



## **NOTICE OF MEETING**

### **Governance & Audit Committee**

**Wednesday 23 September 2015, 7.30 pm**

**Council Chamber, Fourth Floor, Easthampstead House, Bracknell**

### **To: The Governance & Audit Committee**

Councillor Allen (Chairman), Councillor King OBE (Vice-Chairman), Councillors Heydon, McLean, Ms Miller, Mrs Temperton, Thompson, Worrall and Mr G S Anderson

### **cc: Substitute Members of the Committee**

Councillors Mrs Hayes MBE, Hill, Leake, McCracken and Mrs McKenzie-Boyle

ALISON SANDERS  
Director of Corporate Services

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Published: 15 September 2015



**Governance & Audit Committee**  
**Wednesday 23 September 2015, 7.30 pm**  
**Council Chamber, Fourth Floor, Easthampstead House,**  
**Bracknell**

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**AGENDA**

Page No

1. **Apologies for Absence**

To receive apologies for absence and to note the attendance of any substitute members.

2. **Declarations of Interest**

Members are requested to declare any disclosable pecuniary or affected interest in respect of any matter to be considered at this meeting.

*Any Member with a Disclosable Pecuniary Interest or an affected interest in a matter should withdraw from the meeting when the matter is under consideration and should notify the Democratic Services Officer in attendance that they are withdrawing as they have such an interest. If the Disclosable Pecuniary Interest is not entered on the register of Members interests the Monitoring Officer must be notified of the interest within 28 days.*

3. **Minutes - 24 June 2015**

To approve as a correct record the minutes of the meetings of the Committee held on 24 June 2015.

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4. **Urgent Items of Business**

Any other items which, pursuant to Section 100B(4)(b) of the Local Government Act 1972, the Chairman decides are urgent.

5. **External Audit: Audit Results**

To receive from Ernst and Young, the Council's External Auditors, the outcome of their work to discharge their statutory audit responsibilities in relation to Bracknell Forest Council.

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6. **Financial Statements 2014/15**

To receive a report setting out the key elements of the Council's Financial Statements for 2014/15.

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7. **Employees Code of Conduct Amendment**  
To consider a report seeking an amendment to the Employees Code of Conduct. 149 - 152
8. **Amendments to the Council's Constitution**  
To consider a report seeking approval to amend the Council's Constitution to remove reference to a Sustainable Community Plan from the Council's Policy Framework. 153 - 154
9. **Exclusion of Public and Press**  
To consider the following motion:  
  
That pursuant to Regulation 21 of the Local Authorities (Executive Arrangements) (Access to Information) Regulations 2000 and having regard to the public interest, members of the public and press be excluded from the meeting for the consideration of item 10 which involves the likely disclosure of exempt information under the following category of Schedule 12A of the Local Government Act 1972:  
  
(3) Information relating to the financial or business affairs of any particular person.
10. **Strategic Risk Management Update**  
To receive a report setting out the Council's Strategic Risk Register. 155 - 162

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**GOVERNANCE & AUDIT COMMITTEE**  
**24 JUNE 2015**  
**7.30 - 8.20 PM**



**Bracknell Forest Borough Council:**

Councillors Allen (Chairman), King OBE (Vice-Chairman), Heydon, McLean, Ms Miller, Mrs Temperton, Thompson and Worrall

**Present:**

**Independent Members:**

Gordon Anderson JP

**4. Declarations of Interest**

There were no declarations of interest.

**5. Minutes of Previous Meetings**

**RESOLVED** that the minutes of the meeting of the Committee held on 25 March 2015 be approved as a correct record and signed by the Chairman, subject to a correction to minute 42 to refer to the Annual Governance Statement for 2014/15, not 2013/14 as stated.

**Matters arising**

With reference to the piloting of an early close down of accounts referred to in minute 44, the Borough Treasurer reported that the work on the 2014/15 accounts had been concluded and a first draft of the final accounts produced by 21 May 2015, although they had not been signed off until after 31 May 2015.

**6. Urgent Items of Business**

There were no items of urgent business.

**7. External Auditors – Introductory Remarks**

As this was the first meeting of a new Committee, the Chairman invited the External Auditors introduce themselves and comment briefly on their role.

Helen Thompson of Ernst & Young explained that External Audit had two main statutory functions:

- To provide an opinion on the financial statements of the Council; and
- To provide a value for money conclusion on the Council's arrangements to secure economy, efficiency and effectiveness.

This year's audit would commence on 13 July 2015 and a report would be made to the Committee at its meeting in September. No significant issues had been identified at this stage and difficulties were not anticipated. The compressed timetable for the publication of annual accounts due to be imposed from 2017/18 would present a

challenge for the future in terms of how quickly the annual audit would have to be carried out.

## 8. **Internal Audit Annual Assurance Report**

The Committee considered the Internal Audit Annual Assurance report presented by the Head of Audit and Risk Management. The report included an overall opinion on the adequacy of the control environment, a summary of the work that supports the opinion and a statement on conformance with the Public Sector Internal Audit Standards (PSIAS).

The Committee noted that based on the work of Internal Audit during the year, the Head of Audit and Risk Management had given the following opinion:

- Reasonable assurance was provided that the Authority had sound systems of internal control in place in accordance with proper practices (except for those areas of significant weakness separately specified).
- Key systems of control were operating satisfactorily, except in the areas specified.
- There were adequate arrangements in place for risk management and corporate governance.

The areas of significant weakness related to 15 audits (from a total of 71 carried out during the year which included an opinion) resulting in a limited assurance opinion. These audits were spread across Departments of the Council, although it was noted that five related to school audits. It was noted that a change in either Headteacher or Bursar exposed a weakness in the control environment in place. It was the practice for all audits providing limited assurance only to be followed up with a further audit in the following year to ensure that recommendations and improvements had been implemented.

The Committee sought further explanation of the two areas where consecutive limited assurance opinions had been given. Firstly, the system for the financial monitoring of direct payments to persons arranging their own social care by the Adult Social Care, Health and Housing Department had been found to have weaknesses. This was mainly about insufficient follow up on cases where there appeared to be inappropriate use of the payments made to some individuals. While the responsibility for arranging care now rested with the individual, the Council still had a duty to ensure as far as possible that public money was being appropriately spent. Secondly, a Council wide audit of adherence to Payment Card Industry (PCI) standards for data security around credit and debit card transactions had received a second limited assurance only report. A number of steps had been taken to improve performance in this area, including a working group tasked with addressing the problems and good progress had been made which was expected to be confirmed when the follow up audit occurred in quarter 3 of the current year.

In answer to a question raised on potential council tax reduction fraud in Bracknell not being investigated, the Committee noted that some joint work with other authorities was taking place on the launch of a data matching exercise designed to identify high risk cases of potential council tax reduction fraud for investigation.

**RESOLVED** that the Head of Audit and Risk Management's Annual Report setting out the Head of Internal Audit's Opinion for 2014/15 be noted.

9. **Annual Governance Statement**

The Committee received a report requesting approval of the Annual Governance Statement (AGS) 2014/15 and the Action Plan to make the improvements identified in the AGS prior to its submission for approval by full Council. The draft AGS and Action Plan were attached to the report at Appendices 1 and 3 respectively.

The primary source of assurance for the AGS were the Compliance Assessments completed by:

- The Assistant Chief Executive and each Director on compliance with internal controls and governance arrangements across their departments;
- The Monitoring officer in respect of legal and regulatory functions;
- The Borough Treasurer in respect of financial controls; and
- The Borough Treasurer and Head of Audit and Risk Management in respect of risk management.

The Action Plan drawn up to address the issues highlighted in the AGS identified a number of areas for improvement. Over the past year progress had been made on issues in relation to communicating with and raising staff awareness of information management policies, taking a proactive approach to counter-fraud, and updating the Council's website to comply with the requirements of the Government's revised Data Transparency Code. Where these issues were ongoing they had again been included in the Action Plan.

**RESOLVED** that:

- (1) the draft Annual Governance Statement shown at Appendix 1 to the report be approved; and
- (2) the Action Plan shown at Appendix 3 to the report be approved.

10. **Risk Management Strategy**

The Committee considered a report presenting the updated Risk Management Strategy for approval.

The current priorities, as set out in the updated Strategy, were summarised as follows:

1. To ensure there are adequate risk management arrangements in place for all major projects undertaken at the Council.
2. To identify the key potential fraud risks to the Council and develop a fraud risk management plan.
3. To carry out a test exercise on the Disaster Recovery Plan.

Comments and feedback on the updated Strategy had been sought from the Strategic Risk Management Group (SRMG) and the Corporate Management Team (CMT) and a number of amendments had been incorporated as shown in the Strategy attached at Appendix 1 to the report.

From answers to questions the Committee noted that:

- Audits were carried on the governance of all of the Council's major projects, which included a review of the risk management arrangements.

- The Disaster Recovery Plan was aimed more at dealing with the risk of a major IT failure than occurrence of a natural disaster.
- In terms of business continuity, the Council had an overarching business continuity plan, each Department had a business continuity plan, and there was also an IT business continuity plan in place.

**RESOLVED** that the updated Risk Management Strategy at Appendix 1 of the report be approved.

#### 11. **CIPFA Audit Committee Guidance Covering Report**

The Committee considered a report setting out details of the latest best practice guidance taken from a recently revised document issued by CIPFA: “Audit Committees: Practical Guidance for Local Authorities and Police”. The Guidance stated that audit committees were a key component of an authority’s governance framework and went on to define the core functions of an audit committee. Although no single model of an audit committee was prescribed, a number of features were seen as essential to a properly established committee.

The Committee had not carried out a formal assessment of its performance since it was first set up in 2009, the best practice at that time being less prescriptive. The revised Guidance provided a checklist for self-assessment which was attached to the report as an appendix.

The Committee was favourably disposed to a self-assessment exercise but accepted it would be more appropriate to hold this, in say January 2016, when the new Committee would have at least six months experience (including some further training) behind it. The External Auditors fully supported the idea of a self-assessment exercise for the Committee. Comments were made about the self-assessment checklist and it was suggested it may be more effective for a workshop to consider each item on a scale of 1 to 5 rather than a yes/no basis.

**RESOLVED** that:

- 1) A self-assessment of compliance with Audit Committees: Practical Guidance for Local Authorities and Police be undertaken; and
- 2) A workshop be set up, to be led by the Chairman and the Head of Audit and Risk Management, to which all Members of the Committee would be invited, to undertake the self-assessment.

**CHAIRMAN**

**TO: GOVERNANCE AND AUDIT COMMITTEE**  
**23 SEPTEMBER 2015**

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**EXTERNAL AUDIT: AUDIT RESULTS REPORT**  
**Borough Treasurer**

**1 PURPOSE OF REPORT**

- 1.1 This report advises Members of a report by the Council's external auditor summarising the work carried out to discharge their statutory audit responsibilities.

**2 SUPPORTING INFORMATION**

- 2.1 The Code of Audit Practice requires the external auditor to provide a summary of the work they carried out to discharge their statutory audit responsibilities to 'those charged with governance'. It is also a requirement that this summary be considered ahead of the signing of the accounts by the external auditor, which must be no later than 30 September 2015. Now that the detailed audit work is complete, the external auditor has issued a report. Helen Thompson of Ernst & Young will be at the meeting to present the report and answer queries. The report is attached.

Contacts for further information

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# Bracknell Forest Council

## Governance and Audit Committee Summary

For the year ended 31 March 2015

Audit Results Report – ISA (UK and Ireland) 260

September 2015

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Section 1

# Executive summary

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# Executive summary – key findings

## Audit results and other key matters

The Audit Commission's Code of Audit Practice (the Code) requires us to report to those charged with governance – the Governance & Audit Committee – on the work we have carried out to discharge our statutory audit responsibilities together with any governance issues identified. This report summarises the findings from the 2014/2015 audit which is substantially complete. It includes the messages arising from our audit of your financial statements and the results of the work we have undertaken to assess your arrangements to secure value for money in your use of resources.

### Financial statements

- ▶ As of 11 September 2015, we expect to issue an unqualified opinion on the financial statements. Our audit results demonstrate, through the few matters we have to communicate, that the Council has prepared its financial statements to a high standard.
- ▶ We have not received any formal objections. However, we are dealing with correspondence from a member of the public about a matter which is not related to an item in the financial statements.

### Value for money

- ▶ We expect to conclude that you have made appropriate arrangements to secure economy, efficiency and effectiveness in your use of resources.

### Whole of Government Accounts

- ▶ We have not reported any significant matters to the National Audit Office (NAO) regarding the Whole of Government Accounts submission.

### Audit certificate

- ▶ The audit certificate is issued to demonstrate that the full requirements of the Audit Commission's Code of Audit Practice have been discharged for the relevant audit year. We expect to issue the audit certificate at the same time as the audit opinion.

Section 2

# Extent and purpose of our work

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# Extent and purpose of our work

## The Council's responsibilities

- ▶ The Council is responsible for preparing and publishing its Statement of Accounts, accompanied by the Annual Governance Statement. In the Annual Governance Statement, the Council reports publicly on the extent to which it complies with its own code of governance, including how it has monitored and evaluated the effectiveness of its governance arrangements in the year, and on any planned changes in the coming period.
- ▶ The Council is also responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

## Purpose of our work

- ▶ Our audit was designed to:
  - ▶ express an opinion on the 2014/2015 financial statements and the consistency of other information published with them;
  - ▶ report on an exception basis on the Annual Governance Statement;
  - ▶ consider and report any matters that prevent us being satisfied that the Council had put in place proper arrangements for securing economy, efficiency and effectiveness in the use of resources (the Value for Money conclusion); and
  - ▶ discharge the powers and duties set out in the Audit Commission Act 1998 and the Code of Audit Practice.

In addition, this report contains our findings related to the areas of audit emphasis and any views on significant deficiencies in internal control or the Council's accounting policies and key judgments.

As a component auditor, we also follow the NAO group instructions and report the results on completion of the whole of government accounts work through the Assurance Statement to the NAO and to the Council.

This report is intended solely for the information and use of the Council. It is not intended to be and should not be used by anyone other than the specified party.

Section 3

# Addressing audit risks

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# Addressing audit risks – significant audit risks

We identified the following audit risks during the planning phase of our audit, and reported these to you in our Audit Plan. Here, we set out how we have gained audit assurance over those issues.

A significant audit risk in the context of the audit of the financial statements is an inherent risk with both a higher likelihood of occurrence and a higher magnitude of effect should it occur and which requires special audit consideration. For significant risks, we obtain an understanding of the entity's controls relevant to each risk and assess the design and implementation of the relevant controls.

Audit risk identified within our audit plan	Audit procedures performed	Assurance gained and issues arising
<p>Significant audit risks (including fraud risks)</p> <p><b>Risk of management override</b></p> <p>As identified in ISA (UK and Ireland) 240, management is in a unique position to perpetrate fraud because of its ability to manipulate accounting records directly or indirectly and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively.</p> <p>We identify and respond to this fraud risk on every audit engagement.</p> <p>For local authorities the potential for the incorrect classification of revenue spend as capital is a particular area where there is a risk of management override.</p>	<p>We have undertaken the following audit procedures:</p> <ul style="list-style-type: none"> <li>▶ tested the appropriateness of journal entries recorded in the general ledger and other adjustments made in the preparation of the financial statements;</li> <li>▶ reviewed accounting estimates for evidence of management bias;</li> <li>▶ evaluated the business rationale for significant unusual transactions; and</li> <li>▶ reviewed capital expenditure on property, plant and equipment to ensure it meets the relevant accounting requirements to be capitalised.</li> </ul>	<p>We have completed our testing in each of the areas. We have not identified any issues and we have assurance in each area.</p>
<p><b>Valuation of Property, Plant and Equipment</b></p> <p>Valuations of property assets and capital expenditure are significant accounting estimates that have a material impact on the financial statements.</p> <p>In 2014/15, the Council proposed making use of its external valuer more extensively than in previous years, including the revaluation of schools assets.</p> <p>Early feedback from Council officers suggested that a change in estimation methodology by the new valuers would have a significant impact on the asset values disclosed in the financial statements.</p>	<p>Following early discussions, the Council decided to use its internal valuers for the school asset revaluation exercise. Therefore the level of risk associated with valuation reduced.</p> <p>We undertook our standard audit procedures to gain assurance over the valuation of property assets.</p>	<p>No issues have been identified from our testing of property valuations.</p>

# Addressing audit risks – significant audit risks (cont'd)

- ▶ We identified the following audit risks during the planning phase of our audit, and reported these to you in our Audit Plan. Here, we set out how we have gained audit assurance over those issues.

Audit risk identified within our Audit Plan	Audit procedures performed	Assurance gained and issues arising
Significant audit risks (including fraud risks)		
<p><b>Non-Domestic Rates (NDR) rateable value appeals provision</b></p> <p>The Business Rates Retention Scheme came into force on 1 April 2013. Under the scheme a proportion of the business rates collected by councils are retained locally with the balance paid over to central government.</p> <p>5 The Council accounted for this scheme in 2013/14, appointing Analyse Local as experts to inform the estimation of the provision calculation.</p> <p>In 2014/15, significant challenges remained in the calculation of this provision due to the ongoing appeals process. The potential cost of successful rateable value appeals could again have been significant to the Council. The Council appointed Rates Plus as experts to inform this calculation as there is a high level of estimation uncertainty in determining an accurate provision for the cost in the financial statements.</p>	<p>We have understood and assessed the reasonableness of the Council's methodology in estimating the planned provision in respect of rateable value appeals outstanding at the balance sheet date.</p> <p>We have considered both the completeness and accuracy of the data on the number of appeals outstanding and the basis for the assumptions made by the Council on the likelihood of success.</p> <p>We have reviewed and relied on the work of the experts appointed by management to assist in this process.</p>	<p>No issues have arisen from our testing, and we have gained the required assurance in this area.</p>

# Addressing audit risks – other audit risks

- ▶ We identified the following audit risks during the planning phase of our audit, and reported these to you in our Audit Plan. Here, we set out how we have gained audit assurance over those issues.

Audit risk identified within our Audit Plan	Audit procedures performed	Assurance gained and issues arising
Other audit risks		
<p>Accounting for schools</p> <p>CIPFA has set out, in the Code of Practice on Local Authority Accounting in the United Kingdom 2014/15 Appendix E, its view that based on the indicators of control within IFRS 10, the balance of control lies with local authorities for all maintained schools. The definition of maintained schools includes community, voluntary controlled, voluntary aided, foundation, community special, foundation special and nursery schools.</p> <p>91 The Code requires the recognition of schools' property, plant and equipment in line with relevant accounting standards.</p> <p>CIPFA subsequently issued, in December 2014, LAAP Bulletin 101 'Accounting for Non-Current Assets Used by Local Authority Maintained Schools'. This suggests that where religious bodies provide buildings to voluntary aided and voluntary controlled schools, and these bodies are able to withdraw the buildings at any point, the buildings would not be an asset of the school. In this case they would therefore not be included in the Council's balance sheet.</p> <p>As a change in accounting policy this would require the balance sheet as at 1 April 2013 to be restated to show the impact of the new policy together with the balance sheet at 31 March 2014.</p> <p>The Council believes that no changes will be required to the way it currently accounts for schools, so no restatements will be required.</p>	<p>We have reviewed the Council's arrangements for considering accounting for schools against the requirements of the 2014/15 Code and the LAAP bulletin.</p>	<p>No issues arising, the Council complies with the guidance in the LAAP bulletin and no changes to existing accounting policies were required in 2014/15.</p>

Section 4

# Financial statements audit – issues and findings

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# Financial statements audit – issues and misstatements arising from the audit

## Progress of our audit

- ▶ The following areas of our work programme remain to be completed. We will provide an update of progress at the Governance & Audit Committee meeting:
  - ▶ finalisation of expenditure transactional testing
  - ▶ testing of officers remuneration and exit packages
  - ▶ receipt of a Letter of Representation
  - ▶ receipt and checking of final revised statements
  - ▶ final Director review of the financial statements
- ▶ Subject to the satisfactory resolution of the above items, we propose to issue an unqualified audit report on the financial statements.

## Uncorrected misstatements

- As at 11 September 2015 we have not identified any uncorrected misstatements within the draft financial statements.

## Corrected misstatements

- ▶ Our audit did not identify any misstatements.

## Other matters

- ▶ As required by ISA (UK&I) 260 and other ISAs specifying communication requirements, we are required to communicate to you significant findings from the audit and other matters that are significant to your oversight of the Authority's financial reporting process including the following:
  - ▶ qualitative aspects of your accounting practices; estimates and disclosures;
  - ▶ matters specifically required by other auditing standards to be communicated to those charged with governance. For example, issues about fraud, compliance with laws and regulations, external confirmations and related party transactions;
  - ▶ any significant difficulties encountered during the audit; and
  - ▶ other audit matters of governance interest

We have no matters we wish to report.

# Financial statements audit – application of materiality

## Our application of materiality

- ▶ When establishing our overall audit strategy, we determined a magnitude of uncorrected misstatements that we judged would be material for the financial statements as a whole.

Item	
19 Planning Materiality and Tolerable error	<p>We determined planning materiality to be £5.982 million which is 2% of gross expenditure reported in the accounts of £299 million consisting of cost of services, other operating expenditure and financing expenditure. We consider gross expenditure to be one of the principal considerations for stakeholders in assessing the financial performance of the Council.</p> <p>We set a tolerable error for the audit. Tolerable error is the application of planning materiality at the individual account or balance level. It is set to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds planning materiality. The level of tolerable error drives the extent of detailed audit testing required to support our opinion. We have set tolerable error at the higher level of the available range because there were limited errors reported in the Authority's 2013/14 financial statements.</p>
Reporting Threshold	We agreed with the Governance and Audit Committee that we would report to the Committee all audit differences in excess of £0.299 million.

We also identified the following areas where misstatement at a level lower than our overall materiality level might influence the reader. For these areas we developed an audit strategy specific to these areas. The areas identified and audit strategy applied include:

- Remuneration disclosures including any severance payments, exit packages and termination benefits. Strategy applied: review and test transactions to supporting evidence and approvals.
- Member allowances and audit fees. Strategy applied: review and test transactions to supporting evidence and approvals.
- Related party transactions. Strategy applied: review disclosure for completeness, testing to supporting evidence.

We evaluate any uncorrected misstatements against both the quantitative measures of materiality discussed above and in light of other relevant qualitative considerations.

# Financial statements audit – internal control, written representations and whole of government accounts

## Internal control

- ▶ It is the responsibility of the Council to develop and implement systems of internal financial control and to put in place proper arrangements to monitor their adequacy and effectiveness in practice. Our responsibility as your auditor is to consider whether the Council has put adequate arrangements in place to satisfy itself that the systems of internal financial control are both adequate and effective in practice.
- ▶ We have tested the controls of the Council only to the extent necessary for us to complete our audit. We are not expressing an opinion on the overall effectiveness of internal control.
- ▶ We have reviewed the Annual Governance Statement and can confirm that:
  - ▶ it complies with the requirements of CIPFA/SOLACE Delivering Good Governance in Local Government Framework; and
  - ▶ it is consistent with other information that we are aware of from our audit of the financial statements.
- ▶ We have not identified any significant deficiencies in the design or operation of an internal control that might result in a material misstatement in your financial statements of which you are not aware.

## Request for written representations

- ▶ We have requested a management representation letter to gain management's confirmation in relation to a number of matters. We have not requested any non-standard representations at this time.

## Whole of Government Accounts

- ▶ Alongside our work on the financial statements, we also review and report to the National Audit Office on your whole of government accounts return. The extent of our review and the nature of our report are specified by the National Audit Office.
- ▶ The Council is below the £350 million reporting threshold, therefore we are not required to review the data collection tool in detail.

Section 5

# Arrangements to secure economy, efficiency and effectiveness

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# Arrangements to secure economy, efficiency and effectiveness

The Code of Audit Practice (2010) sets out our responsibility to satisfy ourselves that Bracknell Forest Council has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources. In examining the Council's corporate performance management and financial management arrangements, we have regard to the following criteria and focus specified by the Audit Commission.

## Criteria 1 – arrangements for securing financial resilience

- ▶ 'Whether the Authority has robust systems and processes to manage financial risks and opportunities effectively, and to secure a stable financial position that enables it to continue to operate for the foreseeable future'

## Criteria 2 – arrangements for securing economy, efficiency and effectiveness

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'Whether the Authority is prioritising its resources within tighter budgets, for example by achieving cost reductions and by improving efficiency and productivity'

- ▶ We identified two significant risks in relation to these criteria:
  - ▶ **Longer-term financial planning and resilience in a challenging financial environment**
  - ▶ **Better Care Fund**

- ▶ Findings in relation to significant risks:
- ▶ **Longer-term financial planning and resilience in a challenging financial environment**
  - ▶ The overall medium term funding position is becoming clearer but remains a work in progress. The Council is fully aware of the need to reduce the identified gap between funding and expenditure and is looking at all avenues to do so. The improvements made to the systems for planning and budgeting will aid this process.
  - ▶ See detailed findings on page 16
- ▶ **Better Care Fund**
  - ▶ 2014/15 has seen significant progress on the Better Care Fund prior to the Fund going live on 1 April 2015. The governance structures that oversee the Fund are in place and will continue to develop.
  - ▶ See detailed findings on page 17

Our work did not identify any other matters relating to aspects of your corporate performance and financial management framework which are not covered by the scope of the two specified criteria above.

# Addressing audit risks – significant VFM risks

We identified the following VFM risks during the planning phase of our audit, and reported these to you in our Audit Plan. Here, we set out how we have gained audit assurance over those issues.

A significant audit risk in the context of the value for money conclusion is the risk that the auditor may issue the wrong value for money conclusion. Where auditors identify a significant value for money conclusion risk they will need to undertake additional audit work to enable them to reach an appropriate conclusion.

## VFM risk identified within our Audit Plan

Financial resilience and Economy Efficiency and Effectiveness

### Longer-term financial planning and resilience in a challenging financial environment

The Council continues to support the ambitious town centre redevelopment and has significantly increased its capital programme. This will require the Council borrowing to support delivery of the programme from 2016/17 at the earliest and increasing significantly in 2017/18 as per the Treasury Management Strategy.

23 The movement towards a net borrowing position represents a significant change in the funding arrangements of the Council, and takes place alongside an increasingly challenged financial environment for the public sector in general and local government in particular. It offers opportunities for extra investment as well as risks from increased financial commitments.

The Council will need to develop appropriate risk management and governance arrangements to support its longer-term financial planning. This will include ensuring there is sufficient corporate knowledge and expertise to support successful delivery of these longer-term plans.

### Findings

The town centre development is now fully underway and all the funding streams are in place and understood. There are clearly a number of variables which will impact on the medium to long term financial position that cannot be quantified at the present; such as how successful the development will be after such a long delay, how the Council budgets for the future income streams, etc, but the position is now clearer than 2013/14. This clarity has allowed the Council to understand better the medium term budgeting implications, and it now has a package in place to deliver more effective forward plans, as well as the ability to adapt and flex those plans as assumptions change. However, this needs to be embedded into the Council's processes and include capital transactions.

The Council commissioned public sector specialists LG Futures to provide a forecasting package which has produced a five year plan to a level of detail beyond the previous three year plan. This plan will be laid before Council in September 2015. The forecast gap currently stands at £25 million over the next five years, and makes allowance for unknown factors, for example: new budget pressures, potential increases in council tax or business rates, and income associated with new housing income. We also note the gap does not include any significant reserve contributions at this stage. The Council is continuing to develop plans to address the forecast gap, and progress will continue during 2015/16, including taking account of the funding implications from the November 2015 government spending review and the provisional local government settlement in December 2015.

Therefore, the overall medium term funding position is beginning to become clearer but remains a 'work in progress'. The Council is fully aware of the need to reduce the identified gap between funding and expenditure and is looking at all avenues to do so. The improvements made to the systems for planning and budgeting will aid this process.

# Addressing audit risks – significant VFM risks

## VFM risk identified within our Audit Plan

Financial resilience and Economy Efficiency and Effectiveness

### Better Care Fund

The Better Care Fund is a single pooled budget for health and social care services to work more closely together in local areas, based on a plan agreed between the NHS and local authorities.

We concluded last year that the Council was taking appropriate action to address the risks associated with Better Care Funding and will adopt a suitably prudent and fiscally cautious approach in implementing its plans.

With increasing demand for these services – and against the wider financial challenges facing both health and local government – the Council needs to balance effective delivery with the financial pressures placed on this Fund. The Council needs to ensure its involvement in developing the key infrastructure to deliver this initiative balances sufficient involvement to ensure systems are in place to support the structures with ensuring it is not exposed to additional risks and financial costs from so doing.

### Findings

2014/15 has seen significant progress on the arrangements relating to the Better Care Fund prior to the Fund going live on 1 April 2015. We reported in 2013/14 that the Council and its partners had more to do to develop the plan and its supporting infrastructure and governance arrangements. The Council's plan was submitted in September 2014 and approved in October 2014 with conditions (and NHS England endorsement that "the plan is strong"). This was followed by further embedding of the governance processes delivered by the Health and wellbeing Board and underpinned by the Better Care Fund Programme Board and the Better Care Fund Steering Group. Our review has found that the various committees have the appropriate level of membership, and attendance, from the various stakeholder groups, in particular, the Council, the Clinical Commissioning Group (CCG), the Foundation Trust, etc. These arrangements have enabled the Fund to commence successfully on 1 April 2015 and, as at the date of this report, report formally on the first quarter of 2015/16 to the requirements required by NHS England, with no significant budgetary deficiencies, which demonstrates that the reporting arrangements in place are sound.

As required by the Department of Health, a pooled budget and associated schedules were approved before the start of the 2015/16 financial year. These reflected the plan as approved by the Council, the CCG and ultimately the Health and Wellbeing Board. Ongoing monitoring of the schemes within the plan, finance, performance indicators and risks are reported to all meetings of the BCF Steering Group and BCF Programme Board. A robust governance structure for the fund was established in 2014/15 as described in the BCF plan which was approved by the Department of Health in December 2014. As schemes within the programme progress, the governance structure has evolved to deliver and monitor individual projects e.g. the Falls Programme Board. Membership of the Steering Group and Programme Board is reviewed regularly and has expanded to include further stakeholders, e.g. Berkshire Healthcare NHS Foundation Trust.

Section 6

# Independence and audit fees

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# Independence and audit fees

## Independence

- ▶ We confirm there have been no changes in our assessment of independence since our confirmation in our Audit Plan 25 March 2015.
- ▶ We complied with the Auditing Practices Board's Ethical Standards for Auditors and the requirements of the Audit Commission's Code and Standing Guidance. In our professional judgement the firm is independent and the objectivity of the audit engagement partner and audit staff has not been compromised within the meaning of regulatory and professional requirements.
- ▶ We confirm that we are not aware of any relationships that may affect the independence and objectivity of the firm that we are required by auditing and ethical standards to report to you.
- ▶ We consider that our independence in this context is a matter that should be reviewed by both you and ourselves. It is therefore important that you consider the facts of which you are aware and come to a view. If you wish to discuss any matters concerning our independence, we will be pleased to do so at the forthcoming meeting of the Governance and Audit Committee on 23 September 2015.

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- ▶ We confirm that we have met the reporting requirements to the Governance and Audit Committee, as 'those charged with governance' under International Standards on Auditing (UK and Ireland) 260 – Communication with those charged with governance. Our communication plan to meet these requirements was set out in our Audit Plan of 25 March 2015.

## Audit fees

- ▶ The table below sets out the scale fee and our final proposed audit fees.

	Proposed final fee 2014/2015	Scale fee 2014/2015	Variation comments
	£	£	
Audit Fee: Code work	139,634	139,634	-
Certification of claims and returns	41,580	41,580	Our fee for the certification of grant claims is based on the indicative scale fee set by the Audit Commission. This will be reviewed in light of the work required in 2014/15.
Non-Audit work	62,000		A breakdown of this was given in the Audit Plan of 25 March 2015

- ▶ Our actual fee is in line with the agreed fee at this point in time, subject to the satisfactory clearance of the outstanding audit work.
- ▶ We confirm that we have undertaken any non-audit work outside of the Audit Commission's Audit Code requirements. The work undertaken related to:
  - ▶ Central Berkshire Waste PFI
  - ▶ Various VAT/stamp duty advice in relation to the Town Centre and Blue Mountain developments
  - ▶ Teachers' pension grant certification for the year ended 31 March 2014

**EY** | Assurance | Tax | Transactions | Advisory

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ED None

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**TO: GOVERNANCE AND AUDIT COMMITTEE  
23 SEPTEMBER 2015**

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**FINANCIAL STATEMENTS 2014/15  
Borough Treasurer**

**1 PURPOSE OF REPORT**

- 1.1 In accordance with the Accounts and Audit (England) Regulations 2011, the Borough Treasurer signed the draft 2014/15 Statement of Accounts on 29 June 2015. Copies of the draft Financial Statements were subsequently circulated to all Council Members. The accounts were then subjected to audit by Ernst and Young LLP. This report summarises for Committee Members the key elements within the accounts and the findings of the audit.

**2 RECOMMENDATIONS**

**That the Committee:**

- 2.1 **Approves the Financial Statements 2014/15 attached at Annexe A;**
- 2.2 **Authorises the Chairman of the meeting to sign and date the Statement of Accounts on behalf of the Committee;**
- 2.3 **Authorises the Chairman of the meeting to sign and date the Letter of Representation set out in Annexe B.**

**3 REASONS FOR RECOMMENDATIONS**

- 3.1 The Accounts and Audit (England) Regulations 2011 require the accounts to be approved by Council (or Committee of the Council) and the Chairman of the meeting to formally sign the accounts to certify that this has been undertaken.

**4 ALTERNATIVE OPTIONS CONSIDERED**

- 4.1 None.

**5 SUPPORTING INFORMATION**

**5.1 Outturn Expenditure 2014/15**

- 5.1.1 The Council, at its meeting on 26 February 2014, approved a revenue budget for 2014/15 of £89.774m. The actual outturn for the General Fund is within budget with an under spend of -£3.771m. This is the seventeenth consecutive year the Council has managed to spend within its budget. In fact the Council had planned to use £2.624m from General Balances to support the 2014/15 budget. Taking this under spend into account the Council actually returned £1.147m to the General Fund.

- 5.1.2 The most significant variances were:

## Unrestricted

- A reduction in the bad debt provision for Housing Benefits (-£0.804m) following a review of the existing methodology and reflecting the fact that a large portion of overpayments are reclaimed from ongoing entitlement. The work on the provision also identified that overpayments were understated and resulted in a further credit of -£0.560m.
- Staffing difficulties were experienced within children's social care which required higher than expected use of agency staff (£0.341m).
- New Public Realm contracts were let during the year covering Landscape, Street Cleansing and Highway Maintenance services. After allowing for one-off costs, a saving of -£0.330m was achieved.
- Within Waste Management increases in tonnages caused an over spend for the year and a contractual dispute has resulted in the non-achievement of income targets and additional legal costs (£0.415m).
- Higher cash balances have been sustained throughout the year resulting in additional interest. Cash flow has benefitted from changes in grant profiles from central government and the local collection of Business Rates (-£0.278m).
- Capital expenditure was financed from internal borrowing to spread the cost impact on revenue. The Revenue Contributions to Capital budget was therefore not required (-£0.653m). Refinancing of earlier capital expenditure, higher than forecast capital receipts in 2013/14 and carry forwards into 2014/15 all contributed to an under spend against the Minimum Revenue Provision (-£0.391m).
- The contingency was not fully allocated during the year (-£0.488m).
- Due to a large increase in the provision required for Business Rate appeals, in particular because of appeals lodged by a major ratepayer, the Collection Fund has gone into deficit. This has meant that the levy payable by the Council, which impacts directly on the General Fund, was less than originally budgeted (-£2.088m). The transfer into the Business Rates Equalisation Reserve has been increased to reflect the net impact of the under spend on the levy, reductions in Section 31 Grant and other changes to Business Rate income (£1.860m).
- The balances on the Capital Feasibility and Icelandic Banks Reserves have been transferred to revenue as the reserves are no longer required (-£0.473m).

A detailed comparison of the outturn and estimated expenditure is provided in the Explanatory Foreword on pages 3 to 5 of the Financial Statements.

### Comprehensive Income and Expenditure Statement

- 5.1.3 The Statement shows a deficit on the Provision of Services of £27.903m. This is because the statement shows the cost of providing services in accordance with accounting practices, rather than the amount to be funded from taxation. The taxation position which shows the real impact on the General Fund is shown in the Movement in Reserves Statement. The Comprehensive Income and Expenditure Statement also includes gains and losses arising from the revaluation of assets and changes in pension liabilities. The total figure of £76.823m explains the change in the net assets of the Council presented in the Balance Sheet. This change primarily relates to an increase in the net pension liability due, in particular, to reductions in bond yields (£59.823m) and a reduction in the value of Property, Plant and Equipment (£13.961m – see p74 of the Financial Statements).

- 5.1.4 Within the Cost of Services, the comparative changes in Net Cost primarily relate to capital charges. The comparative increase in Children and Education Services relates to the downward revaluation of schools. The Net Cost of Cultural and Related Services have reduced because there were significant revaluations downwards last year but none in 2014/15. Changes in Other Housing Services principally relate to the Housing Benefit changes referred to above and changes in the methodology for allocating internal and corporate recharges.
- 5.1.5 The loss on the disposal of Property, Plant and Equipment primarily relates to the replacement of parts of assets rather than direct sales. These significantly reduced in 2014/15 compared to 2013/14.

## **5.2 Changes to Accounting Policies and Disclosure Requirements**

- 5.2.1 Although not a change in accounting policy, additional disclosure information has now been included on schools following clarification of the treatment of voluntary aided and controlled schools land and buildings. Although schools are separate entities they remain within the Council financial statements (pages 32, 46 and 54 of the Financial Statements).

## **5.3 Provisions**

- 5.3.1 The Council's balances contain specific provisions for known liabilities where the timing or amount of the liability is uncertain. These are considered each year as part of the budget cycle to ensure adequacy and need, and are again reviewed at the year end, in considering the annual accounts. Provisions have increased by £7.999m to £13.200m (page 80 of the Financial Statements).
- 5.3.2 The provision for Business Rates appeals is required to cover the liabilities arising from the refunding of ratepayers who successfully appeal against the rateable value of their properties on the rating list. The Council's share of the provision has increased by £8.497m to £10.809m due to a significant increase in the number and value of outstanding appeals, and their likelihood of success.

## **5.4 Revenue Reserves**

- 5.4.1 These are the reserves of the authority at 31 March 2015, consisting of Earmarked Reserves, the General Reserve and other Revenue Reserves (e.g. the Pension Reserve).
- 5.4.2 Earmarked Reserves are sums of money which have been set aside for specific purposes. These are excluded from general balances available to support revenue or capital expenditure.
- 5.4.3 The Borough Treasurer has taken the opportunity to review earmarked reserves and adjusted them to reflect the changing risks the organisation faces and these changes were presented to the Executive in the Revenue Expenditure Outturn 2014/15 Report on 21 July 2015. The Council's Reserves and Balances Policy Statement which sets out the purpose of each reserve was included at Annexe D to that report.

Earmarked Reserves totalling £30.289m, an increase of £11.704m on last year's figure, are proposed and are summarised on page 82 of the Financial

Statements. An increase in the balance on the Business Rates Equalisation Reserve from £0.000m to £11.700m is the most significant change. This relates to the budgeted transfer into the reserve of the growth in Business Rates income in 2014/15 and the 2013/14 surplus on the Business Rates element of the Collection Fund plus the transfer of the under spend on the 2014/15 Levy payment.

- 5.4.4 There are also a number of unusable revenue reserves, such as the Pension Reserve, so called because the Council is not able to utilise them to provide services. They are adjustment accounts which deal with situations where income and expenditure are recognised statutorily against the General Fund balance on a different basis from that expected by the Accounting Code of Practice.

#### General Reserves

- 5.4.5 The General Fund Balance stands at £10.961m as at 31 March 2015. The 2015/16 budget includes plans to spend £0.932m of this reserve.

### **5.5 Other Balance Sheet Issues**

- 5.5.1 The Balance Sheet shows that the Council holds long term assets valued at £528.2m (excluding pension assets), with Other Land and Buildings at £415.4m representing the most significant category. The overall value has decreased by £14.5m compared to 2013/14. Revaluation decreases, in particular on schools, and annual depreciation have exceeded new additions in the year. The Binfield Nursery site and Car Park 7 were also transferred into Assets Held for Sale as their disposals are expected to be completed before the end of 2015/16.
- 5.5.2 Short Term Investments have reduced by £13.0m to £28.3m. This reflects the expected net cash outflow resulting from expenditure on the Council funded Capital Programme.
- 5.5.3 Short Term Debtors have increased by £17.9m to £48.1m. The significant increase primarily relates to a payment in advance for the purchase of Bracknell Bus Station (£4.3m), a reduction in the allowance for housing bad debts and a reassessment of debtor levels (£1.3m) plus outstanding joint arrangements (£2.4m), VAT (£1.7m), NHS (£1.1m) and Department of Transport income (£2m).

#### Capital Financing Requirement

- 5.5.4 The Council's Capital Financing Requirement (CFR) increased during the year by £5.2m to £54.7m as at 31 March 2015. This is a measure of the capital expenditure incurred historically by the Council that has yet to be financed and represents the underlying need to borrow. However, overall the Council was debt free at 31 March 2015 and did not need to borrow externally to finance capital expenditure. A charge is made each year to revenue known as the Minimum Revenue Provision which writes down the balance of the CFR over time. Further details can be found in Note 18.

### **5.6 Audit of Accounts**

- 5.6.1 The draft accounts have been subject to scrutiny by the Council's external auditor. Following the audit of the accounts no amendments were required to the Statement of Accounts.

## **5.7 Letter of Representation**

- 5.7.1 The Letter of Representation (Appendix B of the audit results report) is a significant part of the audit process that enables the external auditor to form an opinion as to whether the financial statements give a true and fair view of the financial position of the Council as at 31 March 2015 and of its expenditure and income for the year then ended. The Committee is asked to review and confirm its approval of the letter.

## **6 ADVICE RECEIVED FROM STATUTORY AND OTHER OFFICERS**

### Borough Solicitor

- 6.1 The Accounts and Audit (England) Regulations 2011 require the 2014/15 Statement of Accounts to be formally approved by Members (a Committee or Council) and signed by the Chairman / Mayor by 30 September 2015 and for the accounts to be signed by the appointed auditor by 30 September 2015.

### Borough Treasurer

- 6.2 The Financial Statements 2014/15 is the published document which includes the 2014/15 Statement of Accounts. The Statement of Accounts includes the Movement in Reserves Statement, Comprehensive Income & Expenditure Statement, Balance Sheet, Cash Flow Statement and Collection Fund together with notes which expand and explain the information in these statements.

### Equalities Impact Assessment

- 6.3 None required.

### Strategic Risk Management Issues

- 6.4 There are none arising directly from this report.

## **7 CONSULTATION**

Not applicable.

### Contacts for further information

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Unrestricted

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[Arthur.parker@bracknell-forest.gov.uk](mailto:Arthur.parker@bracknell-forest.gov.uk)



# Financial Statements 2014/15

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## 1 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 (England) Regulations 2011 require the Council to produce a Statement of Accounts for each financial year giving certain specified information. The foreword accompanies the accounts and sets out to explain the financial details contained within them. To assist readers, a glossary of accounting terms is included on pages 100 to 106.

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

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

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

This foreword is followed by:

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

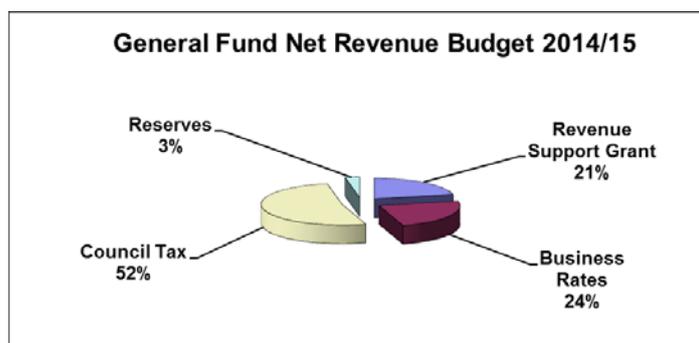
## EXPLANATORY FOREWORD

- **The Balance Sheet**, which shows the value as at the Balance Sheet date of the assets and liabilities recognised by the Council. The net assets of the Council (assets less liabilities) are matched by the reserves held by the Council. Reserves are reported in two categories. The first category of reserves are usable reserves, i.e. those reserves that the Council may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use (for example the Capital Receipts Reserve that may only be used to fund capital expenditure or repay debt). The second category of reserves is those that the Council is not able to use to provide services. This category of reserves includes reserves that hold unrealised gains and losses (for example the Revaluation Reserve), where amounts would only become available to provide services if the assets are sold; and reserves that hold timing differences shown in the Movement in Reserves Statement section 'Adjustments between accounting basis and funding basis under regulations'.
- **The Cash Flow Statement**, which shows the changes in cash and cash equivalents (investments that mature in three months or less) of the Council during the reporting period. The statement shows how the Council generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities. The amount of net cash flows arising from operating activities is a key indicator of the extent to which the operations of the Council are funded by way of Council Tax and grant income or from the recipients of services provided by the Council. Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute to the Council's future service delivery. Cash flows arising from financing activities are useful in predicting claims on future cash flows by providers of capital (i.e. borrowing) to the Council.
- **The Collection Fund**, which records the Council Tax and Business Rates raised within the Borough during the year and how they are subsequently distributed.

## 2 Revenue Expenditure

The Council, at its meeting on 26 February 2014, set a revenue budget for the 2014/15 financial year of £89.774m. The total authorised General Fund net expenditure for the 2014/15 financial year was £89.868m (including parish precepts of £2.718m). Further increases to service budgets can be approved if they are financed from earmarked and other reserves. When these further budgets are approved an equivalent sum is transferred from the reserve to the revenue account. These transfers do not have an impact on the overall budget.

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



The table on page 5 compares actual outturn expenditure incurred with the amended budgets for the year for the General Fund. This table reflects the Council's departmental structure during 2014/15, which is the basis for the internal management of performance against budgets. In contrast, the information presented in the Comprehensive Income & Expenditure Statement reflects the categories of expenditure specified in the Chartered Institute of Public Finance and Accountancy's Service Reporting Code of Practice for Local Authorities (SeRCOP).

Asset valuations (£21.9m), depreciation (-£0.7m), revenue expenditure funded from capital under statute (£1.1m) and pension adjustments (-£1.5m) account for most of the net increase in service department budgets since the original budget was approved. These are reversed out of the accounts and therefore there is no net change to the overall budget.

Council spending was within budget for the seventeenth successive year. From the table on page 5 it can be seen that an under spend of -£3.771m occurred on the General Fund. The most significant variances from budget are explained in the sections below.

### 3 Major Revenue Variances

The major variances occurred in the following areas:

#### *Corporate Services/Chief Executive's Office*

- The end of rent free periods and higher occupancy levels led to the income received for the Peel Centre exceeding budget by -£0.117m. There was also an under spend on Business Rates due to increased occupancy of Council owned properties (-£0.055m) and successful rating appeals (-£0.019m).
- The Home to School Transport budgets were underspent by -£0.098m due to contract efficiencies and a reduction in the number of students requiring transport.
- Whilst work is underway to identify the budgeted council wide Facilities Management framework savings they will not start to be realised until next year (£0.090m).
- Under spends also occurred on joint arrangements (-£0.023m), audit fees (-£0.029m), town centre events (-£0.021m) and a number of other supplies and services budgets.

#### *Children, Young People and Learning*

- Within Learning and Achievement, additional income was earned at the Bracknell Open Learning Centre from lettings and courses, and savings were achieved on accommodation costs and higher education fees (-£0.127m). This was partly offset by an over spend in the School Improvement Team (£0.044m) arising from additional support needs in schools.
- Staffing difficulties were experienced within children's social care which required higher than expected use of agency staff (£0.341m). The number of Special Guardianship Orders increased, resulting in an over spend of £0.100m. These overspends were partly offset by a saving at Larchwood Respite Home (-£0.046m) and additional income (-£0.135m).
- A net under spend within Strategy, Resources and Early Intervention primarily relating to staff costs (-£0.039m).

## EXPLANATORY FOREWORD

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### *Adult Social Care, Health and Housing*

- The net position on purchased social care budgets is an under spend of -£0.269m, primarily because of the receipt of additional government grant which was used to finance Homecare costs.
- A reduction in the bad debt provision for Housing Benefits (-£0.804m) following a review of the existing methodology and reflecting the fact that a large portion of overpayments are reclaimed from ongoing entitlement. The work on the provision also identified that overpayments were understated and resulted in a further credit of -£0.560m.
- An over spend on Heathlands care home primarily due to pressure on the staffing budget caused by a reliance on agency staff (£0.242m).
- An over spend on Forestcare relating to investment in staff and equipment in order to generate additional income in future years (£0.127m).

### *Environment, Culture and Communities*

- Concessionary Fares over spent as fares were more than budgeted and passenger numbers increased (£0.126m).
- A delay in the introduction of the Community Infrastructure Levy (CIL) has meant that associated staff costs could not be funded from CIL receipts (£0.105m).
- The cost of the Residents Street Parking Scheme was greater than expected (£0.074m).
- New Public Realm contracts were let during the year covering Landscape, Street Cleansing and Highway Maintenance services. After allowing for one-off costs, a saving of -£0.330m was achieved. Under spends were also achieved on devolved staffing budgets (-£0.080m), due to the number of vacancies, and on the Local Development Framework budget (-£0.051m).
- Within Waste Management increases in tonnages caused an over spend for the year and a contractual dispute has resulted in the non-achievement of income and additional legal costs (£0.415m).
- Additional income generated at the Cemetery and Crematorium (-£0.070m), the Look Out (-£0.065m), from garden waste collection (-£0.055m) and within Development Control (-£0.046m). The latter results from an increase in the number and size of applications.
- The impact of the new Combined Heat & Power (CHP) plant at Bracknell Leisure Centre and Coral Reef on gas and electricity consumption was greater than anticipated resulting in a saving of -£0.065m for the year. Energy costs for street lighting were also lower than estimated (-£0.021m).

### *Non-Departmental / Council Wide*

- Higher cash balances have been sustained throughout the year resulting in additional interest. Cash flow has benefitted from changes in grant profiles from central government and the local collection of Business Rates (-£0.278m).
- Internally funded capital expenditure was financed from internal borrowing to spread the cost impact on revenue. The Revenue Contributions to Capital budget was therefore not required (-£0.653m). Refinancing of earlier capital expenditure, higher than forecast capital receipts in 2013/14 and carry forwards into 2014/15 all contributed to an under spend against the Minimum Revenue Provision (-£0.391m).
- The contingency was not fully allocated during the year (-£0.488m).
- Due to a large increase in the provision required for business rate appeals, in particular because of appeals lodged by a major ratepayer, the Collection Fund has gone into deficit. This has meant that the levy payable by the Council, which impacts directly on the General Fund, was less than originally budgeted

## EXPLANATORY FOREWORD

(-£2.088m). Section 31 grant receivable from the Government for reliefs granted to businesses was less than the budget (£0.293m). The transfer into the Business Rates Equalisation Reserve has been increased to reflect the net impact of the under spend on the levy, reductions in Section 31 Grant and other changes to rates income (£1.860m).

- The balances on the Capital Feasibility and Icelandic Banks Reserves have been transferred to revenue as the reserves are no longer required (-£0.473m).

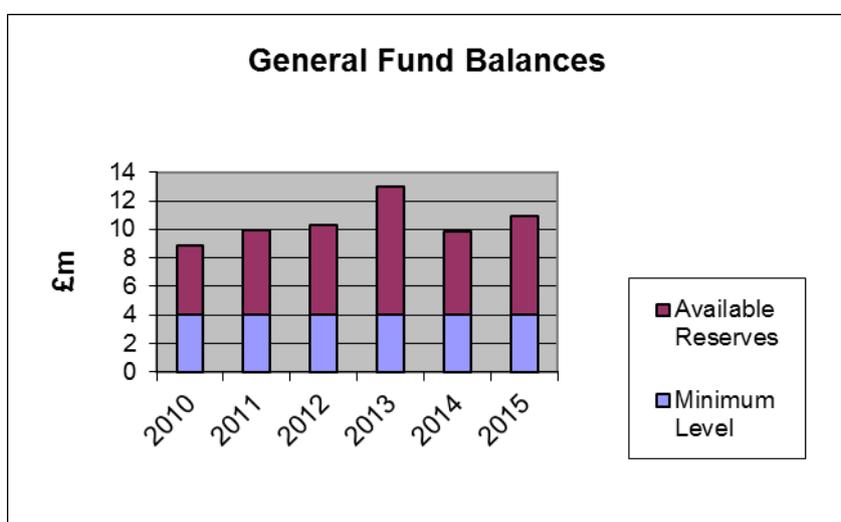
<b>GENERAL FUND</b>	Original Budget £000	Latest Budget £000	Actual £000	Variance £000
Corporate Services (including Chief Executive's)	8,038	8,194	7,837	(357)
Children, Young People and Learning <sup>1</sup>	25,447	47,900	48,022	122
Adult Social Care, Health and Housing	35,967	36,056	34,724	(1,332)
Environment, Culture & Communities	33,213	32,140	32,012	(128)
<b>Net cost of General Fund services</b>	<b>102,665</b>	<b>124,290</b>	<b>122,595</b>	<b>(1,695)</b>
Capital Charges & Revenue Expenditure Funded from Capital Under Statute <sup>1</sup>	(13,823)	(36,202)	(36,202)	0
Capital Expenditure Charged to the General Fund	0	653	0	(653)
IAS 19 Pension Adjustment	(4,656)	(3,178)	(3,178)	0
Council Wide Services including Business Rates Growth	(5,095)	(5,422)	(7,110)	(1,688)
Interest Receipts	(298)	(378)	(656)	(278)
Interest Payable	0	566	566	0
Icelandic Banks Impairment and Exchange Rate Difference	0	51	86	35
Minimum Revenue Provision	1,536	1,836	1,446	(390)
Levying Bodies	108	108	105	(3)
S106 Contributions to Revenue	0	(152)	(152)	0
Contribution to Capital Reserves	(300)	0	0	0
Contingency	1,000	488	0	(488)
New Homes Bonus Grant	(2,660)	(2,660)	(2,658)	2
Council Tax Freeze Grant	(501)	(501)	(501)	0
Local Services Support Grant	(42)	(42)	(42)	0
<b>Net Budget Requirement</b>	<b>77,934</b>	<b>79,457</b>	<b>74,299</b>	<b>(5,158)</b>
Parish Precepts	2,718	2,718	2,718	0
Contributions to/(from) Earmarked Reserves	11,840	10,317	11,704	1,387
<b>Amount to be met from Government Grants and Local Taxation</b>	<b>92,492</b>	<b>92,492</b>	<b>88,721</b>	<b>(3,771)</b>
<b>Resources To Finance Above</b>				
Council Tax Payers	(48,662)	(48,662)	(48,662)	0
Collection Fund Surplus	(6,919)	(6,919)	(6,919)	0
Revenue Support Grant	(19,297)	(19,297)	(19,297)	0
Business Rates (locally retained element)	(14,990)	(14,990)	(14,990)	0
Contribution to/(from) General Reserves	(2,624)	(2,624)	1,147	3,771
<b>Total Resources</b>	<b>(92,492)</b>	<b>(92,492)</b>	<b>(88,721)</b>	<b>3,771</b>

<sup>1</sup> The budget movements primarily relate to changes in asset valuations which have impacted on revenue.

## 4 General Fund Balances

As the actual outturn for 2014/15 was an under spend of -£3.771m, the Council has been able to return £1.148m to General Fund Balances rather than make a withdrawal. The General Fund Balance at 31st March 2015 is therefore £10.961m. This means that more resources are available to assist the Council with balancing future year's budgets.

The following chart shows the movement in the level of General Fund Balances including the minimum recommended prudent balance.



## 5 Pension Reserve

The Statement of Accounts has been prepared in accordance with International Accounting Standard 19 – Employee Benefits (IAS 19). Although IAS 19 has not directly affected the net outturn position, the Council's Balance Sheet includes a pension liability and a pension reserve of £223.9m as at 31 March 2015. The pension liability reflects the fair value of future pension liabilities that have been incurred less the assets that have already been set aside to fund them.

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

The Council's contribution rate to the pension fund is formally determined by the scheme actuary every three years. After the valuation on 31 March 2013, the employer future service funding rate was set at 12.8% of pensionable pay with the variable past service deficit element paid as a lump sum in each financial year (£1.746m in 2014/15).

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

## 6 Capital Expenditure

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

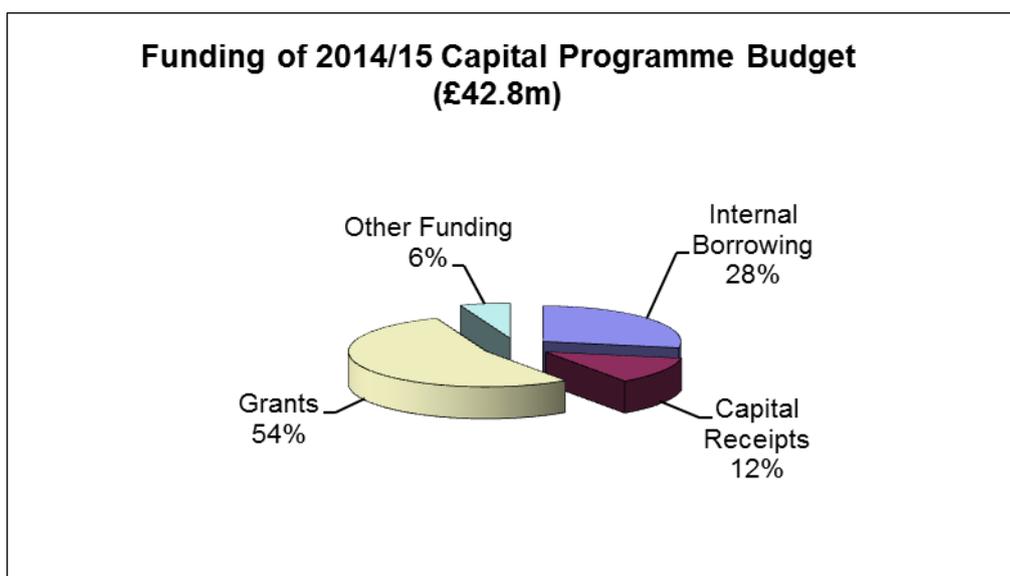
- Capital Receipts
- Government Grants
- Section 106 Receipts and other contributions

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

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

As the Council's accumulated capital receipts have been fully utilised the Council has to fund part of the 2014/15 capital programme from internal borrowing. Once the Council's current level of investments is exhausted, which is expected to be within the next 2 years, the Council will need to borrow externally.

The Council originally approved a capital programme of £25.1m for 2014/15, plus a further £17.7m carried forward from 2013/14, to be funded as shown in the following chart.

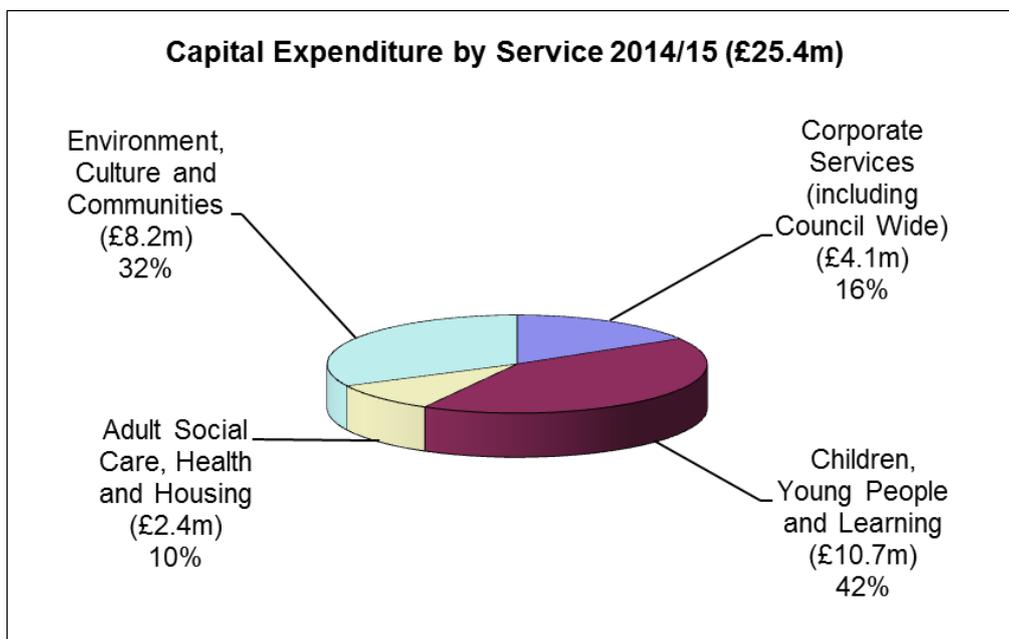


The Council actually spent £25.4m on capital projects in 2014/15 to maintain and enhance existing assets and to create new assets. Many schemes included in the capital programme are both technically and logistically complex to implement. Issues such as planning approvals, land transfers and inclement weather can all lead to unavoidable delays. In addition, their financial scale requires a lengthy tender process to ensure the best price is obtained prior to letting the contract. It is therefore extremely difficult to complete such schemes within the financial year for which they are approved. The Council

## EXPLANATORY FOREWORD

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

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



During the year, £4.142m of capital receipts were used to fund capital expenditure. The most significant receipts were from the sale of properties (£0.848m), the VAT Shelter scheme (£0.424m) and the RTB-sharing scheme with Bracknell Forest Homes (£2.425m). The net increase (after repayments) in the Council's Capital Financing Requirement (CFR) was by £5.2m to £54.7m as at 31 March 2015. This is a measure of the capital expenditure incurred historically by the Council that has yet to be financed and represents the underlying need to borrow. Overall the Council was debt free at 31 March 2015 and did not need to borrow externally to finance capital expenditure. A charge is made each year to revenue known as the Minimum Revenue Provision which writes down the balance of the CFR over time. Further details can be found in Note 18.

The fair value of the Council's Long Term Assets was £528.3m as at 31 March 2015.

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<b>CAPITAL PROGRAMME EXPENDITURE 2014/15</b>		
	<b>£000</b>	<b>£000</b>
<b>Corporate Services (including Council Wide Schemes)</b>		
ICT Schemes	1,338	
Improvements, Maintenance & Refurbishment of Buildings	2,594	
Other Schemes	196	4,128
<b>Children, Young People and Learning</b>		
Owlsmoor Primary School	2,136	
The Pines Primary School	1,490	
Other Primary School Projects	1,191	
Delegated Schools Capital	189	
Maintenance of Buildings	1,058	
Binfield Learning Village	264	
Garth Hill Post 16	2,212	
Garth Hill Land Purchase	1,040	
Other Secondary School Schemes	774	
Other Schemes	361	10,715
<b>Adult Social Care, Health and Housing</b>		
ICT Schemes	77	
Housing Schemes	2,322	
Other Schemes	10	2,409
<b>Environment, Culture and Communities</b>		
Highways	3,572	
Access, Mobility and Travel Choice	969	
Traffic Management	328	
Travel to School	196	
Local Safety Schemes	226	
Parking	572	
Waste Management	70	
Disabled Facilities	485	
Leisure - Outdoor Recreation	556	
Leisure - Major Works	560	
Leisure - Minor Works	194	
Cemetery and Crematorium	75	
Other Schemes	381	8,184
<b>Total Capital Expenditure 2014/15</b>		<b>25,436</b>
<b>FINANCING:</b>		
Capital Receipts	4,142	
Capital Grants & Contributions	14,680	
Increase in Capital Financing Requirement	6,614	
<b>Total Financing</b>		<b>25,436</b>

## 7 Changes to Accounting Policies

Five new or amended standards relating to Group Accounts were adopted by the Code of Practice for Councils in 2014/15. The Council has not previously needed to produce Group Accounts and following the introduction of these standards that position remains unchanged.

### 8 Provisions and Write-offs

The provision for Business Rates appeals is required to cover the liabilities arising from the refunding of ratepayers who successfully appeal against the rateable value of their properties on the rating list. The Council's share of the provision has increased by £8.50m to £10.81m due to a significant increase in the number and value of outstanding appeals and their likelihood of success.

General Fund write-offs totalling £0.77m were made in 2014/15. The bulk of these related to housing debtors.

### 9 Bracknell Town Centre Regeneration

Bracknell Forest Council is working in partnership with Bracknell Regeneration Partnership and other landowners to make the new town centre vision a reality. The new development in the north of Bracknell town centre will comprise 580,000 sq. ft. of new retail and leisure space, supported by a 1,300-space multi-storey car park and landscaped public spaces. The building is programmed to allow the first retailers to start fit out work in August 2016, in order for shops, restaurants and the cinema to open in the spring of 2017. Further information and announcements on the regeneration can also be found at <http://regeneration.bracknell.com>.

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

Balancing the budget for 2015/16 to avoid any increase in Council Tax for the fifth consecutive year has been a challenge. The Council's Funding Assessment (Revenue Support Grant plus Business Rates Baseline Funding) was reduced by £3.8m (11.4%) compared to 2014/15. At the same time demand for services for vulnerable residents, such as older people and people with learning disabilities is increasing.

Savings of nearly £3m will be delivered in the next financial year and £4.0m from Earmarked Reserves and £0.9m of general balances will be used to fund the remaining budget gap. The overriding approach has been to increase efficiency and reduce back office costs.

The most significant aspects of the 2015/16 budget are contained within the capital programme. These include the redevelopment of Bracknell Town Centre and its associated infrastructure works, the construction of a new school at Binfield Learning Village and the transformation of Coral Reef, including a new roof and flumes.

Future funding will be announced as part of the 2016 Spending Round following the General Election. The incoming government intends to continue with the national deficit reduction programme, which when combined with commitments to maintain the ring-fence on major public expenditure areas such as Health and Education, means further reductions are inevitable in the coming years. These are likely to be of a similar magnitude to those experienced over the last 5 years and represent an ongoing challenge for the Council and the rest of local government for the foreseeable future.

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

- the need to maintain services whilst achieving significant savings;

## EXPLANATORY FOREWORD

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- increasing pressures on demand led services such as adult and child placements and looked after children, the impact of new housing developments and the changing service provision of social care encouraging people to seek support;
- the economy continuing to affect the return on investments;
- the delivery of the Town Centre redevelopment, works to increase school capacity (Binfield Learning Village in particular) and other major schemes;
- legislative changes, for example the transference of risks resulting from the retention of Business Rates by councils and the localisation of Council Tax support, the introduction of the Better Care Fund and its impact on funding and the way services will be delivered in the future, the implementation of responsibilities under the Care Act 2014 and Children and Families Act 2014 and the transition to universal credit;
- the implementation of a recent court ruling regarding the deprivation of liberty safeguards and the impact of post 16 high needs pupil costs on the Schools Budget.
- the impact of changes in external service provision on Council services and costs;
- and the potential impact of service reductions in one area on the demand for other services provided by the Council.

### 11 Further Information

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

Alan Nash                                      Borough Treasurer  
[Alan.Nash@Bracknell-Forest.gov.uk](mailto:Alan.Nash@Bracknell-Forest.gov.uk)

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

## **1 Scope of Responsibility**

- 1.1** Bracknell Forest Borough Council (“The Council”) is responsible for ensuring that its business is conducted in accordance with the law and proper standards and that public money is safeguarded, properly accounted for, and used economically, efficiently and effectively. The Council also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.
- 1.2** In discharging this overall responsibility, the Council is responsible for putting in place proper arrangements for the governance of its affairs and facilitating the effective exercise of its functions, including arrangements for the management of risk.
- 1.3** The Council has approved and adopted a Code of Corporate Governance which is consistent with the principles of the CIPFA/SOLACE Framework Delivering Good Governance in Local Government published in 2007. This Statement explains how the Council has complied with the code and also meets the requirements of regulation 4(3) of the Accounts and Audit Regulations 2011 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 its strategic objectives and to consider whether those objectives have led to the appropriate delivery of services and value for money.
- 2.2** The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can only provide reasonable assurance and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of the Council’s policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.
- 2.3** The governance framework has been in place at Bracknell Forest Council for the year ended 31 March 2015 and up to the date of approval of the 2014/15 statement of accounts.

## **3 The Governance Framework**

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

## 3.1 Bracknell Forest Council's Vision and delivery of objectives

3.1.1 The Council's vision of its purpose and intended outcomes for citizens and service users is set out in six overarching corporate priorities which are underpinned by 11 medium term objectives and 72 key actions. The main ways it is communicated are via the Council's public website, intranet, Town and Country magazine (the Council's news paper for residents) and Chief Executive Briefings.

3.1.2 The corporate priorities set out in the Annual Report 2012 were developed after extensive consultation with the community, residents, employees, strategic partners and local businesses in order for the priorities to be consistent with their needs and aspirations.

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

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

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

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

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

## 3.2 Roles and Responsibilities

3.2.1 The Constitution of the Council establishes the roles and responsibilities of the Executive, the full Council and its committees and sub-committees along with Overview and Scrutiny arrangements, the role and functions of Champions and officer functions (set out in the Scheme of Delegation). As well as Procedure Rules, it contains Standing Orders and Financial Regulations that define clearly how

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

- 3.2.2 The Monitoring Officer advises the Governance and Audit Committee on proposals to update the Council's Constitution (including arrangements between officers and Members), its Executive Arrangements/decision making and Procedure Rules to ensure that they are fit for purpose and the Committee subsequently make recommendations on those matters to full Council.
- 3.2.3 The work of the Executive is supported by the Overview and Scrutiny Commission and four Overview and Scrutiny Panels (plus one Joint Committee in respect of Health). They are comprised of non-Executive Members and review and scrutinise both Executive and non-Executive decisions. In addition to scrutinising such decisions working groups of the Panel conduct in-depth investigations into particular topic areas which result in reports setting out detailed recommendations.
- 3.2.4 The Council's financial management arrangements conform to the governance requirements of the *CIPFA Statement on the Role of the Chief Financial Officer in Local Government (2010)*. Further, the Council's assurance arrangements conform to the governance requirements of the *CIPFA Statement on the Role of the Head of Internal Audit (2010)*.
- 3.2.5 Effective arrangements are in place for the discharge of the Monitoring Officer function, Head of Paid Service and Section 151 Officer. The Borough Treasurer (Section 151 Officer) is a member of Corporate Management Team and the Borough Solicitor has access to Corporate Management Team in his role as Monitoring Officer.
- 3.2.6 The Governance and Audit Committee is responsible for reinforcing effective governance, particularly through reviewing the activities of the external and internal auditors and the Council's risk management arrangements. It undertakes the core functions of an audit committee, as identified in CIPFA's *Audit Committees: Practical Guidance for Local Authorities*. During 2014/15 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 2015/16 was approved by the Committee.

### **3.3 Risk Management**

- 3.3.1 The Council has a strong risk management function. Decisions made by the Council are subject to risk assessments which are made in accordance with the organisation's risk management processes. The Risk Management Strategy includes the Council's priorities for developing risk management arrangements.
- 3.3.2 The Strategic Risk Management Group (SRMG) chaired by the Borough Treasurer meets quarterly and oversees all aspects of risk management at the Council including health and safety, business continuity and information security risks. During 2014/15 the Strategic Risk Register was updated and considered by SRMG on a quarterly basis and reviewed and approved twice by the Corporate Management Team, by the Executive and by Governance and Audit Committee. Actions to address strategic risks were monitored during 2014/15 and key changes

and developments on strategic risks were summarised in the quarterly Corporate Performance Overview Report.

- 3.3.3 There is a process for recording and monitoring significant operational risks through directorate risk registers which were generally reviewed quarterly during 2014/15 and used to inform the Strategic Risk Register. The Strategic Risk Register includes an over-arching risk on major projects and in addition separate risk registers are in place for all major projects.
- 3.3.4 Members are engaged in the risk management process through the Executive's and Governance and Audit Committee's review of the Strategic Risk Register and Member review of the Corporate Performance Overview.

### **3.4 Policies and Procedures**

- 3.4.1 The Council's Anti-Fraud and Corruption Policy is consistent with Financial Regulations and has been communicated to all staff.
- 3.4.2 A corporate complaints procedure and whistle-blowing policy are maintained and kept under review, providing an opportunity for members of the public and staff to raise issues when they believe that appropriate standards have not been met. An annual report analysing complaints received and their resolution is presented to Corporate Management Team and to the Executive.
- 3.4.3 The Council takes information security very seriously. The Information Management Group consists of senior officers and ensures that the Council has in place a co-ordinated and coherent framework for managing information. During 2014/15 it continued to implement the Information Management Strategy, monitor information security incidents that occurred, communicate policies to staff and provide training. During the year, internal audit carried out a further review of information security arrangements in schools.

### **3.5 Change Management**

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

### **3.6 Assurance on compliance**

- 3.6.1 Assurance on compliance with 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.
- 3.6.2 All decisions made by the Council are made in light of advice from the Borough Treasurer and Borough Solicitor.

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

- 3.7.1 The Council has a comprehensive induction and training process in place for both Members and officers joining the Council. During 2014/15 all new officers received

personalised inductions. In addition, both Members and officers attend external training courses where training needs cannot be met internally.

- 3.7.2 The Council has a Members Development Programme which takes the form of internal training workshops and Member briefing seminars on specific topics. Members also offered 360° feedback. The Council has been awarded the Charter Plus Standard for Member Development. The charter provides a robust framework which ensures Members are supported during their time on the Council. Member development is now an embedded part of the Council's culture.
- 3.7.3 A broad internal training programme of courses is run each year for officers as well as specific professional training and this is supplemented by regular lunchtime manager briefing sessions.
- 3.7.4 Compliance with Continuing Professional Development requirements of staff is monitored by individual officers; the Council provides sufficient resources to fund this. As part of the performance appraisal process, each officer is required to complete their own Personal Development Plan which forms the basis for the Council's internal training course programme.
- 3.7.5 The Council has in place an ongoing Management Assessment and Development Programme and Diversity training for its Members, senior and middle level managers.

### **3.8 Communication and engagement**

- 3.8.1 The Council establishes clear channels of communication with all sections of the community, other stakeholders and local partners, ensuring accountability and encouraging open consultation.
- 3.8.2 During 2014/15 a number of consultations sought the views of the community. In line with the Community Engagement Strategy to ensure access and quality of consultations, the Council utilises a corporate consultation portal.
- 3.8.3 The Council enhances the accountability for service delivery and effectiveness of other public service providers as it is a key member of the Bracknell Forest Partnership which brings together agencies that deliver public services including, inter alia, Parish Councils, Police, Fire and Rescue Service, and the Clinical Commissioning Group and with businesses and people that represent voluntary organisations and the community. Bracknell Forest Partnership is underpinned by a Governance Protocol and Memorandum of Agreement between the organisations and has a single purpose, namely to improve the quality of life for local people. During 2014/15 the Council continued to implement its Partnership Community Engagement Strategy.
- 3.8.4 The Council's Partnership Governance and Framework Toolkit ensures good governance arrangements are incorporated in respect of partnerships and other joint working as identified by the Audit Commission's report on the governance of partnerships. A strategic risk register and associated action plans were developed for the Bracknell Forest Partnership and during 2014/15 the Council implemented action plans to mitigate key risks.
- 3.8.5 The Council has approved Public Participation Schemes for the Overview and Scrutiny Commission, and its Panels and the Health and Well Being Board. The

schemes aim to enhance public engagement and give residents a further opportunity to inform Councillors about the things that concern them.

- 3.8.6 During 2014/15, to increase transparency, make information more readily accessible to the citizen and to hold service providers to account the Council created an additional website which holds information the Council publishes. This includes the sets of information required by The Code of Recommended Practice for Local Authorities on Data Transparency (updated 2014).

#### **4 Review of Effectiveness**

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

- 4.2 During 2014/15, the review of effectiveness of the governance framework was evaluated and informed by the following key elements:

##### **Internal Audit**

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

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

- 4.5 Based on the work of Internal Audit during the year 2014/15, the Head of Audit and Risk Management gave the following opinion:-

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

- 4.6 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 actions have been implemented. In addition, the Chief Executive meets with the Head of Audit and Risk Management on a quarterly basis and the Corporate Management Team receive six monthly progress reports on Internal Audit.

## The Governance and Audit Committee

- 4.7 The Governance and Audit Committee is responsible for reinforcing effective governance, particularly through reviewing the activities of the internal auditors and the Council's risk management arrangements. During 2014/15, 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 2015/16 was approved by the Committee.

## The Governance Working Group

- 4.8 The Corporate Management Team has established a Governance Working Group, chaired by the Borough Solicitor. The Group oversees the implementation of the actions identified in the Annual Governance Statement Action Plan

## The Constitution

- 4.9 The Constitution is subject to regular review. The Monitoring Officer advises the Governance and Audit Committee which reports to full Council.

## Annual Compliance Assessment

- 4.10 Compliance Assessments review the adequacy of governance arrangements. Each Director provides assurances about their directorate along with the Assistant Chief Executive in relation to the Chief Executives department. The Borough Treasurer provides assurances in relation to financial services and risk management. This includes advising whether the authority's financial management arrangements conform with the governance requirements of the *CIPFA Statement on the Role of the Chief Financial Officer in Local Government (2010)* as set out in the Application Note to Delivering Good Governance in Local Government: Framework. Compliance Assessments are also completed by the Head of Audit and Risk Management who provides assurances in relation to risk management and the Borough Solicitor in relation to legal and regulation.

## External Audit

- 4.11 On 25<sup>th</sup> September 2014 the Council's external auditors issued an unqualified audit report on the Council's accounts for 2014.

The Annual Audit Letter for 2013/14 was presented to Governance and Audit Committee on 28th January 2015.

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

- the process for producing the 2013/14 accounts, including the supporting working papers, was good and there were very few issues arising from the audit.
- the Council has proper arrangements in place both for securing financial resilience and for challenging how it secures economy, efficiency and effectiveness
- no major areas of concern were identified as regards whole of government accounts but one inconsistency relating to the disclosure of pensions was reported
- no areas of concern were identified as regards the Annual Governance for 2013/14.

## 5. The Ethical Culture

- 5.1 The Council has approved and published on the Council's web-site a set of values which underpin the work of the Council.
- 5.2 As required by the Localism Act 2011, the Council has adopted a Code of Conduct for Members. The Council has also put in place other protocols relating to the way in which Members should conduct themselves in carrying out their work as Councillors, notably the Planning Protocol for Members and the Member and officer Protocol. The Council has an approved Code of Conduct for Employees together with a number of policies and procedures which regulate how Council officers should discharge their duties. Observance of such policies and procedures by Council employees is ensured through management overview and, if necessary, the disciplinary process.
- 5.3 The Council has retained a Standards Committee with a strong independent representation to consider complaints that Members may have contravened the Council's Code of Conduct for Members. The Standards Committee is constituted as an advisory committee reporting to the Governance and Audit Committee. Although meetings of the Committee were scheduled for the 2014/15 municipal year no such meetings took place as there was no business for the Committee to transact apart from consideration in April 2015 of its own Annual Report. This reflects the commendably low level of complaints against Members of both the Borough and Parish/Town Councils but also indicates a pause in the review of Codes of Conduct and Protocols.

## 6. NHS Pension Scheme

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

## 7 Review of the Effectiveness of the Governance Framework

We have been advised on the implications of the result of the review of the effectiveness of the governance framework by the Governance Working Group and Governance and Audit Committee on 24<sup>th</sup> June 2015 and that the arrangements continue to be regarded as fit for purpose in accordance with the governance framework. The areas already addressed and those to be specifically addressed with new actions planned are outlined below.

## 8 Significant Governance Issues

### 8.1 Actions taken during 2014/15 to improve governance.

The Council has progressed implementation of most of the actions identified in the 2013/14 Annual Governance Statement and 2013/14 Action Plan. This included:-

- adopting a new Planning Protocol for Members.

- implementing the policy approved by Corporate Management Team as to mandatory training of officers on Data Protection and Information Security
- raising awareness of Information Management policies with staff
- raising awareness of requirements regarding the registration of gifts and hospital

Following review by the Borough Solicitor and by the Borough Treasurer it was decided that an update on the gifts and hospitality section of the Employee Code of Conduct was not required.

### **8.2 Actions identified during the review of effectiveness to be taken during 2015/16**

#### **8.2.1 On-going Actions for Previous Action Plans**

The Council has adopted a number of Information Management Policies in order to prevent breaches of information security breaches and comply with applicable legislation. Raising staff awareness of such policies and providing appropriate training is a continual process as are taking a proactive approach to fraud and updating the Business Continuity Plan.

#### **8.2.2 Updating the Data Transparency Code**

CLG has extended the Data Transparency Code to further categories of information. The Council's website will be updated in line with the Regulations.

#### **8.2.3 Review CIPFA Guidance on Audit Committees**

The Audit Committee will be appraised of the new CIPFA guidelines in June 2015.

#### **8.2.4 Review of Members Code of Conduct**

A review will be undertaken and training will be provided to all members.

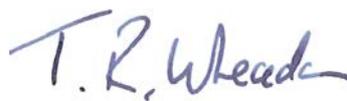
#### **8.2.5 Training for members on key areas**

As part of the Council's ongoing commitment to Member Development an induction programme has been put in place following the May 2015 elections. The programme includes an introduction to the Council's governance structure and performance monitoring processes with briefings on the Members' Code of Conduct, Member/Officer Protocol and Planning Protocol.

### **Signed:**



Cllr P.D. Bettison  
Leader of the Council  
08 September 2015



T.R. Wheadon  
Chief Executive  
08 September 2015

on behalf of Bracknell Forest Council

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

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## Opinion on the Authority's financial statements

We have audited the financial statements of Bracknell Forest Council for the year ended 31 March 2015 under the Audit Commission Act 1998 (as transitionally saved). The Authority financial statements comprise the Movement in Reserves Statement, the Comprehensive Income and Expenditure Statement, the Balance Sheet, the Cash Flow Statement and related notes 1 to 39; and the Collection Fund and related notes 1 to 4.

The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2014/15.

This report is made solely to the members of Bracknell Forest Council, as a body, in accordance with Part II of the Audit Commission Act 1998 and for no other purpose, as set out in paragraph 48 of the Statement of Responsibilities of Auditors and Audited Bodies published by the Audit Commission in March 2010. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Authority and the Authority's members as a body, for our audit work, for this report, or for the opinions we have formed.

## Respective responsibilities of the Borough Treasurer and auditor

As explained more fully in the Statement of the Borough Treasurer's Responsibilities set out on page 25, the Borough Treasurer is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2014/15, and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

## Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Authority's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Borough Treasurer; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Financial Statements 2014/15 to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

## Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the financial position of Bracknell Forest Council as at 31 March 2015 and of its expenditure and income for the year then ended; and

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

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- have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2014/15.

## Opinion on other matters

In our opinion, the information given in the Financial Statements 2014/15 for the financial year for which the financial statements are prepared is consistent with the financial statements.

## Matters on which we report by exception

We report to you if:

- in our opinion the annual governance statement does not comply with 'Delivering Good Governance in Local Government: a Framework' published by CIPFA/SOLACE in June 2007 (updated as at December 2012);
- we issue a report in the public interest under section 8 of the Audit Commission Act 1998;
- we designate under section 11 of the Audit Commission Act 1998 any recommendation as one that requires the Authority to consider it at a public meeting and to decide what action to take in response; or
- we exercise any other special powers of the auditor under the Audit Commission Act 1998.

We have nothing to report in these respects

## Conclusion on Authority's arrangements for securing economy, efficiency and effectiveness in the use of resources

### Respective responsibilities of the Authority and the auditor

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

We are required under Section 5 of the Audit Commission Act 1998 to satisfy ourselves that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the Audit Commission requires us to report to you our conclusion relating to proper arrangements, having regard to relevant criteria specified by the Audit Commission in October 2014.

We report if significant matters have come to our attention which prevent us from concluding that the Authority has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We are not required to consider, nor have we considered, whether all aspects of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

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

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

We have undertaken our audit in accordance with the Code of Audit Practice, having regard to the guidance on the specified criteria, published by the Audit Commission in October 2014, as to whether the Authority has proper arrangements for:

- securing financial resilience; and
- challenging how it secures economy, efficiency and effectiveness.

The Audit Commission has determined these two criteria as those necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether the Authority put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2015.

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

## Conclusion

On the basis of our work, having regard to the guidance on the specified criteria published by the Audit Commission in October 2014, we are satisfied that, in all significant respects, Bracknell Forest Council put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2015.

## Certificate

We certify that we have completed the audit of the accounts of Bracknell Forest Council in accordance with the requirements of the Audit Commission Act 1998 and the Code of Audit Practice issued by the Audit Commission.

Helen Thompson  
for and on behalf of Ernst & Young LLP, Appointed Auditor  
Southampton

23 September 2015

## APPROVAL OF ACCOUNTS

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### Certification

I confirm that these accounts were approved by the Governance and Audit Committee of the Council at its meeting on 23 September 2015. The 23 September 2015 is the date the accounts were authorised for issue and the date which has been used to assess any post balance sheet events.

Signed on behalf of Bracknell Forest Council:

Cllr Nick Allen  
Chairman of Governance and Audit Committee

23 September 2015

# STATEMENT OF RESPONSIBILITIES

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## The Council's Responsibilities

The Authority is required to:

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

## The Borough Treasurer's Responsibilities

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

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

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

The Borough Treasurer has also:

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

I certify that the Statement of Accounts gives a 'true and fair view' of the financial position of the Council as at 31 March 2015 and of its income and expenditure for the year ended 31 March 2015.

Alan Nash FCCA CPFA  
Borough Treasurer

23 September 2015

## MOVEMENT IN RESERVES STATEMENT

2014/15	Note	General Fund £000	Earmarked Reserves £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	Total Usable Reserves £000	Total Unusable Reserves £000	Total Council Reserves £000
<b>Balance at 1 April 2014</b>		<b>9,813</b>	<b>18,585</b>	<b>0</b>	<b>7,966</b>	<b>36,364</b>	<b>330,333</b>	<b>366,697</b>
<b>Movement in Reserves During 2014/15</b>								
Surplus or (Deficit) on Provision of Services		(27,903)	0	0	0	(27,903)	0	(27,903)
Other Comprehensive Income and Expenditure		0	0	0	0	0	(48,920)	(48,920)
<b>Total Comprehensive Income and Expenditure</b>		<b>(27,903)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(27,903)</b>	<b>(48,920)</b>	<b>(76,823)</b>
<b>Adjustments Between Accounting Basis and Funding Basis Under Regulations</b>								
Charges for Depreciation and Impairment of Non-current Assets	29	12,928	0	0	0	12,928	(12,928)	0
Revaluation losses on Property, Plant and Equipment and Intangible Assets	29	21,794	0	0	0	21,794	(21,794)	0
Changes in Fair Value of Investment Properties	29	(154)	0	0	0	(154)	154	0
Amortisation of Intangible Assets	29	255	0	0	0	255	(255)	0
Capital Grants and Contributions Applied	29	(8,505)	0	0	0	(8,505)	8,505	0
Revenue Expenditure Funded From Capital Under Statute	29	1,110	0	0	0	1,110	(1,110)	0
Amounts of non-current assets written off on sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	29	2,589	0	0	0	2,589	(2,589)	0
Statutory provision for the financing of capital investment	29	(1,446)	0	0	0	(1,446)	1,446	0
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	27	(6,573)	0	0	6,573	0	0	0
Application of grants to capital financing transferred to the Capital Adjustment Account	27 29	0	0	0	(5,184)	(5,184)	5,184	0
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	29	(1,058)	0	848	0	(210)	210	0
Use of the Capital Receipts Reserve to finance new capital expenditure	29	0	0	(4,142)	0	(4,142)	4,142	0
Contribution from the Capital Receipts Reserve towards the costs of non-current asset disposals		4	0	(4)	0	0	0	0
Transfer from Deferred Capital Receipts Reserve upon receipt of cash	30	0	0	228	0	228	(228)	0
Income From Capital Receipts That do not Arise From the Disposal of an Asset		(2,874)	0	2,874	0	0	0	0
Repayment of loans	29	0	0	196	0	196	(196)	0
Reversal of items relating to retirement benefits debited or credited to the Surplus/Deficit on Provision of Services	9	18,305	0	0	0	18,305	(18,305)	0
Employer's Pension Contributions to the Royal County of Berkshire Pension Fund Payable in the year	9	(8,344)	0	0	0	(8,344)	8,344	0
Amount by which Council Tax and Business Rates income credited to the Comprehensive Income and Expenditure Statement is different from Council Tax and Business Rates income calculated for the year in accordance with statutory requirements	31	12,140	0	0	0	12,140	(12,140)	0
Amount by which remuneration charged to the Comprehensive Income and Expenditure Statement is different from remuneration chargeable in the year in accordance with statutory requirements	32	584	0	0	0	584	(584)	0
<b>Net Increase/(Decrease) Before Transfers to Earmarked Reserves</b>		<b>40,755</b>	<b>0</b>	<b>0</b>	<b>1,389</b>	<b>42,144</b>	<b>(42,144)</b>	<b>0</b>
		<b>12,852</b>	<b>0</b>	<b>0</b>	<b>1,389</b>	<b>14,241</b>	<b>(91,064)</b>	<b>(76,823)</b>
Transfer (to)/from Earmarked Reserves		(11,704)	11,704	0	0	0	0	0
<b>Increase/(Decrease) in Year</b>		<b>1,148</b>	<b>11,704</b>	<b>0</b>	<b>1,389</b>	<b>14,241</b>	<b>(91,064)</b>	<b>(76,823)</b>
<b>Balance at 31 March 2015</b>		<b>10,961</b>	<b>30,289</b>	<b>0</b>	<b>9,355</b>	<b>50,605</b>	<b>239,269</b>	<b>289,874</b>

## MOVEMENT IN RESERVES STATEMENT

2013/14	Note	General Fund £000	Earmarked Reserves £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	Total Usable Reserves £000	Total Unusable Reserves £000	Total Council Reserves £000
<b>Balance at 1 April 2013</b>		<b>12,982</b>	<b>18,378</b>	<b>0</b>	<b>9,307</b>	<b>40,667</b>	<b>348,974</b>	<b>389,641</b>
<b>Movement in Reserves During 2013/14</b>								
Surplus or (Deficit) on Provision of Services		(16,708)	0	0	0	(16,708)	0	(16,708)
Other Comprehensive Income and Expenditure		0	0	0	0	0	(6,236)	(6,236)
<b>Total Comprehensive Income and Expenditure</b>		<b>(16,708)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(16,708)</b>	<b>(6,236)</b>	<b>(22,944)</b>
<b>Adjustments Between Accounting Basis and Funding Basis Under Regulations</b>								
Charges for Depreciation and Impairment of Non-current Assets	29	13,376	0	0	0	13,376	(13,376)	0
Revaluation losses on Property, Plant and Equipment and Intangible Assets	29	5,671	0	0	0	5,671	(5,671)	0
Changes in Fair Value of Investment Properties	29	(629)	0	0	0	(629)	629	0
Amortisation of Intangible Assets	29	551	0	0	0	551	(551)	0
Capital Grants and Contributions Applied	29	(7,342)	0	0	0	(7,342)	7,342	0
Revenue Expenditure Funded From Capital Under Statute	29	2,794	0	0	0	2,794	(2,794)	0
Amounts of non-current assets written off on sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	29	7,400	0	0	0	7,400	(7,400)	0
Statutory provision for the financing of capital investment	29	(1,572)	0	0	0	(1,572)	1,572	0
Capital expenditure charged against the General Fund balance	29	(1,100)	0	0	0	(1,100)	1,100	0
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	27	(4,191)	0	0	4,191	0	0	0
Application of grants to capital financing transferred to the Capital Adjustment Account	27 29	0	0	0	(5,532)	(5,532)	5,532	0
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	29	(1,868)	0	1,340	0	(528)	528	0
Use of the Capital Receipts Reserve to finance new capital expenditure	29	0	0	(4,545)	0	(4,545)	4,545	0
Contribution from the Capital Receipts Reserve towards the costs of non-current asset disposals		19	0	(19)	0	0	0	0
Transfer from Deferred Capital Receipts Reserve upon receipt of cash	30	0	0	131	0	131	(131)	0
Income From Capital Receipts That do not Arise From the Disposal of an Asset		(3,016)	0	3,016	0	0	0	0
Repayment of loans	29	0	0	77	0	77	(77)	0
Reversal of items relating to retirement benefits debited or credited to the Surplus/Deficit on Provision of Services	9	18,102	0	0	0	18,102	(18,102)	0
Employer's Pension Contributions to the Royal County of Berkshire Pension Fund Payable in the year	9	(8,094)	0	0	0	(8,094)	8,094	0
Amount by which Council Tax and Business Rates income credited to the Comprehensive Income and Expenditure Statement is different from Council Tax and Business Rates income calculated for the year in accordance with statutory requirements	31	(6,265)	0	0	0	(6,265)	6,265	0
Amount by which remuneration charged to the Comprehensive Income and Expenditure Statement is different from remuneration chargeable in the year in accordance with statutory requirements	32	(90)	0	0	0	(90)	90	0
		<b>13,746</b>	<b>0</b>	<b>0</b>	<b>(1,341)</b>	<b>12,405</b>	<b>(12,405)</b>	<b>0</b>
<b>Net Increase/(Decrease) Before Transfers to Earmarked Reserves</b>		<b>(2,962)</b>	<b>0</b>	<b>0</b>	<b>(1,341)</b>	<b>(4,303)</b>	<b>(18,641)</b>	<b>(22,944)</b>
Transfer (to)/from Earmarked Reserves		(207)	207	0	0	0	0	0
<b>Increase/(Decrease) in Year</b>		<b>(3,169)</b>	<b>207</b>	<b>0</b>	<b>(1,341)</b>	<b>(4,303)</b>	<b>(18,641)</b>	<b>(22,944)</b>
<b>Balance at 31 March 2014</b>		<b>9,813</b>	<b>18,585</b>	<b>0</b>	<b>7,966</b>	<b>36,364</b>	<b>330,333</b>	<b>366,697</b>

# COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

	2014/15			Note	2013/14		
	Gross Expenditure £000	Gross Income £000	Net £000		Gross Expenditure £000	Gross Income £000	Net £000
Central Services to the Public	4,220	(1,448)	2,772		4,608	(1,219)	3,389
Cultural and Related Services	17,822	(9,138)	8,684		20,821	(8,699)	12,122
Environment and Regulatory Services	13,343	(3,645)	9,698		13,484	(3,585)	9,899
Planning Services	7,232	(3,307)	3,925		7,040	(3,126)	3,914
Children's and Education Services	145,912	(92,892)	53,020		121,259	(89,837)	31,422
Other Housing Services	37,438	(33,817)	3,621		38,832	(33,403)	5,429
Highways and Transport Services	11,768	(1,123)	10,645		11,609	(1,422)	10,187
Adult Social Care	43,066	(10,730)	32,336		43,494	(9,953)	33,541
Public Health	3,418	(3,144)	274		2,735	(2,780)	(45)
Corporate and Democratic Core	4,165	(3)	4,162		4,428	(12)	4,416
Non Distributed Costs	(315)	(7)	(322)		474	(12)	462
<b>Cost of Services</b>	<b>288,069</b>	<b>(159,254)</b>	<b>128,815</b>	6	268,784	(154,048)	114,736
<b>Other Operating Expenditure</b>							
Levies			105				105
Parish Council Precepts			2,718				2,642
Other Income from Capital Receipts that do not arise from the Disposal of an Asset			(2,874)				(3,016)
(Gain)/Loss on the Disposal of Property, Plant & Equipment			1,520	6			5,563
Other Pension Administration Costs			147	9			171
<b>Financing and Investment Income and Expenditure</b>							
(Surplus)/Deficit on Trading Operations			954	15			989
Interest Receivable and Similar Income			(656)	33			(639)
Interest Payable on PFI Unitary Payments			395	33			407
Interest Payable on Finance Leases			171	33			171
Income and Expenditure in Relation to Investment Properties			(2,012)	17			(2,001)
Changes in Fair Value of Investment Properties			(154)	17			(629)
(Gain)/Loss on the Disposal of Investment Properties			0				(16)
Impairment/ (Impairment Reversal) - Financial Instruments			35	33			(116)
(Gain)/Loss on Financial Instrument Exchange Differences			51	33			0
Net Interest on the Net Defined Benefit Pension Liability			7,065	9			6,105
<b>Taxation and Non-specific Grant Incomes</b>							
Council Tax Income			(49,132)				(48,339)
General and other Non-Ringfenced Government Grants			(27,668)	8			(29,479)
Business Rates Income and Expenditure			(16,499)	8			(18,413)
Capital Grants and Contributions			(15,078)	8			(11,533)
<b>(Surplus) or Deficit on Provision of Services</b>			<b>27,903</b>				<b>16,708</b>
(Surplus) or Deficit on Revaluation of Non-Current Assets			(942)	28			(1,879)
Remeasurements of the Net Defined Benefit Pension Liability – BFC			46,807	9			10,835
Remeasurements of the Net Defined Benefit Pension Liability – Former BCC Fund			3,055	9			(2,720)
<b>Other Comprehensive Income and Expenditure</b>			<b>48,920</b>				<b>6,236</b>
<b>Total Comprehensive Income and Expenditure</b>			<b>76,823</b>				<b>22,944</b>

## BALANCE SHEET

	Notes	31 March 2015 £000	31 March 2014 £000
<b>Property, Plant and Equipment</b>			
Other Land and Buildings	16	415,376	436,468
Vehicles, Plant and Equipment	16	12,994	13,327
Infrastructure Assets	16	47,872	45,321
Community Assets	16	5,955	5,800
Surplus Assets	16	5,865	7,453
Assets Under Construction	16	11,585	5,239
	16	<b>499,647</b>	513,608
Heritage Assets		223	223
Investment Property	17	23,976	24,442
Intangible Assets		555	551
Long Term Debtors	20	3,860	3,961
<b>Long Term Assets</b>		<b>528,261</b>	542,785
<b>Current Assets</b>			
Short Term Investments	33	7,650	14,727
Inventories		234	230
Short Term Debtors	21	28,319	15,345
Cash and Cash Equivalents	22	32,755	35,639
Assets Held for Sale	16	1,298	0
		<b>70,256</b>	65,941
<b>Current Liabilities</b>			
Short Term Borrowing	33	0	(1,500)
Short Term Creditors	23	(49,033)	(48,064)
Provisions	24	(13,200)	(5,201)
		<b>(62,233)</b>	(54,765)
<b>Long Term Liabilities</b>			
Long Term Creditors	25	(16,078)	(16,256)
Capital Grants and Other Contributions	8	(6,437)	(6,936)
Net Pension Liability	9	(223,895)	(164,072)
		<b>(246,410)</b>	(187,264)
<b>Net Assets</b>		<b>289,874</b>	366,697
<b>Usable Reserves</b>			
General Fund		10,961	9,813
Earmarked Reserves	26	30,289	18,585
Capital Grants Unapplied Reserve	27	9,355	7,966
		<b>50,605</b>	36,364
<b>Unusable Reserves</b>			
Revaluation Reserve	28	147,283	148,298
Capital Adjustment Account	29	324,671	342,073
Collection Fund Adjustment Account	31	(5,666)	6,474
Deferred Capital Receipts Reserve	30	2,568	2,668
Pension Reserve	9	(223,895)	(164,072)
Accumulated Absences Account	32	(5,692)	(5,108)
		<b>239,269</b>	330,333
<b>Total Reserves</b>		<b>289,874</b>	366,697

These financial statements replace the unaudited financial statements certified by Alan Nash on 29 June 2015.

**Alan Nash FCCA CPFA**  
**Borough Treasurer**  
**23 September 2015**

## CASH FLOW STATEMENT

		2014/15	2013/14
	Note	£000	£000
<b>Cash Flows From Operating Activities</b>			
Surplus or (Deficit) on Provision of Services		(27,903)	(16,708)
<b>Adjust for Non Cash Movements</b>			
Depreciation		12,928	13,376
Impairment & Revaluation Downwards of Non-Current Assets		21,794	5,671
Amortisation of Intangibles		255	551
Changes in Fair Value of Investment Properties		(154)	(629)
Changes in Provisions		7,999	1,669
Impairment of Financial Instruments		35	(116)
Foreign Exchange (Gain)/Loss		51	0
Amortisation of Long Term Creditors		(119)	(119)
Carrying amount of Non-Current Assets sold		2,589	7,400
Changes in Inventory		(4)	17
Changes in Interest Debtors		55	2
Changes in Debtors		(8,150)	(1,939)
Changes in Creditors		2,570	8,021
Changes in Net Pension Liability		9,961	10,008
<b>Adjust for Items that are Investing or Financing Activities</b>		(10,519)	(10,375)
<b>Net Cash Flow From Operating Activities</b>		<b>11,388</b>	<b>16,829</b>
<b>Cash Flows from Investing Activities</b>			
Purchase of Non-Current Assets		(19,461)	(19,500)
Purchase of Short Term and Long Term Investments		0	0
Other Payments for Investing Activities		(79)	(71)
Proceeds from Sale of Non-Current Assets		844	1,321
Proceeds from Short Term and Long Term Investments		6,976	347
Other Receipts from Investing Activities		4,612	10,249
<b>Net Cash Flow From Investing Activities</b>		<b>(7,108)</b>	<b>(7,654)</b>
<b>Cash Flows from Financing Activities</b>			
Repayment of Short Term and Long Term Borrowing		(1,500)	0
Cash receipts of Short Term and Long Term Borrowing		0	1,500
Capital Element of PFI Contracts		(181)	(169)
Capital Element of Finance Leases		0	(1)
Council Tax and Business Rates Adjustments		(5,483)	10,032
<b>Net Cash Flow From Financing Activities</b>		<b>(7,164)</b>	<b>11,362</b>
<b>Net (Decrease)/Increase in Cash and Cash Equivalents in the Period</b>		<b>(2,884)</b>	<b>20,537</b>
<b>Cash and Cash Equivalents as of the Beginning of the Period</b>	<b>22</b>	<b>35,639</b>	<b>15,102</b>
<b>Cash and Cash Equivalents as of the End of the Period</b>	<b>22</b>	<b>32,755</b>	<b>35,639</b>

The cash flows for operating activities include the following items:

	2014/15	2013/14
	£000	£000
Interest received	711	641
Interest paid	(566)	(578)

## 1 ACCOUNTING POLICIES

### 1.1 Basis of Preparation

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

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

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

### 1.2 Going Concern

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

### 1.3 Accounts Payable and Accrued Expenditure

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

### 1.4 Income Policy

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

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

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

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

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

### 1.5 Exceptional Items

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

## NOTES TO THE CORE FINANCIAL STATEMENTS

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

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

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

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

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

### 1.7 Events after the Balance Sheet Date

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

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

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

### 1.8 Schools

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

### 1.9 Property, Plant and Equipment

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

## NOTES TO THE CORE FINANCIAL STATEMENTS

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

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

Land and buildings are subsequently measured at fair value. Fair value is primarily based on the amount that would be paid for the asset in its existing use. Fair value is estimated using a depreciated replacement cost approach when the asset is specialised and/or rarely sold (such as a school).

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

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

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

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

### **Impairment**

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

# NOTES TO THE CORE FINANCIAL STATEMENTS

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## Depreciation

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

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

Where an asset comprises two or more major components with substantially different useful economic lives, each component is accounted for separately for depreciation purposes and depreciated over its individual useful life. The requirement for componentisation for depreciation purposes is only applicable to enhancement, purchases, or revaluations after 1 April 2010.

No depreciation is charged on land and assets under construction.

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

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

## 1.10 Heritage Assets

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

Heritage Assets are recognised and measured (including the treatment of revaluation gains and losses) in accordance with the Council's accounting policies on Property, Plant and Equipment. However, some of the measurement rules are relaxed and consequently Heritage Assets are carried at valuation rather than fair value, reflecting the fact that exchanges of Heritage Assets are uncommon. There is also no requirement for valuations to be carried out or verified by external valuers, nor is there any prescribed minimum period between valuations. In some cases it may not be practicable to establish a valuation for a Heritage Asset, in which case the asset is carried at historical cost if this information is available.

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

## 1.11 Investment Property

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

## NOTES TO THE CORE FINANCIAL STATEMENTS

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Investment property is measured initially at cost and subsequently at fair value, which is based on active market prices adjusted, if necessary, for any difference in the nature, location or condition of the specific asset. The Council's Principal Valuation Surveyor carries out the valuations each year in accordance with the Royal Institution of Chartered Surveyors Appraisal and Valuation Manual, known as the "Red Book".

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

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

Investment properties held at fair value are not depreciated.

### 1.12 Intangible Assets

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

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

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

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

### 1.13 Disposals and Non-current Assets Held for Sale

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

If assets no longer meet the criteria to be classified as Assets Held for Sale, they are reclassified back to non-current assets and valued at the lower of their carrying amount

## NOTES TO THE CORE FINANCIAL STATEMENTS

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before they were classified as held for sale; adjusted for depreciation, amortisation or revaluations that would have been recognised had they not been classified as Held for Sale, and their recoverable amount at the date of the decision not to sell.

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

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

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

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

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

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

### 1.15 Charges to Revenue for Non-Current Assets

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

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

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

## NOTES TO THE CORE FINANCIAL STATEMENTS

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### 1.16 Revenue Expenditure Funded from Capital under Statute

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

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

### 1.17 Private Finance Initiative (PFI)

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

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

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

#### *Services Received*

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

#### *PFI Asset*

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

#### *PFI Liability*

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

### 1.18 Lease Classification

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

## NOTES TO THE CORE FINANCIAL STATEMENTS

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

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

### ***Operating Leases (Council as Lessee)***

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

### ***Operating Leases (Council as Lessor)***

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

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

### ***Finance Leases (Council as Lessee)***

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

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

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

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

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

Lease payments are apportioned between:

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

### ***Finance Leases (Council as Lessor)***

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

## NOTES TO THE CORE FINANCIAL STATEMENTS

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

### 1.19 Cash and Cash Equivalents

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

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

### 1.20 Financial Instruments

#### *Recognition*

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

#### *Classification and Measurement*

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

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

#### *Loans and Receivables*

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

#### *Impairment of Financial Assets*

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

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

## NOTES TO THE CORE FINANCIAL STATEMENTS

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

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

### *Derecognition*

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

### *Financial Liabilities*

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

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

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

## 1.21 Employee Benefits

### *Leave and flexi-time*

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

### *Termination Benefits*

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

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

## NOTES TO THE CORE FINANCIAL STATEMENTS

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### *Post Employment Benefits*

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

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

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

### *Teacher's Pension Scheme*

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

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

### *Local Government Pension Scheme*

The Council's contributions are determined by triennial actuarial valuation. The latest valuation was as at 31 March 2013. Under Superannuation Regulations, the contribution rates are set to meet all the liabilities of the fund.

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

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

The assets of the pension fund attributable to the Council are measured at fair value as follows:

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

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

## NOTES TO THE CORE FINANCIAL STATEMENTS

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- (i) Service cost comprising:
- current service cost – the increase in liabilities as a result of years of service earned this year;
  - past service cost – the change in liabilities arising from current year decisions whose effect relates to years of service earned in earlier years or from plan curtailments;
  - gains or losses on settlements - transactions that eliminate all further legal or constructive obligations for part or all of the benefits provided under the plan;
- (ii) Other Pension Administration Costs which are those that are directly related to the management of plan assets. These are included under Other Operating Expenditure.
- (iii) Net interest on the net defined benefit liability - the change during the period in the net defined benefit liability. It is calculated by applying the discount rate used to measure the defined benefit obligation at the beginning of the period to the net defined benefit liability at the beginning of the period adjusted for contribution and benefit payments during the year.
- (iv) Remeasurements comprising:
- differences between the return on plan assets and interest income on plan assets calculated as part of the net interest on the net defined benefit liability;
  - actuarial gains and losses which result from events not coinciding with assumptions made at the last actuarial valuation or the actuaries updating the assumptions.
- (v) Contributions paid into the Royal County of Berkshire Pension Fund, and
- (vi) Benefits paid.

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

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

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

### 1.22 Government Grants and Other Contributions

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

- the Council will comply with the conditions attached to the payments, and

## NOTES TO THE CORE FINANCIAL STATEMENTS

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- the grants or contributions will be received.

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

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

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

### 1.23 Provisions

Provisions are recognised when:

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

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

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

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

### 1.24 Contingent Assets & Liabilities

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

## NOTES TO THE CORE FINANCIAL STATEMENTS

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

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

### 1.25 Reserves

The Council sets aside specific amounts as reserves for future policy purposes or to cover contingencies. Reserves are created by appropriating amounts out of the General Fund Balance in the Movement in Reserves Statement. When expenditure to be financed from a reserve is incurred, it is charged to the appropriate service revenue account in that year to score against the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement. The reserve is then appropriated back into the General Fund Balance in the Movement in Reserves Statement so that there is no net charge against Council Tax for the expenditure.

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

### 1.26 Inventory

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

### 1.27 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 and Democratic Core – costs relating to the Council's status as a multi-functional democratic organisation; and

Non Distributed Costs – the costs of discretionary benefits awarded to employees retiring early and any depreciation, revaluation losses or impairment losses chargeable on surplus assets or Assets Held for Sale.

These two cost categories are defined in the Service Reporting Code of Practice for Local Authorities (SeRCOP) and accounted for as separate headings on the Comprehensive Income and Expenditure Statement, as part of the Surplus or Deficit on the Provision of Services.

### 1.28 Value Added Tax (VAT)

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

# NOTES TO THE CORE FINANCIAL STATEMENTS

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## 2 ACCOUNTING STANDARDS ISSUED BUT NOT YET ADOPTED

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

- IFRS 13 *Fair Value Measurement* (May 2011)
- Annual Improvements to IFRSs (2011 – 2013 Cycle)
- IFRIC 21 *Levies*

Although full adoption will not be required until 1 April 2015, the Council is required to disclose the estimated effect of the changes in these financial statements.

Operational Property, Plant and Equipment are unaffected by IFRS 13, which has been adapted by the Code of Practice, and will continue to be valued on an Existing Use or Depreciated Replacement Cost basis. Surplus assets, however, will need to be measured at fair value in accordance with IFRS 13. Currently the valuation is based on their usage before becoming surplus. The value of surplus assets held in the Balance Sheet at 31 March 2015 would be approximately £0.2m higher under the new standard. Additional disclosures will also be required.

The International Accounting Standards Board carries out cyclical work to identify and implement improvements in IFRSs. The 2011-13 cycle has identified amendments to IFRSs 1 (First-time Adoption of IFRSs), 3 (Business Combinations) and 13 and IAS 40 (Investment Property). None of these amendments are relevant for the Council's accounts.

IFRIC 21 clarifies when the liability to pay a levy arises and should be recognised. No impact is expected on the Council's accounts.

## 3 CRITICAL JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

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

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

### Lease Accounting

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

A number of criteria are used to determine whether the lease transfers substantially all the risks and rewards of ownership as specified in IAS 17 - Leases. In particular judgement is required in assessing whether the lease term is for the major part of the economic life of the asset. In general, a term of 80% or greater of the asset life was considered indicative of a finance lease, however all the criteria were considered together when making a decision. When reviewing lease classifications for the conversion to IFRS however, the Council concluded that each of the lease classifications could be determined without calculating the Net Present Value of the minimum lease payments.

The Council has elected to treat Longshot Lane as a finance lease in order to apply the Investment Property classification and measurement guidance in IAS 40. A property interest

## NOTES TO THE CORE FINANCIAL STATEMENTS

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that is held by a lessee under an operating lease may be classified and accounted for as investment property if, and only if, the property would otherwise meet the definition of an investment property and the lessee uses the fair value model. Longshot Lane meets the definition of an investment property and the Council is required by the Code to apply the fair value model.

### Impairment of Assets

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

### PFI Schemes and Similar Contracts

In 2006/07 the Council, together with Wokingham Borough and Reading Borough Councils, entered into a PFI contract for the disposal of waste. The Councils are deemed to control the services provided and will obtain ownership of the associated assets at the end of the contract. The accounting policies for PFI schemes and similar contracts have therefore been applied to the arrangement and the Council's share of the assets (valued at £7.8m as at 31 March 2015) are recognised as Property, Plant and Equipment on the Balance Sheet.

### Schools Property

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

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

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

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

There are four Voluntary Controlled (VC) Schools within the Council's area, one of which is owned outright by the Council. Elements of land (including the playing field at one site) and buildings are also owned and controlled by the Council at the remaining three schools. All elements owned and controlled by the Council are reflected in the Balance Sheet. The remaining assets are owned by the Oxford Diocese and another trustee under similar

## NOTES TO THE CORE FINANCIAL STATEMENTS

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licence arrangements to VA schools. These assets are therefore not recognised as assets of the school or included in the Balance Sheet.

Academies are not considered to be maintained schools in the Council's control. Thus the land and building assets are not included on the Council's Balance Sheet. There is one academy (Ranelagh School) within the Council's area.

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

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

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

#### Property, Plant and Equipment

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

Buildings are depreciated over useful lives that are dependent on assumptions about the level of repairs and maintenance that will be incurred in relation to individual assets. The current economic climate makes it uncertain that the Council's current spending on repairs and maintenance can be sustained, which would affect the useful lives assigned to buildings. If the useful life is reduced, depreciation increases and the carrying amount falls. It is estimated that the annual depreciation charge for buildings would increase by £0.311m if all the useful lives were reduced by one year.

#### Future Payments under the Waste PFI Scheme

The estimates of the future payments to the contractor are based on assumptions regarding inflation (assumed to be 2.5%) and performance. Increases in inflation above 2.5% will lead to the Council having to pay over more to the contractor than set out in Note 13. If the contractor's performance is lower than has been built into the financial model, the contractor will have penalty charges levied against it, and therefore the Council's costs will be lower than set out in Note 13.

#### Measurement of Pension Liability

The present value of the net pension liability depends on a number of factors that are determined on an actuarial basis and the value of the underlying assets. The actual net

## NOTES TO THE CORE FINANCIAL STATEMENTS

liability of the Council will continue to be subject to volatility, as a result of changes to these factors and the underlying assumptions.

It is not possible to assess the accuracy of the estimated liability as at 31 March 2015 without completing a full valuation. However, the actuary is satisfied that the approach of rolling forward the previous valuation data from 31 March 2013 to 31 March 2015 should not introduce any material distortions in the results.

The effects of changes in individual assumptions can be measured. The following table sets out the impact of change in the significant actuarial assumptions on the present value of scheme liabilities (£433.6m) and projected service cost (£14.3m).

Sensitivity Analysis	Present Value of Total Obligation Change £m	Projected Service Cost Change £m
+ or (-) 0.1%		
Adjustment to discount rate	8.1	0.3
Adjustment to long term salary increase	1.1	0.0
Adjustment to pension increases and deferred revaluation	7.1	0.3
(+) or - 1 year		
Adjustment to mortality age rating assumption	15.1	0.5

### Impairment of Financial Instruments

At 31 March 2015, the Council had a trade debtors' balance of £4.97m. The impairment for doubtful debts figure is based on applying a percentage to the outstanding balance which varies depending on how long the debt has been outstanding. In the current economic climate it is not certain that the allowance made will be sufficient. If collection rates were to deteriorate, a doubling of the percentage used to calculate the impairment for general debts would require an additional £0.51m to be set aside as an allowance.

Additional allowances are also made for a number of other debts, in particular Housing Benefits, Business Rates and Council Tax. These totalled £2.40m as at 31 March 2015. Doubling the percentage used to calculate these debts would require an additional £0.83m to be set aside.

### Accumulated Compensated Absences

Accumulating compensated absences are those that can be carried forward for use in future periods if the current period's entitlements are not used in full, for example untaken annual leave and flexi-time entitlement. The Council is required to accrue for any annual or flexi leave earned but not taken as at 31 March each year. For non-teaching staff the accrual is based on a historic sample of staff covering a range of pay grades, locations and departments. For teaching staff, where leave is earned and taken on a term by term basis, a formula is used to identify the number of days of untaken leave for the spring term. The impact of an increase in outstanding leave of 1 day for all staff would be to increase the accrual by £0.18m for non-teaching staff and £0.24m for teaching staff.

### Provision for Business Rates Appeals

The Council has made a provision of £22.06m for outstanding Business Rates appeals. This is based on the latest list of outstanding rating proposals provided by the Valuation Office Agency and external advice from rating agents, taking into account factors such as the settled claims history for the Council, changes in comparable hereditaments, market trends

## NOTES TO THE CORE FINANCIAL STATEMENTS

and other valuation issues, including the potential for certain proposals to be withdrawn. The provision is split between the Council, Central Government and the Royal Berkshire Fire Authority with the Council's proportion of 49% equating to £10.81m. A 1% change in the estimate would result in a £0.22m increase or decrease in the provision required for appeals (£0.11m for the Council).

### 5 AMOUNTS REPORTED FOR RESOURCE ALLOCATION DECISIONS

The analysis of income and expenditure by service on the face of the Comprehensive Income and Expenditure Statement is that specified by the Service Reporting Code of Practice for Local Authorities. However, decisions about resource allocation are taken by the Council's Corporate Management Team on the basis of monthly budget monitoring reports analysed across departments. These reports are prepared on a different basis from the accounting policies used in the financial statements. In particular:

- no charges are made during the year in relation to capital expenditure (whereas depreciation, revaluation and impairment losses in excess of the balance on the Revaluation Reserve and amortisations are charged to services in the Comprehensive Income and Expenditure Statement); and
- the cost of retirement benefits is based on cash flows (payment of employer's pensions contributions) rather than current service cost of benefits accrued in the year.

The income and expenditure of the Council's principal departments recorded in the budget monitoring reports for the year follows:

2014/15	Corporate Services / Chief Exec Office £000	Children, Young People & Learning £000	Adult Social Care, Health & Housing £000	Environment, Culture & Communities £000	Total £000
<b>Income and Expenditure</b>					
Fees, charges & other service income	(4,072)	(4,224)	(6,328)	(16,917)	(31,541)
Government grants & contributions	(659)	(91,843)	(56,272)	(1,694)	(150,468)
<b>Total Income</b>	<b>(4,731)</b>	<b>(96,067)</b>	<b>(62,600)</b>	<b>(18,611)</b>	<b>(182,009)</b>
Employee expenses	10,518	75,206	14,651	16,217	116,592
Other service expenses	8,467	36,856	78,153	25,238	148,714
Support service recharges	(9,132)	3,065	2,792	3,193	(82)
<b>Total Expenditure</b>	<b>9,853</b>	<b>115,127</b>	<b>95,596</b>	<b>44,648</b>	<b>265,224</b>
<b>Net Expenditure</b>	<b>5,122</b>	<b>19,060</b>	<b>32,996</b>	<b>26,037</b>	<b>83,215</b>

## NOTES TO THE CORE FINANCIAL STATEMENTS

2013/14	Corporate Services / Chief Exec Office	Children, Young People & Learning	Adult Social Care, Health & Housing	Environment, Culture & Communities	Total
	£000	£000	£000	£000	£000
<b>Income and Expenditure</b>					
Fees, charges & other service income	(3,810)	(4,099)	(6,056)	(16,654)	(30,619)
Government grants & contributions	(667)	(88,827)	(54,866)	(1,605)	(145,965)
<b>Total Income</b>	<b>(4,477)</b>	<b>(92,926)</b>	<b>(60,922)</b>	<b>(18,259)</b>	<b>(176,584)</b>
Employee expenses	10,544	72,531	14,302	16,357	113,734
Other service expenses	7,978	35,130	77,760	25,120	145,988
Support service recharges	(9,179)	2,983	2,894	3,161	(141)
<b>Total Expenditure</b>	<b>9,343</b>	<b>110,644</b>	<b>94,956</b>	<b>44,638</b>	<b>259,581</b>
<b>Net Expenditure</b>	<b>4,866</b>	<b>17,718</b>	<b>34,034</b>	<b>26,379</b>	<b>82,997</b>

### Reconciliation of Departmental Income and Expenditure to Cost of Services in the Explanatory Foreword

This reconciliation shows how the figures in the analysis of departmental income and expenditure relate to the amounts included within Cost of Services in the Explanatory Foreword.

2014/15	Corporate Services / Chief Exec Office	Children, Young People & Learning	Adult Social Care, Health & Housing	Environment, Culture & Communities	Total
	£000	£000	£000	£000	£000
Net Expenditure	5,122	19,060	32,996	26,037	83,215
Capital charges (including depreciation and amortisation, revaluation downwards and impairments plus revenue expenditure funded from capital under statute)	2,533	27,441	1,065	5,163	36,202
IAS 19 Pension Adjustments	182	1,521	663	812	3,178
<b>Cost of Services in Explanatory Foreword</b>	<b>7,837</b>	<b>48,022</b>	<b>34,724</b>	<b>32,012</b>	<b>122,595</b>

## NOTES TO THE CORE FINANCIAL STATEMENTS

### Reconciliation of Departmental Income and Expenditure to Cost of Services in the Comprehensive Income and Expenditure Statement

This reconciliation shows how the figures in the analysis of departmental income and expenditure relate to the amounts included within Cost of Services in the Comprehensive Income and Expenditure Statement.

	2014/15 £000	2013/14 £000
Net expenditure in the Departmental Analysis	83,215	82,997
Net expenditure of services and support services not included in the Analysis	568	281
Amounts included in Cost of Services in the Comprehensive Income and Expenditure Statement not reported to management in the Analysis	39,906	26,338
Amounts included in the Analysis not included in the Cost of Services in the Comprehensive Income and Expenditure Statement	5,126	5,120
<b>Cost of Services in Comprehensive Income and Expenditure Statement</b>	<b>128,815</b>	<b>114,736</b>

An increase in capital charges relating to the downward revaluation of assets is the main reason for the increase in the value of adjusting items above.

## NOTES TO THE CORE FINANCIAL STATEMENTS

### Reconciliation to Subjective Analysis

This reconciliation shows how the figures in the analysis of departmental income and expenditure relate to a subjective analysis of the Surplus or Deficit on the Provision of Services included in the Comprehensive Income and Expenditure Statement. The subjective analysis is based on the Service Reporting Code of Practice for Local Authorities.

2014/15	Departmental Analysis	Services and Support Services not in Analysis	Amounts not reported to management for decision making	Amounts not included in I&E	Cost of Services	Corporate Amounts	Total
	£000	£000	£000	£000	£000	£000	£000
Fees, charges & other service income	(31,541)	(160)	0	5,306	(26,395)	0	(26,395)
Interest and investment income	0	0	0	0	0	(656)	(656)
Other income from capital receipts that do not arise from the disposal of an asset	0	0	0	0	0	(2,874)	(2,874)
Income from Council Tax	0	0	0	0	0	(49,132)	(49,132)
Government grants and contributions	(150,468)	0	0	17,609	(132,859)	(59,245)	(192,104)
<b>Total income</b>	<b>(182,009)</b>	<b>(160)</b>	<b>0</b>	<b>22,915</b>	<b>(159,254)</b>	<b>(111,907)</b>	<b>(271,161)</b>
Employee expenses	111,508	216	3,332	(2,828)	112,228	147	112,375
Employee expenses – Voluntary Aided Schools	5,084	0	0	0	5,084	0	5,084
Other service expenses	148,714	512	487	(13,816)	135,897	0	135,897
Support service recharges	(82)	0	0	(606)	(688)	0	(688)
Depreciation, amortisation and impairment	0	0	13,183	(539)	12,644	0	12,644
Revaluation losses on Property, Plant and Equipment	0	0	21,794	0	21,794	0	21,794
Revenue expenditure funded from capital under statute	0	0	1,110	0	1,110	0	1,110
Precepts & levies	0	0	0	0	0	2,823	2,823
Gain or loss on disposal of non-current assets	0	0	0	0	0	1,520	1,520
Surplus or deficit on trading undertakings	0	0	0	0	0	954	954
Interest payments	0	0	0	0	0	566	566
Income and Expenditure in relation to Investment Property	0	0	0	0	0	(2,012)	(2,012)
Movement in fair value of investment properties	0	0	0	0	0	(154)	(154)
Financial Instruments - Impairment	0	0	0	0	0	35	35
Financial Instruments - Exchange Rate Difference	0	0	0	0	0	51	51
Net Interest on the Net Defined Benefit Pension Liability	0	0	0	0	0	7,065	7,065
<b>Total expenditure</b>	<b>265,224</b>	<b>728</b>	<b>39,906</b>	<b>(17,789)</b>	<b>288,069</b>	<b>10,995</b>	<b>299,064</b>
<b>(Surplus) or deficit on the provision of services</b>	<b>83,215</b>	<b>568</b>	<b>39,906</b>	<b>5,126</b>	<b>128,815</b>	<b>(100,912)</b>	<b>27,903</b>

## NOTES TO THE CORE FINANCIAL STATEMENTS

2013/14	Departmental Analysis	Services and Support Services not in Analysis	Amounts not reported to management for decision making	Amounts not included in I&E	Cost of Services	Corporate Amounts	Total
	£000	£000	£000	£000	£000	£000	£000
Fees, charges & other service income	(30,619)	(335)	0	5,399	(25,555)	0	(25,555)
Interest and investment income	0	0	0	0	0	(639)	(639)
Other income from capital receipts that do not arise from the disposal of an asset	0	0	0	0	0	(3,016)	(3,016)
Income from Council Tax	0	0	0	0	0	(48,339)	(48,339)
Government grants and contributions	(145,965)	0	0	17,472	(128,493)	(59,425)	(187,918)
<b>Total income</b>	<b>(176,584)</b>	<b>(335)</b>	<b>0</b>	<b>22,871</b>	<b>(154,048)</b>	<b>(111,419)</b>	<b>(265,467)</b>
Employee expenses	108,855	218	3,642	(2,747)	109,968	171	110,139
Employee expenses – Voluntary Aided Schools	4,879	0	0	0	4,879	0	4,879
Other service expenses	145,988	398	304	(14,036)	132,654	0	132,654
Support service recharges	(141)	0	0	(428)	(569)	0	(569)
Depreciation, amortisation and impairment	0	0	13,927	(540)	13,387	0	13,387
Revaluation losses on Property, Plant and Equipment	0	0	5,671	0	5,671	0	5,671
Revenue expenditure funded from capital under statute	0	0	2,794	0	2,794	0	2,794
Precepts & levies	0	0	0	0	0	2,747	2,747
Gain or loss on disposal of non-current assets	0	0	0	0	0	5,547	5,547
Surplus or deficit on trading undertakings	0	0	0	0	0	989	989
Interest payments	0	0	0	0	0	578	578
Income and Expenditure in relation to Investment Property	0	0	0	0	0	(2,001)	(2,001)
Movement in fair value of investment properties	0	0	0	0	0	(629)	(629)
Financial Instruments - Impairment Reversal	0	0	0	0	0	(116)	(116)
Net Interest on the Net Defined Benefit Pension Liability	0	0	0	0	0	6,105	6,105
<b>Total expenditure</b>	<b>259,581</b>	<b>616</b>	<b>26,338</b>	<b>(17,751)</b>	<b>268,784</b>	<b>13,391</b>	<b>282,175</b>
<b>(Surplus) or deficit on the provision of services</b>	<b>82,997</b>	<b>281</b>	<b>26,338</b>	<b>5,120</b>	<b>114,736</b>	<b>(98,028)</b>	<b>16,708</b>

## 6 EXCEPTIONAL AND MATERIAL ITEMS OF INCOME AND EXPENDITURE

No items of income or expenditure have been treated as exceptional items in 2014/15.

Within the Cost of Services, the comparative changes in Net Cost primarily relate to capital charges. The comparative increase in Children and Education Services relates to the downward revaluation of schools. The Net Cost of Cultural and Related Services has reduced because there were significant revaluations downwards last year but none in 2014/15.

## NOTES TO THE CORE FINANCIAL STATEMENTS

Changes in Other Housing Services principally relate to a reduction in the impairment allowance for bad debts and changes in the methodology for allocating internal and corporate recharges.

The loss on the disposal of Property, Plant and Equipment primarily relates to the derecognition of components rather than direct sales. These significantly reduced in 2014/15 compared to 2013/14.

### 7 SCHOOLS

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

2014/15	Category and Type of School						Grand Total
	Community				Voluntary Aided	Voluntary Controlled	
	Primary	Secondary	Special	Total	Primary	Primary	
Number	21	5	1	27	4	6	37
Net Spend	£000	£000	£000	£000	£000	£000	£000
	24,427	26,795	3,468	54,690	3,288	5,072	63,050
Deficits	32	93	10	135	0	1	136
Surpluses	(2,701)	(892)	0	(3,593)	(340)	(216)	(4,149)

2013/14	Category and Type of School						Grand Total
	Community				Voluntary Aided	Voluntary Controlled	
	Primary	Secondary	Special	Total	Primary	Primary	
Number	21	5	1	27	4	6	37
Net Spend	£000	£000	£000	£000	£000	£000	£000
	25,679	27,828	3,508	57,015	3,423	5,248	65,686
Deficits	29	0	0	29	0	0	29
Surpluses	(2,586)	(1,324)	(58)	(3,968)	(182)	(250)	(4,400)

The Council also runs a pupil referral unit which falls outside the main categories of school. This cost £0.687m to run in 2014/15, with an accumulated year end surplus of -£0.074m which will be carried forward into 2015/16 (Net spend of £0.796m with an accumulated year end surplus of -£0.068 in 2013/14).

## NOTES TO THE CORE FINANCIAL STATEMENTS

### Dedicated Schools Grant

The Council's expenditure on schools is funded primarily by grant monies provided by the Department for Education, the Dedicated Schools Grant (DSG). An element of DSG is recouped by the Department to fund academy schools in the Council's area (namely Ranelagh Secondary School in 2014/15). DSG is ring-fenced and can only be applied to meet expenditure properly included in the Schools Budget, as defined in the School Finance and Early Years (England) Regulations 2013. The Schools Budget includes elements for a range of educational services provided on a council-wide basis and for the Individual Schools Budget (ISB), which is divided into a budget share for each maintained school. Details of the deployment of DSG receivable for 2014/15 are as follows:

	Central Expenditure	Individual Schools Budget	Total
	£000	£000	£000
Final DSG for 2014/15 before Academy recoupment			79,623
Academy figure recouped for 2014/15			(3,501)
Total DSG after Academy recoupment for 2014/15			76,122
Plus: Brought forward from 2013/14			1,944
Less: Carry forward to 2015/16 agreed in advance			(184)
Agreed initial budgeted distribution in 2014/15	15,964	61,918	77,882
In year adjustments <sup>1</sup>	(609)	564	(45)
Final budget distribution for 2014/15	15,355	62,482	77,837
Less: Actual central expenditure	14,414		14,414
Less: Actual ISB deployed to schools		62,482	62,482
Plus: Local authority contribution for 2014/15	0	0	0
Carry forward to 2015/16 <sup>2</sup>	941	0	1,125

<sup>1</sup>The in year adjustments against central expenditure includes an allowance for a £0.045m reduction in DSG once the Early Years Block funding allocation is recalculated in May 2015 to reflect January 2015 census figures.

<sup>2</sup>The total carry forward is the carry forward on central expenditure plus the carry forward to 2015/16 agreed in advance.

## NOTES TO THE CORE FINANCIAL STATEMENTS

### 8 GRANT & CONTRIBUTIONS INCOME AND BUSINESS RATES

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

#### Credited to Taxation and Non Specific Grant Income

##### Capital Grants & Contributions

	2014/15	2013/14
	£000	£000
Basic Needs	6,023	3,294
Other Government Grants	7,514	6,055
S106 Contributions	1,333	2,025
Other Capital Contributions	208	159
<b>Total</b>	<b>15,078</b>	<b>11,533</b>

##### Revenue Grants & Contributions

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

The Council did not increase Council Tax in 2014/15 and therefore received a Council Tax Freeze Grant of £0.5m which is equivalent to a 1% increase in Council Tax. As with the 2013/14 grant, it will be rolled into Revenue Support Grant in future years.

The New Homes Bonus is designed to encourage the development of new properties. Grant is provided for each new home built or property brought back into use and is paid each year for 6 years.

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

## NOTES TO THE CORE FINANCIAL STATEMENTS

	2014/15	2013/14
	£000	£000
Revenue Support Grant	19,297	22,102
Local Services Support Grant	42	78
Council Tax Freeze Grant	501	498
New Homes Bonus Grant	2,658	2,084
Troubled Families Grants	228	210
Housing and Council Tax Benefit Subsidy Administration Grant	589	651
Local Sustainable Transport Fund Grant	435	341
Education Services Grant	2,116	2,122
Special Educational Needs Reform Grant	150	75
Localising Support for Council Tax - Transitional Grant	0	119
Small Business Rates Relief Grant	616	189
Local Welfare Provision Grant	208	211
Adoption Reform Grant	105	215
Local Reform and Community Voices Grant	65	64
Capitalisation Provision Redistribution Grant	0	117
Care Act Grant	125	0
Disabled Facilities Grant	309	304
Other non-ringfenced revenue grants	161	99
Other non-ringfenced capital grants used to finance revenue	63	0
<b>General and Non-ringfenced Government Grants</b>	<b>27,668</b>	<b>29,479</b>
Business Rates Income	28,799	32,037
Business Rates Tariff	(10,979)	(10,769)
Business Rates Levy	(1,321)	(2,855)
<b>Business Rates Income and Expenditure</b>	<b>16,499</b>	<b>18,413</b>
<b>Total</b>	<b>44,167</b>	<b>47,892</b>

### Grants and Contributions Credited to Services

	2014/15	2013/14
	£000	£000
Dedicated Schools Grant (including pupil premium)	79,540	77,285
Sixth Form Funding	4,040	4,532
Housing Benefit Subsidy	33,042	32,834
Public Health Grant	3,049	2,772
Other Grants and Contributions	12,733	10,461
Donations	455	609
<b>Total</b>	<b>132,859</b>	<b>128,493</b>

## NOTES TO THE CORE FINANCIAL STATEMENTS

### Grants and Contributions - Receipts in Advance

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

For revenue grants and contributions these totalled £0.937m (£0.683m in 2013/14).

### Capital Grants and Contributions - Receipts in Advance

	31 March 2015	31 March 2014
	£000	£000
Short Term Creditors		
Other Government Grants	377	247
Basic Needs (School Places)	3,863	461
Long Term Liabilities		
Section 106 contributions	6,437	6,936
<b>Total</b>	<b>10,677</b>	<b>7,644</b>

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

## 9 EMPLOYEE BENEFITS

### REMUNERATION OF EMPLOYEES

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

Total Remuneration <sup>1</sup>	2014/15			2013/14
	Non-schools	Schools	Total	No of Employees
£50,000 - £54,999	24	26	50	52
£55,000 - £59,999	13	14	27	35
£60,000 - £64,999	2	19	21	14
£65,000 - £69,999	6	7	13	12
£70,000 - £74,999	4	5	9	6
£75,000 - £79,999	1	3	4	3
£80,000 - £84,999	7	2	9	9
£85,000 - £89,999	3	1	4	4
£90,000 - £94,999	0	0	0	0
£95,000 - £99,999	0	1	1	1
£100,000 - £119,999	0	0	0	0
£120,000 - £124,999	0	0	0	1
£125,000 - £139,999	0	0	0	0
£140,000 - £144,999	0	1	1	0
<b>Total</b>	<b>60</b>	<b>79</b>	<b>139</b>	<b>137</b>
2013/14 Comparatives	65	72		

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

## NOTES TO THE CORE FINANCIAL STATEMENTS

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

### Remuneration of Senior Employees 2014/15

Post Title (and Name if over £150,000)	Salary £000	Expense Allowances £000	Total Excluding Pension Contributions £000	Pension Contributions £000	Total Including Pension Contributions £000
Chief Executive – T Wheadon	159.6	0	159.6	20.0	179.6
Assistant Chief Executive	84.4	0	84.4	10.8	95.2
Director of Corporate Services	115.9	0	115.9	14.8	130.7
Director of Children, Young People and Learning	112.9	0	112.9	14.4	127.3
Director of Adult Social Care, Health and Housing <sup>1</sup>	86.2	0	86.2	11.0	97.2
Interim Director of Adult Social Care, Health and Housing <sup>1</sup>	54.8	0	54.8	0	54.8
Director of Environment, Culture and Communities	112.9	0	112.9	14.4	127.3
Director of Transformation <sup>1</sup>	26.7	0	26.7	3.4	30.1
Borough Treasurer	95.2	0	95.2	12.2	107.4
Borough Solicitor	89.6	0	89.6	11.5	101.1
Strategic Director of Public Health <sup>2</sup>	14.8	0	14.8	1.9	16.7
<b>Total</b>	<b>953.0</b>	<b>0</b>	<b>953.0</b>	<b>114.4</b>	<b>1,067.4</b>

<sup>1</sup> On 5 January 2015, the Director of Adult Social Care, Health and Housing (DASCHH) became the Director of Transformation and an interim was appointed to cover the DASCHH role.

<sup>2</sup> The remuneration for this post is shared between the six Berkshire unitary councils. This is Bracknell Forest's share (13.5%).

### Remuneration of Senior Employees 2013/14

Post Title (and Name if over £150,000)	Salary £000	Expense Allowances £000	Total Excluding Pension Contributions £000	Pension Contributions £000	Total Including Pension Contributions £000
Chief Executive – T Wheadon	156.6	0	156.6	20.4	177.0
Assistant Chief Executive	83.7	0	83.7	10.9	94.6
Director of Corporate Services	115.7	0	115.7	15.0	130.7
Director of Children, Young People and Learning	112.9	0	112.9	14.7	127.6
Director of Adult Social Care, Health and Housing	112.9	0	112.9	14.7	127.6
Director of Environment, Culture and Communities	112.9	0	112.9	14.7	127.6
Borough Treasurer	94.6	0	94.6	12.3	106.9
Borough Solicitor	89.1	0	89.1	11.6	100.7
Strategic Director of Public Health <sup>1</sup>	14.8	0	14.8	1.9	16.7
<b>Total</b>	<b>893.2</b>	<b>0</b>	<b>893.2</b>	<b>116.2</b>	<b>1,009.4</b>

<sup>1</sup> The remuneration for this post is shared between the six Berkshire unitary councils. This is Bracknell Forest's share (13.5%).

## NOTES TO THE CORE FINANCIAL STATEMENTS

### EXIT PACKAGES & TERMINATION BENEFITS

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

Exit Package Cost Band	No of Compulsory Redundancies		No of Other Departures		Total No		Total Cost £000	
	2014/15	2013/14	2014/15	2013/14	2014/15	2013/14	2014/15	2013/14
	£0-£20,000	1	29	35	28	36	57	190
£20,001 - £40,000	3	5	3	0	6	5	202	147
£40,001 - £60,000	1	1	0	0	1	1	44	47
£60,001 - £80,000	0	0	1	0	1	0	65	0
£80,001+	0	0	1	0	1	0	83	0
<b>Total</b>	<b>5</b>	<b>35</b>	<b>40</b>	<b>28</b>	<b>45</b>	<b>63</b>	<b>584</b>	<b>440</b>

The Authority terminated the contracts of 45 employees in 2014/15 (32 in 2013/14). The number of compulsory redundancies in the table above differs from this because the exit packages reflect the year in which any redundancy payments or liabilities were accounted for rather than the year the employee actually left. Other departures include agreed settlements and contract terminations arising, for example, on ill health grounds or during probationary periods.

Liabilities are charged to the Comprehensive Income and Expenditure Statement during the year in which the Council is committed to them. The liabilities of £0.584m (£0.440m in 2013/14) were comprised of redundancy, settlements and other payments £0.411m (£0.239m), pay in lieu of notice £0.102m (£0.078m) and pension fund contributions to preserve unreduced benefits (pension strain) £0.071m (£0.123m). Pension strain is a cost payable to the Pension Fund.

### PENSIONS

#### Teachers' Pension Scheme

Contributions to the Scheme by employers and employees are set at rates determined by the Secretary of State, taking advice from the Scheme's actuary. The Scheme's payments are partially funded by the employer and employee contributions, the balance of funding being provided by Parliament through general taxation. The Teachers' Pension Scheme has set a new Scheme employer contribution rate of 16.48% from September 2015, including a 0.08% administrative charge.

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

	2014/15		2013/14	
	Employers' Contribution	Additional Benefits	Employers' Contribution	Additional Benefits
Amount Paid	£4.512m	£0.257m	£4.361m	£0.260m
As a percentage of teachers' pensionable pay	14.1%	0.8%	14.1%	0.8%

The expected Employers' Contribution for 2015/16 is £4.926m

## NOTES TO THE CORE FINANCIAL STATEMENTS

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

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

### Local Government Pension Scheme

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

The Council pays employer's contributions into the Royal County of Berkshire Pension Fund. The contribution rate is determined by the Fund's Actuary based on triennial valuations, the last relevant review being at 31 March 2013. Under Pension Fund Regulations contribution rates are set to meet 100% of the overall liabilities of the Fund. The current contribution rate is 12.8% of pensionable pay for current service plus a lump sum payment of £1.746m to cover the past service deficit element (13.0% and £1.626m in 2013/14).

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

## NOTES TO THE CORE FINANCIAL STATEMENTS

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

	2014/15 £000	2013/14 £000
<b>Comprehensive Income and Expenditure Statement</b>		
Cost of Services:		
Current Service Cost	11,522	11,722
Past Service Cost including curtailments	83	104
(Gain)/Loss from Settlements	(512)	0
Other Operating Expenditure		
Other Pension Administration Costs	147	171
Financing and Investment Income and Expenditure:		
Net Interest Expense	7,065	6,105
<b>Total Post Employment Benefits Charged to the Surplus or Deficit on the Provision of Services</b>	<b>18,305</b>	<b>18,102</b>
Other Post Employment Benefits Charged to the Comprehensive Income and Expenditure Statement – Remeasurements of the Net Defined Benefit Liability		
Return on Plan Assets (excluding the amount included in the Net Interest Expense)	(9,354)	3,146
Actuarial (Gains) and Losses arising on changes in financial assumptions	59,112	4,716
Actuarial (Gains) and Losses arising on changes in demographic assumptions	0	(15,864)
Other Actuarial (Gains)/Losses on Assets	0	20,120
Experience (Gain)/Loss on Defined Benefit Obligation	104	(4,003)
<b>Total Post Employment Benefits Charged to the Comprehensive Income and Expenditure Statement</b>	<b>68,167</b>	<b>26,217</b>
Movement in Reserves Statement		
Reversal of net charges made to the Surplus or Deficit on the Provision of Services for Post Employment Benefits in accordance with the Code.	(18,305)	(18,102)
Actual Amount Charged Against the General Fund for Pensions in the Year:		
Employer's Contributions Payable to Pension Scheme	8,344	8,094

### Pensions Assets and Liabilities Recognised in the Balance Sheet

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

	31 March 2015 £000	31 March 2014 £000
Present value of funded obligation	427,396	351,411
Fair value of scheme (plan) assets	(209,730)	(193,289)
<b>Net funded liability</b>	<b>217,666</b>	<b>158,122</b>
Present value of unfunded obligation	6,229	5,950
<b>Net liability arising from the defined benefit obligation</b>	<b>223,895</b>	<b>164,072</b>

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

## NOTES TO THE CORE FINANCIAL STATEMENTS

The net liability has an impact on the net worth of the Council as recorded in the Balance Sheet. However, statutory arrangements for funding the deficit mean that the financial position of the Council remains healthy. The deficit on the Local Government Scheme will be funded by improved investment returns or increased contributions over the remaining working lives of employees, as assessed by the scheme's actuary.

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

	31 March 2015	31 March 2014
	£000	£000
Liabilities as of the Beginning of the Period	357,361	352,506
Current Service Cost	11,522	11,722
Interest Cost	15,707	15,518
Contributions by Scheme Participants	3,169	3,007
Remeasurements		
Actuarial Gains and Losses arising from changes in financial assumptions	59,112	4,716
Actuarial Gains and Losses arising from changes in demographic assumptions	0	(15,864)
Experience Loss/(Gain) on Defined Benefit Obligation	104	(4,003)
Past Service Costs including Curtailments	83	104
Benefits Paid plus Unfunded Pension Payments	(11,124)	(9,911)
Unfunded Pension Payments	(435)	(434)
Liabilities assumed/(extinguished) on Settlements	(1,874)	0
<b>Liabilities as of the end of the period</b>	<b>433,625</b>	<b>357,361</b>

The liabilities show the underlying commitments that the Council has to pay in retirement benefits. The actuarial loss arising from changes to financial assumptions has increased significantly compared to last year. This is primarily due to a significant decrease in the discount rate used, which in turn is due to a decrease in bond yields.

Reconciliation of the movements in the fair value of scheme (plan) assets:

	31 March 2015	31 March 2014
	£000	£000
Assets as of the Beginning of the Period	193,289	206,557
Interest income	8,642	9,413
Remeasurements		
Return on Plan Assets (excluding the amount included in the Net Interest Expense)	9,354	(3,146)
Other Actuarial Gains and Losses	0	(20,120)
Other Administration Expenses	(147)	(171)
Employer Contributions	8,344	8,094
Contributions by Scheme Participants	3,169	3,007
Benefits Paid	(11,559)	(10,345)
Settlement prices received/(paid)	(1,362)	0
<b>Assets as of the end of the period</b>	<b>209,730</b>	<b>193,289</b>

The actual return on scheme assets in the year was £18.0m (£6.3m in 2013/14). Large changes can arise due to volatile market conditions and this year saw a higher fund performance in the year – a 9% return compared to the return of 3% last year.

The total contribution expected to be made to the Royal County of Berkshire Pension Fund in 2015/16 is £8.399m.

## NOTES TO THE CORE FINANCIAL STATEMENTS

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

	Assets Held 31 March 2015		Assets Held 31 March 2014	
	£000	%	£000	%
Cash and Cash Equivalents	11,505	6	3,865	2
Bonds				
Government (Gilts)	2,938	1	1,933	1
Other <sup>1</sup>	29,581	14	30,927	16
Equities <sup>2</sup>	93,188	45	81,181	42
Property <sup>3</sup>	25,826	12	23,195	12
Target Return (Unit Trust)	37,229	18	34,792	18
Commodities <sup>4</sup>	8,201	4	17,396	9
Infrastructure <sup>4</sup>	9,034	4	7,732	4
Longevity Insurance	-7,772	-4	-7,732	-4
<b>Total</b>	<b>209,730</b>	<b>100</b>	<b>193,289</b>	<b>100</b>

<sup>1</sup>Other Bonds are all overseas investments

<sup>2</sup>95% of Equities are overseas investments (64% in 2013/14)

<sup>3</sup>Property is a pooled fund with both UK and overseas elements

<sup>4</sup>Commodities and infrastructure are all overseas investments

### Basis for Estimating Asset and Liabilities

Liabilities have been estimated on an actuarial basis using the latest full valuation of the scheme as at 31 March 2013 rolled forward allowing for different financial assumptions about mortality rates, salary levels, etc. Barnett Waddingham, an independent firm of actuaries, has assessed the Royal County of Berkshire Pension Fund liabilities. Since 2012/13, different assumptions have been made for this Council and the former Berkshire County Council (BCC).

These assumptions are set with reference to market conditions at 31 March 2015. The discount rate is the annualised yield at the 20 year (BCC 13 year) point on the Merrill Lynch AA rated corporate bond curve which has been chosen with consideration of the duration of the employer's liabilities, estimated at 20 years (BCC 13 years). The RPI assumption is therefore 3.3% (BCC 2.9%). As future pension increases are based on CPI rather than RPI, a further assumption has been made about CPI which is that it will be 0.8% below RPI i.e. 2.5% (BCC 2.1%). This is a reasonable estimate for the future differences in the indices, based on the different calculation methods.

Salary increases are assumed to be 1.8% above CPI in addition to a promotional scale. However, this has been overlaid with the assumption that from 31 March 2013 to 31 March 2016 salaries will rise at 1% per annum.

## NOTES TO THE CORE FINANCIAL STATEMENTS

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

	2014/15		2013/14	
	% Former BCC	% BFC	% Former BCC	% BFC
Rate of inflation - RPI	2.9	3.3	3.4	3.6
Rate of inflation - CPI	2.1	2.5	2.6	2.8
Rate of increase in salaries	3.9	4.3	4.4	4.6
Rate of increase in pensions	2.1	2.5	2.6	2.8
Discount Rate	2.9	3.4	4.1	4.5
Mortality assumptions from age 65:	<b>Age</b>	<b>Age</b>	Age	Age
Longevity at 65 for current pensioners				
Men	22.8	22.8	22.7	22.7
Women	26.1	26.1	26.0	26.0
Longevity at 65 for pensioners retiring in 20 years				
Men	25.1	25.1	24.9	24.9
Women	28.4	28.4	28.3	28.3
Members will exchange half of their commutable pension for cash at retirement.				
A weighted average retirement age is used for all active members.				
10% of active members will take up the option under the new scheme to pay 50% of contributions for 50% of benefits.				

For 2013/14 onwards the expected return on assets and the interest cost have been replaced with a single net interest cost, which effectively sets the expected return on assets to be equal to the discount rate.

### Pensions Reserve

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

## NOTES TO THE CORE FINANCIAL STATEMENTS

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

	31 March 2015	31 March 2014
	£000	£000
<b>Surplus /(Deficit) as of beginning of the period</b>	<b>(164,072)</b>	<b>(145,949)</b>
Remeasurements	(49,862)	(8,115)
Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement	(18,305)	(18,102)
Employer's pension contributions and direct payments to pensioners payable in the year	8,344	8,094
<b>Surplus /(Deficit) as of end of the period</b>	<b>(223,895)</b>	<b>(164,072)</b>

The figures include the Council's share of the Former Berkshire County Council Pension Fund Liability of £34.967m (2013/14 £30.965m).

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

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

Tel: 0845 6027237

### 10 MEMBERS' ALLOWANCES & EXPENSES

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

	2014/15	2013/14
	£000	£000
Allowances	576	581
Expenses	7	10
<b>Total</b>	<b>583</b>	<b>591</b>

### 11 AGENCY EXPENDITURE & INCOME

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

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

## NOTES TO THE CORE FINANCIAL STATEMENTS

	2014/15			2013/14		
	Expenditure	Income	Net	Expenditure	Income	Net
	£000	£000	£000	£000	£000	£000
Public Health	12,233	(12,120)	113	12,256	(12,141)	115
Other	1,843	(1,627)	216	1,538	(1,462)	76
<b>Total</b>	<b>14,076</b>	<b>(13,747)</b>	<b>329</b>	<b>13,794</b>	<b>(13,603)</b>	<b>191</b>

## 12 LEASES

### OPERATING LEASES

#### Council as Lessee

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

The Council also leases various equipment and vehicles under non-cancellable operating lease agreements. The lease terms are between 1 and 7 years.

The non-cancellable operating lease expenditure charged to the relevant service line in the Comprehensive Income and Expenditure Statement during the year is £0.530m, a combination of £0.183m for properties and £0.347m for equipment and vehicles (2013/14 £0.216m for properties and £0.369m for equipment and vehicles).

The Council paid contingent rent of £0.001m during the year (2013/14 £0.0m).

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

	31 March 2015			31 March 2014		
	Land and Buildings	Equipment & Vehicles	Total	Land and Buildings	Equipment & Vehicles	Total
	£000	£000	£000	£000	£000	£000
Not later than one year	112	167	279	116	325	441
Later than one year but not more than five years	379	238	617	384	322	706
Later than five years	4,977	0	4,977	5,069	0	5,069
<b>Total</b>	<b>5,468</b>	<b>405</b>	<b>5,873</b>	<b>5,569</b>	<b>647</b>	<b>6,216</b>

#### Council as Lessor

The Council leases various land and/or buildings to lessees under non-cancellable operating lease agreements. The lease terms range from 1 to 125 years. The leases do not have purchase options, although some have escalation clauses and terms of renewal. Renewals are negotiated with the lessee in accordance with the provisions of the individual lease agreements. The minimum lease payments to be received by the Council (including the sub-

## NOTES TO THE CORE FINANCIAL STATEMENTS

letting of the industrial accommodation held under a finance lease at Longshot Lane) under non-cancellable operating leases in future years are as follows:

	31 March 2015	31 March 2014
	£000	£000
Not later than one year	1,625	1,662
Later than one year but not more than five years	5,008	5,113
Later than five years	23,318	23,500
<b>Total</b>	<b>29,951</b>	<b>30,275</b>

The minimum lease payments do not include rents that are contingent on events taking place after the lease was entered into. The Council received contingent rent during the year of £0.714m (2013/14 £0.719m).

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

	31 March 2015	31 March 2014
	£000	£000
Not later than one year	1,480	1,488
Later than one year but not more than five years	4,677	4,753
Later than five years	20,055	20,350
<b>Total</b>	<b>26,212</b>	<b>26,591</b>

The Council received contingent rent during the year of £0.706m (2013/14 £0.711m) for investment property.

### FINANCE LEASES

#### Council as Lessee

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

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

	31 March 2015	31 March 2014
	Land and Buildings £000	Land and Buildings £000
Finance lease liabilities (net present value of minimum lease payments):		
Current	0	0
Non-current	1,451	1,452
	<hr/> 1,451	<hr/> 1,452
Finance costs payable in future years	9,302	9,472
<b>Minimum lease payments</b>	<b>10,753</b>	<b>10,924</b>

## NOTES TO THE CORE FINANCIAL STATEMENTS

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

	31 March 2015	31 March 2014
	Land and Buildings	Land and Buildings
	£000	£000
Not later than one year	171	171
Later than one year but not more than five years	683	683
Later than five years	9,899	10,070
<b>Total</b>	<b>10,753</b>	<b>10,924</b>

The minimum lease payments do not include rents that are contingent on events taking place after the lease was entered into. The Council paid contingent rent during the year of £0.318m (2013/14 £0.318m) for Longshot Lane.

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

	31 March 2015	31 March 2014
	Land and Buildings	Land and Buildings
	£000	£000
Not later than one year	465	425
Later than one year but not more than five years	1,390	1,309
Later than five years	1,627	1,476
<b>Total</b>	<b>3,482</b>	<b>3,210</b>

The minimum lease payments do not include rents that are contingent on events taking place after the lease was entered into. The Council received contingent rent during the year of £0.059m (2013/14 £0.074m).

### Council as Lessor

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

In October 2012 the Council entered into a finance lease over a 999 year period with Thames Valley Housing Association for land on the Byways site to be used for the development of affordable homes. This lease has been terminated, a lease premium received and a new 999 year lease entered into for the combined Adastron House/Byways site.

The gross investment in the leases is equal to the minimum lease payments expected to be received over the remaining terms, as the properties and land are expected to have a nil residual value when the leases come to an end. The minimum lease payments comprise settlement of the long term debtors for the interest in the properties and land acquired by the

## NOTES TO THE CORE FINANCIAL STATEMENTS

lessees and finance income that will be earned by the Council in future years whilst the debtors remains outstanding.

The gross investment is made up of the following amounts:

	31 March 2015	31 March 2014
	Land and Buildings	Land and Buildings
	£000	£000
Finance lease debtor (net present value of minimum lease payments):		
Current	0	0
Non-current	1,661	1,537
	1,661	1,537
Unearned Finance income	7,802	14,081
<b>Gross Investment in the Leases</b>	<b>9,463</b>	<b>15,618</b>

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

	Gross Investment/Minimum Lease Payments	
	31 March 2015	31 March 2014
	Land and Buildings	Land and Buildings
	£000	£000
Not later than one year	77	64
Later than one year but not more than five years	308	256
Later than five years	9,078	15,298
<b>Total</b>	<b>9,463</b>	<b>15,618</b>

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

The minimum lease payments receivable do not include rents that are contingent on events taking place after the lease was entered into, such as adjustments following rent reviews. The Council did not receive any contingent rent during the year (2013/14 £0.0m).

### 13 WASTE PFI CONTRACT

In 2006/07 the Council, together with Wokingham Borough and Reading Borough Councils, entered into a PFI contract for the disposal of waste. The total value of the contract is estimated to be £547m as at 31 March 2015, to be shared between the Councils based on relative throughput. Actual payments will depend upon the contractor's performance as well as that of the individual Councils in waste collection. As part of the contract, the contractor built a transfer station, materials recycling facility, civic amenity site and offices. The contract expires in 2031/32.

## NOTES TO THE CORE FINANCIAL STATEMENTS

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

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

	2014/15 £000	2013/14 £000
Value as of the beginning of the period	(5,994)	(6,164)
Payments during the year	181	170
<b>Value as of the end of the period</b>	<b>(5,813)</b>	<b>(5,994)</b>

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

Obligations payable in	2015/16 £000	As at 31 March 2015				Total payable £000
		2-5 yrs £000	6-10 yrs £000	11-15 yr £000	16-20 yrs £000	
Reimbursement of Capital Expenditure	194	922	1,569	2,211	916	5,812
Interest	383	1,386	1,324	697	56	3,846
Payment for Services	6,273	28,700	40,909	46,544	17,356	139,782
<b>Total</b>	<b>6,850</b>	<b>31,008</b>	<b>43,802</b>	<b>49,452</b>	<b>18,328</b>	<b>149,440</b>

Obligations payable in	2014/15 £000	As at 31 March 2014				Total payable £000
		2-5 yrs £000	6-10 yrs £000	11-15 yr £000	16-20 yrs £000	
Reimbursement of Capital Expenditure	182	862	1,465	2,065	1,421	5,995
Interest	395	1,446	1,425	840	134	4,240
Payment for Services	6,073	27,362	39,931	45,377	27,112	145,855
<b>Total</b>	<b>6,650</b>	<b>29,670</b>	<b>42,821</b>	<b>48,282</b>	<b>28,667</b>	<b>156,090</b>

## NOTES TO THE CORE FINANCIAL STATEMENTS

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

	Other Land & Buildings	2014/15 Vehicles, Plant, Furniture & Equipment	Total PFI Assets	Other Land & Buildings	2013/14 Vehicles, Plant, Furniture & Equipment	Total PFI Assets
	£000	£000	£000	£000	£000	£000
<b>Cost/Valuation</b>						
As of the beginning of the period	6,466	2,139	8,605	6,466	2,139	8,605
As of the end of the period	6,466	2,139	8,605	6,466	2,139	8,605
<b>Depreciation</b>						
As of the beginning of the period	478	365	843	239	294	533
Depreciation for Year	240	71	311	239	71	310
As of the end of the period	718	436	1,154	478	365	843
<b>Net Book Value as of the beginning of the period</b>	<b>5,988</b>	<b>1,774</b>	<b>7,762</b>	<b>6,227</b>	<b>1,845</b>	<b>8,072</b>
<b>Net Book Value as of the end of the period</b>	<b>5,748</b>	<b>1,703</b>	<b>7,451</b>	<b>5,988</b>	<b>1,774</b>	<b>7,762</b>

### 14 AUDITOR'S REMUNERATION

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

	2014/15 £000	2013/14 £000
Fees payable to the external auditor with regard to external audit services carried out by the appointed auditor for the year	139	139
Fees payable to external auditor for the certification of grant claims and returns for the year	41	39
Fees payable in respect of other services provided by the external auditor during the year	45	2
Grant claim fees under/(over) accrued in previous year	(5)	(2)
Rebate received for previous year	(34)	(15)
<b>Total</b>	<b>186</b>	<b>163</b>

## NOTES TO THE CORE FINANCIAL STATEMENTS

### 15 TRADING OPERATIONS

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

		2014/15		2013/14	
		£000	£000	£000	£000
Forestcare <sup>1</sup>	Expenditure	1,179		1,176	
	Income	(887)		(875)	
	(Surplus)/Deficit		292		301
Car Parks	Expenditure	1,467		1,515	
	Income	(807)		(849)	
	(Surplus)/Deficit		660		666
Other	Expenditure	498		432	
	Income	(496)		(410)	
	(Surplus)/Deficit		2		22
<b>Total (Surplus)/Deficit</b>			<b>954</b>		<b>989</b>

<sup>1</sup>Forestcare provides out of hours contact centre services for a range of organisations.

# NOTES TO THE CORE FINANCIAL STATEMENTS

## 16 PROPERTY, PLANT AND EQUIPMENT

### Movements on Balances

	2014/15						
	Other Land & Buildings	Vehicles, Plant, Furniture & Equipment	Infra- Structure Assets	Community Assets	Surplus Assets	Assets Under Construction	Total Property, Plant and Equipment £000
	£000	£000	£000	£000	£000	£000	£000
<b>Cost/Valuation</b>							
At 1 April 2014	447,921	39,912	64,338	5,800	7,505	5,239	570,715
Additions	4,994	2,109	2,981	155	0	12,707	22,946
Revaluation increases/ (decreases) recognised in the Revaluation Reserve	(3,418)	0	0	0	0	0	(3,418)
Revaluation increases/ (decreases) recognised in the Surplus/Deficit on the Provision of Services	(24,140)	(7)	0	0	0	0	(24,147)
Disposals	(610)	(4,804)	(1,274)	0	(132)	0	(6,820)
Reclassification (to)/from Assets Held for Sale	0	0	0	0	(1,467)	0	(1,467)
Other Reclassifications	2,665	703	2,953	0	0	(6,361)	(40)
<b>At 31 March 2015</b>	<b>427,412</b>	<b>37,913</b>	<b>68,998</b>	<b>5,955</b>	<b>5,906</b>	<b>11,585</b>	<b>557,769</b>
<b>Accumulated Depreciation &amp; Impairments</b>							
At 1 April 2014	11,453	26,585	19,017	0	52	0	57,107
Depreciation charge	7,482	3,124	2,304	0	18	0	12,928
Depreciation written out to the Revaluation Reserve	(4,360)	0	0	0	0	0	(4,360)
Depreciation written out to the Surplus/Deficit on the Provision of Services	(2,520)	0	0	0	0	0	(2,520)
Impairment losses (reversals) recognised in the Revaluation Reserve	0	0	0	0	0	0	0
Impairment losses (reversals) recognised in the Surplus/Deficit on the Provision of Services	0	0	0	0	0	0	0
Depreciation written out on disposal	(19)	(4,790)	(195)	0	(28)	0	(5,032)
Reclassification (to)/from Assets Held for Sale	0	0	0	0	(1)	0	(1)
<b>At 31 March 2015</b>	<b>12,036</b>	<b>24,919</b>	<b>21,126</b>	<b>0</b>	<b>41</b>	<b>0</b>	<b>58,122</b>
<b>Net Book Value at 31 March 2015</b>	<b>415,376</b>	<b>12,994</b>	<b>47,872</b>	<b>5,955</b>	<b>5,865</b>	<b>11,585</b>	<b>499,647</b>
<b>Net Book Value at 31 March 2014</b>	<b>436,468</b>	<b>13,327</b>	<b>45,321</b>	<b>5,800</b>	<b>7,453</b>	<b>5,239</b>	<b>513,608</b>
<b>Nature of asset holding</b>							
Owned	409,503	11,291	47,872	5,955	5,865	11,585	492,071
Finance lease	125	0	0	0	0	0	125
PFI	5,748	1,703	0	0	0	0	7,451
<b>Net Book Value at 31 March 2015</b>	<b>415,376</b>	<b>12,994</b>	<b>47,872</b>	<b>5,955</b>	<b>5,865</b>	<b>11,585</b>	<b>499,647</b>

## NOTES TO THE CORE FINANCIAL STATEMENTS

The Binfield Nursery site and Car Park 7 have been transferred into Assets Held for Sale as their disposals are expected to be completed before the end of 2015/16.

	2013/14						
	Other Land & Buildings £000	Vehicles, Plant, Furniture & Equipment £000	Infra- Structure Assets £000	Community Assets £000	Surplus Assets £000	Assets Under Construction £000	Total Property, Plant and Equipment £000
<b>Cost/Valuation</b>							
At 1 April 2013	452,842	38,324	62,699	1,365	7,382	2,429	565,041
Additions	8,966	1,867	2,640	55	0	6,826	20,354
Revaluation increases/ (decreases) recognised in the Revaluation Reserve	(4,215)	0	0	0	0	0	(4,215)
Revaluation increases/ (decreases) recognised in the Surplus/Deficit on the Provision of Services	(5,270)	(264)	(2)	(46)	0	0	(5,582)
Disposals	(5,028)	(35)	(1,486)	0	(883)	0	(7,432)
Reclassification (to)/from Assets Held for Sale	(842)	(135)	0	0	(900)	0	(1,877)
Other Reclassifications	1,468	155	487	4,426	1,906	(4,016)	4,426
<b>At 31 March 2014</b>	<b>447,921</b>	<b>39,912</b>	<b>64,338</b>	<b>5,800</b>	<b>7,505</b>	<b>5,239</b>	<b>570,715</b>
<b>Accumulated Depreciation &amp; Impairments</b>							
At 1 April 2013	11,677	22,947	17,085	0	883	0	52,592
Depreciation charge	7,469	3,746	2,138	0	23	0	13,376
Depreciation written out to the Revaluation Reserve	(6,050)	0	0	0	0	0	(6,050)
Depreciation written out to the Surplus/Deficit on the Provision of Services	(286)	0	0	0	0	0	(286)
Impairment losses (reversals) recognised in the Revaluation Reserve	0	0	0	0	0	0	0
Impairment losses (reversals) recognised in the Surplus/Deficit on the Provision of Services	0	0	0	0	0	0	0
Depreciation written out on disposal	(1,239)	(10)	(206)	0	(883)	0	(2,338)
Reclassification (to)/from Assets Held for Sale	(81)	(98)	0	0	(8)	0	(187)
Other Reclassifications	(37)	0	0	0	37	0	0
<b>At 31 March 2014</b>	<b>11,453</b>	<b>26,585</b>	<b>19,017</b>	<b>0</b>	<b>52</b>	<b>0</b>	<b>57,107</b>
<b>Net Book Value at 31 March 2014</b>	<b>436,468</b>	<b>13,327</b>	<b>45,321</b>	<b>5,800</b>	<b>7,453</b>	<b>5,239</b>	<b>513,608</b>
<b>Net Book Value at 31 March 2013</b>	<b>441,165</b>	<b>15,377</b>	<b>45,614</b>	<b>1,365</b>	<b>6,499</b>	<b>2,429</b>	<b>512,449</b>
<b>Nature of asset holding</b>							
Owned	430,352	11,553	45,321	5,800	7,453	5,239	505,718
Finance lease	128	0	0	0	0	0	128
PFI	5,988	1,774	0	0	0	0	7,762
<b>Net Book Value at 31 March 2014</b>	<b>436,468</b>	<b>13,327</b>	<b>45,321</b>	<b>5,800</b>	<b>7,453</b>	<b>5,239</b>	<b>513,608</b>

## NOTES TO THE CORE FINANCIAL STATEMENTS

### Valuations

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

The significant assumptions applied in estimating the fair values are:

- Disregarding any site specific abnormal characteristics that would cause its market value to differ from that needed to replace the service potential at least cost.
- Disregarding alternative potential uses that would drive the value above that needed to replace the service potential of the property; and
- If parts of a property are unused and surplus to requirements their valuation treatment will depend on whether they could be sold or leased separately at the valuation date. If separate occupation is possible, they are separately identified and valued on the basis of market value. If separate occupation is not possible, the surplus parts would have no more than a normal Existing Use Value as they would contribute nothing to the service potential of the property and would not feature in a replacement at least cost.

The following statement shows the progress of the Council’s revaluations of Property, Plant and Equipment. Other Land and Buildings are revalued on a five year rolling programme, however the Council also undertook an index based revaluation review to ensure that those assets not scheduled to be revalued in the 2014/15 rolling programme were not materially misstated in the Balance sheet. As a result leisure centres were revalued according to an approved industry index to bring the asset valuations in line with the current building costs. This review increased the value of non-current assets by £0.1m.

	Other Land & Buildings	Vehicles, Plant, Furniture & Equipment	Infra- structure Assets	Community Assets	Surplus Assets	Assets Under Construct -ion	Total Property, Plant and Equipment
	£000	£000	£000	£000	£000	£000	£000
Carried at historic cost	0	35,997	68,998	5,955	5,906	11,585	128,441
Valued at fair value as at:							
2014/15	316,065	0	0	0	0	0	316,065
2013/14	22,756	0	0	0	0	0	22,756
2012/13	48,024	1,916	0	0	0	0	49,940
2011/12	25,910	0	0	0	0	0	25,910
2010/11	14,657	0	0	0	0	0	14,657
<b>Total Cost or Valuation</b>	<b>427,412</b>	<b>37,913</b>	<b>68,998</b>	<b>5,955</b>	<b>5,906</b>	<b>11,585</b>	<b>557,769</b>

## NOTES TO THE CORE FINANCIAL STATEMENTS

### 17 INVESTMENT PROPERTY

	2014/15 £000	2013/14 £000
Balance at the beginning of the period	24,442	29,220
Additions:		
Purchases	0	0
Subsequent expenditure	181	0
Disposals	(801)	(983)
Net gains/losses from fair value adjustments	154	629
Reclassification (to)/from Property, Plant and Equipment	0	(4,424)
<b>Balance at the end of the period</b>	<b>23,976</b>	<b>24,442</b>

One Investment Property was sold during the year, generating a capital receipt of £0.72m and a future income stream of £0.08m. Of the balance as at 31 March 2015, £0.382m relates to properties held under finance leases (£0.379m in 2013/14) and £23.594m to properties owned by the Council (£24.063m in 2013/14). At 31 March 2015, all Investment Properties were let under operating leases with the exception of 7 properties currently without tenants and 3 properties held for future sale. The value of the properties let under operating leases was £22.256m (£23.554m in 2013/14).

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

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

	31 March 2015 £000	31 March 2014 £000
Rental Income From Investment Property	(2,708)	(2,773)
Operating Expenses Arising From Investment Property	696	772
<b>Net Gain</b>	<b>(2,012)</b>	<b>(2,001)</b>

## NOTES TO THE CORE FINANCIAL STATEMENTS

### 18 CAPITAL EXPENDITURE AND FINANCING

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

	31 March 2015	31 March 2014
	£000	£000
<b>Opening Capital Financing Requirement</b>	<b>49,493</b>	46,184
<i>Capital Investment</i>		
Property, Plant and Equipment	22,864	20,354
Heritage Assets	0	11
Investment Property	181	0
Intangible Assets	219	155
Revenue Expenditure Funded from Capital under Statute	2,100	3,421
Long Term Debtors	72	86
	<b>25,436</b>	24,027
<i>Sources of Finance</i>		
Capital Receipts	(4,142)	(4,545)
Government Grants and Other Contributions	(14,680)	(13,501)
Sums Set Aside from Revenue:		
Direct Revenue Contributions	0	(1,100)
Minimum Revenue Provision	(1,446)	(1,572)
	<b>(20,268)</b>	(20,718)
<b>Closing Capital Financing Requirement</b>	<b>54,661</b>	49,493
Increase/(Decrease) in underlying need to borrow (supported by government financial assistance)	(503)	(500)
Increase/(Decrease) in underlying need to borrow (unsupported by government financial assistance)	5,671	3,809
<b>Increase/(Decrease) in Capital Financing Requirement</b>	<b>5,168</b>	3,309

## NOTES TO THE CORE FINANCIAL STATEMENTS

### 19 CAPITAL COMMITMENTS

Estimated commitments for capital expenditure for significant schemes that had started, or where legal contracts had been entered into, as of 31 March 2015 are as follows.

Capital Scheme	£000
Bracknell Bus Station and associated improvements	4,534
Harmanswater Community Centre & Library	132
The Parks Community Centre/Sports Pavilion	185
Maintenance of Car Parks	167
Cranbourne Primary School	1,205
Owlsmoor Primary School	1,149
Brakenhale Secondary School - Phase 4	755
Garth Hill Post 16	4,422
Eastern Road (Special Education Needs)	1,930
<b>Total</b>	<b>14,479</b>

### 20 LONG TERM DEBTORS

The Council makes loans to a number of organisations and individuals and acts as the lessor for a number of finance leases. As part of the town centre regeneration, the Council has also exchanged assets for an operating lease at Ocean House under preferential terms.

	31 March 2015	31 March 2014
	£000	£000
Other Local Authorities		
Loan to Warfield Parish Council	72	83
Other Entities and Individuals		
Housing Association Loans	382	395
Sale of Council Houses Loans	20	21
Car Loans to Employees	387	409
Rent to Mortgage Properties	376	376
South Hill Park Loan	17	18
Mortgages	841	956
Shared Equity Property Finance Leases	1,319	1,272
Byways/Adastron Finance Lease	446	362
Asset Disposal/Ocean House Lease	0	69
<b>Total</b>	<b>3,860</b>	<b>3,961</b>

## NOTES TO THE CORE FINANCIAL STATEMENTS

### 21 SHORT TERM DEBTORS

	31 March 2015	31 March 2014
	£000	£000
Central Government Bodies	4,153	1,919
Other Local Authorities	3,392	1,259
NHS Bodies	2,021	697
Other Entities and Individuals	18,753	11,470
<b>Total</b>	<b>28,319</b>	<b>15,345</b>

The significant increase primarily relates to a payment in advance for the purchase of Bracknell Bus Station (£4.3m), a reduction in the allowance for housing bad debts (£1.3m) and outstanding joint arrangements (£2.4m), VAT (£1.7m), NHS (£1.1m) and Department of Transport income (£2m).

### 22 CASH AND CASH EQUIVALENTS

	31 March 2015	31 March 2014
	£000	£000
Investments With Original Maturities of 3 Months or Less	31,844	33,881
Cash held by the Council	20	20
Bank Balance / (Overdraft)	891	1,738
<b>Total</b>	<b>32,755</b>	<b>35,639</b>

### 23 SHORT TERM CREDITORS

	31 March 2015	31 March 2014
	£000	£000
Central Government Bodies	15,347	16,042
Other Local Authorities	2,399	3,356
NHS Bodies	629	612
Other Entities and Individuals	30,658	28,054
<b>Total</b>	<b>49,033</b>	<b>48,064</b>

### 24 PROVISIONS

2014/15	Town Centre Regeneration	Business Rates Appeals	Other	Total
	£000	£000	£000	£000
Balance at 1 April 2014	2,608	2,311	282	5,201
Additional provisions	0	9,111	0	9,111
Unused amounts reversed	(190)	0	0	(190)
Amounts used	(125)	(613)	(184)	(922)
<b>Balance at 31 March 2015</b>	<b>2,293</b>	<b>10,809</b>	<b>98</b>	<b>13,200</b>

The provision for Business Rates has been significantly increased because of a large increase in the number and value of lodged Business Rate appeals and their likelihood of success.

## NOTES TO THE CORE FINANCIAL STATEMENTS

The Town Centre Regeneration provisions cover the potential cost of Compulsory Purchase Orders (CPOs) served on tenants in the northern section of Bracknell Town Centre and in Market Place. Actual payments are subject to negotiation and it has been assumed that outstanding claims can be finalised in 2015/16.

2013/14	Town Centre Regeneration £000	Business Rates Appeals £000	Other £000	Total £000
Balance at 1 April 2013	3,072	0	460	3,532
Additional provisions	314	2,311	190	2,815
Unused amounts reversed	(111)	0	(57)	(168)
Amounts used	(667)	0	(311)	(978)
<b>Balance at 31 March 2014</b>	<b>2,608</b>	<b>2,311</b>	<b>282</b>	<b>5,201</b>

### 25 LONG TERM CREDITORS

	31 March 2015 £000	31 March 2014 £000
Other Entities and Individuals		
PFI Obligations	5,619	5,813
Finance Lease Obligations	1,451	1,451
Peel Centre Prepaid Rent	8,393	8,512
Deposits	615	480
<b>Total</b>	<b>16,078</b>	<b>16,256</b>

### 26 EARMARKED RESERVES

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

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

## NOTES TO THE CORE FINANCIAL STATEMENTS

- The Revenue Grants Unapplied Reserve holds resources equivalent to unspent grant income received without conditions which are released from the reserve as the associated expenditure is incurred.

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

2014/15	Balance at 1 April £000	Transfers Out £000	Transfers In £000	Balance at 31 March £000
<b>Earmarked Reserves</b>				
Schools' Balances Held Under a Scheme of Delegation	4,371	(602)	244	4,013
Other Schools' Balances	1,944	(1,176)	357	1,125
Insurance & Uninsured Claims	2,640	0	91	2,731
Cost of Structural Change	1,664	(195)	0	1,469
Business Rates Equalisation	0	0	13,700	13,700
Revenue Grants Unapplied	1,942	(383)	524	2,083
Other	6,024	(2,570)	1,714	5,168
<b>Total</b>	<b>18,585</b>	<b>(4,926)</b>	<b>16,630</b>	<b>30,289</b>
<b>Total movements in 2013/14</b>	<b>18,378</b>	<b>(4,671)</b>	<b>4,878</b>	<b>18,585</b>

### 27 CAPITAL GRANTS UNAPPLIED RESERVE

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

	2014/15 £000	2013/14 £000
Opening Balance	7,966	9,307
Received	6,573	4,191
Applied to Capital Financing	(5,184)	(5,532)
<b>Closing Balance</b>	<b>9,355</b>	<b>7,966</b>

## NOTES TO THE CORE FINANCIAL STATEMENTS

### 28 REVALUATION RESERVE

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

	2014/15	2013/14
	£000	£000
As of the beginning of the period	148,298	150,793
Upward revaluation of assets	25,777	10,491
Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services	(24,835)	(8,612)
Surplus or deficit on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services	942	1,879
Difference between fair value depreciation and historical cost depreciation	(1,859)	(2,712)
Accumulated gains on assets sold or scrapped	(98)	(1,662)
Amount written off to the Capital Adjustment Account	(1,957)	(4,374)
<b>Closing Balance</b>	<b>147,283</b>	<b>148,298</b>

### 29 CAPITAL ADJUSTMENT ACCOUNT

The Capital Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for the consumption of non-current assets and for financing the acquisition, construction or enhancement of those assets under statutory provisions. The Account is debited with the cost of acquisition, construction or enhancements as depreciation, impairment losses and amortisations are charged to the Comprehensive Income and Expenditure Statement (with reconciling postings from the Revaluation Reserve to convert fair value figures to a historical cost basis). The Account is credited with the amounts set aside by the Council as finance for the costs of acquisition, construction and enhancement.

The Account contains accumulated gains and losses on Investment Properties.

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

## NOTES TO THE CORE FINANCIAL STATEMENTS

	2014/15	2013/14
	£000	£000
Balance at 1 April	342,073	346,848
Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:		
Charges for Depreciation and Impairment of Non-current Assets	(12,928)	(13,376)
Revaluation Losses on Property Plant & Equipment	(21,794)	(5,671)
Amortisation of Intangible Assets	(255)	(551)
Revenue Expenditure Funded from Capital under Statute	(1,110)	(2,794)
Amount of non-current asset written off on sale as part of the gain/loss on sale to the Comprehensive Income and Expenditure Statement	(2,589)	(7,400)
	<b>(38,676)</b>	<b>(29,792)</b>
Adjusting amounts written out of the Revaluation Reserve	1,957	4,374
Net written out amount of the cost of non-current assets consumed in the year	<b>(36,719)</b>	<b>(25,418)</b>
Capital financing applied in the year:		
Use of the Capital Receipts Reserve to finance new capital expenditure	4,142	4,545
Capital Grants and Contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	8,505	7,342
Application of Capital Grants and Contributions to capital financing from the Capital Grants Unapplied Reserve	5,184	5,532
Statutory provision for the financing of capital investment	1,446	1,572
Capital expenditure charged against the General Fund balance	0	1,100
	<b>19,277</b>	<b>20,091</b>
Movements in the market value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement	154	629
Repayment of loans	(196)	(77)
Adjustment to deferred capital receipts	82	0
<b>Balance at 31 March</b>	<b>324,671</b>	<b>342,073</b>

## NOTES TO THE CORE FINANCIAL STATEMENTS

### 30 DEFERRED CAPITAL RECEIPTS RESERVE

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

	2014/15	2013/14
	£000	£000
As of the beginning of the period	2,668	2,271
Shared Equity Property Finance Leases	93	182
Byways/Adastron House Finance Lease	83	0
Asset disposal/Ocean House Lease	(48)	346
Transfer to the Capital Receipts Reserve upon receipt of cash	(228)	(131)
<b>Closing Balance</b>	<b>2,568</b>	<b>2,668</b>

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

	31 March	31 March
	2015	2014
	£000	£000
Mortgages on Council Houses Sold	22	25
Housing Association Loans	395	408
Loan to Warfield Parish Council	79	87
Rent to Mortgage Properties	376	376
Shared Equity Property Finance Leases	1,215	1,175
Byways/Adastron House Finance Lease	446	362
Seymour House disposal/Ocean House Lease	35	235
<b>Total</b>	<b>2,568</b>	<b>2,668</b>

### 31 COLLECTION FUND ADJUSTMENT ACCOUNT

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

	2014/15	2013/14
	£000	£000
As of the beginning of the period	6,474	209
Net change during the year	(12,140)	6,265
<b>Closing Balance</b>	<b>(5,666)</b>	<b>6,474</b>

## NOTES TO THE CORE FINANCIAL STATEMENTS

### 32 ACCUMULATED ABSENCES ACCOUNT

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

	2014/15	2013/14
	£000	£000
As of the beginning of the period	5,108	5,198
Net change during the year	584	(90)
<b>Closing Balance</b>	<b>5,692</b>	<b>5,108</b>

### 33 FINANCIAL INSTRUMENTS

#### Categories of Financial Instruments

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

	31 March 2015			Fair Value
	Short Term £000	Long Term £000	Total £000	
Investments – Loans and Receivables (including accrued interest)	7,650	0	7,650	7,650
Debtors – Loans and Receivables	0	3,860	3,860	3,893
Debtors – Financial Assets Carried at Contract Amount	21,136	0	21,136	21,136
<b>Total Financial Assets</b>	<b>28,786</b>	<b>3,860</b>	<b>32,646</b>	<b>32,679</b>
Creditors – Financial Liabilities Carried at Contract Amount	28,597	0	28,597	28,597
Creditors – Financial Liabilities Carried at Amortised Cost (PFI and finance leases)	195	7,069	7,264	14,621
<b>Total Financial Liabilities</b>	<b>28,792</b>	<b>7,069</b>	<b>35,861</b>	<b>43,218</b>

## NOTES TO THE CORE FINANCIAL STATEMENTS

	31 March 2014			Fair Value
	Short Term	Long Term	Total	
	£000	£000	£000	£000
Investments – Loans and Receivables (including accrued interest)	14,727	0	14,727	14,727
Debtors – Loans and Receivables	0	3,961	3,961	3,995
Debtors – Financial Assets Carried at Contract Amount	12,134	0	12,134	12,134
<b>Total Financial Assets</b>	<b>26,861</b>	<b>3,961</b>	<b>30,822</b>	<b>30,856</b>
Loans - Financial Liabilities Carried at Amortised Cost	1,500	0	1,500	1,500
Creditors – Financial Liabilities Carried at Contract Amount	27,819	0	27,819	27,819
Creditors – Financial Liabilities Carried at Amortised Cost (PFI and finance leases)	181	7,265	7,446	12,779
<b>Total Financial Liabilities</b>	<b>29,500</b>	<b>7,265</b>	<b>36,765</b>	<b>42,098</b>

Cash and cash equivalents which are also financial instruments are detailed in Note 22.

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

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

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

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

- For PFI contracts and finance leases, 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, including trade and other receivables, has a maturity of less than 12 months the fair value is taken to be the principal outstanding or the billed amount.

The fair value of the assets is slightly higher than the carrying amount because the Council's portfolio of investments includes a number of fixed rate car loans where the interest rate receivable is higher than the rates available for similar loans at the Balance Sheet date. This

## NOTES TO THE CORE FINANCIAL STATEMENTS

shows a notional future gain attributable to the commitment to receive interest above current market rates.

The fair value of the liabilities is significantly higher than the carrying amount because the Council has long term liabilities (the PFI contract and Longshot Lane finance lease) where the interest rate payable is higher than the prevailing rates estimated to be available at the Balance Sheet date. This shows a notional future loss (based on economic conditions at 31 March 2015) arising from a commitment to pay interest to lenders above current market rates.

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

### Income, Expense, Gains and Losses

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

2014/15	Loans and Receivables	Financial Liabilities Carried at Amortised Cost	Total
	£000	£000	£000
Interest expense	0	(566)	(566)
Impairment Losses	0	0	0
<b>Total Expense in Surplus or Deficit on the Provision of Services</b>	<b>0</b>	<b>(566)</b>	<b>(566)</b>
Interest Income	632	0	632
Interest Income Accrued on Impaired Financial Assets	24	0	24
Impairment	(35)	0	(35)
Loss on exchange rate difference	(51)	0	(51)
<b>Total Income in Surplus or Deficit on the Provision of Services</b>	<b>570</b>	<b>0</b>	<b>570</b>
<b>Net Gain/(Loss) for the Year</b>	<b>570</b>	<b>(566)</b>	<b>4</b>

2013/14	Loans and Receivables	Financial Liabilities Carried at Amortised Cost	Total
	£000	£000	£000
Interest expense	0	(578)	(578)
Impairment Losses	0	0	0
<b>Total Expense in Surplus or Deficit on the Provision of Services</b>	<b>0</b>	<b>(578)</b>	<b>(578)</b>
Interest Income	606	0	606
Interest Income Accrued on Impaired Financial Assets	33	0	33
Impairment Reversal	116	0	116
Gain on exchange rate difference	0	0	0
<b>Total Income in Surplus or Deficit on the Provision of Services</b>	<b>755</b>	<b>0</b>	<b>755</b>
<b>Net Gain/(Loss) for the Year</b>	<b>755</b>	<b>(578)</b>	<b>177</b>

### Key Risks

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

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

### *Overall Procedures for Managing Risk*

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

The key issues within the strategy were:

- The Authorised Limit for 2014/15 was set at £61m. This is the maximum limit of external borrowings or other long term liabilities.
- The Operational Boundary was expected to be £56m. This is the expected level of debt and other long term liabilities during the year.

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

### *Credit risk*

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

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

The credit criteria for the Council are as follows:

- The minimum criteria for investment counterparties are:
  - In light of the changing economic backdrop, the shift in the relative importance of credit-ratings and the sector's requirement for a more sophisticated approach to counterparty selection, the Council's Treasury Management advisers have developed a modelling approach. This utilises credit ratings from

## NOTES TO THE CORE FINANCIAL STATEMENTS

the three main credit rating agencies supplemented with overlays of credit watches and outlooks in a weighted scoring system. This is then combined with Credit Default Swap (CDS) spreads from which the end product is a series of colour coded bands which indicate the relative creditworthiness of counterparties. This service uses a wider array of information than just primary ratings and by using a risk weighted scoring system does not give undue preference to just one agency's ratings. The minimum credit rating that the Council will use will be a short term rating of F1 and a long term rating of A-, a viability rating of A- and a support rating of 1.

- In addition to the criteria above part nationalised UK banks can be included while they continue to be part nationalised or meet the ratings above.
  - Money Market Funds – AAA Rating Sterling Denominated.
  - UK Government (including gilts and Debt Management Account Deposit Facility (DMADF)).
  - UK Local Authorities.
- The time and money limits on the Council's counterparty lists are as follows:

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

The full Investment Strategy for 2014/15 was approved by Full Council on 26 February 2014 and is available, along with the treasury management strategy, on the Council website at <http://www.bracknell-forest.gov.uk/treasury-management-report-2014-to-15.pdf>.

The Council's maximum exposure to credit risk in relation to its deposits in financial institutions and money market funds of £39.7m (excluding Icelandic bank deposits) cannot be assessed generally as the risk of any institution failing to make interest payments or repay the principal sum will be specific to each individual institution. Recent experience has shown that it is rare for such entities to be unable to meet their commitments. A risk of recoverability applies to all of the Council's deposits, but there was no evidence at the 31 March 2015 that this was likely to crystallise.

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

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

	Amount at 31 March 2015	Historical experience of default	Adjustment for market conditions at 31 March 2015	Estimated maximum exposure to default at 31 March 2015	Estimated maximum exposure to default at 31 March 2014
	£000	%	%	£000	£000
	(a)	(b)	(c)	(a * c)	
Customers (trade debtors)	4,965	9.2%	9.2%	455	276
<b>TOTAL</b>	<b>4,965</b>			<b>455</b>	<b>276</b>

## NOTES TO THE CORE FINANCIAL STATEMENTS

The Council does not generally allow credit for its customers, such that £2.741m of the £4.965m balance is past its due date for payment.

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

	31 March 2015	31 March 2014
	£000	£000
Less than one month	1,734	1,058
One to three months	368	265
Three months to four months	69	163
More than five months	570	568
	2,741	2,054

The Council initiates a legal charge on property where, for instance, clients require the assistance of social services but cannot afford to pay immediately. The total collateral at 31 March 2015 was £0.04m (2013/14 £0.02m). The table above does not include the amount deposited with Icelandic banks.

In October 2008 the Icelandic banking sector defaulted on its obligations. The Council had £3m deposited with Glitnir Bank and £2m with Heritable bank at that time. For Heritable bank, £1.93m has been received from the Administrators and no further payments are expected.

For Glitnir, following the grant of priority status to UK local authorities by the Icelandic Supreme Court in October 2011, the Glitnir winding up board made a first and final distribution in a basket of currencies in March 2012 (£2.521m). At the time of distribution, it was not clear under Icelandic law the applicable exchange rate to be used when calculating the basket of currencies. Consequently the winding up board reserved its rights in this regard. Following clarification by the Icelandic Supreme Court, in April 2014 the winding up board made a claim for repayment of part of the funds paid in March 2012. The claim was settled in March 2015 with the Council making a repayment of £0.035m. This transaction has been accounted for as an additional impairment. The balance payable will be held in Icelandic Krónur in an interest bearing escrow account in Iceland until the currency controls are relaxed by the Icelandic Government. This represents approximately 19% of the total amount payable and as at 31 March 2015 was valued in the accounts at £0.642m. The timing of the final payment is uncertain. The escrow account accrues interest at a variable interest rate (3.11% per annum as at 31 March 2015). As the escrow account is in Icelandic Krónur the sterling value of the deposit was calculated using the sterling spot exchange rate as at 31 March 2015. The exchange rate loss between the value of the deposit on the 31 March 2014 and the value as at 31 March 2015 (£0.051m) has been taken to the Comprehensive Income and Expenditure Statement in accordance with IAS 21 *the Effects of Changes in Foreign Exchange Rates*.

Carrying amounts are as follows:

Bank	Date Invested	Maturity Date	Amount Invested	Interest Rate	Carrying Amount at	
					31 March 2015	Cumulative Impairment
			£000	%	£000	£000
Glitnir Bank	01/04/08	31/3/09	3,000	6.43	0	710
Glitnir Escrow A/c	16/03/12		579	3.11	642	0

## NOTES TO THE CORE FINANCIAL STATEMENTS

Interest credited to the Comprehensive Income and Expenditure Statement in respect of the remaining investment is as follows:

Bank	Credited 2014/15 £000	Received 2014/15 £000	Credited 2013/14 £000	Received 2013/14 £000
Glitnir Escrow Account	(24)	0	(28)	(4)

### *Liquidity risk*

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

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

### *Refinancing and Maturity Risk*

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 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 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 analyses are disclosed in Notes 12 and 13 to these accounts.

### *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 Surplus or Deficit on the Provision of Services will rise; and
- investments at fixed rates – the fair value of the assets will fall.

## NOTES TO THE CORE FINANCIAL STATEMENTS

Changes in interest receivable on variable rate investments will be posted to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement and affect the General Fund Balance.

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

According to this assessment strategy, at 31 March 2015, if all interest rates had been 1% higher (with all other variables held constant) the financial effect would be as follows.

	<b>£000</b>
Increase in interest receivable on variable rate investments & cash equivalents	(265)
<b>Impact on Surplus or Deficit on the Provision of Services</b>	<b>(265)</b>
Decrease in fair value of fixed rate investment assets	310
Impact on Other Comprehensive Income and Expenditure	<b>310</b>
Decrease in fair value of fixed rate liabilities (no impact on the Comprehensive Income and Expenditure Statement)	<b>1,883</b>

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

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

**Foreign exchange risk** - The balance of the Council's deposit with Glitnir is now held in Icelandic Krónur in an interest bearing escrow account in Iceland due to the imposition of currency controls. The Council is therefore exposed to fluctuations in currency exchange rates, over which it has no control. Any exchange rate differences at 31 March are charged to the Comprehensive Income and Expenditure Statement in accordance with IAS 21 - the Effects of Changes in Foreign Exchange Rates.

### 34 CONTINGENCIES

#### Contingent Liabilities

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

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

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

## NOTES TO THE CORE FINANCIAL STATEMENTS

### 35 POOLED BUDGETS

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

#### Pooled Budget: Intermediate Care Services

The pooled budget was established on 1 April 2008. An updated contract was signed from 1 April 2012 for a term of 3 years and has been continued for a further two year period. The pooled budget agreement is between Bracknell Forest Council and Bracknell and Ascot Clinical Commissioning Group, 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:

	<b>Gross Expenditure</b>	<b>Gross Income</b>	<b>Bracknell Forest Council Contribution</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>
<b>Financial Year 2014/15</b>	<b>3,770</b>	<b>3,770</b>	<b>2,003</b>
Financial Year 2013/14	3,351	3,351	1,657

#### Pooled Budget: Community Equipment Services

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

	<b>Gross Expenditure</b>	<b>Gross Income</b>	<b>Bracknell Forest Council Contribution</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>
<b>Financial year 2014/15</b>	<b>6,290</b>	<b>6,290</b>	<b>311</b>
Financial year 2013/14	5,621	5,621	253

### 36 RELATED PARTY TRANSACTIONS

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

# NOTES TO THE CORE FINANCIAL STATEMENTS

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## Central Government

Central government has effective control over the general operations of the Council – it is responsible for providing the statutory framework, within which the Council operates, provides the majority of its funding in the form of grants and prescribes the terms of many of the transactions that the Council has with other parties (e.g. council tax bills, housing benefits). Grant receipts from government departments are included in the subjective analysis in Note 5 and the grant analysis in Note 8.

## South Hill Park

The Council owns property that is leased to the South Hill Park Trust and also nominates 4 of the 13 trustees. The Council has a Partnership agreement with the Trust and provided a grant in 2014/15 for £0.433m. Costs associated with building repairs and maintenance (£0.173m) and grounds maintenance (£0.128m) were also incurred.

## Members of the Council

Members of the Council have direct control over the Council's financial and operating policies. The total of members' allowances and expenses paid is shown in Note 10. All Members were asked to complete a disclosure statement in respect of themselves and their family members/close relatives, detailing any material transactions with related parties. The declarations confirmed that no material related party transactions exist.

## Officers of the Council

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

## 37 THIRD PARTY FUNDS

The Council administers a number of bank accounts on behalf of clients by acting as the appointee or deputy. The clients concerned can no longer manage their own affairs, usually because of mental incapacity or severe physical disability. As at 31 March 2015, the Council administered £1.91m within 138 bank accounts (£1.24m as at 31 March 2014). Additionally, as part of these responsibilities, two residential properties were under the Council's management. The assets are not owned by the Council and have therefore not been included in the financial statements.

## 38 PRIOR PERIOD ADJUSTMENTS

No prior period adjustments were required in 2014/15.

## 39 NON-ADJUSTING POST BALANCE SHEET EVENTS

Events after the Balance Sheet date are those events, both favourable and unfavourable, that occur between the end of the reporting period and the date when the Statement of

## **NOTES TO THE CORE FINANCIAL STATEMENTS**

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Accounts is authorised for issue. The Statement of Accounts were authorised for issue by Alan Nash, the Borough Treasurer, on 23 September 2015. There were no post balance sheet events.

## THE COLLECTION FUND

Business Rates £000	2014/15 Council		Notes	2013/14 Council		Total £000
	Tax £000	Total £000		Business Rates £000	Tax £000	
<b>Income</b>						
	58,631	58,631	Council Tax Receivable	3	57,550	57,550
77,545		77,545	Business Rates Receivable	2	71,688	71,688
(142)		(142)	Less: Transitional Protection Payments Payable		(872)	(872)
<b>77,403</b>	<b>58,631</b>	<b>136,034</b>	<b>Total Income</b>		<b>70,816</b>	<b>128,366</b>
<b>Expenditure</b>						
<b>Apportionment of Previous Year Surplus</b>						
6,452		6,452	Central Government		0	0
6,322	597	6,919	Bracknell Forest Council		0	268
129	31	160	Royal Berkshire Fire Authority		0	13
	81	81	Police and Crime Commissioner			36
<b>Precepts, Demands and Shares</b>						
35,135		35,135	Central Government		26,743	26,743
34,432	48,662	83,094	Bracknell Forest Council		26,209	47,625
703	2,548	3,251	Royal Berkshire Fire Authority		535	2,494
	6,741	6,741	Police and Crime Commissioner			6,472
<b>Charges to Collection Fund</b>						
171	82	253	Less: write offs		794	61
959	39	998	Less: Increase/ (Decrease) in Allowance for Impairments		(222)	50
17,342		17,342	Less: Increase/ (Decrease) in Provision for Appeals		4,717	4,717
157		157	Less: Cost of Collection		143	143
1		1	Less: Disregarded Amounts		1	1
<b>101,803</b>	<b>58,781</b>	<b>160,584</b>	<b>Total Expenditure</b>		<b>58,920</b>	<b>57,019</b>
<b>24,400</b>	<b>150</b>	<b>24,550</b>	<b>Movement on the fund balance</b>	<b>4</b>	<b>(11,896)</b>	<b>(531)</b>
<b>(11,896)</b>	<b>(778)</b>	<b>(12,674)</b>	<b>(Surplus)/Deficit brought forward</b>		<b>0</b>	<b>(247)</b>
<b>12,504</b>	<b>(628)</b>	<b>11,876</b>	<b>(Surplus)/Deficit as at 31 March</b>	<b>4</b>	<b>(11,896)</b>	<b>(778)</b>

## 1 Accounting Policy

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

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

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

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

## 2 Income from Business Rates

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

Total Business Rateable Value 31 March 2015	£170,659,970 (£169,718,340 31 March 2014)
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Rateable Values are externally assessed on a five yearly national basis by the Valuation Office.

Business Rate Multiplier - Standard	48.2p (47.1p 2013/14)
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Business Rate Multiplier - Small Business	47.1p (46.2p 2013/14)
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(A property with a rateable value below £18,000)

## 3 Council Tax

The Council's tax base for 2014/15 was 41,998. This is the number of chargeable dwellings in each valuation band (adjusted for dwellings where discounts apply) converted to an equivalent number of band D dwellings.

## NOTES TO THE COLLECTION FUND

This was calculated as follows:-

Band	Actual Number of Properties	Estimated Number of Taxable Properties after effect of discounts & exemptions	Ratio	Band D Equivalent Dwellings
A (Disabled)	0	6	5/9 <sup>ths</sup>	3
A	1,710	1,436	6/9 <sup>ths</sup>	958
B	4,331	3,625	7/9 <sup>ths</sup>	2,819
C	17,592	15,740	8/9 <sup>ths</sup>	13,991
D	9,095	8,428	9/9 <sup>ths</sup>	8,428
E	7,774	7,331	11/9 <sup>ths</sup>	8,960
F	4,718	4,524	13/9 <sup>ths</sup>	6,535
G	2,190	2,115	15/9 <sup>ths</sup>	3,525
H	258	231	18/9 <sup>ths</sup>	462
	47,668			45,681
				Less allowance for losses on collection (342)
				Less allowance for Council Tax Reduction Scheme (3,838)
				Add contributions in lieu from MoD 256
				Add allowance for new properties 241
				<b>Council Tax Base 41,998</b>

#### 4 Collection Fund Surplus / Deficit

A deficit of £24.550m has been achieved on the Collection Fund, broken down into a £0.150m deficit on Council Tax (a £0.531m surplus in 2013/14) and a £24.400m deficit on Business Rates (a £11.896m surplus in 2013/14). The balance of the Fund carried forward is a £11.876m deficit.

During 2014/15, a significant increase was required to the provision for appeals primarily due to the appeals lodged by a large multinational company, and based on external advice the likelihood of their success. This is the main reason a deficit has been generated on Business Rates.

Share of Surplus	Opening Balance £000	Council Tax £000	Business Rates £000	Closing Balance £000
Bracknell Forest Council	6,483	(127)	(11,956)	(5,600)
Central Government	5,948	0	(12,200)	(6,252)
Police & Crime Commissioner	90	(17)	0	73
Royal Berkshire Fire Authority	153	(6)	(244)	(97)
<b>Total</b>	<b>12,674</b>	<b>(150)</b>	<b>(24,400)</b>	<b>(11,876)</b>

## GLOSSARY

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### ACCRUALS

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

### ACTUARIAL GAINS AND LOSSES

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

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

### AMORTISATION

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

### ASSET

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

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

### BUDGET

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

### BUSINESS RATES TARIFF

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

### BUSINESS RATES LEVY

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

### CAPITAL CHARGE

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

### CAPITAL EXPENDITURE

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

### CAPITAL FINANCING REQUIREMENT

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

### CAPITAL RECEIPTS

The proceeds from the disposal of non-current assets.

## GLOSSARY

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### **COMMUNITY ASSETS**

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

### **CONSISTENCY**

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

### **CONSUMER PRICE INDEX (CPI)**

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

### **CONTINGENT RENT**

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

### **CONTINGENCY**

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

### **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 Council to an individual or company at the end of the accounting period.

### **CURRENT SERVICE COST (PENSIONS)**

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

### **CURTAILMENT**

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

### **DEBTOR**

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

### **DEFINED BENEFIT SCHEME**

A pension or other retirement benefit scheme other than a defined contribution scheme. Usually, the scheme rules define the benefits independently of the contributions payable, and the benefits are not directly related to the investments of the scheme. The scheme may be funded or unfunded (including notionally funded).

## GLOSSARY

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### **DEFINED CONTRIBUTION SCHEME**

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

### **DEPRECIATION**

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

### **DISCRETIONARY BENEFITS**

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

### **EXCEPTIONAL ITEMS**

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

### **FAIR VALUE**

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

### **FINANCIAL INSTRUMENTS**

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

### **FINANCE LEASE**

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

### **GOVERNMENT GRANTS**

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

### **HERITAGE ASSETS**

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

### **IMPAIRMENT OF ASSETS**

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

### **INFRASTRUCTURE ASSETS**

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

## GLOSSARY

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### **INTANGIBLE FIXED ASSETS**

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

### **INVENTORIES**

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

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

### **INVESTMENT PROPERTY**

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

### **INVESTMENTS (NON-PENSIONS FUND)**

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

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

### **INVESTMENTS (PENSIONS FUND)**

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

### **LARGE SCALE VOLUNTARY TRANSFER (LSVT)**

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

### **MARKET VALUE**

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

### **MINIMUM REVENUE PROVISION (MRP)**

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

### **NET BOOK VALUE**

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

## GLOSSARY

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### **NET INTEREST COST ON THE NET DEFINED BENEFIT PENSION LIABILITY**

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

### **NON DISTRIBUTED COSTS**

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

### **OPERATING LEASES**

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

### **PAST SERVICE COST**

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

### **PENSIONS / IAS 19**

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

### **PRIVATE FINANCE INITIATIVE (PFI)**

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

### **POST BALANCE SHEET EVENTS**

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

### **PRIOR PERIOD ADJUSTMENT**

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

### **PROJECTED UNIT METHOD**

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

### **PRUDENCE**

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

### **RELATED PARTIES**

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

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

## GLOSSARY

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- the parties, in entering a transaction, are subject to influence from the same source to such an extent that one of the parties to the transaction has subordinated its own separate interests.

### REMEASUREMENTS OF THE NET DEFINED BENEFIT PENSION LIABILITY

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

### RETIREMENT BENEFITS

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

### REVALUATION DECREASE

A downward movement in the fair value of an asset resulting from a general fall in prices at the time of valuation.

### REVENUE EXPENDITURE FUNDED FROM CAPITAL UNDER STATUTE

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

### SCHEME LIABILITIES

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

### SECTION 106

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

### SERVICE REPORTING CODE OF PRACTICE FOR LOCAL AUTHORITIES (SeRCOP)

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

### 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 Council will derive benefits from the use of a non-current asset.

### VESTED RIGHTS

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

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

## GLOSSARY

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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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[To be prepared on the entity's letterhead]

[Date]

Ernst & Young  
Wessex House,  
19 Threefield Lane,  
Southampton.  
SO14 3QB

This representation letter is provided in connection with your audit of the financial statements of Bracknell Forest Council ("the Council") for the year ended 31 March 2015. We recognise that obtaining representations from us concerning the information contained in this letter is a significant procedure in enabling you to form an opinion as to whether the financial statements give a true and fair view of the financial position of Bracknell Forest Council as of 31 March 2015 and of its expenditure and income for the year then ended in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2014/15.

We understand that the purpose of your audit of our financial statements is to express an opinion thereon and that your audit was conducted in accordance with International Standards on Auditing (UK and Ireland), which involves an examination of the accounting system, internal control and related data to the extent you considered necessary in the circumstances, and is not designed to identify - nor necessarily be expected to disclose – all fraud, shortages, errors and other irregularities, should any exist.

Accordingly, we make the following representations, which are true to the best of our knowledge and belief, having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves:

#### **A. Financial Statements and Financial Records**

1. We have fulfilled our responsibilities, under the relevant statutory authorities, for the preparation of the financial statements in accordance with the Accounts and Audit Regulations (England) 2011 and CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2014/15.
2. We acknowledge our responsibility for the fair presentation of the financial statements. We believe the financial statements referred to above give a true and fair view of the financial position, and of its expenditure and income of the Council in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2014/15 and are free of material misstatements, including omissions. We have approved the financial statements.
3. The significant accounting policies adopted in the preparation of the financial statements are appropriately described in the financial statements.
4. We believe that the Council has a system of internal controls adequate to enable the preparation of accurate financial statements in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2014/15 that are free from material misstatement, whether due to fraud or error.

5. There are no unadjusted audit differences identified during the current audit and pertaining to the latest period presented.

### **B. Fraud**

1. We acknowledge that we are responsible for the design, implementation and maintenance of internal controls to prevent and detect fraud.
2. We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
3. We have no knowledge of any fraud or suspected fraud involving management or other employees who have a significant role in the Council's internal controls over financial reporting. In addition, we have no knowledge of any fraud or suspected fraud involving other employees in which the fraud could have a material effect on the financial statements. We have no knowledge of any allegations of financial improprieties, including fraud or suspected fraud, (regardless of the source or form and including without limitation, any allegations by "whistleblowers") which could result in a misstatement of the financial statements or otherwise affect the financial reporting of the Council.

### **C. Compliance with Laws and Regulations**

1. We have disclosed to you all known actual or suspected noncompliance with laws and regulations whose effects should be considered when preparing the financial statements.

### **D. Information Provided and Completeness of Information and Transactions**

1. We have provided you with:
  - access to all information of which we are aware that is relevant to the preparation of the financial statements such as records, documentation and other matters as agreed in terms of the audit engagement;
  - additional information that you have requested from us for the purpose of the audit; and
  - unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.
2. All material transactions have been recorded in the accounting records and are reflected in the financial statements.
3. We have made available to you all minutes of the meetings of the Council, and all other relevant committees (or summaries of actions of recent meetings for which minutes have not yet been prepared) held through the year to the most recent meeting on the following date: 23 September 2015.
4. We confirm the completeness of information provided regarding the identification of related parties. We have disclosed to you the identity of the Council's related parties and all related party relationships and transactions of which we are aware, including sales, purchases, loans, transfers of assets, liabilities and services, leasing arrangements, guarantees, non-monetary transactions and transactions for no consideration for the period ended, as well as related balances due to or from such parties at the year end.

These transactions have been appropriately accounted for and disclosed in the financial statements.

5. We have disclosed to you, and the Council has complied with, all aspects of contractual agreements that could have a material effect on the financial statements in the event of non-compliance, including all covenants, conditions or other requirements of all outstanding debt.

#### **E. Liabilities and Contingencies**

1. All liabilities and contingencies, including those associated with guarantees, whether written or oral, have been disclosed to you and are appropriately reflected in the financial statements.
2. We have informed you of all outstanding and possible litigation and claims, whether or not they have been discussed with legal counsel.
3. We have recorded and/or disclosed, as appropriate, all liabilities related litigation and claims, both actual and contingent, and have disclosed in Note 34 to the financial statements all guarantees that we have given to third parties.

#### **F. Subsequent Events**

1. There have been no events subsequent to period end which require adjustment of or disclosure in the financial statements or notes thereto.

#### **G. Accounting Estimates**

1. We believe that the significant assumptions we used in making accounting estimates, including those measured at fair value, are reasonable.
2. Accounting estimates recognised or disclosed in the financial statements:
  - We believe the measurement processes, including related assumptions and models, we used in determining accounting estimates is appropriate and the application of these processes is consistent.
  - The disclosures relating to accounting estimates are complete and appropriate in accordance with the applicable financial reporting framework.
  - The assumptions we used in making accounting estimates appropriately reflects our intent and ability to carry out specific courses of action on behalf of the entity, where relevant to the accounting estimates and disclosures.
  - No subsequent event requires an adjustment to the accounting estimates and disclosures included in the financial statements.

#### **H Retirement benefits**

1. On the basis of the process established by us and having made appropriate enquiries, we are satisfied that the actuarial assumptions underlying the scheme liabilities are consistent with our knowledge of the business. All significant retirement benefits and all settlements and curtailments have been identified and properly accounted for.

*Yours Faithfully,*

\_\_\_\_\_  
Borough Treasurer

I confirm that this letter has been discussed and agreed at the Governance and Audit Committee on 23 September 2015

\_\_\_\_\_  
Chairman of Governance and Audit Committee

**TO: GOVERNANCE AND AUDIT COMMITTEE  
23 SEPTEMBER 2015**

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**EMPLOYEES CODE OF CONDUCT AMENDMENT  
Director of Corporate Services – Legal/Human Resources**

**1 PURPOSE OF DECISION**

- 1.1 This report seeks the endorsement of the Council to an amendment to the Employees Code of Conduct (“the Code”) introducing a requirement for all Council employees to declare the existence of criminal charges, cautions and convictions to their line manager

**2 RECOMMENDATION**

- 2.1 **That the provision outlined in paragraph 5.5 is added to the Employees Code of Conduct:**

**3 REASONS FOR RECOMMENDATION**

- 3.1 The recommendation follows a decision by Corporate Management Team in July to review and amend the practice of carrying out three yearly Disclosure and Barring Service (“DBS”) rechecks to posts where there is no statutory duty to do so. The imposition of a requirement on employees to disclose new convictions is expected to mitigate any risks thereby arising

**4 ALTERNATIVE OPTION CONSIDERED**

- 4.1 None

**5 SUPPORTING INFORMATION**

- 5.1 Currently, DBS checks are carried out on prescribed categories of employees whose duties require contact with young people and vulnerable adults either directly or via access to sensitive personal data. The checks take place upon an individual commencing employment with the Council and where s/he moves to a new and different role within the organisation.
- 5.2 The Council’s position on which posts required DBS checks was reviewed by Corporate Management Team in July this year at which point they considered their current approach to rechecks.
- 5.3 Whilst there is no statutory requirement to re-check in the majority of cases, it does exist for some non-employment cases ie taxi licensing and fostering/adoption and there is no suggestion that the rechecks should stop for those areas. There is no expiry date on a DBS Disclosure if the person remains in the same type of employment with the same employer. Increasingly Councils are redefining their position on rechecking because the landscape has changed over the last few years and the CQC and Ofsted no longer require it. The majority of the Berkshire Authorities do not perform automatic rechecks:

- 5.4 In deciding whether to continue with re-checks one of the issues for consideration by CMT was the Council's appetite for risk; it was clear that the risk to vulnerable adults and children would be very low were rechecks to be discontinued. It is true to say that there is an excellent network of information sources available to the Council which have, in the past, readily identified any occasion when an employee has fallen foul of the law. These include the local press, local police contacts, work colleagues, social networks, the Magistrates Court system etc. Therefore if an employee did commit any offence, particularly one which might prove problematic to their continued employment in a Regulated Activity, it is clear the Council would find out very quickly and be able to act accordingly.

During the time the Council has performed regular rechecks, there is no record of there having been any employee whose employment has been terminated due to new offences being detected through this process. This must inevitably lead to the conclusion that whilst the current approach is extremely risk-averse, it is committing the Council to significant expense at a time of restricted budgets with little evidence that it makes any material impact.

- 5.5 However CMT did agree that in order to mitigate any potential risks the Employees Code of Conduct should be amended to require employees to declare any criminal charges, cautions and convictions imposed upon them subsequent to their appointment. The suggested wording is as follows:

#### **Reporting of Criminal Charges and Convictions**

Where an employee is charged by the police for any offence or convicted in a court of law or issued with a caution on any matter that occurs during or outside of their work then they must report this immediately to their line manager.

A charge, conviction or caution for any offence may result in disciplinary proceedings being taken against the employee where, in the opinion of the Council, it;

- affects, or is likely to affect, the suitability of the employee for the position in which he/she is employed, or
- brings the Council into disrepute, or
- could, in the opinion of the Council, otherwise seriously undermine the trust and confidence that the Council has in the employee.

NB. There is no requirement for an employee to report to his line manager where they have received a fixed penalty notice for any offence, eg speeding offences, parking offences etc.

- 5.6 In order to underpin this approach, it is intended that additional offence is added to the list of Serious Misconduct outlined in the Council's Disciplinary Procedure specifying "the failure to disclose to line manager any charge, caution or conviction (not including fixed penalty notices) which affects or is

likely to affect the employee's suitability for the position in which they are employed"

## **6 ADVICE RECEIVED FROM STATUTORY AND OTHER OFFICERS**

### Borough Solicitor

6.1 The Borough Solicitor is the author of this report.

### Borough Treasurer

6.2 Nothing to add to the report.

### Other Officers

6.3 The Chief Officer: Human Resources comments are included in the report.

### Equalities Impact Assessment

6.4 Not relevant

### Strategic Risk Management Issues

6.5 Implementation of the proposal will serve to mitigate any risk arising from the fact that the Council no longer undertakes DBS rechecks except in those limited cases where there is a statutory requirement to do so.

## **7 CONSULTATION**

### Principal Group Consulted

7.1 The recommendation in this report will be considered by the Local Joint Committee and both the Employment Committee and Governance and Audit Committee

### Method of Consultation

7.2 Through this report.

### Background Papers

None

### Contact For Further Information

Sanjay Prashar – Borough Solicitor – 01344 355679  
e-mail: [sanjay.prashar@bracknell-forest.gov.uk](mailto:sanjay.prashar@bracknell-forest.gov.uk)

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**TO: GOVERNANCE AND AUDIT COMMITTEE  
23 SEPTEMBER 2015**

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**AMENDMENT TO THE CONSTITUTION  
Director of Corporate Services – Democratic & Registration Services**

**1 PURPOSE OF REPORT**

- 1.1 This report seeks approval to amend the Council's Constitution to remove reference to a Sustainable Community Plan from the Policy Framework.

**2 RECOMMENDATION**

- 2.1 **That Council is recommended to authorise the Monitoring Officer to remove reference to the Sustainable Community Plan from the Policy Framework set out in Part 2: Section 3 of the Constitution, and to make any consequential changes to the Constitution that might be required.**

**3 REASONS FOR RECOMMENDATION**

- 3.1 Only Council can adopt or make changes to the Constitution.

**4 ALTERNATIVE OPTIONS CONSIDERED**

- 4.1 None.

**5 SUPPORTING INFORMATION**

- 5.1 The Council's Constitution sets out the requirement for the Council to approve and adopt the Policy Framework which includes plans, policies and strategies that the Council is required to produce. The Sustainable Community Plan currently forms part of the Policy Framework, set out in Part 2: Section 3 of the Constitution.
- 5.2 Section 4 of the Local Government Act 2000 imposed a duty on local authorities to produce a Sustainable Communities Strategy. On 13 April 2011 the statutory guidance to local authorities on preparing a Sustainable Communities Strategy was withdrawn and at the same time the Government announced its intention to repeal section 4 of the Local Government Act 2000 as soon as a suitable legislative vehicle had been identified.
- 5.3 Section 100 of the Deregulation Act 2015 (other measures to reduce burdens on public authorities) repeals section 4 of the Local Government Act 2000. The effect of these provisions is to remove the duty for local authorities to prepare a Sustainable Community Strategy and the linked duty to, when preparing or modifying their Sustainable Community Strategy, consult with and seek the participation of their partner authorities and such other persons as they consider appropriate. The repeal has been made as part of the localism agenda and gives local authorities the freedom to decide whether or not a Sustainable Community Strategy is needed for their area.
- 5.4 The Sustainable Community Plan was intended to set the overall strategic direction and long-term vision for promoting or improving the economic, social and

environmental well-being of the local area and the Plan formed the overarching strategy for the Council's Performance Framework. The new Performance Framework which the Council is working to introduce in April 2016 will have the Council Plan as the highest overarching Council strategy and a Sustainable Community Plan will not be part of the new Performance Framework. Partnership working is now well established in areas where organisations need to work together and there is no need for a separate overarching partnership strategy.

- 5.5 As a result it is proposed that this strategy no longer forms part of the Council's Policy Framework.

## **6 ADVICE RECEIVED FROM STATUTORY AND OTHER OFFICERS**

### Borough Solicitor

- 6.1 The Policy Framework consists of statutory documents that have to be adopted or approved by the Council as well as locally determined policies and strategies that form an integral part of the decision making process. In this instance the statutory requirement to maintain a Sustainable Community Plan has been repealed.

### Borough Treasurer

- 6.2 There are no financial implications arising from this report.

### Equalities Impact Assessment

- 6.3 Not applicable.

### Strategic Risk Management Issues

- 6.4 Not applicable.

## **7 CONSULTATION**

### Principal Groups Consulted

- 7.1 Not applicable.

### Method of Consultation

- 7.2 Not applicable.

### Representations Received

- 7.3 Not applicable.

### Background Papers

None

### Contact for further information

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John Ainsworth, Partnership & Performance – 01344 352174  
[john.ainsworth@bracknell-forest.gov.uk](mailto:john.ainsworth@bracknell-forest.gov.uk)

By virtue of paragraph(s) 3 of Part 1 of Schedule 12A  
of the Local Government Act 1972.

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