



Financial Statements

2011/12

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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 113 to 118.

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, Business Rate income, charges to users of services, and Council Tax.

Capital – All improvements and enhancements to the Council's assets and the creation of new non-current assets 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.

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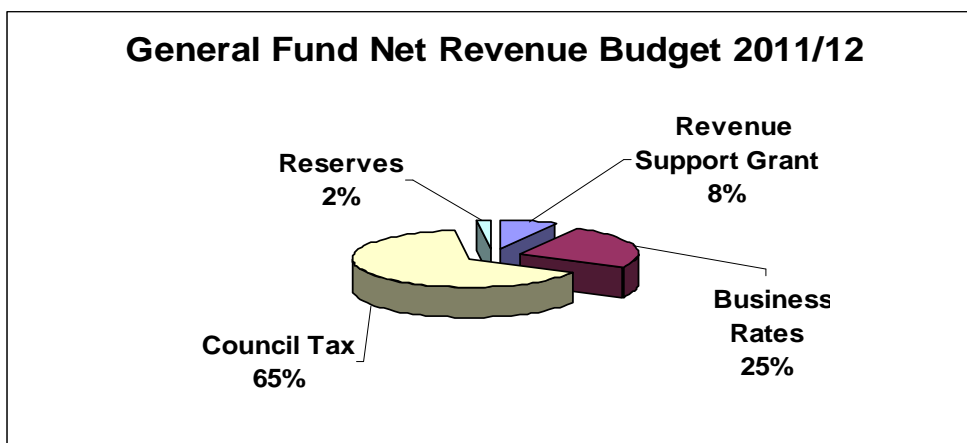
- **The Balance Sheet**, which shows the value as at the Balance Sheet date of the assets and liabilities recognised by the Council. The net assets of the Council (assets less liabilities) are matched by the reserves held by the Council. Reserves are reported in two categories. The first category of 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 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.

Revenue Expenditure

The Council, at its meeting on 2 March 2011, set a revenue budget for the 2011/12 financial year of £76.255m. The total authorised General Fund net expenditure for the 2011/12 financial year was £78.994m (including parish precepts of £2.739m). 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 earmarked reserves to the revenue account. In 2011/12 net transfers totalling £2.836m have been approved from reserves. These include funding from S106 contributions and transfers to or from a number of earmarked reserves. These transfers do not have an impact on the overall budget.

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

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The following table compares actual outturn expenditure incurred with the amended budgets for the year for the General Fund. This table reflects the Council's departmental structure during 2011/12, 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 valuation (£5.7m) and depreciation (£3.6m) adjustments account for the bulk of the increases 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.

From the table it can be seen that an under spend of £1.886m occurred on the General Fund. The Council has therefore returned £0.296m to General Balances as opposed to a budgeted withdrawal of £1.590m. The most significant variances from budget are explained in the sections below.

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GENERAL FUND	Original Budget £000's	Latest Budget £000's	Actual £000's	Variance £000's
Corporate Services (including Chief Executive's)	7,909	7,600	6,919	(681)
Children, Young People and Learning	21,111	22,961	22,465	(496)
Adult Social Care and Health	25,162	24,769	23,832	(937)
Environment, Culture & Communities	37,642	40,138	39,299	(839)
Net cost of General Fund services	91,824	95,468	92,515	(2,953)
Capital Charges & Revenue Expenditure funded from Capital Under Statute	(9,484)	(20,543)	(20,731)	(188)
IAS 19 Pension Adjustment	(6,449)	(944)	(944)	0
Council Wide Services	1,280	740	180	(560)
Interest Receipts	(402)	(652)	(953)	(301)
Interest Payable	0	603	603	0
Icelandic banks impairment adjustments	0	101	101	0
Debt Financing Costs	551	940	1,010	70
Levying Bodies	97	97	97	0
S106 contributions to revenue	0	(402)	(402)	0
Contribution to capital reserves	(300)	0	0	0
Contingency Provision	1,000	0	0	0
New Homes Bonus Grant	(600)	(763)	(763)	0
Council Tax Freeze Grant	(1,212)	(1,212)	(1,212)	0
Local Services Support Grant	0	(367)	(367)	0
Net Budget Requirement	76,305	73,066	69,134	(3,932)
Parish Precepts	2,739	2,739	2,739	0
Contributions to/(from) Earmarked Reserves	(50)	3,189	5,235	2,046
Amount to be met from Government Grants and Local Taxation	78,994	78,994	77,108	(1,886)
Resources To Finance Above				
Council Tax Payers	(51,211)	(51,211)	(51,211)	0
Collection Fund Surplus/Deficit	(100)	(100)	(100)	0
Revenue Support Grant	(6,161)	(6,161)	(6,161)	0
National Non Domestic Rates	(19,932)	(19,932)	(19,932)	0
Contribution to/(from) General Reserves	(1,590)	(1,590)	296	1,886
Total Resources	(78,994)	(78,994)	(77,108)	1,886

Major Revenue Variances

The major variances occurred in the following areas:

Corporate Services/Chief Executive's Office

- A saving was achieved on Internal Audit Fees because of changes to the audit plan and there was also a reduction in the Statutory Audit fee (-£0.109m).
- Due to the on-going management of the newer and more reliable fleet of Social Care vehicles and increased income from selling transport services the Integrated

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Transport Unit under spent by -£0.055m. A retendered Home to School Transport contract also generated savings (-£0.037m).

- A shortfall of income within Print and Design Services, in particular because of a significant fall in internal printing work (£0.129m).
- An increase in the amount of S106 income received for legal fees and income received from marriages, Nationality Checking, Settlement Checking and Citizenship Ceremonies (-£0.105m).
- Under spends within Human Resources on the training budgets (-£0.050m) and within Members and Mayoral Services (-£0.058m).
- An increase in the Council Tax subsidy receivable from central government plus various under spends on supplies and services within Local Tax Collection (-£0.094m).
- An under spend on the devolved staffing budget due mainly to posts put forward as economies in 2012/13 being held vacant when the previous post holders left and delays in recruiting to posts (-£0.175m).

Children, Young People and Learning

- Changes to grant funding from April 2011 and the mainstreaming of school grants into the Dedicated Schools Grant resulted in the 2010/11 unspent grant that can be spent up to 31 August 2011 being available as an under spending. The carry forward would ordinarily be used to fund services from April to August, but the new funding arrangements provide for full year funding from April, meaning a saving of -£0.280m was made.
- Within Learning & Achievement, income exceeded budget by -£0.165m. Of this -£0.045m was earned at the Bracknell Open Learning Centre through additional lettings and courses, and -£0.120m by the School Improvement Team. A number of high value one-off courses were offered, most notably relating to the new Ofsted framework.
- After the in-year allocation of £0.934m from the corporate contingency, support to Looked after Children, including childcare solicitors but excluding staffing, over spent by £0.186m. This reflects a significant increase in the number of children coming into the care system and reverses the trend from previous years of falling numbers and costs. The cost increase was minimised through extensive use of internal fostering, which is the most cost effective care provision, although this is not suitable in all cases.
- Within Strategy, Resources and Early Intervention, a number of services subject to savings in 2012/13 were able to implement changes early, resulting in overall savings of -£0.157m. These most notably occurred in the Family Information Service (-£0.080m), Finance (-£0.020m) and on staff recruitment costs (-£0.015m).

Adult Social Care and Health

- In Learning Disabilities Residential Care an under spend of -£0.470m was due to several unpredictable favourable movements on high cost packages with two large support packages ending, and one being reduced substantially due to changing circumstances. Additionally, one independent unit changed from residential to supported living. It included four Bracknell Forest resident individuals and reduced costs overall by -£0.128m.
- The Learning Disabilities budget for net demographic pressures was under spent by -£0.474m. This was partly due to reduced pressures presenting themselves but was also due to individual contributions being above budgeted levels. This was partly offset by £0.200m of net pressures in the supported living budgets.

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- Despite the greater use of non-residential solutions and income exceeding the budget the pressures of demographics and increasing care needs resulted in an over spend on Older People and Long Term Conditions (£0.217m).
- Under spends within Directorate Management and Performance and Resources from a number of areas including property costs and savings arising from vacancies (-£0.145m).

Environment Culture and Communities

- The managed vacancy factor for the department was exceeded by -£0.083m as a result of the policy agreed by Departmental Management Team to slightly delay the advertising of vacant posts to ensure the managed vacancy factor was achieved. Corresponding savings were also achieved on employee recruitment and advertising budgets (-£0.062m).
- The Concessionary Fares budget under spent by -£0.166m as the number of passenger journeys was fewer than anticipated.
- Reduction in waste tonnages, promotions, Re3 management costs and savings on the refuse collection, kerbside recycling and waste disposal contracts. (-£0.196m).
- Additional income at the cemetery and crematorium from an increased number of cremations and the new mercury abatement charges introduced from 1 January 2012 as a contribution to the capital cost of the replacement cremators (-£0.119m).
- Savings on housing benefit administration costs and additional housing benefit subsidy. (-£0.117m).
- A deficit on Building Control due to a significant decline in building works (£0.135m).
- The final costs in respect of joint arrangements with other Berkshire authorities were lower than budgeted (£-0.081m).

Non-Departmental / Council Wide Budgets

- Cash balances available for investment and the additional income generated from the pre-funding of the Council's pension contribution were both higher than originally forecast. Maturities on a proportion of the investment portfolio were also lengthened in the last quarter of the year which increased yields (-£0.301m).
- A number of council wide expenditure items have realised savings when compared to the original forecast. They primarily relate to employers pension and national insurance contributions, the impact of the extra bank holiday, carbon allowances and a nil pay award for all grades and spinal points (-£0.500m).
- The Council set up an earmarked reserve in 2009/10 to cover any potential losses on its deposits in Icelandic Banks and in particular to guard against the possibility that preferential creditor status was rejected for Glitnir. The Council's preferential creditor status for the Glitnir deposit was confirmed during the year and a payment of £2.5m made by the Winding up Board in March. Due to the developments on Glitnir, £2.2m of the balance on the earmarked reserve has been released back into general reserves. (-£2.200m).
- Replenishment of the Structural Changes Reserve to meet any costs associated with the delivery of future budget reductions (£0.746m).
- Creation of four new reserves to:
 - manage the volatility in business rates income expected to result from its localisation and the impact of the town centre redevelopment (£2m);
 - support investment in service innovation and improvements (£0.5m);
 - support initiatives that focus on early intervention and preventative work (£0.5m);
 - support the regeneration of the local economy and town centre (£0.5m).

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Icelandic Banks

The Council had deposits of £2m with Heritable and £3m with Glitnir which are both Icelandic banks that have been put into receivership/administration. The Council's preferential creditor status for the Glitnir deposit was confirmed during the year and a payment made by the Winding up Board in March. The payment was made in a number of currencies which were then converted into a sterling value of £2.521m. 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 2012 was valued in the accounts at approximately £0.57m indicating that the original deposit is likely to be recovered in full. The timing of the final payment is uncertain.

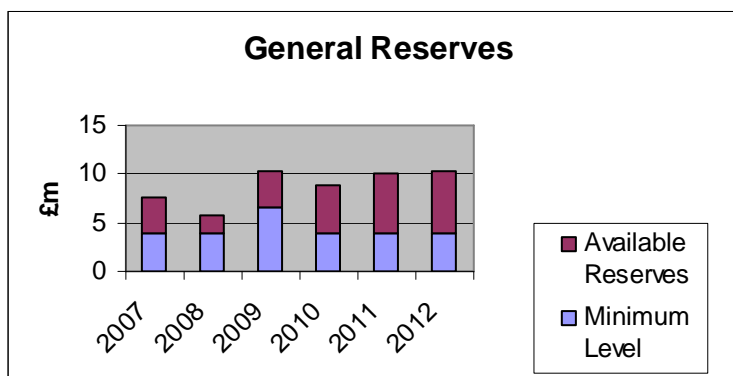
For Heritable, the latest guidance assumes that approximately 88% of the deposit plus accrued interest up to the 6 October 2008 will be repaid. A total repayment of £0.366m was received (17.8%) in 2011/12 bringing the total received to date to £1.394m (67.9%). A further five payments are expected to be made between April 2012 and April 2013.

The Council set up an earmarked reserve in 2009/10 to cover any losses and in particular to guard against the possibility that preferential creditor status was rejected for Glitnir. Due to the developments on Glitnir, £2.2m of the earmarked reserve has been released back into general reserves, leaving a balance of £0.262m to cover any future losses.

General Fund Balances

The actual outturn for 2011/12 was an under spend of £1.886m. The Council has therefore returned £0.296m to General Balances as opposed to a budgeted withdrawal of £1.590m. The General Fund balance at 31st March 2012 is therefore £10.266m. 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 including the minimum recommended prudent balance.



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 £134.8m as at 31 March 2012. The pension liability reflects the fair value of

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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 net pension liability has increased significantly from last year primarily because of a steady fall in corporate bond yields and a reduction in the real discount rate used to assess future inflation. Both factors have significantly increased the valuation of liabilities.

The Council's contribution rate to the pension fund is formally determined by the scheme actuary every three years. A valuation took place on 31 March 2010 and changes based on the valuation were implemented in 2011/12. The results of the valuation indicated that the assets of the Fund represented 81% of the accrued liabilities of the Fund.

In order to restore the funding position to 100% over the next 30 years, the employer future service funding rate has been set at 13% of pensionable pay whereas the variable past service deficit element will be paid as a lump sum in each financial year (£1.24m in 2011/12). The position will then be reassessed as part of the next triennial revaluation.

Employee contribution rates currently remain unchanged and range from 5.5% to 7.5% dependant upon actual salary.

Capital Expenditure

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

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

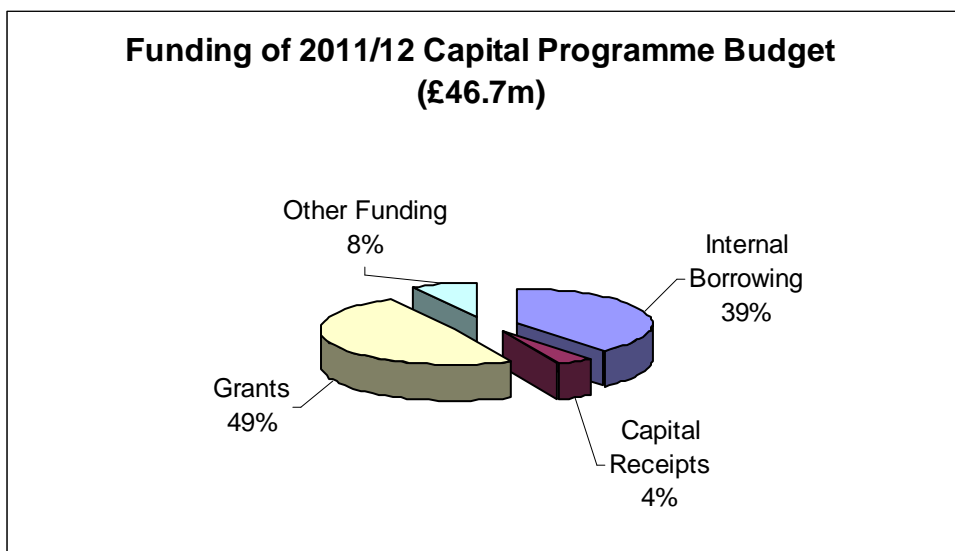
Following the Large Scale Voluntary Transfer (LSVT) of the Council's housing stock in 2007/08; the Council can no longer benefit from significant housing capital receipts. However as part of the transfer agreement with Bracknell Forest Homes the Council will still share in a proportion of future sales of properties by Bracknell Forest Homes through the preserved-Right-to-Buy (RTB) to its tenants. In addition an arrangement was entered into with Bracknell Forest Homes whereby the proceeds of a VAT-Shelter (agreed with HM Revenue and Customs) relating to the backlog repairs in the transferred stock would be shared over the 10 years following transfer.

It was assumed that taken together these schemes would generate £2m in 2011/12, however the budget proposals recognised that the actual level of receipts were outside of the control of the Council and would depend amongst other things on the general state of the economy in relation to RTB receipts.

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

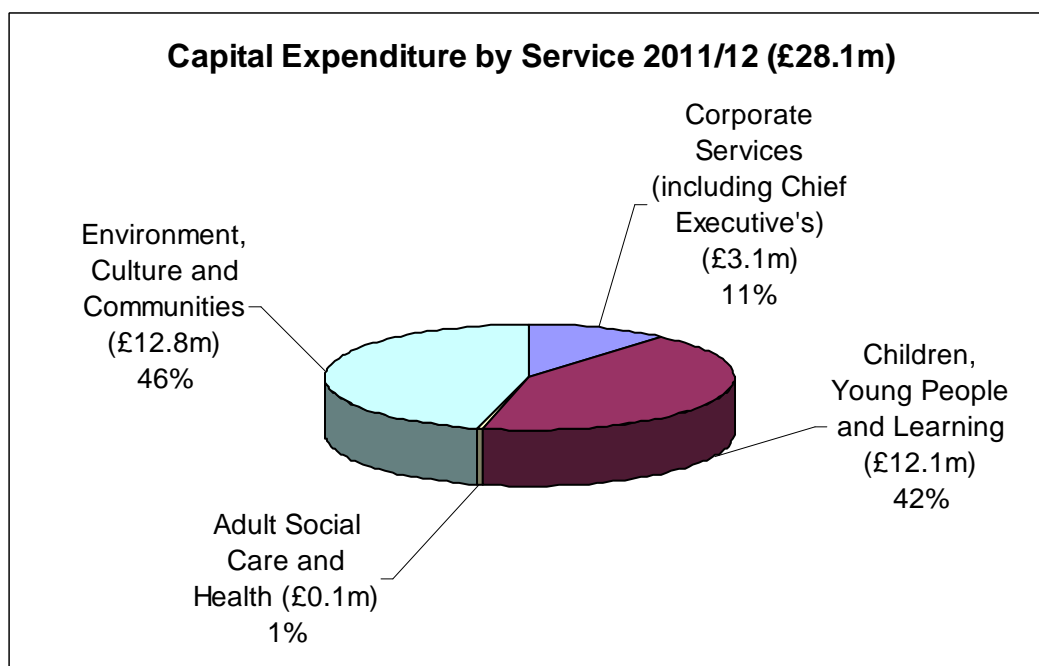
The Council approved a capital programme of £22.4m for 2011/12, plus a further £24.3m carried forward from 2010/11, to be funded as shown in the following chart.

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The Council actually spent £28.1m on capital projects in 2011/12 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 regularly reviews progress on the capital programme through its budget monitoring during the year and has established cash budget profiles to assist this.

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



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CAPITAL PROGRAMME EXPENDITURE 2011/12	£000's	£000's
Corporate Services (including Council Wide Schemes)		
ICT Schemes	1,183	
Improvements, Maintenance & Refurbishment of Buildings	1,574	
Other	357	3,114
Children, Young People and Learning		
Garth Hill School Rebuild	710	
Primary School Projects	5,798	
Delegated Schools Capital	1,087	
Edgbarrow School Projects	453	
Maintenance of Buildings	1,473	
Kennel Lane School Refurbishment	1,657	
Other Secondary School Schemes	542	
ICT Schemes	167	
Other Schemes	148	12,035
Adult Social Care and Health		
ICT Schemes	41	
Other Schemes	92	133
Environment, Culture and Communities		
Highways Related Schemes	3,338	
Housing	2,472	
Walking & Cycling Schemes	291	
Minor Works & Property Maintenance	123	
Cemetery and Crematorium Schemes	905	
South Hill Park Grounds Restoration	1,425	
Traffic Management	226	
Travel to School	241	
Local Safety Schemes	102	
Car Parks	913	
Waste Collection Contract - Vehicles	1,346	
Disabled Facilities	587	
Street Lighting	178	
Other schemes	649	12,796
Total Capital Expenditure 2011/12		28,078
FINANCING:		
Capital Receipts		2,381
Grants & Contributions		15,505
Increase in Capital Financing Requirement		10,192
Total Financing		28,078

During the year, £2.381m of capital receipts were used to fund capital expenditure. The most significant receipts were from the sale of properties (£0.745m), the VAT Shelter scheme (£0.952m) and the RTB-sharing scheme with Bracknell Forest Homes (£0.617m).

The net increase (after repayments) in the Council's Capital Financing Requirement (CFR) was by £9.2m to £41.7m as at 31 March 2012. 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 2012 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. The charge is based on the asset life for unsupported borrowing, 4% of the

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outstanding balance at the end of the previous financial year for supported borrowing and is equal to the principal element of the annual repayments for finance leases and the Waste PFI arrangement. Further details can be found in Note 16 and Note 19.

The fair value of the Council's Property, Plant and Equipment, Investment Property, Heritage Assets and Intangible Assets was £521.8m as at 31 March 2012.

Changes to Accounting Policies

Heritage Assets are recognised as a separate class of asset for the first time in 2011/12 following the adoption of Financial Reporting Standard 30 within the Code of Practice on Local Authority Accounting 2011/12. Heritage assets are maintained principally for their contribution to knowledge and culture. The impact of the standard on the Council is not material. Although the Council has a number of sites of archaeological interest within its boundaries, it is not possible to place a value on these and consequently they are not recognised on the balance sheet. The remaining heritage assets comprising civic regalia, a statue and a brickworks chimney are valued at less than £0.2m.

Provisions and Write-offs

A provision of £0.2m was set up at the end of the year for the estimated cost of carbon allowances required to cover the Council's CO₂ emissions for 2011/12.

The Council acquired a number of properties in Market Square to support the regeneration of the town centre in 2010/11. A compulsory purchase order process was used to acquire the properties and a provision was set up last year to cover the potential cost of the purchases. As at 31 March 2012 the cost of a number of the purchases was still subject to negotiation.

Write-offs totalling £0.3m were made in 2011/12, the majority of which related to rent arrears for former housing tenants and old housing benefit overpayments. These items had already been fully provided for in the provision for bad debts.

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

The Council faced one of its biggest financial challenges in setting a budget for 2012/13 having to bridge a budget gap of £6m. Contributing factors included a £2.97m reduction in general government support (10.4%), the low level of interest achievable on Council investments, falling income at the Council's car parks and depot facilities and the need to maintain deteriorating assets. At the same time demand for services for vulnerable residents, such as older people and looked after children is increasing. Savings of almost £5.0m will be delivered in the next financial year and £0.4m of balances together with some additional government grant will be used to fund the remaining budget gap.

The Government consulted, as part of the Local Government Resource Review, on comprehensive changes to the funding of local government through the localisation of Business Rates. The Government has responded to the consultation and intends to introduce the change from 1st April 2013. The finer details of the scheme are only beginning to become available and it has now become apparent that a range of existing specific grants will be absorbed within the new funding arrangements. As the Coalition Government's overarching priority remains the reduction of the national deficit, the expectation is that local government funding will continue to be under pressure and further reductions in central government support are forecast in 2013/14 and 2014/15.

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

- the need to maintain services whilst achieving significant savings;
- increasing pressures on demand led services such as adult and child client 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 various income streams to the Council and return on investments;
- legislative changes, for example the continuing impact of the personalisation agenda and the reorganisation of the NHS and its impact on Council funding and services (particularly public health), the Localism Act 2011 and its impact on council funding and the changes to the youth justice system that have transferred responsibility for the volatile cost of remand arrangements to local authorities;
- 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.

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

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

1 Scope of Responsibilities

- 1.1 Bracknell Forest Council (“The Council”) is responsible for ensuring that its business is conducted in accordance with the law and proper standards and that public money is safeguarded, properly accounted for, and used economically, efficiently and effectively. The Council also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.
- 1.2 In discharging this overall responsibility, the Council is responsible for putting in place proper arrangements for the governance of its affairs and for ensuring that there is a sound system of internal control facilitating the effective exercise of its functions, including arrangements for the management of risk.
- 1.3 The Council has approved and adopted a code of corporate governance which is consistent with the principles of the CIPFA/SOLACE Framework Delivering Good Governance in Local Government published in 2007. [A copy of this code is on our website at <http://www.bracknell-forest.gov.uk/local-code-of-governance.pdf>.] 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 the strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost effective services.
- 2.2 The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can only provide reasonable assurance rather than absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of the Council's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.
- 2.3 The governance framework has been in place at Bracknell Forest Council for the year ended 31 March 2012 and up to the date of approval of the Annual Report and statement of accounts.

3 The Governance Framework

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

3.1 Principle 1

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

3.1.1 Strategic Direction

3.1.2 The Council's identified strategic direction is set out in its Vision. "To make Bracknell Forest a place where all people can thrive; living, learning and working in a clean, safe and healthy environment." This vision provides the focus for identifying key priorities and the medium term objectives.

3.1.3 The Council's overarching key priorities and Medium Term objectives are identified after each election and reviewed yearly by the Executive and approved by full Council to ensure they remain focused and relevant.

3.1.4 In 2011/12, the Council's six overarching key priorities which enable it to address both national and local priorities over the period 2011-2015 were confirmed :

- A town centre fit for the 21st century
- Protecting and enhancing our environment
- Promoting health and achievement:
- Create a Borough where people are safe, and feel, safe:
- Provide value for money
- Sustain economic prosperity

3.1.5 These key priorities are underpinned by 11 medium term objectives and supported by 72 actions to be delivered over the period.

3.1.6 The Council's Vision, priorities and medium term objectives were developed after extensive consultation with the community, residents, employees, strategic partners and local businesses. They are consistent with their needs and aspirations. They also reflect the Council's aim of maintaining effective service delivery as well as ensuring the achievement of statutory requirements and national targets.

3.1.7 The Vision, priorities and medium term objectives are communicated through the Council's public website and intranet and Chief Executive briefings to staff. In addition, the medium term objectives feed into the staff appraisal process via departmental Service Plans.

3.1.8 The Council's values set out the manner in which it will behave while delivering it's Vision. The Council exists to serve and lead the local community therefore residents are at the heart of everything we do. While serving residents it will be:

- **Friendly and approachable** - we will be open, listening and straightforward. We will be clear about what we do and how well we do it.
- **Accountable** – as a democratic organisation and as individuals we will be accountable to Bracknell Forest residents and take responsibility for our actions.
- **Efficient** – we will provide value for money, quality services and use resources sensibly.

- **Fair** – we will act in a fair and equitable manner towards all residents and staff and ensure we meet individual needs appropriately.
- **Innovative and forward thinking** – we will have the freedom to come up with new ideas and are not afraid of leading the way.

Performance Management

3.1.9 The Council has a robust and transparent performance management process in place.

3.1.10 The Quarterly Service Reports are reviewed by the Executive Members, Chief Executive and the Corporate Management Team. The quarterly Corporate Performance Overview Report is considered by the Executive. The quarterly reports for Corporate Services and the Chief Executive's Office together with the quarterly Corporate Performance Overview Report are then taken to 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 Overview and Scrutiny Panels are:

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

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

3.1.12 The Annual Report reviews performance against local performance targets set against each medium term objectives. It also summarises the Council's plans for the following year which are subsequently reflected in departmental service plans. The Annual Report is published at the end of October each year and is available on the website.

3.1.13 Adult Social Care also produce an Annual Report referred to as the Local Account. The Local Account reviews performance against targets and sets out a plan for the subsequent year.

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

3.1.15 Performance reports setting out progress against the joint targets agreed by the Partnership is reviewed by the Bracknell Forest Partnership Board on a quarterly basis.

3.1.16 The Governance and Audit Committee are made aware of the outcome of internal audit reports through detailed progress reports submitted twice a year by the Head of Audit and Risk Management. In addition, the Head of Audit and Risk Management informs the Governance and Audit Committee of any audits where a

limited or no assurance conclusion has been determined since the date of the previous meeting.

3.2 Principle 2

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

- 3.2.1 As set out in 3.1, the Council clearly identifies a core purpose. The Council ensures effective leadership throughout the Authority. In May 2011 Councillors appointed their Leader for a term of four years. The Leader has the power to appoint Executive Members and designate responsibilities for Executive Members.
- 3.2.2 The roles and responsibilities of the Executive, the full Council and its committees and sub-committees along with Overview and Scrutiny arrangements, the role and functions of Champions and officer functions (set out in the Scheme of Delegation) are defined and can be found in the Council's Constitution. The Council's Constitution is regularly reviewed and updated with substantive changes highlighted to all staff and members. The Constitution is available on the public website.
- 3.2.3 The Member/officer protocol establishes a clear framework for Member/officer relations and the Leader/Chief Executive Protocol supports the already effective working relationship between the Leader and the Chief Executive.
- 3.2.4 The Monitoring Officer advises the Governance and Audit Committee on the development of proposals to update the Council's Constitution, its Executive Arrangements and Procedure Rules to ensure that they are fit for purpose and the Committee subsequently makes recommendations on those matters to full Council.
- 3.2.5 Arrangements between officers and members are regularly reviewed to ensure they are clear and effective. In April 2012 full Council agreed, on the recommendation of the Governance and Audit Committee to make various amendments to the Council's Constitution, Standing Orders and Scheme of Delegation.

3.3 Principle 3

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

- 3.3.1 As alluded to in section 3.1, the Council has identified and published on its public website its core values setting out the manner in which it will behave whilst delivering its Vision, priorities and medium term objectives.
- 3.3.2 Members, officers and partners are expected to maintain high standards of behaviour. These are set out in:
- The Council's Constitution which includes the Code of Conduct for Members, Code of Conduct for Employees, Member and Officer Protocols, Contract Standing Orders and Financial Regulations.
 - Anti-Fraud and Corruption Policy
 - Employee Handbook
 - Regular performance appraisals of our partners

- Service standards that define the behaviour of officers

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

- 3.3.3** The Localism Act 2011 has removed the former legislative framework relating to Members Conduct and replaced it with a new structure. The Act provides that each Council must have a Code of Conduct but does not prescribe a form of the Code of Conduct. At its meeting on 16 May 2012 the Council adopted a temporary Code in anticipation of the relevant part of the Localism Act coming into force in July 2012. A fully revised Code will be put in place following further consideration by Members.
- 3.3.4** The Code of Conduct for Employees was amended during 2011/12 in order to clarify the position regarding disclosure of information received during the tendering process.
- 3.3.5** During 2011/12 the Council took steps to contact all staff and raise awareness of the requirements of the hospitality register. The expenses policy and guidance is under review and will be updated during the next year.
- 3.3.6** A Planning Protocol provides specific guidance for Members in relation to planning applications and Guidance for Members serving on external bodies. The Localism Act amends the law relating to the issue of pre-determination in local authority decision making. As a consequence of those amendments and as a result of significant developments in the law since the Protocol was adopted it will require review.
- 3.3.7** During 2011/12 the Borough Treasurer presented, and the Governance and Audit Committee approved the Anti-Fraud and Corruption Policy which was updated to ensure it was fit for purpose and consistent with the latest Financial Regulations. This included the subject being incorporated into the corporate message which is cascades to all staff and updates on the home page of the Council's intranet. Awareness raising will be a continuing activity.

Standards Committee

- 3.3.8** The Council's Standards Committee has responsibility for:
- Promoting and maintaining high standards of conduct by Members and co-opted Members.
 - Advising the Council on the adoption and revision of its Codes of Conduct and the adoption of appropriate protocols governing the ethical standards of the Members and officers of the Council.
 - Monitoring the operation of the Council's Codes of Conduct including advice to Members and co-opted Members on matters relating to their Codes of Conduct.
 - Considering and determining any allegation that a Member has been in breach of the Code of Conduct for Members or failed to observe a locally adopted protocol.
- 3.3.9** In 2011/12 the Standards Committee considered 2 complaints. In respect of one of the complaints it was decided that no action shall be taken and the other was referred for other action by the Monitoring Officer.
- 3.3.10** The workings of the Committee are reported in its Annual Report to full Council.

- 3.3.11** The Localism Act abolished the obligation under the previous legislation to have a Standards Committee but requires the Council to put in place arrangements for the consideration and determination of complaints. However, the Council has decided to retain a Standards Committee with revised membership, comprising four non-Councillors, two majority group Councillors, one minority group Councillor and one Parish Councillor. The Standards Committee will formulate recommendations for adoption by the Governance and Audit Committee.

Whistle Blowing Policy and Complaints Procedure

- 3.3.12** The Whistle Blowing Policy sets out the procedures to be followed when receiving and investigating allegations made by employees, agency staff and contractors. The processes for receiving and investigating other allegations (excepting those alleging a breach of the Code of Conduct for Members in respect of which there are separate procedures) are covered by the Corporate Complaints Procedure or dealt with under the Disciplinary Procedure. Complaints may be submitted electronically or on a standard form. The Council provides leaflets on the Corporate Complaints Procedure and the Complaints Section on the Council's website clearly sets out whom to contact with complaints, and also explains the informal and formal stages of the complaints process and how these can be pursued should the claimant not be satisfied with the response provided. In addition, where required by legislation there are complaints procedures for specific service areas in Children and Adults Social Care and Education.
- 3.3.13** During 2011/12 the Council took steps to raise the profile of the Whistleblowing Policy and incorporate it into the Council's systems.
- 3.3.14** For employees within the Council the Grievance Procedure is available for a grievance relating to their own employment.

Information Management and Governance

- 3.3.15** The Information Management Group consists of senior officers and ensures that the Council has in place a co-ordinated and coherent framework for management of information which includes appropriate accountability arrangements for information governance.
- 3.3.16** The Council has a central repository for staff and members to access policies and guidance relevant to information management. This was kept up to date and includes policies approved during 2011/12. The communication of new and existing information management policies to all staff will be progressed further during the next year.
- 3.3.17** The Council takes information security very seriously. During 2011/12 the Council agreed a centralised system of reporting and handling information security incidents in order for the organisation to take appropriate action and learning points. It also approved an Information Classification Policy and Safe Transfer of Information Policy to ensure information is kept and handled appropriately. It also continued to provide training and briefings for all staff, and included additional sessions focused on Adult Social Care staff. Further, it met the Code of Compliance standards and completed the N3 Toolkit.
- 3.3.18** The Council continued to implement its three year Information Management Strategy to improve information handling within the organisation, the actions were reviewed during 2011/12 and senior officers appraised of progress.

- 3.3.19** Non-compliance with information management policies is a risk to the Council given the potential damage or distress this could cause service users or members of the public and the Information Commissioner's power to issue a monetary penalty.

Assurance on compliance

- 3.3.20** Assurance on compliance with relevant laws and regulations, internal policies and procedures and that expenditure is lawful is sought through internal audit reviews and the work of external audit.
- 3.3.21** The Governance and Audit Committee provides oversight of governance arrangements and acts in the capacity of a committee with delegated authority for the function of "Those Charged with Governance" as required for the purposes of receiving external auditor's reports in accordance with the definition in International Standards on Auditing.
- 3.3.22** The Governance and Audit Committee considers the reports from internal and external auditors, monitors the adequacy of procedures and processes in place to manage risk and governance (includes Anti-Fraud and Corruption Policy) and approves the financial statements, internal and external audit plans and the Annual Governance Statement.
- 3.3.23** During 2011/12 the Governance and Audit Committee received updates on the performance against the 2011/12 Internal Audit Plan together with a summary of assurances provided by individual audit reports and approved the 2012/13 Internal Audit Plan. It also considered the Annual Audit Letter from the External Auditors.
- 3.3.24** The Audit of Housing and Council Tax Benefit Subsidy 2009/10 identified issues requiring a management response. During 2011/12 the Governance and Audit Committee were provided with updates on progress. Further, the District Auditor completed a audit and noted improvements. This illustrates the Council's continual commitment to upholding high standards of conduct and governance.
- 3.3.25** Major external inspections which assess performance in specific services are considered by the relevant Overview and Scrutiny Panels and by external organisations.

3.4 Principle 4

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

Member decisions

- 3.4.1** The Leader and the Executive (including committees of the Executive and individual Executive Members) are responsible for all Executive decision-making within the policy and budgetary framework established by full Council. The Leader allocates portfolios to each of the Executive Members. Portfolio holders have executive powers to make decisions on matters within their portfolio. The Localism Act permits the Council to change to a non-Executive, Committee system of governance should it choose to do so and Members will consider that matter during 2012/13.

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

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

3.4.3 The procedures for decision making set out in the Council's Constitution ensure that decisions made by collective groups exercising powers of the Council are made at meetings open to the public unless under statutory provisions it is appropriate for the public to be excluded (see paragraph 3.4.15 – 3.4.17 for further details about decision making in Partnerships). There is a requirement to declare interests at these meetings and these declarations are clearly recorded in the minutes. Members and senior officers are also required to complete an annual declaration of Related Party Transactions.

3.4.4 The Constitution sets out those occasions which require formal decision and when written reports supporting decisions are required. Written reports requiring decision contain the following:

- financial advice from the Borough Treasurer
- legal advice from the Borough Solicitor to ensure that the decision is not unlawful and employs the Council's legal powers to full effect
- a strategic risk assessment (if appropriate)
- an equalities impact assessment (if appropriate).

3.4.5 The Council has appointed committees comprised of non-Executive Members to review or scrutinise both Executive and non-Executive decisions. Such committees encourage effective challenge to the decision making process. The Committee with overarching responsibility for those matters is the Overview and Scrutiny Commission (see paragraph 3.1.10 - 11 for further details).

3.4.6 The Council is a constituent authority (along with Slough Borough Council and the Royal Borough of Windsor and Maidenhead) of the Joint East Berkshire Health Overview and Scrutiny Committee which discharges the functions of the participating authorities under the National Health Service Act 2006.

Risk Management

3.4.7 Decisions made by the Council are subject to risk assessments which are made in accordance with the organisation's risk management processes.

3.4.8 The Risk Management Strategy was updated during 2011/12 and agreed by the Governance and Audit Committee. Changes made to the Strategy reflected development in risk management at the Council and identified the priorities for risk management for the forthcoming year.

- 3.4.9** 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 and business continuity. As of 2011 the Group also includes the Information Security Officer to ensure that information risks are included. In line with the Risk Management Strategy, the Strategic Risk Register is updated and considered by SRMG on a quarterly basis and reviewed and approved by the Corporate Management Team twice a year and by the Executive on an annual basis. During 2011/12 actions to address strategic risks were monitored on a quarterly basis. Key changes and developments on strategic risks are summarised in the quarterly Corporate Performance Overview Report.
- 3.4.10** Processes introduced in 2010/11 for recording and monitoring significant operational risks through directorate risk registers were fully embedded during 2011/12 and directorate risk registers are now generally reviewed quarterly and used to inform the Strategic Risk Register.
- 3.4.11** Members are engaged in the risk management process through the Executive's review of the Strategic Risk Register, Member review of the Corporate Performance Overview Report and regular risk management updates presented to the Governance and Audit Committee by the Head of Audit and Risk Management.

Overview and Scrutiny Committee

- 3.4.12** During 2011/12 full Council agreed, on the recommendation of the Governance and Audit Committee to amend the Council's Constitution in order to incorporate changes requested by the Overview and Scrutiny Commission; firstly a Public Participation Scheme for Overview & Scrutiny, and secondly to extend to the Overview & Scrutiny Panels the Commission's power to adopt scrutiny reports, the making of recommendations to the Executive, Full Council and other organisations.

Officer Decisions

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

Partnerships

- 3.4.15** The Council's Partnership Governance Framework and Toolkit ensures that sound governance arrangements are in place for its key partnerships. It also provides guidance on accountability, decision making and risk management. A strategic risk register and associated action plans were developed for the Local Strategic Partnership and during 2011/12 the Council implemented its action plans to mitigate the key risks.
- 3.4.16** The minutes and agendas of the monthly Partnership Board and the following Theme Partnership meetings within Bracknell Forest Partnership are publically available; Children and Young People's Partnership, Community Safety Partnership, Older People's Partnership and Climate Change Partnership are publically available.

3.4.17 During 2010/11 the Partnership Overview & Scrutiny Group which consists of representatives from the Council, Bracknell Forest Voluntary Action, NHS Berkshire East, Royal Berkshire Fire and Rescue Service and Thames Valley Police Authority scrutinised Partnership arrangements.

Transparency

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

3.4.19 The Coalition government has a commitment to enhancing transparency in the workings of local government. During 2011/12 the Council published senior salaries, spend over £500 and contracts and tenders (in accordance with the Guides issued by the Local Government Association in collaboration with the Local Public Data Panel and other organisations). Further, it agreed to adhere to the Code of Recommended Practice of Data Transparency in Local Government issued in September 2011.

3.4.20 In accordance with the Localism Act 2011, during 2011/12 full Council approved the Pay Policy Statement which reports on the remuneration for each director and chief officer – specifically including remuneration on recruitment, increases and additions to remuneration including any bonuses, if paid, termination payments, allowances, benefits in kind, pension entitlements. It also contains the Council's policy on the remuneration of the lowest paid employee and the relationship between the remuneration of the Chief Executive and other employees.

3.4.21 During 2011/12 the Council kept its Publication Scheme up-to-date and published additional information on its website such as officer expenses and the Hospitality Register.

Equalities

3.4.22 In the exercise of its functions, the Council is obliged to adhere to the general equality duty. This means that they must have due regard to the need to:

- Eliminate unlawful discrimination, harassment and victimisation and other conduct prohibited by the Act.
- Advance equality of opportunity between people who share a protected characteristic and those who do not.
- Foster good relations between people who share a protected characteristic and those who do not.

3.4.23 During 2011/12 the Council developed and published a new single equality scheme which lays out the Council's equality objectives for the period 2012-16. The Scheme replaces the Council's race, gender and disability equality schemes and the 'All of Us' Community Cohesion Strategy. The Council also completed an audit of its equality monitoring processes and published comprehensive equality monitoring information reports for its services and workforce in January 2012. The Council has a legal duty as part of the Equality Act 2010's public sector equality duty to publish equality objectives at least every four years and equality information annually.

3.4.24 Following its successful accreditation at the Achieving Level, the Council also implemented its Equality Framework peer review action plan and delivered a number of equality impact assessment and equality and diversity awareness training sessions.

3.5 Principle 5

“Developing the capacity and capability of members and officers to be effective”

3.5.1 The Council has a comprehensive induction and training process in place for both Members and officers joining the Council. During 2011/12 all new officers received personalised inductions. In addition, both Members and officers attend external training courses where training needs cannot be met internally.

Members

3.5.2 Personal Development Plans are offered to Members. The Council has a Members Development Programme which takes the form of internal training workshops and Member briefing seminars on specific topics. It 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.

Officers

3.5.3 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 training sessions.

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

3.5.5 The Council has in place an ongoing Management Assessment and Development Programme and Diversity training for its senior and middle level managers. During 2011/12 the Borough Solicitor provided training on ethics.

3.5.6 The Corporate Services Directorate has Investors in People Bronze status.

3.6 Principle 6

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

3.6.1 The Council works closely with its local partners. It is a key member of the Bracknell Forest Partnership which brings together agencies that deliver public services (the Councils, Police, Fire and Rescue Service, and Primary Care Trust) with businesses and people that represent voluntary organisations and the community. Bracknell Forest Partnership is underpinned by a Governance Protocol and Memorandum of Agreement between the organisations and has a single purpose;

to improve quality of life for local people. During 2011/12 the Council continued to implement its Partnership Community Engagement Strategy.

3.6.2 The Council recognises that during the forthcoming year it is required to prepare for and accommodate changes relating to its partners in the health service and police.

3.6.3 During 2011/12 the Council undertook a number of planning consultations which sought the views of local people and stakeholders; this included the Site Allocations Development Plan Consultation, Site Allocations Development Plan Preferred Options Consultation and Warfield Supplementary Planning Document Consultation. These identify the Council's preferred approach to dealing with the Borough's development needs up to 2026. Other major consultations include the Thames Basin Heaths Special Protected Area Avoidance and Mitigation Supplementary Planning Document Consultation.

3.6.4 A wide range of other service based consultations were also conducted during 2011/12 to gain residents input to shaping services.

3.6.5 During 2009/10 the Council approved a proportionate strategy for Community Cohesion for the next three years, implementation of which continued during 2011/12. This Community Cohesion Strategy provides a framework with which to promote positive relationships and to ensure that we do not disrespect, neglect, or disadvantage any member of our community.

3.6.6 There are a number of channels of communication which provide the Council with a means of engaging with residents and other stakeholders on its strategies and policies and providing information to them, this includes;

- The public website (which underwent a major redevelopment in 2011/12, resulting in better accessibility and more focussed content for the general public).
- Town and Country Newsletter delivered to all households in the Borough
- consultation exercises based on focus groups, user groups or publicised on the website
- Town and Parish Councillors liaison group which meets four times a year.
- Community television.
- Facebook, Flickr, Twitter, YouTube, Mobile Service and Digital Television.
- The Local Account; the views of the public are collected by Adult Social Care Department to inform their plans.

3.6.7 During 2011/12 the Council approved the Public Participation Scheme for Overview & Scrutiny. The scheme is aimed at improving public engagement with Overview and Scrutiny and offers residents a further opportunity to tell Councillors directly about the things that concern them.

4 Review of Effectiveness of internal control

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 2011/12, the review of effectiveness of internal control was 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. The Head of Audit and Risk Management provides an annual opinion to the Governance and Audit Committee to support the Annual Governance Statement.
- 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 a agreement under section 113 of the Local Government Act 1972.
- 4.5** During 2011/12, 76 audits were completed with an opinion given. Internal Audit concluded that they could give limited assurance in only 4 cases. Where limited assurances have been concluded, the Head of Audit and Risk Management reports the detailed findings to the Governance and Audit Committee and follow-up audits are carried out within the following year to ensure that 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.
- 4.6** Based on the work of Internal Audit during the year, the Head of Audit and Risk Management has given the following opinion:
- From the internal audit work carried out during the year which resulted in a significant or satisfactory assurance opinion in 72 out of 76 cases, a limited assurance opinion in only 4 cases and no cases where no assurance was given, 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;
 - key systems of control are operating satisfactorily except for the areas referred to above ; and
 - there are adequate arrangements in place for risk management and corporate governance.

Standards Committee

- 4.7** During 2011/12 the Standards Committee met twice, for further details of its workings see paragraph 3.3.9. Their Annual Report was considered by full Council.

The Governance and Audit Committee

- 4.8** 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 2011/12, the Committee received summary reports on progress on the delivery of the Internal

ANNUAL GOVERNANCE STATEMENT

Audit Plan and key outcomes on completed work. The Internal Audit Plan for 2012/13 was approved by the Committee.

The Governance Working Group

- 4.9 The Corporate Management Team has established a Governance Working Group, chaired by the Borough Solicitor. During 2011/12 the Group met regularly to review progress on actions to address the significant issues included in the Annual Governance Statement for 2010/11.

The Constitution

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

Annual Assurance Statements

- 4.11 Assurance Statements assess the adequacy of governance arrangements. Each Director provides assurances about their department along with the Assistant Chief Executive in relation to the Chief Executives department. The Borough Treasurer provides assurances in relation to financial services and risk management. This includes confirming that 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. Assurance Statements 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

- 4.12 External Audit comments on corporate governance and performance management in their Annual Audit Letter and other reports. The Annual Audit Letter for 2010/11 was presented to Governance and Audit Committee in 8 November 2011. It did not identify any significant weaknesses in the internal control arrangements and concluded that there was an adequate control environment in place.

We have been advised on the implications of the result of the assessment of the effectiveness of the governance framework by the Governance Working Group and a plan has been put in place to address any governance issues arising from the assessment.

5 Significant Governance Issues for consideration in 2012/13

5.1 Governance

The Localism Act 2011 permits the Council to change to a non-Executive, Committee system of governance should it choose to do so.

5.2 Members Code of Conduct and Planning Protocol for Members

The Localism Act 2011 has removed the former legislative framework relating to Members Conduct and replaced it with a new structure. The Act provides that each Council must have a Code of Conduct but does not prescribe a form of the Code of

Conduct. The Act also amends the law relating to pre-determination which is a key issue covered by the Planning Protocol for Members.

5.3 Procurement

The Council recognises the importance of procurement in achieving reductions in public spending and the efficient delivery of services. Significant improvements have been made in the last four years to internal arrangements, with progress closely monitored by CMT and members.

In a period of great pressure upon Council resources procurement arrangements should be reviewed in order to provide the optimum structure for effective procurement to secure value for money this includes a review and assessment of whether award of contract can be expedited to ensure unnecessary bureaucracy in the process is eliminated.

5.4 Financial Regulations

To ensure the Council's processes continue to be up-to-date and effective it should review its Financial Regulations.

5.5 Anti-Fraud and Corruption Policy, Whistleblowing Policy, Anti-Money Laundering Policy, Hospitality Register and Expenses Policy

Awareness raising on these topics should continue during 2012/13.

5.6 Information Management Policies

During 2011/12 the Council approved new information management policies which should be effectively communicated to staff in 2012/13.

5.7 Business Continuity Plans

The Council's business continuity processes are due for review and testing to ensure they are still appropriate for ensuring continuity of operations for the Council's current structure and objectives and that they adequately address the business continuity risks identified in the Strategic Risk Register.

6 Action Plan

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

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

The Governance and Audit Committee considered and discussed the results of the review of effectiveness of internal control at its meeting on 31 July 2012.

ANNUAL GOVERNANCE STATEMENT

Signed:



Cllr P.D. Bettison
Leader of the Council
6 September 2012



T.R. Wheadon
Chief Executive
31 August 2012

on behalf of Bracknell Forest Council

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

Opinion on the Authority financial statements

I have audited the financial statements of Bracknell Forest Borough Council for the year ended 31 March 2012 under the Audit Commission Act 1998. The financial statements comprise the Movement in Reserves Statement, the Comprehensive Income and Expenditure Statement, the Balance Sheet, the Cash Flow Statement and Collection Fund and the related notes. 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 2011/12.

This report is made solely to the members of Bracknell Forest Borough Council 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.

Respective responsibilities of the Borough Treasurer and auditor

As explained more fully in the Statement of the Borough Treasurer's Responsibilities, 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, and for being satisfied that they give a true and fair view. My 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 me 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, I read all the financial and non-financial information in the explanatory foreword to identify material inconsistencies with the audited financial statements. If I become aware of any apparent material misstatements or inconsistencies I consider the implications for my report.

Opinion on financial statements

In my opinion the financial statements:

- give a true and fair view of the financial position of Bracknell Forest Borough Council as at 31 March 2012 and of its expenditure and income for the year then ended; and
- have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2011/12.

Opinion on other matters

In my opinion, the information given in the explanatory foreword for the financial year for which the financial statements are prepared is consistent with the financial statements.

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

Matters on which I report by exception

I report to you if:

- in my opinion the annual governance statement does not reflect compliance with 'Delivering Good Governance in Local Government: a Framework' published by CIPFA/SOLACE in June 2007;
- I issue a report in the public interest under section 8 of the Audit Commission Act 1998;
- I 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
- I exercise any other special powers of the auditor under the Audit Commission Act 1998.

I 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.

I am required under Section 5 of the Audit Commission Act 1998 to satisfy myself 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 me to report to you my conclusion relating to proper arrangements, having regard to relevant criteria specified by the Audit Commission.

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

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

I have undertaken my 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 2011, as to whether the Authority has proper arrangements for:

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

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

The Audit Commission has determined these two criteria as those necessary for me to consider under the Code of Audit Practice in satisfying myself 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 2012.

I planned my work in accordance with the Code of Audit Practice. Based on my risk assessment, I undertook such work as I 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 my work, having regard to the guidance on the specified criteria published by the Audit Commission in October 2011, I am satisfied that, in all significant respects, Bracknell Forest Borough Council put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2012.

Certificate

I certify that I have completed the audit of the accounts of Bracknell Forest Borough 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

District Auditor
Audit Practice
Audit Commission
Suite 2, Ground Floor, Bicentennial Building
Southern Gate
Chichester
West Sussex
PO19 8EZ

Date

APPROVAL OF ACCOUNTS

Certification

I confirm that these accounts were approved by the Governance and Audit Committee of the Council at its meeting on 25 September 2012. The 25 September 2012 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 Alan Ward
Chairman of Governance and Audit Committee

Date:

STATEMENT OF RESPONSIBILITIES

The Authority's Responsibilities

The Authority is required to:

- make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this Authority, that officer is the Borough Treasurer;
- manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets;
- approve the Statement of Accounts; in this Authority, 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 Authority'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 2012 and of its income and expenditure for the year ended 31 March 2012.

A. Nash FCCA CPFA

Borough Treasurer

Date: September 2012

MOVEMENT IN RESERVES STATEMENT

2011/12	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
Balance at 1 April 2011		9,970	11,320	0	4,807	26,097	399,145	425,242
Movement in Reserves During 2011/12								
Surplus or (Deficit) on Provision of Services		1,181	0	0	0	1,181	0	1,181
Other Comprehensive Income and Expenditure		0	0	0	0	0	(46,538)	(46,538)
Total Comprehensive Income and Expenditure		1,181	0	0	0	1,181	(46,538)	(45,357)
Adjustments Between Accounting Basis and Funding Basis Under Regulations								
Charges for Depreciation and Impairment of Non-current Assets	29	12,744	0	0	0	12,744	(12,744)	0
Revaluation losses on Property Plant & Equipment	29	5,720	0	0	0	5,720	(5,720)	0
Changes in Fair Value of Investment Properties	29	(912)	0	0	0	(912)	912	0
Amortisation of Intangible Assets	29	498	0	0	0	498	(498)	0
Capital Grants and Contributions Applied	29	(12,258)	0	0	0	(12,258)	12,258	0
Revenue Expenditure Funded From Capital Under Statute	29	1,768	0	0	0	1,768	(1,768)	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	3,283	0	0	0	3,283	(3,283)	0
Statutory provision for the financing of capital investment	29	(1,010)	0	0	0	(1,010)	1,010	0
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	27	(6,897)	0	0	6,897	0	0	0
Application of grants to capital financing transferred to the Capital Adjustment Account	27 29	0	0	0	(1,899)	(1,899)	1,899	0
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	30	(1,212)	0	745	0	(467)	467	0
Use of the Capital Receipts Reserve to finance new capital expenditure	29	0	0	(2,381)	0	(2,381)	2,381	0
Contribution from the Capital Receipts Reserve towards the costs of non-current asset disposals		7	0	(7)	0	0	0	0
Contribution from the Capital Receipts Reserve to finance the payments to the Government capital receipts pool		12	0	(12)	0	0	0	0
Transfer from Deferred Capital Receipts Reserve upon receipt of cash	30	0	0	22	0	22	(22)	0
Income From Capital Receipts That do not Arise From the Disposal of an Asset		(1,614)	0	1,614	0	0	0	0
Repayment of loans	29	0	0	19	0	19	(19)	0
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	9	10,981	0	0	0	10,981	(10,981)	0
Employer's Pension Contributions to Berkshire Pension Fund Payable in the year	9	(7,252)	0	0	0	(7,252)	7,252	0
Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements		125	0	0	0	125	(125)	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	31	367	0	0	0	367	(367)	0
Net Increase/(Decrease) Before Transfers to Earmarked Reserves		4,350	0	0	4,998	9,348	(9,348)	0
		5,531	0	0	4,998	10,529	(55,886)	(45,357)
Transfer (to)/from Earmarked Reserves		(5,235)	5,235	0	0	0	0	0
Increase/(Decrease) in Year		296	5,235	0	4,998	10,529	(55,886)	(45,357)
Balance at 31 March 2012		10,266	16,555	0	9,805	36,626	343,259	379,885

MOVEMENT IN RESERVES STATEMENT

2010/11 Restated	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
Balance at 1 April 2010		8,845	9,434	0	2,654	20,933	308,881	329,814
Movement in Reserves During 2010/11								
Surplus or (Deficit) on Provision of Services		29,977	0	0	0	29,977	0	29,977
Other Comprehensive Income and Expenditure		0	0	0	0	0	65,451	65,451
Total Comprehensive Income and Expenditure		29,977	0	0	0	29,977	65,451	95,428
Adjustments Between Accounting Basis and Funding Basis Under Regulations								
Charges for Depreciation and Impairment of Non-current Assets	29	15,001	0	0	0	15,001	(15,001)	0
Revaluation losses on Property Plant & Equipment	29	9,858	0	0	0	9,858	(9,858)	0
Changes in Fair Value of Investment Properties	29	(2,715)	0	0	0	(2,715)	2,715	0
Amortisation of Intangible Assets	29	138	0	0	0	138	(138)	0
Capital Grants and Contributions Applied	29	(21,682)	0	0	0	(21,682)	21,682	0
Revenue Expenditure Funded From Capital Under Statute	29	585	0	0	0	585	(585)	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	1,213	0	0	0	1,213	(1,213)	0
Statutory provision for the financing of capital investment	29	(1,529)	0	0	0	(1,529)	1,529	0
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	27	(3,782)	0	0	3,782	0	0	0
Application of grants to capital financing transferred to the Capital Adjustment Account	27 29	0	0	0	(1,629)	(1,629)	1,629	0
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	30	(1,477)	0	1,087	0	(390)	390	0
Use of the Capital Receipts Reserve to finance new capital expenditure	29	0	0	(3,273)	0	(3,273)	3,273	0
Contribution from the Capital Receipts Reserve to finance the payments to the Government capital receipts pool.		13	0	(13)	0	0	0	0
Transfer from Deferred Capital Receipts Reserve upon receipt of cash	30	0	0	40	0	40	(40)	0
Income From Capital Receipts That do not Arise From the Disposal of an Asset		(2,157)	0	2,157	0	0	0	0
Repayment of loans	29	0	0	2	0	2	(2)	0
Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements		(378)	0	0	0	(378)	378	0
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	9	(12,461)	0	0	0	(12,461)	12,461	0
Employer's Pension Contributions to Berkshire Pension Fund Payable in the year	9	(7,387)	0	0	0	(7,387)	7,387	0
Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements		(149)	0	0	0	(149)	149	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	31	(57)	0	0	0	(57)	57	0
Net Increase/(Decrease) Before Transfers to Earmarked Reserves		(26,966)	0	0	2,153	(24,813)	24,813	0
Transfer (to)/from Earmarked Reserves		(1,886)	1,886	0	0	0	0	0
Increase/(Decrease) in Year		1,125	1,886	0	2,153	5,164	90,264	95,428
Balance at 31 March 2011		9,970	11,320	0	4,807	26,097	399,145	425,242

COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

	2011/12			Note	2010/11 Restated		
	Gross Expenditure £000	Gross Income £000	Net £000		Gross Expenditure £000	Gross Income £000	Net £000
Central Services to the Public	8,256	(7,065)	1,191		9,046	(7,364)	1,682
Cultural and Related Services	17,729	(7,845)	9,884		18,751	(7,874)	10,877
Environment and Regulatory Services	12,985	(2,931)	10,054		13,226	(2,676)	10,550
Planning Services	7,151	(2,851)	4,300		7,439	(3,149)	4,290
Children's and Education Services	117,860	(88,646)	29,214	6	127,226	(91,910)	35,316
Other Housing Services	38,287	(33,004)	5,283		36,154	(31,399)	4,755
Highways and Transport Services	10,785	(1,486)	9,299		10,458	(1,367)	9,091
Adult Social Care	41,559	(9,929)	31,630	6	42,229	(17,905)	24,324
Corporate and Democratic Core	4,492	(8)	4,484		4,742	(11)	4,731
Non Distributed Costs – other	(328)	(8)	(336)		288	(18)	270
Non Distributed Costs – change to CPI for retirement benefits	0	0	0	6	(29,333)	0	(29,333)
Other Exceptional Items	0	0	0	6		(342)	(342)
Cost of Services	258,776	(153,773)	105,003		240,226	(164,015)	76,211
Other Operating Expenditure							
Levies			97				97
Parish Council Precepts			2,739				2,676
Payments to the Government Housing Capital Receipts Pool			12				13
Other Income from Capital Receipts that do not arise from the Disposal of an Asset			(1,614)				(2,157)
(Gain)/Loss on the disposal of Property, Plant & Equipment			2,055				(264)
Financing and Investment Income and Expenditure							
(Surplus)/Deficit on Trading Operations			2,746	15			(23)
Interest Receivable and Similar Income			(953)				(494)
Interest Payable on PFI Unitary Payments			430				443
Interest Payable on Finance Leases			173				201
Income and Expenditure in Relation to Investment Properties			(1,856)	18			(1,681)
Changes in Fair Value of Investment Properties			(912)	18			(2,715)
(Gain)/Loss on the Disposal of Investment Properties			14				0
Impairment of Financial Instruments			101				100
Pensions Interest Cost and Expected Return on Pension Assets			3,177	9			5,488
Taxation and Non-specific Grant Incomes							
Council Tax Income			(51,187)				(50,739)
General and other Non-Ringfenced Government Grants			(22,118)	8			(8,865)
National Non-Domestic Rates			(19,932)	8			(22,804)
Capital Grants and Contributions			(19,156)	8			(25,464)
(Surplus) or Deficit on Provision of Services			(1,181)				(29,977)
(Surplus) or Deficit on Revaluation of Property, Plant and Equipment			(10,706)	28			(16,120)
Actuarial (Gains)/Losses on Pension Asset / Liabilities – BFBC			51,941	9			(49,082)
Actuarial (Gains)/Losses on Pension Asset / Liabilities – Former BCC Fund			5,303	9			(249)
Other Comprehensive Income and Expenditure			46,538				(65,451)
Total Comprehensive Income and Expenditure			45,357				(95,428)

BALANCE SHEET

		31 March 2012	31 March 2011 Restated	1 April 2010
	Notes	£000	£000	£000
Property, Plant and Equipment				
Other Land and Buildings	17	421,911	409,053	373,699
Vehicles, Plant and Equipment	17	15,971	14,821	10,421
Infrastructure Assets	17	44,282	43,364	42,006
Community Assets	17	1,313	1,257	1,238
Surplus Assets	17	6,136	6,185	0
Assets Under Construction	17	1,991	6,608	31,061
	17	491,604	481,288	458,425
Heritage Assets		168	168	168
Investment Property	18	28,913	25,556	21,113
Intangible Assets		1,153	682	298
Long Term Investments	33	119	275	3,508
Long Term Debtors	20	3,052	2,374	1,369
Long Term Assets		525,009	510,343	484,881
Current Assets				
Short Term Investments	33	21,978	10,496	395
Assets Held for Sale		0	167	0
Inventories		199	187	166
Short Term Debtors	21	10,611	17,276	16,651
Cash and Cash Equivalents	22	14,459	28,839	41,860
		47,247	56,965	59,072
Current Liabilities				
Short Term Creditors	23	(31,674)	(41,228)	(43,594)
Provisions	24	(902)	(1,722)	(949)
		(32,576)	(42,950)	(44,543)
Long Term Liabilities				
Long Term Creditors	25	(16,366)	(16,674)	(17,040)
Capital Grants and Other Contributions	8	(8,644)	(8,630)	(9,565)
Net Pension Liability	9	(134,785)	(73,812)	(142,991)
		(159,795)	(99,116)	(169,596)
Net Assets		379,885	425,242	329,814
Usable Reserves				
General Fund		10,266	9,970	8,845
Earmarked Reserves	26	16,555	11,320	9,434
Capital Receipts Reserve		0	0	0
Capital Grants Unapplied Reserve	27	9,805	4,807	2,654
		36,626	26,097	20,933
Unusable Reserves				
Revaluation Reserve	28	134,290	125,708	113,022
Capital Adjustment Account	29	346,740	350,188	342,723
Financial Instrument Adjustment Account		0	0	(378)
Collection Fund Adjustment Account		124	249	100
Deferred Capital Receipts Reserve	30	1,792	1,347	997
Pension Reserve	9	(134,785)	(73,812)	(142,991)
Accumulated Absences Account	31	(4,902)	(4,535)	(4,592)
		343,259	399,145	308,881
Total Reserves		379,885	425,242	329,814

These financial statements replace the unaudited financial statements certified by Alan Nash on 25 June 2012.

Alan Nash FCCA CPFA
Borough Treasurer
September 2012

CASH FLOW STATEMENT

	Note	2011/12 £000	2010/11 Restated £000
Cash Flows From Operating Activities			
Surplus or (Deficit) on Provision of Services		1,181	29,977
Adjust for Non Cash Movements			
Depreciation		12,638	14,726
Impairment & Revaluation Downwards of Non-Current Assets		5,826	10,133
Amortisation of Intangibles		498	138
Changes in Fair Value of Investment Properties		(912)	(2,715)
Changes in Provisions		(820)	46
Impairment of Financial Instruments		101	100
Amortisation of Long Term Creditors		(119)	(119)
Carrying amount of Non-Current Assets sold		3,283	1,213
Changes in Inventory		(12)	(21)
Changes in Interest Debtors		(282)	32
Changes in Debtors		1,087	(714)
Changes in Creditors		(2,782)	629
Changes in Net Pension Liability		3,729	(19,848)
Adjust for Items that are Investing or Financing Activities		(24,394)	(28,779)
Net Cash Flow From Operating Activities		(978)	4,798
Cash Flows from Investing Activities			
Purchase of Non-Current Assets		(25,163)	(35,761)
Purchase of Short Term and Long Term Investments		(14,000)	(7,000)
Other payments for investing activities		(340)	(702)
Proceeds from Sale of Non-Current Assets		760	887
Proceeds from Short Term and Long Term Investments		2,887	311
Other receipts from investing activities		19,375	27,365
Net Cash Flow From Investing Activities		(16,481)	(14,900)
Cash Flows from Financing Activities			
Changes in Finance Lease Provision		0	(973)
Capital Element of PFI Contracts		(205)	(191)
Capital Element of Finance Leases		(65)	(88)
Council Tax and NNDR Adjustments		3,349	(1,667)
Net Cash Flow From Financing Activities		3,079	(2,919)
Net (Decrease)/Increase in Cash and Cash Equivalents in the Period		(14,380)	(13,021)
Cash and Cash Equivalents as of the Beginning of the Period	22	28,839	41,860
Cash and Cash Equivalents as of the End of the Period	22	14,459	28,839

The cash flows for operating activities include the following items:

	2011/12 £000	2010/11 £000
Interest received	723	339
Interest paid	(603)	(644)

NOTES TO THE CORE FINANCIAL STATEMENTS

1 ACCOUNTING POLICIES

Basis of Preparation

The accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting 2011/12 issued by the Chartered Institute of Public Finance and Accountancy (CIPFA).

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.

NOTES TO THE CORE FINANCIAL STATEMENTS

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.

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. 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 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

NOTES TO THE CORE FINANCIAL STATEMENTS

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.

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.

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.

NOTES TO THE CORE FINANCIAL STATEMENTS

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 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.

Heritage Assets

Heritage assets are a distinct class of asset which are maintained principally for their contribution to knowledge and culture. A key feature of heritage assets is that they have cultural, environmental or historical associations that make their preservation for future generations important. Heritage assets may be either tangible or intangible assets but the Council only holds tangible heritage assets. 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 in relation to Heritage Assets as detailed below.

Heritage Assets are carried at valuation rather than fair value, reflecting the fact that exchanges of Heritage Assets are uncommon. Valuations may be made by any method that is appropriate and relevant. There is 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 carrying amounts of Heritage Assets are reviewed where there is evidence of impairment. For Heritage Assets this is where an item has suffered physical deterioration or breakage or where doubts arise as to its authenticity. Any impairment is recognised and accounted for in accordance with the Council's general policies on impairment referred to under Property Plant and Equipment.

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 statue are reported in the Balance Sheet at insurance valuation.

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.

NOTES TO THE CORE FINANCIAL STATEMENTS

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.

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 de-recognised (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.

NOTES TO THE CORE FINANCIAL STATEMENTS

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 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.

NOTES TO THE CORE FINANCIAL STATEMENTS

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 and shown in the Movement in Reserves Statement.

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 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:

NOTES TO THE CORE FINANCIAL STATEMENTS

- 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.

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.

NOTES TO THE CORE FINANCIAL STATEMENTS

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.

NOTES TO THE CORE FINANCIAL STATEMENTS

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');
- 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 2012.

NOTES TO THE CORE FINANCIAL STATEMENTS

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

Post Employment Benefits

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

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

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

Teacher's Pension Scheme

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

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

NOTES TO THE CORE FINANCIAL STATEMENTS

Local Government Pension Scheme

The Council's contributions are determined by triennial actuarial valuation. The latest valuation was as at 31 March 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.

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 Council 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 Berkshire 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.

NOTES TO THE CORE FINANCIAL STATEMENTS

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.

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

NOTES TO THE CORE FINANCIAL STATEMENTS

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 Assets & Liabilities

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.

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

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, Financial Instruments Adjustment Account, Accumulated 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:

NOTES TO THE CORE FINANCIAL STATEMENTS

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 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.

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

NOTES TO THE CORE FINANCIAL STATEMENTS

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.

Carbon Reduction Commitment (CRC) Energy Efficiency Scheme

The Council is required to participate in the scheme which is currently in its introductory phase which will last until 31 March 2014. The Council is required to purchase and surrender allowances, currently retrospectively, on the basis of carbon dioxide emissions. As carbon dioxide is emitted (i.e. as energy is used), a liability and an expense are recognised. The liability will be discharged by surrendering allowances. The liability is measured at the best estimate of the expenditure required to meet the obligation, normally at the current market price of the number of allowances required to meet the liability at the reporting date. A provision has been created to meet the estimated liability. The cost to the Council has been charged to the relevant service lines in the Comprehensive Income and Expenditure Statement on the basis of energy consumption.

Value Added Tax (VAT)

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

2 ACCOUNTING STANDARDS ISSUED BUT NOT YET ADOPTED

The adoption of amendments to IFRS 7 Financial Instruments: Disclosures (transfers of financial assets, issued October 2010) by the Code of Practice will result in a change in accounting policy.

Although full adoption of the amended standard will not be required until 1 April 2012, the Council is required to disclose the estimated effect of the new standard in these financial statements.

The amendments replace the previous requirements with detailed disclosures that are designed to assist users of the financial statements to evaluate the risk of exposures relating to transfers of financial assets. The amendments to the standard are not expected to have a material impact on the Council, as the Council does not transfer financial assets to other organisations.

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.

NOTES TO THE CORE FINANCIAL STATEMENTS

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

The Council has elected to treat Longshot Lane as a finance lease in order to apply the Investment Property classification and measurement guidance in IAS 40. A property interest that is held by a lessee under an operating lease may be classified and accounted for as investment property if, and only if, the property would otherwise meet the definition of an investment property and the lessee uses the fair value mode. 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 Council's 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 £7.1m as at 31 March 2012) are recognised as Property, Plant and Equipment on the Balance Sheet.

Voluntary Controlled and Voluntary Aided Schools

The move to International Financial Reporting Standards has meant that the treatment of non-current schools' assets has been subject to further discussion and debate. CIPFA has been consulting with councils and the wider accounting community on the subject but responses have been mixed. The debate is still ongoing but the preliminary view set out by CIPFA is that non-current assets used by voluntary controlled and voluntary aided schools should not be recognised in local authority balance sheets. This supports the Council's treatment of voluntary aided and controlled schools which have not been included on the Balance Sheet.

Land and buildings at voluntary aided schools are owned by the trustees and the governing body is the admissions authority and determines the admission numbers based on capacity. The governing body therefore controls access to the provision of education at the school. On this basis these schools have been excluded from the Balance Sheet. The position is less clear cut with voluntary controlled schools because although the land and buildings are owned by the trustees, the Council appoints the staff and is the admissions authority. It is felt that the factors supporting inclusion on the Balance Sheet are not sufficient to override the form of the transaction i.e. the trustees' ownership of the assets.

This treatment will be reviewed when further guidance is issued.

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 be materially different from the assumptions and estimates.

The items in the Council's Balance Sheet at 31 March 2012 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

Valuation of Property, Plant and Equipment

Other Land and buildings are shown at fair value, based on professional valuations. The valuations are carried out in accordance with the Royal Institution of Chartered Surveyors Appraisal and Valuation Manual, known as the "Red Book".

The majority of buildings are valued at depreciated replacement cost to a modern equivalent basis. All other buildings are measured at fair value which is on the amount that would be paid for the asset in its existing use. The value of the Council's land and buildings fluctuates with changes in construction costs and the current market value of land and buildings.

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 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 £0.251m if all the useful lives are reduced by one year.

The accounting policy for land and buildings is set out in Note 1 and information on the land and buildings is set out in Note 17.

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

The effects of changes in individual assumptions can be measured. The following table sets out the impact of a change in the discount rate and the mortality assumption on the present value of scheme liabilities and projected service cost.

NOTES TO THE CORE FINANCIAL STATEMENTS

Sensitivity Analysis	Present value of scheme liabilities		Projected Service Cost	
	Total	Change	Total	Change
	£000	£000	£000	£000
Adjustment to discount rate				
+0.1%	314,100	(8,299)	9,759	(405)
0.0%	322,399	0	10,164	0
-0.1%	330,935	8,536	10,583	419
Adjustment to mortality age rating assumption				
+1 year	311,234	(11,165)	9,721	(443)
None	322,399	0	10,164	0
-1 year	333,684	11,285	10,612	448

The accounting policy for pensions is set out in Note 1 and further information on the pension liability and the assumptions used is set out in Note 9.

Impairment of Financial Instruments

The Council had deposits of £2m with Heritable and £3m with Glitnir which are both Icelandic banks that have been put into receivership/administration. The Council's preferential creditor status for the Glitnir deposit was confirmed during the year and a payment of £2.521m made by the Winding up Board in March. 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. An impairment reversal was made during the year against the Comprehensive Income and Expenditure Statement to ensure only the estimated value of the escrow account is reflected as a short term investment in the Balance Sheet. For Heritable, the latest guidance assumes that approximately 88% of the deposit plus accrued interest up to the 6 October 2008 will be repaid and the impairment has been calculated on this basis.

At 31 March 2012, the Council had a trade debtors' balance of £2.81m. 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 provision will be sufficient. If collection rates were to deteriorate, a doubling of the percentage used to calculate the provision for general debts would require an additional £0.32m to be set aside as an allowance.

Additional provisions are also made for a number of other debts, in particular Housing Benefits, most of which are provided for at 100%. These provisions totalled £2.76m as at 31 March 2012.

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 estimated using outstanding entitlements for a representative 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 accrual is then calculated by multiplying the number of days of untaken leave by 1/261 of the annual salary for each teacher. The accrual is

NOTES TO THE CORE FINANCIAL STATEMENTS

included within service expenditure but any impact on the General Fund is neutralised by transfers to or from an Accumulated Absences Account.

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 £0.19m for teaching staff.

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 below:

2011/12	Corporate Services / Chief Exec Office £000	Children, Young People & Learning £000	Adult Social Care & Health £000	Environment, Culture & Communities £000	Total £000
Income and Expenditure					
Fees, charges & other service income	(3,714)	(3,473)	(4,136)	(15,955)	(27,278)
Government grants & contributions	(6,382)	(89,789)	(14,131)	(33,838)	(144,140)
Total Income	(10,096)	(93,262)	(18,267)	(49,793)	(171,418)
Employee expenses	10,189	69,229	11,314	18,521	109,253
Other service expenses	14,750	34,117	27,853	56,896	133,616
Support service recharges	(9,822)	3,272	1,914	4,025	(611)
Total Expenditure	15,117	106,618	41,081	79,442	242,258
Net Expenditure	5,021	13,356	22,814	29,649	70,840

NOTES TO THE CORE FINANCIAL STATEMENTS

2010/11	Corporate Services / Chief Exec Office £000	Children, Young People & Learning £000	Adult Social Care & Health £000	Environment, Culture & Communities £000	Total £000
Income and Expenditure					
Fees, charges & other service income	(3,828)	(3,575)	(4,160)	(15,549)	(27,112)
Government grants & contributions	(6,528)	(89,192)	(13,863)	(32,006)	(141,589)
Total Income	(10,356)	(92,767)	(18,023)	(47,555)	(168,701)
Employee expenses	11,000	71,604	10,573	18,750	111,927
Other service expenses	15,233	33,965	27,636	55,067	131,901
Support service recharges	(10,581)	3,075	2,464	4,433	(609)
Total Expenditure	15,652	108,644	40,673	78,250	243,219
Net Expenditure	5,296	15,877	22,650	30,695	74,518

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.

2011/12	Corporate Services / Chief Exec Office £000	Children, Young People & Learning £000	Adult Social Care & Health £000	Environment, Culture & Communities £000	Total £000
Net Expenditure	5,021	13,356	22,814	29,649	70,840
Capital charges (depreciation and amortisation, revaluation downwards and impairments plus revenue expenditure funded from capital under statute)	2,142	8,518	805	9,266	20,731
IAS 19 Pension Adjustments	(244)	591	213	384	944
Cost of Services in Explanatory Foreword	6,919	22,465	23,832	39,299	92,515

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.

The main difference between the two years relates to negative Past Service Pension Costs in 2010/11 (-£29.333m) arising from changes in the assumptions used to account for the pension scheme.

NOTES TO THE CORE FINANCIAL STATEMENTS

	2011/12	2010/11
	£000	£000
Net expenditure in the Departmental Analysis	70,840	74,518
Net expenditure of services and support services not included in the Analysis	(218)	(200)
Amounts included in Cost of Services in the Comprehensive Income and Expenditure Statement not reported to management in the Analysis	22,482	189
Amounts included in the Analysis not included in the Cost of Services in the Comprehensive Income and Expenditure Statement	11,899	1,704
Cost of Services in Comprehensive Income and Expenditure Statement	105,003	76,211

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.

NOTES TO THE CORE FINANCIAL STATEMENTS

2011/12	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	(27,278)	(445)		4,153	(23,570)		(23,570)
Interest and investment income	0	0	0	0	0	(953)	(953)
Other income from capital receipts that do not arise from the disposal of an asset	0	0	0	0	0	(1,615)	(1,615)
Income from Council Tax	0	0	0	0	0	(51,187)	(51,187)
Government grants and contributions	(144,140)	0	0	13,937	(130,203)	(61,206)	(191,409)
Total income	(171,418)	(445)	0	18,090	(153,773)	(114,961)	(268,734)
Employee expenses	109,253	213	920	(1,067)	109,319	0	109,319
Other service expenses	133,616	14	831	(1,899)	132,562	0	132,562
Support service recharges	(611)	0	0	(199)	(810)	0	(810)
Depreciation, amortisation and impairment	0	0	13,243	(3,026)	10,217	0	10,217
Revaluation losses on Property, Plant and Equipment	0	0	5,720	0	5,720	0	5,720
Revenue expenditure funded from capital under statute	0	0	1,768	0	1,768	0	1,768
Precepts & levies	0	0	0	0	0	2,836	2,836
Payments to housing capital receipts pool	0	0	0	0	0	12	12
Gain or loss on disposal of non-current assets	0	0	0	0	0	2,070	2,070
Surplus or deficit on trading undertakings	0	0	0	0	0	2,746	2,746
Interest payments	0	0	0	0	0	603	603
Income and Expenditure in relation to Investment Property	0	0	0	0	0	(1,856)	(1,856)
Movement in fair value of investment properties	0	0	0	0	0	(912)	(912)
Impairment of Financial Instruments	0	0	0	0	0	101	101
Pensions interest cost and expected return on pension assets	0	0	0	0	0	3,177	3,177
Total expenditure	242,258	227	22,482	(6,191)	258,776	8,777	267,553
(Surplus) or deficit on the provision of services	70,840	(218)	22,482	11,899	105,003	(106,184)	(1,181)

NOTES TO THE CORE FINANCIAL STATEMENTS

2010/11	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	(27,112)	(805)	0	4,280	(23,637)	0	(23,637)
Interest and investment income	0	0	0	0	0	(494)	(494)
Other income from capital receipts that do not arise from the disposal of an asset	0	0	0	0	0	(2,157)	(2,157)
Income from Council Tax	0	0	0	0	0	(50,739)	(50,739)
Government grants and contributions	(141,589)	0	0	1,211	(140,378)	(54,980)	(195,358)
Total income	(168,701)	(805)	0	5,491	(164,015)	(108,370)	(272,385)
Employee expenses	111,927	219	(25,393)	(1,019)	85,734	0	85,734
Other service expenses	131,901	386	0	(2,048)	130,239	0	130,239
Support service recharges	(609)	0	0	(222)	(831)	0	(831)
Depreciation, amortisation and impairment	0	0	15,139	(498)	14,641	0	14,641
Revaluation losses on Property, Plant and Equipment	0	0	9,858	0	9,858	0	9,858
Revenue expenditure funded from capital under statute	0	0	585	0	585	0	585
Precepts & levies	0	0	0	0	0	2,773	2,773
Payments to housing capital receipts pool	0	0	0	0	0	13	13
Gain or loss on disposal of non-current assets	0	0	0	0	0	(264)	(264)
Surplus or deficit on trading undertakings	0	0	0	0	0	(23)	(23)
Interest payments	0	0	0	0	0	644	644
Income and Expenditure in relation to Investment Property	0	0	0	0	0	(1,681)	(1,681)
Movement in fair value of investment properties	0	0	0	0	0	(2,715)	(2,715)
Impairment of Financial Instruments	0	0	0	0	0	100	100
Pensions interest cost and expected return on pension assets	0	0	0	0	0	5,488	5,488
Total expenditure	243,219	605	189	(3,787)	240,226	4,335	244,561
(Surplus) or deficit on the provision of services	74,518	(200)	189	1,704	76,211	(104,035)	(27,824)

6 EXCEPTIONAL AND MATERIAL ITEMS OF INCOME AND EXPENDITURE

No items of income or expenditure have been treated as exceptional items in 2011/12. In 2010/11 VAT refunds of £0.225m and the distribution of a revenue reserve relating to Ufton Court (£0.117m), held on behalf of the six Berkshire local authorities but no longer required, were treated as exceptional items.

In 2010/11 the change in the inflation factor used to up-rate pension increases to the Consumer Prices Index (CPI) resulted in a material past service gain (£29.3m) which was also treated as an exceptional item. This one-off nature of this item is also the main reason for the increase in the Cost of Services figure between 2010/11 and 2011/12.

NOTES TO THE CORE FINANCIAL STATEMENTS

The significant increase in net spend on Adult Social Care primarily relates to the classification of Learning Disability and Health Reform Grant as a specific non-ringfenced grant in 2011/12 (-£7.8m). As a consequence, although it was included within service income in 2010/11, it is included within General and other Non-ringfenced Government Grants in 2011/12. The significant reduction in net spend on Children's and Education Services results from a reduction in capital charges relating to depreciation (-£2.8m), revaluations (-£1.5m) and capital expenditure not adding value to Property, Plant and Equipment (-£4.5m) and a reduction in government grants (+£2.7m).

The loss on the disposal of Property, Plant and Equipment primarily relates to the de-recognition of components rather than direct sales. Replacement of components during the year required £1.7m of Property Plant and Equipment to be de-recognised, of which £1.0m related to infrastructure. The loss, however, also includes the sale of 150 Holbeck, Old Manor Car Park and 8 Portman Close which generated capital receipts of £0.5m.

7 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). DSG is ringfenced and can only be applied to meet expenditure properly included in the Schools Budget, as defined in the School Finance (England) Regulations 2011. The Schools Budget includes elements for a range of educational services provided on an authority-wide basis and for the Individual Schools Budget, which is divided into a budget share for each maintained school. Details of the deployment of DSG receivable for 2011/12 are as follows:

	Central Expenditure	Individual Schools Budget	Total
	£000	£000	£000
Final DSG for 2011/12			75,000
Plus Brought forward from 2010/11			838
Less carry forward to 2012/13 agreed in advance			(1,084)
Agreed initial budgeted distribution in 2012/13	12,815	61,939	74,754
In year adjustments	(476)	(1,700)	(2,176)
Final budget distribution for 2011/12	12,339	60,239	72,578
Less actual central expenditure	11,975		
Less actual ISB deployed to schools		60,239	
Plus local authority contribution for 2011/12	0	0	0
Carry forward to 2012/13	364	0	1,448

NOTES TO THE CORE FINANCIAL STATEMENTS

8 GRANT & CONTRIBUTIONS INCOME

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

	2011/12	2010/11 Restated
	£000	£000
Targeted Capital Fund (14-19 Diplomas)	0	4,342
Building Schools for the Future (One School Pathfinder)	0	10,018
Basic Needs	5,373	0
Primary Capital Grant	5,147	2,608
Homes & Communities Agency	107	1,460
Other Government Grants	6,832	5,083
S106 Contributions	1,229	1,389
Other Capital Contributions	468	564
Total	19,156	25,464

Revenue Grants & Contributions

The Revenue Support Grant (RSG) is a Government grant received to support the Council's activities as a whole and is not linked to any one service. Area Based Grant was also a general grant which ceased in 2010/11 and was replaced by Local Services Support Grant and other funding streams in 2011/12.

A number of specific non-ringfenced grants were also introduced in 2011/12 and no conditions on use have been imposed as part of the grant determination ensuring full local control over how the funding can be used. The Council did not increase Council Tax in 2011/12 and therefore received Council Tax Freeze Grant of £1.2m which is equivalent to a 2.5% increase in Council Tax. The New Homes Bonus is designed to encourage the development of new properties. Early Intervention Grant replaces several formerly separate specific grants and a significant part of the former Area Based Grant and is intended to fund services for young people. Learning Disability and Health Reform Grant reflects the transfer of responsibility for funding and commissioning services for adults with learning disabilities from the NHS to local authorities.

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 National Non-Domestic Rates.

NOTES TO THE CORE FINANCIAL STATEMENTS

	2011/12	2010/11
	£000	£000
Revenue Support Grant	6,161	3,311
Area Based Grant	0	5,683
Public Service Agreement Reward Grant	0	(129)
Local Services Support Grant	367	0
Council Tax Freeze Grant	1,212	0
New Homes Bonus Grant	763	0
Early Intervention Grant	4,324	0
Learning Disability and Health Reform Grant	7,765	0
Housing and Council Tax Benefit Subsidy Administration Grant	695	0
Disabled Facilities Grant	325	0
Other non-ringfenced capital grants used to finance revenue	506	0
General and Non-ringfenced Government Grants	22,118	8,865
National Non-Domestic Rates	19,932	22,804
Total	42,050	31,669

Grants and Contributions Credited to Services

	2011/12	2010/11
	£000	£000
Dedicated Schools Grant (including pupil premium)	73,506	65,457
Schools Standards Grant (including Personalisation) ¹	0	2,984
Standards Fund	1,590	5,533
Sixth Form Funding	4,530	5,176
Sure Start, Early Years and Childcare Grant	0	3,127
Housing Benefit Subsidy	30,953	29,442
Council Tax Benefit Subsidy	5,939	5,885
Other Grants and Contributions	13,058	23,377
Donations	627	608
Total	130,203	141,589

¹ Rolled into Dedicated Schools Grant in 2011/12

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. The balances are as follows:

Revenue Grants and Contributions - Receipts in Advance

	31 March 2012	31 March 2011
	£000	£000
Short Term Creditors		
Standards Fund	0	1,713
Other Government Grants	205	1,767
Contributions	605	991
Total	810	4,471

NOTES TO THE CORE FINANCIAL STATEMENTS

Capital Grants and Contributions - Receipts in Advance

	31 March 2012	31 March 2011 Restated
	£000	£000
Short Term Creditors		
Primary Capital Grant	0	5,147
Other Government Grants	870	2,461
Section 106 contributions	0	343
	870	7,951
Long Term Liabilities		
Section 106 contributions	8,644	8,630
	8,644	8,630
Total	9,514	16,581

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, excluding those that have been disclosed individually.

Total Remuneration	2011/12			2010/11
	Non-schools	Schools	Total	No of Employees
£50,000 - £54,999	10	18	28	36
£55,000 - £59,999	6	18	24	18
£60,000 - £64,999	6	7	13	12
£65,000 - £69,999	1	2	3	5
£70,000 - £74,999	3	3	6	5
£75,000 - £79,999	7	1	8	9
£80,000 - £84,999	1	1	2	2
£85,000 - £89,999	0	3	3	3
£90,000 - £94,999	0	1	1	1
£95,000 - £99,999	1 ¹	0	1	2
£100,000 - £104,999	0	1	1	0
Total	35	55	90	93
2010/11 Comparatives	37	56		

¹ The total remuneration for this employee includes a redundancy payment of £50,439.

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

NOTES TO THE CORE FINANCIAL STATEMENTS

£150,000 or more per year has also been named. The term senior employee applies to the Chief Executive and his direct line reports plus the statutory Borough Treasurer and Borough Solicitor posts.

Remuneration of Senior Employees 2011/12

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	156.7	1.4	158.1	20.4	178.5
Assistant Chief Executive	84.1	0.7	84.8	10.9	95.7
Director of Corporate Services	115.8	0.6	116.4	15.0	131.4
Director of Children, Young People and Learning	110.8	0.5	111.3	14.4	125.7
Director of Adult Social Care and Health	108.6	0.9	109.5	14.1	123.6
Director of Environment, Culture and Communities	113.0	0.7	113.7	14.7	128.4
Borough Treasurer ¹	50.1	0.0	50.1	6.5	56.6
Borough Treasurer ²	66.9	0.1	67.0	8.7	75.7
Borough Solicitor	89.2	0.1	89.3	11.6	100.9
Total	895.2	5.0	900.2	116.3	1,016.5

¹ The Borough Treasurer retired on the 26 September 2011.

² The new Borough Treasurer, who assumed the responsibilities of the post on the 1 July 2011, has an annualised salary of £0.1m.

Remuneration of Senior Employees 2010/11

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	161.5	1.4	162.9	24.3	187.2
Assistant Chief Executive	84.1	0.1	84.2	13.0	97.2
Director of Corporate Services	115.8	0.4	116.2	17.9	134.1
Director of Children, Young People and Learning	108.6	0.6	109.2	16.8	126.0
Director of Adult Social Care and Health	106.5	0.8	107.3	16.5	123.8
Director of Environment, Culture and Communities	116.5	0.6	117.1	17.5	134.6
Borough Treasurer	102.4	0.1	102.5	15.9	118.4
Borough Solicitor	87.5	0.1	87.6	13.5	101.1
Total	882.9	4.1	887.0	135.4	1,022.4

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	
	2011/12	2010/11	2011/12	2010/11	2011/12	2010/11	2011/12	2010/11
£0-£20,000	38	63	19	20	57	83	504	451
£20,001 - £40,000	8	8	1	2	9	10	245	294
£40,001 - £60,000	4	3	0	0	4	3	190	148
£60,001 - £80,000	1	3	0	1	1	4	62	282
£80,001+	1	1	0	0	1	1	85	166
Total	52	78	20	23	72	101	1,086	1,341

The Council made 61 redundancies in 2011/12 (71 in 2010/11). 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 are accounted for. Other departures include agreed settlements and contract terminations arising, for example, on ill health grounds or during probationary periods.

Liabilities are charged to the Comprehensive Income and Expenditure Statement during the year in which the Council is committed to them. The liabilities of £1.086m (£1.341m in 2010/11) were comprised of redundancy, settlements and other payments £0.747m (£1.026m), pay in lieu of notice £0.107m (£0.107m) and pension fund contributions to preserve unreduced benefits (pension strain) £0.232m (£0.208m). Pension strain is a cost payable to the Pension Fund.

PENSIONS

Teachers' Pension Scheme

Teachers' Pensions use a notional fund as the basis for calculating the employers' contribution rate paid by local education authorities. The Council is also responsible for the costs of any additional benefits awarded upon early retirement outside of the terms of the teachers' scheme.

	2011/12		2010/11	
	Employers' Contribution	Additional Benefits	Employers' Contribution	Additional Benefits
Amount Paid	£4.583m	£0.266m	£4.542m	£0.262m
As a percentage of teachers' pensionable pay	14.9%	0.87%	14.1%	0.82%

The additional benefits consist of ongoing annual payments required 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,

NOTES TO THE CORE FINANCIAL STATEMENTS

- To the Royal County of Berkshire Pension Fund who administer compensatory pension payments on behalf of former Berkshire County Council teachers.

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

Tel: 0845 6066166

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 2010. Under Pension Fund Regulations contribution rates are set to meet 100% of the overall liabilities of the Fund. The current contribution rate is 13% of pensionable pay for current service plus a lump sum payment to cover the past service deficit element (£1.24m in 2011/12).

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:

	2011/12 £000	2010/11 £000
Comprehensive Income and Expenditure Statement		
Cost of Services:		
Current Service Cost	8,196	11,195
Past Service Cost	0	(29,333)
Settlements and Curtailments	(392)	189
Financing and Investment Income and Expenditure:		
Interest Cost	14,404	16,682
Expected Return on Scheme Assets	(11,227)	(11,194)
Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services	10,981	(12,461)
Other Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement		
Actuarial Gains and Losses - BFC and Former BCC Fund	57,244	(49,331)
Total Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement	68,225	(61,792)
Movement in Reserves Statement		
Reversal of net charges made to the Surplus or Deficit for the Provision of Services for Post Employment Benefits in accordance with the Code.	(10,981)	12,461
Actual Amount Charged Against the General Fund for Pensions in the Year:		
Employer's Contributions Payable to Pension Scheme	7,252	7,387

The cumulative amount of actuarial gains and losses recognised in the Comprehensive Income and Expenditure Statement to the 31 March 2012 is a loss of £98.7m (2010/11 a £41.5m loss).

Assets and Liabilities in relation to Retirement Benefits

Reconciliation of present value of scheme liabilities:

	2011/12 £000	2010/11 £000
Liabilities as of the Beginning of the Period	261,592	303,964
Current Service Cost	8,196	11,195
Interest Cost	14,404	16,682
Contributions by Scheme Participants	2,845	2,938
Actuarial Gains and Losses	45,526	(36,292)
Losses on Curtailments	135	189
Benefits Paid	(8,810)	(7,313)
Past Service Costs	0	(29,333)
Unfunded Pension Payments	(436)	(438)
Liabilities Extinguished on Settlement	(1,054)	0
Liabilities as of the end of the period	322,398	261,592

The present value of the pension liability arising from wholly unfunded benefits awarded in the past is £5.565m (2010/11 £3.674m). The liability 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

Reconciliation of the fair value of scheme assets:

	2011/12	2010/11
	£000	£000
Assets as of the Beginning of the Period	187,780	160,973
Expected Rate of Return	11,227	11,194
Actuarial Gains and Losses	(11,718)	13,039
Employer Contributions	7,252	7,387
Contributions by Scheme Participants	2,845	2,938
Benefits Paid	(9,246)	(7,751)
Payment of Bulk Transfer Value on Settlement	(527)	0
Assets as of the end of the period	187,613	187,780

The expected return on assets is based on the long-term future expected investment return for each asset class as at the beginning of the period. The return on gilts and other bonds are assumed to be the gilt yield and corporate bond yield respectively at the relevant date. The return on equities and property is then assumed to be a margin above gilt yields.

The actual return on scheme assets in the year was £0.5m (£13.0m in 2010/11).

Scheme History

	2011/12	2010/11	2009/10	2008/09	2007/08
	£000	£000	£000	£000	£000
Defined Benefit Obligation	(322,398)	(261,592)	(303,964)	(188,264)	(200,216)
Scheme Assets	187,613	187,780	160,973	119,825	167,801
Surplus/(Deficit)	(134,785)	(73,812)	(142,991)	(68,439)	(32,415)

The liabilities show the underlying commitments that the Council has to pay in retirement benefits. The net liability of £135m (£74m in 2010/11) 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. The affordability of the Local government Pension Scheme is also currently being reviewed by the Government.

The total contribution expected to be made to the Royal County of Berkshire Pension Fund in 2012/13 is £6.829m.

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 2010 rolled forward allowing for different financial assumptions about mortality rates, salary levels, etc. Barnett Waddingham, an independent firm of actuaries, has assessed the Royal County of Berkshire Pension Fund liabilities.

These assumptions are set with reference to market conditions at 31 March 2012. The discount rate is the yield on the iBoxx AA rated over 15 year corporate bond index as at this date. The RPI increase assumption is set based on the difference between conventional gilt yields and index-linked gilt yields at the accounting date using data published by the Bank of England. This measure has historically overestimated future increases in the RPI and so a deduction of 0.25% has been made to get the RPI assumption of 3.3%. As future pension increases are expected to be 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%. Salary increases are then

NOTES TO THE CORE FINANCIAL STATEMENTS

assumed to be 1.15% above RPI in addition to a promotional scale. This is a slightly lower long term assumption than last year to reflect the continuing climate of low salary increases.

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

	2011/12 %	2010/11 %
Rate of inflation - RPI	3.3	3.5
Rate of inflation - CPI	2.5	2.7
Rate of increase in salaries	4.5	4.8
Rate of increase in pension	2.5	2.7
Rate of discounting scheme liabilities	4.6	5.5
Mortality assumptions from age 65:	Age	Age
Longevity at 65 for current pensioners		
Men	23.0	22.7
Women	25.6	25.4
Longevity at 65 for future pensioners		
Men	25.0	24.8
Women	27.6	27.4
Members will exchange half of their commutable pension for cash at retirement		
Active members will retire one year later than they are first able to do so without reduction		

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, by proportion of the total assets held by the Fund:

	Long Term Expected Return (2011/12) %	Long Term Expected Return (2010/11) %	Assets Held 31 March 2012 %	Assets Held 31 March 2011 %
Equity Investments	6.7	7.8	35	31
Other Bonds	4.6	5.5	25	27
Property	4.8	5.9	10	8
Cash	3.0	3.0	2	5
Alternative Assets	5.0	5.0	28	29
Total	5.4	6.0	100	100

History of Experience Gains and Losses

	2011/12 £000	2010/11 £000	2009/10 £000	2008/09 £000	2007/08 £000
Experience adjustments on Scheme Assets	(11,713)	13,035	32,137	(62,804)	(26,043)
Experience adjustments on Scheme Liabilities	(1,935)	(4,011)	(1,083)	0	(872)

NOTES TO THE CORE FINANCIAL STATEMENTS

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

	2011/12 %	2010/11 %	2009/10 %	2008/09 %	2007/08 %
Differences between the expected and actual return on Assets	(6.24)	6.94	19.96	(52.41)	(15.52)
Experience gains and losses on Liabilities	0.60	1.53	0.36	0	0.44

Pensions Reserve

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

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

	Year to 31 March 2012 £000	Year to 31 March 2011 £000
Surplus /(Deficit) as of beginning of the period	(73,812)	(142,991)
Actuarial Gains/(Losses) on pension assets and liabilities	(57,244)	49,331
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	(10,545)	12,900
Employer's pension contributions and direct payments to pensioners payable in the year	6,816	6,948
Surplus /(Deficit) as of end of the period	(134,785)	(73,812)

The figures include the Council's share of the Former Berkshire County Council Pension Fund Liability of £27.376m (2010/11 £21.285m).

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

NOTES TO THE CORE FINANCIAL STATEMENTS

10 MEMBERS' ALLOWANCES & EXPENSES

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

	2011/12	2010/11
	£000	£000
Allowances	590	585
Expenses	7	10
Total	597	595

11 AGENCY EXPENDITURE & INCOME

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

The Council acts as the lead council for 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.

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

	2011/12		
	Expenditure	Income	Net Expenditure
	£000	£000	£000
Adult Social Care - Emergency Duty Team	819	(733)	86
Children's & Education Services - Education Library Service	644	(558)	86
Environmental & Regulatory Services - London Rd Landfill Site	124	(96)	28
Total	1,587	(1,387)	200

	2010/11		
	Expenditure	Income	Net Expenditure
	£000	£000	£000
Adult Social Care - Emergency Duty Team	784	(722)	62
Children's & Education Services - Education Library Service	725	(598)	127
Environmental & Regulatory Services - London Rd Landfill Site	113	(98)	15
Total	1,622	(1,418)	204

NOTES TO THE CORE FINANCIAL STATEMENTS

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 1 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 9 years.

The non-cancellable operating lease expenditure charged to the relevant service line in the Comprehensive Income and Expenditure Statement during the year is £0.584m, a combination of £0.280m for properties and £0.304m for equipment and vehicles (2010/11 £0.276m for properties and £0.349m for equipment and vehicles).

The Council paid contingent rent of £0.078m during the year (2010/11 £0.078m).

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

	31 March 2012			31 March 2011		
	Land and Buildings £000	Equipment & Vehicles £000	Total £000	Land and Buildings £000	Equipment & Vehicles £000	Total £000
Not later than one year	275	302	577	255	267	522
Later than one year but not more than five years	715	560	1,275	740	535	1,275
Later than five years	5,254	0	5,254	5,346	0	5,346
Total	6,244	862	7,106	6,341	802	7,143

Council as Lessor

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

	31 March 2012 £000	31 March 2011 Restated £000
Not later than one year	1,670	1,620
Later than one year but not more than five years	4,305	4,385
Later than five years	21,999	21,024
Total	27,974	27,029

NOTES TO THE CORE FINANCIAL STATEMENTS

The minimum lease payments do not include rents that are contingent on events taking place after the lease was entered into. The Council received contingent rent during the year of £0.636m (2010/11 £0.637m).

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

	31 March 2012	31 March 2011
	£000	£000
Not later than one year	1,485	1,484
Later than one year but not more than five years	3,804	4,085
Later than five years	19,255	19,690
Total	24,544	25,259

The Council received contingent rent during the year of £0.625m (2010/11 £0.635m) for investment property.

FINANCE LEASES

Council as Lessee

The Council leases two vehicles under non-cancellable finance lease agreements which both have a lease term of 10 years. The leases do not have purchase options but do have the option to extend the lease.

The Council also 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 2012		31 March 2011	
	Land and Buildings	Equipment & Vehicles	Land and Buildings	Equipment & Vehicles
	£000	£000	£000	£000
Finance lease liabilities (net present value of minimum lease payments):				
Current	0	8	0	43
Non-current	1,452	2	1,452	32
	1,452	10	1,452	75
Finance costs payable in future years	9,813	0	9,984	4
Minimum lease payments	11,265	10	11,436	79

NOTES TO THE CORE FINANCIAL STATEMENTS

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

	31 March 2012		31 March 2011	
	Land and Buildings	Equipment & Vehicles	Land and Buildings	Equipment & Vehicles
	£000	£000	£000	£000
Not later than one year	171	9	171	45
Later than one year but not more than five years	683	1	683	34
Later than five years	10,411	0	10,582	0
Total	11,265	10	11,436	79

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 £0.159m (2010/11 £0.159m) 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 under non-cancellable operating leases are as follows:

	31 March 2012	31 March 2011
	Land and Buildings	Land and Buildings
	£000	£000
Not later than one year	417	396
Later than one year but not more than five years	437	612
Later than five years	249	202
Total	1,103	1,210

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 £0.078m (2010/11 £0.085m).

Council as Lessor

Under the Council's My HomeBuy Scheme, the Council has purchased, then leased out its share of seventeen properties to participating residents over a 125 year period. The gross investment in the leases is equal to the minimum lease payments expected to be received over the remaining terms, as the properties 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 debtor for the interest in the properties acquired by the lessee and finance income that will be earned by the Council in future years whilst the debtor remains outstanding.

NOTES TO THE CORE FINANCIAL STATEMENTS

The gross investment is made up of the following amounts:

	31 March 2012	31 March 2011
	Buildings	Buildings
	£000	£000
Finance lease debtor (net present value of minimum lease payments):		
Current	0	0
Non-current	856	390
	856	390
Unearned Finance income	4,123	1,882
Gross Investment in the Leases	4,979	2,272

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 2012	31 March 2011
	Buildings	Buildings
	£000	£000
Not later than one year	40	18
Later than one year but not more than five years	160	73
Later than five years	4,779	2,181
Total	4,979	2,272

As the lease payments are stepped during the first 5 years, no defaults are anticipated and therefore no allowance has been made for uncollectible amounts.

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 (2010/11 £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 £617m as at 31 March 2012, to be shared between the Councils based on relative throughput. Actual payments will depend upon the contractor's performance as well as that of the individual Councils in waste collection. As part of the contract, the contractor built a transfer station, materials recycling facility, civic amenity site and offices. The contract expires in 2031/32.

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

NOTES TO THE CORE FINANCIAL STATEMENTS

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

	2011/12			2010/11		
	Other Land & Buildings	Vehicles, Plant, Furniture & Equipment	Total PFI Assets	Other Land & Buildings	Vehicles, Plant, Furniture & Equipment	Total PFI Assets
	£000	£000	£000	£000	£000	£000
Cost/Valuation						
As of the beginning of the period	6,515	1,469	7,984	6,515	1,469	7,984
Additions	0	0	0	0	0	0
As of the end of the period	6,515	1,469	7,984	6,515	1,469	7,984
Depreciation						
As of the beginning of the period	376	217	593	159	131	290
Depreciation for Year	217	86	303	217	86	303
As of the end of the period	593	303	896	376	217	593
Net Book Value as of the beginning of the period	6,139	1,252	7,391	6,356	1,338	7,694
Net Book Value as of the end of the period	5,922	1,166	7,088	6,139	1,252	7,391

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:

	2011/12	2010/11
	£000	£000
Value as of the beginning of the period	(6,527)	(6,718)
Payments during the year	205	191
Value as of the end of the period	(6,322)	(6,527)

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

Obligations payable in	As at 31 March 2012						Total payable
	2012/13	2-5 yrs	6-10 yrs	11-15 yr	16-20 yrs	21-25 yrs	
	£000	£000	£000	£000	£000	£000	£000
Reimbursement of Capital Expenditure	158	753	1,279	1,800	2,332	0	6,322
Interest	418	1,554	1,609	1,098	386	0	5,065
Payment for Services	5,592	24,609	37,992	43,088	45,996	0	157,277
Total	6,168	26,916	40,880	45,986	48,714	0	168,664

The figures as at 31 March 2011 have been restated primarily to reflect inflation actually experienced under the contract.

NOTES TO THE CORE FINANCIAL STATEMENTS

Obligations payable in	As at 31 March 2011 Restated						Total payable £000
	2011/12 £000	2-5 yrs £000	6-10 yrs £000	11-15 yr £000	16-20 yrs £000	21-25 yrs £000	
Reimbursement of Capital Expenditure	205	703	1,195	1,681	2,368	375	6,527
Interest	430	1,603	1,691	1,215	543	13	5,495
Payment for Services	5,505	23,768	36,460	41,975	47,757	7,317	162,782
Total	6,140	26,074	39,346	44,871	50,668	7,705	174,804

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.

	2011/12 £000	2010/11 £000
Fees payable to the Audit Commission – District Auditor with regard to external audit services carried out by the appointed auditor for the year	214	237
Fees payable to the Audit Commission – District Auditor in respect of statutory inspection	0	0
Fees payable to Audit Commission – District Auditor for the certification of grant claims and returns for the year	53	70
Fees payable in respect of other services provided by the Audit Commission – District Auditor during the year	0	3
Grant claim fees under/(over) accrued in previous year	16	14
Total	283	324

15 TRADING OPERATIONS

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

	2011/12	
	£000	£000
The Council operates the Bracknell Market collecting rental income from stallholders. Cumulative deficit over last three financial years: £0.213m.	Expenditure	117
	Rental Income	(75)
	Operating Deficit	42
The Council operates nine Car Parks in Bracknell Town Centre and Crowthorne. Cumulative deficit over last three financial years: £1.893m	Expenditure	3,953
	Income	(1,237)
	Operating Deficit	2,716
Smart Connect Cumulative surplus over last three financial years: (£0.019m)	Expenditure	38
	Income	(50)
	Operating Surplus	(12)
Total Trading Operations Deficit/(Surplus)		2,746

NOTES TO THE CORE FINANCIAL STATEMENTS

The significant deficit on the car parks in 2011/12 primarily relates to the downward revaluation of a number of car parks which resulted in a capital charge of £2.5m against the revenue budget.

	2010/11		
		£000	£000
The Council operates the Bracknell Market collecting rental income from stallholders. Cumulative deficit over last three financial years: £0.213m.	Expenditure	211	
	Rental Income	(73)	
	Operating Deficit		138
The Council operates nine Car Parks in Bracknell Town Centre and Crowthorne. Cumulative surplus over last three financial years: (£0.022m)	Expenditure	1,321	
	Income	(1,485)	
	Operating Surplus		(164)
Smart Connect Cumulative deficit over last three financial years: £0.075m	Expenditure	39	
	Income	(36)	
	Operating Deficit		3
Total Trading Operations Deficit/(Surplus)			(23)

16 MINIMUM REVENUE PROVISION (MRP)

The Council has calculated its Minimum Revenue Provision for the year as £1.010m (2010/11 £1.529m) which is transferred to the Capital Adjustment Account and reduces the Capital Financing Requirement. This is made up as follows:

	2011/12	2010/11
	£000	£000
MRP (based on the Capital Financing Requirement at 1 April excluding the Waste PFI and finance leases)	621	182
Principal payable on finance leases	65	88
Principal payable on onerous provision for Enid Wood House	0	949
Principal payable on Waste PFI	205	191
Prepaid rent amortisation	119	119
Total MRP	1,010	1,529

The onerous provision was paid in full in 2010/11.

NOTES TO THE CORE FINANCIAL STATEMENTS

17 PROPERTY, PLANT AND EQUIPMENT

Movements on Balances

	2011/12						
	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
Cost/Valuation							
At 1 April 2011	429,614	46,790	57,418	1,257	6,283	6,608	547,970
Additions	6,775	3,797	2,754	38	0	11,652	25,016
Revaluation increases/ (decreases) recognised in the Revaluation Reserve	9,521	0	0	0	0	0	9,521
Revaluation increases/ (decreases) recognised in the Surplus/Deficit on the Provision of Services	(5,750)	(15)	(1)	(1)	0	0	(5,767)
Disposals	(1,530)	(650)	(1,804)	0	0	0	(3,984)
Reclassification (to)/from Assets Held for Sale	(556)	0	0	0	0	0	(556)
Other Reclassifications	8,917	2,210	1,022	19	0	(16,269)	(4,101)
At 31 March 2012	446,991	52,132	59,389	1,313	6,283	1,991	568,099
Accumulated Depreciation & Impairments							
At 1 April 2011	20,561	31,969	14,054	0	98	0	66,682
Depreciation charge	6,194	4,501	1,893	0	49	0	12,637
Depreciation written out to the Revaluation Reserve	(1,185)	0	0	0	0	0	(1,185)
Depreciation written out to the Surplus/Deficit on the Provision of Services	(47)	0	0	0	0	0	(47)
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	106	0	0	0	0	0	106
Depreciation written out on disposal	(549)	(294)	(840)	0	0	0	(1,683)
Reclassifications	0	(15)	0	0	0	0	(15)
At 31 March 2012	25,080	36,161	15,107	0	147	0	76,495
Net Book Value at 31 March 2012	421,911	15,971	44,282	1,313	6,136	1,991	491,604
Net Book Value at 31 March 2011	409,053	14,821	43,364	1,257	6,185	6,608	481,288
Nature of asset holding							
Owned	415,856	14,791	44,282	1,313	6,136	1,991	484,369
Finance lease	133	14	0	0	0	0	147
PFI	5,922	1,166	0	0	0	0	7,088
Net Book Value at 31 March 2012	421,911	15,971	44,282	1,313	6,136	1,991	491,604

NOTES TO THE CORE FINANCIAL STATEMENTS

	2010/11 Restated						
	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
Cost/Valuation							
At 1 April 2010	385,563	38,209	54,345	1,238	0	31,061	510,416
Additions	8,778	5,426	2,518	19	0	16,400	33,141
Revaluation increases/ (decreases) recognised in the Revaluation Reserve	16,030	0	0	0	0	0	16,030
Revaluation increases/ (decreases) recognised in the Surplus/Deficit on the Provision of Services	(9,721)	(212)	(143)	0	0	0	(10,076)
Disposals	(666)	0	0	0	0	0	(666)
Reclassification (to)/from Assets Held for Sale	(170)	0	0	0	0	0	(170)
Other Reclassifications	29,800	3,367	698	0	6,283	(40,853)	(705)
At 31 March 2011	429,614	46,790	57,418	1,257	6,283	6,608	547,970
Accumulated Depreciation & Impairments							
At 1 April 2010	11,864	27,788	12,339	0	0	0	51,991
Depreciation charge	8,830	4,181	1,715	0	0	0	14,726
Depreciation written out to the Revaluation Reserve	(320)	0	0	0	0	0	(320)
Depreciation written out to the Surplus/Deficit on the Provision of Services	(221)	0	0	0	0	0	(221)
Impairment losses (reversals) recognised in the Revaluation Reserve	231	0	0	0	0	0	231
Impairment losses (reversals) recognised in the Surplus/Deficit on the Provision of Services	275	0	0	0	0	0	275
Depreciation written out on disposal	0	0	0	0	0	0	0
Reclassifications	(98)	0	0	0	98	0	0
At 31 March 2011	20,561	31,969	14,054	0	98	0	66,682
Net Book Value at 31 March 2011	409,053	14,821	43,364	1,257	6,185	6,608	481,288
Net Book Value at 31 March 2010	373,699	10,421	42,006	1,238	0	31,061	458,425
Nature of asset holding							
Owned	402,785	13,555	43,364	1,257	6,185	6,608	473,754
Finance lease	129	14	0	0	0	0	143
PFI	6,139	1,252	0	0	0	0	7,391
Net Book Value at 31 March 2011	409,053	14,821	43,364	1,257	6,185	6,608	481,288

NOTES TO THE CORE FINANCIAL STATEMENTS

In Bracknell Forest there are 6 Voluntary Aided Schools and 4 Voluntary Controlled Schools. Only the proportion of the assets deemed to be owned by the Council rather than the Governing Body are included above.

Valuations

The Council carries out a rolling programme that ensures that all Property, Plant and Equipment required to be measured at fair value is 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. 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 rolling programme for the revaluation of Property, Plant and Equipment. In accordance with the Council's accounting policy for Property, Plant and Equipment, only Other Land and Buildings are revalued on a five year rolling programme.

	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	52,132	59,389	1,313	0	1,991	114,825
Valued at fair value as at:							
2011/12	34,308	0	0	0	0	0	34,308
2010/11	72,749	0	0	0	6,283	0	79,032
2009/10	250,530	0	0	0	0	0	250,530
2008/09	73,126	0	0	0	0	0	73,126
2007/08	16,278	0	0	0	0	0	16,278
Total Cost or Valuation	446,991	52,132	59,389	1,313	6,283	1,991	568,099

NOTES TO THE CORE FINANCIAL STATEMENTS

18 INVESTMENT PROPERTY

	2011/12 £000	2010/11 £000
Balance at the beginning of the period	25,556	21,113
Additions:		
Purchases	0	1,700
Subsequent expenditure	192	0
Disposals	(260)	(547)
Net gains/losses from fair value adjustments	912	2,715
Reclassification from Property, Plant and Equipment	2,513	575
Balance at the end of the period	28,913	25,556

Two Investment Properties were sold during the year at 15 Rectory Row and 80 Winscombe, generating capital receipts of £0.25m. Of the balance as at 31 March 2012, £0.517m relates to properties held under finance leases (£0.510m in 2010/11) and £28.396m to properties owned by the Council (£25.046m in 2010/11).

At 31 March 2012, all Investment Properties were let under operating leases with the exception of 11 properties currently without tenants and 4 properties held for future sale.

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 2012 £000	31 March 2011 £000
Rental Income From Investment Property	(2,474)	(2,324)
Direct Operating Expenses Arising From Investment Property	618	643
Net Gain	(1,856)	(1,681)

19 CAPITAL EXPENDITURE AND FINANCING

The total amount of capital expenditure incurred in the year is shown in the table below (including the value of assets acquired under finance leases and PFI/PP 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), a measure of the capital expenditure incurred historically by the Council that has yet to be financed. The CFR is analysed in the second part of this note.

NOTES TO THE CORE FINANCIAL STATEMENTS

	31 March 2012	31 March 2011
	£000	Restated £000
Opening Capital Financing Requirement	32,522	24,283
<i>Capital Investment</i>		
Property, Plant and Equipment	25,016	33,141
Investment Property	192	1,700
Intangible Assets	366	392
Revenue Expenditure Funded from Capital under Statute	2,146	1,139
Long Term Debtors	358	533
	28,078	36,905
<i>Sources of Finance</i>		
Capital Receipts	(2,381)	(3,273)
Government Grants and Other Contributions	(15,505)	(23,864)
Sums Set Aside from Revenue:		
Minimum Revenue Provision	(1,010)	(1,529)
	(18,896)	(28,666)
Closing Capital Financing Requirement	41,704	32,522
Increase/(Decrease) in underlying need to borrow (supported by government financial assistance)	(617)	(1,529)
Increase/(Decrease) in underlying need to borrow (unsupported by government financial assistance)	9,799	9,768
Increase/(Decrease) in Capital Financing Requirement	9,182	8,239

20 LONG TERM DEBTORS

The Council makes loans to a number of organisations and individuals.

	31 March 2012	31 March 2011	1 April 2010
	£000	£000	£000
Other Local Authorities			
Loan to Warfield Parish Council	91	95	106
Other Entities and Individuals			
Housing Association Loans	421	434	446
Housing Act Advances Loans	1	1	3
Sale of Council Houses Loans	25	22	34
Car Loans to Employees	396	514	380
Rent to Mortgage Properties	376	376	376
South Hill Park Loan	21	22	24
Mortgages	833	518	0
Shared Equity Property Finance Leases	888	392	0
Total	3,052	2,374	1,369

NOTES TO THE CORE FINANCIAL STATEMENTS

21 SHORT TERM DEBTORS

	31 March 2012 £000	31 March 2011 £000	1 April 2010 £000
Central Government Bodies	2,230	7,616	7,407
Other Local Authorities	748	843	800
NHS Bodies	200	411	1,402
Public Corporations and Trading Funds	0	0	0
Other Entities and Individuals	7,433	8,406	7,042
Total	10,611	17,276	16,651

22 CASH AND CASH EQUIVALENTS

	31 March 2012 £000	31 March 2011 £000	1 April 2010 £000
Investments With Original Maturities of 3 Months or Less	14,178	27,908	44,585
Cash held by the Council	20	19	20
Bank Balance / (Overdraft)	261	912	(2,745)
Total	14,459	28,839	41,860

23 SHORT TERM CREDITORS

	31 March 2012 £000	31 March 2011 Restated £000	1 April 2010 Restated £000
Central Government Bodies	4,510	13,532	20,003
Other Local Authorities	3,071	3,782	2,932
NHS Bodies	788	1,187	529
Public Corporations and Trading Funds	107	158	0
Other Entities and Individuals	23,198	22,569	20,130
Total	31,674	41,228	43,594

24 PROVISIONS

	Carbon Allowances £000	Market Square £000	Redundancy Payments £000	Total £000
Balance at 1 April 2011	0	1,700	22	1,722
Additional provisions made in 2011/12	164	0	0	164
Unwinding of discounting	0	0	0	0
Amounts used	0	(962)	(22)	(984)
Balance at 31 March 2012	164	738	0	902

NOTES TO THE CORE FINANCIAL STATEMENTS

	Enid Wood House £000	Market Square £000	Redundancy Payments £000	Total £000
Balance at 1 April 2010	949	0	0	949
Additional provisions made in 2010/11	0	1,700	22	1,722
Unwinding of discounting	25	0	0	25
Amounts used	(974)	0	0	(974)
Balance at 31 March 2011	0	1,700	22	1,722

The Council provided for an onerous lease obligation relating to Enid Wood House. The Council terminated the lease in 2010.

The Council has acquired a number of properties in Market Square to support the regeneration of the town centre. A compulsory purchase order process was used to acquire the properties and as at 31 March 2012 the cost of some of the purchases was still subject to negotiation. It has been assumed that settlement can be reached by the end of 2012/13.

A provision was set up at the end of the year for the estimated cost of carbon allowances required to cover the Council's CO₂ emissions for 2011/12.

25 LONG TERM CREDITORS

	31 March 2012 £000	31 March 2011 £000	1 April 2010 £000
Other Entities and Individuals			
PFI Obligations	6,164	6,322	6,527
Finance Lease Obligations	1,452	1,484	1,526
Peel Centre Prepaid Rent	8,750	8,868	8,987
Total	16,366	16,674	17,040

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.

NOTES TO THE CORE FINANCIAL STATEMENTS

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

	Balance at 1 April 2011 £000	Transfers Out During 2011/12 £000	Transfers In During 2011/12 £000	Balance at 31 March 2012 £000
Earmarked Reserves				
Schools' Balances Held Under a Scheme of Delegation	2,776	0	1,755	4,531
Other Schools' Balances	838	(326)	936	1,448
Repairs and Renewals	35	(6)	0	29
Budget Carry Forwards	410	(410)	501	501
Insurance & Uninsured Claims	2,119	(50)	119	2,188
Cost of Structural Change	1,594	(840)	746	1,500
Regeneration of Bracknell Town Centre	235	(235)	0	0
Education Library Service	100	0	1	101
Building Regulations Chargeable Account	0	0	0	0
Landfill Allowances Trading Scheme (LATS) unused allowances	0	0	0	0
Commuted Maintenance of Land	142	0	0	142
S106 and Travel Plan Monitoring	71	0	10	81
Local Economy Steering Group	6	0	0	6
Capital Feasibility Studies	191	(42)	0	149
Icelandic Banks	2,341	(2,200)	121	262
Social Care Winter Pressures	212	(212)	0	0
Education Initiatives	150	(150)	0	0
Financial Systems Upgrade	100	(44)	0	56
Property Searches Chargeable Account	0	0	26	26
Business Rates Equalisation	0	0	2,000	2,000
Transformation	0	0	500	500
Demographic Pressures & Projects	0	0	699	699
Revenue Grants Unapplied	0	0	1,179	1,179
Early Intervention	0	0	500	500
Economic Development and Town Centre Regeneration	0	0	657	657
Total	11,320	(4,515)	9,750	16,555

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 into 2012/13.

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.

NOTES TO THE CORE FINANCIAL STATEMENTS

The Business Rates Equalisation Reserve is required to manage the volatility in business rates income expected to result from its localisation and the impact of the town centre redevelopment.

The Revenue Grants Unapplied Reserve holds grant income without conditions which is released from the reserve as the associated expenditure is incurred.

Comparative movements in 2010/11	Balance at 1 April 2010 £000	Transfers Out During 2010/11 £000	Transfers In During 2010/11 £000	Balance at 31 March 2011 £000
Earmarked Reserves				
Schools' Balances Held Under a Scheme of Delegation	1,616	0	1,160	2,776
Other Schools' Balances	448	(66)	456	838
Repairs and Renewals	24	0	11	35
Budget Carry Forwards	101	(101)	410	410
Insurance & Uninsured Claims	2,092	(69)	96	2,119
Cost of Structural Change	1,000	(906)	1,500	1,594
Regeneration of Bracknell Town Centre	294	(59)	0	235
Education Library Service	127	(27)	0	100
Building Regulations Chargeable Account	0	0	0	0
Landfill Allowances Trading Scheme (LATS) unused allowances	76	(76)	0	0
LPSA2 Grant	665	(665)	0	0
Commuted Maintenance of Land	127	0	15	142
S106 and Travel Plan Monitoring	60	0	11	71
Local Economy Steering Group	29	(23)	0	6
Capital Feasibility Studies	200	(9)	0	191
Icelandic Banks	2,575	(234)	0	2,341
Social Care Winter Pressures	0	0	212	212
Education Initiatives	0	0	150	150
Financial Systems Upgrade	0	0	100	100
Total	9,434	(2,235)	4,121	11,320

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 that would otherwise require repayment of the monies but which have yet to be applied to meet expenditure.

	2011/12 £000	2010/11 £000
Opening Balance	4,807	2,654
Received	6,897	3,782
Applied to Capital Financing	(1,899)	(1,629)
Closing Balance	9,805	4,807

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.

	2011/12	2010/11 Restated
	£000	£000
As of the beginning of the period	125,708	113,022
Upward revaluation of assets	10,761	18,581
Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services	(55)	(2,461)
Surplus or deficit on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services	10,706	16,120
Difference between fair value depreciation and historical cost depreciation	(2,090)	(3,213)
Accumulated gains on assets sold or scrapped	(34)	(221)
Amount written off to the Capital Adjustment Account	(2,124)	(3,434)
Closing Balance	134,290	125,708

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 enhancement 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

	2011/12	2010/11
	£000	Restated £000
Balance at 1 April	350,188	342,723
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	(12,744)	(15,001)
Revaluation Losses on Property Plant & Equipment	(5,720)	(9,858)
Amortisation of Intangible Assets	(498)	(138)
Revenue Expenditure Funded from Capital under Statute	(1,768)	(585)
Amount of non-current asset written off on sale as part of the gain/loss on sale to the Comprehensive Income and Expenditure Statement	(3,283)	(1,213)
	(24,013)	(26,795)
Adjusting amounts written out of the Revaluation Reserve	2,124	3,434
Net written out amount of the cost of non-current assets consumed in the year	(21,889)	(23,361)
Capital financing applied in the year:		
Use of the Capital Receipts Reserve to finance new capital expenditure	2,381	3,273
Capital Grants and Contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	12,258	21,682
Application of Capital Grants and Contributions to capital financing from the Capital Grants Unapplied Reserve	1,899	1,629
Statutory provision for the financing of capital investment	1,010	1,529
	17,548	28,113
Movements in the market value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement	912	2,715
Repayment of loans	(19)	(2)
Balance at 31 March	346,740	350,188

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.

	2011/12	2010/11
	£000	£000
As of the beginning of the period	1,347	997
Shared Equity Property Finance Leases	467	390
Transfer to the Capital Receipts Reserve upon receipt of cash	(22)	(40)
Closing Balance	1,792	1,347

NOTES TO THE CORE FINANCIAL STATEMENTS

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 2012 £000	31 March 2011 £000	1 April 2010 £000
Mortgages on Council Houses Sold	30	35	48
Housing Act Advances	2	3	4
Housing Association Loans	433	445	457
Loan to Warfield Parish Council	95	98	110
Recreation Loans	0	0	2
Rent to Mortgage Properties	376	376	376
Shared Equity Property Finance Leases	856	390	0
Total	1,792	1,347	997

31 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.

	2011/12 £000	2010/11 £000
As of the beginning of the period	4,535	4,592
Net change during the year	367	(57)
Closing Balance	4,902	4,535

The Accumulated Absences Account represents payments to be made to employees by the Council in future years for leave earned prior to the reporting date.

32 COMMITMENTS

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 2012 are as follows.

Capital Scheme	£000
Improvements & Capitalised Repairs	452
South Hill Park - Grounds Restoration Project	828
Horse and Groom Roundabout Capacity Improvement Scheme	301
Enabling more affordable homes	320
Kennel Lane Rebuild	2,164
Meadow Vale Primary	797
Owlsmoor Primary, Phase II	417
Planned Maintenance (Schools)	230
Rebuild of Garth Hill College	177
Edgbarrow School Support & Progress Room	96
Total	5,782

NOTES TO THE CORE FINANCIAL STATEMENTS

Other Long Term Contracts

The Council is committed to making payments under the following major contracts as of 31 March 2012:

Contract	Contractor	Contract Expiry Date	Approximate Annual Value £000
Framework for Broadband and Related Services - South East Area Network (SEAN)	Easynet Limited, Redstone Converged Solutions, RM and Synetrix Ltd	31/08/2013	2,875
Provision of Waste and Recycling Collection Services	SITA UK Ltd	31/03/2019	1,750
Accommodation based services and Housing related support for vulnerable adults	Berkshire Woman's Aid, Glenfield House, Sheltered Housing & Look Ahead Housing and Care	31/03/2013	1,339
Home to School Transport	Berkshire Education Travel Ltd, JJM & Zulu Cars Ltd and Crown Wheelchair Travel	31/08/2014	1,283
Highways Electrical Maintenance	Raynesway Construction Southern Ltd	31/03/2014	1,200
Highway Maintenance	Ringway Highway Services Ltd	30/09/2014	1,150
Learning Disabilities Community Based Support	Choice Support, Dimensions, HFT and Lifeways	13/07/2012	1,000
Building & Engineering Repair and Maintenance Services	Graham Facilities Management	15/05/2013	1,000
Utilities (Gas and Electricity)	EDF, Corona Energy and British Gas	31/03/2015	925
Office & Public Building Cleaning	KGB Cleaning & Support Services Ltd	03/01/2016	800
Car Park Management, Equipment Supply, Maintenance and Enforcement Services	Vinci Park Services Ltd	30/06/2015	740
Various individual adult social care packages	Turnstone Support	Ongoing	2,546
Insurance (Personal Accident, Motor, Property and Liability)	RMP (AIG)	31/03/2013	589
Various individual adult social care packages	New Support Options	Ongoing	1,599
Various individual adult social care packages	Berkshire NHS Trust	Ongoing	674
			19,470

NOTES TO THE CORE FINANCIAL STATEMENTS

33 FINANCIAL INSTRUMENTS

Categories of Financial Instruments

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

	31 March 2012			Fair Value
	Short Term	Long Term	Total	
	£000	£000	£000	£000
Investments – Loans and Receivables (including accrued interest)	21,978	119	22,097	22,097
Debtors – Loans and Receivables	0	3,052	3,052	3,097
Debtors – Financial Assets Carried at Contract Amount	7,365	0	7,365	7,365
Total Financial Assets	29,343	3,171	32,514	32,559
Creditors – Financial Liabilities Carried at Contract Amount	26,991	0	26,991	26,991
Creditors – Financial Liabilities Carried at Amortised Cost (PFI and finance leases)	167	7,616	7,783	14,072
Total Financial Liabilities	27,158	7,616	34,774	41,063

	31 March 2011 Restated			Fair Value
	Short Term	Long Term	Total	
	£000	£000	£000	£000
Investments – Loans and Receivables (including accrued interest)	10,496	275	10,771	10,771
Debtors – Loans and Receivables	0	2,374	2,374	2,360
Debtors – Financial Assets Carried at Contract Amount	11,043	0	11,043	11,043
Total Financial Assets	21,539	2,649	24,188	24,174
Creditors – Financial Liabilities Carried at Contract Amount	36,262	0	36,262	36,262
Creditors – Financial Liabilities Carried at Amortised Cost (PFI and finance leases)	248	7,806	8,054	12,459
Total Financial Liabilities	36,510	7,806	44,316	48,721

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

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

NOTES TO THE CORE FINANCIAL STATEMENTS

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 loans payable, 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.

For the Heritable Icelandic bank deposit, which is included in the accounts at its impaired value, no fair value calculation has been made and it is included in the fair value column above at its carrying 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 shows a notional future gain attributable to the commitment to receive interest above current market rates.

The fair value of the liabilities is higher than the carrying amount because the Council's has long term liabilities where the interest rate payable is higher than the prevailing rates estimated to be available at the Balance Sheet date.

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:

2011/12	Loans and Receivables	Financial Liabilities Carried at Amortised Cost	Total
	£000	£000	£000
Interest expense	0	(603)	(603)
Impairment Losses	(101)	0	(101)
Total Expense in Surplus or Deficit on the Provision of Services	(101)	(603)	(704)
Interest Income	731	0	731
Interest Income Accrued on Impaired Financial Assets	222	0	222
Total Income in Surplus or Deficit on the Provision of Services	953	0	953
Net Gain/(Loss) for the Year	852	(603)	249

NOTES TO THE CORE FINANCIAL STATEMENTS

2010/11	Loans and Receivables	Financial Liabilities Carried at Amortised Cost	Total
	£000	£000	£000
Interest expense	0	(644)	(644)
Impairment Losses	(100)	0	(100)
Total Expense in Surplus or Deficit on the Provision of Services	(100)	(644)	(744)
Interest Income	349	0	349
Interest Income Accrued on Impaired Financial Assets	245	0	245
Total Income in Surplus or Deficit on the Provision of Services	594	0	594
Net Gain/(Loss) for the Year	494	(644)	(150)

Key Risks

The Council's activities expose it to a variety of financial risks. The Council does not require debt financing and currently does not have any outstanding debt obligations. 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;
- Re-financing risk – the possibility that the Council might be requiring to renew a financial instrument on maturity at disadvantageous interest rates or terms.
- Market risk - the possibility that financial loss might arise for the Council as a result of changes in such measures as interest rates movements.

Overall Procedures for Managing Risk

The Council's overall risk management procedures focus on the unpredictability of financial markets, and implementing restrictions to minimise these risks. The procedures for risk management are set out through a legal framework based on the *Local Government Act 2003* and associated regulations. These require the Council to comply with the CIPFA Prudential Code, the CIPFA Code of Practice on Treasury Management in the Public Services and investment guidance issued through the Act. Overall these procedures require the Council to manage risk in the following ways:

- by formally adopting the requirements of the CIPFA Treasury Management Code of Practice;
- by the adoption of a Treasury Policy Statement and treasury management clauses within its financial regulations;
- by approving annually in advance prudential and treasury indicators for the following three years limiting:
 - The Council's overall borrowing;

NOTES TO THE CORE FINANCIAL STATEMENTS

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

These items are reported with the annual treasury management strategy which outlines the detailed approach to managing risk in relation to the Council's financial instrument exposure. Actual performance is also reported semi-annually to Members.

The annual treasury management strategy which incorporates the prudential indicators was approved by Council on 2 March 2011 and is available on the Council website at <http://www.bracknell-forest.gov.uk/treasury-management-and-investment-strategy-2011-to-2012.pdf> . The key issues within the strategy were:

- The Authorised Limit for 2011/12 was set at £24m. This is the maximum limit of external borrowings or other long term liabilities.
- The Operational Boundary was expected to be £22m. This is the expected level of debt and other long term liabilities during the year.
- The maximum amounts of fixed and variable interest rate exposure were set at 25% and 100% respectively based on the Council's net debt.

These policies are implemented by a central treasury team. The Council maintains written principles for overall risk management, as well as written policies (Treasury Management Practices -TMPs) covering specific areas, such as interest rate risk, credit risk, and the investment of surplus cash. These TMPs are a requirement of the Code of Practice and are reviewed periodically.

Credit risk

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

This risk is minimised through the Annual Investment Strategy, which requires that deposits are not made with financial institutions unless they meet identified minimum credit criteria, in accordance with the Fitch, Moody's and Standard & Poors Ratings Services. The Annual Investment Strategy also considers maximum amounts and time limits in respect of each financial institution. Deposits are not made with banks and financial institutions unless they meet the minimum requirements of the investment criteria agreed by the Council and outlined above. The Investment Strategy was approved by the Council on 2 March 2011 and is available on the Council website at <http://www.bracknell-forest.gov.uk/treasury-management-and-investment-strategy-2011-to-2012.pdf>.

The key areas are as follows:

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

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

- In addition to the criteria above part nationalised UK banks with a Fitch minimum short term rating of F1, long term rating A and support rating 3 (or equivalents)
 - 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	364 days	£7m
Money Market Fund	On-Call	£7m
UK Government	364 days	£Unlimited
UK Local Authorities	364 days	£7m

Additional requirements under the Code of Practice now require the Council to supplement credit rating information. Whilst the above criteria relies primarily on the application of credit ratings to provide a pool of appropriate counterparties for officers to use, additional operational market information will be applied before making any specific investment decision from the agreed pool of counterparties. This additional market information (for example Credit Default Swaps, negative rating watches/outlooks) will be applied to compare the relative security of differing investment counterparties.

The Council's maximum exposure to credit risk in relation to its deposits in banks, building societies and money market funds of £35.6m (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 2012 that this was likely to crystallise.

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 2012	Historical experience of default	Adjustment for market conditions at 31 March 2012	Estimated maximum exposure to default at 31 March 2012	Estimated maximum exposure to default at 31 March 2011
	£000	%	%	£000	£000
	(a)	(b)	(c)	(a * c)	
Customers (trade debtors)	2,808	9.7%	9.7%	271	278
TOTAL	2,808			271	278

NOTES TO THE CORE FINANCIAL STATEMENTS

No breaches of the Council's counterparty criteria occurred 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 Council does not generally allow credit for its customers, such that £1.690m of the £2.808m balance is past its due date for payment. The past due but not impaired amount can be analysed by age as follows:

	31 March 2012	31 March 2011
	£000	£000
Less than one months	742	707
One to three months	213	181
Three months to four months	40	64
More than five months	695	1,146
	1,690	2,098

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 2012 was £0.09m.

In October 2008 the Icelandic banking sector defaulted on its obligations. The Council had £5m deposited in this sector at that time. The table above does not include the amount deposited with Icelandic banks.

Heritable bank is a UK registered bank under English law. The company was placed in administration on 7 October 2008. A total repayment of £0.366m was received (17.8%) in 2011/12 bringing the total to date to 67.9% of the claim. The revised impairment is based on the assumption that a further 20.1% will be received by April 2013, taking the total dividends expected to be paid to 88%.

The assumptions made regarding the timing of recoveries is shown below:

Date	Repayment	Date	Repayment
April 2012	3.79%	January 2013	3.50%
July 2012	3.50%	April 2013	5.81%
October 2012	3.50%		

Recoveries are expressed as a percentage of the Council's claim in the administration, which includes interest accrued up to 6 October 2008. The carrying amount of the investment included in the Balance Sheet have been calculated using the present value of the expected repayments, discounted using the investment's original interest rate.

Glitnir Bank is an Icelandic entity. The Council's preferential creditor status for the Glitnir deposit was confirmed during the year and a payment made by the Winding up Board in March. The payment was made in a number of currencies which were then converted into a sterling value of £2.521m. 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 2012 was valued in the accounts at approximately £0.57m. The timing of the final payment is uncertain. The carrying amount of the original investment has been written down to zero via a further impairment charged to the Comprehensive Income and Expenditure Statement and the creation of a new short term investment representing the escrow account. The escrow account accrues interest at 3.4% per annum. As the escrow account is

NOTES TO THE CORE FINANCIAL STATEMENTS

in Icelandic Krónur the sterling value of the deposit was calculated using the sterling spot exchange rate on the transaction date (16 March) and as at 31 March 2012. The exchange rate loss between the value of the deposit on the 16 March and the value as at 31 March 2012 has been charged 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 £000	Interest Rate %	Carrying Amount at 31 March 2012 £000	Cumulative Impairment £000	Exchange Rate Difference 2011/12 £000
Heritable Bank	29/4/08	19/12/08	2,000	5.95	397	434	0
Glitnir Bank	01/04/08	31/3/09	3,000	6.43	0	675	0
Glitnir Escrow A/c	16/03/12		579	3.45	574	0	-6

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

Bank	Credited 2011/12 £000	Received 2011/12 £000	Credited 2010/11 £000	Received 2010/11 £000
Heritable Bank	(28)	0	(49)	0
Glitnir Bank	(193)	0	(196)	0
Glitnir Escrow Account	(1)	0	0	0

The Council set up an earmarked reserve in 2009/10 to cover any losses and in particular to guard against the possibility that preferential creditor status was rejected for Glitnir. Due to the developments on Glitnir, £2.2m of the earmarked reserve has been released back into general reserves.

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.

NOTES TO THE CORE FINANCIAL STATEMENTS

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

- monitoring the maturity profile of 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.

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.

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

	£000
Increase in interest receivable on variable rate investments & cash equivalents	(281)
Impact on Surplus or Deficit on the Provision of Services	(281)
Decrease in fair value of fixed rate investment assets	182
Impact on Other Comprehensive Income and Expenditure	182

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.

NOTES TO THE CORE FINANCIAL STATEMENTS

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.

Berkshire County Council was a member of the MMI (Municipal Mutual Insurance) Scheme of Arrangement and on its abolition this responsibility was transferred to the 6 Berkshire Unitaries. The Council was also a member in its own right. If MMI cannot meet its liabilities the scheme would be triggered and a percentage of all claims for which members have received settlement since 1993 would be clawed back. A judgement by the Supreme Court ruling that insurers incur liability at the time of exposure to asbestos fibres and not when the disease develops has made the triggering of this scheme more likely. The potential liability for this Council will be driven by its share of previous settlements received and the extent of insolvency of MMI.

There are currently other potential known liabilities relating to employment issues (i.e. equal pay) which might give rise to claims in the future.

Contingent Assets

The Council submitted a number of claims for the repayment of over declared output tax to HM Revenue and Customs as a consequence of rulings in court cases known as Conde Nast and/or Fleming. These held that Councils may be able to treat certain services as exempt from VAT, whereas HM Revenue and Customs had previously regarded them as standard rated. Claims submitted by the Council for junior education courses are still outstanding. These claims total £0.165m, excluding interest, although there is no indication at this stage that HM Revenue and Customs will pay the amounts claimed.

Wokingham Borough Council has also made a VAT claim for £0.500m (excluding interest) with regard to fees at Downshire and Hurst Golf Courses. These facilities were previously jointly owned and the Council would therefore be entitled to 50% of the amount received.

35 POOLED BUDGETS AND INVESTMENT IN COMPANIES

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

NOTES TO THE CORE FINANCIAL STATEMENTS

Pooled Budget: Intermediate Care Services

The pooled budget was established on 1 April 2008 for a term of 3 years but it is intended to be continued for a further three year period. The pooled budget agreement is between Bracknell Forest Council and the Berkshire East Primary Care Trust, and is administered by Bracknell Forest Council and covers the East Berkshire area.

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

A summary of income and expenditure is provided below:

	Gross Expenditure	Gross Income	Bracknell Forest Council Contribution
	£000	£000	£000
Financial Year 2011/12	2,858	2,858	1,585
Financial Year 2010/11	2,814	2,814	1,582

Pooled Budget: Community Equipment Services

The pooled budget for Community Equipment was established on 1 April 2004 under Section 31 of the Health Act 1999. The arrangement exists between the six unitary authorities in Berkshire and the Primary Care Trusts 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:

	Gross Expenditure	Gross Income	Bracknell Forest Council Contribution
	£000	£000	£000
Financial year 2011/12	2,809	2,809	181
Financial year 2010/11	2,809	2,809	195

Investment in Companies: Berkshire Connexions Ltd

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

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

NOTES TO THE CORE FINANCIAL STATEMENTS

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

	Profit	Net assets	Contribution by Bracknell Forest Council
	£000	£000	£000
Financial year 2011/12	Unavailable	Unavailable	600
Financial year 2010/11	475	819	887
Financial year 2009/10	(263)	1,504	1,156

The signed accounts for 2011/12 will not be available until 30 September 2012. Connexions Berkshire is a charitable company limited by guarantee. The Board of Trustees is responsible for the overall governance of the charity. There are a total of 24 Trustees who represent a wide range of organisations and one represents Bracknell Forest Council. In the event of the company being wound up, the liability of each trustee is limited to £10.

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.

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 2011/12 for £0.504m. Costs associated with building repairs and maintenance (£0.059m), carbon allowances (£0.006m) and grounds maintenance (£0.062m) 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 Leader of the Council's spouse is a voluntary member of the management committee of Keep Mobile. Keep Mobile is a voluntary organisation designed specially to provide transport

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for elderly and disabled borough residents enabling them to retain their independence. It is partially funded by the Council by Grant and Service Level Agreement and in 2011/12 received £0.129m.

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 officer's 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 2012, the Council administered £1.0m within seventy two bank accounts. (£0.9m as at 31 March 2011). Additionally, as part of these responsibilities, two residential properties and two vehicles 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

A third balance sheet is required to show an adjustment for capital grants received but unapplied where no outstanding conditions were present as at the 31 March. These were previously included under short term creditors but because of the lack of conditions should have more appropriately been included in a usable reserve. Comparative figures and the notes have been restated to reflect this change and, in addition, the changes in the accounting policy for Heritage Assets and to reflect the inclusion of the two playing fields at St Michaels in Easthampstead and St Michaels in Sandhurst. Although both are voluntary aided schools, the Council retains ownership of the playing fields which were de-recognised in error in 2007/08.

NOTES TO THE CORE FINANCIAL STATEMENTS

Movement in Reserves Adjustments – only the affected lines are shown

2010/11 Adjustments	General Fund £000	Capital Grants Unapplied £000	Total Usable Reserves £000	Total Unusable Reserves £000	Total Council Reserves £000
Balance at 1 April 2010	0	2,654	2,654	1,897	4,551
Movement in Reserves During 2010/11					
Surplus or (Deficit) on Provision of Services	2,153	0	2,153	0	2,153
Other Comprehensive Income and Expenditure	0	0	0	0	0
Total Comprehensive Income and Expenditure	2,153	0	2,153	0	2,153
Adjustments Between Accounting Basis and Funding Basis Under Regulations					
Capital Grants and Contributions Applied	1,629	0	1,629	(1,629)	0
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	(3,782)	3,782	0	0	0
Application of grants to capital financing transferred to the Capital Adjustment Account		(1,629)	(1,629)	1,629	0
Total Adjustments	(2,153)	2,153	0	0	0
Net Increase/Decrease Before Transfers to Earmarked Reserves	0	2,153	2,153	0	2,153
Increase/(Decrease) in Year	0	2,153	2,153	0	2,153
Balance at 31 March 2011	0	4,807	4,807	1,897	6,704

The Comprehensive Income and Expenditure Statement has been restated for 2010/11 to reflect changes to the Service Expenditure Analysis introduced by the 2011/12 Service Reporting Code of Practice for Local Authorities (SeRCOP). Cultural, Environmental, Regulatory and Planning Services have been split into three service areas. The capital grants adjustment also impacts on the statement.

Extract from the Comprehensive Income and Expenditure Statement – only affected lines are shown

2010/11	Original Net Expenditure £000	Restatement £000	Restated Net Expenditure £000
Cultural, Environmental, Regulatory and Planning Services	25,717	(25,717)	0
Cultural and Related Services	0	10,877	10,877
Environment and Regulatory Services	0	10,550	10,550
Planning Services	0	4,290	4,290
Taxation and Non-specific Grant Incomes			
Capital Grants and Contributions	(23,311)	(2,153)	(25,464)
(Surplus) or Deficit on Provision of Services	(27,824)	(2,153)	(29,977)
Total Comprehensive Income & Expenditure	(93,275)	(2,153)	(95,428)

NOTES TO THE CORE FINANCIAL STATEMENTS

Extract from the Balance Sheet – only affected lines are shown

	Original 31 March 2010 £000	Heritage Assets £000	School Playing Fields £000	Capital Grants Unapplied £000	Restated 01 April 2010 £000
Other Land and Buildings	371,970	0	1,729	0	373,699
Total Property, Plant & Equipment	456,696	0	1,729	0	458,425
Heritage Assets	0	168	0	0	168
Total Long Term Assets	482,984	168	1,729	0	484,881
Current Liabilities					
Short Term Creditors	(46,248)	0	0	2,654	(43,594)
Total Current Liabilities	(47,197)	0	0	2,654	(44,543)
Net Assets	325,263	168	1,729	2,654	329,814
Usable Reserves					
Capital Grants Unapplied Reserve	0	0	0	2,654	2,654
Total Usable Reserves	18,279	0	0	2,654	20,933
Unusable Reserves					
Revaluation Reserve	112,854	168	0	0	113,022
Capital Adjustment Account	340,994	0	1,729	0	342,723
Total Unusable Reserves	306,984	168	1,729	0	308,881
Total Reserves	325,263	168	1,729	2,654	329,814

NOTES TO THE CORE FINANCIAL STATEMENTS

	Original 31 March 2011 £000	Heritage Assets £000	School Playing Fields £000	Capital Grants Unapplied £000	Restated 31 March 2011 £000
Other Land and Buildings	413,509	0	1,729	0	415,238
Total Property, Plant & Equipment	479,559	0	1,729	0	481,288
Heritage Assets	0	168	0	0	168
Total Long Term Assets	508,446	168	1,729	0	510,343
Current Liabilities					
Short Term Creditors	(46,035)	0	0	4,807	(41,228)
Total Current Liabilities	(47,757)	0	0	4,807	(42,950)
Net Assets	418,538	168	1,729	4,807	425,242
Usable Reserves					
Capital Grants Unapplied Reserve	0	0	0	4,807	4,807
Total Usable Reserves	21,290	0	0	4,807	26,097
Unusable Reserves					
Revaluation Reserve	125,540	168	0	0	125,708
Capital Adjustment Account	348,459	0	1,729	0	350,188
Total Unusable Reserves	397,248	168	1,729	0	399,145
Total Reserves	418,538	168	1,729	4,807	425,242

Extract from the Cash Flow Statement – only affected lines are shown

	2010/11 £000	Capital Grants £000	Restated 2010/11 £000
Cash Flows From Operating Activities			
Surplus or (Deficit) on Provision of Services	27,824	2,153	29,977
Adjust for Non Cash Movements			
Changes in Creditors	2,782	(2,153)	629
Adjust for Items that are Investing or Financing Activities			
	(26,626)	(2,153)	(28,779)
Net Cash Flow From Operating Activities	6,951	(2,153)	4,798
Cash Flows from Investing Activities			
Other Receipts from Investing Activities	25,212	2,153	27,365
Net Cash Flow From Investing Activities	(17,053)	2,153	(14,900)

39 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. The Statement of Accounts were authorised for issue by Alan Nash the Borough Treasurer on 25 September 2012. There have been no post balance sheet events.

THE COLLECTION FUND

	Notes	2011/12 £000's	2010/11 £000's
Income			
Income from Council Tax	2	54,796	54,253
Transfers from General Fund			
Council Tax Benefits		5,831	5,888
Transitional Relief		0	0
Income Collectable from Business Ratepayers	3	52,484	48,842
		113,111	108,983
Expenditure			
Precepts and Demands from			
Bracknell Forest Council	4	51,211	50,591
Thames Valley Police	4	6,837	6,758
Royal Berkshire Fire Authority	4	2,466	2,438
Business Rate			
Payment to National Pool		52,342	48,697
Costs of Collection		142	145
Bad and Doubtful Debts			
Provisions		51	47
Write –Offs	5	91	131
Contributions			
		6	
Transfer of Previous Year's Collection Fund Surplus			
Bracknell Forest Council General Fund		100	0
Thames Valley Police		13	0
Royal Berkshire Fire Authority		5	0
		113,258	108,807
(Surplus)/Deficit for the year	7	147	(176)
		(294)	(118)
(Surplus)/Deficit at the beginning of the year		(294)	(118)
(Surplus)/Deficit for the year		147	(176)
(Surplus)/Deficit at the end of year		(147)	(294)

NOTES TO THE COLLECTION FUND

1 General

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

Accountancy guidance requires that the agency basis underlying the Collection Fund be reflected in the consolidation of the Collection Fund into the Statement of Accounts; namely that the Council collects Council Tax precepts on behalf of two other authorities as well as its own and consequently not all transactions and balances relate wholly to the Council. Similarly, the Council collects National Non Domestic Rates (Business Rates) on behalf of the Government.

The practical effect is that in the Statement of Accounts the surplus/deficit on the Collection Fund is shared out in its entirety between the Council and its preceptors. The preceptors' share will be carried as creditors/debtors, but the Council's share will be charged to its 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 Statement of Movement on the General Fund Balance. 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 Collection Fund for the previous year.

2 Council Tax

The Council's tax base for 2011/12 was 44,310. This is the number of chargeable dwellings in each valuation band (adjusted for dwellings where discounts apply) converted to an equivalent number of band D dwellings. This was calculated as follows:-

Band	Actual Number of Properties	Estimated Number of Taxable Properties after effect of discounts	Ratio	Band D Equivalent Dwellings
A (Disabled)	0	8	5/9 ^{ths}	4
A	1,776	1,447	6/9 ^{ths}	965
B	4,253	3,506	7/9 ^{ths}	2,727
C	17,448	15,423	8/9 ^{ths}	13,709
D	8,727	7,989	9/9 ^{ths}	7,989
E	7,623	7,139	11/9 ^{ths}	8,725
F	4,501	4,290	13/9 ^{ths}	6,197
G	2,091	1,994	15/9 ^{ths}	3,323
H	248	212	18/9 ^{ths}	424
	46,667			44,063
		Less allowance for losses on collection		(331)
		Add contributions in lieu from MoD		250
		Add allowance for new properties		328
		Council Tax Base		44,310

NOTES TO THE COLLECTION FUND

This Council Tax Base equates to a Council Tax charge during the year of £67.142m less reductions including discounts and exemptions, to reach a Council Tax income of £54.796m.

3 Income from Business Rates

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

Total Non-domestic Rateable Value 31 March 2012	£133,682,320	(£134,368,066 31 March 2011)
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Rateable Values are externally assessed on a five yearly national basis by the Valuation Office.

National Non-domestic Rate Multiplier - Standard 2011/12 43.3p (41.4p 2010/11)

National Non-domestic Rate Multiplier - Small Business 2011/12 42.6p (40.7p 2010/11)

4 Precepts and Demands

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

5 Bad and Doubtful Debts

A total of £90,625 was written off as irrecoverable debts relating to Council Tax. Last year, debts written off were £131,375.

6 Contributions

The payments of £99,850, £13,339 and £4,812 during the year relate to the 2010/11 Council Tax surplus identified in the 2011/12 budget. There was no Council Tax surplus distributed to the major preceptors during 2010/11 relating to the 2009/10 surplus.

7 Collection Fund Surplus / Deficit

A deficit of £147,231 has been achieved on the Collection Fund. Last year a surplus of £175,815 was achieved. The balance of the Fund carried forward is a £147,124 surplus.

The surplus as at the 31st March 2012 is not carried as a reserve in the Balance Sheet. Instead, the Council's share under the revised accounting rules is shown as income within the Comprehensive Income and Expenditure Statement and the major preceptor's shares are shown as creditors.

GLOSSARY

ACCRUALS

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

ACTUARIAL GAINS AND LOSSES

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

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

AMORTISATION

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

ASSET

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

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

BUDGET

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

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.

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.

CONTINGENT RENT

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

GLOSSARY

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 a defined benefit pension scheme liabilities expected to arise from employee service in the current period.

CURTAILMENT

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

- a) termination of employees' services earlier than expected, for example discontinuing a segment of a major service, and
- b) termination of, or amendment to the terms of, a defined benefit scheme so that some or all future service by current employees will no longer qualify for benefits or will qualify only for reduced benefits.

DEBTOR

Amounts owed to the 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).

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

GLOSSARY

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.

EXPECTED RATE OF RETURN ON PENSIONS ASSETS

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

FAIR VALUE

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

FINANCIAL INSTRUMENTS

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

FINANCE LEASE

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

GOVERNMENT GRANTS

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

HERITAGE ASSETS

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

IMPAIRMENT OF ASSETS

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

INFRASTRUCTURE ASSETS

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

INTANGIBLE FIXED ASSETS

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

INTEREST COST (PENSIONS)

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

GLOSSARY

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.

LANDFILL ALLOWANCE TRADING SCHEME (LATS)

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

LARGE SCALE VOLUNTARY TRANSFER (LSVT)

The voluntary transfer of public sector housing 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

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 increase in the present value of the scheme liabilities related to employee service in prior periods arising in the current period as a result of the introduction of, or improvement to, retirement benefits.

PENSIONS / 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
- 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.

GLOSSARY

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;
- 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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