

Date Published: 21 June 2010



GOVERNANCE & AUDIT COMMITTEE

29 JUNE 2010

SUPPLEMENTARY PAPERS

TO: ALL MEMBERS OF THE GOVERNANCE & AUDIT COMMITTEE

The following papers have been added to the agenda for the above meeting.

These were circulated separately.

Alison Sanders
Director of Corporate Services

	Page No
11. STATEMENT OF ACCOUNTS 2009/10	1 - 118
To consider the Statement of Accounts for 2009/10.	
The Statement of Accounts has been circulated separately.	

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Statement of Accounts

2009/10



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EXPLANATORY FOREWORD

Introduction

This foreword 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.

The Accounts and Audit Regulations 2003 require the Council to produce a Statement of Accounts for each financial year giving certain specified information. The foreword sets out to explain the financial details contained in the Council's accounts. To assist readers, a glossary of accounting terms is included on pages 103 to 112.

Being a Unitary Council Bracknell Forest is required by legislation to account for its expenditure in three distinct categories:

General Fund Revenue Account – This includes day to day spending on all services except those directly relating to council housing. Expenditure is financed mainly from Government Grant (Revenue Support Grant), Business Rate income, charges to users of services, and Council Tax.

Housing Revenue Account (HRA) now formally closed – On the 11 February 2008 the Council transferred the majority of its housing stock to a new Registered Social Landlord "Bracknell Forest Homes". The account was formally closed in 2008/09 and is only referred to as a discontinued operation in the Income and Expenditure Account comparative for 2008/09.

Capital – All improvements and enhancements to the Council's assets are included in this category. This expenditure is financed partly from the sale of capital assets, Government Grant support, contributions from developers and borrowing from internal funds.

The accounting statements which follow this foreword are:

- **The Annual Governance Statement**, which sets out the Council's arrangements for ensuring that its business is conducted in accordance with the law and proper standards;
- **The Statement of Responsibilities for the Statement of Accounts**, which identifies the officer who is responsible for the proper administration of the Council's financial affairs;
- **The Statement of Accounting Policies**, which explains the basis for the recognition, measurement and disclosure of transactions and other events in the accounts and details the accounting concepts and standards. The approach taken ensures that the accounts present fairly the financial position and transactions of the Council.
- **The Income & Expenditure Account**, which records all revenue expenditure and income in both the General Fund and the Housing Revenue Account (HRA) (now transferred to the General Fund), sources of finance and the movement in balances.
- **The Statement of Movement on the General Fund Balance**, provides a reconciliation between the outturn on the Income & Expenditure account and the movement on the General Fund Balance

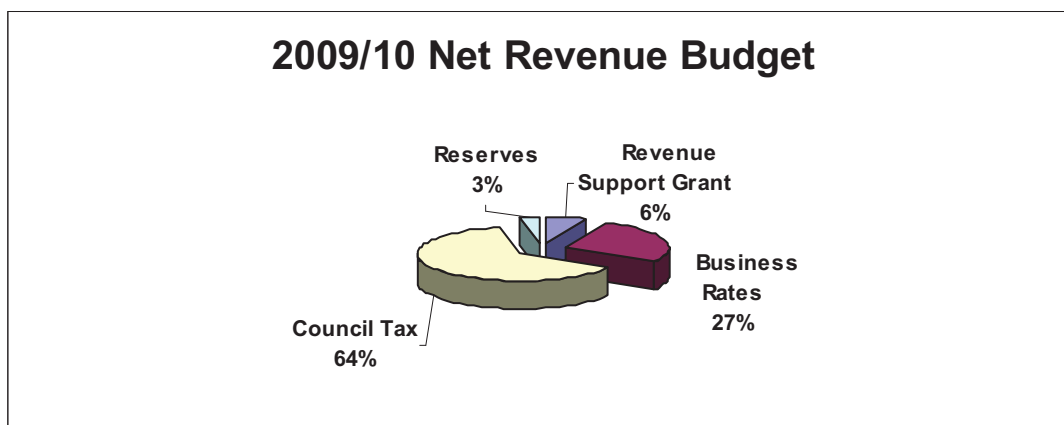
EXPLANATORY FOREWORD

- **The Statement of Total Recognised Gains and Losses**, which draws together the recognised gains and losses of the Council and shows the aggregate increase in its net worth;
- **The Balance Sheet**, which records the assets and liabilities and the resources of the Council at 31 March 2010;
- **The Cash Flow Statement**, which summarises the cash receipts and payments within the year;
- **The Collection Fund**, which records the Council Tax and Business Rates raised within the Borough during the year and how they are subsequently distributed.

Revenue Expenditure

The Council, at its meeting on 25 February 2009, set a revenue budget for the 2009/10 financial year of £74.218m. The total authorised General Fund net expenditure for the 2009/10 financial year was £76.818m (including parish precepts of £2.600m). Further increases to service budgets can be approved if they are financed from earmarked reserves. When these further budgets are approved an equivalent sum is transferred from the earmarked reserves to the revenue account. In 2009/10 net transfers totalling £1.586m have been approved from reserves. These include funding from the Cost of Structural Change Reserve, S106 contributions and Carry Forwards. These transfers do not have an impact on the overall budget.

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



The following table compares actual outturn expenditure incurred with the amended budgets for the year for the General Fund. This table reflects the Council's departmental structure during 2009/10, which is the basis for the internal management of performance against budgets. The Council was reorganised during 2009/10 with the Social Care and Learning Department being replaced by two new departments for Children, Young People and Learning and Adult Social Care and Health. In contrast, the information presented in the Income & Expenditure Account (page 46) reflects the categories of expenditure specified in the Chartered Institute of Public Finance and Accountancy's Best Value Accounting Code of Practice.

EXPLANATORY FOREWORD

GENERAL FUND	Original Budget £000's	Latest Budget £000's	Actual £000's	Variance £000's
Corporate Services (including Chief Executive's)	9,886	8,805	8,644	(161)
Children, Young People and Learning	21,490	33,354	33,099	(255)
Adult Social Care and Health	26,025	26,884	25,233	(1,651)
Environment, Culture & Communities	34,184	36,348	35,977	(371)
Net cost of General Fund services	91,585	105,391	102,953	(2,438)
Exceptional item – VAT refunds	0	0	(2,583)	(2,583)
Capital Charges & Revenue Expenditure funded from Capital Under Statute	(8,365)	(24,387)	(24,387)	0
FRS 17 Pension Adjustment	(3,027)	298	298	0
Other Miscellaneous Services	(91)	95	389	294
Interest Receipts	(1,302)	(1,265)	(948)	317
Interest Payable	0	345	345	0
Debt Charges	50	362	362	0
Levying Bodies	84	97	97	0
Contribution to capital reserves	(300)	(300)	0	300
Contingency Provision	390	0	0	0
Area Based Grant	(4,680)	(4,706)	(4,706)	0
Performance Reward Grant	0	0	(336)	(336)
Net Budget Requirement	74,344	75,930	71,484	(4,446)
Parish Precepts	2,600	2,600	2,600	0
Contributions to/(from) Earmarked Reserves	(126)	(1,712)	2,022	3,734
Amount to be met from Government Grants and Local Taxation	76,818	76,818	76,106	(712)
Resources To Finance Above				
Council Tax Payers	(48,665)	(48,665)	(48,665)	0
Collection Fund Surplus	(169)	(169)	(169)	0
Revenue Support Grant	(4,827)	(4,827)	(4,827)	0
National Non Domestic Rates	(20,915)	(20,915)	(20,915)	0
Contribution to/(from) General Reserves	(2,242)	(2,242)	(1,530)	712
Total Resources	(76,818)	(76,818)	(76,106)	712

Revised accounting policies for 2009/10 have meant that:

- The assets associated with the Council's Waste PFI agreement are now recorded on the Balance Sheet together with a corresponding liability. The assets are now treated like any other asset and the associated annual capital charge is included in the above figures. The principal element of the contractor's annual charge which was previously recorded against Environment, Culture & Communities will now be charged to the Long Term Liability in the Balance Sheet. The interest element of the annual charge is now shown under Interest Payable rather than Environment, Culture & Communities. There will be no overall impact on the amount to be met from Government Grants and Local Taxation as an amount equal to the principal repayment will also be charged to debt charges. More information can be found in Note 3 and Note 30 to the accounts.
- The collection of Council Tax is now accounted for on an agency basis as the Council collects and distributes Council Tax income on behalf of the major preceptors and

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itself. The amount credited to the General Fund under statute continues to be the authority's precept or demand for the year plus/less the authority's share of the surplus/deficit on the Collection Fund for the previous year. This is still the position shown in the above table. However under the new basis the accrued income position now needs to be shown in the Income and Expenditure Account (page 46). The difference between the income included in the Income and Expenditure Account and the amount required by statute to be credited to the General Fund is taken to a new reserve in the balance sheet called the Collection Fund Adjustment Account and included as a reconciling item in the Statement of Movement on the General Fund Balance (page 48). Under an agency basis, the cash collected by the Council from Council Tax debtors belongs proportionately to the Council and the major preceptors - the Thames Valley Police Authority and the Royal Berkshire Fire Authority. An end of year creditor/debtor position is now shown in the Balance Sheet for each major preceptor to recognise the difference between the net cash paid to each major preceptor in the year and its share of cash collected from Council Taxpayers. The Cash Flow Statement has been amended so that only the Council's share of Council Tax collected in the year is included in 'Revenue Activities' and the amount included for precepts paid now excludes amounts paid to the major preceptors. The difference between the major preceptors' share of Council Tax and the amount paid to them in the year is included as a movement in liquid resources. As a result of these adjustments there will be a zero balance on the Collection Fund. More information is shown in Note 3 and under the Collection Fund (page 100).

- National Non Domestic Rates (NNDR) is now also accounted for on an agency basis as the Council acts on behalf of the Government. Under an agency arrangement NNDR debtor and creditor balances with taxpayers and the impairment allowance for doubtful debts are not assets and liabilities of the Council and are no longer recognised in the Balance Sheet. As the amount paid to the Government in 2009/10 exceeded the cash collected the excess has been included in the Balance Sheet as a Debtor. Cash collected from NNDR taxpayers is collected for the Government and is therefore not a revenue activity of the Council. It is therefore no longer shown as a cash inflow in the Cash Flow Statement except for the cash retained in respect of the cost of collection allowance (which is shown under other operating cash receipts). Similarly, the payment into the NNDR national pool is not a revenue activity and is no longer included as a cash outflow. The difference between the cash collected from NNDR taxpayers and the amount paid into the NNDR national pool is now included in management of liquid resources as a net movement in liquid resources. More information is shown in Note 3 and under the Collection Fund (page 100).

Impairments led to an increase of £15.7m in service department budgets since the original budget was approved. These resulted from capital expenditure not adding value to assets (£6.5m) and the downward revaluation of assets (£9.2m). Impairments are reversed out of the accounts and therefore there is no net change to the overall budget. This is £10.9m less than last year and is the main reason for the decrease in net cost of services compared to 2008/09.

From the table it can be seen that an under spend occurred on the General Fund, resulting in the use of general reserves being £0.712m less than budgeted after allowing for transfers to earmarked reserves. The most significant variances from budget are explained in the sections below.

Major Variances

Due to the global recession the Council has faced unprecedented pressure on its resources this year. In particular, the reduction in interest rates from 5% to 0.5% in a matter of weeks led to the loss of around £2.6m in interest in 2009/10 compared with

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previous years. The Council also generates a significant amount of income from Leisure Services, car parking etc and this has also reduced significantly as a result of the recession. The economic turmoil currently being experienced around the world increases the risk and uncertainty for the Council's finances now and in the future and there is no clear indication when the economy will return to normality.

The regular budget monitoring reports to the Corporate Management Team identified significant overspends during the first half of the year of which approximately half were directly attributable to the general economic downturn. As a result an in-year savings package was put in place to ensure that net expenditure was brought in line with the budget. The recessionary pressures that have created this situation are expected to continue throughout the next year and have therefore been reflected in the budget for 2010/11. A number of other changes, in particular on some of the more volatile demand led service areas, has resulted in an overall under spend against the budget at year end.

The major variances occurred in the following areas:

Corporate Services/Chief Executive's Office

- The depressed economic climate contributed to a shortfall in rental income from commercial and industrial property, principally from vacant larger industrial type units which proved more difficult to market. Other factors contributing to the overspend included Business Rates relating to the vacant business units and Council Tax relating to empty properties held by the authority for disposal (£0.110m).
- A saving was achieved on Internal Audit Fees because of changes to the audit plan and a reduction in the number of contingency days actually required (-£0.060m).
- In-year savings were achieved across the department, the most significant being on ICT licences and contracted services and from reduced insurance excesses and premiums (-£0.196m).
- Business Rates funding for costs of collection exceeded the budget provision and discretionary Charitable Relief paid out was less than forecast (-£0.040m).
- The level of printing for external organisations has reduced largely due to the economic climate (£0.069m).
- Carry forwards have been approved for budget under spends relating to a number of services which will be provided in 2010/11. These include Equality and Diversity Training, the Job Evaluation Scheme, Crime and Disorder Reduction Partnership projects and marketing relating to the development of three Community Centres (-£0.033m).

Children, Young People and Learning

- Expenditure on schools' reactive maintenance and service contracts was £0.194m in excess of the amount contributed by schools through their Service Level Agreements with the Building Group.
- In aggregate, Performance and Resources budgets over spent by £0.048m primarily because of additional costs incurred in support of the significant capital projects now under way.
- Net under spends have occurred across a range of services within Children & Families - Access & Inclusion. The most significant relates to the charging of staff cost and overheads to Standards Fund Grant rather than Council funded budgets.
- An over spend on the volatile looked after children budget partially offset by under spends on the devolved staffing budget, residence order allowances and care leavers maintenance grants (£0.077m).

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- Budget carry forwards approved to support school improvements and projects relating to schools and the community (-£0.050m).
- In year savings were achieved across the whole department (-£0.477m).

Adult Social Care and Health

- An under spend on supporting people with Learning Disabilities arose for a number of reasons (-£1.175m). Contracts with two major providers were extended with savings of £0.150m through price re-negotiations. The financial impact of new people requiring support as a result of transition from children, loss of support in the community and reviews was £0.210m lower than expected. The provision for outstanding liabilities from the previous financial year, 2008/09 was £0.150m higher than required due to the favourable settlement of liabilities on residential contracts. Savings of £0.240m arose on the staffing and running costs of in house units and teams. The remaining variances (-£0.425m) come from funding arrangements, changed or ceased levels of support to people as well as smaller variances across a number of areas.
- The most significant factor impacting on an over spending on People with a Physical Disability was the cost of Direct payments made to people in the year. Additionally, there were smaller overspends on aids and adaptations, sensory needs and domiciliary care (£0.181m).
- In year savings were achieved across the whole department (-£0.488m).

Environment Culture and Communities

- The Council's share of Housing and Planning Delivery Grant was greater than budgeted (-£0.143m).
- Shortfalls in income in a number of areas including income from car parks, Easthampstead Park Conference Centre and from planning application fees (£0.736m).
- Additional income from the cemetery and crematorium (-£0.091m).
- Transfers to capital for highway and building maintenance works – see non departmental budgets (-£0.300m).
- As a result of the snow in January a number of Leisure sites had to close or customers were unable to travel to the sites which had a negative impact on income. Additional tree works were also required for safety reasons and the Winter Maintenance service had to carry out extra salting runs and hand salting. There were also a number of areas where overtime had to be worked in respect of snow clearance and within refuse collection to catch up on collections. Repairing potholes cost an additional £0.200m. (£0.368m).
- An economy has been achieved within Waste Management due to reduced tonnage and a lower than anticipated business rate valuation at Longshot Lane and Smallmead (-£0.378m).
- An in-year savings package of £0.478m was agreed by the Executive. In addition the department identified further savings of £0.075m in order to balance the department's budget. (-£0.553m).

Non-Departmental Budgets

- Whilst the UK Base rate has held steady at 0.5% for over 12 months, short term interest rates have fallen during the year. Cash-flow projections were also impacted in the last quarter of the year, particularly influenced by the re-phasing of grant payment linked to the Garth Hill redevelopment. Both factors have resulted in a reduction in interest earned from investments (£0.317m).

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- The 2009/10 budget allowed for £0.300m of revenue to be capitalised. This has been identified within Environment, Culture and Communities (£0.300m).
- An overall increase in bad debt provisions and non-recoverable costs associated with the current Town Centre Development Agreement (£0.138m).
- Use of the Structural Changes Reserve was approved during the year however, in accordance with the rules of operation of this reserve, as there was an overall under spend a smaller amount was actually drawn down (£0.083m).
- Procurement savings where the budget was held within non-departmental budgets but the saving had already been reported under Adult Social Care and Health as an under spend (£0.085m).
- Performance Reward Grant relating to the Local Public Service Agreement (-£0.336m).
- Agreed transfers to a number of earmarked reserves including reserves for the Regeneration of Bracknell Town Centre, budget carry forwards, Performance Reward Grant, Capital Feasibility Studies and Icelandic Banks Investments (£3.462m).

Exceptional Item – VAT

Changes in VAT legislation resulted in a number of services being reclassified from standard rated to exempt for VAT purposes. Initially the Council was only able to reclaim overpaid tax for the previous 3 years but this 3 year cap was successfully challenged in court cases collectively known as Conde Nast/Fleming. As a result a number of claims were submitted to try and claim back overpaid VAT plus interest for earlier years (going back to 1973 when VAT was introduced). The majority of claims have now been settled and as a consequence the Council received the sum of £2.583m (including interest but after fees) in 2009/10. The VAT repayments have been treated as an exceptional item in the accounts. Outstanding claims raised by the Council and joint claims raised by other Councils in Berkshire are referred to in Note 45 on Contingencies.

Icelandic Banks

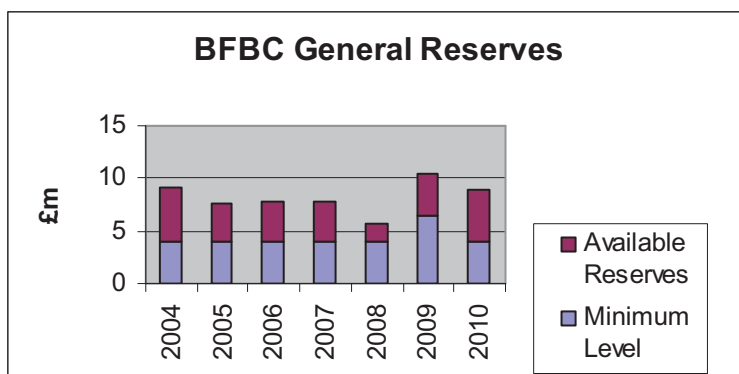
The Council has deposits of £2m with Heritable and £3m with Glitnir which are both Icelandic banks that have been put into receivership/administration. The position regarding these deposits remains uncertain, particularly as a result of actions taken by certain creditors in the Icelandic courts regarding deposits held in Glitnir Bank. The accounts have been closed on the basis of the latest professional guidance and Bracknell Forest has again taken advantage of the Capital Finance Regulations to defer the impact of the accounting adjustments on the General Fund until 2010/11. In the worst case the Council's loss is estimated to be £2.575m and it was therefore felt prudent to set this sum aside in an earmarked reserve. This transfer is reflected in the outturn position. Should the action in the Icelandic courts result in the Council achieving a settlement better than this worst case scenario, any surplus can be released back into balances in the future. Further information can be found within Note 28 to the accounts.

Reserves

It has been widely reported that the Council's current level of General Fund spending cannot continue indefinitely, as it exceeds the level of annually generated income. The outturn under spend achieved in 2009/10 led to £1.530m being taken from general reserves rather than the planned use of £2.242m. This means that more resources are available to assist the Council with its aim of using reserves in a prudent and planned way moving towards matching expenditure to income levels in the medium term.

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The following chart shows the movement in the level of general reserves including the minimum recommended prudent balance. The minimum recommended prudent balance has been reduced from £6.5m back down to £4m in 2009/10 following the creation of an earmarked reserve for potential Icelandic banks losses.



Pension Reserve

The Statement of Accounts has been prepared in accordance with FRS 17 – Retirement Benefits. Although FRS 17 has not directly affected the net outturn position, the Council's Balance Sheet includes a pension liability and a pension reserve of £143m as at 31 March 2010. The pension liability reflects the fair value of future pension liabilities that have been incurred less the assets that have already been set aside to fund them.

The net pension liabilities decrease the overall level of reserves however this does not represent a reduction in cash reserves and does not impact on council tax levels.

Whilst the pension liability suggests a significant shortfall between the forecast cost of future pensions and the current level of assets built up in the pension fund, these figures are a snapshot at a point in time and the pension assets are subject to fluctuations in value subject to the current state of the stock and bond markets. The Council's contribution rate to the pension fund is formally determined by the scheme actuary every three years. The deficit will be reviewed over the long term as part of the next triennial actuarial valuation and, if necessary, will be addressed through increased contributions to ensure the pension scheme returns to a 100% funding level over an appropriate period of time. The next valuation is due to take place on 31 March 2010 with any changes being implemented in 2011/12. The current employer contribution rate is 15.5%. Employees have contribution rates ranging from 5.5% to 7.5% dependant upon their salary.

Capital Expenditure

In the past the Council has funded its capital programme from three main sources:

- Accumulated Capital Receipts
- Government Grants
- Section 106 Receipts and other contributions

The 2009/10 Capital Programme was approved with an assumption that it would be supported by £3m of capital receipts generated in the year (over and above the capital receipts expected to be generated from the sale of land at Brakenhale School). Following the Large Scale Voluntary Transfer (LSVT) of the Council's housing stock in 2007/08 the Council could no longer benefit from its historical stream of capital receipts, namely Right-to-Buy (RTB) receipts. However as part of the transfer agreement with Bracknell Forest

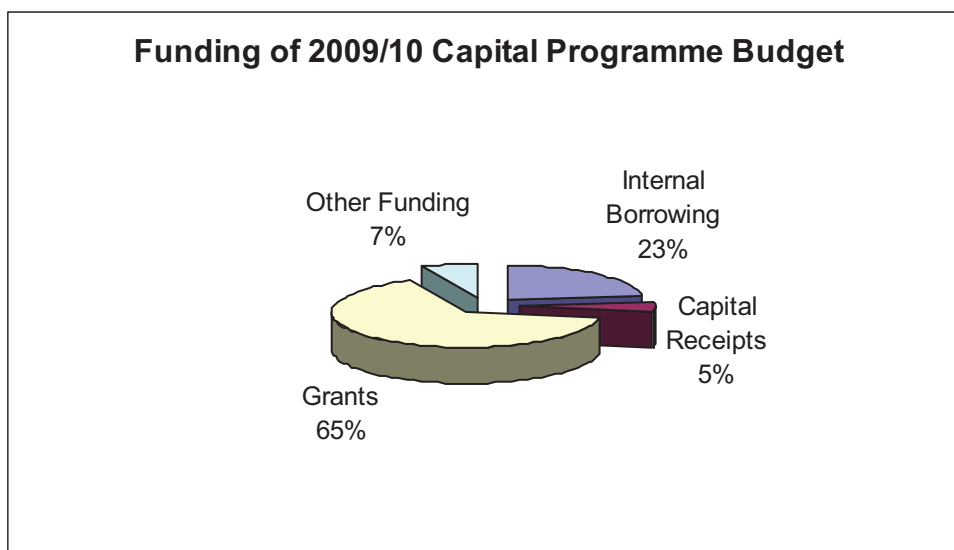
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Homes the Council would still share in a proportion of future sales of properties by Bracknell Forest Homes through the preserved-RTB to its tenants. In addition an arrangement was entered into with Bracknell Forest Homes whereby the proceeds of a VAT-Shelter (agreed with HM Revenue and Customs) relating to the backlog repairs in the transferred stock would be shared over the 10 years following transfer.

It was assumed that taken together these schemes would generate £3m in 2009/10, however the budget proposals recognised that the actual level of receipts were outside of the control of the Council and would depend amongst other things on the general state of the economy in relation to RTB receipts.

As such it was agreed that a proportion of the General Fund capital programme would need to be funded from borrowing although it was unlikely that the Council would need to resort to external borrowing as it had sufficient revenue investments arising from the Council's reserves and balances to cover this expenditure.

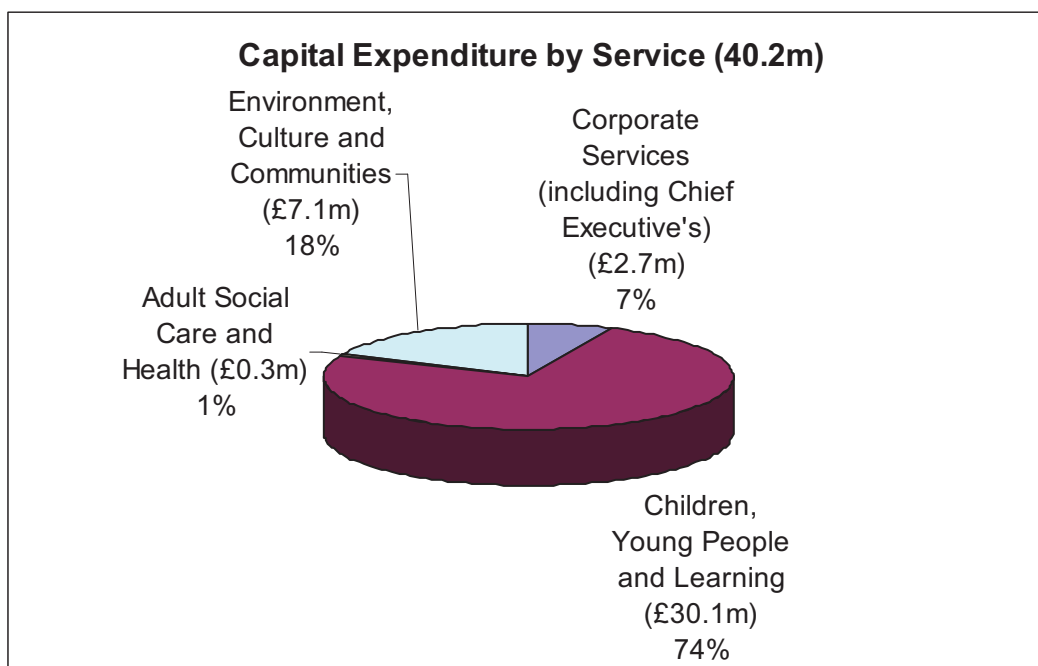
The Council approved a capital programme of £51.3m for 2009/10, plus a further £13.5m carried forward from 2008/09, to be funded as shown in the following chart.



The Council actually spent £40.2m on capital projects in 2009/10 to maintain and enhance its assets. Many schemes included in the capital programme are both technically and logistically complex to implement. Issues such as planning approvals, land transfers and inclement weather can all lead to unavoidable delays. In addition, their financial scale requires a lengthy tender process to ensure the best price is obtained prior to letting the contract. It is therefore extremely difficult to complete such schemes within the financial year for which they are approved. The Council regularly reviews progress on the capital programme through its budget monitoring during the year and has established cash budget profiles to assist this.

The chart below illustrates the expenditure by service, with details of individual schemes and financing being provided in the table overleaf.

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Note 24 to the accounts refers to capital investment of £42.0m, however this includes asset additions associated with the waste PFI contract (£1.8m) which do not form part of the Council's capital programme but which now have to be included on the balance sheet due to a change in accounting policy. The PFI contract increases the Council's Capital Financing Requirement however no borrowing has actually been required.

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CAPITAL PROGRAMME EXPENDITURE	£000's	£000's
Corporate Services (including Chief Executive's)		
IT Schemes	876	
Maintenance of Buildings	191	
Times Square Refurbishment	1,028	
Other	606	2,701
Children, Young People and Learning		
Garth Hill Rebuild	20,833	
Edgbarrow Additional Places	1,710	
Brakenhale School Projects	1,573	
Other Secondary School Schemes	103	
Primary School Refurbishments	1,300	
Delegated Schools Capital	1,810	
Maintenance of Buildings	569	
Children's Centres	752	
Children's Play Schemes	581	
Youth Service Schemes	244	
ICT Schemes	508	
Other Schemes	67	30,050
Adult Social Care and Health		
ICT Schemes	279	
Other Schemes	35	314
Environment, Culture and Communities		
Highways Related Schemes	2,788	
Housing	351	
Walking & Cycling Schemes	200	
Property Maintenance	402	
Minor Works	181	
Invest to Save Schemes	117	
South Hill Park Grounds Restoration	172	
Traffic Management	200	
Travel to School	220	
Bus, Rail & Taxi Travel	771	
Local Safety Schemes	130	
Parking	133	
Waste Performance and Efficiency Schemes	170	
Disabled Facilities	510	
Purchase of Land	150	
Other schemes	651	7,146
Total Capital Expenditure 2009/10		40,211
FINANCING:		
Capital Receipts		4,956
Grants/Contributions		31,075
Increase in Capital Financing Requirement (Internal Borrowing)		4,180
Total Financing		40,211

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During the year £4.983m of capital receipts were received of which £4.956m was used to fund capital expenditure. The most significant receipts were from the sale of land at Brakenhale (£2.801m), the VAT Shelter scheme (£1.457m) and the RTB-sharing scheme with Bracknell Forest Homes (£0.615m). The shortfall in capital receipts from the RTB-sharing scheme is a reflection of the current housing market. Significant proceeds are unlikely to be delivered until the UK economy recovers fully.

Overall the Council was debt free at 31 March 2010 and did not need to borrow externally to finance capital expenditure during 2009/10 (further details are shown in the body of the Statement of Accounts).

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:

Chris Herbert Borough Treasurer
Chris.Herbert@Bracknell-Forest.gov.uk

Alan Nash Chief Officer: Financial Services
Alan.Nash@Bracknell-Forest.gov.uk

Arthur Parker Chief Accountant: Financial Services
Arthur.Parker@Bracknell-Forest.gov.uk

APPROVAL OF ACCOUNTS

Certification

I confirm that these accounts were approved by the Governance and Audit Committee of the Council at its meeting on 29 June 2010. The 29 June 2010 is also taken as 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 Alan Ward
Chairman of Governance and Audit Committee

29 June 2010

1 Scope of Responsibilities

- 1.1 Bracknell Forest Borough Council (“The Council”) is responsible for ensuring that its business is conducted in accordance with the law and proper standards and that public money is safeguarded, properly accounted for, and used economically, efficiently and effectively. The Council also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.
- 1.2 In discharging this overall responsibility, the Council is responsible for putting in place proper arrangements for the governance of its affairs and for ensuring that there is a sound system of internal control facilitating the effective exercise of its functions, including arrangements for the management of risk.
- 1.3 The Council has approved and adopted a code of corporate governance which is consistent with the principles of the CIPFA/SOLACE Framework *Delivering Good Governance in Local Government* published in 2007. This Statement explains how the Council has complied with the code and also meets the requirements of regulation 4(2) of the Accounts and Audit Regulations 2003 as amended by the Accounts and Audit (Amendment) (England) Regulations 2006 in relation to the publication of a statement on internal control.

2 The Purpose of the Governance Framework

- 2.1 The governance framework comprises the systems and processes, culture and values by which the authority is directed and controlled. It underpins its activities through which it accounts to, engages with and leads the community. It enables the authority to monitor the achievement of the strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost effective services.
- 2.2 The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can only provide reasonable assurance rather than absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of the Council’s policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.
- 2.3 The governance framework has been in place at Bracknell Forest Borough Council for the year ended 31 March 2010 and up to the date of approval of the Annual Report and statement of accounts.

3 The Governance Framework

The CIPFA/SOLACE Framework *Delivering Good Governance in Local Government* published in 2007 identified 6 principles of good governance. These are set out below and followed by details of how the Council meets the principle.

ANNUAL GOVERNANCE STATEMENT

3.1 Principle 1

“Focusing on the purpose of the authority, on outcomes for the community and creating and implementing a vision for the local area”

Strategic Direction

- 3.1.1 The Council's identified strategic direction is set out in its Vision. "To make Bracknell Forest a place where all people can thrive; living, learning and working in a clean, safe and healthy environment." This vision provides the focus for identifying key priorities and the medium term objectives.
- 3.1.2 The Council's overarching key priorities and Medium Term objectives are identified after each election and reviewed yearly to ensure they remain focused and relevant.
- 3.1.3 In 2009/10, the Council's overarching key priorities were reviewed, to enable the Council to address both national and local priorities over the period 2009-2011 six overarching priorities were confirmed:
- A Town Centre fit for the 21st Century
 - Protecting and enhancing our environment
 - Promoting health and achievement:
 - Create a Borough where people are, and feel, safe:
 - Value for Money
 - Sustain economic prosperity
- 3.1.4 These key priorities are underpinned by 13 medium term objectives and actions to be delivered over the period.
- 3.1.5 The Council's Vision, priorities and medium term objectives were developed after extensive consultation with the community, residents, employees, strategic partners and local businesses. They are consistent with their needs and aspirations. They also reflect the Council's aim of maintaining effective service delivery as well as ensuring the achievement of statutory requirements and national targets.
- 3.1.6 The Vision, priorities and medium term objectives are communicated through the Council's public website and intranet and Chief Executive briefings to staff.

Performance Management

- 3.1.7 The Council has a robust and transparent performance management process in place.
- 3.1.8 The quarterly Performance Monitoring Reports are reviewed by the Chief Executive, the Corporate Management Team and all Executive Members. Following this, the quarterly reports for Corporate Services and the Chief Executive's Office together with the quarterly Corporate Performance Overview Report are taken to the Overview and Scrutiny Commission. Quarterly Performance Management Reports for the other directorates are reviewed by the relevant Overview and Scrutiny Panel for their area. The quarterly Corporate Performance Overview Report is also considered by the Executive. All these reports are available on the Council's website and intranet.

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3.1.9 The Overview and Scrutiny Panels are:

- the Environment, Culture and Communities Panel
- the Adult Social Care Panel
- the Children's Young People and Learning Panel
- Health Overview and Scrutiny Panel

3.1.10 The Commission and the Panels focus on specific service areas. They consider the quarterly performance management reports for their relevant directorates and any external inspection reports. The work programme of both the Overview and Scrutiny Commission and Panels is agreed by the Commission at the start of each municipal year but is flexible allowing for further reviews as the need arises. The Overview and Scrutiny Commission has the role of the Council's Crime and Disorder Overview and Scrutiny Committee.

3.1.11 In January 2009 the Council adopted a Local Code of Corporate Governance, the implementation of which demonstrates good outcomes for the community and service users, through good risk management, performance, financial and internal control processes.

3.1.12 The Annual Report reviews performance against targets set against each medium term objective as well as reporting how well the organisation has performed against National Indicators for Local Authorities. It also summarises the Council's plans for the following year which are subsequently reflected in departmental service plans. The Annual Report is published at the end of October each year and is also available on the website. This has been updated to reflect the requirements of the Comprehensive Area Assessment (CAA) and the reporting of the National Indicator Set.

3.1.13 The Council measures the quality of services for users, ensuring they are delivered in accordance with our objectives and represent the best use of resources through the Council's performance reporting process.

3.1.14 The quarterly Partnership Performance Overview Report is reviewed by the Bracknell Forest Partnership Board and scrutinised by the Council's Partnership Overview & Scrutiny Group. That Group comprises the Overview and Scrutiny Chairmen and the Chairmen of the Primary Care Trust plus representatives from Thames Valley Police Authority, Royal Berkshire Fire and Rescue Service and Bracknell Forest Voluntary Action. The Group is currently Chairman is currently the Chairman of the O&S Commission.

3.1.15 The Governance and Audit Committee are made aware of the outcome of internal audit reports through two reports submitted to them each year by the Head of Internal Audit and Risk Management.

3.2 **Principle 2**

"Members and officers working together to achieve a common purpose with clearly defined functions and roles"

3.2.1 As set out in 3.1, the Council clearly identifies a core purpose. The Council ensures effective leadership throughout the Authority. On an annual basis, Councillors appoint a Leader of the Council with power to appoint Executive Members and designate responsibilities for Executive Members.

3.2.2 The roles and responsibilities of the Executive, the full Council and its committees and sub-committees along with Overview and Scrutiny arrangements, the role and

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functions of Champions and officer functions (set out in the Scheme of Delegation) are defined and can be found in the Council's Constitution. The Council's Constitution is regularly reviewed and updated with substantive changes highlighted to all staff and members. The Constitution is available on the public website.

- 3.2.3 During 2009/10 the Standards Committee reviewed the Member/officer protocol which establishes a clear framework for Member/officer relations. It also approved a Leader/Chief Executive Protocol which supports the already effective working relationship between the Leader and the Chief Executive.
- 3.2.4 The Monitoring Officer advises the Governance and Audit Committee on the development of proposals to maintain the Council's Constitution, its Executive Arrangements and Procedure Rules to ensure that they are fit for purpose and the Committee subsequently makes recommendations on those matters to full Council.

3.3 Principle 3

“The Council will promote values for the authority and demonstrate the values of good governance through upholding high standards of conduct and behaviour”

3.3.1 The Council has identified and published on its public website its core values setting out the manner in which it will behave whilst delivering its Vision, priorities and medium term objectives. In serving residents the Council is committed to being:

- friendly and approachable
- accountable
- efficient
- fair
- innovative and forward thinking

3.3.2 Members, officers and partners are expected to maintain high standards of behavior. These are set out in:

- The Council's Constitution which includes the Code of Conduct for Members, Code of Conduct for Employees, Contract Standing Orders and Financial Regulations.
- Fraud and Corruption Policy
- Member and Officer Protocols
- Employee Handbook
- Regular performance appraisals of our partners
- Service standards that define the behavior of officers

These are communicated to all staff and available on the Intranet and website.

3.3.3 A new Code of Conduct for Employees was issued during 2009/10 in order to (among other things) clarify further the position in relation to hospitality and to require senior officers to declare outside work commitments and personal interests.

3.3.4 A Planning Protocol provides specific guidance for Members in relation to planning applications and Guidance for Members serving on external bodies was approved by the Standards Committee in 2010. These will be subject to regular review by the Standards Committee.

Standards Committee

3.3.5 The Council's Standards Committee has responsibility for:

- Promoting and maintaining high standards of conduct by Members and co-opted Members.
- Advising the Council on the adoption and revision of its Codes of Conduct and the adoption of appropriate protocols governing the ethical standards of the Members and officers of the Council.
- Monitoring the operation of the Council's Codes of Conduct including advice and Members and co-opted Members on matters relating to their Codes of Conduct.
- Considering and determining any allegation that a Member has been in breach of the Code of Conduct for Members or failed to observe a locally adopted protocol.

3.3.6 In 2009/10 the Standards Committee received 6 allegations against Members. Of these 3 were referred for investigation. The Standards Committee concluded there had been no breach of the Code of Conduct for Members in relation to one of those complaints and investigations are currently in progress for the other two.

3.3.7 In March 2008, the Borough Solicitor provided training for Members on the processes for investigating allegations against Members. During 2010/11 the Committee will take a pro-active role in promoting high standards.

3.3.8 The workings of the Committee are reported in its Annual Report to full Council.

Whistle Blowing Policy and Complaints Procedure

3.3.9 The Whistle Blowing Policy sets out the procedures to be followed when receiving and investigating allegations made by employees, agency staff and contractors. The processes for receiving and investigating other allegations (other than those alleging a breach of the Code of Conduct for Members in respect of which there are separate procedures under the Local Government Act 2000) are covered by the Corporate Complaints Procedure. Complaints may be submitted electronically or on a standard form. The Council provides leaflets on the Corporate Complaints Procedure and the Complaints Section on the Council's website clearly sets out whom to contact with complaints and also explains the informal and formal stages of the complaints process and how these can be pursued should the claimant not be satisfied with the response provided. In addition, where required by legislation there are complaints procedures for specific service areas in Social Services and Education.

3.3.10 For employees within the Council the Grievance Procedure is available for a grievance relating to their own employment.

Information Management and Governance

3.3.11 During 2009/10 the Council also established an officer Information Management Group; it's terms of reference include ensuring that the Council has in place a co-ordinated and coherent framework for management of information, whether held electronically or manually and to oversee and monitor the implementation of approved policies relating to information management.

3.3.12 The Council has also worked on creating a central repository for staff and members to access policies and guidance relevant to information management. The "Information Management Hub" went live on 29 April 2010.

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3.3.13 During 2009/10 the Council approved and implemented a Data Quality Strategy. It is proposed that an Information Management Strategy will be approved in the early part of 2010/11 that will assist the Council to manage its information more effectively

Assurance on compliance

3.3.14 Assurance on compliance with relevant laws and regulations, internal policies and procedures and that expenditure is lawful is sought through internal audit reviews and the work of external audit.

3.3.15 The Governance and Audit Committee provides oversight of governance arrangements and acts in the capacity of a committee with delegated authority for the function of "Those Charged with Governance" as required for the purposes of receiving external auditors reports in accordance with the definition in International Standards on Auditing.

3.3.16 The Governance and Audit Committee considers the reports from internal and external auditors, ensure the adequacy of risk management procedures and governance procedures and approves the financial statements and the Annual Governance Statement.

3.3.17 During 2009/10 the Governance and Audit Committee received updates on the performance against the 2009/10 Internal Audit Plan together with a summary of assurances provided by individual audit reports and approved the 2010/11 Internal Audit Plan. It also considered the Annual Audit and Inspection Letter and Comprehensive Performance Assessment reports from the External Auditors.

3.4.18 Major external inspections which assess performance in specific services are considered by the relevant Overview and Scrutiny Panels.

3.4 Principle 4

"The Council will take informed and transparent decisions which are subject to effective scrutiny and risk management"

Member decisions

3.4.1 The Leader and the Executive (including committees of the Executive and individual Executive Members) are responsible for all Executive decision-making within the policy and budgetary framework established by full Council.

3.4.2 The Council has appointed a number of committees to exercise its regulatory functions and other functions which are not exercisable by the Executive.

- Appeals Committee
- Education Employment Sub Committee
- Employment Committee
- Governance and Audit Committee
- Licensing and Safety Committee
- Licensing Panels
- Planning and Highways Committee

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- 3.4.3 The procedures for decision making set out in the Council's Constitution ensure that decisions made by collective groups exercising powers of the Council are made at meetings open to the public unless under statutory provisions it is appropriate for the public to be excluded (see paragraph 3.4.16 – 3.4.18 for further details about decision making in Partnerships). There is a requirement to declare interests at these meetings and these declarations are clearly recorded in the minutes. As of 2009/10 Members are also required to complete an annual declaration of Related Party Transactions.
- 3.4.4 The Constitution sets out those occasions which require formal decision and when written reports supporting decisions are required. Written reports requiring decision contain the following:
- financial advice from the Borough Treasurer
 - legal advice from the Borough Solicitor to ensure that the decision is not unlawful and employs the Council's legal powers to full effect
 - a strategic risk assessment
 - an equalities impact assessment.
- 3.4.5 The Council has appointed committees comprised of non-Executive Members to review or scrutinise both Executive and non-Executive decisions. Such committees encourage effective challenge to the decision making process. The Committee with overarching responsibility for those matters is the Overview and Scrutiny Commission (see paragraph 3.1.8 – 3.1.10 for further details).
- 3.4.6 In addition, during 2009/10 the Council was also a constituent authority (along with Slough Borough Council and the Royal Borough of Windsor and Maidenhead) of the Joint East Berkshire Health Overview and Scrutiny Committee which discharges the functions of the participating authorities under the National Health Service Act 2006.

Risk Management

- 3.4.7 Decisions made by the Council are subject to risk assessments which are made in accordance with the organisation's risk management processes.
- 3.4.8 The revised Risk Management Strategy was reviewed by Corporate Management team and subsequently approved by the Executive in April 2009. A Risk Management Toolkit to provide Members and officers with guidance on identifying, evaluating and mitigating risk in accordance with the Council's Risk Management Strategy was approved by the Corporate Management Team in March 2009 and reviewed and updated in November 2009.
- 3.4.9 The Strategic Risk Management Group chaired by the Borough Treasurer meets quarterly and oversees all aspects of risk management at the Council including health and safety and business continuity.
- 3.4.10 The Strategic Risk Register has been updated via the Strategic Risk Management Group and is approved by the Corporate Management Team on a quarterly basis and by the Executive on a six monthly basis to ensure that it is a complete and up to date record of the Council's current risks. At the Senior Managers Away Day in March 2010, officers reconsidered from first principles their assessment of the key strategic risks facing the Council and, as a consequence of that a new Strategic Risk Register will be developed during 2010/11.

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- 3.4.11 At an operational level, directorates identify the risk factors for their planned outcomes in their Service Plans. Actions to address strategic risks and risk factors are set out in directorate Service Plans and monitored on a quarterly basis through the Performance Monitoring Reports. In addition, there are risk logs for all significant projects.
- 3.4.12 Members are engaged in the risk management process through the Executive's review of the Strategic Risk Register, Member review of action plans to address risks in Service Plans and Performance Monitoring Reports and regular reports to the Governance and Audit Committee on progress in developing risk management.
- 3.4.13 During 2009/10, the Head of Audit and Risk Management provided training based on the new Toolkit to directorates' senior management teams and a training session on procurement risks. In March 2010, Internal Audit commenced a programme of audit reviews of risk management arrangements in individual directorates which will identify key areas for improvement.

Officer Decisions

- 3.4.14 The Council has an up-to-date Scheme of Delegation. In addition to this there is a written scheme of internal delegation within each department which is reviewed each year.
- 3.4.15 Appropriate officers are required to declare hospitality received and personal interests in accordance with the Employee Code of Conduct.

Partnerships

- 3.4.16 The Council's Partnership Governance Framework and Toolkit ensures that sound governance arrangements are in place for its key partnerships. It also provides guidance on accountability, decision making and risk management. A strategic risk register and associated action plans were developed for the Local Strategic Partnership and during 2009/10 the Council implemented its action plans to mitigate the key risks.
- 3.4.17 The Bracknell Forest Partnership Group quarterly meetings are open to the public and the minutes and agendas of the monthly Partnership Board are publicly available. A number of the Theme Partnerships meetings within Bracknell Forest Partnership include personal or other sensitive information, and as a consequence it is not appropriate to make the full agendas and minutes publicly available. However, for those Theme Partnerships where it is appropriate, the Council proposes to pilot making more information available via the Council and BFP websites.
- 3.4.18 During 2009/10 a Partnership Overview & Scrutiny Group was formed with representatives from the Council, Bracknell Forest Voluntary Action, NHS Berkshire East, Royal Berkshire Fire and Rescue Service and Thames Valley Police Authority with the aim of undertaking scrutiny of the Partnership arrangements.

Transparency

- 3.4.19 All Council decisions are taken in an open manner, unless there are sound reasons for doing so as permitted by legislation. The Council has a clear process in place for responding to Freedom of Information Act requests and also publishes information on the website.

Finance

3.4.20 CIPFA has issued a Statement on the Role of the Chief Financial Officer in Local Government (2010). It is proposed that during the next year, the Council's arrangements should be reviewed against this Statement.

3.5 Principle 5

"Developing the capacity and capability of members and officers to be effective"

3.5.1 The Council has comprehensive induction processes in place for both Members and officers joining the Council. During 2009/10 the Council held two by-elections and the new members received personalised inductions. In addition, both Members and officers attend external training courses where training needs cannot be met internally.

Members

3.5.2 Personal Development Plans are offered to Members. Members are encouraged to take advantage of this and during 2009/10 the Council reached its target of 70% of Members have undertaken development needs analysis sessions which have informed both individual plans and the member training programme for all Councillors.

3.5.3 The Council has secured Charter status to the South East Charter for Elected Member Development and provides a Members Development Programme which takes the form of internal training workshops and Member briefing seminars on specific topics.

Officers

3.5.4 A broad internal training programme of courses is run each year for officers as well as specific professional training and this is supplemented by regular lunchtime manager training sessions.

3.5.5 Compliance with Continuing Professional Development requirements is monitored by individual officers; the Council provides sufficient resources to fund this. As part of the performance appraisal process, each officer is required to complete their own Personal Development Plans which form the basis for the Council's internal training course programme.

3.5.6 During 2008/09, the Council put in place a Management Assessment and Development Programme and Diversity training for its senior and middle level managers. This is an ongoing programme that will continue throughout 2010/11. During 2009/10 the Borough Solicitor gave a presentation to senior officers on ethics in local government and the Council plans to deliver further ethics training for officers during 2010/11.

3.5.7 The Corporate Services department has Investors in People status.

3.6 Principle 6

“Engaging with local people and other stakeholders to ensure robust public accountability”

- 3.6.1 The Council works closely with its local partners. It is a key member of the Bracknell Forest Partnership which brings together agencies that deliver public services (the Councils, Police, Fire and Rescue Service, and Primary Care Trust) with businesses and people that represent voluntary organisations and the community. Bracknell Forest Partnership is underpinned by a Governance Protocol and Memorandum of Agreement between the organisations and has a single purpose; to improve quality of life for local people.
- 3.6.2 Bracknell Forest Partnership ensures accountability to the public through the contract signed with the Government that agrees the priority areas for improvement in the Borough. For each priority, the Partnership has agreed the extent to which it intends to improve local services in the next three years. The contract, known as the Local Area Agreement, includes more than fifty four detailed commitments from local providers covering health and well-being, the environment, crime, education, safety, transport, volunteering and the economy. It is one of the key documents for delivering the vision outlined in the Sustainable Community Strategy. The agreement commenced on 1st April 2008 and was last updated March 2010. Progress against targets in the Local Area Agreement is reported publicly.
- 3.6.3 During 2010/11 the Bracknell Forest Partnership's Community Engagement Strategy 2008-2012 was published with a detailed action plan for further improving community engagement in the borough. In the autumn of 2009 a comprehensive neighbourhood consultation was conducted in partnership with Thames Valley Police. This included a neighbourhood survey sent to all households which received a 15% response rate; public meetings in all neighbourhoods and a youth survey distributed by schools. The consultation asked residents for their priorities for improvement and views on what they liked about living in the borough. The results have informed the priorities set by the Neighbourhood Action Groups for 2010/11 as well as Thames Valley Police and the Council. A wide range of other service based consultation were also conducted during 2009-10 to gain residents input to shaping services.
- 3.6.4 During 2009/10 the Council approved a robust strategy for the next three years, 'All of Us', which details what the Council, its partners and local people need to do, to ensure that community cohesion is strengthened and promoted and to ensure quality for all in Bracknell Forest. This Community Cohesion Strategy provides a framework with which to promote positive relationships and to ensure that we do not disrespect, neglect, or disadvantage any member of our community.
- 3.6.5 There are a number of channels of communication which provide the Council with a means of engaging with residents and other stakeholders on its strategies and policies and providing information to them, this includes;
- The public website
 - Town and Country Newsletter delivered to all households in the Borough
 - consultation exercises based on focus groups, user groups or publicised on the website
 - Regular surveys of the Bracknell 1500; a citizens panel of 1500 local residents (refreshed during 2009/10 to ensure it reflected local demographic)
 - Town and Parish Councillors liaison group which meets four times a year.
 - Community television.
 - Facebook, Flickr, Twitter, YouTube, Mobile Service and Digital Television.

4 **Review of Effectiveness**

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

During 2009/10, the review of effectiveness was informed by the following:

Annual Assurance Statements

- 4.1 Assurance Statements assess the adequacy of governance arrangements. Each Director provides assurances about their department along with the Assistant Chief Executive in relation to the Chief Executives department. The Chief Finance Officer provides assurances in relation to financial services, the Borough Treasurer in relation to risk management and the Borough Solicitor in relation to Legal and Regulation.

The Constitution

- 4.2 The Constitution is maintained via continual review throughout the year. The Monitoring Officer advises the Governance and Audit Committee which reports to the full Council.

The Governance Working Group

- 4.3 The Corporate Management Team established a Governance Working Group, chaired by the Borough Solicitor. During 2009/10 the Group met regularly to review progress on actions to address the significant issues included in the Annual Governance Statement for 2008/09 as well as other weaknesses identified by the 2008/09 governance review.

The Governance and Audit Committee

- 4.4 The Governance and Audit Committee is responsible for reinforcing effective governance, particularly through reviewing the activities of the internal auditors and the Council's risk management arrangements. During 2009/10, the Committee received summary reports on progress on the delivery of the Internal Audit Plan and key outcomes on completed work. The Internal Audit Plan for 2010/11 was approved by the Committee.

Standards Committee

- 4.5 During 2009/10 the Standards Committee met twice for further details of its workings see para 3.3.5-3.3.8. The Audit Commission concluded in their Comprehensive Area Assessment that the Council's arrangements for governing business are consistent with established professional practice and guidance, meet statutory requirements and operate effectively. However, it also advised that this Committee could play a greater role by promoting training and awareness of the Code of Conduct and protocols. The Committee agreed to take measures to address that issue during the next year.

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Internal Audit

- 4.6 Internal audit provides an independent and objective opinion to the organisation on the control environment by objectively examining, evaluating and reporting on its adequacy. The Head of Audit and Risk Management also provides an annual opinion to the Governance and Audit Committee to support the Annual Governance Statement.
- 4.7 The Head of Audit and Risk Management develops the annual Internal Audit Plan which is then delivered by an external contractor. The contract for internal audit services was re-tendered during 2008/09 and the contract with the new contractor, H W Controls and Assurance, commenced on 1 April 2009.
- 4.8 Under the 2009/10 Internal Audit Plan, eighty four audits were completed. Internal Audit concluded that they could give only limited assurance in seven cases. Where limited assurances have been concluded, the Head of Audit and Risk Management reports the detailed findings to the Governance and Audit Committee and follow-up audits are carried out within the following year to ensure that agreed actions have been implemented.
- 4.9 Based on the work of Internal Audit during the year the Head of Audit and Risk Management gave the following opinion in her 2009/10 Annual Report:
- there are robust systems of internal control in place in accordance with proper practices except for those reviews where limited assurance was concluded;
 - key systems of control are operating satisfactorily except for the areas referred to above ; and
 - there are adequate arrangements in place for risk management and corporate governance.

External Audit

- 4.10 External Audit provides an opinion on the adequacy of the internal audit service and comments on corporate governance and performance management in their Annual Audit and Inspection Letter and other reports. The Annual Audit and Inspection Letter for 2008/09 was presented to the Governance and Audit Committee in January 2010

Comprehensive Area Assessment

- 4.11 This assesses how well the Council leads its communities, delivers community priorities in partnership with others and ensures continuous improvement across the range of Council Activities.
- 4.12 There have been no red or green flags identified in the Council's Area Assessment. For the Organisational Assessment the Council has been awarded an overall score of 3 out of 4 'Performing Well' i.e. consistently delivering above the minimum requirements. This includes a score of 2 out of 4 (Performs Adequately) for Use of Resources, and a 3 out of 4 (Performs Well) for Managing Resources.
- 4.13 We have been advised on the implications of the result of the assessment of the effectiveness of the governance framework by the Governance Working Group and a plan has been put in place to address any governance issues arising from the assessment.

5 Significant Governance Issues for consideration in 2010/11

5.1 Risk Management

Evidence of risk identification and mitigating action is not clearly documented at all operational service levels. During 2010/11, further steps will be taken to embed a culture of risk management within the Council.

5.2 Procurement

Potential weaknesses in compliance with The Public Contract Regulations were identified in 2008/09. An Action Plan to address these issues was implemented and is now completed. The Council remains focused on this area.

5.3 Local Code of Governance

A Local Code of Governance was approved by Council in January 2009. However, there is no clear evidence of actions taken to raise its profile or ensure that the governance arrangements in place are demonstrating good outcomes for the community and service users, through good risk management, performance, financial and internal control processes.

The Council's Constitution is regularly updated; however, action to raise awareness of its contents during 2009/10 was limited.

5.4 Financial Management Arrangements

The recent CIPFA/SOLACE Guidance; Application Note to Delivery Good Governance in Local Government: a Framework (March 2010) recommends that an Annual Governance Statement include an assessment as to whether the authorities financial management arrangements conform with the governance requirements of the CIPFA Statement of the Role of the Chief Financial Officer in Local Government (2010) and, if not, explain why and how they deliver the same impact. The Council will assess this during 2010/11 and submit a Report to the Governance and Audit Committee.

5.5 Counter Fraud and Whistle blowing

Although the Council has a Fraud and Corruption Policy it does not have a Counter Fraud Strategy as required by Use of Resources Key Line of Enquiry 2.4. Also, the Council should put in place an Anti-Money Laundering Policy. The Council proposes to address this over the coming year.

The Council has a Whistle blowing Policy and Procedure in place. However, action to raise awareness of this important policy during 2009/10 was limited. The Council will therefore raise its profile during 2010/11.

5.6 Monitoring Legislative Change

Currently Departments monitor legislative change and the Legal Services team currently update and liaise with Directors on an ad-hoc basis in relation to new legislation. It would benefit the Council if Departments expectations of legal services were ascertained and arrangements in relation to this agreed.

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5.7 Ethics Training for Officers

During 2009/10 the Council provided a session of ethics training for Officers. Training on this topic should continue during 2010/11.

5.8 Raise awareness of Data Protection and Freedom of Information in Schools

The Council is the Local Education Authority and currently provides a legal service, including data protection and Freedom of Information advice, to Schools on request. It is recognised that schools may benefit from awareness raising and the Council proposes to address this over the coming year.

6 Action Plan

An action plan has been developed to address governance issues identified.

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

Signed:

Cllr P.D. Bettison
Leader of the Council

T.R. Wheadon
Chief Executive

on behalf of Bracknell Forest Council

STATEMENT OF RESPONSIBILITIES

The Authority'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 Authority, that officer is the Borough Treasurer;
- manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets;
- approve the Statement of Accounts.

The Borough Treasurer's Responsibilities

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

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

- selected suitable accounting policies and then applied them consistently;
- made judgements and estimates that were reasonable and prudent;
- complied with the Code of Practice;

The Borough Treasurer has also:

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

I certify that the Statement of Accounts set out on pages 1 to 102 gives a 'true and fair view' of the financial position of the Council as at 31 March 2010 and its income and expenditure for the year ended 31 March 2010.

C.J. Herbert CPFA
Borough Treasurer
29 June 2010

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

Opinion on the Financial Statements

I have audited the Authority accounting statements and related notes of Bracknell Forest Council for the year ended 31 March 2009 under the Audit Commission Act 1998. The accounting statements comprise the Income and Expenditure Account, the Statement of Movement on the General Fund Balance, the Balance Sheet, the Statement of Total Recognised Gains and Losses, the Cash Flow Statement, the Housing Revenue Account, the Statement of Movement on the Housing Revenue Account, the Collection Fund and the related notes. These accounting statements have been prepared under the accounting policies set out in the Statement of Accounting Policies.

This report is made solely to the members of Bracknell Forest Council in accordance with Part II of the Audit Commission Act 1998 and for no other purpose, as set out in paragraph 49 of the Statement of Responsibilities of Auditors and of Audited Bodies prepared by the Audit Commission.

Respective Responsibilities of the Borough Treasurer and Auditor

The Borough Treasurer's responsibilities for preparing the financial statements in accordance with relevant legal and regulatory requirements and the Code of Practice on Local Authority Accounting in the United Kingdom 2008 are set out in the Statement of Responsibilities for the Statement of Accounts.

My responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

I report to you my opinion as to whether the accounting statements present fairly, in accordance with relevant legal and regulatory requirements and the Code of Practice on Local Authority Accounting in the United Kingdom 2008 the financial position of the Authority and its income and expenditure for the year.

I review whether the governance statement reflects compliance with 'Delivering Good Governance in Local Government: A Framework' published by CIPFA/SOLACE in June 2007. I report if it does not comply with proper practices specified by CIPFA/SOLACE or if the statement is misleading or inconsistent with other information I am aware of from my audit of the financial statements. I am not required to consider, nor have I considered, whether the governance statement covers all risks and controls. Neither am I required to form an opinion on the effectiveness of the Authority's corporate governance procedures or its risk and control procedures.

I read other information published with the accounting statements, and consider whether it is consistent with the audited accounting statements. This other information comprises the Explanatory Foreword. I consider the implications for my report if I become aware of any apparent misstatements or material inconsistencies with the accounting statements. My responsibilities do not extend to any other information.

Basis of Audit Opinion

I conducted my audit in accordance with the Audit Commission Act 1998, the Code of Audit Practice issued by the Audit Commission and International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the accounting statements and related notes. It also includes an assessment of the significant estimates and judgments made by the Authority in the preparation of the accounting statements and related notes, and of whether the accounting policies are appropriate to the Authority's circumstances, consistently applied and adequately disclosed.

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

I planned and performed my audit so as to obtain all the information and explanations which I considered necessary in order to provide me with sufficient evidence to give reasonable assurance that the accounting statements and related notes are free from material misstatement, whether caused by fraud or other irregularity or error. In forming my opinion I also evaluated the overall adequacy of the presentation of information in the accounting statements and related notes.

Opinion

In my opinion the Authority financial statements present fairly, in accordance with relevant legal and regulatory requirements and the Code of Practice on Local Authority Accounting in the United Kingdom 2008, the financial position of the Authority as at 31 March 2009 and its income and expenditure for the year then ended.

Conclusion on Arrangements for Securing Economy, Efficiency and Effectiveness in the Use of Resources

Authority's Responsibilities

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

Auditor's Responsibilities

I am required by the Audit Commission Act 1998 to be satisfied that proper arrangements have been made by the Authority for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the Audit Commission requires me to report to you my conclusion in relation to proper arrangements, having regard to relevant criteria specified by the Audit Commission for principal local authorities. I report if significant matters have come to my attention which prevent me from concluding that the Authority has made such proper arrangements. I am not required to consider, nor have I considered, whether all aspects of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

Conclusion

I have undertaken my audit in accordance with the Code of Audit Practice and having regard to the criteria for principal local authorities specified by the Audit Commission and published in May 2008 and updated in February 2009, and the supporting guidance, I am satisfied that, in all significant respects, Bracknell Forest Council made proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2009.

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

Certificate

I certify that I have completed the audit of the accounts in accordance with the requirements of the Audit Commission Act 1998 and the Code of Audit Practice issued by the Audit Commission.

Phil Sharman

District Auditor
Audit Commission
1st Floor Council Offices
Farnborough Road
Farnborough
GU14 7JU

30 September 2009

The maintenance and integrity of the Bracknell Forest Council web site is the responsibility of the directors. The examination of the controls over the electronic publication of audited financial statement is beyond the scope of the audit of the financial statements and I cannot be held responsible for changes made to audited information after the initial publication of the financial statements and my report.

STATEMENT OF ACCOUNTING POLICIES

General Principles

The accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting: Statement of Recommended Practice (“the SORP”), issued by the Chartered Institute of Public Finance and Accountancy (CIPFA) in Great Britain in 2009. Any departures from the Code are noted within the relevant notes to the statements. The code is based on approved accounting standards except where they conflict with statutory requirements and is supported by a number of detailed accounting recommendations, including Statements of Standard Accounting Practice (SSAPs) and Financial Reporting Standards (FRSs) approved by the Accounting Standards Board.

Service expenditure is analysed in accordance with the requirements of the Best Value Accounting Code of Practice (BVACOP).

Accounting Concepts

The Accounts have been prepared in accordance with the following accounting principles

Relevance

The accounts are prepared so as to provide readers with information about the Council’s financial performance and position that is useful for assessing the stewardship of public funds.

Reliability

The accounts are prepared on the basis that the financial information contained within them is reliable, i.e. they are free from material error, deliberate or systematic bias, complete within the bounds of materiality and represent faithfully what they intend to represent. Where there is uncertainty in measuring or recognising the existence of assets liabilities, income and expenditure then caution or prudence has been used as a basis to inform the selection of an application of accounting policies and estimation techniques.

Comparability

Wherever possible the previous year’s figures have been included to provide a comparison and these have been prepared on the same basis as the current year unless otherwise stated.

Understandability

Every effort has been made to make the accounts as easy to understand as possible. Nevertheless, an assumption has been made that the reader will have a reasonable knowledge of accounting and local government. Where the use of technical terms has been unavoidable, an explanation has been provided in the Glossary of Terms.

Materiality

Certain information may be excluded from the accounts on the basis that the amounts involved are not material either to the fair presentation of the financial position and transactions of the Council or to the understanding of the accounts.

Accruals

With the exception of the Cash Flow Statement, the accounts are prepared on an accruals basis. That is, sums due to or from the Authority during the year are included whether or not the cash has actually been received or paid in the year. Exceptions to this principle relate to regular payments, such as utilities, which are charged at the date of invoice rather than being apportioned between financial years, and sums which could not be regarded as significant at service level. This policy is consistently applied each year and therefore does not have a material effect on the year’s accounts.

STATEMENT OF ACCOUNTING POLICIES

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.

Primacy of Legislative Requirements

Where a particular accounting treatment is prescribed by legislation, then that treatment prevails even if it conflicts with one or other of the accounting concepts outlined above. In the likely event of this arising, a note to that effect will be included in the accounts.

Accruals of Income and Expenditure

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

- Fees, charges and rents due from customers are accounted for as income at the date the Council provides the relevant goods or services.
- Supplies are recorded as expenditure when they are consumed – where there is a gap between the date supplies are received and their consumption; they are carried as stock at the balance sheet date.
- Works are charged as expenditure when they are completed, before which they are carried as works in progress on the Balance Sheet.
- Interest payable on borrowings and receivable on investments are accounted for in the year to which they relate, on a basis that reflects the overall effect of the loan or investments.
- Where income and expenditure has been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where it is doubtful that debts will be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.
- Income and expenditure are carried and debited to the relevant service revenue account, unless they properly represent capital receipts or capital expenditure.
- A de-minimis level of £250 has been agreed for accruals relating to revenue accounts. A separate de-minimis level of £10,000 has been set for Capital Accruals.

Changes in Accounting Policies

There have been a number of changes in accounting policies as a result of the introduction of the new 2009 SORP; and these accounting policies have been re-written where appropriate. The major changes are as follows:

- The 2009 SORP requires PFI and similar contracts to be accounted for in a manner that is consistent with the adaptation of IFRIC 12 Service Concession Arrangements contained in the government's Financial Reporting Manual (FReM) as this will assist in the transition to IFRS for 2010/11. In 2006/07 the Council, together with Wokingham Borough and Reading Borough Councils, entered into a PFI contract with WRG (RE3 Ltd) for the disposal of waste. As the Councils control the services provided and will obtain ownership of the fixed assets at the end of the contract, this contract has been identified as a service concession arrangement which needs to be accounted for as 'on balance sheet'. As a result the contract has been separated into a service element and a construction element. The service element continues to be expensed as incurred but the construction element has to be accounted for as if it were a finance lease. The assets associated with the contract have been shared between Reading, Wokingham and Bracknell Forest and included in the Balance Sheet along with the corresponding Long Term Liability (initially measured at the value of the related assets). Bracknell Forest's share, 27.34%, is based on relative usage of the sites. Prior period adjustments have been made for the 2008/09 comparatives. Further details are included in Note 3 and Note 30.

STATEMENT OF ACCOUNTING POLICIES

- The collection of Council Tax is now accounted for on an agency basis as the Council collects and distributes Council Tax income on behalf of the major preceptors and itself. Under the 2008 SORP the amount included in the Income and Expenditure Account and credited to the General Fund was the authority's precept or demand for the year plus/less the authority's share of the surplus/deficit on the Collection Fund for the previous year. This is required by statute. Under the 2009 SORP, the Income and Expenditure Account now reflects the accrued income position. The difference between the accrued income position and the amount required by statute to be credited to the General Fund has been taken to a new reserve in the balance sheet called the Collection Fund Adjustment Account and included as a reconciling item in the Statement of Movement on the General Fund Balance. Under an agency basis, the cash collected by the Council from Council Tax debtors belongs proportionately to the Council and the major preceptors - the Thames valley Police Authority and the Royal Berkshire Fire Authority. An end of year debtor/creditor position is now shown in the balance sheet for each major preceptor to recognise the difference between the net cash paid to each major preceptor in the year and its share of cash collected from Council Taxpayers. The Cash Flow Statement has been amended so that only the Council's share of Council Tax collected in the year is included in 'Revenue activities' and the amount included for precepts paid now excludes amounts paid to the major preceptors. The difference between the major preceptors' share of Council Tax and the amount paid to them in the year is included as a movement in liquid resources. As a result of these adjustments there will be a zero balance on the Collection Fund at the year end. Prior period adjustments have been made for the 2008/09 comparatives. Further details are included in Note 3.
- The collection of national non-domestic rates (NNDR) has now been reflected on an agency basis as the Council acts on behalf of the Government. NNDR debtor and creditor balances with taxpayers and the impairment allowance for doubtful debts are not assets and liabilities of the Council and are no longer recognised in the Balance Sheet. As the cash paid to the Government exceeded the cash collected from NNDR taxpayers the excess has been included in the Balance Sheet as a debtor. Cash collected from NNDR taxpayers is collected for the Government and is therefore not a revenue activity of the Council. It is therefore no longer shown as a cash inflow except for the cash retained in respect of the cost of collection allowance. Similarly, the payment into the NNDR national pool is not a revenue activity and is no longer included as a cash outflow. The difference between the cash collected from NNDR taxpayers and the amount paid into the NNDR national pool is now included in management of liquid resources as a net increase/decrease in other liquid resources. Further details are included in Note 3.

Exceptional items

Exceptional items are included in the cost of the service to which they relate or on the face of the income and expenditure account if that degree of prominence is necessary in order to give a fair presentation of the accounts. A description of each exceptional item is given within the notes to the accounts.

Prior Period Adjustments

Material adjustments applicable to prior years arising from either changes in accounting policies or from correction of fundamental errors are accounted for by restating the comparable figures for the preceding period in the statement of accounts and notes and by adjusting the opening balance of reserves for the cumulative effect. The cumulative effect of the adjustments is also noted at the foot of the Statement of Total Recognised Gains and Losses.

STATEMENT OF ACCOUNTING POLICIES

Intangible Assets (excluding Goodwill and Development expenditure)

Expenditure on assets that do not have physical substance, but are identifiable and controlled by the Council, is capitalised when it will bring benefits to the Council for more than one financial year. There are three broad categories of intangible assets:

- 1) Development Expenditure
- 2) Goodwill
- 3) Other intangible assets e.g. software licences

The first two are unlikely to be carried out by a local authority and therefore not relevant.

Purchased intangible assets, are capitalised as assets at cost. Internally developed intangible assets are only capitalised where there is a readily ascertainable market value. An intangible asset is only revalued where it has a readily ascertainable market value.

Intangible assets are amortised or written out to the revenue account on a straight-line basis over their economic lives. There is an assumption that the economic life of an intangible asset is limited to 20 years or less.

Tangible Fixed Assets

Recognition:

All expenditure on the acquisition, creation or enhancement of fixed assets is capitalised on an accruals basis in the accounts. Expenditure on fixed assets is capitalised, provided that the fixed asset yields benefits to the Authority and the services it provides, for a period of more than one year. This excludes expenditure on routine repairs and maintenance of fixed assets which is charged direct to service revenue accounts. A de-minimis level for the capitalisation of capital expenditure is set at £2,000 per scheme. Items of a capital nature below this limit are charged to revenue accounts.

Measurement:

Fixed assets are valued on the basis recommended by CIPFA and in accordance with the Statements of Asset Valuation Principles and Guidance Notes issued by the Royal Institution of Chartered Surveyors (RICS). Fixed assets are classified into the groupings required by the Code of Practice on Local Authority Accounting. Fixed assets are valued on the following basis:

- non-specialised operational properties are included in the balance sheet at market value assuming existing use will continue. This method ignores any potential redevelopment of the site and therefore is consistent with the recommended practice of existing use value.
- operational properties which are specialised in nature are included in the balance sheet at depreciated replacement cost.
- non-operational assets, including investment properties and assets that are surplus to requirements, are included in the balance sheet at the lower of net current replacement cost and net realisable value. In the case of investment properties, this is normally market value.
- infrastructure assets and community assets are included in the balance sheet at historical cost, net of depreciation.

STATEMENT OF ACCOUNTING POLICIES

A rolling programme of revaluation of fixed assets excluding community assets, infrastructure, vehicles, plant and equipment is undertaken so that each asset will be revalued within a five year period. Increases in valuations are matched by credits to the Fixed Asset Revaluation Reserve to recognise unrealised gains. Exceptionally, gains might be credited to the Income and Expenditure Account where they arise from the reversal of an impairment loss previously charged to a service revenue account. Decreases in valuations where there is no previous revaluation gain to match off in the Revaluation Reserve are treated as impairment losses and charged to the Income and Expenditure Account and is a reconciling item in the Statement of Movement of the General Fund Balance.

The Revaluation Reserve contains revaluation gains recognised since 1 April 2007 only, the date of its formal implementation. Gains arising before that date have been consolidated into the Capital Adjustment Account.

Impairment:

Each category of asset is reviewed annually and where there is reason to believe that its value has changed materially (impairment) the valuation will be adjusted accordingly and charged to the Income and Expenditure account where no previous allowance is available in the Revaluation Reserve. Where an impairment loss is caused by a clear consumption of economic benefits (e.g. physical damage) then this loss is recognised in the Income & Expenditure Account and is a reconciling item in the Statement of Movement of the General Fund Balance.

Where capital expenditure is incurred on maintaining an asset but does not give rise to an increase in the valuation of that asset this is treated as an impairment loss and charged to the Income and Expenditure Account and is a reconciling item in the Statement of Movement of the General Fund Balance.

Assets acquired on terms meeting the definition of a finance lease are capitalised and included together with a liability to pay future rentals. Where a fixed asset is acquired under a finance lease, at the inception of the lease the amount recorded as an asset and liability represents the present value of the minimum lease payments derived by discounting them at the interest rate implicit in the lease.

Disposals:

Income from the disposal of fixed assets is accounted for on an accruals basis. Such income that has not been used in funding capital expenditure in the year is included in the balance sheet in the Usable Capital Receipts Reserve. Upon disposal, the balance on the Revaluation Reserve in respect of the asset is written off to the Capital Adjustment Account.

The gain or loss on disposal of a tangible fixed asset is the amount by which the disposal proceeds are more (gain) or less (loss) than the carrying amount of the fixed asset. Any gain or loss is recognised in the Income & Expenditure Account and reversed out as a reconciling item in the Statement of the Movement on the General Fund Balance.

Depreciation:

Depreciation is provided for on all operational fixed assets with a finite useful life which is determined at the time of acquisition or revaluation, according to the following policy:

- assets held for disposal which are revalued annually to attain their current estimated disposal value;
- assets which are held during the year are depreciated from the start of the year;
- depreciation is calculated using the straight-line method;

STATEMENT OF ACCOUNTING POLICIES

- no depreciation is charged on non-operational properties or land.

The useful lives of assets range from 10-70 years for buildings, 5-30 years for vehicles, plant and equipment and 15-90 years for infrastructure assets.

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

Capital grants and contributions:

Where grants and contributions are received that are identifiable to fixed assets with a finite useful life, the amounts are credited to the Government Grants Deferred Account and then the amount of amortisation of the grant each year (in line with the depreciation basis related to the fixed asset) is written out to the Income and Expenditure Account. This is continued over the useful life of the asset until the Government Grants Deferred Account reaches nil.

Where grants and contributions are received that are not identifiable to fixed assets, the amounts are credited to the Government Grants Deferred Account and then the whole amount is transferred to the Capital Adjustments Account.

Where grants and contributions have been received in relation to assets that will not forseeably be depreciated, including those with no finite useful life, the amounts applied to finance capital expenditure in the year are credited to the Government Grants Deferred Account then the whole amount is transferred to the Capital Adjustment Account.

Charges to Revenue for Fixed Assets

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

The Council is not required to raise council tax to cover depreciation, 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") which is equal to at least 4% of the underlying amount measured by the adjusted Capital Financing Requirement. Depreciation, impairment losses and amortisations are therefore replaced by revenue provision in the Statement of Movement on the General Fund Balance, by way of an adjusting transaction with the Capital Adjustment Account for the difference between the two.

Revenue Expenditure Funded from Capital under Statute

Revenue expenditure funded from capital under statute (previously deferred charges) represents expenditure which may properly be capitalised but does not result in, or remain matched with, tangible fixed assets in the Council's ownership, for example grants for capital works given to another body. This expenditure is charged to the relevant service revenue account in the year that it occurs. The amounts charged to revenue are reconciling items on the Statement of Movement on the General Fund Balance by a transfer from the Capital Adjustment Account so there is no net impact on the level of Council Tax.

STATEMENT OF ACCOUNTING POLICIES

Government Grants and Contributions

Revenue grants are accrued and credited to income in the same period in which the related expenditure was charged. Specific revenue grants are matched in the relevant service revenue account with the expenditure that gave rise to the entitlement. General government grants and redistributed National Non Domestic Rates are disclosed as separate items on the face of the Income & Expenditure Account.

Leases

Operating Leases

Leases which do not meet the definition of finance leases are accounted for as operating leases. Rentals payable and rental income due under operating leases are both charged to revenue on an accruals basis.

Finance Leases

The Council accounts for leases as finance leases when substantially all the risks and rewards relating to the leased asset transfer to the Council. A tangible fixed asset is created and matched with the liability created to recognise the acquisition of the interest in the asset. Rental payments under finance leases are apportioned between

- a finance charge (interest element) which is debited to the Income & Expenditure Account as the rent becomes payable.
- a charge for the reduction of the outstanding obligation (principal element). This charge reduces the outstanding liability as the rent becomes payable.

Fixed assets recognised under finance leases are subject to depreciation being charged over the lease term if this is shorter than the assets estimated useful life.

Contingent Liabilities

Contingent Liabilities are recognised in accordance with FRS 12, not as an item of expenditure in the accounts but disclosed as a note to the balance sheet until such time as sufficient certainty exists regarding the potential future liability.

Contingent Assets

Contingent assets are recognised in accordance with FRS 12, not as an item of income in the accounts but disclosed as a note to the balance sheet until such time as sufficient certainty exists regarding the potential future gain.

Provisions

Provisions are recognised when:

- the Authority has a present obligation (legal or constructive) as a result of a past event;
- it is probable that a transfer of economic benefits will be required to settle the obligation; and
- a reliable estimate can be made of the amount of the obligation.

A transfer of economic benefits or other event is regarded as probable if the event is more likely than not to occur. Provisions are charged to the appropriate service revenue account in the year that the authority becomes aware of the obligation, based on the best estimate

STATEMENT OF ACCOUNTING POLICIES

of the likely settlement. When payments are eventually made, they are charged to the provision set up in the Balance Sheet.

Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate. If it is no longer probable that a transfer of economic benefits will be required to settle the obligation, the provision is reversed and credited back to the relevant service revenue account. Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party (e.g. from an insurance claim), the reimbursement is recognised only when it is virtually certain that reimbursement will be received if the obligation is settled.

Reserves

The Council sets aside specific amounts as reserves for future policy purposes or to cover contingencies. Reserves are created by appropriating amounts in the Statement of Movements on the General Fund Balance. 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 Net Cost of Services in the Income and Expenditure account. The reserve is then appropriated back into the Statement of Movement on the General Fund Balance so that there is no net charge against council tax for the expenditure.

For each reserve established, the purpose, usage and the basis of transactions is clearly identified.

Expenditure is not charged direct to any reserve. Reserves include earmarked reserves set aside for specific policy purposes as well as sums set aside for purposes such as general contingencies and cash flow management.

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 and Pension Reserve, which are explained in the Capital Reserves and Pensions policies and notes 8, 38 and 39 to the core financial statements.

Capital Reserves

The capital accounting rules require the following reserve accounts in the balance sheet:

- the Fixed Asset Revaluation Reserve, which represents the revaluation gains recognised since 1 April 2007 except to the extent they reverse revaluation losses (after adjusting for depreciation) on the same asset that were previously recognised in the Income and Expenditure Account.
- the Capital Adjustment Account, which represents amounts that are required by statute to be set aside from capital receipts and the amount of capital expenditure financed from revenue, capital receipts, grants and contributions; and the balance of the Fixed Asset Restatement Account and Capital Financing Account at 31 March 2007.
- the Usable Capital Receipts Reserve, which represents those receipts available to finance new capital expenditure.

Capital reserves are not available for revenue purposes.

Sale of Fixed Assets

Receipts from the sale of fixed assets are treated as capital receipts. The Local Government Act 2003 requires a proportion of the cash received from the sale of housing assets to be paid over to Central Government as a "housing pooled receipt" and is charged

STATEMENT OF ACCOUNTING POLICIES

to the net operating cost section of the Income & Expenditure Account. The same amount is appropriated from the Usable Capital Receipts Reserve and shown in the Statement of Movement in the General Fund Balance. The remaining receipts are held as usable capital receipts.

Interest received from usable receipts is credited to the Income & Expenditure Account.

Future instalments of principal are held as deferred capital receipts.

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 Income in the Income and Expenditure Account. The same amount is then transferred to the Usable Capital Receipts Reserve and shown in the Statement of Movement in the General Fund Balance.

Allocation of Support Services' Costs (Overheads)

The costs of support services and service management are apportioned to services within all programme areas on an assessed basis e.g. staff time, number of transactions or space occupied. The total absorption costing principle is used – the full cost of overheads and support service are shared between users in proportion to the benefits received with the exception of:

Corporate & Democratic Core – costs relating to the Council's status as a multi-functional democratic organisation

Non Distributable costs – the costs of discretionary benefits awarded to employees retiring early and any depreciation and impairment losses chargeable on non-operational properties.

These two costs categories are defined in BVACOP and accounted for as separate headings on the Income and Expenditure Account, as part of Net Cost of Services.

Pensions

As part of the terms and conditions of employment of its officers and other employees, the Authority offers retirement benefits. Although these benefits will not actually be payable until employees retire, the Authority has a commitment to make the payments that need to be disclosed at the time that employees earn their future entitlement.

Employees of the council are members of two separate pension schemes:

- The Teacher's Pension Scheme, administered by the Department for Children, Schools and Families (DCSF);
- The Local Government Pension Scheme, administered by the Royal Borough of Windsor and Maidenhead Council.

Both schemes provide defined benefits to members (i.e., retirement lump sums and pensions), earned as employees worked for the council. However, the arrangements for the teacher's scheme mean that liabilities for these benefits cannot be identified to the council. The scheme is therefore accounted for as if it were a defined contributions scheme – no liability for future payments of benefits is recognised in the balance sheet and revenue accounts are charged with the employer's contributions payable to the DCSF in the year.

STATEMENT OF ACCOUNTING POLICIES

The Local Government Pension Scheme

The Local Government Pension Scheme provides members of the pension scheme with defined benefits related to pay and service. The level of the employer's contribution is determined by triennial actuarial valuation. The latest review was undertaken as at 31st March 2007. Under Superannuation Regulations, the contribution rates are set to meet all the liabilities of the fund.

The Balance Sheet includes a Pension Reserve which includes the attributable share of the funds assets and liabilities that relate to the Council. Employer contributions will be adjusted in future years to account for any projected deficit.

The liabilities of the pension scheme attributable to the council are included in the Balance Sheet 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, etc, and projections of projected earnings for current employees.

Liabilities are discounted to their value at current prices, using a discount rate of 5.5% (based on the indicative rate of return on the iBoxx AA rated over 15 year Corporate Bond Index).

The assets of the pension fund attributable to the council are included in the Balance Sheet at their fair value:

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

The change in the net pensions liability is analysed into seven components:

- current service cost – the increase in liabilities as result of years of service earned this year allocated in the Income and Expenditure Account to the revenue accounts of services for which the employees worked
- past service cost – the increase in liabilities arising from current year decisions whose effect relates to years of service earned in earlier years – debited to the Net Cost of Services in the Income and Expenditure Account as part of Non Distributed Costs
- interest cost – the expected increase in the present value of liabilities during the year as they move one year closer to being paid – debited to Net Operating Expenditure in the Income and Expenditure Account
- expected return on assets – the annual investment return on the fund assets attributable to the council, based on an average of the expected long-term return – credited to Net Operating Expenditure in the Income and Expenditure Account
- gains/losses on settlements and curtailments – the result of actions to relieve the council of liabilities or events that reduce the expected future service or accrual of benefits of employees debited to the Net Cost of Services in the Income and Expenditure Account as part of Non-Distributed Costs

STATEMENT OF ACCOUNTING POLICIES

- actuarial gains and losses – changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions – debited to the Statement of Total Recognised Gains and Losses
- contributions paid to the pension fund – cash paid as employer's contributions to the pension fund.

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 in the year, not the amount calculated according to the relevant accounting standards. In the Statement of Movement on the General Fund Balance 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 any amounts payable to the fund but unpaid at the year-end.

Details of the methods adopted in the valuation of scheme assets and liabilities are set out in the notes to the balance sheet.

Financial Assets

Financial Assets are classified into two types:

- Loans and receivables – assets that have fixed or determinable payments but are not quoted in an active market.
- Available for sale assets – assets not classified as loans and receivables which may be traded in an active market.

Loans & receivables

Loans and receivables are initially measured at fair value and carried at their amortised cost. Annual credits to the Income and Expenditure Account for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument. For most of 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 the interest credited to the Income and Expenditure Account is the amount receivable for the year in the loan agreement.

Where an asset is identified as impaired because of the likelihood arising from a past event that payments due under the contract will not be made (e.g. bad debt provision), the asset is written down and a charge made to the Income and Expenditure Account. The Authority reviews all debts at the balance sheet date and judges the probability of collection for each category of debt. Where recovery of a debt is judged doubtful, the value is adjusted to the probable recoverable amount, with an appropriate adjustment being made to the Income & Expenditure Account.

Any gains and losses that arise on the derecognition of the asset are credited/debited to the Income and Expenditure Account. No gain or loss for derecognition of assets has taken place.

Details of the Council's impairment relating to its deposits in Icelandic Banks can be found in Note 28 on Financial Instruments.

Available for Sale Assets

Available for sale assets are initially measured and carried at fair value. Where the asset has fixed or determinable payments, annual credits to the Income and Expenditure Account for interest receivable are based on the amortised costs of the asset multiplied by the effective rate of interest for the instrument. Where there are no fixed or determinable payments, income (e.g. dividends) is credited to the Income and Expenditure Account.

STATEMENT OF ACCOUNTING POLICIES

Assets are maintained in the Balance Sheet at fair value. Values are based on the following principles:

- Instruments with quoted market price – the market price
- Other instruments with fixed and determinable payments – discounted cash flow analysis
- Equity share with no quoted market prices – independent appraisal of the company valuations

Changes in fair value are balanced by an entry in the Available-for-Sale Reserve and the gain/loss is recognised in the Statement of Recognised Gains and Losses (STRGL). The exception is where impairment losses have occurred – these are debited to the Income and Expenditure Account, along with any net gain/or loss for the asset accumulated in the Available-for-Sale Reserve.

Where assets are identified as impaired because of a likelihood arising from a past event that payment due in the contract will not be made (fixed or determinable payments) or fair value falls below cost, the asset is written down and a charge made to the Income and Expenditure Account.

Any gains and losses that arise on the derecognition of the assets are credited/debited to the Income and Expenditure Account, along with any accumulated gains/losses previously recognised in the STRGL.

Where fair value cannot be measured reliably, the instrument is carried at cost (less any impairment losses).

Internal Interest

Interest received from investments is credited to the General Fund.

Financial Liabilities

Financial Liabilities are initially measured at fair value and carried at their amortised cost. Annual charges to the Income and Expenditure Account for interest payable are based on the carrying amount of the liabilities, multiplied by the effective rate of interest for the instrument. The Council has no external borrowing as at 31 March 2010.

Stocks and Work In Progress

Stock and work in progress have been included in the balance sheet at the lower of cost and net realisable value.

Long Term Contracts

A long term contract is defined as “a contract entered into for the design, manufacture or construction of a single substantial asset or the provision of a service (or a combination of assets or services which together constitute a single project) where the time taken – substantially to complete the contract is such that the contract activity falls into different accounting periods”. Where the Council has committed material revenue resources for future years, the value of this commitment is disclosed in a note to the accounts. Such contracts would include schemes under the Private Finance Initiative.

Private Finance Initiative (PFI)

PFI contracts are agreements to receive services, where the responsibility for making available the fixed assets needed to provide the services passes to the PFI contractor. As

STATEMENT OF ACCOUNTING POLICIES

the Council (along with Reading and Wokingham Councils) is deemed to control the services that are provided under the Waste PFI scheme and as ownership of the fixed assets will pass to the three Councils at the end of the contract for no additional charge, the Council carries its share of the fixed assets used under the contract on the Balance Sheet. The original recognition of these fixed assets was balanced by the recognition of a liability for amounts due to the scheme operator to pay for the assets. Fixed assets recognised on the Balance Sheet are revalued and depreciated in the same way as property, plant and equipment owned by the Council.

The amounts payable to WRG (RE3 Ltd) each year are analysed into the following elements:

- fair value of the services received during the year – debited to Cultural, Environmental Regulation and Planning Services in the Income and Expenditure Account
- finance cost – an interest charge of 6.9% on the outstanding Balance Sheet liability, debited to Interest Payable in the Income and Expenditure Account
- payment towards the liability – applied to write down the Balance Sheet liability towards WRG (RE3 Ltd)

Group Accounts

The SORP requires local authorities to consider all their interests (including those in local authorities and similar bodies) and to prepare a full set of group financial statements where they have material interests in subsidiaries, associates or joint ventures. The Council has investigated all potential interests that could qualify for group accounts and has not identified any relationship that require their preparation.

Post Balance Sheet Events

Where a material post balance sheet event occurs which provides additional evidence relating to a condition existing at the balance sheet date changes are made to the amounts to be included in the Statement of Accounts as “an adjusting post balance sheet event”.

Where a material post balance sheet event concerns conditions which did not exist at the balance sheet date it is disclosed as a note to the accounts, detailing the nature of the event and where possible the financial effect.

Value Added Tax (VAT)

VAT is included in income and expenditure accounts, whether of a capital or revenue nature, only to the extent that it is not recoverable.

Landfill Allowances Trading Scheme (LATS)

The Waste and Emission Trading Act 2003 places a duty on waste disposal authorities in England and Wales to reduce the amount of biodegradable municipal waste disposed to landfill. The Landfill Allowance Trading Scheme is a ‘cap and trade’ scheme which allocates tradable landfill allowances to each waste disposal authority up to the ‘cap’. In accordance with the accounting treatment proposed by the Urgent Issues Taskforce (UITF) Abstract Emission Right, the LATS gives rise to

- An asset for the allowances held
- LATS grant income

STATEMENT OF ACCOUNTING POLICIES

- A liability for the actual landfill usage.

Allowances are recognised as current assets and are measured initially at their fair value. Landfill allowances are issued free by DEFRA. The fair value of the allowances issued to the Council is a government grant. The grant is initially recognised as deferred income in the balance sheet and subsequently recognised as income over the compliance year for which the allowances were allocated.

As landfill is used a liability is recognised for the actual landfill usage. The liability is discharged by using allowances to meet the liability and any cash penalty to DEFRA for exceeding the landfill. The liability is recognised in the balance sheet at the present market value.

INCOME & EXPENDITURE ACCOUNT

This account summarises the resources that have been generated and consumed in providing services and managing the Council during the last year.

	2009/10	2009/10	2009/10		Restated
	Expenditure	Income	Net	Note	2008/09
	£000's	£000's	£000's		Net
					£000's
Statement of Net Expenditure					
Central Services to the Public	10,357	(7,702)	2,655		5,464
Cultural, Environmental Regulation and Planning Services	39,272	(15,848)	23,424		30,284
Children's and Education Services	109,122	(84,644)	24,478		21,832
Other Housing Services	32,839	(30,057)	2,782		2,876
Highways, Roads and Transport Services	11,281	(1,135)	10,146		9,885
Adult Social Services	51,725	(15,470)	36,255		35,232
Corporate and Democratic Core	4,435	(7)	4,428		4,422
Non Distributed Costs	239	(11)	228		4,293
Net Cost of General Fund Services	259,270	(154,874)	104,396	1	114,288
Housing Revenue Account (HRA) – Discontinued Operation *	0	0	0		115
Exceptional item – VAT refunds	0	(2,583)	(2,583)	2	0
Net Cost of Services	259,270	(157,457)	101,813		114,403
Other income from capital receipts that do not arise from the disposal of an asset.			(2,134)		(2,133)
Loss on the disposal of fixed assets			1		3
Icelandic bank impairment			36		877
(Surpluses)/deficits on trading undertakings			(669)	13	830
Parish council precepts			2,600		2,499
Contribution of housing capital receipts to government pool			27	15	111
Interest and investment income			(1,214)		(3,710)
Interest payable			345		4
Levies			97	18	97
Pensions interest cost and expected return on pension assets			5,085	8	1,142
Net Operating Expenditure			105,987		114,123
Sources of Finance					
Income from Council Tax			(48,790)		(46,015)
General Government Grants			(10,345)	5	(8,586)
Distribution from NNDR Pool			(20,914)		(22,236)
Total Deficit/(Surplus) for the year			25,938		37,286

* On 11 February 2008 the Council transferred its responsibility for Council Housing to Bracknell Forest Homes.

STATEMENT OF MOVEMENT ON THE GENERAL FUND BALANCE

The Income & Expenditure Account shows the Council's actual financial performance for the year, measured in terms of the resources consumed and generated over the last twelve months. However, the authority is required to raise Council Tax on a different accounting basis, the main differences being:

- Capital investment is accounted for as it is financed, rather than when the fixed assets are consumed.
- Retirement benefits are charged as amounts become payable to pension funds and pensioners rather than as future benefits are earned.

The General Fund Balance shows whether the Council has over or under spent against the Council Tax that it raised for the year, taking into account the size of reserves built up in the past and contributions to reserves earmarked for future expenditure.

This reconciliation statement summarises the difference between the outturn on the Income & Expenditure Account and the General Fund Balance.

	2009/10	Restated 2008/09
	£000's	£000's
Deficit for the year on the Income & Expenditure Account	25,938	37,286
Net additional amount required by statute and non-statutory proper practices to be debited or credited to the General Fund Balance for the year	(24,408)	(37,068)
Decrease/(Increase) in General Fund Balance for the year	1,530	218
General Fund Balance brought forward	(10,375)	(5,757)
HRA Balance transferred to the General Fund Balance	0	(4,836)
General Fund Balance carried forward	(8,845)	(10,375)

STATEMENT OF MOVEMENT ON THE GENERAL FUND BALANCE

Note of reconciling items for the Statement of Movement on the General Fund Balance

	2009/10 £000's	Restated 2008/09 £000's
Amounts included in the Income & Expenditure Account but required by statute to be excluded when determining the Movement on the General Fund Balance for the Year		
- Amortisation of intangible fixed assets	(56)	0
- Depreciation & impairment of assets	(25,447)	(35,073)
- Government Grants Deferred amortisation	1,626	768
- Impairment of investment – Icelandic Banks	230	(608)
- Net loss on sale of fixed assets	(1)	(3)
- Net charges made for retirement benefits in accordance with FRS17	(11,885)	(10,387)
- Revenue Expenditure Funded from Capital under Statute	(510)	(239)
- Income from capital receipts that do not arise from the disposal of an asset.	2,134	2,133
Transfer to or from the Collection Fund Adjustment Account	(44)	(306)
Amounts not included in the Income & Expenditure Account but required by to be included by statute when determining the Movement on the General Fund Balance for the Year		
- Minimum Revenue Provision for capital financing	362	583
- Transfer from Usable Capital Receipts to meet payments to the Housing Capital Receipts Pool	(27)	(111)
- Employers contributions payable to Berkshire Pension Fund	7,067	6,742
Transfers to or from the General Fund Balance that are required to be taken into account when determining the Movement of the General Fund Balance for the year		
- Housing Revenue Account balance	0	135
- Net transfer to or from earmarked reserves	2,143	(702)
Net additional amount required to be credited to the General Fund balance for the year	(24,408)	(37,068)

STATEMENT OF TOTAL RECOGNISED GAINS & LOSSES (STRGL)

The Statement of Total Recognised Gains & Losses (STRGL) brings together all the gains and losses of the Council for the year and shows the aggregate increase in its net worth. In addition to the deficit generated on the Income & Expenditure Account, it includes gains and losses relating to the revaluation of fixed assets and measurement of the net liability to cover the cost of retirement benefits.

	2009/10	Restated 2008/09
	£000's	£000's
Deficit for the year on the Income & Expenditure Account	(25,938)	(37,286)
Surplus/(Deficit) arising on revaluation of fixed assets	75,552	11,965
Actuarial gains/(losses) on pension fund asset & liabilities –BFBC	(63,780)	(28,236)
Actuarial gains/(losses) on pension fund asset & liabilities – former BCC fund	(5,954)	(4,143)
Total Recognised gains/(losses) for the year	(20,120)	(57,700)

Cumulative effect of Prior Year Adjustment (Note 3) (579)

BALANCE SHEET

	Notes	2009/10 £000's	Restated 2008/09 £000's
Fixed Assets			
Intangible Assets	21	298	0
Operational Assets			
Other Land and Buildings	22	374,461	309,116
Vehicles, Plant and Equipment	22	10,346	9,330
Infrastructure Assets	22	42,006	40,743
Community Assets	22	1,238	1,023
Non-operational Assets	22,23	52,236	31,997
Total Fixed Assets		480,585	392,209
Long-term Investments	28	3,508	4,092
Long-term Debtors	29	1,369	1,118
Total Long-term Assets		485,462	397,419
Current Assets			
Stocks and Work in Progress	32	217	328
Debtors	33	16,599	14,208
Investments	28	44,981	58,459
		61,797	72,995
Current Liabilities			
Creditors	35	(41,457)	(51,447)
Bank Overdraft	34	(2,725)	(1,113)
		(44,182)	(52,560)
Total Assets less net Current Liabilities		503,077	417,854
Long Term Liabilities			
Deferred Liabilities	11,30	(6,578)	(5,053)
Deferred Grants and other Contributions - unapplied	36	(9,565)	(9,572)
Deferred Grants and other Contributions - applied	36	(59,710)	(30,561)
Provisions	37	(197)	(73)
Net Liability related to Defined Benefit Pension Scheme	8	(142,991)	(68,439)
		(219,041)	(113,698)
Total Assets less Liabilities		284,036	304,156
Financed by:			
Fixed Asset Revaluation Reserve	38	115,090	41,452
Capital Adjustment Account	39	293,126	313,080
Financial Instrument Adjustment Account	28,43	(378)	(608)
Collection Fund Adjustment Account	43	100	144
Usable Capital Receipts Reserve	40	0	0
Deferred Capital Receipts	41	997	1,048
Pension Reserve	8,43	(142,991)	(68,439)
Earmarked & Other Reserves	43	18,092	17,479
Total Net Worth		284,036	304,156

C.J. Herbert CPFA

Borough Treasurer
29 June 2010

CASH FLOW STATEMENT

	Notes	2009/10 £000's	Restated 2008/09 £000's
Revenue Activities			
Cash Outflows:			
Cash paid to and on behalf of employees		(106,130)	(101,987)
Revenue expenditure funded from capital under statute		(810)	(612)
Other Operating cash payments		(99,627)	(127,790)
Housing Benefit Paid out		(25,616)	(20,726)
Precepts Paid		(2,600)	(2,499)
Payments to the Capital Receipts Pool		(37)	(233)
Total Expenditure		(234,820)	(253,847)
Cash Inflows:			
Council Tax Receipts		44,314	41,775
National Non-Domestic rate payments from the pool		20,914	22,236
Revenue Support Grant		4,827	3,095
DWP grants for benefits		25,050	20,552
Other Government Grants	49	95,731	89,825
Cash received for goods and services		20,620	21,072
Other operating cash receipts		20,951	16,838
Total Income		232,407	215,393
Net Revenue Activities Cash Flow	46	(2,413)	(38,454)
Returns on Investment and Servicing of Finance			
Cash Outflows:-			
Interest Paid		(345)	(4)
Cash Inflows:-			
Interest Received		1,822	3,046
Net Return on Investments and Servicing of Finance		1,477	3,042
Capital Activities			
Cash Outflows:-			
Purchase of fixed assets		(36,029)	(17,656)
Long Term Investments		(25)	0
Other Capital Cash Payments		(37)	(384)
		(36,091)	(18,040)
Cash Inflows:-			
Sale of fixed assets		2,863	275
Capital grants received	50	19,825	22,976
Other capital cash receipts		5,212	3,101
		27,900	26,352
Net Capital Activities Cash Flow		(8,191)	8,312
Net Cash Flow before Financing		(9,127)	(27,100)
Management of Liquid Resources			
Liquid Resources	48	(6,069)	3,546
Financing			
Capital element of finance lease & PFI payments		(290)	(583)
Net Increase/(Decrease) in Cash	47	(15,486)	(24,137)

1 Net Cost of General Fund Services

The decrease in net cost of services compared to 2008/09 is primarily due to a £10.9m decrease in impairments. The 2008/09 impairment included the declassification of voluntary controlled schools (£5.7m) and £14.4m for the downward revaluation of Council properties. In 2009/10 there were no declassification of assets and the impairment for the downward revaluation of properties was £9.2m. The other significant difference is that in 2008/09 Non distributed Costs included £1.6m relating to the town centre redevelopment. These costs had previously been capitalised but due to the impact of the current economic climate on the timing of the development were charged to revenue during the year.

2 Exceptional item – VAT

Changes in VAT legislation resulted in a number of services being reclassified from standard rated to exempt for VAT purposes. Initially the Council was only able to reclaim overpaid tax for the previous 3 years but this 3 year cap was successfully challenged in court cases collectively known as Conde Nast/Fleming. As a result a number of claims were submitted to try and claim back overpaid VAT plus interest for earlier years (going back to 1973 when VAT was introduced). The majority of claims have now been settled and as a consequence the Council received the sum of £2.583m (including interest but after fees) in 2009/10. These VAT repayments have been treated as an exceptional item in the accounts. Outstanding claims raised by the Council and joint claims raised by other Councils in Berkshire have been treated as Contingent Assets and are referred to in Note 45 on Contingencies.

3 Prior Period Adjustments

The 2008/09 comparative figures included in the accounts and in the notes have been restated to reflect changes in accounting policies for PFI contracts and the Collection Fund. The Collection Fund shows transactions relating to Council Tax and National Non Domestic Rates (NNDR).

The Council's share of the assets associated with the Waste PFI agreement with WRG (RE3 Ltd) is now recorded on the balance sheet together with a corresponding long term liability. The current element of the liability (the element payable within one year) has been included in creditors under current liabilities. The assets are now treated like any other asset and the associated annual capital charge has been included in the Income and Expenditure Account and then reversed out in the Statement of Movement on the General Fund Balance. The contra entry to the reversal is against the Capital Adjustment Account in the Balance Sheet. The principal element of the contractor's annual charge which was previously recorded against Environment, Culture & Communities in the Income and Expenditure Account has now been charged to the long term liability in the Balance Sheet. The interest element of the annual charge is now shown under Interest Payable rather than being included in Environment, Culture & Communities in the Income and Expenditure Account (zero in 2008/09). There is no overall impact on the amount to be met from Government Grants and Local Taxation as an amount equal to the principal repayment has been charged to the Minimum Revenue Provision for capital financing in the Statement of Movement on the General Fund Balance (with the opposite entry against the Capital Adjustment Account in the Balance Sheet).

For Council Tax, the Income and Expenditure Account now reflects the accrued income position rather than the amount required by statute. The difference between the accrued income position and the amount required by statute to be credited to the General Fund has been taken to a new reserve in the Balance Sheet called the Collection Fund Adjustment Account and included as a reconciling item in the Statement of Movement

NOTES TO THE CORE FINANCIAL STATEMENTS

on the General Fund Balance. Under an agency basis, the cash collected by the Council from Council Tax debtors belongs proportionately to the Council and the major preceptors - the Thames Valley Police Authority and the Royal Berkshire Fire Authority. An end of year creditor position is now shown in the Balance Sheet for each major preceptor to recognise the difference between the net cash paid to each major preceptor in the year and its share of cash collected from Council Taxpayers. The Cash Flow Statement has been amended so that only the Council's share of Council Tax collected in the year is included in 'Revenue Activities' and the amount included for precepts paid now excludes amounts paid to the major preceptors. The difference between the major preceptors' share of Council Tax and the amount paid to them in the year is included as a movement in liquid resources. As a result of these adjustments there will be a zero balance on the Collection Fund.

Under an agency arrangement NNDR debtor and creditor balances with taxpayers and the impairment allowance for doubtful debts are not assets and liabilities of the Council and are no longer recognised in the Balance Sheet. As the cash collected in 2008/09 exceeded the amount paid to the Government the excess has been included in the Balance Sheet as a creditor. Cash collected from NNDR taxpayers is collected for the Government and is therefore not a revenue activity of the Council. It is therefore no longer shown as a cash inflow in the Cash Flow Statement except for the cash retained in respect of the cost of collection allowance (which is shown under other operating cash receipts). Similarly, the payment into the NNDR national pool is not a revenue activity and is no longer included as a cash outflow. The difference between the cash collected from NNDR taxpayers and the amount paid into the NNDR national pool is now included in management of liquid resources as a net movement in liquid resources.

The impact of these changes on the main statements is summarised below:

Extract from Income and Expenditure Account

	Original 2008/09 Net	PFI	Collection Fund	Restated 2008/09 Net
Statement of Net Expenditure	£000's	£000's	£000's	£000's
Cultural, Environmental Regulation and Planning Services	30,806	(522)	0	30,284
Net Cost of Services	114,925	(522)	0	114,403
Net Operating Expenditure	114,645	(522)	0	114,123
Sources of Finance				
Income from Council Tax	(46,321)	0	306	(46,015)
Total Deficit/(Surplus) for the year	37,502	(522)	306	37,286

NOTES TO THE CORE FINANCIAL STATEMENTS

Extract from Statement of Movement on the General Fund Balance

	Original 2008/09 £000's	PFI £000's	Collection Fund £000's	Restated 2008/09 £000's
Deficit for the year on the I&E Account	37,502	(522)	306	37,286
Net additional amount to be debited or credited to the General Fund Balance for the year	(37,284)	522	(306)	(37,068)
Decrease/(Increase) in General Fund Balance for the year	218	0	0	218

Extract from reconciling items for the Statement of Movement on the General Fund Balance

	Original 2008/09 £000's	PFI £000's	Collection Fund £000's	Restated 2008/09 £000's
Depreciation & Impairment of Assets	(35,028)	(45)	0	(35,073)
Transfer to or from the Collection Fund Adjustment Account	0		(306)	(306)
Minimum Revenue Provision for capital financing*	16	567	0	583
Decrease/(Increase) in General Fund Balance for the year	(37,284)	522	(306)	(37,068)

* Now also includes £0.016m previously shown under voluntary revenue provision for capital financing (Finance Leases)

Extract from the Statement of Total Recognised Gains & Losses

	Original 2008/09 £000's	PFI £000's	Collection Fund £000's	Restated 2008/09 £000's
Deficit for the year on the Income & Expenditure Account	(37,502)	522	(306)	(37,286)
Movement on Collection Fund Balance	(363)	0	363	0
Total Recognised (gains)/losses for the year	(58,279)	522	57	(57,700)

NOTES TO THE CORE FINANCIAL STATEMENTS

Extract from the Balance Sheet

	Original 2008/09 £000's	PFI £000's	Collection Fund £000's	Restated 2008/09 £000's
Total Fixed Assets	386,021	6,188	0	392,209
Total Long-term Assets	391,231	6,188	0	397,419
Current Assets				
Debtors	13,798	0	410	14,208
Current Liabilities				
Creditors	(50,738)	(273)	(436)	(51,447)
Total Assets less net Current Liabilities	411,965	5,915	(26)	417,854
Long Term Liabilities				
Deferred Liabilities	(86)	(4,967)	0	(5,053)
Total Assets less Liabilities	303,234	948	(26)	304,156
Financed by:				
Capital Adjustment Account	312,132	948	0	313,080
Collection Fund Adjustment Account	0	0	144	144
Earmarked & Other Reserves (Collection Fund)	17,649	0	(170)	17,479
Net Worth	303,234	948	(26)	304,156

The balance sheet includes a restatement of the 1 April 2008 position as well as changes to in-year movements for both the PFI and Collection Fund adjustments.

NOTES TO THE CORE FINANCIAL STATEMENTS

Extract from the Cash Flow Statement

	Original 2008/09 £000's	PFI £000's	Collection Fund £000's	Restated 2008/09 £000's
Revenue Activities				
Cash Outflows:				
Other Operating Cash Payments	(128,373)	583	0	(127,790)
National Non-Domestic rate payments to the pool	(49,848)	0	49,848	0
Precepts Paid	(11,034)	0	8,535	(2,499)
Total Expenditure	(312,813)	583	58,383	(253,847)
Cash Inflows:				
Council Tax Receipts	50,248	0	(8,473)	41,775
National Non-Domestic rate	53,613	0	(53,613)	0
Other operating cash receipts	16,681	0	157	16,838
Total Income	277,322	0	(61,929)	215,393
Net Revenue Activities Cash flow	(35,491)	583	(3,546)	(38,454)
Net return on investments and servicing of finance	3,042	0	0	3,042
Net Capital Activities Cash flow	8,312	0	0	8,312
Management of Liquid Resources				
Liquid Resources	0	0	3,546	3,546
Financing				
Capital element of finance lease & PFI payments*	0	(583)	0	(583)
Net Increase/(Decrease) in Cash	(24,137)	0	0	(24,137)

* Includes £0.016m previously shown under voluntary revenue provision for capital financing of Finance Leases as well as £0.567m PFI payments.

NOTES TO THE CORE FINANCIAL STATEMENTS

4 Dedicated Schools Grant

The Council's expenditure on schools is funded primarily by grant monies provided by the Department for Children, Schools and Families, the Dedicated Schools Grant (DSG). DSG is ringfenced and can only be applied to meet expenditure properly included in the Schools Budget, as defined in the School Finance (England) Regulations 2008. The Schools Budget includes elements for a range of educational services provided on an authority-wide basis and for the Individual Schools Budget, which is divided into a budget share of each maintained school.

Details of the deployment of DSG receivable for 2009/10 are as follows:

Schools Budget Funded by Dedicated School Grant			
	Central Expenditure	Individual Schools Budget (ISB)	Total
	£000's	£000's	£000's
Final DSG for 2009/10	10,476	51,497	61,973
Brought forward from 2008/09	644	0	644
Carry forward to 2010/11 agreed in advance	0	0	0
Agreed budgeted distribution in 2009/10	11,120	51,497	62,617
Actual central expenditure	10,672	0	10,672
Actual ISB deployed to schools	0	51,497	51,497
Local authority contribution for 2009/10	0	0	0
Carry forward to 2010/11	448	0	448

5 General Government Grants

The Revenue Support Grant (RSG) is a Government grant received to support the Council's activities as a whole and is not linked to any one service. In 2008/09 a number of service specific grants were replaced by a general grant called the Area Based Grant (ABG) as part of the local government finance settlement. No conditions on use have been imposed as part of the grant determination ensuring full local control over how the funding can be used. In addition the council also received Public Sector Agreement (PSA) reward grant for meeting its PSA targets. Total general government grants received were as follows:

	2009/10	2008/09
	£000's	£000's
Government Revenue Support Grant (RSG)	4,827	3,095
Area Based Grant	4,707	4,541
Housing and Planning Delivery Grant	475	0
Local Authority Business Growth Incentive Scheme (LABGI)	0	622
Local Public Service Agreement (LPSA)	336	328
Total	10,345	8,586

In 2008/09, Housing and Planning Delivery of £0.448m was shown within Cultural, Environmental Regulation & Planning Services rather than general government grants. A one-off general grant for promoting economic growth under the Local Authority Business Growth Incentive Scheme (LABGI) was received in 2008/09 but not in 2009/10.

NOTES TO THE CORE FINANCIAL STATEMENTS

6 Remuneration of Employees

The following table shows the number of employees whose remuneration exceeded £50,000 in 2009/10, excluding those that have been disclosed individually.

Total Remuneration	No Of Employees 2009/10	No Of Employees 2008/09
£50,000 - £54,999	24	22
£55,000 - £59,999	17	22
£60,000 - £64,999	11	13
£65,000 - £69,999	6	4
£70,000 - £74,999	3	1
£75,000 - £79,999	6	4
£80,000 - £84,999	4	12
£85,000 - £89,999	2	2
£90,000 - £94,999	2	1
£95,000 - £99,999	0	1

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 plus the statutory Borough Treasurer and Borough Solicitor posts.

Remuneration of Senior Employees 2009/10

Post Title (and Name if over £150,000)	Salary £000's	Expense Allowances £000's	Total excl. Pension Contributions £000's	Pension Contributions £000's	Total incl. Pension Contributions £000's
Chief Executive – T Wheadon	157.5	0.9	158.4	24.2	182.6
Assistant Chief Executive	83.3	0.5	83.8	12.8	96.6
Director of Corporate Services	113.2	0.5	113.7	17.4	131.1
Director of Social Care and Learning ¹	67.4	0.0	67.4	10.1	77.5
Acting Director of Children, Young People and Learning ²	99.2	0.7	99.9	13.0	112.9
Director of Children, Young People and Learning – from 15 Mar 2010 ³	5.0	0.0	5.0	0.8	5.8
Director of Adult Social Care and Health ⁴	92.9	0.6	93.5	14.7	108.2
Director of Environment, Culture and Communities	117.2	0.6	117.8	17.5	135.3
Borough Treasurer	101.2	0.5	101.7	15.5	117.2
Borough Solicitor	86.6	0.5	87.1	13.3	100.4
Total	923.5	4.8	928.3	139.3	1,067.6

¹The Director of Social Care and Learning left on the 30 September 2009.

²An Acting Director for Children Young People and Learning was in place from 1 October 2009.

³The new director of Children, Young People and Learning who started on the 15 March 2010 has an annualised salary of £108,646.

⁴The Director for Adult Social Care and Health started on the 1 October 2009.

NOTES TO THE CORE FINANCIAL STATEMENTS

Remuneration of Senior Employees 2008/09

Post Title (and Name if over £150,000)	Salary £000's	Expense Allowances £000's	Total excl. Pension Contributions £000's	Pension Contributions £000's	Total incl. Pension Contributions £000's
Chief Executive – T Wheadon	157.8	1.4	159.2	24.2	183.4
Assistant Chief Executive	81.9	0.1	82.0	12.5	94.5
Director of Corporate Services	107.8	0.7	108.5	16.8	125.3
Director of Social Care and Learning ¹	87.0	0.0	87.0	13.5	100.5
Director of Environment, Culture and Communities	116.3	0.9	117.2	17.5	134.7
Borough Treasurer	99.5	0.5	100.00	15.2	115.2
Borough Solicitor	85.1	0.1	85.2	13.0	98.2
Total	735.4	3.7	739.1	112.7	851.8

¹The Director of Social Care and Learning started on the 28 July 2008.

7 Members' Allowances

Members' Allowances were revised to reflect the Local Authorities (Members' Allowances) (England) Regulations 2003 which provide for the circumstances in which allowances are payable to members. In 2009/10 these amounted to £588,082 (Basic Allowances £366,509, Special Responsibilities Allowances £204,682 and Mayoral Allowance £16,891), compared to £570,789 in 2008/09.

8 Pensions

The Authority participates in two pension schemes:

- the Teachers' Pension scheme – this is a defined benefit scheme. The Authority pays employer contributions as they become payable and has no obligation to pay further amounts if the scheme has insufficient assets to pay employee benefits. In accordance with accounting guidance, the assets and liabilities of this fund are not reflected in these financial statements.
- the Local Government Pension Scheme for employees, administered by The Royal Borough of Windsor and Maidenhead – this is a funded defined benefit scheme, meaning that the Authority and employees pay contributions into a fund, calculated at a level estimated to balance the pensions liabilities with investment assets

Teachers' Pension Scheme

Teachers employed by the Council are members of the Teachers' Pension Scheme. It provides teachers with defined benefits upon their retirement and the Council contributes towards the costs by making contributions based on a percentage of members' pensionable salaries.

In 2009/10 the Authority paid £4.373m in respect of Teachers' Pension costs, which represented 14.1% of teachers' pensionable pay. Employers' contributions have remained at 14.1% during the year ending 31st March 2010. In addition, the Authority is responsible for all pension payments relating to added years it has awarded, together

NOTES TO THE CORE FINANCIAL STATEMENTS

with the related increases. In 2009/10 these amounted to £0.262m, representing 0.85% of pensionable pay.

	2009/10		2008/09	
	Employers' Contribution	Added Years	Employers' Contribution	Added Years
Amount Paid	£4.373m	£0.262m	£4.138m	£0.229m
As a percentage of teachers' pensionable pay	14.1%	0.85%	14.1%	0.78%

The Scheme is a defined benefit scheme. Although the scheme is unfunded, Teachers' Pensions use a notional fund as the basis for calculating the employers' contribution rate paid by local education authorities. However, it is not possible for the authority to identify a share of the underlying liabilities in the scheme attributable to its own employees. For the purposes of this Statement of Accounts, it is therefore accounted for on the same basis as a defined contribution scheme.

The authority is responsible for the costs of any additional benefits awarded upon early retirement outside of the terms of the teachers' scheme. These benefits are fully accrued in the pensions liability described above.

Further information can be obtained from: Teachers' Pensions
Capita Hartshead
Mowden Hall
Darlington
DL3 9EE

Tel: 0845 6066166

Other Employees Pension Scheme

The Authority 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 2007. Under Pension Fund Regulations contribution rates are set to meet 100% of the overall liabilities of the Fund. The current contribution rate is 15.5%.

The costs of retirement benefits are recognised in the Net Cost of Services when they are earned by employees, rather than when the benefits are eventually paid as pensions. However the charge required to be made against Council Tax is based on the cash payable in the year, so the real cost of retirement benefits is reversed in the Statement of Movement on the General Fund Balance.

NOTES TO THE CORE FINANCIAL STATEMENTS

The following transactions have been made in the Income and Expenditure Account and Statement of Movement on the General Fund Balance during the year:

	2009/10 £000's	2008/09 £000's
Income & Expenditure Account		
Net Cost of Services:		
Current Service Cost	6,769	8,440
Past Service Cost	0	704
Curtailments	31	101
Net Operating Expenditure:		
Interest Cost	12,651	13,355
Expected Return on Pension Assets	(7,566)	(12,213)
Net Charge to the Income & Expenditure Account	11,885	10,387
Statement of Movement in the General Fund Balance		
Reversal of net charges made for retirement Benefits in accordance with FRS17	(11,885)	(10,387)
Actual amount charged against General Fund Balance:		
Employer's contributions payable to Pension scheme	7,067	6,742

The past service costs in 2008/09 related to two changes in the LGPS that came into effect on 1st April 2008. These were an increase in the period of the pension guarantee following retirement from 5 to 10 years and the introduction of contingent dependants' benefits for cohabitants. No additional benefits have been granted in 2009/10.

In addition to the recognised gains and losses included in the Income and Expenditure Account, actuarial losses of £69.7m (£32.4m 2008/09) were included in the Statement of Total Recognised Gains and Losses (STRGL).

Assets and Liabilities in relation to Retirement Benefits

Reconciliation of present value of scheme liabilities:

	2009/10 £000's	2008/09 £000's
Liabilities as at 1st April	188,264	200,217
Current service cost	6,769	8,440
Interest cost	12,651	13,355
Contributions by scheme participants	2,907	2,788
Actuarial gains & losses	101,875	(30,425)
Losses on curtailments	31	101
Benefits paid	(8,262)	(6,678)
Past service costs	0	704
Unfunded pension payments	(271)	(238)
Liabilities as at 31st March	303,964	188,264

NOTES TO THE CORE FINANCIAL STATEMENTS

Reconciliation of the fair value of scheme assets:

	2009/10 £000's	2008/09 £000's
Assets as at 1st April	119,825	167,802
Expected rate of return	7,566	12,213
Actuarial gains & losses	32,141	(62,804)
Employer contributions	7,067	6,743
Contributions by scheme participants	2,907	2,788
Benefits paid	(8,533)	(6,917)
Assets as at 31st March	160,973	119,825

The expected return on assets is based on the long-term future expected investment return for each asset class as at the beginning of the period (i.e. as at 1 April 2009 for the year to 31 March 2010). The return on gilts and other bonds are assumed to be the gilt yield and corporate bond yield (with an adjustment to reflect default risk) respectively at the relevant date. The return on equities and property is then assumed to be a margin above gilt yields.

The actual rate of return on scheme assets in the year was £39.7m (£50.6m in 2008/09).

Scheme History

The table below includes totals for Bracknell Forest including former Berkshire County Council employees.

	Year to March 2010 £000's	Year to March 2009 £000's	Year to March 2008 £000's	Year to March 2007 £000's	Year to March 2006 £000's
Defined Benefit Obligation	(303,964)	(188,264)	(200,216)	(225,139)	(222,859)
Scheme Assets	160,973	119,825	167,801	188,727	174,191
Surplus/(Deficit)	(142,991)	(68,439)	(32,415)	(36,412)	(48,668)

The liabilities show the underlying commitments that the Authority has in the long-run, to pay retirement benefits. The total liability of £143m has an impact on the net worth of the Authority as recorded in the Balance Sheet. However, statutory arrangements for funding the deficit mean that the financial position of the Authority remains healthy. The deficit on the Local Government Scheme will be made good either by improved investment returns or increased contributions over the remaining working lives of employees, as assessed by the scheme's actuary.

The total contributions expected to be made to the Local Authority Pension Scheme in the year to March 2011 is £7.027m.

Basis for Estimating Asset and Liabilities

Liabilities have been assessed on an actuarial basis using the same approach as in 2008/09. Estimates are based on the latest full valuation of the scheme as at 31 March 2007 rolled forward allowing for different financial assumptions required under FRS17, 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 at 31 March 2010. The discount rate is the yield on the iBoxx AA rated over 15 year corporate bond index as at this date which has been chosen to meet the requirements of FRS17. The prices increases and pension increases assumptions are based on the unadjusted difference between conventional gilt yields and index-linked gilt yields at the accounting date using

NOTES TO THE CORE FINANCIAL STATEMENTS

data published by the Bank of England. Salary increases are then assumed to be 1.5% above price increases, as last year.

The main assumptions used in their calculations are:

	2009/10 %	2008/09 %
Rate of Inflation	3.9	3.0
Rate of increase in salaries	5.4	4.5
Rate of increase in pension	3.9	3.0
Rate of discounting scheme liabilities	5.5	6.7
Mortality assumptions:	Age	Age
Longevity at 65 for current pensioners		
Men	21.27	21.27
Women	24.33	24.33
Longevity at 65 for future pensioners		
Men	22.21	22.21
Women	25.26	25.25
Assumption of take up to increase lump sum to maximum allowed	50%	50%

Assets in the Royal County of Berkshire Pension Fund are valued at fair value, principally current bid value for investments, and consist of the following categories, by proportion of the total assets held by the Fund:

	Long Term Expected Return (2009/10) %	Long Term Expected Return (2008/09) %	Assets Held 31 March 2010 %	Assets Held 31 March 2009 %
Equity investments	7.9	7.4	44.0	62.1
Gilts	4.5	4.0	0.0	9.5
Other Bonds	5.5	6.5	29.0	14.6
Property	6.0	5.5	7.0	10.8
Cash	3.0	3.0	2.0	3.0
Alternative Assets	5.0	0.0	18.0	0.0
Total			100.00	100.0

NOTES TO THE CORE FINANCIAL STATEMENTS

History of Experience Gains and Loans

	Year to March 2010	Year to March 2009	Year to March 2008	Year to March 2007	Year to March 2006
	£000's	£000's	£000's	£000's	£000's
Experience adjustments on Scheme Assets	32,137	(62,804)*	(26,043)*	160*	24,605*
Experience adjustments on Scheme Liabilities	(1,083)	0	(872)	0	0

The actuarial losses identified as movements on the Pensions Reserve over 5 years can be analysed into the following categories, measured as a percentage of assets or liabilities as at 31st March annually:

	Year to March 2010	Year to March 2009	Year to March 2008	Year to March 2007	Year to March 2006
	%	%	%	%	%
Differences between the expected and actual return on Assets	19.96	-52.41*	-15.52*	0.08*	14.13*
Experience gains and losses on Liabilities	0.36	0	0.44	0	0

*The differences between expected and actual return on Assets have been restated for previous years to include some experience items on the assets that had previously been excluded. In previous years, the only experience that was included was the effect of the reallocation following the valuation every three years but the actuaries have assessed that a more correct interpretation of the requirements of FRS17 is to also include the experience of the actual asset returns compared to the expected returns every year.

Pensions Reserve

The Pensions Reserve has been created to ensure compliance with Financial Reporting Standard (FRS) 17. The reserve is not cash backed, but reflects the Council's actuarially assessed net pension asset or liability. The figures for 2009/10 include the Council's share of the Former Berkshire County Council Pension Fund Liability of £23.694m (2008/09 £16.736m).

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

	Year to 31 March 2010	Year to 31 March 2009
	£000's	£000's
Surplus /(Deficit) at Beginning of Year	(68,439)	(32,415)
Current Service Cost	(6,769)	(8,440)
Employer Contributions	6,795	6,504
Past Service Cost	0	(704)
Contributions to Unfunded Benefits	272	238
Settlements and Curtailments	(31)	(101)
Net Return on Assets	(5,085)	(1,142)
Actuarial Gains/(Losses)	(69,734)	(32,379)
Surplus /(Deficit) at Year End	(142,991)	(68,439)

NOTES TO THE CORE FINANCIAL STATEMENTS

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

The Royal Borough of Windsor and Maidenhead
Town Hall
St Ives Road
Maidenhead
Berkshire
SL6 1RF

Tel: 01628 796701

9 Agency expenditure

Under various statutory powers an Authority may agree with other local authorities, water companies and Government departments to do work on their behalf.

The Council acts as the lead authority for the Emergency Duty Team, the Education Library Service and the London Road Landfill Site through joint arrangement agreements and provides services to the following organisations:

- Windsor and Maidenhead Royal Borough Council
- Reading Borough Council
- Slough Borough Council
- West Berkshire Council
- Wokingham District Council
- Individual schools within the above Authorities (Education Library Service only)

Below is a summary of the total cost of the services and the income received from these partner authorities. The Council is reimbursed for this work including a contribution towards administrative costs. Only the net expenditure for each service has been included in the Income and Expenditure Account.

	2009/10		2008/09	
	Total Expenditure £000's	Income £000's	Total Expenditure £000's	Income £000's
Social Services				
Emergency Duty Team	823	(723)	726	(619)
Education Services				
Education Library Service	778	(675)	829	(706)
Cultural, Environmental, Reg. & Planning Services				
London Rd Landfill Site	166	(121)	107	(127)
Total	1,767	(1,519)	1,662	(1,452)

NOTES TO THE CORE FINANCIAL STATEMENTS

10 Operating Leases

Land and Buildings – the authority leases a number of properties which have been accounted for as operating leases. The amounts paid under these arrangements are as follows:

	2009/10 £000's	2008/09 £000's
Longshot Lane	488	488
Crowthorne Enterprise Centre	153	157
Enid Wood House	144	144
Bracknell Day Services	80	80
Private Sector Landlords ¹	89	82
New Hope ²	25	23
Total	979	974

¹Twelve properties are rented from private sector landlords to provide temporary accommodation for homeless families.

²New Hope refers to three counselling and advice centres which are used for drugs and alcohol rehabilitation.

Vehicles and Plant – the authority uses vehicles and plant financed under terms of an operating lease. The amount paid under these arrangements in 2009/10 was £0.341m (2008/09 £0.382m).

Authority as Lessor

The authority has granted a number of operating leases in relation to its commercial property. The amounts of rents received under these arrangements in 2009/10 was £2.507m (2008/09 £2.551m).

Operating leases are also in place for eleven community centres which are run by independent community associations and for a number of public open spaces and play areas which are leased to Bracknell Town Council. The rent received under these arrangements in 2009/10 was £0.004m as market rents are not charged (2008/09 £0.004m).

With regard to the Council's activity as a lessor, the gross value at 31 March 2010 of assets held for use in operating leases was £22.846m. No depreciation has been charged.

Commitments under Operating Leases

The authority was committed at 31 March 2010 to making payments of £1.040m under operating leases in 2010/11, comprising the following elements:

	Land and Buildings £000's	Vehicle, Plant, £000's
Leases expiring in 2010/11	34	38
Leases expiring between 2011/12 and 2014/15	101	153
Leases expiring during and after 2015/16	725	0

NOTES TO THE CORE FINANCIAL STATEMENTS

11 Finance Leases

The authority has acquired vehicles under finance leases. The amount paid under the arrangements in 2009/10 was £0.021m (2008/09 £0.021m), charged to the Income & Expenditure Account as £0.004m finance costs (2008/09 £0.004m) and £0.017m (2008/09 £0.017m) relating to the write-down of obligations to the lessor now debited as part of the reconciliation of the Statement of Movement on the General Fund Balance.

The following values of assets are held under finance leases by the Council, accounted for as part of Tangible Fixed Assets:

	Land and Buildings £000's	Vehicles Plant & Equipment £000's
Net book Value 1 April 2009	0	69
Revaluations	0	0
Additions	0	0
Disposals	0	0
Depreciation	0	(17)
Net Book Value 31 March 2010	0	52

Outstanding Obligations are accounted for as part of Long Term Liabilities except for the element repayable within one year which is included in Creditors. The payment profile is as follows:

	Land and Buildings £000's	Vehicle, Plant & Equipment £000's
Obligations payable in 2010/11	0	18
Obligations payable between 2011/12 and 2014/15	0	51
Obligations payable during and after 2015/16	0	0
Total Liabilities at 31 March 2010	0	69

12 Auditor's remuneration

In 2009/10 Bracknell Forest Council incurred the following fees relating to external Audit and Inspection.

	2009/10 £000's	2008/09 £000's
Fees payable to the Audit Commission – District Auditor, the appointed auditor with regard to external audit services.	251	255
Fees payable to the Audit Commission – refund of fees overcharged in 2007/08	(22)	0
Fees payable to the Audit Commission in respect of statutory inspection.	18	25
Fees payable to Audit Commission – District Auditor, the appointed auditor for the certification of grant claims and returns.	61	58
Fees payable in respect of other services provided by the appointed auditor (relating to procurement).	6	0
Grant claim fees under/(over) accrued in previous year	2	(5)
Total	316	333

NOTES TO THE CORE FINANCIAL STATEMENTS

13 Trading Operations

The Council has a number of activities which are classified as Trading Operations in accordance with CIPFA's Best Value Accounting Code of Practice. Details of activities to be disclosed for 2009/10 are set out below, with comparative figures shown for 2008/09.

		£000's	£000's
The Authority operates the Bracknell Market collecting rental income from stallholders. The whole of the operating surplus is included as part of the General Fund account.	Expenditure	113	
	Rental Income	(80)	
	Operating Deficit		33
	<i>Deficit 2008/09</i>	15	
The Authority operates nine Car Parks in Bracknell Town Centre and Crowthorne. The whole of the operating surplus or deficit is included as part of the General Fund account. Excluding capital charges & FRS17 costs the cash surplus for the year was £0.595m (2008/09 £0.798m surplus).	Expenditure	864	
	Income	(1,556)	
	Operating Surplus		(692)
	<i>Deficit 2008/09</i>	801	
Smart Connect	Operating Surplus		(10)
	<i>Deficit 2008/09</i>	14	
Total Trading Operations Deficit/(Surplus) in the General Fund			(669)

14 Minimum Revenue Provision (MRP)

The Council has calculated its Minimum Revenue Provision for the year as £0.362m (2008/09 £0.583m) which is transferred to the Capital Adjustment Account and reduces the Capital Financing Requirement. This is made up as follows:

	2009/10 £000s	Restated 2008/09 £000s
MRP (4% of Capital Financing Requirement at 1 April excluding the Waste PFI and finance leases)	72	0
Principal payable on finance leases	17	16
Principal payable on Waste PFI	273	567
Total MRP	362	583

15 Contribution to Housing Pooled Capital Receipts

The Council has to pay a proportion of specified housing capital receipts into a Government pool for redistribution. The amount paid is disclosed in the Income & Expenditure Account even though the capital receipts have not themselves been recognised as an income item in the Income & Expenditure Account. An amount equal to this payment is transferred from the Usable Capital Receipts Reserve to ensure a neutral effect on the amounts raised from Government grants and local taxation.

NOTES TO THE CORE FINANCIAL STATEMENTS

16 Related Party Transactions

In accordance with FRS 8, material transactions with related parties not disclosed within the financial statement must be reported separately. These are listed below.

The Authority owns property that is leased to the South Hill Park Trust and also nominates 4 of the 13 trustees. The Authority has a Partnership agreement with the Trust and provided a grant in 2009/10 for £0.504m. Building repairs and maintenance of £0.017m and grounds maintenance of £0.025m were also provided.

Members of the Council have direct control over the Council's financial and operating policies. All Members were asked to complete a disclosure statement in respect of themselves and their family members/close relatives, detailing any material transactions with related parties. No transactions were identified.

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. In addition, a declaration was requested from all first and second tier officers and particular officer's whose responsibilities could be relevant. This confirmed that no material interests exist.

17 Landfill Allowance Trading Scheme (LATS)

The Council has received allowances for the year 2009/10 of 27,703 tonnes. The estimated landfill usage for the year is 19,255 tonnes. The Council did not buy or sell any allowances in the year. The average traded value has been £9.00 in 2009/10 (£0.10 in 2008/09).

<u>LATS 2009/10</u>	Gross Income	Gross Expenditure	Net Expenditure
	£000's	£000's	£000's
Income and Expenditure Account			
Cultural, Environmental and Planning	(249)	173	(76)

<u>LATS 2009/10</u>	31 March 2010
	£000's
Current Assets :	
Landfill Usage Allowances	249
Current Liabilities :	
Liability to DEFRA for Landfill Usage	(173)
Reserves :	
Opening Balance	0
Movement in year	76
Closing Balance	76

NOTES TO THE CORE FINANCIAL STATEMENTS

18 Contributions to Joint Committees and Bodies

Bracknell Forest Council contributes towards the costs of the Magistrates Court and the Environment Agency. These contributions are included in the Income & Expenditure Account as levies and are detailed below:

	2009/10	2008/09
	£000's	£000's
Environment Agency	87	87
Magistrates Court	10	10
Total Levies	97	97

From the 1 April 2005 the Magistrates Court services have been principally funded by Central Government with a corresponding drop in the levy from this authority. The Council are still liable for a share of the capital financing costs for the courts and the Council is given central government grant funding for this purpose.

19 Pooled Accounts (Memorandum Accounts)

Pooled Budget: Intermediate Care Services

The pooled budget was established on 1 April 2008 for a term of 3 years, until 31 March 2011. The pooled budget agreement is between Bracknell Forest Council and the Berkshire East Primary Care Trust, and is administered by Bracknell Forest Council and covers the East Berkshire area.

The purpose of the partnership is to improve standards and quality of services through more effective co-ordination of resources within Intermediate Care.

A summary of income and expenditure is provided below:

	Gross Expenditure	Gross Income	Bracknell Forest Council Contribution
	£000's	£000's	£000's
Financial Year 2009/10	2,622	2,622	1,605
Financial Year 2008/09	2,902	2,902	1,667

Pooled Budget: Community Equipment Services

The pooled budget for Community Equipment was established on 1 April 2004 under Section 31 of the Health Act 1999. The agreement exists between the six unitary authorities in Berkshire and the Primary Care Trusts covering the same geographical area. The agreement life is five years. The pooled budget is administered by the lead authority Slough Borough 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.

NOTES TO THE CORE FINANCIAL STATEMENTS

A summary of income and expenditure is provided below:

	Gross Expenditure	Gross Income	Bracknell Forest Council Contribution
	£000's	£000's	£000's
Financial year 2009/10	2,809	2,809	208
Financial year 2008/09	2,752	2,752	205

20 Investment in Companies (Memorandum Accounts)

Investment in Companies: Trading Standards South East Ltd

The purpose of Trading Standards South East Ltd is to provide consumer advice services via a call centre and training to trading standards professionals.

The aim of Trading Standards South East Ltd is to improve the delivery of trading standards services throughout the Southeast of England and to promote a fair and safe trading environment, encouraging enterprise and enhancing consumer confidence.

A summary taken from the latest available accounts for profit and net assets is provided below:

	Profit	Net assets	Payments by Bracknell Forest Council
	£000's	£000's	£000's
Financial year 2009/10	Unavailable	Unavailable	5
Financial year 2008/09	8.4	22.1	6
Financial year 2007/08	8.3	13.7	2

The company is limited by guarantee and does not have any share capital. The liability of the members is limited to contributions of £1. There is no ultimate controlling party.

Investment in Companies: Berkshire Connexions Ltd

The purpose of Berkshire Connexions Ltd is to advance in life young people by developing their skills, education, capacities and capabilities to enable them to participate in society as independent, mature and responsible individuals by all charitable means.

The aim of Berkshire Connexions Ltd is to provide impartial information, advice and guidance services to young people to enable them to fulfil their potential and to invest in staff learning and development to improve services to young people.

NOTES TO THE CORE FINANCIAL STATEMENTS

A summary taken from the latest available accounts for profit and net assets is provided below:

	Profit	Net assets	Contribution by Bracknell Forest Council
	£000's	£000's	£000's
Financial year 2009/10	Not available	Not available	1,156
Financial year 2008/09	(187)	1,326	1,217
Financial year 2007/08	754	1,275	1,217
Financial year 2006/07	314	472	Nil

The signed accounts for 2009/10 will not be available until 30 September 2010. Connexions Berkshire is a charitable company Limited by guarantee. In the event of the company being wound up, the liability of each member is limited to £10.

Investment in Companies: Flexible Home Improvement Loans Ltd

Flexible Home Improvement Loans Ltd is a company limited by guarantee and not having a share capital.

The initial funding is from The South East Regional Housing Board held by the partnership lead authority, Royal Borough of Windsor and Maidenhead (RBWM), for distribution to the bid partners. The company accounts will initially be kept by RBWM. A loan is secured by a charge on the property. During the term of the loan the borrower can choose to make regular monthly payments, occasional payments or no payments at all.

The purpose of Flexible Home Improvement Loans is to provide loans for householders who are aged 60 years or over, or both in the case of joint owners. The aim is to help improve the warmth, comfort, safety and security of housing in the authority's area.

Three loans were approved in 2009/10 totalling £37,500 (£29,000 in 2008/09).

21 Intangible Fixed Assets

Microsoft software licenses under an enterprise agreement and new Adult Social Care Hub software have been purchased. The costs are written off over 6 and 5 years respectively. These assets have not been revalued and are therefore presented on a historic cost basis below.

	Purchased software licences £000's
Original Cost	0
Amortisation to 1 April 2009	0
Balance at 1 April 2009	0
Expenditure	194
Reclassification from Vehicles, Plant & Equipment	160
Written off to revenue (amortisation)	(56)
Balance at 31 March 2010	298

NOTES TO THE CORE FINANCIAL STATEMENTS

22 Movement of Fixed Assets

	Other Land & Buildings £000's	Vehicles, Plant & Equipment £000's	Infra Structure Assets £000's	Community Assets £000's	Non- Operational Assets £000's	TOTAL £000's
Restated Value 1 April 2009	322,951	33,897	51,375	1,023	31,997	441,243
Revaluations Upwards	70,676	0	0	0	134	70,810
Revaluation Downwards- (Impairment)	(19,668)	(232)	(971)	0	0	(20,871)
Additions	11,123	4,185	3,941	207	21,477	40,933
Reclassifications	(1,438)	(205)	0	8	1,430	(205)
Disposals	0	0	0	0	(2,802)	(2,802)
Gross Book Value 31 March 2010	383,644	37,645	54,345	1,238	52,236	529,108
Restated Depreciation b/fwd1/4/2009	13,835	24,567	10,632	0	0	49,034
Depreciation for Year	5,221	2,777	1,707	0	0	9,705
Reclassifications	0	(45)	0	0	0	(45)
Depreciation w/o – upward revaluation	(9,550)	0	0	0	0	(9,550)
Depreciation w/o – downward revaluation (impairment)	(323)	0	0	0	0	(323)
Depreciation w/o – on disposal	0	0	0	0	0	0
Depreciation Balance 31 March 2010	9,183	27,299	12,339	0	0	48,821
Restated Net Book Value at 1 April 2009	309,116	9,330	40,743	1,023	31,997	392,209
Net Book Value at 31 March 2010	374,461	10,346	42,006	1,238	52,236	480,287
Nature of asset holding						
Owned	368,105	8,956	42,006	1,238	52,236	472,541
Finance lease	0	52	0	0	0	52
PFI	6,356	1,338	0	0	0	7,694
Net Book Value at 31 March 2010	374,461	10,346	42,006	1,238	52,236	480,287

NOTES TO THE CORE FINANCIAL STATEMENTS

Historic Cost Analysis of assets:

	Other Land & Buildings £000's	Vehicles, Plant & Equipment £000's	Infra Structure Assets £000's	Community Assets £000's	Non-Operational Assets £000's	TOTAL £000's
Value 1 April 2009	289,821	33,897	51,375	1,023	29,985	406,101
Revaluations Upwards (Impairment reversals)	0	0	0	0	0	0
Revaluation Downwards (Impairment)	(13,737)	(232)	(971)	0	0	(14,940)
Additions	11,123	4,185	3,941	207	21,477	40,933
Reclassifications	(5,246)	(205)	0	8	2,461	(2,982)
Disposals	0	0	0	0	(2,802)	(2,802)
Gross Book Value 31 March 2010	281,961	37,645	54,345	1,238	51,121	426,310
Depreciation b/fwd 1/4/2009	21,184	24,567	10,632	0	0	56,383
Depreciation for Year	3,252	2,777	1,707	0	0	7,736
Reclassifications	(122)	(45)	0	0	0	(167)
Depreciation w/o – on disposal	0	0	0	0	0	0
Depreciation Balance 31 March 2010	24,314	27,299	12,339	0	0	63,952
Net Book Value at 1 April 2009	268,637	9,330	40,743	1,023	29,985	349,718
Net Book Value at 31 March 2010	257,647	10,346	42,006	1,238	51,121	362,358

23 Movement on Non Operational Fixed Assets

	Investment Properties £000's	Assets in Construction £000's	Surplus Assets held for disposal £000's	TOTAL £000's
Net book Value 1 April 2009	19,686	9,584	2,727	31,997
Revaluations upwards	134	0	0	134
Revaluation Downwards- (Impairment)	0	0	0	0
Additions	0	21,477	0	21,477
Reclassifications	515	0	915	1,430
Disposals	0	0	(2,802)	(2,802)
Depreciation	0	0	0	0
Net Book Value at 31 March 2010	20,335	31,061	840	52,236

NOTES TO THE CORE FINANCIAL STATEMENTS

24 Capital Expenditure and Financing

	2009/10	Restated 2008/09
	£000's	£000's
Opening Capital Financing requirement	7,116	(3,322)
<i>Capital Investment</i>		
Operational Assets	19,651	20,754
Non-operational Assets	21,477	3,895
Revenue Expenditure Funded from Capital under Statute	810	545
Long Term Debtor – South Hill Park Loan	25	0
Total Expenditure	41,963	25,194
<i>Asset under construction reclassified to revenue expenditure</i>		
Reduction in Capital Financing Requirement	0	(1,595)
<i>Sources of finance</i>		
Capital receipts	4,956	2,297
Government Grants and other contributions	31,075	10,209
Sums set aside (MRP, Earmarked reserves etc)	365	655
	36,396	13,161
Closing Capital Financing Requirement	12,683	7,116
<i>Explanation of movement in year</i>		
Increase/(Decrease) in underlying need to borrow (unsupported by Government financial assistance)	5,567	10,438
Increase/(Decrease) in Capital Financing Requirement	5,567	10,438

25 Capital Commitments

The Council is contractually committed to the construction of a new secondary school on the Garth Hill College site which is due to open in September 2010. The overall funding envelope was £40.287m. A contract with Mace Plus for the construction of the new school, together with external works, comprised the major element of the overall cost. Contracts totalling £18m remain committed as at 31st March 2010.

Other estimated commitments for capital expenditure for significant schemes that had started, or where legal contracts had been entered into, by 31st March 2010 are listed in the following table.

NOTES TO THE CORE FINANCIAL STATEMENTS

Capital Scheme	Scheme Value £000's
Planned Maintenance Buildings	327
South Hill Park Restoration Project	155
SANGS Enhancement Works	203
Bridge Strengthening	119
Edgbarrow Additional Places	1,000
CRM/Telephony Upgrade	119
Time Square Roofing	163
Replacement Revenue & Benefits System	395
	2,481

26 Fixed Asset Valuations

The following statement shows the progress of the Council's rolling programme for the revaluation of fixed assets. The valuations were principally carried out by Steve Booth BSc, MRICS, ASVA, DipAF – the Council's Principal Valuation Surveyor.

The basis for valuation is set out in the statement of accounting policies.

	Other Land & Buildings £000's	Vehicles, Plant & Equipment £000's	Infra- structure Assets- £000's	Community Assets £000's	Non- Operational Assets £000's	TOTAL £000's
Valued at historic cost	0	37,645	54,345	1,238	31,061	124,289
Valued at current value in:	0	0	0	0	0	0
2009/10	258,405	0	0	0	133	258,538
2008/09	79,642	0	0	0	17,591	97,233
2007/08	16,278	0	0	0	3	16,281
2006/07	19,291	0	0	0	3,447	22,738
2005/06	10,028	0	0	0	0	10,028
Total	383,644	37,645	54,345	1,238	52,235	529,107

NOTES TO THE CORE FINANCIAL STATEMENTS

27 Information on Assets Held

Fixed assets owned by the Council include the following:

	Number 31 March 2010	Number 31 March 2009
Dwellings		
General Fund	1	1
Operational Buildings		
Town Hall	1	1
Other Offices ¹	3	2
Sports Centres and Pools	4	4
Watersports Centre	1	1
Golf Course	1	1
Look Out Discovery Centre	1	1
Depots	1	1
Nursery	1	1
Surface Car Parks ²	10	9
Multi-storey Car Parks	2	2
Public Conveniences	5	5
Theatre	1	1
Bracknell Market	1	1
Cemetery and Crematorium	1	1
Schools (excluding Voluntary Aided and Voluntary Controlled Schools)	28	28
Pupil Referral Units	1	1
Libraries	9	9
Youth & Community	6	6
Social Services Establishments ³	11	10
Conference Centre	1	1
Childrens Centres ⁴	4	0
Adult Education Establishment ⁵	1	0
Leisure Operational Properties ⁶	6	0
Community Assets		
Parks and Open Spaces	50	50
Community Centres	14	14
Investment Properties		
Commercial Property / Land ⁶	244	246
Enid Wood House (moved from HRA Dwellings)	128	128
Land Sites Awaiting Development ⁶	1	2
Surplus Assets Awaiting Disposal ⁶	3	3

In addition the Council has 6 Voluntary Aided Schools and 3 Voluntary Controlled Schools of which only the proportion of the asset which remains under the control of Bracknell Forest are included as fixed assets within the Authority's Asset Register.

¹Pines Professional Centre

²Now includes Broadway Car Park

³Purchase of one property for housing homeless families

⁴Alders, Oaks, Rowans and Family Tree Children's Centres now complete

⁵Brakenhale Open Learning Centre

⁶Reclassifications and other amendments resulting from a reassessment of the property portfolio

NOTES TO THE CORE FINANCIAL STATEMENTS

28 Financial Instruments

The borrowings and investments disclosed in the Balance Sheet are made up of the following categories of financial instruments:

	Long-Term		Current	
	31 March	31 March	31 March	31 March
	2010	2009	2010	2009
	£000s	£000s	£000s	£000s
Financial liabilities at amortised cost – Creditors excluding those of a statutory nature		37,724		43,570
Financial liabilities at amortised cost – Bank overdraft		2,725		1,113
Financial liabilities at fair value through the I&E		0		0
Total Financial Liabilities (Borrowings)		40,449		44,683
Loans and receivables (principal amount) - Long Term Debtors	1,369	1,118		
Loans and receivables (principal amount) - Investments	3,508	4,092	44,981	58,459
Loans and receivables (principal amount) - Current Debtors excluding those of a statutory nature			11,506	11,207
Loans and receivables at amortised cost - Cash and Bank		0		0
Available-for-sale financial assets		0		0
Financial Assets at fair value through the I&E		0		0
Unquoted equity investment at cost		0		0
Total Financial Assets (Investments)	4,877	5,210	56,487	69,666

Under accounting requirements the financial instrument value shown in the balance sheet includes the principal amount borrowed or lent plus accrued interest and further adjustments for breakage costs or stepped interest loans (measured by an effective interest rate calculation). The table includes deposits in Icelandic banks.

The Council also has a long term liability on the Balance Sheet in connection with a PFI contract for the disposal of waste. Details are included in Note 30.

NOTES TO THE CORE FINANCIAL STATEMENTS

Unusual Movements

There have been no unusual movements within financial instruments.

Reclassification

There has been no reclassification of financial instruments.

Derecognition of instruments

There has been no derecognition of financial instruments

Collateral

The Council holds no collateral.

Allowance for Credit Losses

No separate allowance account for Credit Losses (impairments) has been recorded on the Balance Sheet. The provision for bad and doubtful debts (impairments) of £3.989m has been included against Debtors see Note 33.

Defaults and Breaches

There were no loans recognised as financial liabilities subject to defaults or breach.

NOTES TO THE CORE FINANCIAL STATEMENTS

Financial instruments Gains/Losses

The gains or losses recognised in the Income and Expenditure Account and STRGL in relation to financial instruments are made up as follows:

Financial Instruments Gains and Losses 2009/10

	Financial Liabilities	Financial Assets			Total £000s
	measured at amortised cost £000s	Loans and receivables £000s	Available-for-sale assets £000s	Fair value through the I&E £000s	
Interest expense	4	0	0	0	4
Losses on derecognition	0	0	0	0	0
Impairment losses	0	0	0	0	0
Interest payable and similar charges	4	0	0	0	4
Interest income	0	(1,214)	0	0	(1,214)
Gains on derecognition	0	0	0	0	0
Interest and investment income	0	(1,214)	0	0	(1,214)
Gains on revaluation	0	0	0	0	0
Losses on revaluation	0	0	0	0	0
Amounts recycled to the I+E Account after impairment	0	0	0	0	0
Surplus (deficit) arising on revaluation of financial assets	0	0	0	0	0
Net (gain)/loss for the year	4	(1,214)	0	0	(1,210)

NOTES TO THE CORE FINANCIAL STATEMENTS

Financial Instruments Gains and Losses 2008/09

	Financial Liabilities measured at amortised cost £000s	Financial Assets			Total £000s
		Loans and receivables £000s	Available-for-sale assets £000s	Fair value through the I&E £000s	
Interest expense	4	0	0	0	4
Losses on derecognition	0	0	0	0	0
Impairment losses	0	0	0	0	0
Interest payable and similar charges	4	0	0	0	4
Interest income	0	(3,710)	0	0	(3,710)
Gains on derecognition	0	0	0	0	0
Interest and investment income	0	(3,710)	0	0	(3,710)
Gains on revaluation	0	0	0	0	0
Losses on revaluation	0	0	0	0	0
Amounts recycled to the I+E Account after impairment	0	0	0	0	0
Surplus (deficit) arising on revaluation of financial assets	0	0	0	0	0
Net (gain)/loss for the year	4	(3,710)	0	0	(3,706)

Fair value of Assets and Liabilities carried at Amortised Cost

Financial liabilities and financial assets represented by loans and receivables are carried on the balance sheet at amortised cost. Their fair value can be assessed by calculating the present value of the cash flows that take place over the remaining life of the instruments, using the following assumptions:

- For loans from the PWLB and other loans payable, premature repayment rates from the PWLB have been applied to provide the fair value under PWLB debt redemption procedures;
- 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 has a maturity of less than 12 months or is a trade or other receivable the fair value is taken to be the principal outstanding or the billed amount;
- The fair value of trade and other receivables is taken to be the invoiced or billed amount.

NOTES TO THE CORE FINANCIAL STATEMENTS

The fair values calculated are as follows:

	31 March 2010		31 March 2009	
	Carrying amount	Fair value	Carrying amount	Fair value
	£000's	£000's	£000's	£000's
PWLB debt	0	0	0	0
Non-PWLB debt	0	0	0	0
Total debt	0	0	0	0
Trade creditors (Suppliers)	2,260	2,260	2,429	2,429
Total Financial Liabilities	2,260	2,260	2,429	2,429
Money market loans < 1 yr	44,981	44,981	58,459	58,459
Money market loans > 1 yr	3,508	3,508	4,092	4,092
Bonds				
Trade debtors (Customers)	5,202	5,202	5,083	5,083
Total Loans and Receivables	53,691	53,691	67,634	67,634

Icelandic banks deposits have been included in money market loans at their impaired value.

Key Risks

The Council's activities expose it to a variety of financial risks. The Council does not require debt financing and currently does not have any debt exposure. As such the key risks are in relation to financial assets and are:

- 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;
- Re-financing risk – the possibility that the Council might be requiring 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 procedures focus on the unpredictability of financial markets, and implementing restrictions to minimise these risks. The procedures for risk management are set out through a legal framework set out in the *Local Government Act 2003* and the associated regulations. These require the Council to comply with the CIPFA Prudential Code, the CIPFA Treasury Management in the Public Services Code of Practice and Investment Guidance issued through the Act. Overall these procedures require the Council to manage risk in the following ways:

- by formally adopting the requirements of the Code of Practice;
- by approving annually in advance prudential and treasury indicators for the following three years limiting:
 - The Council's overall borrowing;

NOTES TO THE CORE FINANCIAL STATEMENTS

- Its maximum and minimum exposures to fixed and variable rates;
- Its maximum and minimum exposures for the maturity structure of its debt;
- Its maximum annual exposures to investments maturing beyond a year.
- by approving an investment strategy for the forthcoming year setting out its criteria for both investing and selecting investment counterparties in compliance with the Government Guidance;

These are required to be reported and approved at or before the Council's annual Council Tax setting budget or before the start of the year to which they relate. These items are reported with the annual treasury management strategy which outlines the detailed approach to managing risk in relation to the Council's financial instrument exposure. Actual performance is also reported semi-annually to Members (from 1 April 2010).

The annual treasury management strategy which incorporates the prudential indicators was approved by Council on 3 March 2010 and is available on the Council website at <http://www.bracknell-forest.gov.uk/treasury-management-and-investment-strategy-2010-to-2011.pdf>. The key issues within the strategy were:

- The Authorised Limit for the 2009/10 was set at £12m. This is the maximum limit of external borrowings or other long term liabilities.
- The Operational Boundary was expected to be £10m. This is the expected level of debt and other long term liabilities during the year.
- The maximum amounts of fixed and variable interest rate exposure was set at 100% and £10m respectively based on the Council's net debt.

These policies are implemented by a central treasury team. The Council maintains 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 through Treasury Management Practices (TMPs). These TMPs are a requirement of the Code of Practice and are reviewed periodically.

Credit risk

Credit risk arises from deposits with banks and financial institutions, as well as credit exposures to the Council's customers.

This risk is minimised through the Annual Investment Strategy, which requires that deposits are not made with financial institutions unless they meet identified minimum credit criteria, in accordance with the Fitch, Moody's and Standard & Poors Ratings Services. The Annual Investment Strategy also considers maximum amounts and time limits in respect of each financial institution. Deposits are not made with banks and financial institutions unless they meet the minimum requirements of the investment criteria agreed by the Council and outlined above. The Investment Strategy was approved by Council on 3 March 2010 and is available on the Council website at <http://www.bracknell-forest.gov.uk/treasury-management-and-investment-strategy-2010-to-2011.pdf>.

NOTES TO THE CORE FINANCIAL STATEMENTS

The key areas are as follows:

- The minimum criteria for investment counterparties are:
 - UK Banks and Building Societies – must meet the minimum following credit criteria

Fitch	Moody's	S&P
Short Term F1	Short Term P1	Short Term A1
Individual A Support 1 to 3	Financial Strength C	
Individual A/B Support 1 to 3		
Individual B Support 1 to 3		
Individual B/C Support 1 to 2		

- Money Market Funds – AAA Rating Sterling Denominated
 - UK Government (including gilts and DMADF)
 - UK Local Authorities
- The time and money limits on the Council's counterparty lists are as follows:

Counterparty	Time Limit	Money Limit
UK Bank/Building Society	364 days	£5m
Money Market Fund	On-Call	£7m
UK Government	364 days	£7m
UK Local Authorities	364 days	£7m

The following analysis summarises the Authority's maximum exposure to credit risk. The table (composite defaults from Fitch, Standard & Poors and Moody's) gives details of global corporate finance average cumulative default rates (including financial organisations) for the period since at least 1990 to 2009. Defaults shown are by long term rating category on investments out to 1 year, which are the most commonly held investments. The trade debtor figures reflect the Council's experience of its customer collection levels over the last six financial years, adjusted to reflect current market conditions.

	Amount at 31 March 2010	Historical experience of default	Adjustment for market conditions at 31 March 2010	Estimated maximum exposure to default
	£000's	%	%	£000's
	(a)	(b)	(c)	(a * c)
Deposits with banks and financial institutions				
AAA rated counterparties	44,585	0.00%	0.00%	0
AA rated counterparties		0.03%	0.03%	0
Trade debtors (Customers)	5,202	3.1%	3.1%	161
TOTAL	49,787			161

NOTES TO THE CORE FINANCIAL STATEMENTS

In October 2008 the Icelandic banking sector defaulted on its obligations. The Council had £5m deposited in this sector at that time. The table above does not include the amount deposited with Icelandic banks. In accordance with accounting practice the Council impaired the investments last year. These impairments have been revised based on the latest information. The two investments concerned are as follows:

Bank	Date Invested	Maturity Date	Amount Invested	Interest Rate	Carrying Amount	Impairment
			£000s	%	£000's	£000's
Heritable Bank	29/4/08	19/12/08	2,000	5.95	947	484
Glitnir Bank	01/04/08	31/3/09	3,000	6.43	2,957	429

The carrying amounts of the investments included in the balance sheet have been calculated using the present value of the expected repayments, discounted using the investment's original interest rate.

Interest credited to the Income and Expenditure Account in respect of the investments is as follows:

Bank	Credited 2009/10	Received 2009/10	Credited 2008/09	Received 2008/09
	£000's	£000's	£000's	£000's
Heritable Bank	(72)	0	(76)	0
Glitnir Bank	(194)	0	(193)	0

The Balance Sheet shows the net impact of the impairment of the Icelandic Banks investment in the Financial Instruments Adjustment Account. Regulations issued in March 2009 allow the authority not to charge amounts relating to impaired investments to the General Fund. Such amounts are instead transferred to the Financial Instruments Adjustment Account, an account that records the timing differences between charging these amounts to the General Fund in accordance with proper practice and in accordance with the regulations. The Authority has taken advantage of the regulations, and has transferred the amounts shown in the following table to the Financial Instruments Adjustment Account:

Bank	Amount Transferred to Financial Instruments Adjustment Account
	£000's
Heritable Bank	335
Glitnir Bank	43

Under the regulations, the Authority must transfer the balance on the Financial Instruments Adjustment Account to the General Fund no later than 31 March 2011, and must also credit the Financial Instruments Adjustment Account with interest earned until such time as the balance has been transferred to the General Fund. The Authority estimates that the following credits will be made to the Financial Instruments Adjustment Account (FIAA):

Bank	Balance on FIAA at 31/3/09	Transfers during 2009/10	Transfers during 2010/11	Balance on FIAA at 31/3/11
	£000's	£000's	£000's	£000's
Heritable Bank	534	(199)	(335)	0
Glitnir Bank	74	(31)	(43)	0

NOTES TO THE CORE FINANCIAL STATEMENTS

Heritable bank is a UK registered bank under English law. The company was placed in administration on 7 October 2008. A total repayment of £0.7m was received (34.98%) in 2009/10 and the revised impairment is based on the assumption that a further 50% will be received by the end of 2012/13, taking the total dividends expected to be paid to 84.98%.

Therefore in calculating the impairment the Authority has made the following assumptions regarding the timing of recoveries:

Date	Repayment	Date	Repayment
June 2010	5%	September 2011	5%
September 2010	5%	December 2011	5%
December 2010	5%	March 2012	5%
March 2011	5%	June 2012	5%
June 2011	5%	September 2012	5%

Recoveries are expressed as a percentage of the authority's claim in the administration, which includes interest accrued up to 6 October 2008.

The impairment for Glitnir in 2008/09 was based on the assumption that local authority deposits with the bank had priority status, and would therefore be repaid ahead of any creditors that did not have priority status. This was based on the legal advice obtained by local authorities, and on announcements made by the banks.

The Glitnir Winding-Up Board has since expressed the view that local authority deposits do not have priority status. Local authorities' legal advice remains that deposits have priority status under Icelandic law however decisions on the priority status of local authority deposits will be made by the Icelandic courts. It is unlikely that the position on priority status will be known until 2011/12. Deposits with the Icelandic-domiciled banks were converted to Icelandic Krona on 22 April 2009. Repayments by Glitnir will be based on the value of the deposit in ISK; the sterling value received by authorities will depend on the prevailing exchange rate, and may therefore be lower than the equivalent value on 22 April 2009. However, most of the bank's assets are in currencies other than ISK. Consequently exchange rate risk has been ignored when estimating future cash flows.

For Glitnir the impairment for 2009/10 has been calculated on the basis that priority status will be confirmed and that a 100% repayment will be received in June 2011. If the Council does not receive priority status the expected repayments will be 29% between October 2011 and October 2015.

An earmarked reserve has been created in 2009/10 to meet the worst case position regarding these investments.

Credit Risk – Trade Debtors

The Council does not generally allow credit for its trade debtors, such that £4.158 of the £5.202m balance is past its due date for payment. The past due amount can be analysed by age as follows:

	31 March 2010 £000's	31 March 2009 £000's
Less than one months	1,574	813
One to three months	525	493
Three months to four months	104	87
More than five months	1,955	1,736
	4,158	3,129

NOTES TO THE CORE FINANCIAL STATEMENTS

Collateral – During the reporting period the Council held no collateral as security.

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 whilst the PWLB provides access to longer term funds, it also acts as a lender of last resort to councils (although it will not provide funding to a council whose actions are unlawful). The Council is also required to provide a balanced budget through the Local Government Finance Act 1992, which ensures sufficient monies are raised to cover annual expenditure. There is therefore no significant risk that it will be unable to raise finance to meet its commitments under financial instruments.

Refinancing and Maturity Risk

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. For the Council, which maintains a significant investment portfolio, this risk relates to the maturing of longer term financial assets/investments.

The approved treasury indicator limits for the maturity structure of debt and the limits placed 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 longer term financial liabilities relating to finance leases and PFI arrangements and the maturity analysis is disclosed in Notes 11 and 30 to these accounts. The maturity analysis of financial assets is as follows:

	31 March 2010	31 March 2009
	£000's	£000's
Less than one year	44,981	50,830
Between one and two years	3,330	11,721
Between two and three years	178	0
	48,489	62,551

All trade and other payables are due to be paid in less than one year and trade debtors of £5.2m are not shown in the table above. Deposits in Icelandic banks are included above.

NOTES TO THE CORE FINANCIAL STATEMENTS

Market risk

Interest rate risk - The Council is exposed to interest rate movements on its 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:

- investments at variable rates – the interest income credited to the Income and Expenditure Account will rise; and
- investments at fixed rates – the fair value of the assets will fall.

Changes in interest payable and receivable on variable rate investments will be posted to the Income and Expenditure Account and affect the General Fund Balance. Movements in the fair value of fixed rate investments that have a quoted market price will be reflected in the STRGL, unless the investments have been designated as “Fair Value through the Income and Expenditure Account”, in which case gains and losses will be posted to the Income and Expenditure Account.

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 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.

If all interest rates had been 1% higher with all other variables held constant the financial effect would be as follows.

	£000's
Increase in interest receivable on variable rate investments	(527)
Impact on Income and Expenditure Account	(527)
Decrease in fair value of fixed rate investment assets	0
Impact on STRGL	0

The approximate impact of a 1% fall in interest rates would be as above but with the movements being reversed. These assumptions are based on the same methodology as used in the Note – Fair value of Assets and Liabilities carried at Amortised Cost set out on pages 81 and 82.

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. It, therefore, has no exposure to loss arising from movements in exchange rates.

NOTES TO THE CORE FINANCIAL STATEMENTS

29 Long Term Debtors

Loans have been advanced to a number of organisations. The Council also reclassified Rent to Mortgage properties as long term debtors from tangible fixed assets (Council Dwellings) in 2007/08 reflecting the fact that the purchaser takes over the freehold ownership of the property so the Council no longer has any fixed asset. However the purchaser owes the Council for the remaining share of the property. There has been a significant increase in the number and value of car loans to employees in 2009/10.

	2009/10	2008/09
	£000's	£000's
Recreation Loans	0	5
Housing Association Loans	446	469
Housing Act Advances Loans	3	3
Sale of Council Houses Loans	34	40
Loan to Warfield Parish Council	106	128
Car Loans to Employees	380	97
Rent to Mortgage Properties	376	376
South Hill Park Loan	24	0
Balance at 31 March	1,369	1,118

30 Waste PFI Contract

In 2006/07 the Council, together with Wokingham Borough and Reading Borough Councils, entered into a PFI contract with WRG (RE3 Ltd) for the disposal of waste. The contract expires in 2031/32. As part of the contract, the contractor will build a transfer station, materials recycling facility, civic amenity site and offices.

As the Councils involved control the services provided and will obtain ownership of the fixed assets at the end of the contract, this contract has been identified as a service concession arrangement under the latest accounting guidance. This means that the assets associated with the contract are now recorded on the Balance Sheet along with a corresponding liability.

The following values of assets are held under the PFI contract by the Council and are accounted for as part of Tangible Fixed Assets:

	Land and Buildings	Vehicles Plant & Equipment
	£000's	£000's
Net book Value 1 April 2009	4,763	1,424
Additions	1,752	0
Depreciation	(159)	(86)
Net Book Value 31 March 2010	6,356	1,338

NOTES TO THE CORE FINANCIAL STATEMENTS

The liability resulting from the contract is accounted for as a Deferred Liability within Long Term Liabilities on the Balance Sheet, except for the element repayable within one year which is included in Creditors. The movement in the liability during the year was as follows:

	Deferred Liability £000's
Value at 1 April 2009	(5,239)
New liability arising from asset additions	(1,752)
Repayment	273
Value at 31 March 2010	(6,718)

Payments due to be made by the Council under the contract are as follows:

As at 31 March 2010

Obligations payable in	2010/11	2-5 yrs	6-10 yrs	11-15 yrs	16-20 yrs	21-25 yrs	Total payable
	£000's	£000's	£000's	£000's	£000's	£000's	£000's
Liability	191	714	1,117	1,569	2,211	915	6,717
Interest	443	1,650	1,769	1,323	697	56	5,938
Service Charges	5,346	23,030	33,561	38,636	44,745	16,676	161,994
Total	5,980	25,394	36,447	41,528	47,653	17,647	174,649

As at 31 March 2009

Obligations payable in	2009/10	2-5 yrs	6-10 yrs	11-15 yrs	16-20 yrs	21-25 yrs	Total payable
	£000's	£000's	£000's	£000's	£000's	£000's	£000's
Liability	273	724	1,044	1,465	2,065	1,420	6,991
Interest	342	1,698	1,841	1,425	840	134	6,280
Service Charges	4,899	22,288	32,539	37,579	43,485	26,102	166,892
Total	5,514	24,710	35,424	40,469	46,390	27,656	180,163

These figures are an estimate of the cash amount that will actually be paid based on the final contract.

In 2009/10 the Council's actual payment was £4.711m. Actual payments depend on the contractor's performance as well as that of the individual councils in waste collection.

NOTES TO THE CORE FINANCIAL STATEMENTS

31 Other Long Term Contracts

As at 31st March 2010 the authority is committed to making payments under the following major contracts:

Contract	Contractor	Contract Expiry Date	Approximate Annual Value £'000's
Highway Maintenance	Ringway Group	30/09/2014	4,200
Gas and Electricity under a NHSPASA framework agreement	Southern Electricity and Total Gas & Power Ltd	31/03/2012	2,108
Refuse Collection	SITA UK	01/08/2011	2,074
Home to School & Ad Hoc Transport Services	Five contracts, the largest with Berkshire Executive Travel	31/08/2011	1,533
Building and Engineering Repair and Maintenance	ROK Building Ltd	31/05/2011	700
Primary School Catering	Caterhouse	31/07/2011	700
Office & Public Building Cleaning Contract	KGB Cleaning & Support Services Ltd	31/10/2011	598
			11,913

32 Stocks and Work in Progress

	2009/10 £000's	2008/09 £000's
Work in Progress		
Rechargeable Works	52	154
Stocks		
Mainly shop and catering stock	165	174
Balance at 31 March	217	328

33 Debtors

	2009/10 £000's	2008/09 £000's
Amounts Falling Due in One Year :		
Government Departments	3,219	1,197
Sundry Debtors	14,380	13,802
Mortgages & Loans	33	27
Payments in Advance	1,126	1,328
Car Loans to Employees	205	95
Collection Fund	1,625	1,704
	20,588	18,153
Provision for Doubtful Debts (Impairments)	(3,989)	(3,945)
Balance at 31 March	16,599	14,208

NOTES TO THE CORE FINANCIAL STATEMENTS

34 Cash and Bank

	2009/10	2008/09
	£000's	£000's
Cash in Hand	20	0
Bank Overdraft	(2,745)	(1,113)
Balance at 31 March	(2,725)	(1,113)

35 Creditors

	2009/10	2008/09
	£000's	£000's
Government Departments	2,794	6,386
Other Local Authorities and Public Bodies	805	833
Returnable Deposits	975	994
Sundry Creditors	17,732	14,615
Income in Advance	19,017	28,234
Collection Fund	134	385
Balance at 31 March	41,457	51,447

Capital grant received in advance has decreased significantly from the previous year.

36 Deferred Grants and other Contributions

Section 106 receipts arise from planning agreements and may be applied specifically or at the discretion of the Authority, according to the provisions of each agreement.

	Opening Balance	Receipts	Payments	Closing Balance
	£000's	£000's	£000's	£000's
Government Grants unapplied	834	28,956	(28,583)	1,207
Section 106 receipts unapplied	8,738	2,226	(2,606)	8,358
Total Unapplied	9,572	31,182	(31,189)	9,565
Government Grants applied	23,094	28,583	(996)	50,681
Section 106 receipts applied	7,467	2,192	(630)	9,029
Total Applied	30,561	30,775	(1,626)	59,710

37 Provisions

Money is set aside for the ongoing maintenance of land transferred to the Authority under section 106 agreements. These monies are released annually to cover the Authority's costs in maintaining the land. The Council also holds S106 monies to cover the Council's costs of monitoring a developer's compliance with the S106 agreement negotiated including travel plan requirements. These are released to revenue annually to cover the costs incurred.

	Opening Balance	Receipts	Payments	Closing Balance
	£000's	£000's	£000's	£000's
Maintenance S106 land	12	126	(12)	126
S106 Monitoring	61	10	0	71
Total	73	136	(12)	197

NOTES TO THE CORE FINANCIAL STATEMENTS

38 Fixed Asset Revaluation Reserve

The closing position on the reserve at 31 March shows revaluation gains accumulated since 1 April 2007.

	2009/10	2008/09
	£000's	£000's
Opening Balance	41,452	30,141
Revaluation of assets	75,552	11,965
Depreciation of revaluation gains	(1,914)	(612)
Disposal of fixed assets	0	(42)
Closing Balance	115,090	41,452

39 Capital Adjustment Account

	2009/10	Restated 2008/09
	£000's	£000's
Opening Balance	313,080	344,293
Capital Receipts Set Aside in Year	3	73
Capital Financing from Capital Receipts	4,956	2,298
Less: Write Down of Revenue Expenditure Funded from Capital under Statute	(510)	(239)
Less: Depreciation in excess of MRP	(7,775)	(7,148)
Less: Impairments of Assets (revaluation of Properties downwards)	(9,200)	(14,382)
Less: Impairments (capital expenditure not adding value to an asset)	(6,540)	(6,521)
Less: Impairment (De-recognition of VC Schools)	0	(5,670)
Depreciation of revaluation gain	1,914	612
Disposal of Fixed Assets	(2,802)	(236)
Closing Balance	293,126	313,080

40 Usable Capital Receipts Reserve

	2009/10	2008/09
	£000's	£000's
Opening Balance	0	0
Capital Receipts	4,983	2,408
Capital Receipts used for Financing	(4,956)	(2,297)
Pooling of Capital Receipts	(27)	(111)
Closing Balance	0	0

NOTES TO THE CORE FINANCIAL STATEMENTS

41 Deferred Capital Receipts

Deferred capital receipts represent income of a capital nature due to be paid to the Council over a number of years and are analysed as follows:

	2009/10	2008/09
	£000's	£000's
Mortgages on Council Houses Sold	48	65
Housing Act Advances	4	5
Housing Association Loans	457	469
Loan to Warfield Parish Council	110	128
Recreation Loans	2	5
Rent to Mortgage Properties	376	376
Balance at 31 March	997	1,048

42 Right to Buy Claw back

An accrual has been made in 2009/10 for Right to Buy clawback receipts of £0.615m. However, there is no provision made in the accounts for the future receipts arising from the Right to Buy sharing agreement with Bracknell Forest Homes relating to the sales of former council houses.

NOTES TO THE CORE FINANCIAL STATEMENTS

43 Earmarked and Other Reserves

The Council keeps a number of reserves in the balance sheet. Some are required to be held for statutory reasons, some are needed to comply with proper accounting policy, and others have been set up voluntarily to earmark resources for future spending plans.

Reserve	Restated Balance at 1 April 2009	Net Movement in Year	Balance at 31 March 2010	Further Details
	£000's	£000's	£000's	
Fixed Asset Revaluation Reserve	41,452	73,638	115,090	Note 38
Capital Adjustment Account	313,080	(19,954)	293,126	Note 39
Usable Capital Receipts Reserve	0	0	0	Note 40
Total Capital Reserves	354,532	53,684	408,216	
Earmarked Reserves				
Repairs and Renewals	2	22	24	
Budget Carry Forwards	549	(448)	101	
Insurance & Uninsured Claims	2,079	13	2,092	
Cost of Structural Change	1,396	(396)	1,000	
Regeneration of Bracknell Town Centre	0	294	294	
Education Library Service	119	8	127	
Schools' Balances	2,543	(479)	2,064	
Building Regulations Chargeable Account	(20)	20	0	
Landfill Allowances Trading Scheme (LATS) unused allowances	0	76	76	Note 17
Performance Improvement	73	(73)	0	
LPSA2 Grant	329	336	665	
Local Economy Steering Group	34	(5)	29	
Capital Feasibility Studies	0	200	200	
Icelandic Banks	0	2,575	2,575	
	7,104	2,143	9,247	
General Reserves				
General Fund	10,375	(1,530)	8,845	Statement of Movement on General Fund Balance
Other Reserves				
Collection Fund Adjustment Account	144	(44)	100	Collection Fund
Financial Instrument Adjustment Account	(608)	230	(378)	Balance Sheet & Note 28
Pensions Reserve	(68,439)	(74,552)	(142,991)	Note 8
Total Revenue Reserves	(51,424)	(73,753)	(125,177)	

To facilitate the delivery of the capital programme a Capital Feasibility Studies Reserve has been created which can be used to meet expenditure on the preparation of capital schemes.

The Icelandic Banks Reserve will be used to meet any losses arising on the Council's deposits held in two Icelandic banks which have been put into receivership/administration.

The Collection Fund Adjustment Account is a new reserve required to reflect Collection Fund changes included in the CIPFA/LASAAC Code of Practice on Local Authority Accounting: Statement of Recommended Practice in Great Britain (SORP). The balance

NOTES TO THE CORE FINANCIAL STATEMENTS

represents the difference between the Council Tax income included in the Income and Expenditure Account and the amount required by regulation to be credited to the General Fund.

The Insurance & Uninsured Claims Reserve provides cover for the following insurance-related elements:

- The excess payable on claims under the Council's insurance policies (self insurance)
- Potential future claims not covered by existing policies, including blight arising from past developments, contractual disputes, legal claims, breach of contract, Mental Health S117 claims and copyright claims.

The schools balances figure includes specific Dedicated Schools Grant related balances of £0.448m (see Note 4).

44 Regulated Companies

The Local Authorities (Companies) Order 1995 has effect from 1 April 1995. The order contains provisions relating to "regulated companies" including the appointment of and provision of information to auditors and extends certain local authority capital finance controls to such companies. Since 1999/2000 South Hill Park has not been treated as a "regulated company" and the accounts will not be consolidated into those of Bracknell Forest Council. The Authority will continue to review the status of South Hill Park to ensure continued compliance with the Order.

45 Contingencies

Contingent Liabilities

It is currently estimated that there is £2.000m of potential known liabilities that relate to the operations of the former Berkshire County Council. Currently £1.935m is held by Reading Borough Council and West Berkshire Council to meet these potential liabilities leaving £0.065m to be shared between the six Councils. However liabilities or claims for past events, in particular ex Berkshire County Council services, can arise at any time but for most activities of the County Council the statute of limitations now applies. There are funds set aside in the insurance and uninsured claims earmarked reserve to help cover the Council's share of such claims estimated to be £0.009m.

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

- Uninsured asbestos claims for 35 years
- Environmental claims e.g. land contamination for 10 years for which the Council has taken out insurance to limit its exposure.
- Alternative interpretation of the Government rules on rent convergence until 2012.

The maximum exposure to these potential liabilities is estimated to be £4.5m.

There are currently other potential known liabilities relating to employment issues (i.e. equal pay) which might give rise to claims in the future. Depending upon the outcome of these claims, some funding may be available from earmarked reserves to offset the costs.

Contingent Assets

The Council submitted a number of claims for the repayment of over declared output tax to HM Revenue and Customs as a consequence of rulings in court cases known as Conde Nast and/or Fleming. These held that Councils may be able to treat certain services as

NOTES TO THE CORE FINANCIAL STATEMENTS

exempt from VAT, whereas HM Revenue and Customs had previously regarded them as standard rated. Claims submitted by the Council for adult and junior education courses are still outstanding. These claims total £0.256m, excluding interest, although there is no indication at this stage that HM Revenue and Customs will pay the amounts claimed.

Similarly, Reading and Wokingham Borough Council's have claimed on behalf of the six Berkshire Councils for over declared output tax by the former Berkshire County Council in respect of the hire of audio visual equipment from its libraries. The total claim is £0.445m of which the Council's share would be £0.061m. Wokingham Borough Council has also made a claim for £0.500m with regard to fees at Downshire Golf Course. This facility was previously jointly owned and if the claim is successful the Council would be entitled to 50% of the amount received.

A property at 45 Hawthorn Road is in the process of being sold. As a former Berkshire County Council property the Council would receive a share of the sale proceeds. The estimated sale proceeds are £0.183m of which the Council's share would be £0.025m.

46 Reconciliation between the net surplus / deficit on the Income and Expenditure Account to the Revenue Activities Net Cash flow

	2009/10 £000's	Restated 2008/09 £000's
Net Deficit – General Fund	(1,530)	(218)
Net surplus – HRA	0	135
Income from work charged to capital	(1,151)	(1,121)
Movement in Surplus -Collection Fund	(52)	(364)
Increase in debtors	(2,391)	(2,516)
Increase in stock and work in progress	163	(60)
Decrease in creditors	(9,990)	(12,147)
Decrease in provisions	(21)	(78)
Decrease in Earmarked Reserves	2,141	(702)
Payments to capital receipts pool	(37)	(233)
Other non cash movements	11,642	(18,108)
Servicing of finance items	(1,477)	(3,042)
Revenue Activities Net Cash flow	(2,703)	(38,454)

47 Movement in Cash

	Balance at 31 March 2010 £000's	Balance at 01 April 2009 £000's	Movement 2009/10 £000's
Cash and Bank	(2,725)	(1,113)	(1,612)
Short Term Investments	44,585	58,459	(13,874)
Total	41,860	57,346	(15,486)

Current or short term investments are analysed between those balances repayable immediately on demand and treated as cash, and the balance anticipated to be repaid relating to the Icelandic banks during 2010/11 under Liquid Resources.

NOTES TO THE CORE FINANCIAL STATEMENTS

48 Movement in Liquid Resources

Liquid Resources	Balance at 31 March 2010 £000's	Balance at 01 April 2009 £000's	Movement 2009/10 £000's
Other Short Term Investments	396	0	(396)
Net Decrease in Other Liquid Resources relating to :			
Council Tax			49
Business Rates			(5,722)
Total Movement in Liquid Resources			(6,069)

Current or short term investments are analysed between those balances repayable immediately on demand and treated as cash, and the balance anticipated to be repaid relating to the Icelandic banks during 2010/11 under Liquid Resources.

Movement in Financing	Balance at 31 March 2010 £000's	Balance at 01 April 2009 £000's
Opening Deferred Liabilities	(5,053)	(102)
Net Movement In Liability	(1,815)	(5,534)
<i>Principal Payable on Finance Leases</i>	17	16
<i>Principal Payable on Waste PFI</i>	273	567
Closing Deferred Liabilities	(6,578)	(5,053)

49 Other Government Grants

	2009/10 £000's	2008/09 £000's
Dedicated Schools Grant	61,973	59,691
Post 16 Education	5,226	5,020
Standards Fund	4,418	3,533
Council Tax Benefits	5,289	4,146
Supporting People	1,866	2,713
School Standards Grant	2,362	2,311
Sure Start	1,577	907
LABGI	0	622
Learning & Skills Council	535	506
Benefits Administration	723	628
LPSA – Reward Revenue Grant	0	164
Area Based Grant	4,696	4,541
Other Miscellaneous Grants	7,066	5,043
Total	95,731	89,825

NOTES TO THE CORE FINANCIAL STATEMENTS

50 Capital Grants

	Balance at 31 March 2010 £000's	Balance at 31 March 2009 £000's
Standards Fund including Devolved Capital to Schools	11,372	15,007
Dept of Transport Grant - Mill Lane Footbridge	0	784
Sure Start Grant - Children's Centres and Early Years Projects	618	580
Standards Fund - Garth School	3,671	376
Local Transport Plan	315	355
Other Miscellaneous Grants	3,849	5,874
Total	19,825	22,976

51 Post Balance Sheet Events

Events may occur between the balance sheet date and the date that the accounts are authorised for issue, which might have a bearing upon the financial statements. There have been no events since the date the balance sheet was produced that would require adjustment of the financial statements or disclosure in the notes to the accounts.

THE COLLECTION FUND

	Notes	2009/10 £000's	2008/09 £000's
Income			
Income from Council Tax	2	52,628	50,282
Transfers from General Fund			
Council Tax Benefits		5,300	4,392
Transitional Relief		0	0
Income Collectable from Business Ratepayers	3	54,014	53,155
		111,942	107,829
Expenditure			
Precepts and Demands from			
Bracknell Forest Council	4	48,665	45,980
Thames Valley Police	4	6,558	6,216
Royal Berkshire Fire Authority	4	2,389	2,256
Business Rate			
Payment to National Pool		53,864	53,007
Costs of Collection		150	148
Bad and Doubtful Debts			
Provisions		31	5
Write –Offs	5	137	177
Contributions			
6			
Transfer of Previous Year's Collection Fund Surplus			
Bracknell Forest Council General Fund		169	341
Thames Valley Police		23	46
Royal Berkshire Fire Authority		8	17
		111,994	108,193
(Surplus)/Deficit for the year	7	52	364
(Surplus)/Deficit at the beginning of the year		(170)	(534)
(Surplus)/Deficit for the year		52	364
(Surplus)/Deficit at the end of year		(118)	(170)

NOTES TO THE COLLECTION FUND

1 General

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 National Non Domestic Rates and the Council Tax, and illustrates the way in which these have been distributed to preceptors and the General Fund.

New 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; namely that the Council collects Council Tax precepts on behalf of two other authority's as well as its own and consequently not all transactions and balances relate wholly to the Council. Similarly, the Council collects National Non Domestic Rates (Business Rates) on behalf of the Government.

The practical effect is that the retained Collection Fund balance in the Balance Sheet will disappear. The surplus/deficit will be shared out in its entirety between the Council and its preceptors. The preceptors' share will be carried as creditors/debtors, but the Council's share will be charged to its Income and Expenditure Account. The difference between the income included in the Income and Expenditure Account and the amount required by statute to be credited to the General Fund is taken to a new reserve in the balance sheet called the Collection Fund Adjustment Account and included as a reconciling item in the Statement of Movement on the General Fund Balance. The amount credited to the General Fund under statute equals the authority's precept or demand for the year plus/less the Council's share of the surplus/deficit on the Collection Fund for the previous year.

2 Council Tax

The Council's tax base for 2009/10 was 43,350. 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. This was calculated as follows:-

Band	Actual Number of Properties	Estimated Number of Taxable Properties after effect of discounts	Ratio	Band D Equivalent Dwellings
A (Disabled)	0	7	5/9 ^{ths}	4
A	1,755	1,441	6/9 ^{ths}	960
B	4,106	3,345	7/9 ^{ths}	2,602
C	17,210	15,135	8/9 ^{ths}	13,454
D	8,503	7,751	9/9 ^{ths}	7,751
E	7,503	6,991	11/9 ^{ths}	8,545
F	4,413	4,219	13/9 ^{ths}	6,094
G	2,058	1,962	15/9 ^{ths}	3,270
H	247	212	18/9 ^{ths}	424
	45,795			43,104
		Less allowance for losses on collection		(323)
		Add contributions in lieu from MoD		250
		Add allowance for new properties		319
		Council Tax Base		43,350

This Council Tax Base equates to a Council Tax income during the year of £64.278m.

NOTES TO THE COLLECTION FUND

3 Income from Business Rates

The Council collects non-domestic rates for its area which are based on local rateable values multiplied by a Uniform Rate. The total amount, less certain reliefs and other deductions, is paid to a central pool (the National Non Domestic Rate Pool) managed by Central Government, which in turn pays back to authorities their share of the pool based on a standard amount per head of the local adult population.

Total Non-domestic Rateable Value 31 March 2010	£125,997,550
	£124,500,095 in 2008/09

National Non-domestic Rate Multiplier - Standard 2009/10 48.5p (46.2p 2008/09)

National Non-domestic Rate Multiplier - Small Property 2009/10 48.1p (45.8p 2008/09)

4 Precepts and Demands

The Council collects precepts within the Council Tax from the Local Taxpayers for the Thames Valley Police Authority and the Royal Berkshire Fire Authority.

5 Bad and Doubtful Debts

A total of £137,164 was written off as irrecoverable debts relating to Council Tax. Last year, debts written off were £177,350.

6 Contributions

The payments of £168,882, £22,831 and £8,286 during the year relate to the 2008/09 Council Tax surplus identified in the 2009/10 budget. The previous year's comparator figures were £340,779, £46,491 and £16,730.

7 Collection Fund Surplus / Deficit

A deficit of £51,682 has been achieved on the Collection Fund due to the repayment of £199,999 of the Collection Fund surplus from 2008/09 to the precepting authorities during the year: Bracknell Forest Council, Thames Valley Police Authority and the Royal Berkshire Fire Authority. Last year a deficit of £363,373 was achieved. The balance of the Fund carried forward is a £118,540 surplus.

The surplus as at the 31st March 2010 is not carried as a reserve in the Balance Sheet. Instead, the Council's share under the revised accounting rules is shown as income within the Income and Expenditure Account and the major preceptor's shares are shown as creditors.

NOTES TO THE COLLECTION FUND

GLOSSARY OF TERMS

ACCRUALS

The concept that income and expenditure are recognised as they are earned or incurred, not as money is received or paid.

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

The write out of intangible fixed assets, and for tangible assets any associated capital grants and contributions, to revenue on a systematic basis over the economic life of the asset.

AREA BASED GRANT (ABG)

An Area Based Grant (ABG) is a non-ringfenced general grant which is paid directly to Bracknell Forest Council. No conditions on use have been imposed as part of the grant determination ensuring full local control over how funding can be used.

ASSET

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

- A current asset will be consumed or cease to have value within the next financial year, e.g. stock and debtors.
- A fixed asset provides benefits to the Authority 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.

CAPITAL CHARGE

A notional charge to service revenue accounts to reflect the cost of fixed assets used in the provision of services. This is the charge for depreciation.

CAPITAL EXPENDITURE

Expenditure on the acquisition of a fixed asset which will be used in providing services beyond the current accounting period or expenditure which adds to an existing fixed asset.

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. It is derived from the Council's balance sheet by consolidating:

- Fixed Assets

GLOSSARY OF TERMS

- Deferred Charges
- Fixed Asset Restatement Account
- Capital Financing Account
- Government grants/S106 deferred
- Plus other items on the balance sheet relating to capital expenditure incurred e.g. finance lease liabilities and other long term liabilities.

CAPITAL RECEIPTS

The proceeds from the disposal of land or other fixed assets.

COMMUNITY ASSETS

Assets that the local authority intends to hold in perpetuity, that have no determinable useful life, and that may have restrictions on their disposal. Examples of community assets are parks and historic buildings.

CONSISTENCY

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

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.

CORPORATE AND DEMOCRATIC CORE

The corporate and democratic core comprises all activities which local authorities engage in specifically because they are elected, multi-purpose authorities e.g. Members Allowances. The cost of these activities are thus over and above those which would be incurred by a series of independent, single purpose, nominated bodies managing the same services. There is therefore no local basis for apportioning these costs to services.

CREDITOR

Amounts owed by the Authority for works done, goods received or services rendered before the end of the accounting period but for which payments have not been made by the end of that accounting period.

CURRENT SERVICE COST (PENSIONS)

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

CURTAILMENT

For a defined benefit pension scheme, an event that reduces the expected years of future service of present employees or reduces for a number of employees the accrual of defined benefits for some or all of their future service. Curtailments include:

- a) termination of employees' services earlier than expected, for example discontinuing a segment of a major service, and

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- b) termination of, or amendment to the terms of, a defined benefit scheme so that some or all future service by current employees will no longer qualify for benefits or will qualify only for reduced benefits.

DEBTOR

Amounts owed to the Authority for works done, goods received or services rendered before the end of the accounting period but for which payments have not been received by the end of that accounting period.

DEFERRED ASSETS AND LIABILITIES

Expenditure or income which may properly be deferred but is recognised in the appropriate section of the balance sheet, e.g. mortgage repayments.

DEFERRED CHARGES

Expenditure which may properly be capitalised, but which does not result in, or remain matched with, tangible assets and is written out to revenue in the year it is incurred, e.g. home improvement grants

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).

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

The theoretical loss in value of an asset due to age, wear and tear, deterioration or obsolescence.

DISCRETIONARY BENEFITS

Retirement benefits which the employer has no legal, contractual or constructive obligation to award and which are awarded under the authority'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 authority and which need to be disclosed separately by virtue of their size or incidence to give fair presentation of the accounts.

EXPECTED RATE OF RETURN ON PENSIONS ASSETS

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For a funded defined benefit pension scheme, the average rate of return, including both income and changes in fair value but net of scheme expenses, expected over the remaining life of the related obligation on the actual assets held by the scheme.

EXISTING USE VALUE (EUV)

The estimated amount for which a property should exchange on the date of valuation between knowledgeable willing parties in an arm's-length transaction, disregarding potential alternative uses and any other characteristics of the property that would cause its Market Value to differ from that needed to replace the remaining service potential at least cost.

EXTRAORDINARY ITEMS

Material items, possessing a high degree of abnormality, which derive from events or transactions that fall outside the ordinary activities of the authority and which are not expected to recur. They do not include exceptional items nor do they include prior period items merely because they relate to a prior period.

FAIR VALUE

The fair value of an asset is the price for which it could be exchanged in an arms length transaction.

FINANCIAL ASSETS

A right to future economic benefits controlled by the Authority that is represented by cash, an equity instrument of another entity, a contractual right to received cash (or another financial asset) from another entity or a contractual right to exchange financial assets/liabilities with another entity under conditions that are potentially favourable to the Authority.

FINANCIAL INSTRUMENTS

A financial instrument is 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.

FINANCIAL INSTRUMENT ADJUSTMENT ACCOUNT

A financial instrument adjustment account is used to hold the balance of the reversal through the Statement of Movement in General Fund Balance (SMGFB) for financial asset impairment which is originally charged to the income and expenditure account. Due to the reversal through the SMGFB the impairment has no impact on the council tax payer.

FINANCE LEASE

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

FINANCIAL LIABILITIES

An obligation to transfer economic benefits controlled by the Authority represented by a contractual obligation to deliver cash (or other financial asset) to another entity or a contractual obligation to exchange financial assets/liabilities with another entity under conditions that are potentially unfavourable to the Authority.

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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 an Authority in return for past or future compliance with certain conditions relating to the activities of the Authority.

IMPAIRMENT OF ASSETS

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

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.

INTEREST COST (PENSIONS)

For a defined benefit scheme, the expected increase during the period in the present value of the scheme liabilities because the benefits are one period closer to settlement.

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 authority. 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 (other than town, parish and community councils and district councils in Northern Ireland) are also required to disclose the attributable share of pension scheme assets associated with their underlying obligations.

LANDFILL ALLOWANCE TRADING SCHEME (LATS)

The Landfill Allowance Trading Scheme is a 'cap and trade' scheme which allocates tradable landfill allowance to each Waste Disposal Authority in England up to a limit. Landfill Allowances are issued free by DEFRA. As landfill is used a liability should be recognised for the actual landfill usage. The liability is discharged by using allowances to meeting the liability. Local Authorities can trade in any surplus allowances.

LARGE SCALE VOLUNTARY TRANSFER (LSVT)

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

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LIQUID RESOURCES

Current asset investments that are readily disposable by the authority without disrupting its business and are either: readily convertible to known amounts of cash at or close to the carrying amount, or traded in an active market.

LOCAL AREA AGREEMENT (LAA)

A Local Area Agreement (LAA) is a three year partnership between the Government Office for the area and a Local Strategic Partnership (LSP) representing the local authority, other public, private, voluntary and community interest for the area. The LAA sets out the priorities for a local area, in defined areas of activity.

LOCAL AUTHORITY BUSINESS GROWTH INCENTIVE (LABGI)

A national scheme which provides an incentive for local authorities to promote economic growth by allowing them to retain a proportion of any increase in Business Rates (NNDR) above a certain level.

LOCAL PUBLIC SERVICE AGREEMENT (LPSA)

A statement of the aims, objectives and targets to be achieved by public bodies with funding provided by Central Government.

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.

MINIMUM REVENUE PROVISION (MRP)

The statutory minimum amount which must be charged to an authority's revenue accounts each year for the repayment of borrowing. In 2008/09 it is calculated by applying a prescribed % to the capital financing requirement at the start of the year. In February 2009 the Council agreed an MRP policy statement which amends the basis of this calculation for subsequent years, using the asset life method.

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.

NET CURRENT REPLACEMENT COST

The cost of replacing or recreating the particular asset in its existing condition and in its existing use, i.e. the cost of its replacement or of the nearest equivalent asset, adjusted to reflect the current condition of the existing asset.

NET REALISABLE VALUE

The open market value of the asset in its existing use (or open market value in the case of non-operational assets), less the expenses to be incurred in realising the asset.

NON DISTRIBUTED COSTS

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

NON-OPERATIONAL ASSETS

Fixed assets held by a local authority but not directly occupied, used or consumed in the delivery of services. Examples of non-operational assets are investment properties, assets surplus to requirement awaiting disposal or redevelopment and assets in construction.

OPERATING LEASES

A lease where the ownership of the fixed asset remains with the lessor.

OPERATIONAL ASSETS

Fixed assets held and occupied, used or consumed by the local authority in the direct delivery of those services for which it has either a statutory or discretionary responsibility.

PAST SERVICE COST

For a defined benefit scheme, the increase 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 improvement to, retirement benefits.

PENSIONS / FRS 17

The requirements of the Accounting Standard "Accounting for Retirement 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

Those events, both favourable and unfavourable, which occur between the balance sheet date and the date on which the Statement of Accounts is signed by the Borough Treasurer.

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 fundamental errors. A fundamental error is one that is of such significance as to destroy the validity of the financial statements. They do not include normal recurring correction or adjustments to accounting estimates made in prior years.

PROJECTED UNIT METHOD

An accrued benefits valuation method in which the scheme liabilities make allowance for projected earnings. An accrued benefits valuation method is a valuation method in which the scheme liabilities at the valuation date relate to:

- a) the benefits for pensioners and deferred pensioners (i.e. individuals who have ceased to be active members but are entitled to benefits payable at a later date) and their dependants, allowing where appropriate for future increases, and

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b) the accrued benefits for members in service on the valuation date.

The accrued benefits are the benefits for service up to a given point in time, whether vested rights or not. Guidance on the projected unit method is given in the Guidance Note GN26 issued by the Faculty and Institute of Actuaries.

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
- 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.

Examples of related parties of an authority include:

- Central Government;
- local authorities and other bodies precepting or levying demands on the Council Tax;
- its subsidiary and associated companies;
- its joint ventures and joint venture partners;
- its members;
- its directors and chief officers; and
- its pension fund.

Examples of related parties of a pension fund include its:

- administering authority and its related parties;
- scheduled bodies and their related parties; and
- trustees and advisers.

These lists are not intended to be comprehensive.

For individuals identified as related parties, the following are also presumed to be related parties:

- members of the close family, or the same household; and
- partnerships, companies, trusts or other entities in which the individual, or a member of their close family or the same household, has a controlling interest.

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RELATED PARTY TRANSACTION

A related party transaction is the transfer of assets or liabilities or the performance of services by, to or for a related party irrespective of whether a charge is made. Examples of related party transactions include:

- the purchase, sale, lease, rental or hire of assets between related parties;
- the provision of a guarantee to a third party in relation to a liability or obligation to a related party;
- the provision of services to a related party.

This list is not intended to be comprehensive.

The materiality of related party transactions should be judged not only in terms of their significance to the Authority, but also in relation to its related party.

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.

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.

STOCKS

The amount of unused or unconsumed stocks 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. Stocks comprise the following categories:

- goods or other assets purchased for resale;
- consumable stores;
- raw materials and components purchased for incorporation into products for sale;
- products and services in intermediate stages of completion;
- long-term contract balances; and
- finished goods.

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TOTAL COST

The total cost of a service or activity includes all costs which relate to the provision of the service (directly or bought in) or to the undertaking of the activity. Gross total cost includes employee costs, expenditure relating to premises and transport, supplies and services, third party payments, transfer payments, support services and capital charges. This includes an appropriate share of all support services and overheads, which need to be apportioned.

USEFUL LIFE

The period over which the local authority will derive benefits from the use of a fixed 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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