half of which related to Commercial Properties.

9 Bracknell Town Centre Regeneration

The Bracknell Regeneration Partnership, together with the Council, is investing over £240 million to transform Bracknell Town Centre into an exciting 1 million square foot shopping and leisure destination. The Homes and Communities Agency (HCA) and the Thames Valley Berkshire Local Enterprise Partnership (LEP) are also supporting the regeneration.

The regenerated town centre, called The Lexicon Bracknell, will create a new social and cultural heart for the area, by bringing a high-quality mix of shops, restaurants and entertainment within vibrant public spaces to the town centre. The Lexicon Bracknell will be opening on 7 September 2017.

Further information and announcements on the regeneration can be found at <http://regeneration.bracknell.com>.

10 Impact of the current economic climate on the Council's future performance

2017/18 is the second year of the Government's 4 year financial settlement for local authorities. By April 2020 the council expects to receive no government grant to support its day to day services. Instead, it will be reliant on income from Council Tax and a share of the rates payable by businesses based in the local area. As a consequence of the reducing Government support and the continuing increase in demand for the services we provide, the Council faces a potential funding shortfall of £25m over the next three years to 2019/20. In this context, setting the Council's budget and council tax for 2017/18 and planning for the years beyond was a very challenging task.

In December the Council published its budget plans based upon the four year settlement published last year. Although the Council formally accepted the four year settlement, the Final Local Government Finance Settlement for 2017/18 included a number of significant changes. The most significant for Bracknell Forest was a large reduction in the financial incentive for bringing forward housing development, known as the New Homes Bonus.

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The Government has used part of this saving to fund an additional one-off grant for Adult Social Care, targeted at areas in greatest need. However, as a relatively prosperous area, Bracknell Forest lost more than it gained from these changes (approximately £0.5m). Another change made by the Government is to allow councils to re-phase increases in Council Tax specifically aimed at helping pay for the rising costs of adult social care services. The Government will now permit increases of up to 3%, so long as the total increase over the next three years is no greater than 6%.

Given the overall situation, next year's budget is based upon a Council Tax increase of 4.99%, which contributed £2.5m towards the overall budget gap. This comprises 1.99% to support the continued delivery of vital front line services including waste and recycling collection and street works, with the remaining 3% supporting pressures in the adult social care budget. It includes savings of over £10m, primarily delivered through our transformation programme. We also plan to draw on £2.6m of our reserves to balance the budget, which are available thanks to our long track record of prudent financial management.

Some of the risks and challenges facing the Council in the medium term include:

- the need to maintain services whilst achieving significant savings and promoting economic activity in the Borough;
- increasing pressures on demand led services such as adult and child placements and looked after children, the impact of new housing developments and the changing service provision of social care;
- the delivery of the Town Centre redevelopment, works to increase school capacity (Binfield Learning Village in particular) and other major capital schemes;
- legislative changes, for example the move to 100% retention of Business Rates by 2020, the Better Care Fund and its impact on funding and the way services will be delivered in the future, the implementation of responsibilities under the Children and Families Act 2014 and the transition to universal credit;
- potential changes to the classification of business ratepayers resulting in movement between the local and central lists;
- generating additional income and effectively maintaining assets, including the highways infrastructure;
- the impact of schools becoming academies, the withdrawal of Education Services Grant and income generated from selling services;
- the impact of changes in external service provision on Council services and costs;
- and the potential impact of service reductions in one area on the demand for other services provided by the Council.

11 Further Information

Summaries of this document can be made available in large print, Braille or audio cassette. Copies in other languages may also be obtained. Further information can be obtained from Bracknell Forest Council, by telephoning 01344 352000. Key contacts are as follows:

Stuart McKellar Borough Treasurer
Stuart.Mckellar@bracknell-forest.gov.uk

Arthur Parker Chief Accountant
Arthur.Parker@Bracknell-Forest.gov.uk

1 Scope of Responsibility

- 1.1** Bracknell Forest Borough Council (“The Council”) is responsible for ensuring that its business is conducted in accordance with the law and proper standards and that public money is safeguarded, properly accounted for, and used economically, efficiently and effectively. The Council also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.
- 1.2** In discharging this overall responsibility, the Council is responsible for putting in place proper arrangements for the governance of its affairs and facilitating the effective exercise of its functions, including arrangements for the management of risk.
- 1.3** 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. This Statement explains how the Council has complied with the code and also meets the requirements of regulation 6 (1)) of the Accounts and Audit Regulations 2015 in relation to the preparation of a statement on internal control

2 The Purpose of the Governance Framework

- 2.1** The governance framework comprises the systems and processes, culture and values by which the authority is directed and controlled. It underpins 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 appropriate delivery of services and value for money.
- 2.2** The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can only provide reasonable assurance 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.
- 2.3** The governance framework has been in place at Bracknell Forest Council for the year ended 31 March 2017 and up to the date of approval of the 2016/17 statement of accounts.

3 The Governance Framework

The CIPFA/SOLACE Framework and 2012 Addendum - Delivering Good Governance in Local Government suggest that this Annual Governance Statement should include a brief description of the key elements of the governance framework that the Council has in place. Further detail is set out in the Council’s Code of Governance that is publically available.

3.1 Bracknell Forest Council's Vision and delivery of Strategic Themes

3.1.1 During 2015/16 the Council developed a new Council plan for 2015-2019, which articulates a new narrative for the organisation to meet the challenges we face. The Plan sets out six overarching strategic themes which now form the vision for the Council. The strategic themes are each underpinned by measures of success and performance indicators. The main ways the strategic themes are communicated are via the Council's public website, intranet, Town and Country magazine (the Council's newspaper for residents) and Chief Executive Briefings.

3.1.2 The Council Plan was developed after extensive consultation with the community, residents, employees, strategic partners and local businesses in order for the priorities to be consistent with their needs and aspirations.

3.1.3 Measures of success and key actions are cascaded internally through service plans, team business plans and individual performance development reviews. Delivery is monitored through:

- Quarterly Service Reports reviewed by the Executive Members, Chief Executive and the Corporate Management Team.
- Quarterly Corporate Performance Overview Report considered by the Executive.
- Quarterly reports for Corporate Services and the Chief Executive's Office together with the quarterly Corporate Performance Overview Report are then considered by the Overview and Scrutiny Commission. Quarterly Service Reports for the other directorates are reviewed by the relevant Overview and Scrutiny Panel for their area.

All these reports are available on the Council's website and intranet. The Council's performance reporting process measures quality of service for users, ensuring services are delivered in accordance with objectives and represent the best value for money.

3.1.4 Partnership groups have agreed joint targets that they monitor quarterly; for example, the Community Safety Partnership. Adult Social Care also produces an Annual Report referred to as the Local Account. Major partnership projects are monitored on a regular basis by the Corporate Management Team, the Executive and the Health and Wellbeing Board.

3.1.5 The Council needs to be confident that it has accurate, complete and timely performance information in order to plan and manage services to the public; ensure good decision-making and to effectively provide feedback and report on the quality of Council services to service users, residents, partners and Government. To ensure this, the Council has a Data Quality Statement, which is reviewed annually. The Data Quality Statement provides details on how the Council aims to achieve a consistently high level of data quality. Good quality data is the responsibility of every member of staff who collects, calculates, inputs or uses performance data during the course of their work. The various roles are outlined within the statement.

3.2 Roles and Responsibilities

3.2.1 The Constitution of the Council establishes the roles and responsibilities of the Executive, the full Council and its committees and sub-committees along with Overview and Scrutiny arrangements, the role and functions of Champions and officer functions (set out in the Scheme of Delegation). As well as Procedure Rules,

it contains Standing Orders and Financial Regulations that define clearly how decisions are taken and where authority lies for the decision. It includes Members and Employee Codes of Conduct and Protocols for Member/officer relations. The Council's Constitution is regularly reviewed and updated with substantive changes highlighted to all staff and Members. The Constitution is available on the public website.

- 3.2.2 The Monitoring Officer advises the Governance and Audit Committee on proposals to update the Council's Constitution (including arrangements between officers and Members), its Executive Arrangements/decision making and Procedure Rules to ensure that they are fit for purpose and the Committee subsequently make recommendations on those matters to full Council.
- 3.2.3 The work of the Executive is supported by the Overview and Scrutiny Commission and four Overview and Scrutiny Panels (plus one Joint Committee in respect of Health). They are comprised of non-Executive Members and review and scrutinise both Executive and non-Executive decisions. In addition to scrutinising such decisions working groups of the Panel conduct in-depth investigations into particular topic areas which result in reports setting out detailed recommendations.
- 3.2.4 The Council'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)*. Further, the Council's assurance arrangements conform to the governance requirements of the *CIPFA Statement on the Role of the Head of Internal Audit (2010)*.
- 3.2.5 Effective arrangements are in place for the discharge of the Monitoring Officer function, Head of Paid Service and Section 151 Officer. The Borough Treasurer (Section 151 Officer) is a member of Corporate Management Team and the Borough Solicitor has access to Corporate Management Team in his role as Monitoring Officer.
- 3.2.6 The Governance and Audit Committee is responsible for reinforcing effective governance, particularly through reviewing the activities of the external and internal auditors and the Council's risk management arrangements. It undertakes the core functions of an audit committee, as identified in CIPFA's *Audit Committees: Practical Guidance for Local Authorities*. The Internal Audit Plan for 2016/17 was approved by the Committee on 30 March 2016. During 2016/17 the Committee received summary reports on progress on the delivery of the Internal Audit Plan and key outcomes on completed work.

3.3 Risk Management

- 3.3.1 The Council has a strong risk management function. Decisions made by the Council are subject to risk assessments which are made in accordance with the organisation's risk management processes. The Risk Management Strategy was approved by the Governance and Audit Committee on 24th June 2015 and includes the Council's priorities for developing risk management arrangements. The Policy is due for review in 2017.
- 3.3.2 The Strategic Risk Management Group (SRMG) chaired by the Borough Treasurer meets quarterly and oversees all aspects of risk management at the Council including health and safety, business continuity and information security risks. During 2016/17 the Strategic Risk Register was updated and considered by SRMG on a quarterly basis and reviewed and approved twice by the Corporate

Management Team, and twice by the Governance and Audit Committee. Actions to address strategic risks were updated and monitored during 2016/17 and key changes to strategic risks were summarised in the quarterly Corporate Performance Overview Report.

- 3.3.3 There is a process for recording and monitoring significant operational risks through directorate risk registers which were reviewed quarterly during 2016/17 and used to inform the Strategic Risk Register. The Strategic Risk Register includes an overarching risk on major projects and in addition separate risk registers are in place for all major projects.
- 3.3.4 Members are engaged in the risk management process through the Governance and Audit Committee's review of the Strategic Risk Register and Member review of the Corporate Performance Overview.

3.4 Policies and Procedures

- 3.4.1 The Council's Anti-Fraud and Corruption Policy is consistent with Financial Regulations and has been communicated to all staff. A programme of anti-fraud training commenced in 2016/17 and is ongoing.
- 3.4.2 A corporate complaints procedure and whistle-blowing policy are maintained and kept under review, providing an opportunity for members of the public and staff to raise issues when they believe that appropriate standards have not been met. An annual report analysing complaints received and their resolution is presented to Corporate Management Team and to the Executive.
- 3.4.3 The Council takes information security very seriously. The Information Management Group consists of senior officers and ensures that the Council has in place a co-ordinated and coherent framework for managing information. During 2016/17 it continued to implement the Information Management Strategy, monitor information security incidents that occurred, communicate policies to staff and provide training. The Council is in the processes of adopting the government's security classification scheme and is undertaking a gap analysis to ensure compliance with the General Data Protection Regulation which will have legal effect from May 2018.

3.5 Change Management

The Council ensures effective management of change. It conducts Equality Impact Assessments when appropriate and has put in place a Privacy Impact Assessment Procedure for all new projects involving personal information. The Council has a robust process in place to ensure office moves between buildings are carried out with minimal disruption to service users.

3.6 Assurance on compliance

- 3.6.1 Assurance on compliance with internal controls, internal policies and procedures and that expenditure is lawful is sought through internal audit reviews and the work of external audit.
- 3.6.2 All decisions made by the Council are made in light of advice from the Borough Treasurer and Borough Solicitor.

3.7 Developing the capacity and capability of Members and officers to be effective

- 3.7.1 The Council has a comprehensive induction and training process in place for both Members and officers joining the Council. The Council had a by-election in 2016 and the newly elected councillor completed the induction programme. In addition, both Members and officers attend external training courses where training needs cannot be met internally.
- 3.7.2 The Council has a Member Development Programme which offers a range of learning and development opportunities including workshops, briefing seminars on specific topics and attendance at conferences. Members are offered 360° feedback to enable them to gain feedback from a range of different sources on their performance and identify their personal learning needs. The latest round was launched in October 2016. In September the Council underwent an 18 month review against the Charter+ Standard and received confirmation that the Standard continues to be met. Charter+ provides a robust framework which ensures Members are supported throughout their time on the Council. Member development continues to be an embedded part of the Council's culture and courses and seminars are well attended.
- 3.7.3 A broad internal training programme of courses is run each year for officers as well as specific professional training and this is supplemented by regular lunchtime manager briefing sessions.
- 3.7.4 Compliance with Continuing Professional Development requirements of staff is monitored by individual officers; the Council provides sufficient resources to fund this. As part of the performance appraisal process, each officer is required to complete their own Personal Development Plan which forms the basis for the Council's internal training course programme.
- 3.7.5 The Council has in place an ongoing Management Assessment and Development Programme and Diversity training for its Members, senior and middle level managers.
- 3.7.6 The representation of Members on Outside bodies has given rise to the need to ensure conflicts of interests are appropriately managed. An external law firm was commissioned to run a training session on the subject in February 2017 which was well attended. The Council will seek to extend awareness of conflicts of interests to officers who are appointed to outside directorships moving forward.

3.8 Communication and engagement

- 3.8.1 The Council establishes clear channels of communication with all sections of the community, other stakeholders and local partners, ensuring accountability and encouraging open consultation.
- 3.8.2 During 2016/17 the council continued to engage and consult with local communities and stakeholders in making decisions on changes to services the council provides. To ensure access to residents and quality of consultations, the council utilises an online consultation portal. Some of the key consultations carried out in the last year have been:
- Libraries Review Public Consultation
 - Consultation on Charges for Adult Social Care Services

- Crime and Anti-Social Behaviour Survey 2016/17
- Council Tax Discount Scheme 2017/18
- Residents Survey 2017

3.8.3 The Council enhances the accountability for service delivery and effectiveness of other public service providers as it is a key member of the Bracknell Forest Partnership which brings together agencies that deliver public services including, inter alia, Parish Councils, Police, Fire and Rescue Service, and the Clinical Commissioning Group and with businesses and people that represent voluntary organisations and the community.

3.8.4 The Council has approved Public Participation Schemes for the Overview and Scrutiny Commission, and its Panels and the Health and Well Being Board. The schemes aim to enhance public engagement and give residents a further opportunity to inform Councillors about the things that concern them.

3.8.5 To increase transparency, make information more readily accessible to the citizen and to hold service providers to account the Council has an additional website which holds information that it publishes. This includes the sets of information required by The Code of Recommended Practice for Local Authorities on Data Transparency (updated 2015).

4 Review of Effectiveness

4.1 Bracknell Forest Council has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. The review of effectiveness is informed by the work of the senior managers within the authority who have responsibility for the development and maintenance of the governance environment, the Head of Internal Audit's annual report, and also by comments made by the external auditors and other review agencies and inspectorates.

4.2 During 2016/17, the review of effectiveness of the governance framework was evaluated and informed by the following key elements:

Internal Audit

4.3 Internal Audit provides an independent and objective opinion to the organisation on the control environment by objectively examining, evaluating and reporting on its adequacy.

4.4 The Head of Audit and Risk Management develops the Annual Internal Audit Plan which is then delivered by two external contractors and by Wokingham and Reading Borough Councils' internal audit teams under an agreement made under Section 113 of the Local Government Act 1972.

4.5 Based on the work of Internal Audit during the year 2016/17, the Head of Audit and Risk Management gave the following opinion:-

- from the internal audit work carried out during the year, the Head of Audit and Risk Management is able to provide reasonable assurance that for most areas the Authority has sound systems of internal control in place in accordance with proper practices but some areas with significant weaknesses were identified where a limited assurance opinion has been given;

- key systems of control are operating satisfactorily except for the areas of limited assurance; and
- there are adequate arrangements in place for risk management and corporate governance

4.6 The Head of Audit and Risk Management reports outcomes for all audits to the Corporate Management Team and the Governance and Audit Committee in twice yearly progress reports. For audits where a limited assurance opinion has been concluded, the Head of Audit and Risk Management reports details of the significant findings to the Corporate Management Team and the Governance and Audit Committee and follow-up audits are carried out to ensure that actions have been taken to address the areas of concern. For other audits, the Head of Audit and Risk Management obtains management updates on the progress on implementation of agreed recommendations and this information is also reported to the Corporate Management Team and the Governance and Audit Committee. In addition, the Chief Executive and the S151 Officer both meet with the Head of Audit and Risk Management on a regular basis.

The Governance and Audit Committee

4.7 The Governance and Audit Committee is responsible for reinforcing effective governance, particularly through reviewing the activities of the internal auditors and the Council's risk management arrangements. During 2016/17, the Committee received summary reports on progress on the delivery of the Internal Audit Plan and key outcomes on completed work. The Internal Audit Plan for 2017/18 was approved by the Committee on 29 March 2017.

The Constitution

4.8 The Constitution is subject to regular review. The Monitoring Officer advises the Governance and Audit Committee which reports to full Council. In 2016/17 the Council approved changes to its scheme of delegation to Chief Officers.

Annual Compliance Assessment

4.9 Compliance Assessments review the adequacy of governance arrangements. Each Director provides assurances about their directorate along with the Assistant Chief Executive in relation to the Chief Executives department. The Borough Treasurer provides assurances in relation to financial services and risk management. This includes advising whether 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) as set out in the Application Note to Delivering Good Governance in Local Government: Framework. Compliance Assessments are also completed by the Head of Audit and Risk Management who provides assurances in relation to risk management and the Borough Solicitor in relation to legal and regulation.

External Audit

4.10 On 21 September 2016 the Council's external auditors issued an unqualified audit report on the Council's accounts for 2015/16.

The Annual Audit Letter for 2015/16 was presented to Governance and Audit Committee on 25 January 2017.

The Key Findings set out in the Audit letter were:-

- the Council has proper arrangements in place both for securing financial resilience and for challenging how it secures economy, efficiency and effectiveness.
- no areas of concern were identified as regards whole of government accounts. No areas of concern were identified as regards the Annual Governance for 2015/16.

5 The Ethical Culture

- 5.1 The Council has approved and published on the Council's web-site a set of values which underpin the work of the Council.
- 5.2 As required by the Localism Act 2011, the Council has adopted a Code of Conduct for Members. The Council has also put in place other protocols relating to the way in which Members should conduct themselves in carrying out their work as Councillors, notably the Planning Protocol for Members and the Member and Officer Protocol. The Council has an approved Code of Conduct for Employees together with a number of policies and procedures which regulate how Council officers should discharge their duties. Observance of such policies and procedures by Council employees is ensured through management overview and, if necessary, the disciplinary process.
- 5.3 There were prominent changes to the Council's Standards regime in 2016/17. For reasons of efficiency, the Standards Committee was dissolved and its functions transferred to the Governance and Audit Committee. A procedure for the administration of Code of Conduct Complaints was introduced which sets out the rights and obligations of both the complainant and Member during the complaints process. A further process setting out the criteria for the granting of dispensations has also been introduced. In the period between 1 April 2016 and 31 March 2017 there were seven complaints received by the Monitoring Officer alleging breaches of the code of conduct by Members of which none were upheld. All of the complaints were either dismissed without recourse to an investigation or settled without need for a formal determination.
- 5.4 The Standards Framework working group is being reconvened in June 2017 to review the current provisions in the constitution requiring Members to disclose Affected Interests in the Register of Interests and at Meetings. The recommendations of that Group will be included in next years Statement.

6 NHS Pension Scheme

As an employer with staff entitled to membership of the NHS Pension Scheme, control measures are in place to ensure all employer obligations contained within the Scheme regulations are complied with. This includes ensuring deductions from salary, employer's contributions and payments to the scheme are in accordance with the Scheme rules, and that member Pension Scheme records are accurately updated in accordance with the Scheme rules, and that member Pension Scheme records are accurately updated in accordance with timescales detailed in the Regulations.

7 Review of the Effectiveness of the Governance Framework

We have been advised on the implications of the result of the review of the

effectiveness of the governance framework by the Governance Working Group and Governance and Audit Committee on 24 June 2015 and that the arrangements continue to be regarded as fit for purpose in accordance with the governance framework. The areas already addressed and those to be specifically addressed with new actions planned are outlined below.

8 Significant Governance Issues

8.1 Actions taken during 2016/17 to improve governance.

8.1.1 The Council has progressed implementation of most of the actions identified in the 2015/16 Annual Governance Statement and 2016/17 Action Plan. These actions included:

- raising staff awareness of information management policies, taking a proactive approach to fraud and keeping the Business Continuity Plan up to date
- implementing the requirements of the revised Data Transparency Code
- reviewing the Standards Framework
- reviewing the Scheme of Delegation

8.1.2 Full details can be found in Appendix 2 of the covering report for the Annual Governance Statement presented to the Governance and Audit Committee on the 28 June 2017.

8.2 Actions identified during the review of effectiveness to be taken during 2017/18

8.2.1 On-going Actions for Previous Action Plans

Actions relating to Information Management and Security awareness, Counter-fraud, Business Continuity are of on going significance and are therefore included within the 2017/18 Action Plan to ensure that they are embedded within organisational culture.

8.2.2 Review Code of Conduct for Councillors

A review of the Councillor Code of Conduct is to be undertaken from June 2017 to consider the continuing efficacy of the provisions relating to the registration and disclosure of Affected Interests. This review arises from the continuing uncertainty amongst some Members of the scope and application of the provisions particularly having regard to their non statutory nature.

8.2.3 Prepare for Implementation of General Data Protection Regulation (“GDPR”) in 2018

The GDPR is due to be introduced in May 2018. A gap analysis of the Council’s current arrangements around data protection is being undertaken from July 2017 to ensure compliance.

Signed:



Cllr P.D. Bettison
Leader of the Council
12 July 2017



T.R. Wheadon
Chief Executive
12 July 2017

on behalf of Bracknell Forest Council

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF BRACKNELL FOREST COUNCIL

Opinion on the Authority's financial statements

We have audited the financial statements of Bracknell Forest Council for the year ended 31 March 2017 under the Local Audit and Accountability Act 2014. The financial statements comprise the Comprehensive Income and Expenditure Statement; Movement in Reserves Statement; Balance Sheet; Cash Flow Statement; Notes to the financial statements 1 to 41; and the Collection Fund and related notes 1 to 4.

The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17.

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

Respective responsibilities of the Borough Treasurer and auditor

As explained more fully in the Statement of the Responsibilities set out on page 25, the Borough Treasurer is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17, and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Authority's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Borough Treasurer; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Financial Statements 2016/17 to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the financial position of Bracknell Forest Council as at 31 March 2017 and of its expenditure and income for the year then ended; and

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF BRACKNELL FOREST COUNCIL

- have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17.

Opinion on other matters

In our opinion, the information given in the Financial Statements 2016/17 for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we report by exception

We report to you if:

- in our opinion the annual governance statement is misleading or inconsistent with other information forthcoming from the audit or our knowledge of the Council;
- we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014;
- we make written recommendations to the audited body under Section 24 of the Local Audit and Accountability Act 2014;
- we make an application to the court for a declaration that an item of account is contrary to law under Section 28 of the Local Audit and Accountability Act 2014;
- we issue an advisory notice under Section 29 of the Local Audit and Accountability Act 2014; or
- we make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014.

We have nothing to report in these respects

Conclusion on Bracknell Forest Council's arrangements for securing economy, efficiency and effectiveness in the use of resources

Authority's responsibilities

The Authority is responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources, to ensure proper stewardship and governance, and to review regularly the adequacy and effectiveness of these arrangements.

Auditor's responsibilities

We are required under Section 20(1)(c) of the Local Audit and Accountability Act 2014 to satisfy ourselves that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the National Audit Office (NAO) requires us to report to you our conclusion relating to proper arrangements.

We report if significant matters have come to our attention which prevent us from concluding that the Authority has put in place proper arrangements for securing economy,

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF BRACKNELL FOREST COUNCIL

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

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

We have undertaken our review in accordance with the Code of Audit Practice, having regard to the guidance on the specified criterion issued by the Comptroller and Auditor General in November 2016, as to whether Bracknell Forest Council had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people. The Comptroller and Auditor General determined this criterion as that necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether Bracknell Forest Council put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2017.

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

Conclusion

On the basis of our work, having regard to the guidance issued by the Comptroller and Auditor General in November 2016, we are satisfied that, in all significant respects, Bracknell Forest Council put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2017.

Certificate

We certify that we have completed the audit of the accounts of Bracknell Forest Council in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice issued by the National Audit Office.



Helen Thompson (senior statutory auditor)
for and on behalf of Ernst & Young LLP, Appointed Auditor
Southampton

27 July 2017

APPROVAL OF ACCOUNTS

Certification

I confirm that these accounts were approved by the Governance and Audit Committee of the Council at its meeting on 26 July 2017. The 26 July 2017 is the date the accounts were authorised for issue and the date which has been used to assess any post balance sheet events.

Signed on behalf of Bracknell Forest Council:



Cllr Nick Allen
Chairman of Governance and Audit Committee

26 July 2017

STATEMENT OF RESPONSIBILITIES

The Council's Responsibilities

The Authority is required to:

- make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this Council, that officer is the Borough Treasurer;
- manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets;
- approve the Statement of Accounts; in this Council, the approval is delegated to the Governance and Audit Committee.

The Borough Treasurer's Responsibilities

The Borough Treasurer is responsible for the preparation of the Council's Statement of Accounts in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting: in the United Kingdom (the Code).

In preparing this Statement of Accounts, the Borough Treasurer 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 Borough Treasurer has also:

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

I certify that the Statement of Accounts gives a 'true and fair view' of the financial position of the Council as at 31 March 2017 and of its income and expenditure for the year ended 31 March 2017.



Stuart McKellar CPFA
Borough Treasurer

26 July 2017

COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

| | 2016/17 | | | Note | 2015/16 Restated | | |
|--|---------------------------|----------------------|----------------|------|---------------------------|----------------------|-----------------|
| | Gross Expenditure £000 | Gross Income £000 | Net £000 | | Gross Expenditure £000 | Gross Income £000 | Net £000 |
| Corporate Services | 19,756 | (1,911) | 17,845 | | 19,581 | (1,673) | 17,908 |
| Children, Young People and Learning | 119,269 | (91,947) | 27,322 | | 121,523 | (95,534) | 25,989 |
| Adult Social Care, Health & Housing | 80,839 | (47,111) | 33,728 | | 81,332 | (46,063) | 35,269 |
| Environment, Culture & Communities | 45,771 | (16,150) | 29,621 | | 47,678 | (16,767) | 30,911 |
| Non Departmental / Council Wide | (452) | (128) | (580) | | (73) | (185) | (258) |
| Cost of Services | 265,183 | (157,247) | 107,936 | 5, 6 | 270,041 | (160,222) | 109,819 |
| Other Operating Expenditure | | | | | | | |
| Levies | | | 107 | | | | 106 |
| Parish Council Precepts | | | 2,956 | | | | 2,782 |
| Other Income from Capital Receipts that do not arise from the Disposal of an Asset | | | (2,000) | | | | (2,010) |
| (Gain)/Loss on the Disposal of Property, Plant & Equipment | | | 30,515 | 6 | | | (526) |
| Other Pension Administration Costs | | | 152 | 11 | | | 148 |
| Financing and Investment Income and Expenditure | | | | | | | |
| (Surplus)/Deficit on Trading Operations | | | 7,325 | 17 | | | 866 |
| Interest Receivable and Similar Income | | | (509) | 35 | | | (657) |
| Interest Payable and Similar Charges | | | 613 | 35 | | | 553 |
| Income and Expenditure in Relation to Investment Properties | | | (2,452) | 19 | | | (2,136) |
| Changes in Fair Value of Investment Properties | | | (1,739) | 19 | | | (4,881) |
| (Gain)/Loss on the Disposal of Investment Properties | | | 0 | | | | (310) |
| Impairment/ (Impairment Reversal) - Financial Instruments | | | 161 | 35 | | | (82) |
| (Gain)/Loss on Financial Instrument Exchange Differences | | | 0 | 35 | | | (95) |
| Net Interest on the Net Defined Benefit Pension Liability | | | 7,532 | 11 | | | 7,282 |
| Taxation and Non-specific Grant Incomes | | | | | | | |
| Council Tax Income | | | (53,286) | | | | (49,845) |
| General and other Non-Ringfenced Government Grants | | | (20,785) | 10 | | | (24,050) |
| Business Rates Income and Expenditure | | | (17,245) | 10 | | | (20,319) |
| Capital Grants and Contributions | | | (29,376) | 10 | | | (23,465) |
| (Surplus) or Deficit on Provision of Services | | | 29,905 | 5, 7 | | | (6,820) |
| (Surplus) or Deficit on Revaluation of Non-Current Assets | | | 3,347 | 30 | | | (14,130) |
| Remeasurements of the Net Defined Benefit Pension Liability – BFC | | | 54,789 | 11 | | | (20,449) |
| Remeasurements of the Net Defined Benefit Pension Liability – Former BCC Fund | | | 2,388 | 11 | | | (1,398) |
| Other Comprehensive Income and Expenditure | | | 60,524 | | | | (35,977) |
| Total Comprehensive Income and Expenditure | | | 90,429 | | | | (42,797) |

MOVEMENT IN RESERVES STATEMENT

| 2016/17 | General Reserves | Earmarked Reserves | Capital Receipts Reserve | Capital Grants Unapplied | Total Usable Reserves | Total Unusable Reserves | Total Council Reserves |
|---|------------------|--------------------|--------------------------|--------------------------|-----------------------|-------------------------|------------------------|
| | £000 | £000 | £000 | £000 | £000 | £000 | £000 |
| Balance at 1 April 2016 | 12,730 | 30,139 | 0 | 4,276 | 47,145 | 285,526 | 332,671 |
| Movement in Reserves During 2016/17 | | | | | | | |
| Total Comprehensive Income and Expenditure | (29,905) | 0 | 0 | 0 | (29,905) | (60,524) | (90,429) |
| Adjustments Between Accounting Basis and Funding Basis Under Regulations (Note 8) | 17,202 | 0 | 0 | 8,902 | 26,104 | (26,104) | 0 |
| Transfer (to)/from Earmarked Reserves | 11,044 | (11,044) | 0 | 0 | 0 | 0 | 0 |
| Increase/(Decrease) in Year | (1,659) | (11,044) | 0 | 8,902 | (3,801) | (86,628) | (90,429) |
| Balance at 31 March 2017 | 11,071 | 19,095 | 0 | 13,178 | 43,344 | 198,898 | 242,242 |

| 2015/16 | General Reserves | Earmarked Reserves | Capital Receipts Reserve | Capital Grants Unapplied | Total Usable Reserves | Total Unusable Reserves | Total Council Reserves |
|---|------------------|--------------------|--------------------------|--------------------------|-----------------------|-------------------------|------------------------|
| | £000 | £000 | £000 | £000 | £000 | £000 | £000 |
| Balance at 1 April 2015 | 10,961 | 30,289 | 0 | 9,355 | 50,605 | 239,269 | 289,874 |
| Movement in Reserves During 2015/16 | | | | | | | |
| Total Comprehensive Income and Expenditure | 6,820 | 0 | 0 | 0 | 6,820 | 35,977 | 42,797 |
| Adjustments Between Accounting Basis and Funding Basis Under Regulations (Note 8) | (5,201) | 0 | 0 | (5,079) | (10,280) | 10,280 | 0 |
| Transfer (to)/from Earmarked Reserves | 150 | (150) | 0 | 0 | 0 | 0 | 0 |
| Increase/(Decrease) in Year | 1,769 | (150) | 0 | (5,079) | (3,460) | 46,257 | 42,797 |
| Balance at 31 March 2017 | 12,730 | 30,139 | 0 | 4,276 | 47,145 | 285,526 | 332,671 |

BALANCE SHEET

| | Notes | 31 March 2017 £000 | 31 March 2016 £000 |
|--|-------|-----------------------|-----------------------|
| Property, Plant and Equipment | | | |
| Other Land and Buildings | 18 | 413,457 | 443,545 |
| Vehicles, Plant and Equipment | 18 | 12,525 | 12,598 |
| Infrastructure Assets | 18 | 56,204 | 51,148 |
| Community Assets | 18 | 6,287 | 6,143 |
| Surplus Assets | 18 | 4,800 | 4,800 |
| Assets Under Construction | 18 | 38,356 | 20,794 |
| | 18 | 531,629 | 539,028 |
| Heritage Assets | | 223 | 223 |
| Investment Property | 19 | 48,626 | 29,022 |
| Intangible Assets | | 1,588 | 1,090 |
| Long Term Debtors | 22 | 9,660 | 3,678 |
| Long Term Assets | | 591,726 | 573,041 |
| Current Assets | | | |
| Short Term Investments | 35 | 0 | 7,773 |
| Inventories | | 224 | 250 |
| Short Term Debtors | 23 | 23,984 | 23,385 |
| Cash and Cash Equivalents | 24 | 17,032 | 20,217 |
| Assets Held for Sale | 18 | 1,052 | 1,052 |
| | | 42,292 | 52,677 |
| Current Liabilities | | | |
| Short Term Borrowing | 35 | (5,001) | 0 |
| Short Term Creditors | 25 | (54,312) | (52,711) |
| Provisions | 26 | (6,558) | (2,462) |
| | | (65,871) | (55,173) |
| Long Term Liabilities | | | |
| Long Term Creditors | 27 | (15,615) | (15,978) |
| Long Term Borrowing | 35 | (20,000) | 0 |
| Capital Grants and Other Contributions | 10 | (8,074) | (7,246) |
| Net Pension Liability | 11 | (282,216) | (214,650) |
| | | (325,905) | (237,874) |
| Net Assets | | 242,242 | 332,671 |
| Usable Reserves | | | |
| General Reserves | | 11,071 | 12,730 |
| Earmarked Reserves | 28 | 19,095 | 30,139 |
| Capital Grants Unapplied Reserve | 29 | 13,178 | 4,276 |
| | | 43,344 | 47,145 |
| Unusable Reserves | | | |
| Revaluation Reserve | 30 | 141,347 | 157,826 |
| Capital Adjustment Account | 31 | 337,198 | 351,212 |
| Collection Fund Adjustment Account | 33 | 5,761 | (5,611) |
| Deferred Capital Receipts Reserve | 32 | 2,136 | 2,347 |
| Pension Reserve | 11 | (282,216) | (214,650) |
| Accumulated Absences Account | 34 | (5,328) | (5,598) |
| | | 198,898 | 285,526 |
| Total Reserves | | 242,242 | 332,671 |

These financial statements replace the unaudited financial statements certified by Stuart McKellar on 30 May 2017.



Stuart McKellar CPFA
Borough Treasurer
26 July 2017

CASH FLOW STATEMENT

| | | 2016/17 | 2015/16 |
|---|-----------|-----------------|-----------------|
| | Note | £000 | £000 |
| Cash Flows From Operating Activities | | | |
| Surplus or (Deficit) on Provision of Services | | (29,905) | 6,820 |
| Adjust for Non Cash Movements | | | |
| Depreciation | | 12,943 | 12,453 |
| Impairment & Revaluation Downwards of Non-Current Assets | | 9,515 | 1,124 |
| Amortisation of Intangibles | | 171 | 244 |
| Changes in Fair Value of Investment Properties | | (1,739) | (4,881) |
| Changes in Provisions | | 4,096 | (10,738) |
| Impairment of Financial Instruments | | 161 | (82) |
| Foreign Exchange (Gain)/Loss | | 0 | (95) |
| Amortisation of Long Term Creditors | | (119) | (119) |
| Carrying amount of Non-Current Assets sold | | 31,717 | 2,713 |
| Changes in Inventory | | 26 | (16) |
| Changes in Interest Debtors | | 27 | (3) |
| Changes in Debtors | | (853) | 725 |
| Changes in Creditors | | (1,506) | 4,097 |
| Changes in Net Pension Liability | | 10,389 | 12,602 |
| Adjust for Items that are Investing or Financing Activities | | (30,472) | (26,952) |
| Net Cash Flow From Operating Activities | | 4,451 | (2,108) |
| Cash Flows from Investing Activities | | | |
| Purchase of Non-Current Assets | | (76,231) | (43,047) |
| Purchase of Short Term and Long Term Investments | | 0 | (26,000) |
| Other Payments for Investing Activities | | (7,234) | (2,557) |
| Proceeds from Sale of Non-Current Assets | | 1,313 | 3,749 |
| Proceeds from Short Term and Long Term Investments | | 7,595 | 26,000 |
| Other Receipts from Investing Activities | | 36,480 | 29,723 |
| Net Cash Flow From Investing Activities | | (38,077) | (12,132) |
| Cash Flows from Financing Activities | | | |
| Repayment of Short Term and Long Term Borrowing | | 0 | 0 |
| Cash receipts of Short Term and Long Term Borrowing | | 25,000 | 0 |
| Capital Element of PFI Contracts | | (208) | (194) |
| Council Tax and Business Rates Adjustments | | 5,649 | 1,896 |
| Net Cash Flow From Financing Activities | | 30,441 | 1,702 |
| Net (Decrease)/Increase in Cash and Cash Equivalents in the Period | | (3,185) | (12,538) |
| Cash and Cash Equivalents as of the Beginning of the Period | 24 | 20,217 | 32,755 |
| Cash and Cash Equivalents as of the End of the Period | 24 | 17,032 | 20,217 |

The cash flows for operating activities include the following items:

| | 2016/17 | 2015/16 |
|-------------------|---------|---------|
| | £000 | £000 |
| Interest received | 536 | 654 |
| Interest paid | (613) | (553) |

1 ACCOUNTING POLICIES

1.1 Basis of Preparation

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

The accounting convention adopted in the Statement of Accounts is principally historical cost, as modified by the revaluation of property, plant and equipment, Investment Property and financial instruments.

The preparation of the accounts in conformity with the Code requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the accounting policies.

1.2 Going Concern

The accounts are prepared on a going concern basis, i.e. on the assumption that the Council will continue to operate for the foreseeable future.

1.3 Accounts Payable and Accrued Expenditure

A creditor is recognised in the Balance Sheet when goods and services are received prior to the reporting date and payment occurs after the reporting date.

1.4 Income Policy

Council Tax and Business Rates are recognised as income levied in the reporting period.

Grant income is recognised when the associated conditions have been satisfied. Further details of the accounting for grants are presented below.

Fees and charges for goods or services delivered by the Council to the public are recognised as income at the date the Council provides the relevant goods or services.

Rents for the occupation of investment properties are recognised on a straight-line basis over the lease term.

Where Council Tax, Business Rates, fees and charges, and rents have been recognised but cash has not been received, a debtor for the relevant amount is recorded in the Balance Sheet. Where the debtor is impaired, the balance is written down to the amount expected to be collected.

1.5 Exceptional Items

Items are presented as exceptional when that degree of prominence is necessary in order to give a fair presentation of the financial statements. A description of each exceptional item is given within the notes to the Accounts.

NOTES TO THE CORE FINANCIAL STATEMENTS

1.6 Prior Period Adjustments, Changes in Accounting Policies and Estimates and Errors

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

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

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

Material Balance Sheet restatements or errors are those equal to or greater than £2m or 1% of the relevant category or those required to avoid a material impact (£1m or greater) on the Comprehensive Income and Expenditure Statement within the current year.

1.7 Events after the Balance Sheet Date

Events after the Balance Sheet date are those events, both favourable and unfavourable, that occur between the end of the reporting period and the date when the Statement of Accounts is authorised for issue. Two types of events can be identified:

- those that provide evidence of conditions that existed at the end of the reporting period – the Statement of Accounts is adjusted to reflect such events
- those that are indicative of conditions that arose after the reporting period – the Statement of Accounts is not adjusted to reflect such events, but where a category of events would have a material effect, disclosure is made in the notes of the nature of the events and their estimated financial effect.

Events taking place after the date of authorisation for issue are not reflected in the Statement of Accounts.

1.8 Schools

The Code of Practice on Local Authority Accounting confirms that the balance of management control for council maintained schools lies with the Council. Maintained schools comprise Community and Community Special schools, Voluntary Aided and Voluntary Controlled schools. The Code also stipulates that these schools' assets, liabilities, reserves and cash flows are recognised in the council financial statements rather than in Group Accounts. Therefore schools' transactions, cash flows and balances are recognised in each of the financial statements of the Council as if they were the transactions, cash flows and balances of the Council. Whether the associated buildings and land are included in the Balance Sheet is determined by the accounting policy for Property, Plant and Equipment.

1.9 Property, Plant and Equipment

Expenditure on Property, Plant and Equipment is capitalised at cost when it will bring benefits to the Council for more than one reporting period, subject to a de-minimis capitalisation threshold of £2,000. Items below this limit are charged to the Comprehensive

NOTES TO THE CORE FINANCIAL STATEMENTS

Income and Expenditure Statement. The Council does not capitalise borrowing costs incurred whilst assets are under construction.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits or service potential associated with the item will flow to the Council and the cost can be measured reliably. The carrying amount of any replaced part is de-recognised. All other repairs and maintenance are charged to the Comprehensive Income and Expenditure Statement during the financial period in which they are incurred.

Operational land and buildings are subsequently measured at Current Value. Current Value is primarily based on the amount that would be paid for the asset in its existing use. Current Value is estimated using a depreciated replacement cost approach when the asset is specialised and/or rarely sold (such as a school). Surplus assets are measured at Fair Value which is based on best market value.

The Council's Principal Valuation Surveyor carries out the valuations in accordance with the Royal Institution of Chartered Surveyors Appraisal and Valuation Manual, known as the "Red Book". Land and buildings are subject to a comprehensive valuation on a 5 year cycle and an annual desktop valuation for the intervening years where the impact is material.

When an asset's carrying amount increases as a result of a revaluation, the increase is recognised in the Comprehensive Income and Expenditure Statement to the extent that it reverses a revaluation decrease of the same asset previously recognised in the Comprehensive Income and Expenditure Statement. Any remaining increase is credited directly to Revaluation Reserve. Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset, and the net amount is restated to the revalued amount of the asset.

When an asset's carrying amount decreases as the result of a revaluation or impairment, the decrease is debited directly to the Revaluation Reserves to the extent of any credit balance existing in respect of that asset. Any remaining decrease is recognised against the relevant service lines in the Comprehensive Income and Expenditure Statement.

Infrastructure, community assets, and assets under construction are measured at depreciated historical cost. With the exception of the long life plant used within the Waste PFI contract (which is revalued), vehicles, plant and equipment are also held at depreciated historical cost which is considered to be a proxy for Current Value as the assets have short useful lives and/or low values.

Impairment

Assets are assessed at each year-end as to whether there is any indication that an asset may be impaired. Where indications exist and any possible differences are estimated to be material, the recoverable amount of the asset is estimated and, where this is less than the carrying amount of the asset, an impairment loss is recognised for the shortfall. Where there is no balance in the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant service line in the Comprehensive Income and Expenditure Statement. Where an impairment loss is reversed subsequently, the reversal is credited to the relevant service line in the Comprehensive Income and Expenditure Statement, up to the amount of the original loss, adjusted for the depreciation that would have been charged if the loss had not been recognised.

NOTES TO THE CORE FINANCIAL STATEMENTS

Depreciation

Depreciation is calculated using the straight-line method to allocate an asset's carrying value to its residual value over its estimated useful life. Estimated useful lives are as follows:

| | |
|-------------------------------|--|
| Buildings | shorter of remaining life or 70 years |
| Community assets | shorter of remaining life or 70 years |
| Infrastructure assets | shorter of remaining life or 90 years |
| Vehicles, plant and equipment | shorter of remaining lease period, remaining life, or 30 years |

Where an asset comprises two or more major components with substantially different useful economic lives, each component is accounted for separately for depreciation purposes and depreciated over its individual useful life.

No depreciation is charged on land and assets under construction.

The assets' useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

Each year the difference between depreciation, based on the revalued carrying amount of the asset charged to the Comprehensive Income and Expenditure Statement and depreciation based on the asset's historic cost is transferred from the Revaluation Reserve to the Capital Adjustment Account.

1.10 Heritage Assets

Heritage Assets are a distinct class of asset which are maintained principally for their contribution to knowledge and culture. Listed buildings which are used operationally do not meet the definition of Heritage Assets and are therefore included under Property Plant and Equipment.

Heritage Assets are recognised and measured (including the treatment of revaluation gains and losses) in accordance with the Council's accounting policies on Property, Plant and Equipment. However, some of the measurement rules are relaxed and consequently Heritage Assets are carried at valuation rather than Fair Value, reflecting the fact that exchanges of Heritage Assets are uncommon. There is also no requirement for valuations to be carried out or verified by external valuers, nor is there any prescribed minimum period between valuations.

The Council has a number of sites of archaeological interest within its boundaries which it is not possible to place a value on due to their age and the lack of comparable market values. Consequently, the Council does not recognise these assets on the Balance Sheet. The remaining Heritage Assets comprising the civic regalia, a brickworks chimney and a number of sculptures are reported in the Balance Sheet at insurance valuation.

1.11 Investment Property

Investment Property comprises land and buildings held solely to earn rentals and/or for capital appreciation.

Investment Property is measured initially at cost and subsequently at Fair Value (best market value), which is based on active market prices adjusted, if necessary, for any difference in the nature, location or condition of the specific asset. The Council's Principal Valuation Surveyor carries out the valuations each year in accordance with the Royal

NOTES TO THE CORE FINANCIAL STATEMENTS

Institution of Chartered Surveyors Appraisal and Valuation Manual, known as the “Red Book”.

Gains and losses on revaluation are posted to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. The same treatment is applied to gains and losses on disposal.

Revaluation and disposal gains and losses are not permitted by statutory arrangements to have an impact on the General Fund Balance. The gains and losses are therefore reversed out of the General Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account and (for any sale proceeds greater than £10,000) the Capital Receipts Reserve.

Investment properties held at Fair Value are not depreciated.

1.12 Intangible Assets

The Council accounts for its software as intangible assets, to the extent that the software is not an integral part of a particular IT system and accounted for as part of the hardware item in Property, Plant and Equipment. Expenditure on the development of websites is not capitalised if the enhancement is primarily intended to promote or advertise the Council's goods or services. Intangible assets include purchased licenses. Expenditure on application software is capitalised as an intangible asset when it will bring benefits to the Council for more than one reporting period.

The intangible assets held by the Council are measured at depreciated historical cost as readily ascertainable market values are not available.

Intangible assets are amortised on a straight-line basis over the shorter of remaining useful life or six years to the relevant service line in the Comprehensive Income and Expenditure Statement.

An asset is tested for impairment whenever there is an indication that the asset might be impaired – any losses recognised are posted to the relevant service line in the Comprehensive Income and Expenditure Statement. Any gain or loss arising on the disposal or abandonment of an intangible asset is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement.

1.13 Disposals and Non-current Assets Held for Sale

When it becomes probable that the carrying amount of an asset will be recovered principally through a sale transaction within the next twelve months rather than through its continuing use, it is reclassified as an Asset Held for Sale (this does not apply to Investment Properties). The asset is revalued immediately before reclassification (using the appropriate valuation basis for that category of asset) and then carried at the lower of this amount and Fair Value (market value) less costs to sell. Where there is a subsequent decrease to Fair Value less costs to sell, the loss is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Gains in Fair Value are recognised only up to the amount of any previously losses recognised in the Surplus or Deficit on Provision of Services. Depreciation is not charged on Assets Held for Sale.

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

NOTES TO THE CORE FINANCIAL STATEMENTS

Assets that are to be abandoned or scrapped are not reclassified as Assets Held for Sale.

When an asset is disposed of or decommissioned, the carrying amount of the asset in the Balance Sheet (whether Property, Plant and Equipment or Assets Held for Sale) is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. Receipts from disposals (if any) are credited to the same line in the Comprehensive Income and Expenditure Statement also as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal). Any revaluation gains accumulated for the asset in the Revaluation Reserve are transferred to the Capital Adjustment Account.

Amounts received for a disposal in excess of £10,000 are categorised as capital receipts. The receipts are appropriated to the Capital Receipts Reserve from the General Fund Balance in the Movement in Reserves Statement and can only be used for new capital investment or to meet disposal costs up to 4% of the capital receipt.

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

1.14 Capital Receipts that do not arise from the Disposal of an Asset

Receipts that do not arise from the disposal of an asset primarily relate to Right-to-Buy and VAT shelter receipts from Bracknell Forest Homes. These are recorded as Other Operating Expenditure in the Comprehensive Income and Expenditure Statement. The same amount is then transferred to the Capital Receipts Reserve from the General Fund Balance in the Movement in Reserves Statement.

1.15 Charges to Revenue for Non-Current Assets

General Fund service revenue accounts (as defined in CIPFA's Service Reporting Code of Practice for Local Authorities), central support services and statutory trading accounts are charged with a depreciation charge and, where required, any related impairment or valuation loss (due to a clear consumption of economic benefits or other losses where there are no accumulated gains in the Revaluation Reserve against which they can be written off) for all assets used in the provision of services. In addition, services also receive a charge for the amortisation of intangible assets and where required any impairment loss for intangible assets used in the provision of services.

The Council is not required to raise Council Tax to cover depreciation, revaluation and impairment losses or amortisations. However it is required to make an annual provision from revenue towards the reduction of its overall borrowing requirement (the "Minimum Revenue Provision"). Any depreciation, impairment and valuation losses or amortisations charged to the Surplus or Deficit on the Provision of Services are replaced by this revenue provision in the Movement in Reserves Statement by way of an adjusting transaction with the Capital Adjustment Account.

Financing costs (including interest payable under finance leases and PFI arrangements) are included within Financing and Investment Income and Expenditure in the Comprehensive Income and Expenditure Statement.

NOTES TO THE CORE FINANCIAL STATEMENTS

1.16 Revenue Expenditure Funded from Capital under Statute

Legislation allows some expenditure to be classified as capital for funding purposes when it does not result in the expenditure being carried in the Balance Sheet under Long Term Assets. The purpose of this is to enable it to be funded from capital resources rather than be charged to the General Fund and impact on that year's council tax. These items are generally grants and expenditure on property not owned by the Council.

Such expenditure is charged to the Surplus or Deficit on the Provision of Services. Any statutory provision that allows capital resources to meet the expenditure is accounted for by debiting the Capital Adjustment Account and crediting the General Fund. The credit is shown as a reconciling item in the Movement in Reserves Statement.

1.17 Private Finance Initiative (PFI)

PFI contracts are agreements to receive services, where the responsibility for making available the assets required to provide the services passes to the contractor. As the Council (along with Reading and Wokingham Councils) controls the services provided under the Waste PFI agreement, and as the ownership of the assets used to deliver the services pass to the three Councils at the end of the contract for no additional charge, the Council carries its share of the assets on the Balance Sheet.

The annual unitary payment is separated into the following component parts, using appropriate estimation techniques where necessary:

- payment for the Fair Value of services received; and
- payment for the PFI assets, including finance costs.

Services Received

The Fair Value of services received in the year is recorded under Environmental and Regulatory Services in the Comprehensive Income and Expenditure Statement.

PFI Asset

A PFI asset is recognised in Property, Plant and Equipment, as the asset comes into use. The asset is capitalised at the lower of the Current Value of the property, plant or equipment and the present value of the minimum payments. Subsequently, the asset is measured at Current Value according to the Council's accounting policy for each relevant class of asset.

PFI Liability

A PFI liability is recognised at the same time the PFI asset is recognised. It is measured initially at the same amount as the PFI asset and is subsequently measured at amortised cost. The liability, net of finance charges, is included in Short Term Creditors and Long Term Creditors. Interest is charged to the Comprehensive Income and Expenditure Statement over the arrangement period at a constant periodic rate of interest on the remaining balance of the liability for each period.

1.18 Lease Classification

Leases are classified as either finance leases or operating leases based on the substance of the arrangement. Where a lease covers both land and buildings, the land and buildings elements are considered separately for classification.

NOTES TO THE CORE FINANCIAL STATEMENTS

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

Leases in which substantially all the risks and rewards of ownership are retained by the lessor are classified as operating leases.

Operating Leases (Council as Lessee)

Payments made under operating leases (net of any incentives received from the lessor) are charged as an expense of the services benefiting from use of the asset in the Comprehensive Income and Expenditure Statement on a straight-line basis over the period of the lease. Contingent rent is recognised in the period in which it arises.

Operating Leases (Council as Lessor)

Where the Council grants an operating lease, the leased asset remains in the Balance Sheet. The rental income is recognised over the term of the lease on a straight-line basis in the Comprehensive Income and Expenditure Statement. Contingent rent is recognised in the period in which it arises and is the difference between the original rent and the revised rent following a rent review.

Up-front payments received on the granting of a leasehold interest classified as an operating lease are recognised as a Creditor in the Balance Sheet and amortised over the lease term.

Finance Leases (Council as Lessee)

Leases of Long Term Assets, where the Council has substantially all the risks and rewards of ownership, are classified as finance leases.

Finance leases are capitalised at the commencement of the lease at the lower of the Fair Value of the leased asset and the present value of the minimum lease payments. Up-front payments for a leasehold interest classified as a finance lease are capitalised as part of the asset.

Long Term Assets recognised under a finance lease are accounted for using the policies applied generally to such assets, subject to depreciation being charged over the lease term if this is shorter than the asset's estimated useful life (where ownership of the asset does not transfer to the Council at the end of the lease period).

The corresponding lease obligations, net of finance charges, are included in Creditors.

Contingent rent is recognised as an expense in the period in which it arises.

Lease payments are apportioned between:

- a charge for the acquisition of the interest in the asset – applied to write down the lease liability, and
- a finance charge (debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement).

Finance Leases (Council as Lessor)

Where the Council grants a finance lease the leased asset is de-recognised (treated as a disposal) and a long term debtor is recognised for any leases with rental payments in excess of peppercorn rent. Peppercorn rents are recognised in the Income and Expenditure in

NOTES TO THE CORE FINANCIAL STATEMENTS

Relation to Investment Properties line in the Comprehensive Income and Expenditure Statement. Rental payments in excess of peppercorn rent are used to reduce the long term debtor and also include finance income that will be earned by the Council whilst the debtor remains outstanding.

1.19 Cash and Cash Equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are investments that mature in no more than three months or less from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

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

1.20 Financial Instruments

Recognition

Financial assets and financial liabilities which arise from contracts for the purchase and sale of non-financial items (such as goods or services), which are entered into in accordance with the Council's normal purchase, sale or usage requirement, are recognised when, and to the extent which, performance occurs. All other financial assets and liabilities are recognised when the Council becomes party to the contractual provisions to receive or make cash payments.

Classification and Measurement

Financial assets, other than cash and cash equivalents, are classified as loans and receivables and are measured at amortised cost.

Financial liabilities are classified as creditors and are measured at amortised cost.

Loans and Receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments and are not quoted in an active market. Loans and receivables are initially recognised at Fair Value and then measured at amortised cost using the effective interest rate method. The effective interest rate is a method of calculating the amortised cost of a financial asset and of allocating the interest revenue or expense over the relevant period using the estimated future cash flows. For the loans that the Council has made, this means that the amount presented in the Balance Sheet is the outstanding principal receivable (plus accrued interest) and interest credited to the Comprehensive Income and Expenditure Statement is the amount receivable for the year in the loan agreement.

Impairment of Financial Assets

At the end of each reporting period, the Council assesses whether there is objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or group of financial assets is impaired and impairment losses are incurred if there is:

- Objective evidence of impairment as a result of a loss event that occurred after the initial recognition of the asset and up to the end of the reporting period ('a loss event');

NOTES TO THE CORE FINANCIAL STATEMENTS

- The loss event had an impact on the estimated future cash flows of the financial asset or the group of financial assets; and
- A reliable estimate of the amount can be made.

Financial assets are recorded in the Balance Sheet net of any impairment.

Derecognition

A financial asset is considered for derecognition when the contractual rights to the cash flows from the financial asset expire, or the Council has either transferred the contractual right to receive the cash flows from the asset, or has assumed an obligation to pay those cash flows to one or more recipients, subject to certain criteria. The Council de-recognises a transferred financial asset if it transfers substantially all the risks and rewards of ownership.

Financial Liabilities

All financial liabilities are recognised initially at Fair Value, net of any transaction costs incurred, and then measured at amortised cost using the effective interest rate method. The effective interest rate is the rate that exactly discounts estimated future cash payments over the life of the instrument to the amount at which it was originally recognised.

Creditors are included in Short Term Creditors except for the amounts payable more than twelve months after the end of the reporting period, which are classified as Long Term Creditors.

Interest on financial liabilities carried at amortised cost is calculated using the effective interest rate method and is charged to the Comprehensive Income and Expenditure Statement.

1.21 Fair Value

The Council measures Surplus Assets and Investment Properties and some of its financial instruments, such as finance leases and its PFI arrangement, at Fair Value at each reporting date. Fair Value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the 31 March. The Fair Value measurement assumes that the transaction takes place in the principal or most advantageous market for the asset or liability.

When measuring the Fair Value of a non-financial asset, the Council takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Council uses appropriate valuation techniques for each circumstance, maximising the use of observable inputs where available. The Fair Value hierarchy categorises inputs as follows:

Level 1 – quoted prices in active markets for identical assets or liabilities.

Level 2 – other inputs that are observable for the asset or liability, either directly or indirectly.

Level 3 – unobservable inputs for the asset or liability.

NOTES TO THE CORE FINANCIAL STATEMENTS

1.22 Employee Benefits

Leave and flexi-time

The accounts include an accrual for leave and flexi-time earned as of the reporting date that will be utilised in the next reporting period. The accrual is measured at the amount of the benefit earned by the employees of the Council. It is charged to the Surplus or Deficit on the Provision of Services, but then reversed out through the Movement in Reserves Statement so that benefits are charged to revenue in the financial year in which the holiday absence occurs.

Termination Benefits

Termination benefits are amounts payable as a result of a decision by the Council to terminate an officer's employment before the normal retirement date and are charged on an accruals basis to the appropriate service line in the Comprehensive Income and Expenditure Statement when the Council can no longer withdraw the offer of those benefits.

Where termination benefits involve the enhancement of pensions, statutory provisions require the General Fund balance to be charged with the amount payable by the Council to the pension fund or pensioner in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, appropriations are required to and from the Pensions Reserve to remove the notional debits and credits for pension enhancement termination benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year-end.

Post Employment Benefits

The Council provides retirement benefits as part of the terms and conditions of employment through the following defined benefit pension schemes:

- Teacher's Pension Scheme, administered by Capita Teachers' Pensions on behalf of the Department for Education (DfE); and
- Local Government Pension Scheme, administered by the Royal Borough of Windsor and Maidenhead Council.

The benefits (retirement lump sums and pensions), which are based on pay and service, are earned over the term of employment.

Teacher's Pension Scheme

Teachers employed by the Council are members of the Teachers' Pension Scheme, administered by the Department for Education. The Scheme provides teachers with specified benefits upon their retirement, and the Council contributes towards the costs by making contributions based on a percentage of members' pensionable salaries.

The Scheme is technically a defined benefit scheme. However, the Scheme is unfunded and the Department for Education uses a notional fund as the basis for calculating the employers' contribution rate paid by local authorities. It is not possible to identify the Council's share of the underlying financial position and performance of the Scheme with sufficient reliability for accounting purposes. For the purposes of this Statement of Accounts, it is therefore accounted for on the same basis as a defined contribution scheme and no liability for future payments of benefits is recognised in the Balance Sheet. The Children, Young People and Learning department is charged with the employer's contributions payable to Teachers' Pensions in the year.

NOTES TO THE CORE FINANCIAL STATEMENTS

Local Government Pension Scheme

The Council's contributions are determined by triennial actuarial valuation. The latest valuation was as at 31 March 2016. Under Superannuation Regulations, the contribution rates are set to meet all the liabilities of the fund.

The Balance Sheet includes a Pension Reserve which reflects the Council's share of the schemes assets and liabilities. Employer contributions will be adjusted in future years to fund any projected deficit.

The liabilities of the pension scheme attributable to the Council are measured on an actuarial basis using the projected unit method – i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, and projections of projected earnings for current employees. The liabilities are discounted using an appropriate discount rate.

The assets of the pension fund attributable to the Council are measured at Fair Value as follows:

- quoted securities – current bid price;
- unquoted securities – professional estimate;
- unitised securities – current bid price; and
- property – market value.

The change in the net pension liability consists of the following components:

(i) Service cost comprising:

- current service cost – the increase in liabilities as a result of years of service earned this year;
- past service cost – the change in liabilities arising from current year decisions whose effect relates to years of service earned in earlier years or from plan curtailments;
- gains or losses on settlements - transactions that eliminate all further legal or constructive obligations for part or all of the benefits provided under the plan;

(ii) Other Pension Administration Costs which are those that are directly related to the management of plan assets. These are included under Other Operating Expenditure.

(iii) Net interest on the net defined benefit liability - the change during the period in the net defined benefit liability. It is calculated by applying the discount rate used to measure the defined benefit obligation at the beginning of the period to the net defined benefit liability at the beginning of the period adjusted for contribution and benefit payments during the year.

(iv) Remeasurements comprising:

- differences between the return on plan assets and interest income on plan assets calculated as part of the net interest on the net defined benefit liability;
- actuarial gains and losses which result from events not coinciding with assumptions made at the last actuarial valuation or the actuaries updating the assumptions.

(v) Contributions paid into the Royal County of Berkshire Pension Fund, and

(vi) Benefits paid.

NOTES TO THE CORE FINANCIAL STATEMENTS

Current service costs are allocated in the Comprehensive Income and Expenditure Statement to the services for which the employees worked. Past service costs and any settlements are reflected in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs. Net interest expense is reflected in Financing and Investment Income and Expenditure within the Comprehensive Income and Expenditure Statement.

Remeasurements are recognised directly in Other Comprehensive Income and Expenditure and the Pensions Reserve.

In relation to retirement benefits, statutory provisions require the General Fund balance to be charged with the amount payable by the Council to the pension fund or directly to pensioners in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, this means that there are appropriations to and from the Pensions Reserve to remove the notional debits and credits for retirement benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year-end. The negative balance that arises on the Pensions Reserve thereby measures the beneficial impact to the General Fund of being required to account for retirement benefits on the basis of cash flows rather than as benefits are earned by employees.

1.23 Government Grants and Other Contributions

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

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

Amounts recognised as due to the Council are not credited to the Comprehensive Income and Expenditure Statement until conditions attached to the grant or contribution have been satisfied. Conditions are stipulations that specify that the future economic benefits or service potential embodied in the asset acquired using the grant or contribution are required to be consumed by the recipient as specified, or future economic benefits or service potential must be returned to the transferor. If no asset is involved, a condition requires the grant funder or donor to have a right to the return of their monies or similar equivalent compensation.

Monies advanced as grants and contributions for which conditions have not been satisfied are carried in the Balance Sheet as Creditors. When conditions are satisfied, the grant or contribution is credited to the relevant service line (attributable revenue grants and contributions) or Taxation and Non-Specific Grant Income (non-ringfenced revenue grants and all capital grants) in the Comprehensive Income and Expenditure Statement.

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

Community Infrastructure Levy (CIL)

The levy is charged on most new developments in the Borough with appropriate planning consent, based on a locally determined charging schedule. The levy must be spent on

NOTES TO THE CORE FINANCIAL STATEMENTS

infrastructure (such as transport, schools and social care facilities) or used to meet administrative expenses (up to 5%). It will partly replace Section 106 developer contributions.

CIL is received without outstanding conditions and is therefore recognised at the commencement date of the chargeable development in the Comprehensive Income and Expenditure Statement in accordance with the accounting policy set out for capital grants and contributions above.

1.24 Provisions

Provisions are recognised when:

- the Council has a present legal or constructive obligation as a result of past events;
- it is probable that an outflow of economic benefits will be required to settle the obligation; and
- a reliable estimate can be made of the amount of the obligation.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation. Where the effect is material, the estimated cash flows are discounted. The increase in the provision due to passage of time is recognised as interest expense.

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

When payments are eventually made, they are charged to the provision carried in the Balance Sheet. Estimated settlements are reviewed at the end of each financial year – where it becomes less than probable that a transfer of economic benefits will now be required (or a lower settlement than anticipated is made), the provision is reversed and credited back to the relevant service.

1.25 Contingent Assets & Liabilities

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

Contingent liabilities also arise in circumstances where a provision would otherwise be made but either it is not probable that an outflow of economic benefits will be required or the amount of the obligation cannot be measured reliably.

Contingent assets and liabilities are not recognised in the Balance Sheet but disclosed in a note to the accounts.

1.26 Reserves

The Council sets aside specific amounts as reserves for future policy purposes or to cover contingencies. Reserves are created by appropriating amounts out of the General Fund Balance in the Movement in Reserves Statement. When expenditure to be financed from a reserve is incurred, it is charged to the appropriate service revenue account in that year to score against the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement. The reserve is then appropriated back into the General

NOTES TO THE CORE FINANCIAL STATEMENTS

Fund Balance in the Movement in Reserves Statement so that there is no net charge against Council Tax for the expenditure.

Certain reserves are kept to manage the accounting processes and do not represent usable resources for the Council. These are the Revaluation Reserve, Capital Adjustment Account, Deferred Capital Receipts Reserve, Collection Fund Adjustment Account, Accumulated Absences Account and Pension Reserve, which are explained in the relevant policies and Notes to the Accounts.

1.27 Inventory

Inventory, which primarily relates to shop and catering goods, is measured at the lower of cost and net realisable value using the first-in first-out method.

1.28 Value Added Tax (VAT)

VAT payable is included as an expense in the Comprehensive Income and Expenditure Statement only to the extent that it is not recoverable. VAT receivable is excluded from income.

2 ACCOUNTING STANDARDS ISSUED BUT NOT YET ADOPTED

The adoption of the following new or amended standards by the Code of Practice will result in changes in accounting policy:

- Amendment to the reporting of pension fund scheme transaction costs
- Amendment to the reporting of investment concentration

Although full adoption will not be required until 1 April 2017, the Council is required to disclose the estimated effect of the changes in these financial statements. These amendments only affect pension fund accounts and are therefore not expected to have a material impact on the information contained in the financial statements.

3 CRITICAL JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

In applying the accounting policies set out in Note 1, the Council has had to make certain judgements about complex transactions or those involving uncertainty about future events.

The critical judgements made in the Statement of Accounts are as follows.

Lease Accounting

Judgement is required in the initial classification of leases as either operating leases or finance leases. Where a lease is taken out for land and buildings combined, the land and buildings element of the lease are considered separately for classification. If the contracted lease payments are not split between land and buildings in the lease contract, the split is made based on the market values of the land and buildings at the inception of the lease.

A number of criteria are used to determine whether the lease transfers substantially all the risks and rewards of ownership as specified in IAS 17 - Leases. In particular judgement is required in assessing whether the lease term is for the major part of the economic life of the asset. In general, a term of 80% or greater of the asset life was considered indicative of a finance lease, however all the criteria were considered together when making a decision.

NOTES TO THE CORE FINANCIAL STATEMENTS

When reviewing lease classifications for the conversion to IFRS however, the Council concluded that each of the lease classifications could be determined without calculating the Net Present Value of the minimum lease payments.

The Council has elected to treat Longshot Lane as a finance lease in order to apply the Investment Property classification and measurement guidance in IAS 40. A property interest that is held by a lessee under an operating lease may be classified and accounted for as Investment Property if, and only if, the property would otherwise meet the definition of an Investment Property and the lessee uses the Fair Value model. Longshot Lane meets the definition of an Investment Property and the Council is required by the Code to apply the Fair Value model.

Impairment of Assets

There is a high degree of uncertainty about the way local government is financed and future levels of funding. However, the Council has determined that this uncertainty is not yet sufficient to provide an indication that the assets of the Council might be impaired as a result of a need to close facilities and reduce levels of service provision.

PFI Schemes and Similar Contracts

In 2006/07 the Council, together with Wokingham Borough and Reading Borough Councils, entered into a PFI contract for the disposal of waste. The Councils are deemed to control the services provided and will obtain ownership of the associated assets at the end of the contract. The accounting policies for PFI schemes and similar contracts have therefore been applied to the arrangement and the Council's share of the assets (valued at £7.2m as at 31 March 2017) are recognised as Property, Plant and Equipment on the Balance Sheet.

Schools Property

The Council recognises the land and buildings used by schools in accordance with the accounting policy for Property, Plant and Equipment. These assets are recognised in the Balance Sheet if it is probable that the future economic benefits or service potential associated with them will flow to the Council or the schools within its control.

The Council has completed an assessment across the different types of schools it controls within the Borough. Judgements have been made to determine the arrangements in place and the accounting treatment of the land and building assets.

All Community schools are owned and controlled by the Council and the land and buildings used by these schools are therefore included on the Council's Balance Sheet.

There are five Voluntary Aided (VA) Schools within the Council's area. The Council owns and controls the playing fields at three of the schools and these assets are included on the Balance Sheet. The remaining land and building assets are owned by the Oxford or Portsmouth Diocese or other trustees. There has been no reassignment of rights for these assets that would pass control of the economic benefits and service potential to the school or governing body. These assets are used under licences rather than leases which pass no interest to the schools and are terminable by the trustees at any time without causal action. In practice their continued agreement to permit the schools as entities to use the assets means that the trustees (or owners) are perpetually reasserting this control and this has not been passed to the school. They are therefore not recognised as assets of the school or included in the Balance Sheet.

NOTES TO THE CORE FINANCIAL STATEMENTS

There are four Voluntary Controlled (VC) Schools within the Council's area, one of which is owned outright by the Council. Elements of land (including the playing fields at three sites) and buildings are also owned and controlled by the Council at the remaining three schools. All elements owned and controlled by the Council are reflected in the Balance Sheet. The remaining assets are owned by the Oxford Diocese and another trustee under similar licence arrangements to VA schools. These assets are therefore not recognised as assets of the school or included in the Balance Sheet.

Academies are not considered to be maintained schools in the Council's control. Thus the land and building assets are not included on the Council's Balance Sheet. There are three academies (Ranelagh and Brakenhale Secondary Schools and St Margaret Clitherow Primary School) within the Council's area.

4 ASSUMPTIONS MADE ABOUT THE FUTURE AND OTHER MAJOR SOURCES OF ESTIMATION UNCERTAINTY

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

The key judgements and estimation uncertainty that have a significant risk of causing adjustment to the carrying amounts of assets and liabilities within the forthcoming financial year are as follows:

Property, Plant and Equipment

Land and buildings are shown at Current Value for operational assets and Fair Value for surplus assets, based on professional or desk top valuations. The professional valuations are carried out in accordance with the Royal Institution of Chartered Surveyors Appraisal and Valuation Manual, known as the "Red Book". The value of the Council's land and buildings fluctuates with changes in construction costs and the current market value of land and buildings. In addition to the rolling programme of professional revaluations, desktop revaluations (using a building cost index) are used to ensure that those assets not scheduled to be revalued are not materially misstated in the Balance Sheet.

Buildings are depreciated over useful lives that are dependent on assumptions about the level of repairs and maintenance that will be incurred in relation to individual assets. The current economic climate makes it uncertain that the Council's current spending on repairs and maintenance can be sustained, which would affect the useful lives assigned to buildings. If the useful life is reduced, depreciation increases and the carrying amount falls. It is estimated that the annual depreciation charge for buildings would increase by £0.399m if all the useful lives were reduced by one year.

Fair Value measurements

When the Fair Values of non-financial assets, financial assets and financial liabilities cannot be measured based on quoted prices in active markets it is measured using valuation techniques. Where possible, the inputs to these valuation techniques are based on observable data, but where this is not possible judgement is required in establishing Fair Values.

NOTES TO THE CORE FINANCIAL STATEMENTS

For Investment Properties the most significant valuation assumption used is that the rental yield (rental as a percentage of property value) achievable on most Investment Properties is equivalent to that achieved on a recent and comparable property purchase. A 1% change in the estimated yield would result in a £1m change in value of the whole portfolio.

The valuation of the Council's surplus land asset assumes it is comparable to similar assets in the local market with planning permission.

For financial liabilities (the PFI contract and Longshot Lane finance lease) a discounted cash flow model is used to calculate Fair Values. The discount rate is based on Public Works Loans Board (PWLB) premature repayment rates. A 1% increase in the rate would reduce the Fair Value of these liabilities by £2.0m.

Future Payments under the Waste PFI Scheme

The estimates of the future payments to the contractor are based on assumptions regarding inflation (assumed to average 2.5%) and performance. Increases in inflation above 2.5% will lead to the Council having to pay over more to the contractor than set out in Note 15. 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 in Note 15.

Measurement of Pension Liability

The present value of the net pension liability depends on a number of factors that are determined on an actuarial basis and the value of the underlying assets. The actual net liability of the Council will continue to be subject to volatility, as a result of changes to these factors and the underlying assumptions.

It is not possible to assess the accuracy of the estimated liability as at 31 March 2017 without completing a full valuation. However, the actuary is satisfied that the approach of rolling forward the previous valuation data from 31 March 2016 to 31 March 2017 should not introduce any material distortions in the results.

The effects of changes in individual assumptions can be measured. The following table sets out the impact of change in the significant actuarial assumptions on the present value of scheme liabilities (£525.2m) and projected service cost (£19.5m).

| Sensitivity Analysis | Present Value of Total Obligation | | Projected Service Cost | |
|--|-----------------------------------|--------|------------------------|-------|
| | +0.1% | -0.1% | +0.1% | -0.1% |
| | £m | £m | £m | £m |
| Adjustment to discount rate | (9.9) | 10.1 | (0.5) | 0.5 |
| Adjustment to long term salary increase | 1.2 | (1.2) | 0.0 | 0.0 |
| Adjustment to pension increases and deferred revaluation | 8.9 | (8.7) | 0.5 | (0.5) |
| Adjustment to mortality age rating assumption | 19.6 | (18.9) | 0.6 | (0.6) |

Impairment of Financial Instruments

At 31 March 2017, the Council had a trade debtors' balance of £7.76m. The impairment for doubtful debts figure is based on applying a percentage to the outstanding balance which varies depending on how long the debt has been outstanding. In the current economic climate it is not certain that the allowance made will be sufficient. If collection rates were to

NOTES TO THE CORE FINANCIAL STATEMENTS

deteriorate, a doubling of the percentage used to calculate the impairment for general debts would require an additional £0.54m to be set aside as an allowance.

Additional allowances are also made for a number of other debts, in particular Housing Benefits, Business Rates and Council Tax. These totalled £2.18m as at 31 March 2017. Doubling the percentage used to calculate these debts would require an additional £0.72m to be set aside.

Accumulated Compensated Absences

Accumulating compensated absences are those that can be carried forward for use in future periods if the current period's entitlements are not used in full, for example untaken annual leave and flexi-time entitlement. The Council is required to accrue for any annual or flexi leave earned but not taken as at 31 March each year. For non-teaching staff the accrual is based on a historic sample of staff covering a range of pay grades, locations and departments. For teaching staff, where leave is earned and taken on a term by term basis, a formula is used to identify the number of days of untaken leave for the spring term. The impact of an increase in outstanding leave of 1 day for all staff would be to increase the accrual by £0.18m for non-teaching staff and £0.22m for teaching staff.

Provision for Business Rates Appeals

The Council has made a provision of £12.17m for outstanding Business Rates appeals. This is based on the latest list of outstanding rating proposals provided by the Valuation Office Agency and external advice from rating agents, taking into account factors such as the settled claims history for the Council, changes in comparable hereditaments, market trends and other valuation issues, including the potential for certain proposals to be withdrawn. The provision is split between the Council, Central Government and the Royal Berkshire Fire Authority with the Council's proportion of 49% equating to £5.96m. A 1% change in the estimate would result in a £0.12m increase or decrease in the provision required for appeals (£0.06m for the Council).

NOTES TO THE CORE FINANCIAL STATEMENTS

5 EXPENDITURE AND FUNDING ANALYSIS

Expenditure and Funding Analysis

The Expenditure and Funding Analysis shows how annual expenditure is used and funded from resources (government grants, rents, Council Tax and Business Rates) by local authorities in comparison with those resources consumed or earned in accordance with generally accepted accounting practices. It also shows how this expenditure is allocated for decision making purposes between the Council's departments. Income and expenditure accounted for under generally accepted accounting practices is presented more fully in the Comprehensive Income and Expenditure Statement (CIES).

| | 2016/17 | | | 2015/16 | | |
|--|---|--|-------------------------------------|---|--|-------------------------------------|
| | Net Expenditure Chargeable to the General Reserve £000 | Adjustments between the Accounting & Funding Basis £000 | Net Expenditure in the CIES £000 | Net Expenditure Chargeable to the General Reserve £000 | Adjustments between the Funding & Accounting Basis £000 | Net Expenditure in the CIES £000 |
| Corporate Services | 16,151 | 1,694 | 17,845 | 15,864 | 2,044 | 17,908 |
| Children, Young People and Learning | 17,361 | 9,961 | 27,322 | 15,841 | 10,148 | 25,989 |
| Adult Social Care, Health and Housing | 31,994 | 1,734 | 33,728 | 32,474 | 2,795 | 35,269 |
| Environment, Culture and Communities | 20,398 | 9,223 | 29,621 | 21,980 | 8,931 | 30,911 |
| Non Departmental /Council Wide | 46 | (626) | (580) | 155 | (413) | (258) |
| Net Cost of Services | 85,950 | 21,986 | 107,936 | 86,314 | 23,505 | 109,819 |
| Other Income and Expenditure | (73,247) | (4,784) | (78,031) | (87,933) | (28,706) | (116,639) |
| (Surplus) or Deficit on Provision of Services | 12,703 | 17,202 | 29,905 | (1,619) | (5,201) | (6,820) |
| Opening General Reserve balance | 12,730 | | | 10,961 | | |
| Plus Surplus/(Deficit) on the General Fund | (12,703) | | | 1,619 | | |
| Transfer (To)/From Earmarked Reserves | 11,044 | | | 150 | | |
| Closing General Reserve balance | 11,071 | | | 12,730 | | |

NOTES TO THE CORE FINANCIAL STATEMENTS

Analysis of adjustments within the Expenditure and Funding Analysis

The table below analyses the adjustments column in the Expenditure and Funding Analysis between capital, pension and other adjustments.

| 2016/17 | | | | |
|---|---|---------------------------------|--------------------------|--------------------------|
| Adjustments from the General Fund to arrive at the Comprehensive Income and Expenditure Statement Amounts | Adjustments for Capital Purposes | Net Pensions Adjustments | Other Adjustments | Total Adjustments |
| | £000 | £000 | £000 | £000 |
| Corporate Services | 1,573 | 102 | 19 | 1,694 |
| Children, Young People and Learning | 5,524 | 1,588 | 2,849 | 9,961 |
| Adult Social Care, Health and Housing | 351 | 610 | 773 | 1,734 |
| Environment, Culture and Communities | 8,023 | 723 | 477 | 9,223 |
| Non Departmental /Council Wide | 0 | (356) | (270) | (626) |
| Net Cost of Services | 15,471 | 2,667 | 3,848 | 21,986 |
| Other Income and Expenditure from the Expenditure and Funding Analysis | 2,984 | 7,722 | (15,490) | (4,784) |
| Difference between the General Fund Surplus / Deficit and the Surplus / Deficit on the Provision of Services in the CIES | 18,455 | 10,389 | (11,642) | 17,202 |

| 2015/16 | | | | |
|---|---|---------------------------------|--------------------------|--------------------------|
| Adjustments from the General Fund to arrive at the Comprehensive Income and Expenditure Statement Amounts | Adjustments for Capital Purposes | Net Pensions Adjustments | Other Adjustments | Total Adjustments |
| | £000 | £000 | £000 | £000 |
| Corporate Services | 1,556 | 450 | 38 | 2,044 |
| Children, Young People and Learning | 5,331 | 2,678 | 2,139 | 10,148 |
| Adult Social Care, Health and Housing | 577 | 1,006 | 1,212 | 2,795 |
| Environment, Culture and Communities | 7,136 | 1,294 | 501 | 8,931 |
| Non Departmental /Council Wide | 0 | (319) | (94) | (413) |
| Net Cost of Services | 14,600 | 5,109 | 3,796 | 23,505 |
| Other Income and Expenditure from the Expenditure and Funding Analysis | (32,254) | 7,493 | (3,945) | (28,706) |
| Difference between the General Fund Surplus / Deficit and the Surplus / Deficit on the Provision of Services in the CIES | (17,654) | 12,602 | (149) | (5,201) |

NOTES TO THE CORE FINANCIAL STATEMENTS

Further details of individual adjustments and where they impact in the Comprehensive Income and Expenditure Statement is included in the following table.

| CIES | Capital Adjustments | Pension Adjustments | Other Adjustments |
|---|---|---|--|
| Cost Of Services | Adds in depreciation and amortisation, impairments and revaluation changes for property plant and equipment, and any revenue funded from capital under statute. | The removal of the council's pension contributions as allowed by statute and their replacement with current and past service costs and (gains)/losses from settlements. | Removes non-ringfenced grants managed by departments. Transfers to/(from) the accumulated absences account. |
| Other Operating Expenditure | Adjusts for the (gain)/loss on disposal of property plant and equipment and income from capital receipts that do not arise from a disposal. | Adds in other pension administration costs. | |
| Financing and Investment Income and Expenditure | For investment property adjusts for any (gain)/loss on disposal and movements in fair value. Also deducts the Minimum Revenue Provision. | Adds in the net interest on the defined benefit liability. | |
| Taxation and Non-Specific Grant Incomes | Adds in capital grants and contributions applied to finance capital or transferred to capital reserves during the year. | | Adds non-ringfenced grants managed by departments. Adjusts for the difference between what is chargeable under statutory regulations for Council Tax and Business Rates and the income recognised under generally accepted accounting practices. |

Departmental Income

Fees, charges & other service income received on a departmental basis is analysed below:

| | 2016/17 | 2015/16 |
|---------------------------------------|----------------------|----------------------|
| Departments | Income from Services | Income from Services |
| | £000 | £000 |
| Corporate Services | (1,062) | (1,033) |
| Children, Young People and Learning | (4,668) | (4,246) |
| Adult Social Care, Health and Housing | (5,835) | (5,556) |
| Environment, Culture and Communities | (14,960) | (15,409) |
| Non Departmental /Council Wide | (128) | (185) |
| Total | (26,653) | (26,429) |

NOTES TO THE CORE FINANCIAL STATEMENTS

6 MATERIAL ITEMS OF INCOME AND EXPENDITURE

The loss on the disposal of Property, Plant and Equipment in 2016/17 primarily relates to the losses on Brakenhale Secondary School assets which were removed from the Balance Sheet when the school became an academy on the 1 April 2016 (£22.5m), the loss on the sale of Amber House (£6.6m) which was transferred to a Housing association to meet our affordable housing responsibilities and the loss arising from the de-recognition of infrastructure components. In 2015/16 the gain on the sale of Binfield Nursery (-£2.1m) exceeded the losses relating to the de-recognition of components.

The significant loss on trading operations relates to capital changes resulting from the downward revaluation of car parks.

7 EXPENDITURE AND INCOME ANALYSED BY NATURE

The Council's income and expenditure is analysed below. The subjective analysis is based on the Service Reporting Code of Practice for Local Authorities.

| Expenditure and Income | 2016/17 £000 | 2015/16 £000 |
|---|------------------|------------------|
| Employee expenses | 113,063 | 116,356 |
| Employee expenses – Voluntary Aided Schools | 4,834 | 4,875 |
| Other service expenses | 134,891 | 137,252 |
| Revenue impact of capital items ¹ | 51,423 | 9,436 |
| Interest payments | 613 | 553 |
| Precepts & levies | 3,063 | 2,888 |
| Net Interest on the Net Defined Benefit Pension Liability | 7,532 | 7,282 |
| Other pension administration costs | 152 | 148 |
| Total Expenditure | 315,571 | 278,790 |
| Fees, charges & other service income | (32,418) | (31,640) |
| Interest and investment income | (509) | (657) |
| Financial Instruments - Impairment / (impairment reversal) and exchange rate difference | 161 | (177) |
| Other income from capital receipts that do not arise from the disposal of an asset | (2,000) | (2,010) |
| Income from Council Tax and Business Rates | (70,531) | (70,164) |
| Government grants and contributions | (180,369) | (180,962) |
| Total Income | (285,666) | (285,610) |
| (Surplus) or Deficit on the Provision of Services | 29,905 | (6,820) |

¹ This includes depreciation and amortisation, impairments, Revenue Expenditure Funded from Capital under Statute, valuation changes for non-current assets and any gain or loss resulting from their disposal.

NOTES TO THE CORE FINANCIAL STATEMENTS

8 ADJUSTMENTS BETWEEN ACCOUNTING BASIS AND FUNDING BASIS UNDER REGULATIONS

This note details the adjustments that are made to the total comprehensive income and expenditure recognised by the Council in the year in accordance with proper accounting practice to arrive at the resources that are specified by statutory provisions as being available to the Council to meet future capital and revenue expenditure.

| 2016/17 | Note | General Fund £000 | Capital Receipts Reserve £000 | Capital Grants Unapplied £000 | Total Usable Reserves £000 | Total Unusable Reserves £000 | Total Council Reserves £000 |
|--|----------|----------------------|----------------------------------|----------------------------------|-------------------------------|---------------------------------|--------------------------------|
| Adjustments Between Accounting Basis and Funding Basis Under Regulations | | | | | | | |
| Reversal of items relating to capital expenditure (transferred to the Capital Adjustment Account) | 31 | 54,364 | 0 | 0 | 54,364 | (54,364) | 0 |
| Changes in Fair Value of Investment Properties | 31 | (1,739) | 0 | 0 | (1,739) | 1,739 | 0 |
| Capital Grants and Contributions Applied including Community Infrastructure Levy receipts | 31 | (16,628) | 0 | 0 | (16,628) | 16,628 | 0 |
| Statutory provision for the financing of capital investment | 31 | (1,592) | 0 | 0 | (1,592) | 1,592 | 0 |
| Capital grants and contributions unapplied transferred to the capital reserve | 29 | (12,748) | 0 | 12,748 | 0 | 0 | 0 |
| Application of grants to capital financing | 29 31 | 0 | 0 | (3,846) | (3,846) | 3,846 | 0 |
| Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement | | (1,202) | 1,096 | 0 | (106) | 106 | 0 |
| Use of the Capital Receipts Reserve to finance new capital expenditure | 31 | 0 | (3,434) | 0 | (3,434) | 3,434 | 0 |
| Costs of non-current asset disposals met from the Capital Receipts Reserve | | 0 | 0 | 0 | 0 | 0 | 0 |
| Transfer from Deferred Capital Receipts Reserve upon receipt of cash | 32 | 0 | 217 | 0 | 217 | (217) | 0 |
| Transfer of income from Capital Receipts that do not arise from the disposal of an Asset | | (2,000) | 2,000 | 0 | 0 | 0 | 0 |
| Repayment of loans | 31 | 0 | 121 | 0 | 121 | (121) | 0 |
| Retirement benefits transferred to the Pension Reserve | 11 | 20,285 | 0 | 0 | 20,285 | (20,285) | 0 |
| Employer's Pension Contributions transferred from the Pension Reserve | 11 | (9,896) | 0 | 0 | (9,896) | 9,896 | 0 |
| Council Tax and Business Rates income (transfers to or (from) the Collection Fund Adjustment Account) | 33 | (11,372) | 0 | 0 | (11,372) | 11,372 | 0 |
| Remuneration (transfers (to) or from the Accumulated Absences Account) | 34 | (270) | 0 | 0 | (270) | 270 | 0 |
| Total Adjustments | | 17,202 | 0 | 8,902 | 26,104 | (26,104) | 0 |

NOTES TO THE CORE FINANCIAL STATEMENTS

| 2015/16 | Note | General Fund £000 | Capital Receipts Reserve £000 | Capital Grants Unapplied £000 | Total Usable Reserves £000 | Total Unusable Reserves £000 | Total Council Reserves £000 |
|--|----------|----------------------|----------------------------------|----------------------------------|-------------------------------|---------------------------------|--------------------------------|
| Adjustments Between Accounting Basis and Funding Basis Under Regulations | | | | | | | |
| Reversal of items relating to capital expenditure (transferred to the Capital Adjustment Account) | 31 | 17,867 | 0 | 0 | 17,867 | (17,867) | 0 |
| Changes in Fair Value of Investment Properties | 31 | (4,881) | 0 | 0 | (4,881) | 4,881 | 0 |
| Capital Grants and Contributions Applied including Community Infrastructure Levy receipts | 31 | (20,321) | 0 | 0 | (20,321) | 20,321 | 0 |
| Statutory provision for the financing of capital investment | 31 | (1,615) | 0 | 0 | (1,615) | 1,615 | 0 |
| Capital grants and contributions unapplied transferred to the capital reserve | 29 | (3,144) | 0 | 3,144 | 0 | 0 | 0 |
| Application of grants to capital financing | 29 31 | 0 | 0 | (8,223) | (8,223) | 8,223 | 0 |
| Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement | | (3,556) | 3,487 | 0 | (69) | 69 | 0 |
| Use of the Capital Receipts Reserve to finance new capital expenditure | 31 | 0 | (5,863) | 0 | (5,863) | 5,863 | 0 |
| Costs of non-current asset disposals met from the Capital Receipts Reserve | | 6 | (6) | 0 | 0 | 0 | 0 |
| Transfer from Deferred Capital Receipts Reserve upon receipt of cash | 32 | 0 | 262 | 0 | 262 | (262) | 0 |
| Transfer of income from Capital Receipts that do not arise from the disposal of an Asset | | (2,010) | 2,010 | 0 | 0 | 0 | 0 |
| Repayment of loans | 31 | 0 | 110 | 0 | 110 | (110) | 0 |
| Retirement benefits transferred to the Pension Reserve | 11 | 21,461 | 0 | 0 | 21,461 | (21,461) | 0 |
| Employer's Pension Contributions transferred from the Pension Reserve | 11 | (8,859) | 0 | 0 | (8,859) | 8,859 | 0 |
| Council Tax and Business Rates income (transfers to or (from) the Collection Fund Adjustment Account) | 33 | (55) | 0 | 0 | (55) | 55 | 0 |
| Remuneration (transfers (to) or from the Accumulated Absences Account) | 34 | (94) | 0 | 0 | (94) | 94 | 0 |
| Total Adjustments | | (5,201) | 0 | (5,079) | (10,280) | 10,280 | 0 |

NOTES TO THE CORE FINANCIAL STATEMENTS

9 SCHOOLS

Although schools are separate entities the Code stipulates that their assets, liabilities, reserves and cash flows are recognised in the council financial statements rather than in Group Accounts. An analysis of these schools by category and type is shown below:

| 2016/17 | Category and Type of School | | | | | | | Grand Total |
|-----------|-----------------------------|-----------|---------|---------|-----------------|----------------------|-------------|-------------|
| | Community | | | | Voluntary Aided | Voluntary Controlled | Grand Total | |
| | Primary | Secondary | Special | Total | Primary | Primary | | |
| Number | 21 | 4 | 1 | 26 | 5 | 4 | 35 | |
| | £000 | £000 | £000 | £000 | £000 | £000 | £000 | |
| Net Spend | 28,849 | 24,662 | 3,623 | 57,134 | 5,341 | 3,743 | 66,218 | |
| Deficits | 107 | 349 | 0 | 456 | 4 | 30 | 490 | |
| Surpluses | (1,826) | (304) | (46) | (2,176) | (105) | (34) | (2,315) | |

| 2015/16 | Category and Type of School | | | | | | | Grand Total |
|-----------|-----------------------------|-----------|---------|---------|-----------------|----------------------|-------------|-------------|
| | Community | | | | Voluntary Aided | Voluntary Controlled | Grand Total | |
| | Primary | Secondary | Special | Total | Primary | Primary | | |
| Number | 21 | 5 | 1 | 27 | 6 | 4 | 37 | |
| | £000 | £000 | £000 | £000 | £000 | £000 | £000 | |
| Net Spend | 27,781 | 28,604 | 3,652 | 60,037 | 5,401 | 3,376 | 68,814 | |
| Deficits | 20 | 410 | 0 | 430 | 3 | 15 | 448 | |
| Surpluses | (2,625) | (658) | (7) | (3,290) | (330) | (161) | (3,781) | |

The Council also runs a pupil referral unit which falls outside the main categories of school. This cost £0.784m to run in 2016/17, with an accumulated year end surplus of -£0.052m which will be carried forward into 2017/18 (Net spend of £0.760m with an accumulated year end surplus of -£0.074 in 2015/16). In addition to the balances held by schools in the table above, an academy school has an outstanding loan of £0.130m which is recognised as a liability to the academy in the Commercial Transfer Agreement.

Dedicated Schools Grant

The Council's expenditure on schools is funded primarily by grant monies provided by the Education Funding Agency, the Dedicated Schools Grant (DSG). An element of DSG is recouped by the Agency to fund academy schools in the Council's area. DSG is ring-fenced and can only be applied to meet expenditure properly included in the Schools Budget, as defined in the School Finance and Early Years (England) Regulations 2015. The Schools Budget includes elements for a range of educational services provided on a council-wide basis and for the Individual Schools Budget (ISB), which is divided into a

NOTES TO THE CORE FINANCIAL STATEMENTS

budget share for each maintained school. Details of the deployment of DSG receivable for 2016/17 are as follows:

| | Central Expenditure | Individual Schools Budget | Total |
|--|------------------------|---------------------------------|---------|
| | £000 | £000 | £000 |
| Final DSG for 2016/17 before Academy recoupment | | | 83,548 |
| Academy figure recouped for 2016/17 | | | (8,509) |
| Total DSG after Academy recoupment for 2016/17 | | | 75,039 |
| Plus: Brought forward from 2015/16 | | | 2,174 |
| Less: Carry forward to 2017/18 agreed in advance | | | 111 |
| Agreed initial budgeted distribution in 2016/17 | 19,395 | 57,929 | 77,324 |
| In year adjustments ¹ | (3,058) | 3,240 | 182 |
| Final budget distribution for 2016/17 | 16,337 | 61,169 | 77,506 |
| Less: Actual central expenditure | 13,209 | | 13,209 |
| Less: Actual ISB deployed to schools | | 61,169 | 61,169 |
| Plus: Local authority contribution for 2016/17 | 0 | 0 | 0 |
| Carry forward to 2017/18 ² | 3,128 | 0 | 3,017 |

¹The in year adjustments against central expenditure includes an allowance for a £0.182m reduction in DSG once the Early Years Block funding allocation is recalculated in May 2017 to reflect January 2017 census figures.

²The total carry forward is the carry forward on central expenditure plus the carry forward to 2017/18 agreed in advance.

10 GRANT & CONTRIBUTIONS INCOME AND BUSINESS RATES

The Council credited the following grants and contributions to the Comprehensive Income and Expenditure Statement.

Credited to Taxation and Non Specific Grant Income

Capital Grants & Contributions

| | 2016/17 | 2015/16 |
|--|---------------|---------------|
| | £000 | £000 |
| Basic Needs | 12,372 | 10,226 |
| Other Government Grants | 4,246 | 3,238 |
| S106 Contributions | 8,144 | 2,321 |
| Community Infrastructure Levy (CIL) | 3,037 | 1,185 |
| Thames Valley Berkshire Local Enterprise Partnership Contributions | 1,344 | 6,256 |
| Other Capital Contributions | 233 | 239 |
| Total | 29,376 | 23,465 |

NOTES TO THE CORE FINANCIAL STATEMENTS

Revenue Grants & Contributions

General and other non-ringfenced government grants are recognised within Taxation and Non-specific Grant Incomes in the Comprehensive Income and Expenditure Statement along with Business Rates income and expenditure.

The New Homes Bonus is designed to encourage the development of new properties. Grant is provided for each new home built or property brought back into use.

Education Services Grant was introduced in 2013/14 and is allocated to councils on a simple per-pupil basis. It replaces the Local Authority Central Spend Equivalent Grant (LACSEG) and the relevant element of the Council's formula grant. It is intended to fund the cost of services that councils must provide centrally, without charge, to schools.

| | 2016/17 | 2015/16 |
|--|---------------|---------------|
| | £000 | £000 |
| Revenue Support Grant | 11,283 | 15,670 |
| Local Services Support Grant | 5 | 26 |
| Council Tax Freeze Grant | 0 | 505 |
| New Homes Bonus Grant | 3,934 | 3,290 |
| Transition Grant | 934 | 0 |
| Troubled Families Grants | 385 | 245 |
| Housing and Council Tax Benefit Subsidy Administration Grant | 450 | 481 |
| Local Sustainable Transport Fund Grant | 0 | 2 |
| Education Services Grant | 1,491 | 1,710 |
| Special Educational Needs Grant | 80 | 70 |
| Small Business Rates Relief Grant | 512 | 668 |
| Local Reform and Community Voices Grant | 49 | 49 |
| Family Safeguarding Project Fund | 800 | 0 |
| High Needs Strategic Planning Grant | 53 | 0 |
| Delivering Differently in Neighbourhoods Grant | 0 | 87 |
| New Burdens Grant for Property Searches | 8 | 107 |
| Independent Living Fund Grant | 273 | 216 |
| Care Act Grant | 0 | 464 |
| Disabled Facilities Grant | 432 | 348 |
| Other non-ringfenced revenue grants | 96 | 80 |
| Other non-ringfenced capital grants used to finance revenue | 0 | 32 |
| General and Non-ringfenced Government Grants | 20,785 | 24,050 |
| Business Rates Income | 30,046 | 35,511 |
| Business Rates Tariff | (11,282) | (11,189) |
| Business Rates Levy | (1,519) | (4,003) |
| Business Rates Income and Expenditure | 17,245 | 20,319 |
| Total | 38,030 | 44,369 |

NOTES TO THE CORE FINANCIAL STATEMENTS

Grants and Contributions Credited to Services

| | 2016/17 | 2015/16 |
|---|----------------|----------------|
| | £000 | £000 |
| Dedicated Schools Grant (including pupil premium) | 77,900 | 81,577 |
| Sixth Form Funding | 4,149 | 4,138 |
| Housing Benefit Subsidy | 31,096 | 32,741 |
| Public Health Grant | 4,262 | 3,586 |
| Other Grants and Contributions | 14,633 | 11,301 |
| Donations | 462 | 462 |
| Total | 132,502 | 133,805 |

Grants and Contributions - Receipts in Advance

The Council has received a number of grants and other contributions that have yet to be recognised as income as they have conditions attached to them which have not been satisfied as of the Balance Sheet date.

For revenue grants and contributions these totalled £0.709m (£0.652m in 2015/16).

Capital Grants and Contributions - Receipts in Advance

| | 31 March 2017 | 31 March 2016 |
|--|---------------|---------------|
| | £000 | £000 |
| Short Term Creditors | | |
| Thames Valley Berkshire Local Enterprise Partnership | 196 | 1,344 |
| 30 Hours for 3-4 year olds | 147 | 0 |
| Basic Needs (School Places) | 0 | 107 |
| Other Government Grants | 393 | 292 |
| Other Contributions | 2 | 2 |
| Long Term Liabilities | | |
| Section 106 contributions ¹ | 8,074 | 7,246 |
| Total | 8,812 | 8,991 |

¹Section 106 contributions arise from planning agreements, which govern the utilisation of the receipts.

NOTES TO THE CORE FINANCIAL STATEMENTS

11 EMPLOYEE BENEFITS

REMUNERATION OF EMPLOYEES

The following table shows the number of employees whose remuneration, excluding pension costs, exceeded £50,000 for the year, except for those that have been disclosed individually.

| Total Remuneration ¹ | 2016/17 | | | 2015/16 |
|---------------------------------|-----------------|-----------|------------|-----------------|
| | No of Employees | | Total | No of Employees |
| | Non-schools | Schools | | |
| £50,000 - £54,999 | 18 | 34 | 52 | 50 |
| £55,000 - £59,999 | 13 | 16 | 29 | 31 |
| £60,000 - £64,999 | 9 | 13 | 22 | 22 |
| £65,000 - £69,999 | 6 | 13 | 19 | 13 |
| £70,000 - £74,999 | 5 | 3 | 8 | 9 |
| £75,000 - £79,999 | 1 | 4 | 5 | 4 |
| £80,000 - £84,999 | 5 | 1 | 6 | 4 |
| £85,000 - £89,999 | 6 | 1 | 7 | 8 |
| £90,000 - £94,999 | 2 | 1 | 3 | 2 |
| £95,000 - £99,999 | 1 | 1 | 2 | 0 |
| £100,000 - £104,999 | 0 | 1 | 1 | 1 |
| £115,000 - £119,999 | 0 | 0 | 0 | 1 |
| £130,000 - £134,999 | 0 | 1 | 1 | 0 |
| £140,000 - £144,999 | 0 | 0 | 0 | 1 |
| Total | 66 | 89 | 155 | 146 |
| 2015/16 Comparatives | 70 | 76 | | |

¹ The total remuneration includes redundancy and compensation payments where applicable.

The following tables set out the remuneration disclosures for senior employees whose salary is equal to or more than £50,000 per year. Any senior employee whose salary is £150,000 or more per year has also been named. The term senior employee applies to the Chief Executive and his direct line reports, the Strategic Director of Public Health and the statutory Borough Treasurer and Borough Solicitor posts.

NOTES TO THE CORE FINANCIAL STATEMENTS

Remuneration of Senior Employees 2016/17

| Post Title (and Name if over £150,000) | Salary £000 | Expense Allowances £000 | Total Excluding Pension Contributions £000 | Pension Contributions £000 | Total Including Pension Contributions £000 |
|--|----------------|-------------------------------|---|----------------------------------|---|
| Chief Executive – T Wheadon | 167.5 | 0 | 167.5 | 20.3 | 187.8 |
| Assistant Chief Executive | 86.1 | 0 | 86.1 | 11.1 | 97.2 |
| Director of Corporate Services | 117.2 | 0 | 117.2 | 15.0 | 132.2 |
| Director of Children, Young People and Learning ¹ | 47.6 | 0 | 47.6 | 6.1 | 53.7 |
| Director of Children, Young People and Learning ¹ | 56.4 | 0 | 56.4 | 7.2 | 63.6 |
| Director of Adult Social Care, health and Housing ² | 104.6 | 0 | 104.6 | 13.3 | 117.9 |
| Director of Environment, Culture and Communities | 114.2 | 0 | 114.2 | 14.6 | 128.8 |
| Borough Treasurer ³ | 65.3 | 0 | 65.3 | 8.3 | 73.6 |
| Borough Treasurer ³ | 43.8 | 0 | 43.8 | 5.6 | 49.4 |
| Borough Solicitor | 92.4 | 0 | 92.4 | 11.8 | 104.2 |
| Strategic Director of Public Health ⁴ | 15.2 | 0 | 15.2 | 1.9 | 17.1 |
| Total | 910.3 | 0 | 910.3 | 115.2 | 1,025.5 |

¹The Director of Children, Young People and Learning retired on 31 August 2016 and a new Director was appointed on 3 October 2016.

²The Director of Adult Social Care, Health and Housing was appointed on 2 May 2016.

³The Borough Treasurer retired on 30 November 2016 and a new appointment made on 20 October 2016.

⁴The remuneration for this post is shared between the six Berkshire unitary councils. This is Bracknell Forest's share (13.5%).

Remuneration of Senior Employees 2015/16

| Post Title (and Name if over £150,000) | Salary £000 | Expense Allowances £000 | Total Excluding Pension Contributions £000 | Pension Contributions £000 | Total Including Pension Contributions £000 |
|--|----------------|-------------------------------|---|----------------------------------|---|
| Chief Executive – T Wheadon ¹ | 171.5 | 0 | 171.5 | 21.7 | 193.2 |
| Assistant Chief Executive | 86.2 | 0 | 86.2 | 11.0 | 97.2 |
| Director of Corporate Services | 116.9 | 0 | 116.9 | 14.9 | 131.8 |
| Director of Children, Young People and Learning | 113.4 | 0 | 113.4 | 14.4 | 127.8 |
| Director of Environment, Culture and Communities | 113.4 | 0 | 113.4 | 14.4 | 127.8 |
| Director of Transformation ² | 117.5 | 0 | 117.5 | 9.6 | 127.1 |
| Borough Treasurer | 97.7 | 0 | 97.7 | 12.3 | 110.0 |
| Borough Solicitor ³ | 21.4 | 0 | 21.4 | 2.4 | 23.8 |
| Borough Solicitor ³ | 66.2 | 0 | 66.2 | 8.5 | 74.7 |
| Strategic Director of Public Health ⁴ | 14.8 | 0 | 14.8 | 1.9 | 16.7 |
| Total | 919.0 | 0 | 919.0 | 111.1 | 1,030.1 |

¹Includes remuneration for the role of Returning Officer

²The Director of Transformation retired in December 2015.

³The Borough Solicitor retired on the 15 June 2015 and a new appointment made on 29 June 2015.

⁴The remuneration for this post is shared between the six Berkshire unitary councils. This is Bracknell Forest's share (13.5%).

NOTES TO THE CORE FINANCIAL STATEMENTS

The Director of Adult Social Care, Health and Housing post was covered by an interim on an agency basis for the whole year at a total cost of £0.208m.

EXIT PACKAGES & TERMINATION BENEFITS

The number of exit packages with total cost per band and total cost of compulsory and other redundancies are set out below:

| Exit Package Cost Band | No of Compulsory Redundancies | | No of Other Departures | | Total No | | Total Cost £000 | |
|------------------------|-------------------------------|------------|------------------------|-----------|-----------|------------|-----------------|--------------|
| | 2016/17 | 2015/16 | 2016/17 | 2015/16 | 2016/17 | 2015/16 | 2016/17 | 2015/16 |
| | £0-£20,000 | 37 | 85 | 18 | 18 | 55 | 103 | 394 |
| £20,001 - £40,000 | 10 | 16 | 0 | 1 | 10 | 17 | 288 | 434 |
| £40,001 - £60,000 | 1 | 1 | 0 | 0 | 1 | 1 | 45 | 48 |
| £60,001 - £80,000 | 1 | 0 | 1 | 0 | 2 | 0 | 153 | 0 |
| £80,001- £100,000 | 0 | 2 | 0 | 0 | 0 | 2 | 0 | 177 |
| £100,001- £120,000 | 2 | 1 | 0 | 0 | 2 | 1 | 228 | 119 |
| Total | 51 | 105 | 19 | 19 | 70 | 124 | 1,108 | 1,166 |

Other departures include agreed settlements and contract terminations arising, for example, on ill health grounds or during probationary periods.

Liabilities are charged to the Comprehensive Income and Expenditure Statement during the year in which the Council is committed to them. The liabilities of £1.108m (£1.166m in 2015/16) were comprised of redundancy, settlements and other payments £0.575m (£0.827m), pay in lieu of notice £0.118m (£0.076m) and pension fund contributions to preserve unreduced benefits (pension strain) £0.415m (£0.263m). Pension strain is a cost payable to the Pension Fund.

PENSIONS

Teachers' Pension Scheme

Contributions to the Scheme by employers and employees are set at rates determined by the Secretary of State, taking advice from the Scheme's actuary. The Scheme's payments are partially funded by the employer and employee contributions, the balance of funding being provided by Parliament through general taxation. The Teachers' Pension Scheme increased the employer contribution rate from 14.1% to 16.48% in September 2015.

The Council cannot be held directly liable for the actions of other entities within the Scheme and there is no agreed allocation of any Scheme surplus or deficit on the Council's withdrawal from the plan. The Scheme does not issue information about the level of participation of this Council in the plan compared with other participating entities.

| | 2016/17 | | 2015/16 | |
|--|-------------------------|---------------------|-------------------------|---------------------|
| | Employers' Contribution | Additional Benefits | Employers' Contribution | Additional Benefits |
| Amount Paid | £5.085m | £0.249m | £5.000m | £0.254m |
| As a percentage of teachers' pensionable pay | 16.5% | 0.8% | 15.5% | 0.8% |

The expected Employers' Contribution for 2017/18 is £4.973m

NOTES TO THE CORE FINANCIAL STATEMENTS

The Council is also responsible for the costs of any additional benefits awarded upon early retirement outside of the terms of the teachers' scheme, consisting of on-going annual payments as follows:

- To the Teachers' Pension Fund relating to the premature retirement of teachers on unreduced benefits,
- To five former teachers directly relating to premature retirement on unreduced benefits,
- To the Royal County of Berkshire Pension Fund who administer compensatory pension payments on behalf of former Berkshire County Council teachers.

Local Government Pension Scheme

The costs of retirement benefits are recognised in the Comprehensive Income and Expenditure Statement when earned by employees.

The Council pays employer's contributions into the Royal County of Berkshire Pension Fund. The contribution rate is determined by the Fund's Actuary based on triennial valuations, the last relevant review being at 31 March 2016. Under Pension Fund Regulations contribution rates are set to meet 100% of the overall liabilities of the Fund. The current contribution rate is 12.8% of pensionable pay for current service plus a lump sum payment of £2.433m to cover the past service deficit element (12.8% and £2.076m in 2015/16).

The General Fund is charged with the amount payable by the Council to the pension fund in the year, not the current service costs and interest cost. The Movement in Reserves Statement includes an appropriation to and from the Pensions Reserve to adjust the pension charges within the Comprehensive Income and Expenditure Statement to the amount paid and/or payable to the pension fund in the reporting period.

The following costs have been recognised in the Comprehensive Income and Expenditure Statement and Statement of Movement on the General Fund Balance during the year:

NOTES TO THE CORE FINANCIAL STATEMENTS

| | 2016/17 £000 | 2015/16 £000 |
|--|-----------------|-----------------|
| Comprehensive Income and Expenditure Statement | | |
| Cost of Services: | | |
| Current Service Cost | 12,957 | 14,350 |
| Past Service Cost including curtailments | 791 | 53 |
| (Gain)/Loss from Settlements | (1,147) | (372) |
| Other Operating Expenditure | | |
| Other Pension Administration Costs | 152 | 148 |
| Financing and Investment Income and Expenditure: | | |
| Net Interest Expense | 7,532 | 7,282 |
| Total Post Employment Benefits Charged to the Surplus or Deficit on the Provision of Services | 20,285 | 21,461 |
| Other Post Employment Benefits Charged to the Comprehensive Income and Expenditure Statement – Remeasurements of the Net Defined Benefit Liability | | |
| Return on Plan Assets (excluding the amount included in the Net Interest Expense) | (24,262) | 10,555 |
| Actuarial (Gains) and Losses arising on changes in financial assumptions | 99,085 | (32,072) |
| Actuarial (Gains) and Losses arising on changes in demographic assumptions | (5,539) | 0 |
| Other Actuarial (Gains)/Losses on Assets | (5,187) | 0 |
| Experience (Gain)/Loss on Defined Benefit Obligation | (6,920) | (330) |
| Total Post Employment Benefits Charged to the Comprehensive Income and Expenditure Statement | 77,462 | (386) |
| Movement in Reserves Statement | | |
| Reversal of net charges made to the Surplus or Deficit on the Provision of Services for Post Employment Benefits in accordance with the Code. | (20,285) | (21,461) |
| Actual Amount Charged Against the General Fund for Pensions in the Year: | | |
| Employer's Contributions Payable to Pension Scheme | 9,896 | 8,859 |

Pensions Assets and Liabilities Recognised in the Balance Sheet

The amount included in the Balance Sheet arising from the Council's obligation in respect of its defined benefit plans is as follows:

| | 31 March 2017 £000 | 31 March 2016 £000 |
|--|-----------------------|-----------------------|
| Present value of funded obligation | 519,532 | 415,145 |
| Fair Value of scheme (plan) assets | (243,017) | (205,995) |
| Net funded liability | 276,515 | 209,150 |
| Present value of unfunded obligation | 5,701 | 5,500 |
| Net liability arising from the defined benefit obligation | 282,216 | 214,650 |

The unfunded obligation relates to premature early retirement on unreduced benefits awarded in the past, mostly by the former Berkshire County Council, and annual payments must be paid by the Council when the pensioner payments are made.

The net liability has an impact on the net worth of the Council as recorded in the Balance Sheet. However, statutory arrangements for funding the deficit mean that the financial

NOTES TO THE CORE FINANCIAL STATEMENTS

position of the Council remains healthy. The deficit on the Local Government Scheme will be funded by improved investment returns or increased contributions over the remaining working lives of employees, as assessed by the scheme's actuary.

Reconciliation of the movements in the present value of scheme liabilities (defined benefit obligation):

| | 31 March 2017 | 31 March 2016 |
|--|----------------|----------------|
| | £000 | £000 |
| Liabilities as of the Beginning of the Period | 420,645 | 433,625 |
| Current Service Cost | 12,957 | 14,350 |
| Interest Cost | 15,136 | 14,386 |
| Contributions by Scheme Participants | 3,376 | 3,307 |
| Remeasurements | | |
| Actuarial (Gains) and Losses arising from changes in financial assumptions | 99,085 | (32,072) |
| Actuarial (Gains) and Losses arising from changes in demographic assumptions | (5,539) | 0 |
| Experience Loss/(Gain) on Defined Benefit Obligation | (6,920) | (330) |
| Past Service Costs including Curtailments | 791 | 53 |
| Benefits Paid plus Unfunded Pension Payments | (12,518) | (11,765) |
| Unfunded Pension Payments | (418) | (432) |
| Liabilities assumed/(extinguished) on Settlements | (1,363) | (477) |
| Liabilities as of the end of the period | 525,232 | 420,645 |

The liabilities show the underlying commitments that the Council has to pay in retirement benefits. There has been a substantial increase in the value of the defined benefit obligation as a result of the change in financial assumptions over the year, as both the discount rate has decreased (due to a decrease in bond yields) and future expected inflation has increased.

Reconciliation of the movements in the Fair Value of scheme (plan) assets:

| | 31 March 2017 | 31 March 2016 |
|---|----------------|----------------|
| | £000 | £000 |
| Assets as of the Beginning of the Period | 205,995 | 209,730 |
| Interest income | 7,604 | 7,104 |
| Remeasurements | | |
| Return on Plan Assets (excluding the amount included in the Net Interest Expense) | 24,262 | (10,555) |
| Other Actuarial Gains and Losses | 5,187 | 0 |
| Other Administration Expenses | (152) | (148) |
| Employer Contributions | 9,896 | 8,859 |
| Contributions by Scheme Participants | 3,376 | 3,307 |
| Benefits Paid | (12,936) | (12,197) |
| Settlement prices received/(paid) | (216) | (105) |
| Assets as of the end of the period | 243,016 | 205,995 |

Overall, asset returns have been strong over the year, particularly equities. Gilts and bonds have had a volatile year, primarily driven by political events. The overall return was 15% (-2% in 2015/16) which contributed to an improvement in the asset position.

The total contribution expected to be made to the Royal County of Berkshire Pension Fund in 2017/18 is £9.227m.

NOTES TO THE CORE FINANCIAL STATEMENTS

Assets in the Royal County of Berkshire Pension Fund are measured at Fair Value, principally the current bid price for investments, and consist of the following categories:

| | Assets Held 31 March 2017 | | Assets Held 31 March 2016 | |
|--------------------------------------|------------------------------|------------|------------------------------|------------|
| | £000 | % | £000 | % |
| Cash and Cash Equivalents | 25,493 | 10 | 10,390 | 5 |
| Bonds | | | | |
| Government (Gilts) | 0 | 0 | 3,001 | 1 |
| Other ¹ | 36,222 | 15 | 28,249 | 14 |
| Equities ² | 118,553 | 49 | 93,136 | 45 |
| Property ³ | 33,505 | 14 | 24,081 | 12 |
| Target Return Portfolio (Unit Trust) | 25,099 | 10 | 38,770 | 19 |
| Commodities ⁴ | 4,028 | 2 | 6,791 | 3 |
| Infrastructure ⁴ | 12,339 | 5 | 9,847 | 5 |
| Longevity Insurance | -12,223 | -5 | -8,270 | -4 |
| Total | 243,016 | 100 | 205,995 | 100 |

¹Other Bonds are all overseas investments

²88% of Equities are overseas investments (93% in 2015/16)

³Property pooled funds include UK and overseas elements

⁴Commodities and infrastructure are primarily overseas investments

Basis for Estimating Asset and Liabilities

Liabilities have been estimated on an actuarial basis using the latest full valuation of the scheme as at 31 March 2016 rolled forward allowing for different financial assumptions about mortality rates, salary levels, etc. Barnett Waddingham, an independent firm of actuaries, has assessed the Royal County of Berkshire Pension Fund liabilities. Since 2012/13, different assumptions have been made for this Council and the former Berkshire County Council (BCC).

These assumptions are set with reference to market conditions at 31 March 2017. The discount rate is the annualised yield at the 20 year (BCC 12 year) point on the Merrill Lynch AA rated corporate bond curve which has been chosen with consideration of the duration of the employer's liabilities, estimated at 20 years (BCC 12 years). The RPI assumption is therefore 3.6% (BCC 3.3%). As future pension increases are based on CPI rather than RPI, a further assumption has been made about CPI which is that it will be 0.9% below RPI i.e. 2.7% (BCC 2.4%). This is a reasonable estimate for the future differences in the indices, based on the different calculation methods.

Salary increases are assumed to be 1.5% above CPI in addition to a promotional scale, except for the period to 31 March 2020 where salaries are assumed to rise in line with CPI.

NOTES TO THE CORE FINANCIAL STATEMENTS

The main demographic and financial assumptions used in the calculations are:

| | 2016/17 | | 2015/16 | |
|---|--------------------|------------|--------------------|----------|
| | % Former BCC | % BFC | % Former BCC | % BFC |
| Rate of inflation - RPI | 3.3 | 3.6 | 2.9 | 3.3 |
| Rate of inflation - CPI | 2.4 | 2.7 | 2.0 | 2.4 |
| Rate of increase in salaries | 3.9 | 4.2 | 3.8 | 4.2 |
| Rate of increase in pensions | 2.4 | 2.7 | 2.0 | 2.4 |
| Discount Rate | 2.2 | 2.8 | 3.1 | 3.7 |
| Mortality assumptions from age 65: | Age | Age | Age | Age |
| Longevity at 65 for current pensioners | | | | |
| Men | 23.0 | 23.0 | 22.9 | 22.9 |
| Women | 25.0 | 25.0 | 26.2 | 26.2 |
| Longevity at 65 for pensioners retiring in 20 years | | | | |
| Men | 25.1 | 25.1 | 25.2 | 25.2 |
| Women | 27.4 | 27.4 | 28.6 | 28.6 |

Members will exchange half of their commutable pension for cash at retirement.

A weighted average retirement age is used for all active members.

The proportion of the membership that had taken up the option under the new scheme to pay 50% of contributions for 50% of benefits at the previous valuation date will remain the same.

Pensions Reserve

The Pensions Reserve absorbs the timing differences arising from the different arrangements for accounting for post employment benefits and for funding benefits in accordance with statutory provisions. The Council accounts for post employment benefits in the Comprehensive Income and Expenditure Statement as the benefits are earned by employees accruing years of service, updating the liabilities recognised to reflect inflation, changing assumptions and investment returns on any resources set aside to meet the costs. However, statutory arrangements require benefits earned to be financed as the Council makes employer's contributions to pension funds, or eventually pays any pensions for which it is directly responsible. The debit balance on the Pensions Reserve therefore shows a substantial shortfall in the benefits earned by past and current employees and the resources the Council has set aside to meet them. The statutory arrangements will ensure that funding will have been set aside by the time the benefits come to be paid.

A detailed analysis of movements in the Pensions Reserve is provided below:

| | 31 March 2017 | 31 March 2016 |
|--|------------------|------------------|
| | £000 | £000 |
| Surplus /(Deficit) as of beginning of the period | (214,650) | (223,895) |
| Remeasurements | (57,177) | 21,847 |
| Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement | (20,285) | (21,461) |
| Employer's pension contributions and direct payments to pensioners payable in the year | 9,896 | 8,859 |
| Surplus /(Deficit) as of end of the period | (282,216) | (214,650) |

NOTES TO THE CORE FINANCIAL STATEMENTS

The figures include the Council's share of the Former Berkshire County Council Pension Fund Liability of £37.396m (2015/16 £34.261m).

Further information can be obtained from the administrators of the Royal County of Berkshire Pension Fund:

Pension Fund Manager
Royal County of Berkshire Pension Fund
Minster Court
22-30 York Road
Maidenhead
Berkshire
SL6 1SF

Tel: 0845 6027237

12 MEMBERS' ALLOWANCES & EXPENSES

The following amounts were paid to members of the Council during the year:

| | 2016/17 | 2015/16 |
|--------------|------------|------------|
| | £000 | £000 |
| Allowances | 572 | 580 |
| Expenses | 7 | 7 |
| Total | 579 | 587 |

13 AGENCY EXPENDITURE & INCOME

Under various statutory powers the Council may agree with other councils, water companies and Government departments to do work on their behalf.

The Council acts as the lead council for Public Health, the Emergency Duty Service, the Education Library Service and the London Road Landfill Site through joint operations and provides services to the five other Berkshire Unitary Councils. The Council is reimbursed for this work including a contribution towards administrative costs. The Council also administers the South East Sector Led Improvement Programme for Children's Services. Only the net income or expenditure for each service has been included in the Comprehensive Income and Expenditure Statement.

| | 2016/17 | | | 2015/16 | | |
|---------------|---------------|-----------------|------------|---------------|-----------------|------------|
| | Expenditure | Income | Net | Expenditure | Income | Net |
| | £000 | £000 | £000 | £000 | £000 | £000 |
| Public Health | 21,006 | (20,903) | 103 | 17,156 | (17,106) | 50 |
| Other | 2,347 | (1,982) | 365 | 2,234 | (1,912) | 322 |
| Total | 23,353 | (22,885) | 468 | 19,390 | (19,018) | 372 |

NOTES TO THE CORE FINANCIAL STATEMENTS

14 LEASES

OPERATING LEASES

Council as Lessee

The Council leases various land and/or buildings under non-cancellable operating lease agreements. The lease terms range from 2 to 125 years. The operating leases do not have purchase options, although some have escalation clauses and terms of renewal. Renewals are negotiated with the lessor in accordance with the provisions of the individual lease agreements.

The Council also leases various equipment and vehicles under non-cancellable operating lease agreements. The lease terms are between 1 and 6 years.

The non-cancellable operating lease expenditure charged to the relevant service line in the Comprehensive Income and Expenditure Statement during the year is £0.406m, a combination of £0.233m for properties and £0.173m for equipment and vehicles (2015/16 £0.226m for properties and £0.193m for equipment and vehicles).

The Council paid contingent rent of £0.005m during the year (2015/16 £0.003m).

The future minimum lease payments due under non-cancellable operating leases will be payable over the following periods:

| | 31 March 2017 | | | 31 March 2016 | | |
|--|----------------------------|------------------------------|---------------|----------------------------|------------------------------|---------------|
| | Land and Buildings £000 | Equipment & Vehicles £000 | Total £000 | Land and Buildings £000 | Equipment & Vehicles £000 | Total £000 |
| Not later than one year | 136 | 146 | 282 | 158 | 173 | 331 |
| Later than one year but not more than five years | 392 | 250 | 642 | 413 | 279 | 692 |
| Later than five years | 4,792 | 0 | 4,792 | 4,884 | 0 | 4,884 |
| Total | 5,320 | 396 | 5,716 | 5,455 | 452 | 5,907 |

Council as Lessor

The Council leases various land and/or buildings to lessees under non-cancellable operating lease agreements. The lease terms range from 1 to 125 years. The leases do not have purchase options, although some have escalation clauses and terms of renewal. Renewals are negotiated with the lessee in accordance with the provisions of the individual lease agreements. The minimum lease payments to be received by the Council (including the sub-letting of the industrial accommodation held under a finance lease at Longshot Lane) under non-cancellable operating leases in future years are as follows:

| | 31 March 2017 £000 | 31 March 2016 £000 |
|--|-----------------------|-----------------------|
| Not later than one year | 1,919 | 1,711 |
| Later than one year but not more than five years | 4,994 | 5,060 |
| Later than five years | 22,069 | 22,600 |
| Total | 28,982 | 29,371 |

NOTES TO THE CORE FINANCIAL STATEMENTS

The minimum lease payments do not include rents that are contingent on events taking place after the lease was entered into. The Council received contingent rent during the year of £0.795m (2015/16 £0.748m).

Of this, the total future minimum lease payments to be received by the Council that relate to Investment Property are as follows:

| | 31 March 2017 | 31 March 2016 |
|--|---------------|---------------|
| | £000 | £000 |
| Not later than one year | 1,508 | 1,575 |
| Later than one year but not more than five years | 4,572 | 4,789 |
| Later than five years | 19,287 | 19,818 |
| Total | 25,367 | 26,182 |

The Council received contingent rent during the year of £0.787m (2015/16 £0.737m) for Investment Property.

FINANCE LEASES

Council as Lessee

The Council leases various properties under non-cancellable finance lease agreements. The property lease terms range from 75 to 99 years. The leases do not have purchase options, although some have escalation clauses and terms of renewal. Renewals are negotiated with the lessor in accordance with the provisions of the individual lease agreements.

The Council is committed to making minimum payments under these leases comprising settlement of the long term liability for the interest in the property acquired by the Council and finance costs that will be payable by the Council in future years while the liability remains outstanding. The minimum lease payments are made up of the following amounts:

| | 31 March 2017 | 31 March 2016 |
|--|-------------------------------|-------------------------------|
| | Land and Buildings £000 | Land and Buildings £000 |
| Finance lease liabilities (net present value of minimum lease payments): | | |
| Current | 0 | 0 |
| Non-current | 1,451 | 1,451 |
| | 1,451 | 1,451 |
| Finance costs payable in future years | 8,960 | 9,131 |
| Minimum lease payments | 10,411 | 10,582 |

The total future minimum lease payments will be payable over the following periods:

| | 31 March 2017 | 31 March 2016 |
|--|-------------------------------|-------------------------------|
| | Land and Buildings £000 | Land and Buildings £000 |
| Not later than one year | 171 | 171 |
| Later than one year but not more than five years | 683 | 683 |
| Later than five years | 9,557 | 9,728 |
| Total | 10,411 | 10,582 |

NOTES TO THE CORE FINANCIAL STATEMENTS

The minimum lease payments do not include rents that are contingent on events taking place after the lease was entered into. The Council paid contingent rent during the year of £0.318m (2015/16 £0.318m) for Longshot Lane.

The Council has sub-let the industrial accommodation held under a finance lease at Longshot Lane under short term leases. The minimum lease payments expected to be received by the Council for Longshot Lane are as follows:

| | 31 March 2017 | 31 March 2016 |
|--|--------------------|--------------------|
| | Land and Buildings | Land and Buildings |
| | £000 | £000 |
| Not later than one year | 472 | 502 |
| Later than one year but not more than five years | 1,294 | 1,446 |
| Later than five years | 1,187 | 1,399 |
| Total | 2,953 | 3,347 |

The minimum lease payments do not include rents that are contingent on events taking place after the lease was entered into. The Council received contingent rent during the year of £0.058m (2015/16 £0.067m).

Council as Lessor

Under the Council's My HomeBuy Scheme, the Council has purchased, then leased out its share of fifteen properties to participating residents over a 125 year period.

In 2014 the Council entered into a finance lease over a 999 year period with Thames Valley Housing Association for the combined Adastron House/Byways site.

The gross investment in the leases is equal to the minimum lease payments expected to be received over the remaining terms, as the properties and land are expected to have a nil residual value when the leases come to an end. The minimum lease payments comprise settlement of the long term debtors for the interest in the properties and land acquired by the lessees and finance income that will be earned by the Council in future years whilst the debtors remains outstanding.

The gross investment is made up of the following amounts:

| | 31 March 2017 | 31 March 2016 |
|---|--------------------|--------------------|
| | Land and Buildings | Land and Buildings |
| | £000 | £000 |
| Finance lease debtor (net present value of minimum lease payments): | | |
| Current | 0 | 0 |
| Non-current | 1,307 | 1,504 |
| | 1,307 | 1,504 |
| Unearned Finance income | 6,009 | 7,016 |
| Gross Investment in the Leases | 7,316 | 8,520 |

NOTES TO THE CORE FINANCIAL STATEMENTS

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

| | Gross Investment/Minimum Lease Payments | |
|--|---|--------------------|
| | 31 March 2017 | 31 March 2016 |
| | Land and Buildings | Land and Buildings |
| | £000 | £000 |
| Not later than one year | 60 | 70 |
| Later than one year but not more than five years | 241 | 279 |
| Later than five years | 7,015 | 8,171 |
| Total | 7,316 | 8,520 |

No allowance has been made for uncollectible amounts. For My Homebuy the lease payments are stepped during the first 5 years and no defaults are anticipated.

The minimum lease payments receivable do not include rents that are contingent on events taking place after the lease was entered into, such as adjustments following rent reviews. The Council did not receive any contingent rent during the year (2015/16 £0.0m).

15 WASTE PFI CONTRACT

In 2006/07 the Council, together with Wokingham Borough and Reading Borough Councils, entered into a PFI contract for the disposal of waste. The total value of the contract is estimated to be £496m as at 31 March 2017, to be shared between the Councils based on relative throughput. Actual payments will depend upon the contractor's performance as well as that of the individual Councils in waste collection. As part of the contract, the contractor built a transfer station, materials recycling facility, civic amenity site and offices. The contract expires in 2031/32.

As the Councils involved control the services provided and will obtain ownership of the assets at the end of the contract, this contract has been treated as a service concession arrangement. The Council's share of assets and liabilities associated with the contract are reflected in the Balance Sheet.

The liability resulting from the contract is included in Long Term Creditors in the Balance Sheet, except for the element payable within one year which is included in Short Term Creditors. The movement in the liability is as follows:

| | 2016/17 | 2015/16 |
|--|----------------|----------------|
| | £000 | £000 |
| Value as of the beginning of the period | (5,619) | (5,813) |
| Payments during the year | 208 | 194 |
| Value as of the end of the period | (5,411) | (5,619) |

NOTES TO THE CORE FINANCIAL STATEMENTS

The following figures are an estimate of the payments to be made by the Council under the contract:

| Obligations payable in | 2017/18 | As at 31 March 2017 | | | | Total payable £000 |
|--------------------------------------|--------------|---------------------|---------------|---------------|-----------|-----------------------|
| | | 2-5 yrs | 6-10 yrs | 11-15 yrs | 16-20 yrs | |
| | £000 | £000 | £000 | £000 | £000 | |
| Reimbursement of Capital Expenditure | 222 | 1,057 | 1,800 | 2,332 | 0 | 5,411 |
| Interest | 355 | 1,254 | 1,098 | 386 | 0 | 3,093 |
| Payment for Services | 7,236 | 30,756 | 43,088 | 45,996 | 0 | 127,076 |
| Total | 7,813 | 33,067 | 45,986 | 48,714 | 0 | 135,580 |

| Obligations payable in | 2016/17 | As at 31 March 2016 | | | | Total payable £000 |
|--------------------------------------|--------------|---------------------|---------------|---------------|--------------|-----------------------|
| | | 2-5 yrs | 6-10 yrs | 11-15 yrs | 16-20 yrs | |
| | £000 | £000 | £000 | £000 | £000 | |
| Reimbursement of Capital Expenditure | 208 | 987 | 1,681 | 2,368 | 375 | 5,619 |
| Interest | 369 | 1,322 | 1,214 | 544 | 13 | 3,462 |
| Payment for Services | 6,434 | 30,026 | 41,976 | 47,756 | 7,317 | 133,509 |
| Total | 7,011 | 32,335 | 44,871 | 50,668 | 7,705 | 142,590 |

The following values of assets are included in the Balance Sheet:

| | 2016/17 | | | 2015/16 | | |
|--|------------------------|--|------------------|------------------------|--|------------------|
| | Other Land & Buildings | Vehicles, Plant, Furniture & Equipment | Total PFI Assets | Other Land & Buildings | Vehicles, Plant, Furniture & Equipment | Total PFI Assets |
| | £000 | £000 | £000 | £000 | £000 | £000 |
| Cost/Valuation | | | | | | |
| As of the beginning of the period | 6,466 | 2,139 | 8,605 | 6,466 | 2,139 | 8,605 |
| Revaluation decreases recognised in the Surplus/Deficit on the Provision of Services | (958) | (222) | (1,180) | 0 | 0 | 0 |
| As of the end of the period | 5,508 | 1,917 | 7,425 | 6,466 | 2,139 | 8,605 |
| Depreciation | | | | | | |
| As of the beginning of the period | 958 | 507 | 1,465 | 718 | 436 | 1,154 |
| Depreciation for Year | 239 | 71 | 310 | 240 | 71 | 311 |
| Depreciation written out to the Surplus/Deficit on the Provision of Services | (1,197) | (355) | (1,552) | 0 | 0 | 0 |
| As of the end of the period | 0 | 223 | 223 | 958 | 507 | 1,465 |
| Net Book Value as of the beginning of the period | 5,508 | 1,632 | 7,140 | 5,748 | 1,703 | 7,451 |
| Net Book Value as of the end of the period | 5,508 | 1,694 | 7,202 | 5,508 | 1,632 | 7,140 |

NOTES TO THE CORE FINANCIAL STATEMENTS

16 AUDITOR'S REMUNERATION

The Council has incurred the following costs in relation to the audit of the Statement of Accounts, certification of grant claims and statutory inspections and to non-audit services provided by the Council's external auditors.

| | 2016/17 £000 | 2015/16 £000 |
|---|-----------------|-----------------|
| Fees payable to the external auditor with regard to external audit services carried out by the appointed auditor for the year | 105 | 105 |
| Fees payable to external auditor for the certification of grant claims and returns for the year | 25 | 25 |
| Fees payable in respect of other services provided by the external auditor during the year | 8 | 20 |
| Rebate received for previous year | 0 | (8) |
| Total | 138 | 142 |

17 TRADING OPERATIONS

The Council has a number of activities which are classified as Trading Operations in accordance with the Code of Practice.

| | | 2016/17 | | 2015/16 | |
|--------------------------------|-------------------|---------|--------------|---------|------------|
| | | £000 | £000 | £000 | £000 |
| Forestcare ¹ | Expenditure | 1,278 | | 1,245 | |
| | Income | (1,135) | | (942) | |
| | (Surplus)/Deficit | | 143 | | 303 |
| Car Parks ² | Expenditure | 8,063 | | 1,436 | |
| | Income | (825) | | (824) | |
| | (Surplus)/Deficit | | 7,238 | | 612 |
| Other | Expenditure | 447 | | 532 | |
| | Income | (503) | | (581) | |
| | (Surplus)/Deficit | | (56) | | (49) |
| Total (Surplus)/Deficit | | | 7,325 | | 866 |

¹Forestcare provides out of hours contact centre services for a range of organisations.

²There is a large deficit on car parks because the basis of their valuation changed in 2016/17, resulting in a £6.6m charge to revenue. The basis has moved from a depreciated replacement cost approach to one based upon earning capacity.

NOTES TO THE CORE FINANCIAL STATEMENTS

18 PROPERTY, PLANT AND EQUIPMENT

Movements on Balances

| | Other Land & Buildings £000 | Vehicles, Plant, Furniture & Equipment £000 | Infra- Structure Assets £000 | 2016/17 Community Assets £000 | Surplus Assets £000 | Assets Under Construction £000 | Total Property, Plant and Equipment £000 |
|--|-----------------------------------|---|---------------------------------------|--|---------------------------|---|--|
| Cost/Valuation | | | | | | | |
| At 1 April 2016 | 462,042 | 39,768 | 74,776 | 6,143 | 4,800 | 20,794 | 608,323 |
| Additions | 6,014 | 1,172 | 5,140 | 144 | 0 | 31,884 | 44,354 |
| Revaluation increases/ (decreases) recognised in the Revaluation Reserve | (4,472) | (222) | 0 | 0 | 0 | 0 | (4,694) |
| Revaluation increases/ (decreases) recognised in the Surplus/Deficit on the Provision of Services | (12,528) | (1) | 0 | 0 | 0 | 0 | (12,529) |
| Disposals | (22,664) | (436) | (1,324) | 0 | 0 | (1,317) | (25,741) |
| Reclassification (to)/from Assets Held for Sale | (900) | 0 | 0 | 0 | 0 | (500) | (1,400) |
| Other Reclassifications | 7,550 | 800 | 3891 | 0 | 0 | (12,505) | (264) |
| At 31 March 2017 | 435,042 | 41,081 | 82,483 | 6,287 | 4,800 | 38,356 | 608,049 |
| Accumulated Depreciation & Impairments | | | | | | | |
| At 1 April 2016 | 18,497 | 27,170 | 23,628 | 0 | 0 | 0 | 69,295 |
| Depreciation charge | 8,042 | 2,022 | 2,879 | 0 | 0 | 0 | 12,943 |
| Depreciation written out to the Revaluation Reserve | (992) | (355) | 0 | 0 | 0 | 0 | (1,347) |
| Depreciation written out to the Surplus/Deficit on the Provision of Services | (2,895) | 0 | 0 | 0 | 0 | 0 | (2,895) |
| Impairment losses (reversals) recognised in the Revaluation Reserve | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Impairment losses (reversals) recognised in the Surplus/Deficit on the Provision of Services | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Depreciation written out on disposal | (1,067) | (281) | (228) | 0 | 0 | 0 | (1,576) |
| Reclassification (to)/from Assets Held for Sale | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| At 31 March 2017 | 21,585 | 28,556 | 26,279 | 0 | 0 | 0 | 76,420 |
| Net Book Value at 31 March 2017 | 413,457 | 12,525 | 56,204 | 6,287 | 4,800 | 38,356 | 531,629 |
| Net Book Value at 31 March 2016 | 443,545 | 12,598 | 51,148 | 6,143 | 4,800 | 20,794 | 539,028 |
| Nature of asset holding | | | | | | | |
| Owned | 407,949 | 10,831 | 56,204 | 6,287 | 4,800 | 38,356 | 524,427 |
| Finance lease | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| PFI | 5,508 | 1,694 | 0 | 0 | 0 | 0 | 7,202 |
| Net Book Value at 31 March 2017 | 413,457 | 12,525 | 56,204 | 6,287 | 4,800 | 38,356 | 531,629 |

NOTES TO THE CORE FINANCIAL STATEMENTS

| | 2015/16 | | | | | | |
|--|---------------------------|---|-------------------------------|---------------------|-------------------|---------------------------------|--|
| | Other Land & Buildings | Vehicles, Plant, Furniture & Equipment | Infra- Structure Assets | Community Assets | Surplus Assets | Assets Under Construction | Total Property, Plant and Equipment |
| | £000 | £000 | £000 | £000 | £000 | £000 | £000 |
| Cost/Valuation | | | | | | | |
| At 1 April 2015 | 427,412 | 37,913 | 68,998 | 5,955 | 5,906 | 11,585 | 557,769 |
| Additions | 12,643 | 1,607 | 4,015 | 98 | 0 | 24,325 | 42,688 |
| Revaluation increases/ (decreases) recognised in the Revaluation Reserve | 13,272 | 0 | 0 | 0 | 0 | 0 | 13,272 |
| Revaluation increases/ (decreases) recognised in the Surplus/Deficit on the Provision of Services | (2,373) | (5) | 0 | 90 | 0 | 0 | (2,288) |
| Disposals | (310) | (26) | (1,217) | 0 | 0 | 0 | (1,553) |
| Reclassification (to)/from Assets Held for Sale | 0 | 0 | 0 | 0 | (1,106) | 0 | (1,106) |
| Other Reclassifications | 11,398 | 279 | 2,980 | 0 | 0 | (15,116) | (459) |
| At 31 March 2016 | 462,042 | 39,768 | 74,776 | 6,143 | 4,800 | 20,794 | 608,323 |
| Accumulated Depreciation & Impairments | | | | | | | |
| At 1 April 2015 | 12,036 | 24,919 | 21,126 | 0 | 41 | 0 | 58,122 |
| Depreciation charge | 7,467 | 2,277 | 2,697 | 0 | 12 | 0 | 12,453 |
| Depreciation written out to the Revaluation Reserve | (858) | 0 | 0 | 0 | 0 | 0 | (858) |
| Depreciation written out to the Surplus/Deficit on the Provision of Services | (134) | 0 | 0 | 0 | 0 | 0 | (134) |
| Impairment losses (reversals) recognised in the Revaluation Reserve | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Impairment losses (reversals) recognised in the Surplus/Deficit on the Provision of Services | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Depreciation written out on disposal | (14) | (26) | (195) | 0 | 0 | 0 | (235) |
| Reclassification (to)/from Assets Held for Sale | 0 | 0 | 0 | 0 | (53) | 0 | (53) |
| At 31 March 2016 | 18,497 | 27,170 | 23,628 | 0 | 0 | 0 | 69,295 |
| Net Book Value at 31 March 2016 | 443,545 | 12,598 | 51,148 | 6,143 | 4,800 | 20,794 | 539,028 |
| Net Book Value at 31 March 2015 | 415,376 | 12,994 | 47,872 | 5,955 | 5,865 | 11,585 | 499,647 |
| Nature of asset holding | | | | | | | |
| Owned | 438,037 | 10,966 | 51,148 | 6,143 | 4,800 | 20,794 | 531,888 |
| Finance lease | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| PFI | 5,508 | 1,632 | 0 | 0 | 0 | 0 | 7,140 |
| Net Book Value at 31 March 2016 | 443,545 | 12,598 | 51,148 | 6,143 | 4,800 | 20,794 | 539,028 |

NOTES TO THE CORE FINANCIAL STATEMENTS

Valuation basis

The Council carries out a rolling programme that ensures that all Property, Plant and Equipment required to be measured at Current or Fair Value is professionally revalued at least every five years. The valuations were principally carried out by Steve Booth BSc, MRICS, ASVA, DipAF – the Council’s Head of Property & Facilities, although for some assets an external firm of valuers was used to determine building costs. Valuations of land and buildings were carried out in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors. The basis for valuation is set out in Note 1. Regardless of the actual valuation date, these valuations are reviewed to ensure they are materially accurate as at 31 March.

The significant assumptions applied in estimating values on a Depreciated Replacement Cost basis are:

- Disregarding any site specific abnormal characteristics that would cause its market value to differ from that needed to replace the service potential at least cost.
- Disregarding alternative potential uses that would drive the value above that needed to replace the service potential of the property; and

The valuation of the Council’s surplus land asset assumes it is comparable to similar assets in the local market with planning permission. This is a level 2 valuation under the Fair Value hierarchy.

The following statement shows the progress of the Council’s revaluations of Property, Plant and Equipment. Other Land and Buildings are revalued on a five year rolling programme, however the Council also undertook an index based revaluation review to ensure that those assets not scheduled to be revalued in the 2016/17 rolling programme were not materially misstated in the Balance sheet. No assets were revalued using the index.

| | Other Land & Buildings | Vehicles, Plant Furniture & Equipment | Infra-structure Assets | Community Assets | Surplus Assets | Assets Under Construction | Total Property, Plant and Equipment |
|--|------------------------|---------------------------------------|------------------------|------------------|----------------|---------------------------|-------------------------------------|
| | £000 | £000 | £000 | £000 | £000 | £000 | £000 |
| Carried at historic cost | 0 | 39,164 | 82,483 | 6,287 | 4,800 | 38,356 | 171,090 |
| Valued at current or Fair Value as at: | | | | | | | |
| 2016/17 | 19,836 | 1,917 | 0 | 0 | 0 | 0 | 21,753 |
| 2015/16 | 58,032 | 0 | 0 | 0 | 0 | 0 | 58,032 |
| 2014/15 | 303,041 | 0 | 0 | 0 | 0 | 0 | 303,041 |
| 2013/14 | 11,397 | 0 | 0 | 0 | 0 | 0 | 11,397 |
| 2012/13 | 42,736 | 0 | 0 | 0 | 0 | 0 | 42,736 |
| Total Cost or Valuation | 435,042 | 41,081 | 82,483 | 6,287 | 4,800 | 38,356 | 608,049 |

NOTES TO THE CORE FINANCIAL STATEMENTS

19 INVESTMENT PROPERTY

| | 2016/17 | 2015/16 |
|--|---------------|---------------|
| | £000 | £000 |
| Balance at the beginning of the period | 29,022 | 23,976 |
| Additions: | | |
| Purchases | 17,772 | 335 |
| Subsequent expenditure | 93 | 0 |
| Disposals | 0 | (75) |
| Net gains/losses from Fair Value adjustments | 1,739 | 4,881 |
| Reclassification (to)/from Property, Plant and Equipment | 0 | (95) |
| Balance at the end of the period | 48,626 | 29,022 |

Three Investment Properties were purchased during the year at a cost of £17.772m. Of the balance as at 31 March 2017, £0.447m relates to properties held under finance leases (£0.449m in 2015/16) and £48.179m to properties owned by the Council (£28.573m in 2015/16). At 31 March 2017, all Investment Properties were let under operating leases with the exception of 3 properties currently without tenants and 3 properties held for future sale. The value of the properties let under operating leases was £45.429m (£26.447m in 2015/16).

There are no restrictions on the Council's ability to realise the value inherent in its Investment Property or on the Council's right to the remittance of income and the proceeds of disposal. The Council has no contractual obligations to purchase, construct or develop Investment Property. The Council has a contractual obligation to repair and maintain its Investment Properties.

The following items of income and expense have been accounted for in the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement:

| | 31 March 2017 | 31 March 2016 |
|---|----------------|----------------|
| | £000 | £000 |
| Rental Income From Investment Property | (3,347) | (2,864) |
| Operating Expenses Arising From Investment Property | 895 | 728 |
| Net Gain | (2,452) | (2,136) |

Valuation basis

The Fair Value of Investment Property has been measured using a market approach, taking into account existing lease terms and rentals and information gathered from managing the Council's Investment Property portfolio. It was conducted by Steve Booth, the Head of Property and Facilities, in accordance with the methodologies and estimation bases set out in the professional standards of the Royal Institution for Chartered Surveyors.

The most significant valuation assumption used is that the rental yield (rental as a percentage of property value) achievable on most Investment Properties is equivalent to that achieved on a recent and comparable property purchase.

NOTES TO THE CORE FINANCIAL STATEMENTS

There is limited activity within the local market for equivalent properties. As the local rental yield is based on one recent transaction, the valuations have been categorised as level 2 of the Fair Value hierarchy.

To estimate the Fair Value of Investment Property, the highest and best use of each asset needs to be considered. Although alternative uses were assessed as part of the process, this was considered to be their current use. There has therefore been no change in the valuation techniques used during the year for Investment Properties.

20 CAPITAL EXPENDITURE AND FINANCING

The total amount of capital expenditure incurred in the year is shown in the table below (including the value of assets acquired under finance leases and PFI contracts), together with the resources that have been used to finance it. Where capital expenditure is to be financed in future years by charges to revenue as assets are used by the Council, the expenditure results in an increase in the Capital Financing Requirement (CFR). This is a measure of the capital expenditure incurred historically by the Council that has yet to be financed.

| | 31 March 2017 | 31 March 2016 |
|---|-----------------|---------------|
| | £000 | £000 |
| Opening Capital Financing Requirement | 62,301 | 54,661 |
| <i>Capital Investment</i> | | |
| Property, Plant and Equipment | 44,254 | 42,660 |
| Investment Property | 17,865 | 335 |
| Intangible Assets | 404 | 226 |
| Revenue Expenditure Funded from Capital under Statute | 1,297 | 1,750 |
| Assets Held for Sale | 6,148 | 0 |
| Long Term Debtors | 6,332 | 118 |
| | 76,300 | 45,089 |
| <i>Sources of Finance</i> | | |
| Capital Receipts | (3,434) | (5,863) |
| Disposal costs incurred in advance of the Capital Receipt | 4 | 21 |
| Government Grants and Other Contributions | (21,871) | (29,992) |
| Sums Set Aside from Revenue: | | |
| Direct Revenue Contributions | 0 | 0 |
| Minimum Revenue Provision | (1,592) | (1,615) |
| | (26,893) | (37,449) |
| Closing Capital Financing Requirement | 111,708 | 62,301 |
| Increase/(Decrease) in underlying need to borrow (supported by government financial assistance) | (513) | (507) |
| Increase/(Decrease) in underlying need to borrow (unsupported by government financial assistance) | 49,920 | 8,147 |
| Increase/(Decrease) in Capital Financing Requirement | 49,407 | 7,640 |

NOTES TO THE CORE FINANCIAL STATEMENTS

21 CAPITAL COMMITMENTS

Estimated commitments for capital expenditure for significant schemes that had started, or where legal contracts had been entered into, as of 31 March 2017 are as follows.

| Capital Scheme | £000 |
|--|---------------|
| Replacement of LED Street Lights | 2,033 |
| Chapel at Cemetery and & Crematorium | 768 |
| Coral Reef Enhancement Project | 2,650 |
| Bracknell Railway Station Forecourt Improvements | 205 |
| Binfield Learning Village at Blue Mountain | 26,968 |
| Great Hollands Primary - Expansion | 1,035 |
| Owlsmoor Primary School Expansion | 159 |
| Town Centre Regeneration | 5,860 |
| Total | 39,678 |

22 LONG TERM DEBTORS

The Council makes loans to a number of organisations and individuals and acts as the lessor for a number of finance leases. A capital loan was made to Downshire Homes Ltd during the year, which is a wholly owned subsidiary of the Council. Its purpose is to provide accommodation for homeless people and people with learning disabilities. By setting up the company the Council has been able to save costs by increasing the supply of such accommodation. In the first year of trading the company acquired 20 properties, 15 of which are used as homeless accommodation and five as shared accommodation for people with learning disabilities. The loan is the only significant transaction between the two bodies and is not considered material enough to warrant the production of group accounts.

| | 31 March 2017 | 31 March 2016 |
|---------------------------------------|---------------|---------------|
| | £000 | £000 |
| Local Authorities | | |
| Loan to Warfield Parish Council | 56 | 64 |
| Loan to Downshire Homes Ltd | 6,332 | 0 |
| Other Entities and Individuals | | |
| Housing Association Loans | 357 | 369 |
| Sale of Council Houses Loans | 17 | 11 |
| Car Loans to Employees | 348 | 376 |
| Rent to Mortgage Properties | 376 | 376 |
| South Hill Park Loan | 13 | 15 |
| Mortgages | 734 | 847 |
| Shared Equity Property Finance Leases | 982 | 1,175 |
| Byways/Adastron Finance Lease | 445 | 445 |
| Total | 9,660 | 3,678 |

NOTES TO THE CORE FINANCIAL STATEMENTS

23 SHORT TERM DEBTORS

| | 31 March 2017 | 31 March 2016 |
|--------------------------------|---------------|---------------|
| | £000 | £000 |
| Central Government Bodies | 3,178 | 3,638 |
| Other Local Authorities | 743 | 1,318 |
| NHS Bodies | 3,772 | 1,861 |
| Other Entities and Individuals | 16,291 | 16,568 |
| Total | 23,984 | 23,385 |

24 CASH AND CASH EQUIVALENTS

| | 31 March 2017 | 31 March 2016 |
|--|---------------|---------------|
| | £000 | £000 |
| Investments With Original Maturities of 3 Months or Less | 19,870 | 18,045 |
| Cash held by the Council | 14 | 15 |
| Bank Balance / (Overdraft) | (2,852) | 2,157 |
| Total | 17,032 | 20,217 |

25 SHORT TERM CREDITORS

| | 31 March 2017 | 31 March 2016 |
|---------------------------------------|---------------|---------------|
| | £000 | £000 |
| Central Government zBodies | 17,751 | 12,854 |
| Other Local Authorities | 2,472 | 2,811 |
| NHS Bodies | 1,912 | 281 |
| Public Corporations and Trading Funds | 3 | 0 |
| Other Entities and Individuals | 32,174 | 36,765 |
| Total | 54,312 | 52,711 |

26 PROVISIONS

| 2016/17 | Town Centre Regeneration £000 | Business Rates Appeals £000 | Other £000 | Total £000 |
|---------------------------------|-------------------------------------|-----------------------------------|---------------|---------------|
| Balance at 1 April 2016 | 639 | 1,774 | 49 | 2,462 |
| Additional provisions | 0 | 4,364 | 0 | 4,364 |
| Unused amounts reversed | 0 | 0 | (28) | (28) |
| Amounts used | (45) | (174) | (21) | (240) |
| Balance at 31 March 2017 | 594 | 5,964 | 0 | 6,558 |

The provision for Business Rates has been increased significantly due to an increase in the number and value of outstanding appeals and their likelihood of success.

NOTES TO THE CORE FINANCIAL STATEMENTS

The Town Centre Regeneration provisions cover the potential cost of Compulsory Purchase Orders (CPOs) served on tenants in the northern section of Bracknell Town Centre and in Market Place. Actual payments are subject to negotiation and it has been assumed that outstanding claims can be finalised in 2017/18.

| 2015/16 | Town Centre Regeneration £000 | Business Rates Appeals £000 | Other £000 | Total £000 |
|---------------------------------|-------------------------------------|-----------------------------------|---------------|---------------|
| Balance at 1 April 2015 | 2,293 | 10,809 | 98 | 13,200 |
| Additional provisions | 0 | 920 | 34 | 954 |
| Unused amounts reversed | (333) | 0 | 0 | (333) |
| Amounts used | (1,321) | (9,955) | (83) | (11,359) |
| Balance at 31 March 2016 | 639 | 1,774 | 49 | 2,462 |

27 LONG TERM CREDITORS

| | 31 March 2017 £000 | 31 March 2016 £000 |
|--------------------------------|-----------------------|-----------------------|
| Other Entities and Individuals | | |
| PFI Obligations | 5,189 | 5,411 |
| Finance Lease Obligations | 1,451 | 1,451 |
| Peel Centre Prepaid Rent | 8,156 | 8,275 |
| Deposits | 819 | 841 |
| Total | 15,615 | 15,978 |

28 EARMARKED RESERVES

The Council voluntarily earmarks resources for future spending plans. This note sets out the amounts set aside from the General Fund balance in earmarked reserves to provide financing for future expenditure plans and the amounts posted back from earmarked reserves to meet General Fund expenditure. The most significant reserves are as follows:

- Schools' Balances are permitted to be retained under the Schools Standards & Framework Act 1998. The reserves are managed by the schools rather than the Council.
- The Other Schools' Balances Reserve represents the element of schools expenditure funded by Dedicated Schools Grant that has been carried forward.
- The Insurance & Uninsured Claims Reserve provides cover for the following:
 - The excess payable on claims under the Council's insurance policies; and
 - potential future claims not covered by existing policies, including contractual disputes, legal claims, breach of contract, Mental Health S117 claims and copyright claims.
- The Cost of Structural Changes Reserve is used to fund the one-off additional costs arising from restructuring where there are demonstrable future benefits.
- The Business Rates Equalisation Reserve is used to smooth the impact of changes in business rate income on the annual budget including levy payments, further appeals and any resulting deficit on the Collection Fund.

NOTES TO THE CORE FINANCIAL STATEMENTS

- The Transformation Reserve will be used to meet the upfront costs of the Council's transformation programme aimed at identifying significant savings that can be incorporated into future years' budgets.
- The Revenue Grants Unapplied Reserve holds resources equivalent to unspent grant income received without conditions which are released from the reserve as the associated expenditure is incurred.

The following expenditure has been earmarked as of the reporting date.

| 2016/17 | Balance at 1 April £000 | Transfers Out £000 | Transfers In £000 | Balance at 31 March £000 |
|---|-------------------------------|--------------------------|-------------------------|--------------------------------|
| Earmarked Reserves | | | | |
| Schools' Balances Held Under a Scheme of Delegation | 3,333 | (1,751) | 113 | 1,695 |
| Other Schools' Balances | 2,248 | (780) | 1,601 | 3,069 |
| Insurance & Uninsured Claims | 2,666 | (55) | 139 | 2,750 |
| Cost of Structural Change | 1,555 | (453) | 750 | 1,852 |
| Business Rates Equalisation | 11,798 | (11,798) | 0 | 0 |
| Transformation | 1,399 | (839) | 1,400 | 1,960 |
| Revenue Grants Unapplied | 2,333 | (120) | 1,440 | 3,653 |
| Other | 4,807 | (1,787) | 1,096 | 4,116 |
| Total | 30,139 | (17,583) | 6,539 | 19,095 |
| Total movements in 2015/16 | 30,289 | (5,607) | 5,457 | 30,139 |

29 CAPITAL GRANTS UNAPPLIED RESERVE

The Capital Grants Unapplied Reserve holds the grants and contributions received towards capital projects for which the Council has met the conditions but which have yet to be applied to meet expenditure.

| | 2016/17 £000 | 2015/16 £000 |
|------------------------------|-----------------|-----------------|
| Opening Balance | 4,276 | 9,355 |
| Received | 12,748 | 3,144 |
| Applied to Capital Financing | (3,846) | (8,223) |
| Closing Balance | 13,178 | 4,276 |

NOTES TO THE CORE FINANCIAL STATEMENTS

30 REVALUATION RESERVE

The Revaluation Reserve contains the gains made by the Council arising from increases in the value of its Property, Plant and Equipment. The Reserve contains only revaluation gains accumulated since 1 April 2007, the date that the Reserve was created. Accumulated gains arising before that date are consolidated into the balance on the Capital Adjustment Account.

| | 2016/17 | 2015/16 |
|---|----------------|----------------|
| | £000 | £000 |
| As of the beginning of the period | 157,826 | 147,283 |
| Upward revaluation of assets | 3,721 | 14,281 |
| Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services | (7,068) | (151) |
| Surplus or deficit on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services | (3,347) | 14,130 |
| Difference between Current/Fair Value depreciation and historical cost depreciation | (3,200) | (2,713) |
| Accumulated gains on assets sold or scrapped | (9,932) | (874) |
| Amount written off to the Capital Adjustment Account | (13,132) | (3,587) |
| Closing Balance | 141,347 | 157,826 |

31 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. The Account is debited with the cost of acquisition, construction or enhancements as depreciation, impairment losses and amortisations are charged to the Comprehensive Income and Expenditure Statement (with reconciling postings from the Revaluation Reserve to convert Current or Fair Value figures to a historical cost basis). The Account is credited with the amounts set aside by the Council as finance for the costs of acquisition, construction and enhancement.

The Account contains accumulated gains and losses on Investment Properties.

The Account also contains revaluation gains accumulated on Property, Plant and Equipment before 1 April 2007, the date that the Revaluation Reserve was created to hold such gains.

NOTES TO THE CORE FINANCIAL STATEMENTS

| | 2016/17 | 2015/16 |
|---|----------------|----------------|
| | £000 | £000 |
| Balance at 1 April | 351,212 | 324,671 |
| Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement: | | |
| Charges for Depreciation and Impairment of Non-current Assets | (12,943) | (12,453) |
| Revaluation Losses on Property Plant & Equipment | (9,515) | (1,124) |
| Amortisation of Intangible Assets | (171) | (244) |
| Revenue Expenditure Funded from Capital under Statute | (18) | (1,333) |
| Amount of non-current assets written off as part of the gain/loss on sale | (31,717) | (2,713) |
| | (54,364) | (17,867) |
| Adjusting amounts written out of the Revaluation Reserve | 13,132 | 3,587 |
| | (41,232) | (14,280) |
| Net written out amount of the cost of non-current assets consumed in the year | | |
| Capital financing applied in the year: | | |
| Use of the Capital Receipts Reserve to finance new capital expenditure | 3,434 | 5,863 |
| Capital Grants and Contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing | 16,628 | 20,321 |
| Application of Capital Grants and Contributions to capital financing from the Capital Grants Unapplied Reserve | 3,846 | 8,223 |
| Statutory provision for the financing of capital investment | 1,592 | 1,615 |
| Capital expenditure charged against the General Fund balance | 0 | 0 |
| | 25,500 | 36,022 |
| Movements in the market value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement | 1,739 | 4,881 |
| Repayment of loans | (121) | (110) |
| Adjustment to deferred capital receipts | 100 | 28 |
| Balance at 31 March | 337,198 | 351,212 |

NOTES TO THE CORE FINANCIAL STATEMENTS

32 DEFERRED CAPITAL RECEIPTS RESERVE

The Deferred Capital Receipts Reserve holds the gains recognised on the disposal of non-current assets but for which cash settlement has yet to take place. Under statutory arrangements, the Council does not treat these gains as usable for financing new capital expenditure until they are backed by cash receipts. When the deferred cash settlement eventually takes place, amounts are transferred to the Capital Receipts Reserve.

| | 2016/17 | 2015/16 |
|---|--------------|--------------|
| | £000 | £000 |
| As of the beginning of the period | 2,347 | 2,568 |
| Shared Equity Property Finance Leases | 6 | 41 |
| Transfer to the Capital Receipts Reserve upon receipt of cash | (217) | (262) |
| Closing Balance | 2,136 | 2,347 |

Deferred Capital Receipts represent income of a capital nature due to be paid to the Council over a number of years from the following bodies:

| | 31 March | 31 March |
|--|--------------|--------------|
| | 2017 | 2016 |
| | £000 | £000 |
| Mortgages on Council Houses Sold | 19 | 13 |
| Housing Association Loans | 370 | 382 |
| Loan to Warfield Parish Council | 64 | 72 |
| Rent to Mortgage Properties | 376 | 376 |
| Shared Equity Property Finance Leases | 862 | 1,058 |
| Byways/Adastron House Finance Lease | 445 | 446 |
| Seymour House disposal/Ocean House Lease | 0 | 0 |
| Total | 2,136 | 2,347 |

33 COLLECTION FUND ADJUSTMENT ACCOUNT

The Collection Fund Adjustment Account manages the differences arising from the recognition of Council Tax and Business Rates income in the Comprehensive Income and Expenditure Statement as it falls due from Council Tax payers and Business Rates payers compared with the income calculated for the year in accordance with statutory requirements. The change in the balance primarily relates to Business Rates and the need to significantly increase the provision for appeals. This has created a deficit on the Collection Fund.

| | 2016/17 | 2015/16 |
|-----------------------------------|--------------|----------------|
| | £000 | £000 |
| As of the beginning of the period | (5,611) | (5,666) |
| Net change during the year | 11,372 | 55 |
| Closing Balance | 5,761 | (5,611) |

NOTES TO THE CORE FINANCIAL STATEMENTS

34 ACCUMULATED ABSENCES ACCOUNT

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

| | 2016/17 | 2015/16 |
|-----------------------------------|--------------|--------------|
| | £000 | £000 |
| As of the beginning of the period | 5,598 | 5,692 |
| Net change during the year | (270) | (94) |
| Closing Balance | 5,328 | 5,598 |

35 FINANCIAL INSTRUMENTS

Categories of Financial Instruments

The following categories of financial instruments are carried in the Balance Sheet:

| | 31 March 2017 | | | Fair Value |
|--|---------------|---------------|---------------|---------------|
| | Short Term | Long Term | Total | |
| | £000 | £000 | £000 | £000 |
| Debtors – Loans and Receivables | 0 | 9,660 | 9,660 | 9,689 |
| Debtors – Financial Assets Carried at Contract Amount | 17,629 | 0 | 17,629 | 17,629 |
| Total Financial Assets | 17,629 | 9,660 | 27,289 | 27,318 |
| Borrowings – Financial Liabilities at Amortised Cost | 5,001 | 20,000 | 25,001 | 33,072 |
| Creditors – Financial Liabilities Carried at Contract Amount | 31,396 | 0 | 31,396 | 31,396 |
| Creditors – Financial Liabilities Carried at Amortised Cost (PFI and finance leases) | 222 | 6,640 | 6,862 | 14,872 |
| Total Financial Liabilities | 36,619 | 26,640 | 63,259 | 79,340 |

| | 31 March 2016 | | | Fair Value |
|--|---------------|--------------|---------------|---------------|
| | Short Term | Long Term | Total | |
| | £000 | £000 | £000 | £000 |
| Investments – Loans and Receivables (including accrued interest) | 7,773 | 0 | 7,773 | 7,773 |
| Debtors – Loans and Receivables | 0 | 3,678 | 3,678 | 3,708 |
| Debtors – Financial Assets Carried at Contract Amount | 16,964 | 0 | 16,964 | 16,964 |
| Total Financial Assets | 24,737 | 3,678 | 28,415 | 28,445 |
| Creditors – Financial Liabilities Carried at Contract Amount | 28,487 | 0 | 28,487 | 28,487 |
| Creditors – Financial Liabilities Carried at Amortised Cost (PFI and finance leases) | 208 | 6,862 | 7,070 | 14,335 |
| Total Financial Liabilities | 28,695 | 6,862 | 35,557 | 42,822 |

NOTES TO THE CORE FINANCIAL STATEMENTS

Cash and cash equivalents which are also financial instruments are detailed in Note 24.

Where assets are identified as impaired because of a likelihood arising from a past event that payments due under the contract will not be made, the asset is written down and a charge made to the Comprehensive Income and Expenditure Statement. Any gains and losses that arise on the de-recognition of a financial asset are credited/debited to the Comprehensive Income and Expenditure Statement.

The debtors and creditors figures exclude statutory debtors and creditors relating to Council Tax, Business Rates, teachers and local government superannuation, government grants, VAT and HMRC PAYE deductions. As there is no contract in place, these are not considered to be financial instruments.

Fair Value of Assets and Liabilities carried at Amortised Cost

Financial liabilities and financial assets which consist of loans and receivables are measured in the Balance Sheet at amortised cost using the effective interest rate method. Their Fair Value is measured as the present value of the expected cash flows over the remaining life of the instruments, using the following assumptions:

- For PWLB and non-PWLB loans payable, premature repayment rates from the PWLB have been applied to provide the fair value under PWLB debt redemption procedures (a Level 2 valuation using discounted cash flows);
- For PFI contracts and finance leases, premature repayment rates from the Public Works Loans Board (PWLB) have been applied to provide the Fair Value under PWLB debt redemption procedures. These financial liabilities are held by and under the control of the providers rather than the Council. This valuation basis is therefore only a Level 3 approximation of the net present value of the arrangements based on PWLB rates;
- For loans receivable prevailing benchmark market rates have been used to provide the Fair Value;
- No early repayment or impairment is recognised;
- Where an instrument, including trade and other receivables, has a maturity of less than 12 months the Fair Value is taken to be the principal outstanding or the billed amount.

As the fair value of loans payable is based on PWLB premature repayment rates it includes a penalty charge for early redemption in addition to charging a premium for the additional interest that would be paid. A supplementary measure of the additional interest that the Council will pay as a result of its borrowing commitments for fixed rate loans is to compare the terms of these loans with the new borrowing rates available from the PWLB. If a value is calculated on this basis, the carrying amount of £25.001m would be valued at £26.478m.

In both valuation approaches the fair value of borrowing liabilities is greater than the carrying amount which shows a notional future loss (based on economic conditions at 31 March 2017) arising from a commitment to pay interest to lenders above current market rates.

The Fair Value of other long term liabilities (the PFI contract and Longshot Lane finance lease) is also significantly higher than the carrying amount because the Council the interest rate payable is higher than the prevailing rates estimated to be available at the Balance Sheet date. This shows a notional future loss (based on economic conditions at 31 March 2017) arising from a commitment to pay interest above current market rates.

NOTES TO THE CORE FINANCIAL STATEMENTS

The Fair Value of the assets is slightly higher than the carrying amount because the Council's portfolio of investments includes a number of fixed rate car loans where the interest rate receivable is higher than the rates available for similar loans at the Balance Sheet date. This shows a notional future gain attributable to the commitment to receive interest above current market rates.

Short-term debtors and creditors are carried at cost as this is a fair approximation of their value.

Income, Expense, Gains and Losses

The income, expense, gains and losses recognised in the Comprehensive Income and Expenditure Statement in relation to financial instruments are as follows:

| 2016/17 | Loans and Receivables | Financial Liabilities Carried at Amortised Cost | Total |
|---|--------------------------|--|--------------|
| | £000 | £000 | £000 |
| Interest expense | (73) | (540) | (613) |
| Impairment | (161) | 0 | (161) |
| Total Expense in Surplus or Deficit on the Provision of Services | (234) | (540) | (774) |
| Interest Income | 509 | 0 | 509 |
| Total Income in Surplus or Deficit on the Provision of Services | 509 | 0 | 509 |
| Net Gain/(Loss) for the Year | 275 | (540) | (265) |

| 2015/16 | Loans and Receivables | Financial Liabilities Carried at Amortised Cost | Total |
|---|--------------------------|--|--------------|
| | £000 | £000 | £000 |
| Interest expense | 0 | (553) | (553) |
| Impairment Losses | 0 | 0 | 0 |
| Total Expense in Surplus or Deficit on the Provision of Services | 0 | (553) | (553) |
| Interest Income | 634 | 0 | 634 |
| Interest Income Accrued on Impaired Financial Assets | 23 | 0 | 23 |
| Impairment Reversal | 82 | 0 | 82 |
| Loss on exchange rate difference | 95 | 0 | 95 |
| Total Income in Surplus or Deficit on the Provision of Services | 834 | 0 | 834 |
| Net Gain/(Loss) for the Year | 834 | (553) | 281 |

NOTES TO THE CORE FINANCIAL STATEMENTS

Key Risks

The Council's activities expose it to a variety of financial risks. The key risks are in relation to financial assets and are as follows:

- Credit risk – the possibility that other parties might fail to pay amounts due to the Council;
- Liquidity risk – the possibility that the Council might not have funds available to meet its commitments to make payments;
- Refinancing risk – the possibility that the Council might be required to renew a financial instrument on maturity at disadvantageous interest rates or terms.
- Market risk - the possibility that financial loss might arise for the Council as a result of changes in such measures as interest rates movements.

Overall Procedures for Managing Risk

The Council's overall risk management programme focuses on the unpredictability of financial markets, and seeks to minimise potential adverse effects on the resources available to fund services.

The key issues within the strategy were:

- The Authorised Limit for 2016/17 was set at £124m. This is the maximum limit of external borrowings or other long term liabilities.
- The Operational Boundary was expected to be £119m. This is the expected level of debt and other long term liabilities during the year.

Risk management is carried out by a central treasury team, under policies approved by the Council in the annual treasury management strategy. The Council provides written principles for overall risk management, as well as written policies covering specific areas, such as interest rate risk, credit risk, and the investment of surplus cash.

Credit risk

Credit risk arises from deposits with banks and financial institutions, as well as credit exposures to the Council's customers. This risk is minimised through the Annual Investment Strategy, which requires that deposits are not made with financial institutions unless they meet identified minimum credit criteria, in accordance with the Fitch, Moody's and Standard & Poors Ratings Services. The Annual Investment Strategy also considers maximum amounts and time limits with a financial institution located in each category.

The credit criteria for the Council are as follows:

- The minimum criteria for investment counterparties are:
 - In light of the changing economic backdrop, the shift in the relative importance of credit-ratings and the sector's requirement for a more sophisticated approach to counterparty selection, the Council's Treasury Management advisers have developed a modelling approach. This utilises credit ratings from the three main credit rating agencies supplemented with overlays of credit watches and outlooks in a weighted scoring system. This is then combined with Credit Default Swap (CDS) spreads from which the end product is a series of colour coded bands which indicate the relative creditworthiness of

NOTES TO THE CORE FINANCIAL STATEMENTS

counterparties. This service uses a wider array of information than just primary ratings and by using a risk weighted scoring system does not give undue preference to just one agency's ratings. The minimum credit rating that the Council will use will be a short term rating of F1 and a long term rating of A-, a viability rating of A- and a support rating of 1.

- UK Banks or Building Societies.
 - Money Market Funds – AAA Rating Sterling Denominated.
 - UK Government (including gilts and Debt Management Account Deposit Facility (DMADF)).
 - UK Local Authorities.
- The time and money limits on the Council's counterparty lists are as follows:

| Counterparty | Time Limit | Money Limit |
|--|------------|-------------|
| UK Banks and Building Societies | 1 year | £7m |
| Money Market Funds | On-Call | £7m |
| Debt Management Account Deposit Facility | 6 months | £7m |
| UK Local Authorities | 1 year | £7m |

The full Investment Strategy for 2016/17 was approved by Full Council on 24 February 2016 and is available, along with the treasury management strategy, on the Council website at <http://www.bracknell-forest.gov.uk/treasury-management-report-2016-to-2017.pdf>.

The Council's maximum exposure to credit risk in relation to its deposits in financial institutions and money market funds of £17.0m cannot be assessed generally as the risk of any institution failing to make interest payments or repay the principal sum will be specific to each individual institution. Recent experience has shown that it is rare for such entities to be unable to meet their commitments. A risk of recoverability applies to all of the Council's deposits, but there was no evidence at the 31 March 2017 that this was likely to crystallise.

No credit limits were exceeded during the reporting period and the Council does not expect any losses from non-performance by any of its counterparties in relation to deposits.

The following analysis summarises the Council's maximum exposure to credit risk on other financial assets. The trade debtor figures reflect the Council's experience of its customer collection levels over the last five financial years, adjusted to reflect current market conditions.

| | Amount at 31 March 2017 | Historical experience of default | Adjustment for market conditions at 31 March 2017 | Estimated maximum exposure to default at 31 March 2017 | Estimated maximum exposure to default at 31 March 2016 |
|---------------------------|-------------------------------|--|---|--|--|
| | £000 | % | % | £000 | £000 |
| | (a) | (b) | (c) | (a * c) | |
| Customers (trade debtors) | 7,764 | 3.6% | 3.6% | 278 | 312 |
| TOTAL | 7,764 | | | 278 | 312 |

The Council does not generally allow credit for its customers, such that £3.508m of the £7.764m balance is past its due date for payment.

NOTES TO THE CORE FINANCIAL STATEMENTS

The past due but not impaired amount can be analysed by age as follows:

| | 31 March 2017 | 31 March 2016 |
|-----------------------------|---------------|---------------|
| | £000 | £000 |
| Less than one month | 1,342 | 1,004 |
| One to three months | 626 | 297 |
| Three months to four months | 311 | 80 |
| More than five months | 1,229 | 909 |
| | 3,508 | 2,290 |

The Council initiates a legal charge on property where, for instance, clients require the assistance of social services but cannot afford to pay immediately. The total collateral at 31 March 2017 was £0 (2015/16 £0.083m).

In October 2008 the Icelandic banking sector defaulted on its obligations. The Council had £3m deposited with Glitnir Bank and £2m with Heritable bank at that time. For Heritable bank payments totalling £2.011m (all of the original deposit plus £0.011m of interest) have been received and no further payments are expected.

For Glitnir, following the grant of priority status to UK local authorities by the Icelandic Supreme Court in October 2011, a net payment of £2.486m was received from the Glitnir winding up board. The balance payable was previously held in Icelandic Krónur in an interest bearing escrow account in Iceland, however this was auctioned during the year and a receipt of £0.595m achieved. This resulted in a further impairment of £0.161m in 2016/17 and brought the total received to £3.121m (all of the original deposit plus £0.121m of interest).

Liquidity risk

The Council manages its liquidity position through the risk management procedures above (the setting and approval of prudential indicators and the approval of the treasury and investment strategy reports), as well as through a comprehensive cash flow management system, as required by the CIPFA Code of Practice. This seeks to ensure that cash is available when it is needed.

The Council has ready access to borrowings from the Money Markets to cover any day to day cash flow need, and the PWLB and money markets for access to longer term funds. The Council is also required to provide a balanced budget through the Local Government Finance Act 1992, which ensures sufficient monies are raised to cover annual expenditure. There is therefore no significant risk that it will be unable to raise finance to meet its commitments under financial instruments.

Refinancing and Maturity Risk

The commenced borrowing in 2016/17 and therefore now has a debt portfolio. Whilst the cash flow procedures above are considered against the refinancing risk procedures, longer term risk to the Council relates to managing the exposure to replacing financial instruments as they mature. This risk relates to both the maturing of longer term financial liabilities and longer term financial assets.

NOTES TO THE CORE FINANCIAL STATEMENTS

The approved treasury indicator limits on investments placed for greater than one year in duration are the key parameters used to address this risk. The Council approved treasury and investment strategies address the main risks and the central treasury team address the operational risks within the approved parameters. This includes:

- monitoring the maturity profile of financial liabilities and amending the profile through either new borrowing or the rescheduling of the existing debt; and
- monitoring the maturity profile of investments to ensure sufficient liquidity is available for the Council's day to day cash flow needs, and the spread of longer term investments provide stability of maturities and returns in relation to the longer term cash flow needs.

The Council borrowed £20m from the Public Works Loans Board in 2016/17 on a long term basis and £5m from the Greater London Authority on a short term basis to finance capital expenditure. The maturity analysis of these borrowings is as follows, with the maximum and minimum limits for fixed interest rates maturing in each period:

| | Lower Limit | Upper Limit | 31 March 2017 £000 | 31 March 2016 £000 |
|---------------------|----------------|----------------|-----------------------|-----------------------|
| Less than one year | 0% | 100% | 5,001 | 0 |
| More than ten years | 0% | 100% | 20,000 | 0 |
| Total | 0% | 100% | 25,001 | 0 |

The Council has longer term financial liabilities relating to finance leases and PFI arrangements and the maturity analyses are disclosed in Notes 14 and 15 to these accounts.

Market risk

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

- Borrowings at variable rates – the interest expense charged to the Comprehensive Income and Expenditure Statement will rise;
- Borrowings at fixed rates – the fair value of the borrowing will fall
- investments at variable rates – the interest income credited to the Surplus or Deficit on the Provision of Services will rise; and
- investments at fixed rates – the Fair Value of the assets will fall.

Borrowings are not carried at fair value on the balance sheet, so nominal gains and losses on fixed rate borrowings would not impact on the Surplus or Deficit on the Provision of Services or Other Comprehensive Income and Expenditure. However, changes in interest payable and receivable on variable rate borrowings and investments will be posted to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement and affect the General Fund Balance.

NOTES TO THE CORE FINANCIAL STATEMENTS

The Council has a number of strategies for managing interest rate risk. The Annual Treasury Management Strategy draws together the Council's prudential and treasury indicators and its expected treasury operations, including an expectation of interest rate movements. From this Strategy a treasury indicator is set which provides maximum limits for fixed and variable interest rate exposure. The central treasury team will monitor the market and forecast interest rates within the year to adjust exposures appropriately. For instance during periods of falling interest rates, and where economic circumstances make it favorable, fixed rate investments may be taken for longer periods to secure better long term returns, similarly the drawing of longer term fixed rate borrowings would be postponed.

According to this assessment strategy, at 31 March 2017, if all interest rates had been 1% higher (with all other variables held constant) the financial effect would be as follows.

| | £000 |
|--|--------------|
| Increase in interest receivable on variable rate investments & cash equivalents | (189) |
| Impact on Surplus or Deficit on the Provision of Services | (189) |
| Decrease in Fair Value of fixed rate investment assets | 9 |
| Impact on Other Comprehensive Income and Expenditure | 9 |
| Decrease in Fair Value of fixed rate borrowing and other liabilities (no impact on the Comprehensive Income and Expenditure Statement) | 6,982 |

The approximate impact of a 1% fall in interest rates would be as above but with the movements being reversed.

Price risk - The Council, excluding the pension fund, does not invest in equity shares or marketable bonds.

36 CONTINGENCIES

Contingent Liabilities

The Council gave a number of warranties to Bracknell Forest Homes in connection with the transfer of the housing stock in February 2008. The most significant warranties related to:

- Uninsured asbestos claims for 35 years; and
- Environmental claims e.g. land contamination for 10 years for which the Council has taken out insurance to limit its exposure.

The maximum exposure to these potential liabilities is estimated to be £2.2m.

There are two ordinary residence disputes underway, which are currently with the Council's legal department, where the outcome is uncertain. Should the Council be required to meet the associated client costs the potential liabilities could be up to £0.7m.

37 POOLED BUDGETS

The following pooled budget arrangements and material investments in companies were in place during the financial year.

NOTES TO THE CORE FINANCIAL STATEMENTS

Pooled Budget: Better Care Fund

The Better Care Fund pooled budget was established on 1 April 2015 and incorporates the intermediate care pooled budget that existed in prior years. This new pooled budget aims to improve person-centred co-ordinated care through integration of Council and NHS services. The agreement is between Bracknell Forest Council and Bracknell and Ascot Clinical Commissioning Group.

The Better Care Fund consists of a number of schemes, some of which are managed by the Council and some by the Clinical Commissioning Group. The schemes include:

- Multi-disciplinary care teams, bringing together health and social care professionals to help individuals manage long term conditions.
- Integrated care teams to assist people transfer from hospital to home.
- A falls prevention advisory service, providing falls risk assessments and support in the community.
- A prevention and self care programme, raising awareness of actions residents can take themselves to improve their health and reduce the need to access health and social care services.

A summary of gross income and gross expenditure is provided below.

| | Gross Expenditure | Gross Income | Bracknell Forest Council Contribution |
|-------------------------------|--------------------------|--------------|---------------------------------------|
| | £000 | £000 | £000 |
| Financial Year 2016/17 | 9,178¹ | 9,657 | 3,423 |

¹ The Council £7.068m and the Clinical Commissioning Group £2.110m

² The Council £6.926m and the Clinical Commissioning Group £0.973m

Pooled Budget: Community Equipment Services

A revised pooled budget for Community Equipment was established on 1 April 2012 under Section 75 of the NHS Act 2006. The arrangement exists between the six unitary authorities in Berkshire and the Clinical Commissioning Groups covering the same geographical area. The pooled budget is administered by the lead authority West Berkshire Council.

The aim of the partnership is to improve the integration of health and social care community equipment services to meet the needs of users. A summary of income and expenditure is provided below.

| | Gross Expenditure | Gross Income | Bracknell Forest Council Contribution |
|-------------------------------|-------------------|--------------|---------------------------------------|
| | £000 | £000 | £000 |
| Financial year 2016/17 | 7,667 | 7,667 | 457 |
| Financial year 2015/16 | 7,265 | 7,265 | 451 |

38 RELATED PARTY TRANSACTIONS

The Council is required to disclose material transactions with related parties – bodies or individuals that have the potential to control or influence the Council or to be controlled or influenced by the Council. Disclosure of these transactions allows readers to assess the extent to which the Council might have been constrained in its ability to operate independently or might have secured the ability to limit another party's ability to bargain freely with the Council.

Central Government

Central government has effective control over the general operations of the Council – it is responsible for providing the statutory framework, within which the Council operates, provides the majority of its funding in the form of grants and prescribes the terms of many of the transactions that the Council has with other parties (e.g. council tax bills, housing benefits). Grant receipts from government departments are included in the subjective analysis in Note 7 and the grant analysis in Note 10.

Members of the Council

Members of the Council have direct control over the Council's financial and operating policies. The total of members' allowances and expenses paid is shown in Note 12. All Members were asked to complete a disclosure statement in respect of themselves and their family members/close relatives, detailing any material transactions with related parties. The declarations confirmed that no material related party transactions exist.

Officers of the Council

Officers of the Council have an ability to influence the Council's financial and operating policies. The Council's Employee Code of Practice requires employees to declare to their managers any interests that could potentially bring about conflict with the interests of the Council. These include financial or non-financial interests with Council contractors or outside commitments. A declaration was obtained from all first and second tier officers and particular officers whose responsibilities could be relevant. The declarations confirmed that no material related party transactions exist.

39 THIRD PARTY FUNDS

The Council administers a number of bank accounts on behalf of clients by acting as the appointee or deputy. The clients concerned can no longer manage their own affairs, usually because of mental incapacity or severe physical disability. As at 31st March 2017, the Council administered, £1.40m within 128 bank accounts (£1.48m as at 31st March 2016). Additionally, as part of these responsibilities, two residential properties and a car were under the Council's management. The assets are not owned by the Council and have not therefore been included in the financial statements.

40 PRIOR PERIOD ADJUSTMENTS

As a result of the *Telling the Story* review of the presentation of local authority financial statements there have been changes to the format of the Comprehensive Income and Expenditure Statement and the Movement in Reserves Statement, and the introduction of the new Expenditure and Funding Analysis. The Expenditure and Funding Analysis can be found at Note 5 which also includes an analysis of income by department. It shows how

NOTES TO THE CORE FINANCIAL STATEMENTS

annual expenditure is used and funded under regulations in comparison to the Comprehensive Income and Expenditure Statement which reports income and expenditure in accordance with generally accepted accounting practices. It also shows how expenditure and income is allocated for decision making purposes between the Council's departments.

Decisions about resource allocation are taken by the Council's Corporate Management Team on the basis of monthly budget monitoring reports analysed across departments. Within the Comprehensive Income and Expenditure Statement the cost of services is now analysed using this departmental structure rather than the service analysis defined in CIPFA's Service Reporting Code of Practice for Local Authorities. The Surplus or Deficit on the Provision of Services is analysed subjectively in Note 7.

Below is an extract from the Comprehensive Income and Expenditure Statement – only affected lines are shown.

| | Original 2015/16 | | | Restated 2015/16 | | |
|-------------------------------------|-------------------|------------------|----------------|-------------------|------------------|----------------|
| | Gross Expenditure | Gross Income | Net | Gross Expenditure | Gross Income | Net |
| | £000 | £000 | £000 | £000 | £000 | £000 |
| Central Services to the Public | 3,956 | (1,359) | 2,597 | | | |
| Cultural and Related Services | 17,699 | (9,006) | 8,693 | | | |
| Environment and Regulatory Services | 13,478 | (3,638) | 9,840 | | | |
| Planning Services | 7,622 | (3,300) | 4,322 | | | |
| Children's and Education Services | 125,779 | (95,629) | 30,150 | | | |
| Other Housing Services | 38,026 | (33,777) | 4,249 | | | |
| Highways and Transport Services | 12,997 | (1,183) | 11,814 | | | |
| Adult Social Care | 42,746 | (8,526) | 34,220 | | | |
| Public Health | 4,097 | (3,795) | 302 | | | |
| Corporate and Democratic Core | 4,093 | (6) | 4,087 | | | |
| Non Distributed Costs | (452) | (3) | (455) | | | |
| Corporate Services | | | | 19,581 | (1,673) | 17,908 |
| Children, Young People and Learning | | | | 121,523 | (95,534) | 25,989 |
| Adult Social Care, Health & Housing | | | | 81,332 | (46,063) | 35,269 |
| Environment, Culture & Communities | | | | 47,678 | (16,767) | 30,911 |
| Non Departmental / Council Wide | | | | (73) | (185) | (258) |
| Cost of Services | 270,041 | (160,222) | 109,819 | 270,041 | (160,222) | 109,819 |

The Movement in Reserves Statement has now been simplified with the detailed analysis of the adjustments between the accounting basis and funding basis under regulations now included in Note 8.

41 NON-ADJUSTING POST BALANCE SHEET EVENTS

Events after the Balance Sheet date are those events, both favourable and unfavourable, that occur between the end of the reporting period and the date when the Statement of Accounts is authorised for issue. The Statement of Accounts were authorised for issue by Stuart McKellar, the Borough Treasurer, on 26 July 2017. There were no post balance sheet events.

THE COLLECTION FUND

| Business Rates £000 | 2016/17 Council | | Notes | 2015/16 Council | | |
|---|--------------------|-----------------|---|------------------------|---------------|---------------|
| | Tax £000 | Total £000 | | Business Rates £000 | Tax £000 | Total £000 |
| Income | | | | | | |
| | 63,506 | 63,506 | Council Tax Receivable | 3 | 59,635 | 59,635 |
| 70,521 | | 70,521 | Business Rates Receivable | 2 | 53,415 | 53,415 |
| 135 | | 135 | Less: Transitional Protection Payments Payable | | (660) | (660) |
| 70,656 | 63,506 | 134,162 | Total Income | | 52,755 | 59,635 |
| Expenditure | | | | | | |
| Apportionment of Previous Year Surplus / (Deficit) | | | | | | |
| (12,044) | | (12,044) | Central Government | | 186 | 186 |
| (11,803) | 425 | (11,378) | Bracknell Forest Council | | 182 | 412 |
| (241) | 22 | (219) | Royal Berkshire Fire Authority | | 4 | 21 |
| | 60 | 60 | Police and Crime Commissioner | | | 57 |
| Precepts, Demands and Shares | | | | | | |
| 31,211 | | 31,211 | Central Government | | 36,006 | 36,006 |
| 30,587 | 52,751 | 83,338 | Bracknell Forest Council | | 35,285 | 49,488 |
| 624 | 2,682 | 3,306 | Royal Berkshire Fire Authority | | 720 | 2,590 |
| | 7,308 | 7,308 | Police and Crime Commissioner | | | 6,989 |
| Charges to Collection Fund | | | | | | |
| 377 | 117 | 494 | Less: write offs | | 183 | 162 |
| 257 | 12 | 269 | Less: Increase/ (Decrease) in Allowance for Impairments | | (1,612) | (20) |
| 8,552 | | 8,552 | Less: Increase/ (Decrease) in Provision for Appeals | | (18,439) | (18,439) |
| 150 | | 150 | Less: Cost of Collection | | 151 | 151 |
| 1 | | 1 | Less: Disregarded Amounts | | 1 | 1 |
| 47,671 | 63,377 | 111,048 | Total Expenditure | | 52,667 | 59,699 |
| (22,985) | (129) | (23,114) | Movement on the fund balance | 4 | (88) | 64 |
| 12,416 | (564) | 11,852 | (Surplus)/Deficit brought forward | | 12,504 | (628) |
| (10,569) | (693) | (11,262) | (Surplus)/Deficit as at 31 March | 4 | 12,416 | (564) |

NOTES TO THE COLLECTION FUND

1 Accounting Policy

These accounts reflect the statutory requirements for billing authorities to maintain a separate Collection Fund, which shows the transactions of the billing authority in relation to Business Rates (Non-Domestic Rates) and Council Tax, and illustrates the way in which these have been distributed to preceptors, Central Government and the General Fund.

Accountancy guidance requires that the agency basis underlying the Collection Fund be reflected in the consolidation of the Collection Fund into the Statement of Accounts. The Council collects Council Tax precepts on behalf of Thames Valley Police and Crime Commissioner and the Royal Berkshire Fire Authority as well as itself and consequently not all transactions and balances relate wholly to the Council. Similarly, the Council also collects Business Rates on behalf of Central Government and the Royal Berkshire Fire Authority.

The practical effect is that in the Statement of Accounts the surplus/deficit on the Collection Fund is shared out in its entirety between the Council, its preceptors and Central Government. The preceptors' and Central Government's shares will be carried as creditors/debtors, but the Council's share will be charged to its Comprehensive Income and Expenditure Statement. The difference between the income included in the Comprehensive Income and Expenditure Statement and the amount required by statute to be credited to the General Fund is taken to a reserve in the balance sheet called the Collection Fund Adjustment Account and included as a reconciling item in the Movement in Reserves Statement.

For Council Tax, the amount credited to the General Fund under statute equals the Council's precept or demand for the year plus/less the Council's share of the surplus/deficit on the Council Tax element of the Collection Fund (as estimated at 15 January) for the previous year. For Business Rates it equals the Council's proportionate share of income (as estimated before the start of the year) plus/less the Council's share of the surplus/deficit on the Business Rates element of the Collection Fund (as estimated at 31 January) for the previous year plus the tariff and levy payments due for the year.

2 Income from Business Rates

The Council collects Business Rates for its area which is based on local rateable values multiplied by a Uniform Rate.

| | |
|---|------------------------------|
| Total Business Rateable Value 31 March 2017 | £157,390,553 |
| | (£157,360,557 31 March 2016) |

Rateable Values are externally assessed on a five yearly national basis by the Valuation Office.

| | |
|-------------------------------------|-----------------------|
| Business Rate Multiplier - Standard | 49.7p (49.3p 2015/16) |
|-------------------------------------|-----------------------|

| | |
|---|-----------------------|
| Business Rate Multiplier - Small Business | 48.4p (48.0p 2015/16) |
|---|-----------------------|

(A property with a rateable value below £18,000)

3 Council Tax

The Council's tax base for 2016/17 was 43,772. This is the number of chargeable dwellings in each valuation band (adjusted for dwellings where discounts apply) converted to an equivalent number of band D dwellings.

NOTES TO THE COLLECTION FUND

This was calculated as follows:-

| Band | Actual Number of Properties | Estimated Number of Taxable Properties after effect of discounts & exemptions | Ratio | Band D Equivalent Dwellings |
|--------------|-----------------------------|---|---------------------|---|
| A (Disabled) | 0 | 5 | 5/9 ^{ths} | 3 |
| A | 1,677 | 1,376 | 6/9 ^{ths} | 917 |
| B | 4,343 | 3,581 | 7/9 ^{ths} | 2,785 |
| C | 17,800 | 15,891 | 8/9 ^{ths} | 14,125 |
| D | 9,286 | 8,596 | 9/9 ^{ths} | 8,596 |
| E | 7,885 | 7,433 | 11/9 ^{ths} | 9,085 |
| F | 4,859 | 4,663 | 13/9 ^{ths} | 6,735 |
| G | 2,268 | 2,187 | 15/9 ^{ths} | 3,645 |
| H | 267 | 240 | 18/9 ^{ths} | 480 |
| | 48,385 | | | 46,371 |
| | | | | Less allowance for losses on collection (394) |
| | | | | Less allowance for Council Tax Reduction Scheme (2,949) |
| | | | | Add contributions in lieu from the Ministry of Defence 256 |
| | | | | Add allowance for new properties 488 |
| | | | | Council Tax Base 43,772 |

4 Collection Fund Surplus / Deficit

A surplus of £23.114m has been achieved on the Collection Fund, broken down into a £0.129m surplus on Council Tax (a £0.064m deficit in 2015/16) and a £22.985m surplus on Business Rates (a £0.088m surplus in 2015/16). The balance of the Fund carried forward is a £11.262m surplus.

| Share of Surplus / (Deficit) | Opening Balance £000 | Council Tax £000 | Business Rates £000 | Closing Balance £000 |
|---------------------------------------|-------------------------|---------------------|------------------------|-------------------------|
| Bracknell Forest Council ¹ | (5,611) | 110 | 11,263 | 5,762 |
| Central Government | (6,208) | 0 | 11,492 | 5284 |
| Police & Crime Commissioner | 66 | 14 | 0 | 80 |
| Royal Berkshire Fire Authority | (99) | 5 | 230 | 136 |
| Total | (11,852) | 129 | 22,985 | 11,262 |

¹The surplus on the Business Rates element of the Collection Fund will be transferred to the Business Rates Equalisation Reserve.

GLOSSARY

ACCRUALS

The concept that income and expenditure are recognised when goods or services are provided, and not when cash is transferred.

ACTUARIAL GAINS AND LOSSES

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

- a) events have not coincided with the actuarial assumptions made for the last valuation (experience gains and losses) or
- b) the actuarial assumptions have changed.

AMORTISATION

A charge to revenue to reflect the consumption or use of an intangible asset over its useful economic life. There is a corresponding reduction in the value of the asset.

ASSET

An item having value in monetary terms. Assets are defined as current or non-current.

- A current asset will be consumed or cease to have value within the next financial year, e.g. stock and debtors.
- A non-current asset provides benefits to the Council and to the services that it provides for a period of greater than one year.

BUDGET

A forecast of net revenue and capital expenditure over the accounting period.

BUSINESS RATES TARIFF

Central government calculates a funding level for every council each financial year. Should a council expect to receive more in non-domestic rates than its funding level then a tariff payment is made to Central Government.

BUSINESS RATES LEVY

Levies are charges on councils that experience "growth" and pay a tariff. "Growth" for levy purposes occurs when a council's Business Rates revenue increases faster than its funding level (which will increase with RPI). The levy limits the percentage increase in funding for a council so that it is no more than the percentage increase in Business Rates.

CAPITAL CHARGE

A notional charge to service revenue accounts to reflect the cost of non-current assets used in the provision of services. The main elements are depreciation, amortisation and the revenue impact of downward revaluations.

CAPITAL EXPENDITURE

Expenditure on the acquisition, creation or enhancement of a non-current asset which will be used beyond the current accounting period.

CAPITAL FINANCING REQUIREMENT

This represents the Council's underlying need to borrow for capital purposes. The capital financing requirement will increase whenever capital expenditure is incurred and not resourced immediately from usable capital receipts, capital grants/contributions or revenue funding.

CAPITAL RECEIPTS

The proceeds from the disposal of non-current assets.

GLOSSARY

COMMUNITY ASSETS

Assets that the Council intends to hold in perpetuity, that have no determinable useful life, and that may have restrictions on their disposal. Parks are examples of community assets.

COMMUNITY INFRASTRUCTURE LEVY

A levy charged on most new developments in the Borough with appropriate planning consent, which will be spent on infrastructure (such as transport, schools and social care facilities).

CONSISTENCY

The concept that the accounting treatment of like items within an accounting period and from one period to the next is the same.

CONSUMER PRICE INDEX (CPI)

A measure of inflation published monthly by the Office for National Statistics that measures the change in the cost of a basket of retail goods and services. Unlike the Retail Price Index (RPI), the CPI takes the geometric mean of prices to aggregate items at the lowest levels, instead of the arithmetic mean and excludes mortgage interest payments.

CONTINGENT RENT

Contingent rent is the difference between the original rent and the revised rent following a rent review.

CONTINGENCY

A condition which exists at the balance sheet date, where the outcome will be confirmed only on the occurrence or non-occurrence of one or more uncertain future events. There can be Contingent Liabilities for uncertain items of expenditure and Contingent Assets for uncertain items of income.

CREDITOR

Amounts owed by the Council to an individual or company at the end of the accounting period.

CURRENT SERVICE COST (PENSIONS)

The increase in the present value of defined benefit pension scheme liabilities expected to arise from employee service in the current period.

CURRENT VALUE

The Current Value of Property, Plant and Equipment used to support service delivery will be based on existing use where there is an active market or Depreciated Replacement Cost where assets are specialised or rarely sold (for example a school).

CURTAILMENT

A curtailment happens when a council significantly reduces the number of employees covered by a defined benefit pension plan and may arise as a result of an isolated event such as the closing of a part of a council, discontinuance of an operation or termination or suspension of a plan.

DEBTOR

Amounts owed to the Council by an individual or company at the end of the accounting period.

DEFINED BENEFIT SCHEME

A pension or other retirement benefit scheme other than a defined contribution scheme. Usually, the scheme rules define the benefits independently of the contributions payable,

GLOSSARY

and the benefits are not directly related to the investments of the scheme. The scheme may be funded or unfunded (including notionally funded).

DEFINED CONTRIBUTION SCHEME

A pension or other retirement benefit scheme into which an employer pays regular contributions fixed as an amount or as a percentage of pay and will have no legal or constructive obligation to pay further contributions if the scheme does not have sufficient assets to pay all employee benefits relating to employee service in the current and prior periods.

DEPRECIATION

A charge to revenue to reflect the consumption of a property, plant or equipment asset over its useful economic life. There is a corresponding reduction in the value of the asset.

DEPRECIATED REPLACEMENT COST

The current cost of replacing an asset, based on a modern equivalent asset less deductions for physical deterioration.

DISCRETIONARY BENEFITS

Retirement benefits which the employer has no legal, contractual or constructive obligation to award and which are awarded under the Council's discretionary powers, such as The Local Government (Discretionary Payments) Regulations 1996, the Local Government (Discretionary Payments and Injury Benefits)(Scotland) Regulations 1998, or The Local Government (Discretionary Payments) Regulations (Northern Ireland) 2001.

EXCEPTIONAL ITEMS

Material items which derive from events or transactions that fall within the ordinary activities of the Council and which need to be disclosed separately by virtue of their size or incidence to give fair presentation of the accounts.

FAIR VALUE

The Fair Value of an asset is the amount for which it could be exchanged between knowledgeable, willing parties in an arms length transaction.

FINANCIAL INSTRUMENTS

Any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another. The term financial instrument covers both financial assets and financial liabilities.

FINANCE LEASE

A lease that transfers substantially all of the risks and rewards of ownership of a fixed asset to the lessee.

GOVERNMENT GRANTS

Assistance by Government and inter-government agencies and similar bodies, whether local, national or international, in the form of cash or transfers of assets to a Council in return for past or future compliance with certain conditions relating to the activities of the Council.

HERITAGE ASSETS

Heritage Assets are assets that are intended to be preserved in trust for future generations because of their cultural, environmental or historical associations.

GLOSSARY

IMPAIRMENT OF ASSETS

Impairment is caused by the consumption of economic benefits e.g. physical damage to an asset, a fall in prices specific to an asset or bad debt and requires the value of an asset to be adjusted downwards.

INFRASTRUCTURE ASSETS

Assets that are recoverable only by continued use of the asset created. Examples of infrastructure assets are highways and footpaths.

INTANGIBLE FIXED ASSETS

Intangible fixed assets are defined as non-financial assets that do not have physical substance but are identifiable and controlled by the entity through custody or legal right. Examples are: scientific or technical knowledge in order to produce new or improved materials, copyright, intellectual property rights and computer software licences.

INVENTORIES

The amount of unused or unconsumed materials and supplies held in expectation of future use. When use will not arise until a later period, it is appropriate to carry forward the amount to be matched to the use or consumption when it arises. Inventories comprise the following categories:

- goods or other assets purchased for resale;
- consumable stores;
- raw materials and components purchased for incorporation into products for sale; and
- finished goods.

INVESTMENT PROPERTY

Investment Property comprises land and buildings held solely to earn rentals and/or for capital appreciation.

INVESTMENTS (NON-PENSIONS FUND)

A long term investment is an investment that is intended to be held for use on a continuing basis in the activities of the Council. Investments should be so classified only where an intention to hold the investment for the long term can clearly be demonstrated or where there are restrictions as to the investor's ability to dispose of the investment.

Investments, other than those in relation to the pensions fund, that do not meet the above criteria should be classified as current assets.

INVESTMENTS (PENSIONS FUND)

The investments of the Pensions Fund will be accounted for in the statements of that Fund. However authorities` are also required to disclose the attributable share of pension scheme assets associated with their underlying obligations.

LARGE SCALE VOLUNTARY TRANSFER (LSVT)

The voluntary transfer of public sector housing to other bodies, usually to a Registered Social Landlord.

MARKET VALUE

The estimated amount for which a property should exchange on the date of valuation between knowledgeable willing parties in an arm's-length transaction based on its highest and best use.

GLOSSARY

MINIMUM REVENUE PROVISION (MRP)

The statutory minimum amount which is charged to revenue to provide for the repayment of debt.

NET BOOK VALUE

The amount at which fixed assets are included in the balance sheet, i.e. their historical cost or Current Value less the cumulative amounts provided for depreciation and any impairments.

NET INTEREST COST ON THE NET DEFINED BENEFIT PENSION LIABILITY

For a defined benefit scheme, the change in the net liability during the period because the benefits are one period closer to settlement.

NON DISTRIBUTED COSTS

These are overheads for which no user benefits and should not be apportioned to services.

OPERATING LEASES

A lease where the risks and rewards of ownership of the asset remains with the lessor.

PAST SERVICE COST

For a defined benefit scheme, the change in the present value of the scheme liabilities related to employee service in prior periods arising in the current period as a result of the introduction of, or changes to, retirement benefits or a curtailment.

PENSIONS / IAS 19

The requirements of International Accounting Standard 19 "Employee Benefits" is based on a simple principle – that an organisation should account for retirement benefits when it is committed to give them, even if the actual giving will be many years into the future. The important accounting distinction for pension schemes is whether they are "defined contribution" or "defined benefit".

PRIVATE FINANCE INITIATIVE (PFI)

A Central Government initiative which aims to increase the level of funding available for public services by attracting private sources of finance.

POST BALANCE SHEET EVENTS

Events that occur between the balance sheet date and the date when the Statement of Accounts is authorised for issue.

PRIOR PERIOD ADJUSTMENT

A prior period adjustment is the material adjustment applicable to prior year figures arising from changes in accounting policies or from the correction of material errors. They do not include normal recurring correction or adjustments to accounting estimates made in prior years.

PROJECTED UNIT METHOD

An assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, and projections of projected earnings for current employees.

PRUDENCE

The concept that revenue is not anticipated but is recognised only when realised in the form either of cash or of other assets the ultimate cash realisation of which can be assessed with reasonable certainty.

GLOSSARY

RELATED PARTIES

Two or more parties are related parties when at any time during the financial period:

- one party has direct or indirect control of the other party; or
- the parties are subject to common control from the same sources; or
- one party has influence over the financial and operational policies of the other party to an extent that the other party might be inhibited from pursuing at all times its own separate interest; or
- the parties, in entering a transaction, are subject to influence from the same source to such an extent that one of the parties to the transaction has subordinated its own separate interests.

REMEASUREMENTS OF THE NET DEFINED BENEFIT PENSION LIABILITY

Comprised of actuarial gains and losses and any return on plan assets not already included in the net interest calculation.

RETIREMENT BENEFITS

All forms of consideration given by an employer in exchange for services rendered by employees that are payable after the completion of employment. Retirement benefits do not include termination benefits payable as a result of either (i) an employer's decision to terminate an employee's employment before the normal retirement date or (ii) an employee's decision to accept voluntary redundancy in exchange for those benefits, because these are not given in exchange for services rendered by employees.

REVALUATION DECREASE

A downward movement in the current or Fair Value of an asset resulting from a general fall in prices at the time of valuation.

REVENUE EXPENDITURE FUNDED FROM CAPITAL UNDER STATUTE

Expenditure which may properly be deferred, but which does not result in, or remain matched with a long term asset and is written out to revenue in the year it is incurred, e.g. home improvement grants.

SCHEME LIABILITIES

The liabilities of a defined benefit pension scheme for outgoings due after the valuation date. Scheme liabilities measured using the projected unit method reflect the benefits that the employer is committed to provide for service up to the valuation date.

SECTION 106

Monies received from developers under section 106 of the Town & Country Planning Act 1990, as a contribution towards the cost of providing facilities and infrastructure which may be required as a result of their development.

SERVICE REPORTING CODE OF PRACTICE FOR LOCAL AUTHORITIES (SeRCOP)

The code contains a standard definition of services and total cost to ensure consistency between local authorities for reporting and comparison purposes.

USEFUL LIFE

The period over which the Council will derive benefits from the use of a non-current asset.

GLOSSARY

VESTED RIGHTS

In relation to a defined benefit pension scheme, these are:

- a) for active members, benefits to which they would unconditionally be entitled on leaving the scheme;
- b) for deferred pensioners, their preserved benefits;
- c) for pensioners, pensions to which they are entitled.

Vested rights include where appropriate the related benefits for spouses or other dependants.

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