



# Financial Statements

## 2022/23

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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 104 to 109.

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 Council Tax, government grant, a proportion of the Business Rates income collected and charges to users of services.

**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 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 Executive Director: Resources as the S151 Officer (Local Government Act 1972).
  - **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 (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'.

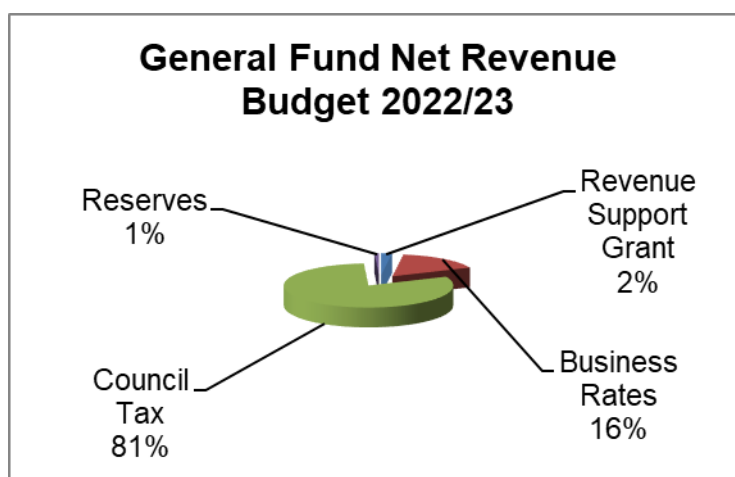
- **The Cash Flow Statement**, which shows the changes in cash and cash equivalents (investments that mature in three months or less) of the Council during the reporting period. The statement shows how the Council generates and uses cash and cash equivalents by classifying cash flows as operating, investing 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.
- **The Group Accounts** include the group statements and associated notes for the Council and its wholly owned subsidiary Downshire Homes Ltd.

The Annual Governance Statement which accompanies the accounts has been published as a separate document.

## 2 Revenue Expenditure

The Council, at its meeting on 23 February 2022, set a revenue budget for the 2022/23 financial year of £88.112m. The total authorised General Fund net expenditure for the 2022/23 financial year was £91.947m (including parish precepts of £3.835m). 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 a proportion of the Business Rates collected, Council Tax and the use of reserves, as shown in the following chart.



The table on page 5 compares actual outturn expenditure incurred with the amended budgets for the year for the General Fund. This table reflects the Council's directorate structure during 2022/23, which is the basis for the internal management of performance against budgets, as does the Comprehensive Income & Expenditure Statement.

Changes in capital charges (£1.3m) and pension adjustments (-£7.5m) account for part of the movement on service directorate 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 transfers from reserves (£8.9m – the most significant being from the Transformation Reserve, Revenue Grants Unapplied Reserve, Better Care Fund Reserve and the Business Rates Revaluations Reserve).

Despite facing significant challenges during the year from high inflationary costs, the Council's spending was within budget for the twenty-fifth successive year. The table on page 5 shows an under spend of -£0.506m occurred on the General Fund. The most significant variances from budget are explained in the sections below.

### 3 Major Revenue Variances

The major variances occurred in the following areas:

#### *Central*

- A net under-recovery of income in Planning, in particular Development Management (£0.154m), and in Building Control (£0.160m).
- An overspend on reactive maintenance (£0.321m), particularly on Street Lighting, Gully Cleaning and Patching.
- Income overall was below budget (£0.125m) and contract maintenance costs overspent (£0.029m) within the Traffic service.
- An overspend within Revenue Services where costs recovered for Council Tax and Business Rates were below the income budget (£0.095m) and ICT related budgets overspent (£0.022m).
- A net overspend at The Look Out (£0.126m), mainly relating to catering, and within Parks and Countryside from additional tree works (£0.051m).

#### *Delivery*

- An overspend on ICT projects (£1.003m) partly offset by savings in other budget areas, in particular equipment rental and repairs and supplies and services (-£0.211m).
- An overspend on Home to School Transport due to increased demand (£0.148m).
- Income generated by Investment Properties exceeded the budget (-£0.093m) and refunds led to an underspend on Business Rates (-£0.120m). These were partly offset by overspends on repairs and maintenance (£0.073m) and an overspend on Property Services (£0.052m).
- Additional income generated within Legal Services (-£0.092m) and within Registration of Births Deaths & Marriages (-£0.085m).
- Within Waste Management underspends on waste disposal (-£0.481m), the brown bin service (-£0.074m) and household collections (£-0.060m) were partly offset by an overspend on Waste Collection Recycling (£0.172m) due to additional contract costs.
- Income received on the leisure contract relating to the repayment of Covid-19 financial support (-£0.102m).
- An overachievement of income (-£0.245m) and contracted services underspends (-£0.048m) at the Cemetery and Crematorium, partly offset by operational overspends (£0.102m).

- A net underspend on Street Cleansing (-£0.063m) and overspends on grounds maintenance works within Environmental Services (£0.053m).

### *People*

- The Management Team has experienced vacancies, including in the support team and other specialist roles (-£0.114m).
- An overspend on staffing within Education and Learning (£0.674m) partly offset by related additional income (-£0.241m), primarily relating to the Special Education Needs Team. Additional legal and specialist support (£0.173m) and specialist pupil transport costs (£0.094m) were partly offset by a range of under spends, most notably delays in arranging new service deliver contracts (-£0.192m) and reduced spend on former teachers' pensions (-£0.092m).
- A net underspend on Children's Social Care (-£1.971m). Care and accommodation costs for Children Looked After underspent (-£2.231m) due to reduced numbers and average costs being lower than expected. This has been achieved partly through improved support packages before a placement is made, including fostering services (£0.438m). Other significant variances occurred on Childcare Solicitors (£0.194m), and Unaccompanied Asylum Seekers (-£0.290m).
- An overspend on care packages within adult social care, primarily due to an increase in the number and cost of clients (£1.351m), in particular relating to nursing and residential placements. This was partly offset by underspends at Waymead, the in-house respite service (-£0.065m), additional Better Care Funding (-£0.360m), staff vacancies (-£0.275m) and reduced equipment spend (-£0.045m).
- Within Mental Health and Out of Hours, care packages overspent (£1.513m) due to an increase in both numbers and the complexity of needs. Staffing costs also overspent due to reliance on agency staff (£0.148m). These costs were partly offset by additional income at Forestcare (-£0.140m) and an increase in the contribution from the Better Care Fund (-£0.250m).
- An underspend on Early Help and Communities (-£0.763m). The main elements were underspends within Early Help, primarily relating to staffing (£-0.182m), the Youth Service (-£0.149m), Housing Options (-£0.126m) and Housing Welfare & Benefits (-£0.373m), partly relating to the receipt and usage of additional grant funding to fund costs incurred.

### *Non-Departmental / Council Wide*

- A significant under spend on interest budgets (-£1.060m), with average cash balances being have been substantially higher than expected, removing the need for any new external borrowing in 2022/23. This has resulted from a combination of slippage on the capital programme and positive cashflows from grants being received pending their allocation. The increase in interest rates has also resulted in a higher return on investments.
- Higher than forecast capital receipts in 2021/22 and significant capital carry forwards into 2022/23 have created an under spend against the Minimum Revenue Provision (-£0.171m).
- Budgeted savings were not achieved on essential user car allowances (0.020m) and the budget for employers' pension contributions relating to prior year deficits was insufficient due to two schools becoming academies during the year (£0.039m).
- Other under spends occurred primarily relating to pension recharges and joint arrangements, and the provision for bad debts and write offs (-£0.033m).

## NARRATIVE REPORT

Information on financial performance and key performance indicators is included in quarterly service reports, presented to the Overview and Scrutiny panels.

<b>GENERAL FUND</b>	Original Budget £000	Latest Budget £000	Actual £000	Variance £000
Central	21,441	24,923	25,988	1,065
Delivery	17,459	14,521	14,521	0
People	96,032	94,823	94,457	(366)
<b>Net cost of General Fund services</b>	<b>134,932</b>	<b>134,267</b>	<b>134,966</b>	<b>699</b>
Capital Charges & Revenue Expenditure Funded from Capital Under Statute	(15,796)	(17,076)	(17,076)	0
Capital Expenditure Charged to the General Fund	0	3,390	3,390	0
IAS 19 Pension Adjustment	(18,445)	(10,474)	(10,474)	0
Council Wide Services including Business Rates Growth	(8,650)	(8,122)	(8,086)	36
Interest Receipts	0	(34)	(1,355)	(1,321)
Interest Payable	1,644	3,187	3,448	261
Minimum Revenue Provision	2,242	2,473	2,302	(171)
Levying Bodies	124	124	118	(6)
S106 Contributions to Revenue	0	(1,852)	(1,852)	0
Contribution to Capital Reserves	(200)	0	0	0
Transfer to the Dedicated Schools Grant Adjustment Account	(7,500)	(6,137)	(6,137)	0
General Contingency	1,900	0	0	0
New Homes Bonus Grant	(2,294)	(2,294)	(2,294)	0
Flood and Travel Related Grants	(15)	(14)	(14)	0
Lower Tier Services Grant	(199)	(199)	(203)	(4)
Services Grant	(1,160)	(1,160)	(1,160)	0
<b>Net Budget Requirement</b>	<b>86,583</b>	<b>96,079</b>	<b>95,573</b>	<b>(506)</b>
Parish Precepts	3,835	3,835	3,835	0
Contributions to/(from) Earmarked Reserves <sup>1</sup>	1,529	(7,967)	(7,967)	0
<b>Amount to be met from Government Grants and Local Taxation</b>	<b>91,947</b>	<b>91,947</b>	<b>91,441</b>	<b>(506)</b>
<b>Resources to Finance Above</b>				
Council Tax	(74,577)	(74,577)	(74,577)	0
Collection Fund Surplus	2,074	2,074	2,074	0
Revenue Support Grant	(1,837)	(1,837)	(1,837)	0
Business Rates (locally retained element)	(16,832)	(16,832)	(16,832)	0
Contribution to/(from) General Reserves	(775)	(775)	(269)	506
<b>Total Resources</b>	<b>(91,947)</b>	<b>(91,947)</b>	<b>(91,441)</b>	<b>506</b>

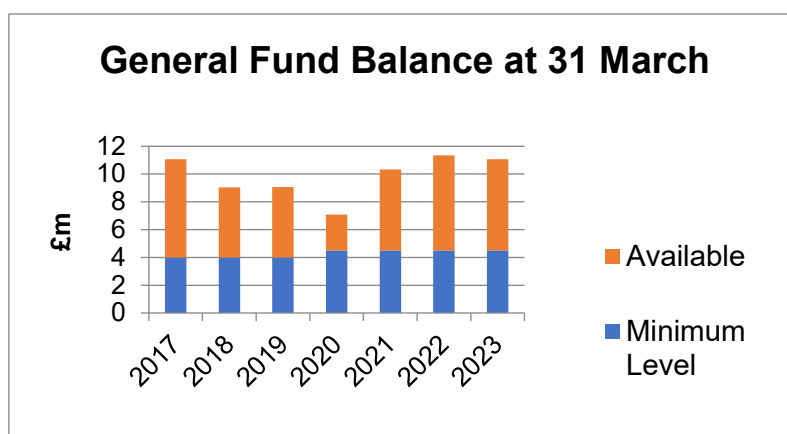
<sup>1</sup>Earmarked reserves were released in line with their agreed purpose during the year to cover one-off spending commitments that arose after the original budget was approved.

### 4 General Reserves

As the actual outturn for 2022/23 was an under spend of -£0.506m, the Council withdrew £0.269m from General Reserves rather than the budgeted £0.775m. This means that more resources are available to assist the Council with balancing future years' budgets. The General Reserves balance at 31st March 2023 was £11.077m, with no contribution from General Reserves committed to funding the 2023/24 revenue budget. The following chart



shows the movement in the level of General Fund Balances including the minimum recommended prudent balance, which was increased to £4.5m in 2019/20. There is therefore potentially £6.6m available before reaching this level, although careful consideration will need to be given to the required level of General Reserves in future years as the on-going impact on spending and funding becomes clearer over the months and years ahead.



## 5 Earmarked Reserves

The Council voluntarily earmarks resources in reserves for future spending plans. Council Earmarked Reserves totalled £75.3m as of 31 March 2023 with a further £2.3m representing individual school balances held in a separate Schools' Reserve. As the Schools Budget is in an overall deficit position all general school balances have now been transferred into the DSG Adjustment Account which is a separate Unusable Reserve.

The most significant Council Earmarked Reserves include the:

- Future Funding Reserve (£19.9m), used to smooth the impact of changes in Business Rates income and central government funding decisions, recognising likely future changes to the business rates retention system and their significant impact on Bracknell Forest. A sum of £3.6m has been committed from this reserve to help fund the 2023/24 budget;
- Business Rates Revaluation Reserve (£6.3m), which will be used to meet the cost of any significant downward Business Rates valuations, mitigating against any immediate budgetary implications;
- Business Rates Reliefs Reserve (£4.5m), used to account for the timing differences between the receipt and application of government grant relating to Business Rates;
- Revenue Grants Unapplied Reserve (£16.7m), which reflects timing differences between the receipt and application of revenue grants and contributions;
- Regeneration of Bracknell Town Centre Reserve (£6.9m), which enables the Council to support Town Centre initiatives, promoting further regeneration.

Overall, these reserves mean that the Council is in a relatively strong position to secure achievement of its key objectives while managing its medium term financial position.

## 6 Pension Reserve

The Council's Balance Sheet includes a net pension liability and a Pension Reserve of £104.1m as at 31 March 2023. These reflect the Fair Value of future pension liabilities that



have been incurred less the assets that have already been set aside to fund them based on the latest accounting standard.

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. The valuation on 31 March 2019 assessed the funding level at 79%. The employer future service funding rate was subsequently set at 15.5% of pensionable pay from 2020/21 with the variable past service deficit element paid as a lump sum in each financial year (£4.862m in 2022/23).

The valuation on the 31 March 2022 showed a marked improvement in funding level to 85%. The future funding level will be set at 17.2% from 2023/24 but the variable past service deficit element paid as a lump sum will be significantly reduced as a result (£4.300m in 2023/24).

## 7 Capital Expenditure

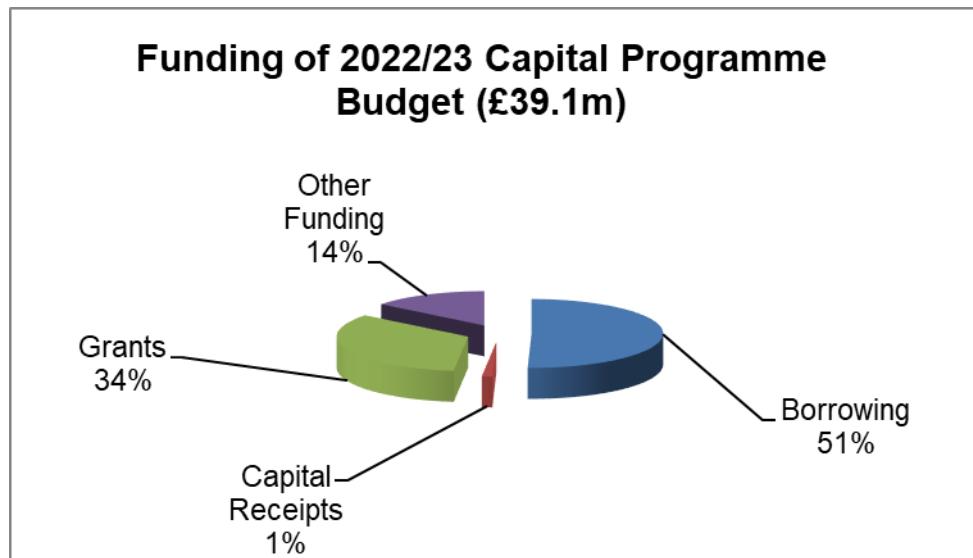
The Council has funded its capital programme from four main sources:

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

The disposal of other assets has become increasingly important to the capital programme. However, it is important to give full consideration to options available when assets are no longer required for operational purposes. All surplus, or potentially surplus, property is therefore considered by the Asset Management Board who co-ordinate and manage the Council's operational and commercial property assets and its surplus asset disposal programme. The Council has also established a property joint venture (see section 10) in order to secure maximum benefit from its surplus assets to support the town's regeneration. This is also expected to create future revenue income streams as individual sites are developed.

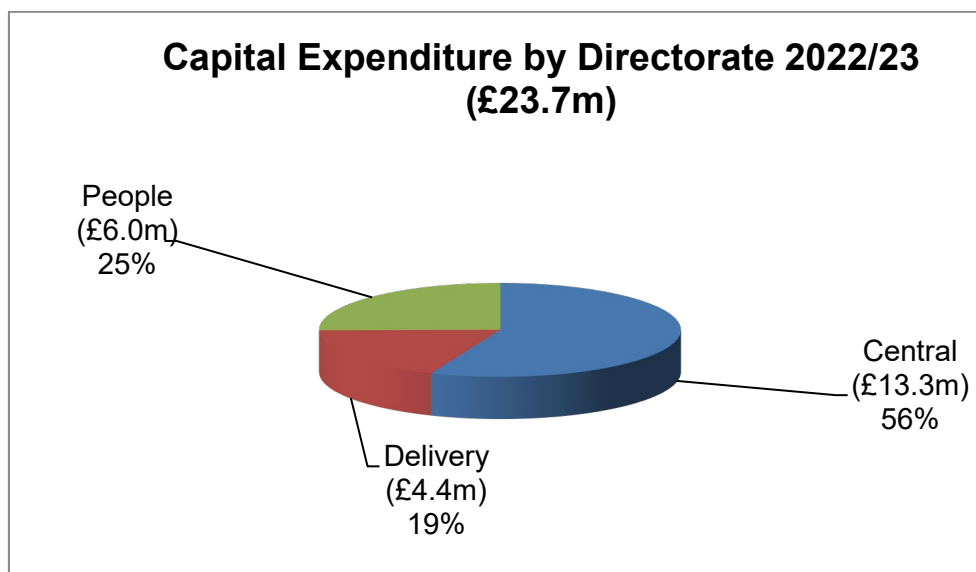
Due to the size of its capital programme the Council started to borrow externally in 2016/17, having previously been debt free.

The Council originally approved a capital programme of £16.3m for 2022/23 (including £1m for unspecified Invest to Save Schemes), plus a further £21.8m carried forward from 2021/22, to be funded as shown in the following chart.



The Council actually spent £23.7m on capital projects in 2022/23 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 often very difficult to complete such schemes within the financial year for which they are approved. The Council regularly reviews progress on the capital programme through its budget monitoring during the year and has established cash budget profiles to assist this.

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, £0.3m of capital receipts were used to fund capital expenditure.

The net increase (after repayments and refinancing) in the Council's Capital Financing Requirement (CFR) was £6.3m up to £220.1m as at 31 March 2023. The CFR is a measure

## NARRATIVE REPORT

of the capital expenditure incurred historically by the Council that has yet to be financed and represents the underlying need to borrow. The Council held £80m of loans on a long term basis from the Public Works Loans Board and £5m on a short term basis to help finance capital expenditure (see Note 34). 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 19.

The value of the Council's Long Term Assets was £666.4m as at 31 March 2023. A breakdown of the different asset types is included in the Balance Sheet and associated notes. A summary of capital schemes undertaken during the year are shown in the table below.

<b>CAPITAL PROGRAMME EXPENDITURE 2022/23</b>		
	<b>£000</b>	<b>£000</b>
<b>Central</b>		
Town Centre Redevelopment	59	
Community Centres	5,338	
Highways	3,425	
Replacement of LED Street Lights	723	
Mobility and Access Improvement Schemes	184	
Leisure – Outdoor Recreation	564	
Traffic Signal Infrastructure	148	
Joint Venture	2,675	
Other Schemes	209	13,325
<b>People</b>		
Primary School Projects	704	
Secondary School Projects	87	
Delegated Schools Capital	425	
Maintenance of Buildings	1,090	
Heathlands Re-development	861	
Housing Schemes	2,159	
Other Schemes	645	5,971
<b>Delivery</b>		
Depot	1,147	
Improvements and Capitalised Repairs	917	
Waste Vehicles and Bins	211	
Public Conveniences	107	
Borough Greening and Safety Schemes	188	
Coral Reef Gift Shop	192	
ICT Schemes	1,169	
Other Schemes	474	4,405
<b>Total Capital Expenditure</b>		<b>23,701</b>
<b>FINANCING:</b>		
Capital Receipts		262
Capital Grants & Contributions (incl. Community Infrastructure Levy)		11,311
Direct Revenue Funding		3,390
Increase in Capital Financing Requirement		8,738
<b>Total Financing</b>		<b>23,701</b>

## 8 Changes to Accounting Policies

There have been no changes to the Council's accounting policies in 2022/23.

## 9 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 decreased by £3.5m to £7.8m to reflect the latest information on appeals submitted to the Valuation Office Agency. The position on appeals remains difficult to predict following the 2017 valuation, the Valuation Office Agency's new Check, Challenge, Appeal process and the economic impact of COVID-19.

General Fund write-offs totalling £0.131m were made in 2022/23, the majority of which related to Adult Social Care and Housing.

## 10 Bracknell Town Centre Regeneration

The regenerated town centre, called The Lexicon Bracknell opened as planned on the 7 September 2017. The Lexicon has created 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.

Work is continuing to develop Princess Square and the area around the old Bentalls store, called The Deck. While a significant upgrade to Princess Square has been successfully completed, work on The Deck has not yet commenced. Based on plans submitted, in total, the refurbishment of Princess Square and development of The Deck represent a further £30m of investment by the council and Bracknell Regeneration Partnership (BRP).

The Council has also established a property joint venture with Countryside Properties UK, called the Bracknell Forest Cambium Partnership. Its key objective is to help the town centre continue to thrive by providing new homes, commercial and retail space. The Partnership is currently working on the redevelopment of the Coopers Hill site adjacent to Bracknell train station and land next to The Point on Market Street. The first home at Coopers Hill is expected to be completed by quarter 3 2023. Other sites are already under consideration and will come forward through the Partnership for development.

There are also other projects in train in the town centre area, with significant numbers of new homes close to completion along Market Street.

The long term plan for the town centre has been described in the Bracknell Town Centre 2032 Vision located at <https://www.bracknell-forest.gov.uk/sites/default/files/2021-09/bracknell-town-centre-2032-vision.pdf>.

## 11 Forward Look

Detailed preparations for the Council's 2023/24 budget started as always last September. As with all households and businesses, the impact of high inflation dominated our financial planning. The Council typically allocates around £2m - £3m each year to cover the cost of inflation, which represents the extra we need to spend just to maintain current service levels. For 2023/24, we have had to set aside just under £10m. Factoring in the cost of rising demand for statutory services like Adult Social Care and income losses due to economic conditions increased overall cost pressures to £17m.

Given the national economic and political volatility in the Autumn, it was not possible to accurately predict the level of Government funding that would be available to help mitigate this situation. We therefore aimed to cover what we felt was a "reasonable worst case

scenario”, in which we would balance the 2023/24 budget through a mixture of savings, use of our reserves and additional council tax income.

In the event, the funding settlement announced in December was a little better than expected. This meant that some of the most challenging savings we had identified have not had to be implemented. Our final budget proposals, however, still included £7.5m of savings and use of £3.6m of earmarked reserves, in addition to raising Council Tax by 4.99%, the same increase as in almost all similar authorities. Despite this increase, Bracknell Forest remains in the lowest 10% of Unitary councils, charging £182 less than the average for a Band D property.

It is recognised that any increase is unwelcome and for some households may be unaffordable. For this reason, working age households in receipt of Council Tax Support have seen a £100 reduction in their tax bill in 2022/23, while low income pensioner households who make a contribution to their bill will see a £50 reduction.

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

- significant pressures on the Council's ability to balance its finances whilst maintaining satisfactory service standards;
- the on-going impact of the Coronavirus on internal staff resources and external suppliers, and the council's ability to deliver essential services and meet the increasing needs of the community;
- the impact of the high use of long term locums and agency workers for key posts on finances and business resilience;
- ensuring children with special education needs receive timely and appropriate support for their education where demand is increasing, and internal resources are limited;
- the impact of demand led services and the need to plan for and respond to future and in-year demographic pressures, changes in the market for services and associated rising costs;
- sustaining adult and children's social care services where there is insufficient external provision available, and costs of provision are increasing significantly;
- effective safeguarding of children and vulnerable adults when there are external factors outside the Council's control;
- delivery of an IT Strategy and digital infrastructure that meets business needs, compliance, information accuracy, data protection, greater reliance on end users and the threat of cyber-attacks;
- additional support for refugees arriving in the Borough and its impact on services;
- delivery of the Council's climate change action plan to meet environmental objectives and climate change targets and the ability to influence overall emissions in the Borough;
- maintaining adequate Business Continuity plans and procedures;
- maintaining an adequate internal control environment.

The Council's underlying financial strength and consistent track record in successful financial management means that it is better placed than many similar organisations to respond to these challenges.

Bracknell Forest Council has also committed itself to becoming carbon neutral by 2050. To deliver this challenging target, the whole council will need to work together as well as with our partners, schools, and young people. [A web page](#) has been developed to showcase achievements to date and the Council's climate change strategy can be found at <https://www.bracknell-forest.gov.uk/sites/default/files/2021-11/bracknell-forest-climate-change-strategy.pdf>.

### 12 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                      Executive Director: Resources  
[Stuart.Mckellar@bracknell-forest.gov.uk](mailto:Stuart.Mckellar@bracknell-forest.gov.uk)

Arthur Parker                      Chief Accountant  
[Arthur.Parker@Bracknell-Forest.gov.uk](mailto:Arthur.Parker@Bracknell-Forest.gov.uk)

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

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

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## APPROVAL OF ACCOUNTS

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### Certification

I confirm that these accounts were approved by the Governance and Audit Committee of the Council at its meeting on \*\* 2023. The \*\* 2023 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 Michael Karim  
Chairman of Governance and Audit Committee

\*\* 2023

## 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 Executive Director: Resources;
- 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 Executive Director: Resources' Responsibilities

The Executive Director: Resources 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 Executive Director: Resources 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 Executive Director: Resources 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 2023 and of its income and expenditure for the year ended 31 March 2023.

Stuart McKellar CPFA  
Executive Director: Resources

\*\* 2023

## COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

	2022/23				2021/22		
	Gross Expenditure £000	Gross Income £000	Net £000	Note	Gross Expenditure £000	Gross Income £000	Net £000
Central	41,594	(11,970)	29,624		38,520	(13,351)	25,169
Delivery	40,483	(10,670)	29,813		39,966	(9,704)	30,262
People	220,950	(130,270)	90,680		221,914	(138,616)	83,298
Non / Council Wide	(2,504)	(1,859)	(4,363)		(2,090)	(2,366)	(4,456)
<b>Cost of Services</b>	<b>300,523</b>	<b>(154,769)</b>	<b>145,754</b>	5, 6	<b>298,310</b>	<b>(164,037)</b>	<b>134,273</b>
<b>Other Operating Expenditure</b>							
Levies			118				116
Parish Council Precepts			3,835				3,722
Other Income from Capital Receipts that do not arise from the Disposal of an Asset			(1,621)				(1,015)
(Gain)/Loss on the Disposal of Property, Plant & Equipment			56,650				31,857
Other Pension Administration Costs			305	11			270
<b>Financing and Investment Income and Expenditure</b>							
(Surplus)/Deficit on Trading Operations			147				144
Interest Receivable and Similar Income			(1,849)	34			(990)
Interest Payable and Similar Charges			3,448	34			3,482
Income and Expenditure in Relation to Investment Properties			(8,002)	18			(7,786)
Changes in Fair Value of Investment Properties			(406)	18			498
(Gain)/Loss on the Disposal of Investment Properties			0	18			(146)
Net Interest on the Net Defined Benefit Pension Liability			7,514	11			6,846
Impairment losses / (gains)			256	34			106
<b>Taxation and Non-specific Grant Incomes</b>							
Council Tax Income			(74,700)				(70,675)
General and other Non-Ringfenced Government Grants			(17,784)	10			(21,433)
Business Rates Income and Expenditure			(17,518)	10			(15,246)
Capital Grants and Contributions			(14,776)	10			(20,009)
<b>(Surplus) or Deficit on Provision of Services</b>			<b>81,371</b>	5-7			<b>44,014</b>
(Surplus) or Deficit on Revaluation of Non-Current Assets			(35,125)	29			(20,799)
Remeasurements of the Net Defined Benefit Pension Liability			(208,195)	11			(68,857)
<b>Other Comprehensive Income and Expenditure</b>			<b>(243,320)</b>				<b>(89,656)</b>
<b>Total Comprehensive Income and Expenditure</b>			<b>(161,949)</b>				<b>(45,642)</b>

## MOVEMENT IN RESERVES STATEMENT

<b>2022/23</b>	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
<b>Balance at 1 April 2022</b>	<b>11,346</b>	<b>85,568</b>	<b>0</b>	<b>21,854</b>	<b>118,768</b>	<b>169,457</b>	<b>288,225</b>
<b>Movement in Reserves During 2022/23</b>							
Total Comprehensive Income and Expenditure	(81,371)	0	0	0	(81,371)	243,320	161,949
Adjustments Between Accounting Basis and Funding Basis Under Regulations (Note 8)	73,135	0	1,531	4,526	79,192	(79,192)	0
Transfer (to)/from Earmarked Reserves	7,967	(7,967)	0	0	0	0	0
<b>Increase/(Decrease) in Year</b>	<b>(269)</b>	<b>(7,967)</b>	<b>1,531</b>	<b>4,526</b>	<b>(2,179)</b>	<b>164,128</b>	<b>161,949</b>
<b>Balance at 31 March 2023</b>	<b>11,077</b>	<b>77,601</b>	<b>1,531</b>	<b>26,380</b>	<b>116,589</b>	<b>333,585</b>	<b>450,174</b>

<b>2021/22</b>	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
<b>Balance at 1 April 2021</b>	<b>10,327</b>	<b>84,209</b>	<b>1,337</b>	<b>22,748</b>	<b>118,621</b>	<b>123,962</b>	<b>242,583</b>
<b>Movement in Reserves During 2021/22</b>							
Total Comprehensive Income and Expenditure	(44,014)	0	0	0	(44,014)	89,656	45,642
Adjustments Between Accounting Basis and Funding Basis Under Regulations (Note 8)	46,392	0	(1,337)	(894)	44,161	(44,161)	0
Transfer (to)/from Earmarked Reserves	(1,359)	1,359	0	0	0	0	0
<b>Increase/(Decrease) in Year</b>	<b>1,019</b>	<b>1,359</b>	<b>(1,337)</b>	<b>(894)</b>	<b>147</b>	<b>45,495</b>	<b>45,642</b>
<b>Balance at 31 March 2022</b>	<b>11,346</b>	<b>85,568</b>	<b>0</b>	<b>21,854</b>	<b>118,768</b>	<b>169,457</b>	<b>288,225</b>



## BALANCE SHEET

		31 March 2023	31 March 2022
	Notes	£000	£000
<b>Property, Plant and Equipment</b>			
Other Land and Buildings	17	427,564	438,820
Vehicles, Plant and Equipment	17	13,252	13,009
Infrastructure Assets	17	79,421	80,712
Community Assets	17	7,238	7,112
Assets Under Construction	17	14,943	20,486
	17	<b>542,418</b>	560,139
Heritage Assets		369	275
Investment Property	18	117,866	117,246
Intangible Assets		1,186	1,379
Long Term Debtors	21	4,579	23,562
<b>Long Term Assets</b>		<b>666,418</b>	702,601
<b>Current Assets</b>			
Short Term Investments	34	3,030	0
Inventories		94	90
Short Term Debtors	22	51,861	39,663
Cash and Cash Equivalents	23	5,980	35,057
Assets Held for Sale	17	0	1,150
		<b>60,965</b>	75,960
<b>Current Liabilities</b>			
Short Term Borrowing	34	(5,007)	0
Short Term Creditors	24	(60,433)	(81,219)
Provisions	25	(7,990)	(11,556)
		<b>(73,430)</b>	(92,775)
<b>Long Term Liabilities</b>			
Long Term Creditors	26	(18,320)	(18,569)
Waste PFI Donated Asset Account (deferred income)	15	(642)	(730)
Long Term Borrowing	34	(80,000)	(80,000)
Capital Grants and Other Contributions	10	(754)	(718)
Net Pension Liability	11	(104,063)	(297,544)
		<b>(203,779)</b>	(397,561)
<b>Net Assets</b>		<b>450,174</b>	288,225
<b>Usable Reserves</b>			
General Reserves		11,077	11,346
Earmarked Reserves	27	77,601	85,568
Usable Capital Receipts Reserve		1,531	0
Capital Grants Unapplied Reserve	28	26,380	21,854
		<b>116,589</b>	118,768
<b>Unusable Reserves</b>			
Revaluation Reserve	29	192,558	197,495
Capital Adjustment Account	30	272,484	289,855
Collection Fund Adjustment Account	32	(6,542)	(6,247)
Deferred Capital Receipts Reserve	31	1,480	1,247
Pension Reserve	11	(104,063)	(297,544)
Dedicated Schools Grant Adjustment Account	9	(15,477)	(9,340)
Accumulated Absences Account	33	(6,855)	(6,009)
		<b>333,585</b>	169,457
<b>Total Reserves</b>		<b>450,174</b>	288,225

Stuart McKellar CPFA  
Executive Director: Resources  
\*\* 2023

## CASH FLOW STATEMENT

		2022/23	2021/22
	Note	£000	£000
<b>Cash Flows from Operating Activities</b>			
Surplus or (Deficit) on Provision of Services		(81,371)	(44,014)
<b>Adjust for Non-Cash Movements</b>			
Depreciation		15,352	14,625
Impairment & Revaluation Downwards of Non-Current Assets		904	2,244
Amortisation of Intangibles		358	388
Changes in Fair Value of Investment Properties		(406)	498
Changes in Provisions		(3,566)	4,496
Impairment losses/(gains)		256	106
Amortisation of Long Term Creditors		(64)	(64)
Carrying amount of Non-Current Assets sold		57,014	32,917
Amounts posted from the Donated Assets Account		(89)	(89)
Changes in Inventory		(4)	(27)
Changes in Interest Debtors		26	14
Changes in Interest Creditors		16	0
Changes in Debtors		8,176	(5,774)
Changes in Creditors		(15,176)	8,843
Changes in Net Pension Liability		14,714	17,711
<b>Adjust for Items that are Investing or Financing Activities</b>		(16,760)	(22,230)
<b>Net Cash Flow from Operating Activities</b>		<b>(20,620)</b>	<b>9,644</b>
<b>Cash Flows from Investing Activities</b>			
Purchase of Non-Current Assets		(21,176)	(26,936)
Purchase of Short Term and Long Term Investments		(12,000)	0
Other Payments for Investing Activities		(2,430)	0
Proceeds from Sale of Non-Current Assets		131	1,335
Other Receipts from Investing Activities		9,000	22,015
Proceeds from Short Term and Long Term Investments		17,703	0
<b>Net Cash Flow from Investing Activities</b>		<b>(8,772)</b>	<b>(3,586)</b>
<b>Cash Flows from Financing Activities</b>			
Repayment of Short Term and Long Term Borrowing	35	(10,000)	0
Cash receipts of Short Term and Long Term Borrowing	35	15,000	0
Capital Element of PFI Contracts	35	(166)	(322)
Capital Element of Finance Leases		(1)	0
Council Tax and Business Rates Adjustments		(4,518)	12,161
<b>Net Cash Flow from Financing Activities</b>		<b>315</b>	<b>11,839</b>
<b>Net (Decrease)/Increase in Cash and Cash Equivalents in the Period</b>		<b>(29,077)</b>	<b>17,897</b>
<b>Cash and Cash Equivalents as of the Beginning of the Period</b>	23	<b>35,057</b>	<b>17,160</b>
<b>Cash and Cash Equivalents as of the End of the Period</b>	23	<b>5,980</b>	<b>35,057</b>

The cash flows for operating activities include the following items:

	2022/23	2021/22
	£000	£000
Interest received	1,314	1,207
Interest paid	(3,432)	(3,694)

## 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.

The provisions in the Code in respect of going concern reporting requirements reflect the economic and statutory environment in which local authorities operate. These provisions confirm that, as authorities cannot be created or dissolved without statutory prescription, they must prepare their financial statements on a going concern basis of accounting. Local authorities carry out functions essential to the local community and are themselves revenue-raising bodies (with limits on their revenue-raising powers arising only at the discretion of central government). If an authority were in financial difficulty, the prospects are thus that alternative arrangements might be made by central government either for the continuation of the services it provides or for assistance with the recovery of a deficit over more than one financial year.

However, the preparation of the financial statements requires management to assess the Council's ability to continue as a going concern even if the financial reporting framework does not include an explicit requirement to do so. The aftermath of Covid-19 and Brexit plus the economic downturn and high inflation have been considered in the assessment, due to the uncertainty surrounding their impact and duration, along with the Council's cash and reserves position. The latest cashflow projection indicates that the Council is likely to borrow a further £20m towards the end of next financial year. This still leave the Council significantly under borrowed compared to the Capital Financing Requirement of £220.1m. As at the 31 March 2023, the Council had General Reserves of £11.1m which is significantly above the Council's minimum recommended prudent balance of £4.5m and no reliance has been placed on the General Reserve to balance the budget in 2023/24. There are also significant earmarked reserves (£75.3m) excluding schools as of 31 March 2023), in particular the Future Funding Reserve (£19.9m), used to smooth the impact of changes in Business Rates income and central government funding decisions, and the Business Rates Revaluation Reserve (£6.3m), which will be used to meet the cost of any significant downward Business Rates valuations. Overall, the Council is therefore in a relatively strong position in terms of managing its medium term financial position.

### 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.

Revenue from contracts with service recipients, whether for services or the provision of goods, is recognised when (or as) the goods or services are transferred to the service recipient in accordance with the performance obligations in the contract.

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.

### 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

## NOTES TO THE CORE FINANCIAL STATEMENTS

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- 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's financial statements rather than in Group Accounts. Schools' transactions, cash flows and balances are therefore 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 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

## NOTES TO THE CORE FINANCIAL STATEMENTS

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.

### **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
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, community assets (as they are held in perpetuity with no determinable useful life) 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



## NOTES TO THE CORE FINANCIAL STATEMENTS

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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 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.

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

## NOTES TO THE CORE FINANCIAL STATEMENTS

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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.

### 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 and contingent rent.

#### *Services Received*

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

#### *PFI Assets*

A PFI asset is recognised in Property, Plant and Equipment, as each 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 Liabilities***

A PFI liability and a deferred creditor are recognised at the same time the PFI asset is recognised. The deferred creditor (donated asset account) reflects the proportion of the assets funded by third party revenues and is released over the life of the contract. The PFI is measured initially at the same amount as the PFI asset less the deferred creditor and is subsequently measured at amortised cost. Both liabilities are 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.

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).

## NOTES TO THE CORE FINANCIAL STATEMENTS

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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 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.

#### ***Financial Assets***

Financial assets are classified based on a classification and measurement approach that reflects the business model for holding the financial assets and their cash flow characteristics. There are three main classes of financial assets, those measured at:

- amortised cost;
- fair value through profit or loss (FVPL), and
- fair value through other comprehensive income (FVOCI).

The council's business model is to hold investments to collect contractual cash flows and all payments are solely that of principal and interest. All financial assets are therefore measured at amortised cost.

## NOTES TO THE CORE FINANCIAL STATEMENTS

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Financial assets measured at amortised cost 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.

### ***Expected Credit Loss Model for Financial Assets***

The Council recognises expected credit losses on all of its financial assets held at amortised cost, either on a 12-month or lifetime basis. The expected credit loss model also applies to lease receivables and contract assets. Only lifetime losses are recognised for trade receivables (debtors) held by the Council.

Impairment losses are calculated to reflect the expectation that the future cash flows might not take place because the borrower could default on their obligations. Credit risk plays a crucial part in assessing losses. Where risk has increased significantly since an instrument was initially recognised, losses are assessed on a lifetime basis. Where risk has not increased significantly or remains low, losses are assessed on the basis of 12-month expected losses.

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. Any gains and losses that arise on derecognition are credited or debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

### ***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 Financing and Investment Income and Expenditure line in 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

## NOTES TO THE CORE FINANCIAL STATEMENTS

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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.

### 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 the
- 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.



## NOTES TO THE CORE FINANCIAL STATEMENTS

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### *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 People Directorate is charged with the employer's contributions payable to Teachers' Pensions in the year.

### *Local Government Pension Scheme*

The Council's contributions are determined by triennial actuarial valuation. 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



## NOTES TO THE CORE FINANCIAL STATEMENTS

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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.

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

## NOTES TO THE CORE FINANCIAL STATEMENTS

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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 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.

## NOTES TO THE CORE FINANCIAL STATEMENTS

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### 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 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 amended standards by the Code of Practice will result in changes in accounting policy.

- Definition of Accounting Estimates (Amendments to IAS 8) issued in February 2021.
- Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2) issued in February 2021.
- Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12) issued in May 2021.
- Updating a Reference to the Conceptual Framework (Amendments to IFRS 3) issued in May 2020.

Although full adoption will not be required until 1 April 2023, the Council is required to disclose the estimated effect of the changes in these financial statements. None of these amendments are expected to have a material impact on the information contained in the Council's 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. 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 £4.3m as at 31 March 2023) 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.

## NOTES TO THE CORE FINANCIAL STATEMENTS

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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 four Voluntary Aided (VA) Schools within the Council's area. The Council owns and controls the playing fields at two 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.

There are three Voluntary Controlled (VC) Schools within the Council's area. Elements of the land (including the playing fields) and buildings are owned and controlled by the Council and are therefore 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 twelve academies (six Secondary Schools and six Primary Schools) 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 £0.275m 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.

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 recent and comparable property purchase, although consideration is also given to rental income outlook. A 1% change in the estimated yield would result in a £12.4m change in value of the whole portfolio.

The impact of a 1% change in interest rates on the Fair Value of Financial Instruments is covered in Note 34.

## 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% over the remaining 9 years of the contract) 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.

A full valuation was completed as at 31 March 2023 removing any distortions resulting from the roll forward of previous valuation data.

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 (£420.3m) and projected service cost (£10.3m).

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	(6.6)	6.8	(0.3)	0.4
Adjustment to long term salary increase	0.4	(0.4)	0.0	0.0
Adjustment to pension increases and deferred revaluation	6.6	(6.4)	0.4	(0.3)
	+1 Year	-1 Year	+1 Year	-1 Year
	£m	£m	£m	£m
Adjustment to life expectancy assumptions	16.3	(15.6)	0.4	(0.4)



### Impairment of Financial Instruments

As at 31 March 2023, the Council had a trade debtors' balance of £12.04m. 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. If collection rates were to deteriorate, a doubling of the percentage used to calculate the impairment for general debts would require an additional £1.51m to be set aside as an allowance.

Additional allowances are also made for several other debts, in particular Housing Benefits, Business Rates and Council Tax. These totalled £4.42m as at 31 March 2023. Doubling the percentage used to calculate these debts would require an additional £2.41m to be set aside.

The impairment allowances held are based on historic experience and success rates experienced in collection. There has been insufficient evidence so far to suggest that allowances should be increased upwards for the impact of inflation on the economy.

### 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 directorates. 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 £0.20m for teaching staff.

### Provision for Business Rates Appeals

The Council has made a provision of £15.925m 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 £7.803m. A 1% change in the estimate would result in a £0.159m increase or decrease in the provision required for appeals (£0.078m 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 directorates. Income and expenditure accounted for under generally accepted accounting practices is presented more fully in the Comprehensive Income and Expenditure Statement (CIES).

	2022/23			2021/22		
	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
Central	20,344	9,280	29,624	16,757	8,412	25,169
Delivery	23,363	6,450	29,813	21,808	8,454	30,262
People	71,610	19,069	90,679	63,198	20,100	83,298
Non Departmental /Council Wide	(3,858)	(504)	(4,362)	(8,914)	4,458	(4,456)
<b>Net Cost of Services</b>	<b>111,459</b>	<b>34,295</b>	<b>145,754</b>	<b>92,849</b>	<b>41,424</b>	<b>134,273</b>
<b>Other Income and Expenditure</b>	<b>(103,223)</b>	<b>38,840</b>	<b>(64,383)</b>	<b>(95,227)</b>	<b>4,968</b>	<b>(90,259)</b>
<b>(Surplus) or Deficit on Provision of Services</b>	<b>8,236</b>	<b>73,135</b>	<b>81,371</b>	<b>(2,378)</b>	<b>46,392</b>	<b>44,014</b>
Opening General Reserve balance	11,346			10,327		
Plus Surplus/(Deficit) on the General Fund	(8,236)			2,378		
Transfer (To)/From Earmarked Reserves	7,967			(1,359)		
<b>Closing General Reserve balance</b>	<b>11,077</b>			<b>11,346</b>		



## 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.

<b>2022/23</b>				
<b>Adjustments from the General Fund to arrive at the Comprehensive Income and Expenditure Statement Amounts</b>	<b>Adjustments for Capital Purposes</b>	<b>Net Pensions Adjustments</b>	<b>Other Adjustments</b>	<b>Total Adjustments</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Central	6,681	2,351	248	9,280
Delivery	5,976	464	10	6,450
People	4,419	7,612	7,038	19,069
Non Departmental /Council Wide	(3,390)	(3,579)	6,465	(504)
<b>Net Cost of Services</b>	<b>13,686</b>	<b>6,848</b>	<b>13,761</b>	<b>34,295</b>
<b>Other Income and Expenditure from the Expenditure and Funding Analysis</b>	<b>37,457</b>	<b>7,866</b>	<b>(6,483)</b>	<b>38,840</b>
<b>Difference between the General Fund Surplus / Deficit and the Surplus / Deficit on the Provision of Services in the CIES</b>	<b>51,143</b>	<b>14,714</b>	<b>7,278</b>	<b>73,135</b>

<b>2021/22</b>				
<b>Adjustments from the General Fund to arrive at the Comprehensive Income and Expenditure Statement Amounts</b>	<b>Adjustments for Capital Purposes</b>	<b>Net Pensions Adjustments</b>	<b>Other Adjustments</b>	<b>Total Adjustments</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Central	5,529	2,529	354	8,412
Delivery	6,755	1,630	69	8,454
People	6,228	8,491	5,381	20,100
Non Departmental /Council Wide	0	(2,101)	6,559	4,458
<b>Net Cost of Services</b>	<b>18,512</b>	<b>10,549</b>	<b>12,363</b>	<b>41,424</b>
<b>Other Income and Expenditure from the Expenditure and Funding Analysis</b>	<b>8,759</b>	<b>7,162</b>	<b>(10,953)</b>	<b>4,968</b>
<b>Difference between the General Fund Surplus / Deficit and the Surplus / Deficit on the Provision of Services in the CIES</b>	<b>27,271</b>	<b>17,711</b>	<b>1,410</b>	<b>46,392</b>

## 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 directorates.  Transfers to/(from) the accumulated absences account.  Removes impairment movements from directorates
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.	Adds impairment movements
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 directorates. 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.

### Directorate Income

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

	2022/23	2021/22
Directorates	Income from Services	Income from Services
	£000	£000
Central	(5,497)	(5,043)
Delivery	(9,781)	(8,392)
People	(12,631)	(11,704)
Non Departmental /Council Wide	(1,858)	(2,366)
<b>Total</b>	<b>(29,767)</b>	<b>(27,505)</b>

### 6 MATERIAL ITEMS OF INCOME AND EXPENDITURE

Within the Central Directorate, the comparative increase in expenditure reflects higher capital charges and an increase in employee costs. The latter reflecting the cost of Business Change, operational changes and the additional cost of particular projects, which benefit all directorates. The comparative reduction in income relates to the receipt of one-off Covid-19 grants in 2021/22 only relating to community testing and outbreak management.

Within the Delivery Directorate the improved income position reflects the recovery in several income streams, in particular car parking and leisure.

Within the People Directorate, the reduction in income reflects a reduction in schools grants primarily relating to two schools becoming academies (£4.3m), a reduction in income from the NHS compared to 2021/22 (£3.8m) and a reduction in Housing Subsidies linked to a reduction in spend on Housing Benefits (£1.3m).

Outside the Cost of Services, the largest changes in the (Surplus) / Deficit on the Provision of Services relate to:

- Losses on the disposal of Sandy Lane Primary School (£9.5m) and Easthampstead Park Secondary School (£44.3m) which became academies in 2022/23. This compares to a loss on the disposal of Sandhurst Secondary School (£29.4m), which became an academy in 2021/22;
- a reduction in the value of revenue and capital grants in 2022/23 compared to 2021/22 (£8.9m see note 10) partly offset by increases in Council Tax and Business Rates income between the two years (-£6.3m).

## NOTES TO THE CORE FINANCIAL STATEMENTS

### 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	2022/23 £000	2021/22 £000
Employee expenses	122,008	123,330
Employee expenses – Voluntary Aided Schools	4,550	4,442
Other service expenses	158,107	153,260
Revenue impact of capital items <sup>1</sup>	73,320	50,721
Interest payments	3,448	3,482
Precepts & levies	3,953	3,838
Net Interest on the Net Defined Benefit Pension Liability	7,514	6,846
Other pension administration costs	305	270
<b>Total Expenditure</b>	<b>373,205</b>	<b>346,189</b>
Fees, charges & other service income	(39,210)	(36,731)
Interest and investment income	(1,849)	(990)
Other income from capital receipts that do not arise from the disposal of an asset	(1,621)	(1,015)
Income from Council Tax and Business Rates	(92,218)	(85,921)
Government grants and contributions	(156,936)	(177,518)
<b>Total Income</b>	<b>(291,834)</b>	<b>(302,175)</b>
<b>(Surplus) or Deficit on the Provision of Services</b>	<b>81,371</b>	<b>44,014</b>

<sup>1</sup> 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 recognized 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.

2022/23	Note	General Fund £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	Total Usable Reserves £000	Total Unusable Reserves £000	Total Council Reserves £000
<b>Adjustments Between Accounting Basis and Funding Basis Under Regulations</b>							
Reversal of items relating to capital expenditure (transferred to the Capital Adjustment Account)	30	74,090	0	0	74,090	(74,090)	0
Changes in Fair Value of Investment Properties	30	(406)	0	0	(406)	406	0
Movement in Waste PFI Donated Asset Account (deferred income)	30	(89)	0	0	(89)	89	0
Capital Grants and Contributions Applied including Community Infrastructure Levy receipts	30	(6,362)	0	0	(6,362)	6,362	0
Statutory provision for the financing of capital investment	30	(2,302)	0	0	(2,302)	2,302	0
Capital expenditure charged against the General Fund balance	30	(3,390)	0	0	(3,390)	3,390	0
Capital grants and contributions unapplied transferred to the capital reserve	28	(8,413)	0	8,413	0	0	0
Application of grants to capital financing	28 30	0	0	(3,887)	(3,887)	3,887	0
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement		(364)	64	0	(300)	300	0
Use of the Capital Receipts Reserve to finance new capital expenditure	30	0	(262)	0	(262)	262	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	31	0	67	0	67	(67)	0
Transfer of income from Capital Receipts that do not arise from the disposal of an Asset		(1,621)	1,621	0	0	0	0
Repayment of loans	30	0	41	0	41	(41)	0
Retirement benefits transferred to the Pension Reserve	11	29,026	0	0	29,026	(29,026)	0
Employer's Pension Contributions transferred from the Pension Reserve	11	(14,312)	0	0	(14,312)	14,312	0
Council Tax and Business Rates income (transfers to or (from) the Collection Fund Adjustment Account)	32	295	0	0	295	(295)	0
Remuneration (transfers (to) or from the Accumulated Absences Account)	33	846	0	0	846	(846)	0
Transfers (to) or from the Dedicated Schools Grant Adjustment Account	9	6,137	0	0	6,137	(6,137)	0
<b>Total Adjustments</b>		<b>73,135</b>	<b>1,531</b>	<b>4,526</b>	<b>79,192</b>	<b>(79,192)</b>	<b>0</b>

## NOTES TO THE CORE FINANCIAL STATEMENTS

2021/22	Note	General Fund £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	Total Usable Reserves £000	Total Unusable Reserves £000	Total Council Reserves £000
<b>Adjustments Between Accounting Basis and Funding Basis Under Regulations</b>							
Reversal of items relating to capital expenditure (transferred to the Capital Adjustment Account)	30	51,429	0	0	51,429	(51,429)	0
Changes in Fair Value of Investment Properties	30	498	0	0	498	(498)	0
Movement in Waste PFI Donated Asset Account (deferred income)	30	(89)	0	0	(89)	89	0
Capital Grants and Contributions Applied including Community Infrastructure Levy receipts	30	(13,728)	0	0	(13,728)	13,728	0
Statutory provision for the financing of capital investment	30	(2,337)	0	0	(2,337)	2,337	0
Capital expenditure charged against the General Fund balance	30	0	0	0	0	0	0
Capital grants and contributions unapplied transferred to the capital reserve	28	(6,281)	0	6,281	0	0	0
Application of grants to capital financing	28 30	0	0	(7,175)	(7,175)	7,175	0
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement		(1,206)	1,206	0	0	0	0
Use of the Capital Receipts Reserve to finance new capital expenditure	30	0	(3,710)	0	(3,710)	3,710	0
Costs of non-current asset disposals met from the Capital Receipts Reserve		0	(11)	0	(11)	11	0
Transfer from Deferred Capital Receipts Reserve upon receipt of cash	31	0	129	0	129	(129)	0
Transfer of income from Capital Receipts that do not arise from the disposal of an Asset		(1,015)	1,015	0	0	0	0
Repayment of loans	30	0	34	0	34	(34)	0
Retirement benefits transferred to the Pension Reserve	11	29,940	0	0	29,940	(29,940)	0
Employer's Pension Contributions transferred from the Pension Reserve	11	(12,229)	0	0	(12,229)	12,229	0
Council Tax and Business Rates income (transfers to or (from) the Collection Fund Adjustment Account)	32	(5,131)	0	0	(5,131)	5,131	0
Remuneration (transfers (to) or from the Accumulated Absences Account)	33	(173)	0	0	(173)	173	0
Transfers (to) or from the Dedicated Schools Grant Adjustment Account	9	6,714	0	0	6,714	(6,714)	0
<b>Total Adjustments</b>		<b>46,392</b>	<b>(1,337)</b>	<b>(894)</b>	<b>44,161</b>	<b>(44,161)</b>	<b>0</b>

## 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 recognized in the Council's financial statements rather than in Group Accounts. An analysis of these schools by category and type is shown below:

2022/23	Category and Type of School							Grand Total
	Community				Voluntary Aided	Voluntary Controlled	Pupil Referral Unit	
	Primary	Secondary	Special	Total	Primary	Primary	Secondary	
Number	15	1	1	17	4	3	1	25
Net Spend	£000 27,811	£000 9,937	£000 5,092	£000 42,840	£000 4,671	£000 3,995	£000 1,596	£000 53,102
Deficits Surpluses	435 (1,496)	0 (656)	0 (306)	435 (2,458)	9 (223)	143 (229)	16 0	603 (2,910)

2021/22	Category and Type of School							Grand Total
	Community				Voluntary Aided	Voluntary Controlled	Pupil Referral Unit	
	Primary	Secondary	Special	Total	Primary	Primary	Secondary	
Number	16	2	1	19	4	3	1	27
Net Spend	£000 28,734	£000 15,021	£000 5,010	£000 48,765	£000 4,630	£000 3,848	£000 1,177	£000 58,420
Deficits Surpluses	423 (2,093)	0 (699)	0 (227)	423 (3,019)	0 (154)	95 (204)	0 (47)	518 (3,424)

#### Dedicated Schools Grant

The Council's expenditure on schools is funded primarily by grant monies provided by the Education and Skills Funding Agency, the 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 2022. 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 budget share for each maintained school. Details of the deployment of DSG receivable for 2022/23 is as follows.

## NOTES TO THE CORE FINANCIAL STATEMENTS

	Central Expenditure	Individual Schools Budget	Total
	£000	£000	£000
Final DSG for 2022/23 before Academy recoupment			115,337
Academy and high needs figure recouped for 2022/23			39,529
Total DSG after academy and high needs recoupment for 2022/23			75,808
Plus: Brought forward from 2021/22			0
Less: Carry forward to 2023/24 agreed in advance			7,500
Agreed initial budgeted distribution in 2022/23	33,783	49,525	83,308
In year adjustments	112	(112)	0
Final budget distribution for 2022/23	33,895	49,413	83,308
Less: Actual central expenditure	32,532		32,532
Less: Actual ISB deployed to schools		49,595	49,595
Plus: Local authority contribution for 2022/23	0	182	182
In year carry forward to 2023/24	1,363	0	1,363
Plus: Carry forward to 2023/24 agreed in advance			(7,500)
Carry forward to 2023/24			0
DSG unusable reserve at end of 2021/22			(9,340)
Addition to DSG unusable reserve at the end of 2022/23			(6,137)
Total of DSG unusable reserve at the end of 2022/23			(15,477)
Net DSG position at the end of 2022/23			(15,477)

The net deficit balance can be broken down as follows:

	£'000
New / expanding schools: start-up / diseconomies	572
New / expanding schools: increases in Business Rates	532
New SEN Resource Provision start-up / diseconomies	401
SEN Transformation Reserve	122
General unallocated balance	(17,104)
<b>Total as at 31 March 2023</b>	<b>(15,477)</b>



## NOTES TO THE CORE FINANCIAL STATEMENTS

### Dedicated Schools Grant Adjustment Account

This is an unusable reserve required under the Local Authorities (Capital Finance and Accounting) (England) Regulations 2003 as amended by The Local Authorities (Capital Finance and Accounting) (England) (Amendment) Regulations 2020.

Any deficit on the Schools Budget for the financial years 2020/21 to 2025/26 are required to be charged to this account under the new legislation. This follows on from the requirement in the School and Early Years Finance (England) Regulations 2020 that a schools' budget deficit must be carried forward to be funded from future DSG income, unless permission is sought from the secretary of state for education to fund the deficit from general resources. As there is an overall deficit as at 31 March 2023, any general schools' balances previously held in earmarked reserves have now been transferred into this account. The deficit on the account is £15.477m with a breakdown provided in the previous table. Individual schools' balances remain in a separate earmarked reserve.

## 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

	2022/23	2021/22
	£000	£000
Local Transport Plan (LTP)	2,850	2,850
Other Government Grants	5,940	6,750
S106 Contributions	2,969	902
Community Infrastructure Levy (CIL)	2,899	4,127
Health partners	0	3,318
Other Capital Contributions	118	2,062
<b>Total</b>	<b>14,776</b>	<b>20,009</b>

#### 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.

The COVID-19 LA Support Grant was used to cover costs incurred in responding to the coronavirus pandemic.

The Improved Better Care Fund can be used to meet adult social care needs, reduce pressures on the NHS including supporting more people to be discharged from hospital when ready, and to ensure that the local social care provider market is supported.

## NOTES TO THE CORE FINANCIAL STATEMENTS

Business Rates grant covers several reliefs relating in particular to the freezing of the business rates multiplier in a number of years, small business rate relief and reliefs granted as a result of the pandemic.

	2022/23	2021/22
	£000	£000
Revenue Support Grant	1,837	1,781
COVID-19 LA Support Grant	0	2,654
New Homes Bonus Grant	2,294	2,877
Supporting Families Service Grant	403	396
Housing and Council Tax Benefit Subsidy Administration Grant	336	338
Emergency Assistance Grant - Food & Essential Supplies	0	5
Clinically Extremely Vulnerable Grant	0	69
School Improvement Monitoring and Brokering Grant	52	116
Council tax Support New Burdens Funding	112	0
Business Rates Relief Grant	5,152	7,073
New Burden Discretionary Grant Fund	76	297
UK Prosperity Fund Grant	51	0
Independent Living Fund Grant	248	248
Adult Social Care Support Grant	2,829	1,990
Improved Better Care Fund	1,525	1,480
Extension of Virtual Head Role Grant	130	130
Holiday Activity Fund	169	99
DfE Regional Recovery & Build Back Better Fund	239	128
Lower Tier Services Grant	203	189
Local Council Tax Support Grant	0	827
Services Grant	1,160	0
Waste PFI Deferred Income	89	89
Disabled Facilities Grant	818	574
Other non-ringfenced revenue grants	61	73
<b>General and Non-ringfenced Government Grants</b>	<b>17,784</b>	<b>21,433</b>
Business Rates Income	28,851	27,136
Business Rates Tariff	(9,502)	(9,502)
Business Rates Levy	(1,831)	(2,388)
Additional Business Rates Grants and Payments		
Additional Restrictions Support Grant	0	3,809
Additional Restrictions Support Payments	0	(3,809)
<b>Business Rates Income and Expenditure</b>	<b>17,518</b>	<b>15,246</b>
<b>Total</b>	<b>35,302</b>	<b>36,679</b>

## NOTES TO THE CORE FINANCIAL STATEMENTS

### Grants and Contributions Credited to Services

In 2021/22, several additional service specific grants were received in the year to help meet the impact of the pandemic (£4.9m). The most significant being the Contain Outbreak Management Fund (£0.8m), Infection Control Grant (£1.2m), Community Testing Grant (£1.3m) and Workforce Capacity Grant (£0.5m).

	2022/23	2021/22
	£000	£000
Dedicated Schools Grant (including pupil premium)	77,886	82,837
Sixth Form Funding	1,611	1,918
Other Schools Grants and Contributions	5,387	4,432
Housing Benefit Subsidy	18,099	20,067
Public Health Grant	4,391	4,271
Better Care Fund	6,683	9,605
COVID-19 Related Grants	4	4,890
Other Grants and Contributions	9,255	7,675
Donations	1,039	703
<b>Total</b>	<b>124,355</b>	<b>136,398</b>

### 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.

### Revenue Grants and Contributions - Receipts in Advance

	31 March 2023	31 March 2022
	£000	£000
Short Term Creditors		
Other Grants & Contributions	3,596	2,517
<b>Total</b>	<b>3,596</b>	<b>2,517</b>

## NOTES TO THE CORE FINANCIAL STATEMENTS

### Capital Grants and Contributions - Receipts in Advance

	31 March 2023	31 March 2022
	£000	£000
Short Term Creditors		
Devolved Formula Capital	576	354
Salix Decarbonisation	33	82
Special Provisions Capital Fund	822	843
Pothole Fund	410	515
Other Government Grants and Contributions	50	15
Waste PFI deferred income	89	89
Long Term Liabilities		
Section 106 contributions <sup>1</sup>	754	718
Waste PFI deferred income	642	730
<b>Total</b>	<b>3,376</b>	<b>3,346</b>

<sup>1</sup>Section 106 contributions arise from planning agreements, which govern the utilisation of the receipts. Most of the receipts have now been recognised in the Comprehensive Income and Expenditure Statement and either applied or an equivalent amount transferred to the Revenue Grants Unapplied Reserve or the Capital Grants Unapplied Account.

## 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 <sup>1</sup>	2022/23			2021/22
	No of Employees			No of Employees
	Non-schools	Schools	Total	
£50,000 - £54,999	37	49	86	78
£55,000 - £59,999	43	28	71	53
£60,000 - £64,999	19	15	34	31
£65,000 - £69,999	13	13	26	22
£70,000 - £74,999	7	8	15	13
£75,000 - £79,999	5	8	13	7
£80,000 - £84,999	2	3	5	9
£85,000 - £89,999	9	4	13	7
£90,000 - £94,999	0	2	2	5
£95,000 - £99,999	1	1	2	1
£100,000 - £104,999	2	0	2	6
£105,000 - £109,999	4	1	5	1
£110,000 - £114,999	1	1	2	2
£115,000 - £119,999	0	0	0	1
£120,000 - £124,999	1	1	2	0
<b>Total</b>	<b>144</b>	<b>134</b>	<b>278</b>	<b>236</b>
2021/22 Comparatives	115	121		

<sup>1</sup> The total remuneration includes redundancy and settlement payments where applicable.

## NOTES TO THE CORE FINANCIAL STATEMENTS

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 statutory roles held by the Executive Director: Resources and Borough Solicitor, other members of the Corporate Management Team (CMT) and the Strategic Director of Public Health. No expense allowances were paid during the year.

### Remuneration of Senior Employees 2022/23

Post Title (and Name if over £150,000)	Salary	Pension Contributions	Total Including Pension Contributions
	£000	£000	£000
Chief Executive – T Wheadon <sup>1</sup>	111	0	111
Chief Executive - S Halliwell <sup>2</sup>	88	14	102
Executive Director: People - G Siggins	169	26	195
Executive Director: Delivery	141	22	163
Executive Director: Resources	137	22	159
Executive Director: Place, Planning and Regeneration	130	20	150
Assistant Director: Chief Executive's Office	89	14	103
Borough Solicitor	112	17	129
Director of Public Health – East Berkshire <sup>3</sup>	57	0	57
Director of Public Health – East Berkshire <sup>4</sup>	9	0	9
<b>Total</b>	<b>1,043</b>	<b>135</b>	<b>1,178</b>

<sup>1</sup> The Chief Executive left the role on the 30 September 2022.

<sup>2</sup> The new Chief Executive started on the 1 October 2022.

<sup>3</sup> The remuneration for this post is shared between three Berkshire unitary councils and Frimley Health Foundation Trust.

<sup>4</sup> The first post holder left the role on the 31 January 2022 and was replaced on the 20 February 2023.

### Remuneration of Senior Employees 2021/22

Post Title (and Name if over £150,000)	Salary	Pension Contributions	Total Including Pension Contributions
	£000	£000	£000
Chief Executive – T Wheadon	195	0	195
Executive Director: People - G Siggins	168	26	194
Executive Director: Delivery	139	22	161
Executive Director: Resources	137	22	159
Executive Director: Place, Planning and Regeneration	130	20	150
Assistant Director: Chief Executive's Office	89	14	103
Borough Solicitor	110	17	127
Director of Public Health – East Berkshire <sup>1</sup>	10	0	10
Director of Public Health – East Berkshire <sup>2</sup>	44	0	44
<b>Total</b>	<b>1,022</b>	<b>121</b>	<b>1,143</b>

<sup>1</sup> The remuneration for this post is shared equally between three Berkshire unitary councils and Frimley Health Foundation Trust

<sup>2</sup> The first post holder left the role on the 31 May 2021 and was replaced on the 1 June 2021.

## NOTES TO THE CORE FINANCIAL STATEMENTS

### 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 and include schools:

Exit Package Cost Band	No of Compulsory Redundancies		No of Other Departures		Total No		Total Cost £000	
	2022/23	2021/22	2022/23	2021/22	2022/23	2021/22	2022/23	2021/22
£0-£20,000	8	19	21	12	29	31	134	171
£20,001 - £40,000	2	2	2	3	4	5	107	131
£40,001 - £60,000	0	0	0	0	0	0	0	0
£60,001 - £80,000	0	0	0	0	0	0	0	0
£80,001- £100,000	0	0	0	0	0	0	0	0
£100,001- £150,000	0	2	0	0	0	2	0	257
<b>Total</b>	<b>10</b>	<b>23</b>	<b>23</b>	<b>15</b>	<b>33</b>	<b>38</b>	<b>241</b>	<b>559</b>

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 £0.241m (£0.559m in 2021/22) were comprised of redundancy, settlements, and other payments £0.123m (£0.205m), pay in lieu of notice £0.085m (£0.109m) and pension fund contributions to preserve unreduced benefits (pension strain) £0.033m (£0.245m). 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 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.

	2022/23		2021/22	
	Employers' Contribution	Additional Benefits	Employers' Contribution	Additional Benefits
Amount Paid	£5.734m	£0.208m	£6.403m	£0.207m
As a percentage of teachers' pensionable pay	23.7%	0.9%	23.7%	0.8%
The expected Employers' Contribution for 2023/24 is £5.964m				

## NOTES TO THE CORE FINANCIAL STATEMENTS

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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 2019 for 2022/23. Under Pension Fund Regulations contribution rates are set to meet 100% of the overall liabilities of the Fund over time. The current contribution rate is 15.5% of pensionable pay for current service plus a lump sum payment of £4.862m to cover the past service deficit element (15.5% and £3.989m in 2021/22).

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.

## NOTES TO THE CORE FINANCIAL STATEMENTS

### Comprehensive Income and Expenditure Statement and Movement in Reserves

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:

	2022/23 £000	2021/22 £000
<b>Comprehensive Income and Expenditure Statement</b>		
Cost of Services:		
Current Service Cost	24,786	24,925
Past Service Cost including curtailments	58	76
(Gain)/Loss from Settlements	(3,637)	(2,177)
Other Operating Expenditure		
Other Pension Administration Costs	305	270
Financing and Investment Income and Expenditure:		
Net Interest Expense	7,514	6,846
<b>Total Post-Employment Benefits Charged to the Surplus or Deficit on the Provision of Services</b>	<b>29,026</b>	<b>29,940</b>
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)	6,523	(23,681)
Actuarial (Gains) and Losses arising on changes in financial assumptions	(266,899)	(26,332)
Actuarial (Gains) and Losses arising on changes in demographic assumptions	0	(15,073)
Other Actuarial (Gains)/Losses on Assets	0	672
Experience (Gain)/Loss on Defined Benefit Obligation	52,181	(4,443)
<b>Total Post-Employment Benefits Charged to the Comprehensive Income and Expenditure Statement</b>	<b>(179,169)</b>	<b>(38,917)</b>
<b>Movement in Reserves Statement</b>		
Reversal of net charges made to the Surplus or Deficit on the Provision of Services for Post-Employment Benefits in accordance with the Code.	(29,026)	(29,940)
Actual Amount Charged Against the General Fund for Pensions in the Year:		
Employer's Contributions Payable to Pension Scheme	14,312	12,229

### 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 2023 £000	31 March 2022 £000
Present value of funded obligation	418,338	606,492
Fair Value of scheme (plan) assets	(316,264)	(311,427)
<b>Net funded liability</b>	<b>102,074</b>	<b>295,065</b>
Present value of unfunded obligation	1,989	2,479
<b>Net liability arising from the defined benefit obligation</b>	<b>104,063</b>	<b>297,544</b>



## NOTES TO THE CORE FINANCIAL STATEMENTS

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 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 2023	31 March 2022
	£000	£000
Liabilities as of the Beginning of the Period	608,971	633,563
Current Service Cost	24,786	24,925
Interest Cost	15,658	12,528
Contributions by Scheme Participants	3,811	3,449
Remeasurements		
Actuarial (Gains) and Losses arising from changes in financial assumptions	(266,899)	(26,332)
Actuarial (Gains) and Losses arising from changes in demographic assumptions	0	(15,073)
Experience Loss/(Gain) on Defined Benefit Obligation	52,181	(4,443)
Past Service Costs including Curtailments	58	76
Benefits Paid plus Unfunded Pension Payments	(13,186)	(16,790)
Unfunded Pension Payments	(263)	(331)
Liabilities assumed/(extinguished) on Settlements	(4,790)	(2,601)
<b>Liabilities as of the end of the period</b>	<b>420,327</b>	<b>608,971</b>

The liabilities show the underlying commitments that the Council has to pay in retirement benefits. There has been a decrease in the value of the defined benefit obligation.

The key financial assumptions required for determining liabilities are the discount rate, linked to corporate bond yields, and the rate of future inflation. The bond yield at 31 March 2023 is considerably higher than that at 31 March 2022. As a result, the discount rate used is 2.2% higher resulting in a much lower value being placed on the defined benefit obligation. Inflation is expected to decrease (CPI 0.35% lower than last year) which will impact on the assumptions for pension and salary increases and further decrease the value of liabilities. These decreases has been partly offset by the September pension increase being higher than previously assumed which will result in a higher value being placed on the defined benefit obligation and a worsening in the overall position. The impact is shown as an experience loss in the analysis of liabilities above. The financial impact of changes in assumptions is covered in more detail in Note 4.

An allowance has been made for the potential impact of the McCloud & Sargeant judgements ('transitional protection' offered to some members of the judges and fire fighters' schemes as part of the 2015 pension reforms amounted to unlawful age discrimination with a knock on effect for the Local Government Pension Scheme (LGPS) which has been remeasured at the accounting date along with the normal LGPS liabilities.

On 16 July 2020, the Government published a consultation on the proposed remedy to be applied to LGPS benefits in response to the McCloud and Sargeant cases. Principally, it was proposed that 'the statutory underpin', the mechanism through which older LGPS members closest to retirement were protected, should be extended to the scheme members who were discriminated against (i.e. those too young to receive protection under the original rules).

## NOTES TO THE CORE FINANCIAL STATEMENTS

Following consideration of the responses, the government decided to proceed with the extension of underpin protection to younger qualifying members. DLUHC has confirmed that it expects to make regulations to enact the changes in the LGPS later this year, with the changes taking effect from 1 October 2023. We do not believe there are any material differences between the approach underlying the estimated allowance and the proposed remedy.

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

	31 March 2023	31 March 2022
	£000	£000
Assets as of the Beginning of the Period	311,427	284,873
Interest income	8,144	5,682
Remeasurements		
Return on Plan Assets (excluding the amount included in the Net Interest Expense)	(6,523)	23,681
Other Actuarial Gains and Losses	0	(672)
Other Administration Expenses	(305)	(270)
Employer Contributions	14,312	12,229
Contributions by Scheme Participants	3,811	3,449
Benefits Paid	(13,449)	(17,121)
Settlement prices received/(paid)	(1,153)	(424)
<b>Assets as of the end of the period</b>	<b>316,264</b>	<b>311,427</b>

The overall return on assets was 2% (10% in 2021/22) which is lower than the previous discount rate, leading to an actuarial loss and a deterioration in the overall position.

The total contribution expected to be made to the Royal County of Berkshire Pension Fund in 2023/24 is £13.870m.

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 2023		Assets Held 31 March 2022	
	£000	%	£000	%
Cash and Cash Equivalents	4,810	1	7,332	2
Credit	46,231	15	51,748	16
Equities	197,692	62	195,338	63
Property	40,212	13	37,653	12
Infrastructure	43,859	14	39,574	13
Longevity Insurance	(16,540)	(5)	(20,218)	(6)
<b>Total</b>	<b>316,264</b>	<b>100</b>	<b>311,427</b>	<b>100</b>

## NOTES TO THE CORE FINANCIAL STATEMENTS

### 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 2022 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.

These assumptions are set with reference to market conditions as at 31 March 2023 and will vary depending on the duration of the employer's liabilities (estimated at 20 years for the Council). The (Single Equivalent) Discount Rate is based on notional cash flows relating to the annualised Merrill Lynch AA rated corporate bond yield curve.

Future pension increases are based on CPI and salary increases are assumed to be 1.0% above CPI in addition to a promotional scale (1.0% above CPI in 2021/22).

Demographic assumptions are consistent with those used for the most recent Fund valuation, which was carried out as at 31 March 2022. To project future improvements in mortality, a model prepared by the Continuous Mortality Investigation Bureau (CMI) is used. The CMI update their model on an annual basis, incorporating the latest mortality data in the national population.

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

	2022/23	2021/22
	%	%
Rate of increase in salaries	3.85	4.20
Rate of increase in pensions (CPI)	2.85	3.20
Discount Rate	4.80	2.60
Mortality assumptions from age 65:	Age	Age
Longevity at 65 for pensioners retiring at 31 March		
Men	21.1	21.0
Women	23.9	23.8
Longevity at 65 for pensioners retiring in 20 years		
Men	22.3	22.3
Women	25.3	25.2

### 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.

## NOTES TO THE CORE FINANCIAL STATEMENTS

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

	31 March 2023	31 March 2021
	£000	£000
<b>Surplus /(Deficit) as of beginning of the period</b>	<b>(297,544)</b>	<b>(348,690)</b>
Remeasurements	208,195	68,857
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	(29,026)	(29,940)
Employer's pension contributions and direct payments to pensioners payable in the year	14,312	12,229
<b>Surplus /(Deficit) as of end of the period</b>	<b>(104,063)</b>	<b>(297,544)</b>

The figures include the Council's share of the Former Berkshire County Council Pension Fund Liability.

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:

	2022/23	2021/22
	£000	£000
Allowances	597	573
Expenses	3	2
<b>Total</b>	<b>600</b>	<b>575</b>

## 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 - East Berkshire, the Emergency Duty 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. Only the net income or expenditure for each service has been included in the Comprehensive Income and Expenditure Statement.

## NOTES TO THE CORE FINANCIAL STATEMENTS

	2022/23			2021/22		
	Expenditure	Income	Net	Expenditure	Income	Net
	£000	£000	£000	£000	£000	£000
Public Health	3,983	(3,792)	191	4,185	(3,898)	287
Other	3,090	(2,288)	802	2,879	(2,151)	728
<b>Total</b>	<b>7,073</b>	<b>(6,080)</b>	<b>993</b>	<b>7,064</b>	<b>(6,049)</b>	<b>1,015</b>

## 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 1 to 99 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 5 years.

The non-cancellable operating lease expenditure charged to the relevant service line in the Comprehensive Income and Expenditure Statement during the year is £0.698m, a combination of £0.505m for properties and £0.193m for equipment and vehicles (2021/22 £0.540m for properties and £0.161m for equipment and vehicles).

The Council paid contingent rent of £0.039m during the year (2021/22 £0.035m).

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

	31 March 2023			31 March 2022		
	Land and Buildings	Equipment & Vehicles	Total	Land and Buildings	Equipment & Vehicles	Total
	£000	£000	£000	£000	£000	£000
Not later than one year	226	151	377	447	136	583
Later than one year but not more than five years	472	193	665	474	219	693
Later than five years	4,286	0	4,286	4,379	3	4,382
<b>Total</b>	<b>4,984</b>	<b>344</b>	<b>5,328</b>	<b>5,300</b>	<b>358</b>	<b>5,658</b>

#### 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 149 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-

## NOTES TO THE CORE FINANCIAL STATEMENTS

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 2023	31 March 2022
	£000	£000
Not later than one year	6,626	6,632
Later than one year but not more than five years	24,930	25,078
Later than five years	19,832	25,263
<b>Total</b>	<b>51,388</b>	<b>56,973</b>

The minimum lease payments do not include rents that are contingent on events taking place after the lease was assigned. The Council received contingent rent during the year of £0.832m (2021/22 £0.685m).

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

	31 March 2023	31 March 2022
	£000	£000
Not later than one year	6,584	6,232
Later than one year but not more than five years	24,677	23,382
Later than five years	18,659	22,533
<b>Total</b>	<b>49,920</b>	<b>52,147</b>

The Council received contingent rent during the year of £0.823m (2021/22 £0.675m) 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 1 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 2023 Land and Buildings £000	31 March 2022 Land and Buildings £000
Finance lease liabilities (net present value of minimum lease payments):		
Current	0	0
Non-current	4,623	4,623
	<b>4,623</b>	<b>4,623</b>
Finance costs payable in future years	43,463	44,758
<b>Minimum lease payments</b>	<b>48,086</b>	<b>49,381</b>

## NOTES TO THE CORE FINANCIAL STATEMENTS

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

	31 March 2023	31 March 2022
	Land and Buildings	Land and Buildings
	£000	£000
Not later than one year	1,295	1,295
Later than one year but not more than five years	4,054	4,054
Later than five years	42,737	44,032
<b>Total</b>	<b>48,086</b>	<b>49,381</b>

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 £0.575m (2021/22 £0.492m) for Longshot Lane and The Avenue Car Park.

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 2023	31 March 2022
	Land and Buildings	Land and Buildings
	£000	£000
Not later than one year	476	442
Later than one year but not more than five years	1,303	1,179
Later than five years	262	312
<b>Total</b>	<b>2,041</b>	<b>1,933</b>

The minimum lease payments do not include rents that are contingent on events taking place after the lease was assigned. The Council received contingent rent during the year of £0.079m (2021/22 £0.087m).

### Council as Lessor

Under the Council's My HomeBuy Scheme, the Council has purchased, then leased out its share of six remaining 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.



## NOTES TO THE CORE FINANCIAL STATEMENTS

The gross investment is made up of the following amounts:

	31 March 2023	31 March 2022
	Land and Buildings	Land and Buildings
	£000	£000
Finance lease debtor (net present value of minimum lease payments):		
Current	0	0
Non-current	847	847
	847	847
Unearned Finance income	3,660	3,699
<b>Gross Investment in the Leases</b>	<b>4,507</b>	<b>4,546</b>

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

	31 March 2023	31 March 2022
	Land and Buildings	Land and Buildings
	£000	£000
Not later than one year	39	39
Later than one year but not more than five years	155	155
Later than five years	4,313	4,352
<b>Total</b>	<b>4,507</b>	<b>4,546</b>

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 (as in the previous year).

### 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. 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. The PFI model was amended last year resulting in some adjustments to opening values.

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.



## NOTES TO THE CORE FINANCIAL STATEMENTS

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:

	2022/23 £000	2021/22 £000
Value as of the beginning of the period	(3,592)	(3,914)
Payments during the year	166	322
<b>Value as of the end of the period</b>	<b>(3,426)</b>	<b>(3,592)</b>

The contract generates an annual income stream from third party income. The income is held on the balance sheet as a deferred creditor (Donated Asset Account) and released to the Comprehensive Income and Expenditure Statement over the life of the contract as follows.

	31 March 2023 £000	31 March 2022 £000
<b>Within 1 year</b>	<b>89</b>	<b>89</b>
<b>2 to 5 years</b>	<b>355</b>	<b>355</b>
<b>6 to 10 years</b>	<b>286</b>	<b>375</b>
<b>Total</b>	<b>730</b>	<b>819</b>

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

Obligations payable in	2023/24 £000	As at 31 March 2023		Total payable £000
		2-5 yrs £000	6-10 yrs £000	
Repayment of Liability	364	1,496	1,566	3,426
Interest	249	723	231	1,203
Payment for Services	1,923	8,379	7,377	17,679
<b>Total</b>	<b>2,536</b>	<b>10,598</b>	<b>9,174</b>	<b>22,308</b>

Obligations payable in	2022/23 £000	As at 31 March 2022		Total payable £000
		2-5 yrs £000	6-10 yrs £000	
Repayment of Liability	166	1,472	1,954	3,592
Interest	263	833	370	1,466
Payment for Services	1,900	7,424	8,785	18,109
<b>Total</b>	<b>2,329</b>	<b>9,729</b>	<b>11,109</b>	<b>23,167</b>

## NOTES TO THE CORE FINANCIAL STATEMENTS

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

	Other Land & Buildings	2022/23 Vehicles, Plant, Furniture & Equipment	Total PFI Assets	Other Land & Buildings	2021/22 Vehicles, Plant, Furniture & Equipment	Total PFI Assets
	£000	£000	£000	£000	£000	£000
<b>Cost/Valuation</b>						
As of the beginning of the period	3,819	1,069	4,888	3,819	1,069	4,888
Revaluation increases/ (decreases) recognised in the Revaluation Reserve	0	0	0	0	0	0
Revaluation increases/ (decreases) recognised in the Surplus/Deficit on the Provision of Services	0	0	0	0	0	0
As of the end of the period	3,819	1,069	4,888	3,819	1,069	4,888
<b>Depreciation</b>						
As of the beginning of the period	100	333	433	0	290	290
Depreciation for Year	101	43	144	100	43	143
Depreciation written out to the Revaluation Reserve	0	0	0	0	0	0
Depreciation written out to the Surplus/Deficit on the Provision of Services	0	0	0	0	0	0
As of the end of the period	201	376	577	100	333	433
<b>Net Book Value as of the beginning of the period</b>	<b>3,719</b>	<b>736</b>	<b>4,455</b>	<b>3,819</b>	<b>779</b>	<b>4,598</b>
<b>Net Book Value as of the end of the period</b>	<b>3,618</b>	<b>693</b>	<b>4,311</b>	<b>3,719</b>	<b>736</b>	<b>4,455</b>

## 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.

	2022/23 £000	2021/22 £000
Fees payable to the external auditor with regard to external audit services carried out by the appointed auditor for the year	103	81
Fees payable to external auditor for the certification of grant claims and returns for the year	26	26
Fees payable in respect of other services provided by the external auditor during the year	39	55
Grant claim fees under/(over) accrued in previous year	0	(2)
Rebate received for previous year	0	(16)
<b>Total</b>	<b>168</b>	<b>144</b>

## NOTES TO THE CORE FINANCIAL STATEMENTS

### 17 PROPERTY, PLANT AND EQUIPMENT

#### Movements on Balances

	2022/23						
	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
<b>Cost/Valuation</b>							
At 1 April 2022	441,208	45,164	125,510	7,112	0	20,486	639,480
Additions <sup>1</sup>	3,642	2,533	4,767	74	0	8,174	19,190
Revaluation increases/ (decreases) recognised in the Revaluation Reserve	28,880	0	0	0	0	0	28,880
Revaluation increases/ (decreases) recognised in the Surplus/Deficit on the Provision of Services	(1,565)	0	0	0	0	0	(1,565)
Disposals	(54,991)	(3,283)	(1,986)	0	0	(363)	(60,623)
Reclassification (to)/from Assets Held for Sale	0	0	0	0	0	0	0
Other Reclassifications	12,375	131	880	52	0	(13,354)	84
At 31 March 2023	<b>429,549</b>	<b>44,545</b>	<b>129,171</b>	<b>7,238</b>	<b>0</b>	<b>14,943</b>	<b>625,446</b>
<b>Accumulated Depreciation &amp; Impairments</b>							
At 1 April 2022	2,388	32,155	44,798	0	0	0	79,341
Depreciation charge	7,352	2,125	5,875	0	0	0	15,352
Depreciation written out to the Revaluation Reserve	(6,245)	0	0	0	0	0	(6,245)
Depreciation written out to the Surplus/Deficit on the Provision of Services	(661)	0	0	0	0	0	(661)
Depreciation written out on disposal	(849)	(2,987)	(923)	0	0	0	(4,759)
At 31 March 2023	<b>1,985</b>	<b>31,293</b>	<b>49,750</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>83,028</b>
<b>Net Book Value at 31 March 2023</b>	<b>427,564</b>	<b>13,252</b>	<b>79,421</b>	<b>7,238</b>	<b>0</b>	<b>14,943</b>	<b>542,418</b>
<b>Net Book Value at 31 March 2022</b>	<b>438,820</b>	<b>13,009</b>	<b>80,712</b>	<b>7,112</b>	<b>0</b>	<b>20,486</b>	<b>560,139</b>
<b>Nature of asset holding</b>							
Owned	422,551	12,559	79,421	7,238	0	14,943	536,712
Finance lease	1,395	0	0	0	0	0	1,395
PFI	3,618	693	0	0	0	0	4,311
<b>Net Book Value at 31 March 2023</b>	<b>427,564</b>	<b>13,252</b>	<b>79,421</b>	<b>7,238</b>	<b>0</b>	<b>14,943</b>	<b>542,418</b>

<sup>1</sup> Assets Under Construction additions include expenditure on the Heathlands Re-development (£0.8m), the Depot Scheme (£1.2m) and Binfield Community Centre (£5.3m).

## NOTES TO THE CORE FINANCIAL STATEMENTS

	2021/22						
	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
<b>Cost/Valuation</b>							
At 1 April 2021	453,422	44,610	109,217	6,838	0	25,159	639,246
Additions <sup>1</sup>	2,679	1,238	3,778	154	0	15,700	23,549
Revaluation increases/ (decreases) recognised in the Revaluation Reserve	14,989	0	0	0	0	0	14,989
Revaluation increases/ (decreases) recognised in the Surplus/Deficit on the Provision of Services	(3,982)	(4)	(5)	0	0	0	(3,991)
Disposals	(27,904)	(800)	(2,332)	0	0	(2,811)	(33,847)
Reclassification (to)/from Assets Held for Sale	(1,270)	0	0	0	0	0	(1,270)
Other Reclassifications	3,274	120	14,852	120	0	(17,562)	804
At 31 March 2022	<b>441,208</b>	<b>45,164</b>	<b>125,510</b>	<b>7,112</b>	<b>0</b>	<b>20,486</b>	<b>639,480</b>
<b>Accumulated Depreciation &amp; Impairments</b>							
At 1 April 2021	2,830	30,737	40,728	0	0	0	74,295
Depreciation charge	7,556	2,106	4,963	0	0	0	14,625
Depreciation written out to the Revaluation Reserve	(5,810)	0	0	0	0	0	(5,810)
Depreciation written out to the Surplus/Deficit on the Provision of Services	(1,830)	0	0	0	0	0	(1,830)
Depreciation written out on disposal	(358)	(688)	(893)	0	0	0	(1,939)
At 31 March 2022	<b>2,388</b>	<b>32,155</b>	<b>44,798</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>79,341</b>
<b>Net Book Value at 31 March 2022</b>	<b>438,820</b>	<b>13,009</b>	<b>80,712</b>	<b>7,112</b>	<b>0</b>	<b>20,486</b>	<b>560,139</b>
<b>Net Book Value at 31 March 2021</b>	<b>450,592</b>	<b>13,873</b>	<b>68,489</b>	<b>6,838</b>	<b>0</b>	<b>25,159</b>	<b>564,951</b>
<b>Nature of asset holding</b>							
Owned	433,666	12,273	80,712	7,112	0	20,486	554,249
Finance lease	1,435	0	0	0	0	0	1,435
PFI	3,719	736	0	0	0	0	4,455
<b>Net Book Value at 31 March 2022</b>	<b>438,820</b>	<b>13,009</b>	<b>80,712</b>	<b>7,112</b>	<b>0</b>	<b>20,486</b>	<b>560,139</b>

<sup>1</sup> Assets Under Construction additions include expenditure on the Heathlands Re-development (£5.8m), the A3095 Improvement Scheme (£3.1m) and Binfield Community Centre (£1.8m).

### 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 carried out by Steve Booth BSc, MRICS, ASVA, DipAF – the Council's Head of Strategic Property or an external firm of valuers. Valuations of land and buildings were carried out in accordance with the methodologies and bases for

## NOTES TO THE CORE FINANCIAL STATEMENTS

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 2022/23 rolling programme were not materially misstated in the Balance sheet. As a result, £159m of the assets listed below were revalued using the index.

	Other Land & Buildings	Vehicles, Plant Furniture & Equipment	Infra- structure Assets	Community Assets	Surplus Assets	Assets Under Construct- ion	Total Property, Plant and Equipment
	£000	£000	£000	£000	£000	£000	£000
Carried at historic cost	0	44,545	129,171	7,238	0	14,943	195,897
Valued at current or Fair Value as at:							
2022/23	128,921	0	0	0	0	0	128,921
2021/22	27,384	0	0	0	0	0	27,384
2020/21	89,757	0	0	0	0	0	89,757
2019/20	61,416	0	0	0	0	0	61,416
2018/19	122,071	0	0	0	0	0	122,071
<b>Total Cost or Valuation</b>	<b>429,549</b>	<b>44,545</b>	<b>129,171</b>	<b>7,238</b>	<b>0</b>	<b>14,943</b>	<b>625,446</b>

## NOTES TO THE CORE FINANCIAL STATEMENTS

### 18 INVESTMENT PROPERTY

	2022/23	2021/22
	£000	£000
Balance at the beginning of the period	117,246	118,398
Additions:		
Purchases <sup>1</sup>	0	799
Subsequent expenditure	43	231
Assets under Construction	255	129
Disposals	0	(1,009)
Reclassifications from/(to) PPE	(84)	(804)
Net gains/(losses) from Fair Value adjustments	406	(498)
<b>Balance at the end of the period</b>	<b>117,866</b>	<b>117,246</b>

<sup>1</sup>Land adjacent to Weather Way in 2021/22

Of the balance as at 31 March 2023, £0.417m relates to properties held under finance leases (£0.623m in 2021/22) and £117.449m to properties owned by the Council (£116.623m in 2021/22). At 31 March 2023, all Investment Properties were let under operating leases except for six properties currently without tenants and four properties held for future sale. The value of the properties let under operating leases was £112.014m (£111.825m in 2021/22).

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 other than at the Market Street site. The Council has a contractual obligation to repair and maintain its Investment Properties, except where the lease terms specify otherwise.

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 2023	31 March 2022
	£000	£000
Rental Income from Investment Property	(9,073)	(8,909)
Operating Expenses Arising from Investment Property	1,071	1,123
<b>Net Gain</b>	<b>(8,002)</b>	<b>(7,786)</b>

#### Valuation basis

The Fair Value of Investment Property has been measured using a term and reversion market approach, considering existing lease terms and rentals and information gathered from managing the Council's Investment Property portfolio. The valuations were principally carried out by Steve Booth BSc, MRICS, ASVA, DipAF – the Council's Head of Strategic Property, although for some more significant assets an external firm of valuers was used. Several properties continued to be valued using a local market approach.

This approach has been developed principally using the authority's own data and therefore we have determined that the opening balance should all be recategorized as Level 3 in the fair value hierarchy at the start of the year, as the measurement technique uses significant unobservable inputs although there is no evidence that different assumptions would be used by other market participants. There has been no change in valuation methodology during the year.

## NOTES TO THE CORE FINANCIAL STATEMENTS

The most significant valuation assumption used is for the rental yield (rental as a percentage of property value) achievable on most Investment Properties. This is based on the valuer's experience and wider national data as there is limited local market information.

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.

A reduction in yield has been forecast for one large property compared to last year, which has resulted in a decrease of approximately £3m in the fair value for this asset reflecting the underlying market conditions for such properties. Across the rest of the portfolio, yields have largely been unchanged with an overall increase in valuations of £0.4m in total.

### 19 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 2023	31 March 2022
	£000	£000
<b>Opening Capital Financing Requirement</b>	<b>213,725</b>	214,602
<i>Capital Investment</i>		
Property, Plant and Equipment	19,190	23,549
Heritage Assets	94	4
Investment Property	297	1,160
Intangible Assets	166	242
Revenue Expenditure Funded from Capital under Statute	1,524	2,266
Long Term Debtors	2,430	0
	<b>23,701</b>	27,221
<i>Sources of Finance</i>		
Capital Receipts	(262)	(3,710)
Disposal costs incurred in advance of the Capital Receipt	0	(11)
Government Grants and Other Contributions	(11,311)	(21,951)
Sums Set Aside from Revenue:		
Direct Revenue Contributions	(3,390)	0
Waste PFI Donated Asset Account (deferred income)	(89)	(89)
Minimum Revenue Provision	(2,302)	(2,337)
	<b>(17,354)</b>	(28,098)
<b>Closing Capital Financing Requirement</b>	<b>220,072</b>	213,725
Increase/(Decrease) in underlying need to borrow (supported by government financial assistance)	(367)	(519)
Increase/(Decrease) in underlying need to borrow (unsupported by government financial assistance)	6,714	(358)
<b>Increase/(Decrease) in Capital Financing Requirement</b>	<b>6,347</b>	(877)

## NOTES TO THE CORE FINANCIAL STATEMENTS

### 20 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 2023 are as follows.

Capital Scheme	31 March 2023 £000
Bridgewell Centre Redevelopment	7,150
Depot Redevelopment	1,634
Coopers Hill Joint Venture	2,783
Market Street Joint Venture	1,345
Major Bridge Improvements	402
Binfield Community Centre	380
<b>Total</b>	<b>13,694</b>

### 21 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. Downshire Homes Ltd (DHL) is a wholly owned subsidiary of the Council. Its purpose is to provide accommodation for homeless people and people with learning disabilities. The loan has been transferred to Short Term Debtors as the company is expected to cease trading in 2023/24 and the loan repaid. The Council has made a loan and transferred land to the Joint Venture to support the development of housing at Coopers Hill.

	31 March 2023 £000	31 March 2022 £000
Local Authorities		
Loan to Warfield Parish Council	8	16
Loan to Downshire Homes Ltd	0	20,313
Other Entities and Individuals		
Car Loans to Employees	40	121
Rent to Mortgage Properties	376	376
South Hill Park Loan	53	58
Mortgages	444	481
Shared Equity Property Finance Leases	483	536
Byways/Adastron Finance Lease	445	445
Community Infrastructure Levy	0	1,216
Loan to Joint Venture	2,430	0
Land Transferred to Joint Venture	300	0
<b>Total</b>	<b>4,579</b>	<b>23,562</b>



## NOTES TO THE CORE FINANCIAL STATEMENTS

### 22 SHORT TERM DEBTORS

	31 March 2023	31 March 2022
	£000	£000
Central Government Bodies	3,396	2,568
Other Local Authorities	704	1,316
NHS Bodies	1,366	7,344
Public Corporations and Trading Funds	17	106
Other Entities and Individuals	46,378	28,329
<b>Total</b>	<b>51,861</b>	<b>39,663</b>

There has been a decrease in the number of joint projects with the NHS and outstanding debt at year-end. The loan to DHL is shown as a Short Term Debtor under Other Entities in 2023/24 (£20.313m) as it is expected to be repaid in 2023/24.

### 23 CASH AND CASH EQUIVALENTS

	31 March 2023	31 March 2022
	£000	£000
Investments With Original Maturities of 3 Months or Less	12,817	43,502
Cash held by the Council	5	5
Bank Balance / (Overdraft)	(6,842)	(8,450)
<b>Total</b>	<b>5,980</b>	<b>35,057</b>

There has been a significant reduction in the Council's investment in Money Market Funds as cash balances have been utilised to support expenditure.

### 24 SHORT TERM CREDITORS

	31 March 2023	31 March 2022
	£000	£000
Central Government Bodies	25,827	47,828
Other Local Authorities	4,318	6,188
NHS Bodies	1,057	971
Public Corporations and Trading Funds	910	139
Other Entities and Individuals	28,321	26,093
<b>Total</b>	<b>60,433</b>	<b>81,219</b>

Within Central Government Bodies there have been significant decreases in the value of grants held on the Balance Sheet where the Council is acting as an agent (-£5.1m) and the amount owed relating to Business Rates (-£15.6m).

## NOTES TO THE CORE FINANCIAL STATEMENTS

### 25 PROVISIONS

2022/23	Business Rates Appeals £000	Other £000	Total £000
Balance at 1 April 2022	11,266	290	11,556
Addition /(reduction) in provisions	2,237	0	2,237
Unused amounts reversed	0	(103)	(103)
Amounts used	(5,700)	0	(5,700)
<b>Balance at 31 March 2023</b>	<b>7,803</b>	<b>187</b>	<b>7,990</b>

2021/22	Business Rates Appeals £000	Other £000	Total £000
Balance at 1 April 2021	6,821	239	7,060
Addition /(reduction) in provisions	5,320	83	5,403
Unused amounts reversed	0	(17)	(17)
Amounts used	(875)	(15)	(890)
<b>Balance at 31 March 2022</b>	<b>11,266</b>	<b>290</b>	<b>11,556</b>

The provision for Business Rates shows an overall decrease and reflects the latest settlements and information on appeals. The position is increasingly difficult to predict following the 2017 valuation and the Valuation Office Agency's new Check, Challenge, Appeal process.

### 26 LONG TERM CREDITORS

	31 March 2023 £000	31 March 2022 £000
Other Entities and Individuals		
PFI Obligations	3,062	3,426
Finance Lease Obligations	4,622	4,623
Peel Centre Prepaid Rent	9,270	9,334
Deposits	1,366	1,186
<b>Total</b>	<b>18,320</b>	<b>18,569</b>

### 27 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 held under a scheme of delegation are permitted to be retained under the Schools Standards & Framework Act 1998. These are managed by the schools rather than the Council and held in a separate earmarked reserve. The Other Schools' Balances Reserve represented the element of schools' expenditure funded by Dedicated Schools Grant that had been carried forward. As the Schools Budget is now in an overall deficit position, these balances have now been transferred into the Dedicated Schools Grant Adjustment Account, a new unusable reserve (see Note 9).
- The Insurance & Uninsured Claims Reserve provides cover for the following:
  - The excess payable on claims under the Council's insurance policies; and

## NOTES TO THE CORE FINANCIAL STATEMENTS

- 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 Future Funding Reserve is used to smooth the impact of changes in Business Rates income and central government funding decisions.
- The Transformation Reserve is used to meet the upfront costs of the Council's business change programme aimed at delivering high-quality, sustainable services and identifying 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 Business Rates Revaluation Reserve will be used to meet the cost of any significant downward Business Rates valuations.
- The Business Rates Reliefs Reserve is used for timing differences between Section 31 grant received to meet the cost of unbudgeted Business Rates reliefs and the funding of the corresponding deficit on the Collection Fund from that income in the following year.

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

2022/23	Balance at 1 April £000	Transfers Out £000	Transfers In £000	Balance at 31 March £000
<b>Earmarked Reserves</b>				
Schools' Balances Held Under a Scheme of Delegation	2,906	(678)	79	2,307
Insurance & Uninsured Claims	3,096	(106)	94	3,084
Cost of Structural Change	2,128	(32)	0	2,096
Regeneration of Bracknell Town Centre	8,036	(2,668)	1,563	6,931
Future Funding	18,424	0	1,500	19,924
Transformation	3,499	(1,765)	1,500	3,234
Public Health	2,642	(503)	0	2,139
Better Care Fund	5,511	(3,684)	787	2,614
Commuted Maintenance of Land	1,622	(90)	0	1,532
Revenue Grants Unapplied	16,071	(2,689)	3,299	16,681
COVID-19 Reserve	2,289	(337)	0	1,952
Business Rates Revaluation Reserve	7,500	(1,240)	0	6,260
Business Rates Reliefs Reserve	6,875	(2,428)	33	4,480
Inflation	1,500	0	0	1,500
Other	3,469	(1,232)	630	2,867
<b>Total</b>	<b>85,568</b>	<b>(17,452)</b>	<b>9,485</b>	<b>77,601</b>
<b>Total movements in 2021/22</b>	<b>84,209</b>	<b>(17,796)</b>	<b>19,155</b>	<b>85,568</b>

## NOTES TO THE CORE FINANCIAL STATEMENTS

### 28 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.

	2022/23	2021/22
	£000	£000
Opening Balance	21,854	22,748
Received	8,413	6,281
Applied to Capital Financing	(3,887)	(7,175)
<b>Closing Balance</b>	<b>26,380</b>	<b>21,854</b>

### 29 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.

	2022/23	2021/22
	£000	£000
As of the beginning of the period	197,495	192,848
Upward revaluation of assets	45,953	24,038
Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services	(10,828)	(3,239)
Surplus or deficit on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services	35,125	20,799
Difference between Current/Fair Value depreciation and historical cost depreciation	(3,600)	(3,346)
Accumulated gains on assets sold or scrapped	(36,462)	(12,806)
Amount written off to the Capital Adjustment Account	(40,062)	(16,152)
<b>Closing Balance</b>	<b>192,558</b>	<b>197,495</b>

### 30 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.

## NOTES TO THE CORE FINANCIAL STATEMENTS

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.

	2022/23	2021/22
	£000	£000
Balance at 1 April	289,855	298,614
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	(15,352)	(14,625)
Revaluation Losses on Property Plant & Equipment	(904)	(2,244)
Amortisation of Intangible Assets	(358)	(388)
Revenue Expenditure Funded from Capital under Statute	(462)	(1,255)
Amount of non-current assets written off as part of the gain/loss on sale	(57,014)	(32,917)
	(74,090)	(51,429)
Adjusting amounts written out of the Revaluation Reserve	40,062	16,152
Net written out amount of the cost of non-current assets consumed in the year	(34,028)	(35,277)
Capital financing applied in the year:		
Use of the Capital Receipts Reserve to finance new capital expenditure	262	3,710
Capital Grants and Contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	6,362	13,728
Application of Capital Grants and Contributions to capital financing from the Capital Grants Unapplied Reserve	3,887	7,175
Statutory provision for the financing of capital investment	2,302	2,337
Capital expenditure charged against the General Fund	3,390	0
Prior year costs of non-current asset disposals met from in-year Capital Receipts	0	11
	16,203	26,961
Movements in the market value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement	406	(498)
Movements in the Waste PFI Donated Asset Account (deferred income) credited to the Comprehensive Income and Expenditure Statement	89	89
Repayment of loans	(41)	(34)
<b>Balance at 31 March</b>	<b>272,484</b>	<b>289,855</b>

## NOTES TO THE CORE FINANCIAL STATEMENTS

### 31 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.

	2022/23	2021/22
	£000	£000
As of the beginning of the period	1,247	1,376
Land Transferred to Joint Venture	300	0
Transfer to the Capital Receipts Reserve upon receipt of cash	(67)	(129)
<b>Closing Balance</b>	<b>1,480</b>	<b>1,247</b>

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 2023	31 March 2022
	£000	£000
Loan to Warfield Parish Council	16	24
Rent to Mortgage Properties	376	376
Shared Equity Property Finance Leases	343	402
Byways/Adastron House Finance Lease	445	445
Land Transferred to Joint Venture	300	0
<b>Total</b>	<b>1,480</b>	<b>1,247</b>

### 32 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.

	2022/23	2021/22
	£000	£000
As of the beginning of the period	(6,247)	(11,378)
Net change during the year	(295)	5,131
<b>Closing Balance</b>	<b>(6,542)</b>	<b>(6,247)</b>

## NOTES TO THE CORE FINANCIAL STATEMENTS

### 33 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.

	2022/23	2021/22
	£000	£000
As of the beginning of the period	(6,009)	(6,182)
Net change during the year	(846)	173
<b>Closing Balance</b>	<b>(6,855)</b>	<b>(6,009)</b>

### 34 FINANCIAL INSTRUMENTS

#### Categories of Financial Instruments

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

Financial Assets	Current	31 March 2023		Fair Value
		Long Term	Total	
	£000	£000	£000	£000
Investments - Amortised Cost	3,030	0	3,030	3,030
Debtors – Amortised Cost	43,222	4,579	47,801	47,801
<b>Total Financial Assets</b>	<b>46,252</b>	<b>4,579</b>	<b>50,831</b>	<b>50,831</b>
Non-financial Assets	8,639	0	8,639	8,639
<b>Total</b>	<b>54,891</b>	<b>4,579</b>	<b>59,470</b>	<b>59,470</b>
<b>Financial Liabilities</b>				
Borrowings – Amortised Cost	5,296	80,000	85,296	72,517
Creditors – Amortised Cost	27,341	8,326	35,667	57,256
<b>Total Financial Liabilities</b>	<b>32,637</b>	<b>88,326</b>	<b>120,963</b>	<b>129,773</b>
Non-financial Liabilities	32,803	0	32,803	32,803
<b>Total</b>	<b>65,440</b>	<b>88,326</b>	<b>153,766</b>	<b>162,576</b>

## NOTES TO THE CORE FINANCIAL STATEMENTS

Financial Assets	Current	31 March 2022		Fair Value
		Long Term	Total	
	£000	£000	£000	£000
Debtors – Amortised Cost	32,619	23,562	56,181	58,239
<b>Total Financial Assets</b>	<b>32,619</b>	<b>23,562</b>	<b>56,181</b>	<b>58,239</b>
Non-financial Assets	7,044	0	7,044	7,044
<b>Total</b>	<b>39,663</b>	<b>23,562</b>	<b>63,225</b>	<b>65,283</b>
<b>Financial Liabilities</b>				
Borrowings – Amortised Cost	287	80,000	80,287	96,462
Creditors – Amortised Cost	25,633	8,779	34,412	66,869
<b>Total Financial Liabilities</b>	<b>25,920</b>	<b>88,779</b>	<b>114,699</b>	<b>163,331</b>
Non-financial Liabilities	55,299	0	55,299	55,299
<b>Total</b>	<b>81,219</b>	<b>88,779</b>	<b>169,998</b>	<b>218,630</b>

Cash and cash equivalents, which include Money Market Funds held at amortised cost, are also financial instruments and are detailed in Note 23.

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. For completeness they are included in non-financial assets and liabilities in the tables above.

### Fair Value of Assets and Liabilities carried at Amortised Cost

All the Council's financial liabilities and financial assets represented by amortised cost and long term debtors and creditors 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



## NOTES TO THE CORE FINANCIAL STATEMENTS

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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 £85.3m would be valued at £64.7m due to the high prevailing interest rates.

In both valuation approaches the fair value of borrowing liabilities is less than the carrying amount which shows a notional future gain (based on economic conditions at 31 March 2023) arising from a commitment to pay interest to lenders above current market rates.

The Fair Value of long term creditors is significantly higher than the carrying amount because the interest rates payable for the PFI contract and the Longshot Lane and The Avenue Car Park finance leases 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 2023) arising from a commitment to pay interest above current market rates.

The fair values at 31 March 2023 are lower than last year due to the higher interest rate environment this year which impacts the prevailing market rates used in calculating fair value.

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

### Interest Rate Benchmarking Reform

In the UK, the London Inter-Bank Offered Rate (LIBOR) has been replaced by the Sterling Overnight Index Average (SONIA), which is based on observable data rather than lending rates reported by financial institutions. The Council's Waste PFI contract contains reference to LIBOR and to transition to the new benchmark the financing agreement has now been updated to replace LIBOR with SONIA. The Unitary Charge will be unaffected by the change. Although the transition is considered a refinancing, no refinancing gain has resulted as the Special Purpose Vehicle is subject to the same new benchmark interest rate on both its loan and swap arrangements.

## NOTES TO THE CORE FINANCIAL STATEMENTS

### 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:

Income, Expense, Gains and Losses	2022/23 Surplus or Deficit on the Provision of Services £000	2021/22 Surplus or Deficit on the Provision of Services £000
Interest Revenue – financial assets measured at amortised cost	1,849	990
Interest expense	(3,448)	(3,482)

### 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.

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.

The key issues within the strategy were:

- The Authorised Limit for 2023/24 was set at £240m. This is the maximum limit of external borrowings or other long term liabilities.
- The Operational Boundary was expected to be £245m. This is the expected level of debt and other long term liabilities during the year.

## NOTES TO THE CORE FINANCIAL STATEMENTS

### *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 & Poor's 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 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 2023/24 was approved by Full Council on 23 February 2022 and is available, along with the treasury management strategy, on the Council website at <https://www.bracknell-forest.gov.uk/sites/default/files/documents/treasury-management-report-2022-to-2023.pdf>.

The Council's maximum exposure to credit risk in relation to its deposits in financial institutions and money market funds and short term investments of £9.0m 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 2023 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.

## NOTES TO THE CORE FINANCIAL STATEMENTS

### *Amounts Arising from Expected Credit Losses*

An analysis of long term debtors is included in Note 21. Risk for each category has not increased significantly and remains low; therefore, losses have been assessed on the basis of 12-month expected losses. After considering each category of debt, no loss allowances have been made. The most significant debts relate to the loan to Downshire Homes Ltd (£20.3m) which is secured against the properties owned by DHL. As the company is expected to cease trading in 2023/24 the loan is now included in the accounts as a Short Term Debtor.

A simplified lifetime loss approach is used for trade, lease and housing related receivables based on a provision matrix. Fixed provision rates are used depending on the number of days that a receivable is past due and the type of debt. The change in loss allowance for the year on these debts is shown in the following table. The impairment loss/(gain) charged to the Comprehensive Income and Expenditure Statement is the movement in the allowance plus any write offs.

<b>Loss Allowance</b>	<b>2022/23</b>	<b>2021/22</b>
	<b>£000</b>	<b>£000</b>
Opening Balance as at 1 April	<b>2,361</b>	2,418
Movements	<b>125</b>	(57)
<b>As at 31 March</b>	<b>2,486</b>	2,361
Write offs	<b>131</b>	163
<b>Impairment losses /(gains)</b>	<b>256</b>	106

Loss allowances are also held for Council Tax (£1.234m) and Business Rates debts (£2.201m) using a provision matrix. These are not financial instruments and any movement in the allowance or write offs are charged to the Collection Fund.

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 2023 was £0.665m (2021/22 £0.629m).

### *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.

## NOTES TO THE CORE FINANCIAL STATEMENTS

### *Refinancing and Maturity Risk*

The Council 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.

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 has in previous years borrowed a total of £80m from the Public Works Loans Board on a long term basis to finance capital expenditure and has short term borrowings of £5m.

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 2023 £000	31 March 2022 £000
Less than one year	0%	100%	5,296	287
Between 1 and 2 years	0%	100%	20,000	0
Between 2 and 5 years	0%	100%	0	20,000
Between 5 and 10 years	0%	100%	10,000	10,000
Between 35 and 40 years	0%	100%	20,000	0
40 years and over	0%	100%	30,000	50,000
Total	0%	100%	85,296	80,287

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

## NOTES TO THE CORE FINANCIAL STATEMENTS

- 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.

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 2023, 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	(344)
<b>Impact on Surplus or Deficit on the Provision of Services</b>	<b>(344)</b>
Decrease in Fair Value of fixed rate borrowing and other liabilities (no impact on the Comprehensive Income and Expenditure Statement)	11,812

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.

**Foreign exchange risk** – The Council has no financial assets or liabilities denominated in foreign currencies.

### 35 RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

	1 April 2022 £000	Financing Cash Flows £000	Other Non- cash Changes £000	31 March 2023 £000
Long Term Borrowings	80,000	0	0	80,000
Short Term Borrowings	0	5,000	7	5,007
Finance Lease Liabilities	4,624	(1)	0	4,623
PFI Liabilities	3,592	(166)	0	3,426
<b>Total Liabilities from Financing Activities</b>	<b>88,216</b>	<b>4,833</b>	<b>7</b>	<b>93,056</b>

## NOTES TO THE CORE FINANCIAL STATEMENTS

	1 April 2021 £000	Financing Cash Flows £000	Other Non- cash Changes £000	31 March 2022 £000
Long Term Borrowings	80,000	0	0	80,000
Short Term Borrowings	0	0	0	0
Finance Lease Liabilities	4,624	0	0	4,624
PFI Liabilities	3,914	(322)	0	3,592
<b>Total Liabilities from Financing Activities</b>	<b>88,538</b>	<b>(322)</b>	<b>0</b>	<b>88,216</b>

### 36 CONTINGENCIES

#### Contingent Liabilities

The Council gave a number of warranties to Silva 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 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.

### 37 POOLED BUDGETS

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

#### 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 Frimley 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 transferring from hospital to home.
- A falls prevention advisory service, providing falls risk assessments and support in the community.



## NOTES TO THE CORE FINANCIAL STATEMENTS

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

	Gross Expenditure	Gross Income	Bracknell Forest Council Contribution
	£000	£000	£000
<b>Financial Year 2022/23</b>	<b>15,689<sup>1</sup></b>	<b>12,658</b>	<b>4,654</b>
Financial Year 2021/22	11,205 <sup>2</sup>	11,844	4,269

<sup>1</sup> The Council £12.114m and the Clinical Commissioning Group £3.575m

<sup>2</sup> The Council £8.757m and the Clinical Commissioning Group £2.448m

### 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
<b>Financial year 2022/23</b>	<b>11,379</b>	<b>11,379</b>	<b>542</b>
Financial year 2021/22	11,563	11,563	645

## 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



## NOTES TO THE CORE FINANCIAL STATEMENTS

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members/close relatives, detailing any material transactions with related parties. The declarations returned 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 2023, the Council administered £1.59m within 100 bank accounts (£1.61m as at 31st March 2022). Additionally, as part of these responsibilities, four residential properties 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

No prior period adjustments were required in 2022/23.

### 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 Executive Director: Resources, on \*\* 2023. There were no post balance sheet events.

## THE COLLECTION FUND

Business Rates £000	2022/23 Council Tax £000	Total £000		Notes	Business Rates £000	2021/22 Council Tax £000	Total £000
			<b>Income</b>				
	89,991	89,991	Council Tax Receivable	3		84,867	84,867
54,208		54,208	Business Rates Receivable	2	66,460		66,460
			Less: Transitional Protection Payments Receivable				
<b>54,208</b>	<b>89,991</b>	<b>144,199</b>	<b>Total Income</b>		<b>66,460</b>	<b>84,867</b>	<b>151,327</b>
			<b>Apportionment of Previous Year's Estimated (Surplus) / Deficit</b>				
2,478		2,478	Central Government		11,582		11,582
2,428	(355)	2,073	Bracknell Forest Council		11,641	(144)	11,497
49	(16)	33	Royal Berkshire Fire Authority		235	(7)	228
	(55)	(55)	Police and Crime Commissioner			(22)	(22)
<b>4,955</b>	<b>(426)</b>	<b>4,529</b>	<b>Apportionment Total</b>		<b>23,458</b>	<b>(173)</b>	<b>23,285</b>
			<b>Expenditure</b>				
			<b>Precepts, Demands and Shares</b>				
(31,974)		(31,974)	Central Government		(34,316)		(34,316)
(31,334)	(74,577)	(105,911)	Bracknell Forest Council		(33,630)	(70,547)	(104,177)
(639)	(3,568)	(4,207)	Royal Berkshire Fire Authority		(686)	(3,284)	(3,970)
	(11,642)	(11,642)	Police and Crime Commissioner			(11,014)	(11,014)
			<b>Charges to Collection Fund</b>				
(1,538)		(1,538)	Transitional Protection Payments Payable		(260)		(260)
0		0	Less: write offs / Add: write ons		2		2
(716)	(408)	(1,124)	Less: (Increase)/ Decrease in Allowance for Impairments		(1,604)	(384)	(1,988)
7,068		7,068	Less: (Increase)/ Decrease in Provision for Appeals		(9,070)		(9,070)
	352	352	Less: S13A Discretionary Reliefs			516	516
(143)		(143)	Less: Cost of Collection		(148)		(148)
<b>(59,276)</b>	<b>(89,843)</b>	<b>(149,119)</b>	<b>Total Expenditure</b>		<b>(79,712)</b>	<b>(84,713)</b>	<b>(164,425)</b>
<b>(113)</b>	<b>(278)</b>	<b>(391)</b>	<b>Movement on the fund balance</b>	4	10,206	(19)	10,187
(12,603)	(86)	(12,689)	Surplus/(Deficit) brought forward		(22,809)	(67)	(22,876)
<b>(12,716)</b>	<b>(364)</b>	<b>(13,080)</b>	<b>Surplus/(Deficit) as at 31 March</b>	4	<b>(12,603)</b>	<b>(86)</b>	<b>(12,689)</b>

# NOTES TO THE COLLECTION FUND

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## 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 2023	£159,105,626
	(£166,506,875 31 March 2022)

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

Business Rate Multiplier - Standard	51.2p (51.2p 2021/22)
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Business Rate Multiplier - Small Business	49.9p (49.9p 2021/22)
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(A property with a rateable value below £50,999)

## 3 Council Tax

The Council's tax base for 2022/23 was 48,249. 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	4	5/9 <sup>ths</sup>	2
A	1,570	1,371	6/9 <sup>ths</sup>	914
B	5,101	4,393	7/9 <sup>ths</sup>	3,417
C	18,870	17,158	8/9 <sup>ths</sup>	15,252
D	9,901	9,225	9/9 <sup>ths</sup>	9,225
E	8,304	7,870	11/9 <sup>ths</sup>	9,619
F	5,193	4,995	13/9 <sup>ths</sup>	7,215
G	2,490	2,411	15/9 <sup>ths</sup>	4,018
H	281	280	18/9 <sup>ths</sup>	560
	<b>51,710</b>			<b>50,222</b>
		<b>Less</b> allowance for losses on collection		(226)
		<b>Less</b> allowance for Council Tax Reduction Scheme		(2,520)
		<b>Add</b> contributions in lieu from the Ministry of Defence		268
		<b>Add</b> allowance for new properties		505
		<b>Council Tax Base</b>		<b>48,249</b>

#### 4 Collection Fund Surplus / Deficit

A deficit of £0.391m occurred on the Collection Fund, broken down into a £0.278m deficit on Council Tax (a £0.019m deficit in 2021/22) and a £0.113m deficit on Business Rates (a £10.206m surplus in 2021/22) The balance of the Fund carried forward is a £13.080m deficit.

Share of Surplus / (Deficit)	Opening Balance £000	Council Tax £000	Business Rates £000	Closing Balance £000
Bracknell Forest Council	(6,247)	(232)	(55)	(6,534)
Central Government	(6,301)	0	(57)	(6,358)
Police & Crime Commissioner	(11)	(36)	0	(47)
Royal Berkshire Fire Authority	(130)	(10)	(1)	(141)
<b>Total</b>	<b>(12,689)</b>	<b>(278)</b>	<b>(113)</b>	<b>(13,080)</b>

### Introduction

The Council is required to produce Group Accounts if it has material interests in subsidiaries, associates and joint ventures.

Downshire Homes Ltd (DHL) is a separate entity 100% owned and controlled by the Council and as such is classified as a wholly owned subsidiary. Its purpose is to acquire properties that can be used to house homeless families or provide learning disability accommodation. A key incentive to the Council in doing this is that the homeless accommodation rent levels from DHL are less expensive than other short term solutions such as Bed & Breakfast accommodation and it enables the Council to discharge its homeless duty by placing households in secure tenancies. It also ensures more capacity in the local market for Learning Disability client accommodation, which in turn should help the Council manage cost pressures.

DHL became operational in 2016/17. Due to continued investment in the company Group Accounts are now deemed to be required on the grounds of materiality. DHL owns 65 properties, 60 of which are used as homeless accommodation and 5 as shared accommodation for people with learning disabilities. An operating loss of £0.551m was made in 2022/23 (£0.618m loss in 2021/22).

The accounts for DHL have been prepared on the same basis as the Council's accounts. It also has the same accounting period and follows the same accounting policies as the Council. DHL is expected to cease trading in 2023/24 and the properties will be transferred to the Council to repay the loan.

A subsidiary is consolidated by adding like items of assets, liabilities, reserves, income and expenses together line by line to those of the Council in the financial statements. Intragroup balances and transactions are eliminated.

The aim of these statements is to give an overall picture of the Council's financial activities and the resources employed in carrying out those activities. Notes have been included where they are materially different to those for the Council's accounts.

## GROUP COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

	2022/23			2021/22		
	Gross Expenditure £000	Gross Income £000	Net £000	Gross Expenditure £000	Gross Income £000	Net £000
Central	41,594	(11,933)	29,661	38,520	(13,315)	25,205
Delivery	40,483	(10,670)	29,813	39,966	(9,704)	30,262
People	221,548	(131,032)	90,516	222,613	(139,409)	83,204
Non Departmental / Council Wide	(2,504)	(1,859)	(4,363)	(2,090)	(2,366)	(4,456)
<b>Cost of Services</b>	<b>301,121</b>	<b>(155,494)</b>	<b>145,627</b>	<b>299,009</b>	<b>(164,794)</b>	<b>134,215</b>
<b>Other Operating Expenditure</b>						
Levies			118			116
Parish Council Precepts			3,835			3,722
Other Income from Capital Receipts that do not arise from the Disposal of an Asset			(1,621)			(1,015)
(Gain)/Loss on the Disposal of Property, Plant & Equipment			56,650			31,857
Other Pension Administration Costs			305			270
<b>Financing and Investment Income and Expenditure</b>						
(Surplus)/Deficit on Trading Operations			147			144
Interest Receivable and Similar Income			(1,175)			(316)
Interest Payable and Similar Charges			3,448			3,482
Income and Expenditure in Relation to Investment Properties			(8,002)			(7,786)
Changes in Fair Value of Investment Properties			(406)			498
(Gain)/Loss on the Disposal of Investment Properties			0			(146)
Net Interest on the Net Defined Benefit Pension Liability			7,514			6,846
Impairment losses/ (gains)			256			106
<b>Taxation and Non-specific Grant Incomes</b>						
Council Tax Income			(74,696)			(70,673)
General and other Non-Ringfenced Government Grants			(17,784)			(21,433)
Business Rates Income and Expenditure			(17,518)			(15,246)
Capital Grants and Contributions			(14,776)			(20,009)
<b>(Surplus) or Deficit on Provision of Services</b>			<b>81,922</b>			<b>44,632</b>
Tax Expenses of Downshire Homes Ltd			0			0
<b>Group (Surplus) or Deficit</b>			<b>81,922</b>			<b>44,632</b>
(Surplus) or Deficit on Revaluation of Non-Current Assets			(35,783)			(22,951)
Remeasurements of the Net Defined Benefit Pension Liability			(208,195)			(68,857)
<b>Other Comprehensive Income and Expenditure</b>			<b>(243,978)</b>			<b>(91,808)</b>
<b>Total Comprehensive Income and Expenditure</b>			<b>(162,056)</b>			<b>(47,176)</b>

## GROUP MOVEMENT IN RESERVES STATEMENT

2022/23	General Reserves £000	Earmarked Reserves £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	Total Usable Reserves £000	Total Unusable Reserves £000	Total Council Reserves £000	DHL Reserves £000	Total Group Reserves £000
<b>Balance at 1 April 2022</b>	<b>11,346</b>	<b>85,568</b>	<b>0</b>	<b>21,854</b>	<b>118,768</b>	<b>169,457</b>	<b>288,225</b>	<b>624</b>	<b>288,849</b>
<b>Movement in Reserves During 2022/23</b>									
Total Comprehensive Income and Expenditure	(80,632)	0	0	0	(80,632)	243,320	162,688	(632)	162,056
Adjustments Between Group Accounts and Authority Accounts	(739)	0	0	0	(739)	0	(739)	739	0
Adjustments Between Accounting Basis and Funding Basis Under Regulations	73,135	0	1,531	4,526	79,192	(79,192)	0	0	0
Transfer (to)/from Earmarked Reserves	7,967	(7,967)	0	0	0	0	0	0	0
<b>Increase/(Decrease) in Year</b>	<b>(269)</b>	<b>(7,967)</b>	<b>1,531</b>	<b>4,526</b>	<b>(2,179)</b>	<b>164,128</b>	<b>161,949</b>	<b>107</b>	<b>162,056</b>
<b>Balance at 31 March 2023</b>	<b>11,077</b>	<b>77,601</b>	<b>1,531</b>	<b>26,380</b>	<b>116,589</b>	<b>333,585</b>	<b>450,174</b>	<b>731</b>	<b>450,905</b>

2021/22	General Reserves £000	Earmarked Reserves £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	Total Usable Reserves £000	Total Unusable Reserves £000	Total Council Reserves £000	DHL Reserves £000	Total Group Reserves £000
<b>Balance at 1 April 2021</b>	<b>10,327</b>	<b>84,209</b>	<b>1,337</b>	<b>22,748</b>	<b>118,621</b>	<b>123,962</b>	<b>242,583</b>	<b>(910)</b>	<b>241,673</b>
<b>Movement in Reserves During 2021/22</b>									
Total Comprehensive Income and Expenditure	(43,287)	0	0	0	(43,287)	89,656	46,369	807	47,176
Adjustments Between Group Accounts and Authority Accounts	(727)	0	0	0	(727)	0	(727)	727	0
Adjustments Between Accounting Basis and Funding Basis Under Regulations	46,392	0	(1,337)	(894)	44,161	(44,161)	0	0	0
Transfer (to)/from Earmarked Reserves	(1,359)	1,359	0	0	0	0	0	0	0
<b>Increase/(Decrease) in Year</b>	<b>1,019</b>	<b>1,359</b>	<b>(1,337)</b>	<b>(894)</b>	<b>147</b>	<b>45,495</b>	<b>45,642</b>	<b>1,534</b>	<b>47,176</b>
<b>Balance at 31 March 2022</b>	<b>11,346</b>	<b>85,568</b>	<b>0</b>	<b>21,854</b>	<b>118,768</b>	<b>169,457</b>	<b>288,225</b>	<b>624</b>	<b>288,849</b>

## GROUP BALANCE SHEET

		31 March 2023	31 March 2022
	Notes	£000	£000
<b>Property, Plant and Equipment</b>			
Other Land and Buildings	1	450,819	461,435
Vehicles, Plant and Equipment	1	13,252	13,009
Infrastructure Assets	1	79,421	80,712
Community Assets	1	7,238	7,112
Assets Under Construction	1	14,943	20,486
		<b>565,673</b>	<b>582,754</b>
Heritage Assets		369	275
Investment Property		117,866	117,246
Intangible Assets		1,186	1,379
Long Term Debtors		4,579	3,240
<b>Long Term Assets</b>		<b>689,673</b>	<b>704,894</b>
<b>Current Assets</b>			
Short Term Investments		3,030	0
Inventories		94	90
Short Term Debtors		30,273	38,894
Cash and Cash Equivalents		6,075	35,079
Assets Held for Sale		0	1,150
		<b>39,472</b>	<b>75,213</b>
<b>Current Liabilities</b>			
Short Term Borrowing		(5,007)	0
Short Term Creditors		(60,465)	(81,350)
Provisions		(7,990)	(11,556)
		<b>(73,462)</b>	<b>(92,906)</b>
<b>Long Term Liabilities</b>			
Long Term Creditors		(18,320)	(18,569)
Waste PFI Donated Asset Account (deferred income)		(642)	(730)
Long Term Borrowing		(80,000)	(80,000)
Capital Grants and Other Contributions		(754)	(718)
Net Pension Liability		(104,063)	(297,544)
Deferred Tax Liability		(999)	(791)
		<b>(204,778)</b>	<b>(398,352)</b>
<b>Net Assets</b>		<b>450,905</b>	<b>288,849</b>
<b>Usable Reserves</b>			
General Reserves		10,338	10,619
Earmarked Reserves		77,601	85,568
Income and Expenditure Reserve		(1,526)	(1,022)
Usable Capital Receipts Reserve		1,531	0
Capital Grants Unapplied Reserve		26,380	21,854
		<b>114,324</b>	<b>117,019</b>
<b>Unusable Reserves</b>			
Revaluation Reserve		195,554	199,868
Capital Adjustment Account		272,484	289,855
Collection Fund Adjustment Account		(6,542)	(6,247)
Deferred Capital Receipts Reserve		1,480	1,247
Pension Reserve		(104,063)	(297,544)
Dedicated Schools Grant Adjustment Account		(15,477)	(9,340)
Accumulated Absences Account		(6,855)	(6,009)
		<b>336,581</b>	<b>171,830</b>
<b>Total Reserves</b>		<b>450,905</b>	<b>288,849</b>

**Stuart McKellar CPFA**  
**Executive Director: Resources**  
**\*\* 2023**



## GROUP CASH FLOW STATEMENT

	2022/23	2021/22
	£000	£000
<b>Cash Flows From Operating Activities</b>		
Surplus or (Deficit) on Provision of Services	(81,922)	(44,632)
<b>Adjust for Non Cash Movements</b>		
Depreciation	15,578	14,825
Impairment & Revaluation Downwards of Non-Current Assets	904	2,348
Amortisation of Intangibles	358	388
Changes in Fair Value of Investment Properties	(406)	498
Changes in Provisions	(3,566)	4,496
Impairment losses/(gains)	256	106
Amortisation of Long Term Creditors	(64)	(64)
Carrying amount of Non-Current Assets sold	57,014	32,917
Amounts posted from the PFI Donated Asset Account	(89)	(89)
Changes in Inventory	(4)	(27)
Changes in Interest Debtors	26	14
Changes in Interest Creditors	16	0
Changes in Debtors	8,114	(5,706)
Changes in Creditors	(14,716)	9,011
Changes in Net Pension Liability	14,714	17,711
<b>Adjust for Items that are Investing or Financing Activities</b>	(16,760)	(22,230)
<b>Net Cash Flow From Operating Activities</b>	<b>(20,547)</b>	<b>9,566</b>
<b>Cash Flows from Investing Activities</b>		
Purchase of Non-Current Assets	(21,176)	(26,936)
Purchase of Short Term and Long Term Investments	(12,000)	0
Other Payments for Investing Activities	(2,430)	0
Proceeds from Sale of Non-Current Assets	131	1,335
Other Receipts from Investing Activities	9,000	22,015
Proceeds from Short Term and Long Term Investments	17,703	0
<b>Net Cash Flow From Investing Activities</b>	<b>(8,772)</b>	<b>(3,586)</b>
<b>Cash Flows from Financing Activities</b>		
Repayment of Short Term and Long Term Borrowing	(10,000)	0
Cash receipts of Short Term and Long Term Borrowing	15,000	0
Capital Element of PFI Contracts	(166)	(322)
Capital Element of Finance Leases	(1)	0
Council Tax and Business Rates Adjustments	(4,518)	12,161
<b>Net Cash Flow From Financing Activities</b>	<b>315</b>	<b>11,839</b>
<b>Net (Decrease)/Increase in Cash and Cash Equivalents in the Period</b>	<b>(29,004)</b>	<b>17,819</b>
<b>Cash and Cash Equivalents as of the Beginning of the Period</b>	<b>35,079</b>	<b>17,260</b>
<b>Cash and Cash Equivalents as of the End of the Period</b>	<b>6,075</b>	<b>35,079</b>

The cash flows for operating activities include the following items:

	2022/23	2021/22
	£000	£000
Interest received	1,314	405
Interest paid	(3,582)	(3,482)

# NOTES TO THE GROUP FINANCIAL STATEMENTS

## 1 PROPERTY, PLANT AND EQUIPMENT

### Movements on Balances

	2022/23						
	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
<b>Cost/Valuation</b>							
At 1 April 2022	463,823	45,164	125,510	7,112	0	20,486	662,095
Additions	3,642	2,533	4,767	74	0	8,174	19,190
Revaluation increases/ (decreases) recognised in the Revaluation Reserve	29,520	0	0	0	0	0	29,520
Revaluation increases/ (decreases) recognised in the Surplus/Deficit on the Provision of Services	(1,565)	0	0	0	0	0	(1,565)
Disposals	(54,991)	(3,283)	(1,986)	0	0	(363)	(60,623)
Reclassification (to)/from Assets Held for Sale	0	0	0	0	0	0	0
Other Reclassifications	12,375	131	880	52	0	(13,354)	84
At 31 March 2023	<b>452,804</b>	<b>44,545</b>	<b>129,171</b>	<b>7,238</b>	<b>0</b>	<b>14,943</b>	<b>648,701</b>
<b>Accumulated Depreciation &amp; Impairments</b>							
At 1 April 2022	2,388	32,155	44,798	0	0	0	79,341
Depreciation charge	7,578	2,125	5,875	0	0	0	15,578
Depreciation written out to the Revaluation Reserve	(6,471)	0	0	0	0	0	(6,471)
Depreciation written out to the Surplus/Deficit on the Provision of Services	(661)	0	0	0	0	0	(661)
Depreciation written out on disposal	(849)	(2,987)	(923)	0	0	0	(4,759)
At 31 March 2023	<b>1,985</b>	<b>31,293</b>	<b>49,750</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>83,028</b>
<b>Net Book Value at 31 March 2023</b>	<b>450,819</b>	<b>13,252</b>	<b>79,421</b>	<b>7,238</b>	<b>0</b>	<b>14,943</b>	<b>565,673</b>
<b>Net Book Value at 31 March 2022</b>	<b>461,435</b>	<b>13,009</b>	<b>80,712</b>	<b>7,112</b>	<b>0</b>	<b>20,486</b>	<b>582,754</b>
<b>Nature of asset holding</b>							
Owned	445,806	12,559	79,421	7,238	0	14,943	559,967
Finance lease	1,395	0	0	0	0	0	1,395
PFI	3,618	693	0	0	0	0	4,311
<b>Net Book Value at 31 March 2023</b>	<b>450,819</b>	<b>13,252</b>	<b>79,421</b>	<b>7,238</b>	<b>0</b>	<b>14,943</b>	<b>565,673</b>

## NOTES TO THE GROUP FINANCIAL STATEMENTS

	2021/22						
	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	£000
<b>Cost/Valuation</b>							
At 1 April 2021	473,398	44,610	109,217	6,838	0	25,159	659,222
Additions	2,679	1,238	3,778	154	0	15,700	23,549
Revaluation increases/ (decreases) recognised in the Revaluation Reserve	17,732	0	0	0	0	0	17,732
Revaluation increases/ (decreases) recognised in the Surplus/Deficit on the Provision of Services	(4,086)	(4)	(5)	0	0	0	(4,095)
Disposals	(27,904)	(800)	(2,332)	0	0	(2,811)	(33,847)
Reclassification (to)/from Assets Held for Sale	(1,270)	0	0	0	0	0	(1,270)
Other Reclassifications	3,274	120	14,852	120	0	(17,562)	804
At 31 March 2022	<b>463,823</b>	<b>45,164</b>	<b>125,510</b>	<b>7,112</b>	<b>0</b>	<b>20,486</b>	<b>662,095</b>
<b>Accumulated Depreciation &amp; Impairments</b>							
At 1 April 2021	2,830	30,737	40,728	0	0	0	74,295
Depreciation charge	7,756	2,106	4,963	0	0	0	14,825
Depreciation written out to the Revaluation Reserve	(6,010)	0	0	0	0	0	(6,010)
Depreciation written out to the Surplus/Deficit on the Provision of Services	(1,830)	0	0	0	0	0	(1,830)
Depreciation written out on disposal	(358)	(688)	(893)	0	0	0	(1,939)
At 31 March 2022	<b>2,388</b>	<b>32,155</b>	<b>44,798</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>79,341</b>
<b>Net Book Value at 31 March 2022</b>	<b>461,435</b>	<b>13,009</b>	<b>80,712</b>	<b>7,112</b>	<b>0</b>	<b>20,486</b>	<b>582,754</b>
<b>Net Book Value at 31 March 2021</b>	<b>470,568</b>	<b>13,873</b>	<b>68,489</b>	<b>6,838</b>	<b>0</b>	<b>25,159</b>	<b>584,927</b>
<b>Nature of asset holding</b>							
Owned	456,281	12,273	80,712	7,112	0	20,486	576,864
Finance lease	1,435	0	0	0	0	0	1,435
PFI	3,719	736	0	0	0	0	4,455
<b>Net Book Value at 31 March 2022</b>	<b>461,435</b>	<b>13,009</b>	<b>80,712</b>	<b>7,112</b>	<b>0</b>	<b>20,486</b>	<b>582,754</b>

## NOTES TO THE GROUP FINANCIAL STATEMENTS

### Valuations

DHL property valuations are carried out annually and are therefore included in 2022/23 below.

	Other Land & Buildings	Vehicles, Plant Furniture & Equipment	Infra- structure Assets	Community Assets	Surplus Assets	Assets Under Construct- ion	Total Property, Plant and Equipment
	£000	£000	£000	£000	£000	£000	£000
Carried at historic cost	0	44,545	129,171	7,238	0	14,943	195,897
Valued at current or Fair Value as at:							
2022/23	152,176	0	0	0	0	0	152,176
2021/22	27,384	0	0	0	0	0	27,384
2020/21	89,757	0	0	0	0	0	89,757
2019/20	61,416	0	0	0	0	0	61,416
2018/19	122,071	0	0	0	0	0	122,071
<b>Total Cost or Valuation</b>	<b>452,804</b>	<b>44,545</b>	<b>129,171</b>	<b>7,238</b>	<b>0</b>	<b>14,943</b>	<b>648,701</b>

## 2 FINANCIAL INSTRUMENTS

### Categories of Financial Instruments

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

Financial Assets	Current	31 March 2023		Fair Value
		Long Term	Total	
	£000	£000	£000	£000
Investments - Amortised Cost	3,030	0	3,030	3,030
Debtors – Amortised Cost	41,956	4,579	46,535	46,535
<b>Total Financial Assets</b>	<b>44,986</b>	<b>4,579</b>	<b>49,565</b>	<b>49,565</b>
Non-financial Assets	8,639	0	8,639	8,639
<b>Total</b>	<b>53,625</b>	<b>4,579</b>	<b>58,204</b>	<b>58,204</b>
<b>Financial Liabilities</b>				
Borrowings – Amortised Cost	5,296	80,000	85,296	72,517
Creditors – Amortised Cost	27,373	8,326	35,699	57,288
<b>Total Financial Liabilities</b>	<b>32,669</b>	<b>88,326</b>	<b>120,995</b>	<b>129,805</b>
Non-financial Liabilities	32,803	0	32,803	32,803
<b>Total</b>	<b>65,472</b>	<b>88,326</b>	<b>153,798</b>	<b>162,608</b>

## NOTES TO THE GROUP FINANCIAL STATEMENTS

Financial Assets	Current	31 March 2022		Fair Value
		Long Term	Total	
	£000	£000	£000	£000
Debtors – Amortised Cost	31,850	3,240	35,090	35,090
<b>Total Financial Assets</b>	<b>31,850</b>	<b>3,240</b>	<b>35,090</b>	<b>35,090</b>
Non-financial Assets	7,044	0	7,044	7,044
<b>Total</b>	<b>38,894</b>	<b>3,240</b>	<b>42,134</b>	<b>42,134</b>
<b>Financial Liabilities</b>				
Borrowings – Amortised Cost	287	80,000	80,287	96,462
Creditors – Amortised Cost	25,764	8,779	34,543	67,000
<b>Total Financial Liabilities</b>	<b>26,051</b>	<b>88,779</b>	<b>114,830</b>	<b>163,462</b>
Non-financial Liabilities	55,299	0	55,299	55,299
<b>Total</b>	<b>81,350</b>	<b>88,779</b>	<b>170,129</b>	<b>218,761</b>

### 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:

Income, Expense, Gains and Losses	2022/23	2021/22
	Surplus or Deficit on the Provision of Services £000	Surplus or Deficit on the Provision of Services £000
Interest Revenue – financial assets measured at amortised cost	1,175	316
Interest expense	(3,448)	(3,482)

### 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**

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

## **GLOSSARY**

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### **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.

### **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.

### **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.

## **GLOSSARY**

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### **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.

### **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

## GLOSSARY

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- 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.

### SUBSIDIARY

An entity controlled by the Council.

### USEFUL LIFE

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

### 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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