

1 ACCOUNTING POLICIES

Summary of Significant Accounting Policies

The principal accounting policies applied in the preparation of the accounts are set out below.

Basis of Preparation

The accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting 2010/11 issued by the Chartered Institute of Public Finance and Accountancy (CIPFA). This Code of Practice is the first to be based on International Financial Reporting Standards (IFRS) as interpreted for local authorities.

An explanation of how the transition to IFRS has affected the Balance Sheet and Comprehensive Income and Expenditure Statement is detailed in **Note ___**.

The functional and presentation currency of Bracknell Forest Council (the Council) is the pound sterling.

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

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.

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.

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.

Income Policy

Council Tax is recognised as income in the reporting period levied.

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, 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.

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.

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 opening balances and comparative amounts for the prior period as if the new policy had always been applied.

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

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.

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 per scheme. Items below this limit are charged to

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

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits or service potential associated with the item will flow to the Council and the cost can be measured reliably. The carrying amount of the replaced part is derecognised. 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". The land and buildings are physically visited and valued on a 5 year cycle.

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. 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.

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.

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.

Depreciation charged to the Surplus or Deficit on the Provision of Services is transferred from the General Fund to the Capital Adjustment Account within in the Movement in Reserves Statement.

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.

Investment Property

Investment property comprises land and buildings held solely to earn rentals and/or for capital appreciation. The Council has elected to treat an operating lease as a finance lease as permitted by the Code. This property is included in Investment Property in the Balance Sheet.

Investment property are 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.

Operating Leases

Where the Council grants an operating lease over an investment property the leased asset remains within Investment Property in the Balance Sheet. The rental income is recognised over the term of the lease on a straight-line basis in the Income and Expenditure in Relation to Investment Properties line 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

Where the Council grants a finance lease over an investment property, the leased asset is derecognised (treated as a disposal) from Investment Property and a long term debtor is recognised for any leases with rental payments in excess of peppercorn rent. Peppercorn rents are recognised in the Income and Expenditure in relation to Investment Properties line in the Comprehensive Income and Expenditure Statement. Rental payments in excess of peppercorn rent are used to reduce the long-term debtor and also include finance income that will be earned by the Council whilst the debtor remains outstanding.

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 as the website 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.

Where expenditure on intangible assets qualifies as capital expenditure for statutory purposes, amortisation, impairment losses and disposal gains and losses are not permitted 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.

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

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

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

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

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

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.

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

Charges to Revenue for Non-Current Assets

General Fund service revenue accounts (as defined in CIPFA's Best Value Accounting Code of Practice), central support services and statutory trading accounts are charged with a depreciation charge and, where required, any related impairment 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 are also charged with a provision for amortisation of intangible assets and where required any related 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.

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 as Property, Plant and Equipment. 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.

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 asset, including finance costs.

Services Received

The fair value of services received in the year is recorded under Cultural, Environmental, Regulatory and Planning 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.

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. Unless title is expected to pass to the lessee at the end of the lease term, leases of land have been classified as operating leases.

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.

Operating Leases (Council as Lessee)

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

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.

Finance Leases (Council as Lessee)

Leases of property, plant and equipment, 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 property, plant and equipment 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.

Property, Plant and Equipment recognised under finance leases is 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 property, plant or equipment – 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).

The Council is not required to raise council tax to cover depreciation or revaluation and impairment losses arising on leased assets. Instead, a prudent annual contribution is made from revenue funds towards the deemed capital investment in accordance with statutory requirements. Depreciation and revaluation and impairment losses are therefore substituted by a revenue contribution in the General Fund Balance, by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

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.

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 Authority 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');
- 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.

De-recognition

A financial asset is considered for de-recognition 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.

They 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.

The Council has no external borrowing as at 31 March 2011.

Employee Benefits

Leave and Flexi-time Accrual

The accrual represents 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 is demonstrably committed to the termination of the employment of an officer or group of officers.

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

Post Employment Benefits

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

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

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

Teacher's Pension Scheme

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

The Scheme is technically a defined benefit scheme. However, the Scheme is unfunded and the Department for Education uses a notional fund as the basis for calculating the employers' contribution rate paid by local authorities. It is not possible to identify the Council's share of the underlying financial position and performance of the Scheme with sufficient reliability for accounting purposes. For the purposes of this Statement of Accounts, it is therefore accounted for on the same basis as a defined contribution scheme and no liability for future payments of benefits is recognised in the Balance Sheet. The Children'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 2010. 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 a discount rate based on the indicative rate of return on the iBoxx AA rated over 15 year Corporate Bond Index, which is *.*.*%* as of 31 March 2011.

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 seven components:

- current service cost – the increase in liabilities as a result of years of service earned this year;
- past service cost – the increase in liabilities arising from current year decisions whose effect relates to years of service earned in earlier years;

- gains or losses on settlements and curtailments – the result of actions to relieve the Authority of liabilities or events that reduce the expected future service or accrual of benefits of employees;
- interest cost – the increase in the present value of benefits during the year due to the passage of time;
- expected return on assets – the annual investment return on the fund assets, based on an average of the expected long-term return;
- actuarial gains and losses – result of events not coinciding with assumptions made at the last actuarial valuation or the actuaries updating the assumptions; and
- contributions paid to the Royal Borough of Windsor and Maidenhead Council pension fund – cash paid as employer’s contributions to the pension fund in settlement of liabilities; not accounted for as an expense.

Current service costs are allocated in the Comprehensive Income and Expenditure Statement to the services for which the employees worked. Past service costs, settlements and curtailments are reflected in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs. Interest cost and expected return on assets are reflected in Financing and Investment Income and Expenditure within the Comprehensive Income and Expenditure Statement.

Actuarial gains and losses 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.

Government Grants and Other Contributions

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

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

Amounts recognised as due to the Council are not credited to the Comprehensive Income and Expenditure Statement until conditions attached to the grant or contribution have been satisfied. Conditions are stipulations that specify that the future economic benefits or service potential embodied in the asset acquired using the grant or contribution are required to be consumed by the recipient as specified, or future economic benefits or service potential must be returned to the transferor.

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.

Area Based Grant

Area Based Grant is a non-ring fenced general grant allocated directly to local authorities as additional revenue funding. No conditions are attached to the grant ensuring full local control over how it is used. The Council's share of Area Based Grant is therefore included under Taxation and Non-Specific Grant Income in the Comprehensive Income and Expenditure Account.

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.

Contingent Liabilities

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

be made but either it is not probable that an outflow of economic benefits will be required or the amount of the obligation cannot be measured reliably.

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

Contingent Assets

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

Contingent assets are not recognised in the Balance Sheet but disclosed in a note to the accounts where it is probable that there will be an inflow of economic benefits or service potential.

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, Financial Instrument Adjustment Account, Short-term Accumulating Compensated Absences Account and Pension Reserve, which are explained in the relevant policies and Notes to the Accounts.

Inventory

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

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 Distributable 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 costs categories are defined in the Best Value Accounting Code of Practice (BVACOP) 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.

Jointly Controlled Operations and Jointly Controlled Assets

Jointly controlled operations are activities undertaken by the Council in conjunction with other venturers that involve the use of the assets and resources of the venturers rather than the establishment of a separate entity. The Council recognises on its Balance Sheet the assets that it controls and the liabilities that it incurs and debits and credits the Comprehensive Income and Expenditure Statement with the expenditure it incurs and the share of income it earns from the activity of the operation.

Jointly controlled assets are items of property, plant or equipment that are jointly controlled by the Council and other venturers, with the assets being used to obtain benefits for the venturers. The joint venture does not involve the establishment of a separate entity. The Council accounts for only its share of the jointly controlled assets, the liabilities and expenses that it incurs on its own behalf or jointly with others in respect of its interest in the joint venture and income that it earns from the venture.

Landfill Allowances Trading Scheme (LATS)

The Waste and Emission Trading Act 2003 places a duty on waste disposal authorities in England and Wales to reduce the amount of biodegradable municipal waste disposed to landfill. The Landfill Allowance Trading Scheme is a 'cap and trade' scheme which allocates tradable landfill allowances to each waste disposal Council up to the 'cap'. The LATS gives rise to:

- An asset for the allowances held;
- LATS grant income; and
- A liability for the actual landfill usage.

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

As landfill is used a liability and an expense are recognised for the actual landfill usage. The liability is a provision which is discharged by using allowances to meet the liability and by the payment of any cash penalty to DEFRA for exceeding the landfill. The liability is normally recognised in the Balance Sheet at the present market value. However where some of the obligation will be met by paying a cash penalty to DEFRA, that part is measured at the cost of the penalty.

After initial measurement, the value of landfill allowances is re-measured at the lower of cost or net realisable value. Where there is no evidence of an active market for landfill allowances, for example where the number of allowances issued is greater than that required by authorities, the fair value of the allowances and the net realisable value of the allowances is likely to be nil.

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.