

Notice of Meeting

Governance & Audit Committee – Advisory Meeting

Councillor Allen (Chair),
Councillor Wade (Vice-Chairman),
Councillors Brossard, Gbadebo, Mrs Hayes MBE, Heydon, Leake
and Parker

Wednesday 23 March 2022, 7.30 pm

Online Only - Via MST



Agenda

Recommendations arising from this meeting will be considered in accordance with the delegations approved by Council on 28 April 2021.

Item	Description	Page
1.	Apologies for Absence	
	To receive apologies for absence and to note the attendance of any substitute members.	
2.	Declarations of Interest	
	<p>Members are asked to declare any disclosable pecuniary or affected interests in respect of any matter to be considered at this meeting.</p> <p>Any Member with a Disclosable Pecuniary Interest in a matter should withdraw from the meeting when the matter is under consideration and should notify the Democratic Services Officer in attendance that they are withdrawing as they have such an interest. If the Disclosable Pecuniary Interest is not entered on the register of Members interests the Monitoring Officer must be notified of the interest within 28 days.</p> <p>Any Member with an affected Interest in a matter must disclose the interest to the meeting. There is no requirement to withdraw from the meeting when the interest is only an affected interest, but the Monitoring Officer should be notified of the interest, if not previously notified of it, within 28 days of the meeting.</p>	
3.	Minutes of previous meeting	3 - 6
	<p>To approve as a correct record the minutes of the meetings of the Committee held on 26 January 2022.</p> <p>Reporting:</p>	
4.	Urgent Items of Business	
	<p>Any other items which, pursuant to Section 100B(4)(b) of the Local Government Act 1972, the Chairman decides are urgent.</p> <p>Reporting:</p>	
5.	External Audit - Audit Results Report	7 - 58

EMERGENCY EVACUATION INSTRUCTIONS

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	To receive the External Audit - Audit Results Report.	
6.	Financial Statements 2020/21	59 - 178
	To approve the Financial Statements for 2020/21. Reporting: Stuart McKellar	
7.	Interim Internal Audit Update	179 - 202
	To note the update on progress on the Internal Audit Plan for 2021/22. Reporting: Sally Hendrick	
8.	Internal Audit Plan 2022/23	203 - 218
	To approve the Internal Audit Plan for 2022/23. Reporting: Sally Hendrick	
9.	Strategic Risk Update	219 - 246
	To receive the strategic risk update. Reporting: Sally Hendrick	

Exclusion of the Press and Public

Agenda item 10 is supported by annexes containing exempt information as defined in Schedule 12A of the Local Government Act 1972. If the Committee wishes to discuss the content of these annexes in detail, it may choose to move the following resolution:

That pursuant to Regulation 4 of the Local Authorities (Executive Arrangements) (Access to Information) Regulations 2012 and having regard to the public interest, members of the public and press be excluded from the meeting for the consideration of item 10 which involves the likely disclosure of exempt information under the following category of Schedule 12A of the Local Government Act 1972:

- (3) *Information relating to the financial or business affairs of any particular person (including the authority holding that information).*

10.	Review of Contract Standing Orders	247 - 280
	To receive a report on the Review of Contract Standing Orders. Reporting: Sanjay Prashar	

Sound recording, photographing, filming and use of social media is permitted. Please contact Hannah Harding, 01344 352308, Hannah.harding@bracknell-forest.gov.uk, so that any special arrangements can be made.

Published: 22 March 2022

EMERGENCY EVACUATION INSTRUCTIONS

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**GOVERNANCE & AUDIT COMMITTEE –
ADVISORY MEETING
26 JANUARY 2022
7.30 - 9.30 PM**



Present:

Councillors Allen (Chair), Wade (Vice-Chairman), Brossard, Gbadebo, Mrs Hayes MBE, Heydon, Leake and Parker

19. Apologies for Absence

There were no apologies for absence.

20. Declarations of Interest

There were no declarations of interest.

21. Minutes of previous meeting

RESOLVED that the minutes of the meeting of the committee held on the 22 September 2021 be approved as a correct record, and signed by the Chairman.

22. Urgent Items of Business

There were no urgent items of business.

23. External Audit Plan

Tom Archer, Audit Manager, presented the External Audit Plan covering the 2020/21 financial year. An update was provided on the status of the Audit report stating that the information required to produce the report had been received, but the results were not available to be brought to this meeting, due to time constraints.

It was asked if Bracknell Forest Council would be penalised for any delays to publishing the Audit plan and whether the delay to the previous Audit plan would impact the release date of the following Audit plan. It was explained that there was a potential risk that the delay would cause an overrun into the next Audit plan. It was a universal risk present in many Councils in the country, and that much of the information needed had been obtained but the work had not yet been finalised.

It was asked whether there was any specific plan of action created to attempt to minimise delays for the Audit plan next year. It was explained that there was a different external auditor which meant that Bracknell Forest Council could not impact their timetables, but the turnaround time had since improved. It was noted that this should not be problematic for the 2021/22 Audit, as the Audit approval date had been pushed back to the end of November, instead of the end of September to allow greater time for Councils to produce the Audit.

In response to a question about the frequency of which regular meetings with Audit and Risk Management, it was explained that ad-hoc meetings were arranged with Sally Hendrick, Head of Audit and Risk Management, on a quarterly basis.

It was noted that Appendix E was missing from the report.

In response to a question about what the acronym PPE stood for in the context of the report, it was explained that PPE stood for Property, Plant and Equipment as fixed assets. Feedback was given that a glossary should be provided within the report.

A section of the report detailing fixed tariff additional fees was questioned, given the significant cost of the fees, and whether this was due to the COVID-19 pandemic. It was asked if the audit fees would continue to increase in subsequent years. It was explained that Public Sector Audit Appointments (PSAA) made the decision on the fees, the larger figure was due to an increase in workload along with Ernst & Young tendering a price and a one of COVID-19 fee. It was noted that this should not be problematic, as additional government grants to provide extra funding would cover the increased cost.

The report was noted.

24. **Appointment of Local External Auditors**

Stuart McKellar, Executive Director: Resources, introduced a report on agreed arrangements for the appointment of local external auditors. Members of the Committee were asked to endorse a continuation of discussions between Berkshire Section 151 Authority Officers and engagement with the PSAA.

A question was asked about cost elements included such as penalties, to ensure that Bracknell Forest Council would be covered.

A question was also asked if there would be any cost savings for Bracknell Forest Council if there was a joint auditor. It was explained that it would be unlikely to have any cost benefits.

RECOMMENDED that the Appointment of Local External Auditors be approved to include Section 151 Officers discussing whether a single auditor should be appointed for the Berkshire authorities.

25. **Internal Audit Update**

The Committee received a report updating on the progress of the annual Internal Audit Plan from April – December 2021.

Sally Hendrick, Head of Audit and Risk Management, reported that, progress against the 2021/22 Internal Audit Plan was set out in Appendix 1 with some delay in progressing the Audit Plan due to a backlog of deferred 2020/21 audits, which were deferred to late quarter 4 or early quarter 1 of 2021/22. Reasons for deferral were due to schools being unprepared to be audited until autumn, and new senior auditors not joining until July and August.

There were seven areas with high priority issues for the Council to consider which were shown in the table at section 3.5 of the report.

The report also covered difficulties for 2021/22 including a senior auditor leaving due to health reasons, resulting in several audits being deferred. A plan was being constructed to determine whether there was scope to develop several audits planned.

Arising from the Committees comments and questions the following points were made:

- Councillors noted that there had been a good quantity of audits produced despite resourcing issues and displayed thanks to the team for the work done.
- As there were two inadequate assurances of parenting assessments the team was discussing with Children's Social Care being re-audited in the early quarters of 2022/23.
- Green Homes Grants would be under consideration to be re-audited, but inadequate measures including gaps at manager level had improved.
- A discussion regarding risk was initiated, it was explained that when a plan was developed the associated risks were linked but the risks were not included when reporting back. It was acknowledged that this would be useful to include going forward.
- Audits were requested by Assistant Directors or Executive Directors as these roles were responsible for risk. Reviews were then held through management teams and directorates provided with information for what audits were coming up.

The Committee noted the update on progress on the Internal Audit Plan for 2021/22.

26. **Treasury Management Report 2022/23 and 2021/22 Mid-Year Review**

The Committee received the Treasury Management Report 2022/23 and 2021/22 Mid-Year Review.

Calvin Orr, Head of Finance and Business Services, presented the report and explained that the Mid-Year review contained an economic update for the first nine months of 2021/22, a review of the Treasury Management Strategy Statement (TMSS) and Annual Investment Strategy, the Council's capital expenditure, a review of the Council's investment portfolio for 2021/22 and a review of compliance with Treasury and Prudential Limits for 2021/22.

It was asked whether a reduction on VAT would aid the Council regarding the Capital strategy. It was explained that VAT did not affect local authorities.

Apologies were provided as the Treasury Management Report 2022/23 that should have been attached within Annex A for item 2.3 was not in the agenda, it was noted that it would be necessary to supplement the document. As a result, it was decided that only recommendations 2.1 and 2.2 could be endorsed, with a caveat on 2.3.

RECOMMENDED that

- i. the Committee consider and review the Mid-Year Review Report.
- ii. the Committee agree that the Mid-Year Review Report be circulated to all Members of the Council.

CHAIRMAN

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TO: GOVERNANCE AND AUDIT COMMITTEE
26 January 2022

EXTERNAL AUDIT: AUDIT RESULTS REPORT
(Executive Director: Resources)

1 PURPOSE OF REPORT

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

2 SUPPORTING INFORMATION

- 2.1 The Code of Audit Practice requires the external auditor to provide a summary of the work they carried out to discharge their statutory audit responsibilities to 'those charged with governance'. It is also a requirement that this summary be considered ahead of the signing of the accounts by the external auditor, which must be no later than 30 September 2021.
- 2.2 It was not possible to meet the 30 September deadline due to delays in the completion of the Royal County of Berkshire Pension Fund by Deloitte LLP for the 2019/20 accounts. Now that the detailed audit work is nearing completion, the external auditor has issued a report. Andrew Brittain of Ernst & Young will be at the meeting to present the report and answer queries. The report is attached.

Contacts for further information

Stuart McKellar – 01344 352180
Stuart.mckellar@bracknell-forest.gov.uk

Arthur Parker – 01344 352158
Arthur.parker@bracknell-forest.gov.uk

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Bracknell Forest Council Audit results report

Year ended 31 March 2021

23 March 2022

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Private and Confidential

23 March 2022

Bracknell Forest Council
Governance and Audit Committee
Time Square
Market Street
Bracknell
RG121JD

Dear Governance and Audit Committee Members

2020/21 Audit results report

We are pleased to attach our audit results report, summarising the status of our audit for the forthcoming meeting of the Governance and Audit Committee. We will update the Governance and Audit Committee at its meeting scheduled for 23 March 2022 on further progress to that date and explain the remaining steps to the issue of our final opinion.

The audit is designed to express an opinion on the 2020/21 financial statements and address current statutory and regulatory requirements. This report contains our findings related to the areas of audit emphasis, our views on the Authority's accounting policies and judgements and material internal control findings. Each year sees further enhancements to the level of audit challenge and the quality of evidence required to achieve the robust professional scepticism that society expects. We thank the management team for supporting this process. We have also included an update on our work on value for money arrangements.

This report is intended solely for the information and use of the Governance and Audit Committee, other members of the Authority and senior management. It is not intended to be and should not be used by anyone other than these specified parties.

We welcome the opportunity to discuss the contents of this report with you at the Governance and Audit Committee meeting on 23 March 2022.

Yours faithfully

Andrew Brittain
Associate Partner
For and on behalf of Ernst & Young LLP
Encl

Contents



Public Sector Audit Appointments Ltd (PSAA) issued the "Statement of responsibilities of auditors and audited bodies". It is available from the PSAA website (<https://www.psa.co.uk/audit-quality/statement-of-responsibilities/>). The Statement of responsibilities serves as the formal terms of engagement between appointed auditors and audited bodies. It summarises where the different responsibilities of auditors and audited bodies begin and end, and what is to be expected of the audited body in certain areas.

The "Terms of Appointment and further guidance (updated April 2018)" issued by the PSAA sets out additional requirements that auditors must comply with, over and above those set out in the National Audit Office Code of Audit Practice (the Code) and in legislation, and covers matters of practice and procedure which are of a recurring nature.

This report is made solely to the Governance and Audit Committee and management of Bracknell Forest Council in accordance with the statement of responsibilities. Our work has been undertaken so that we might state to the Governance and Audit Committee, and management of Bracknell Forest Council those matters we are required to state to them in this report and for no other purpose. To the fullest extent permitted by law we do not accept or assume responsibility to anyone other than the Governance and Audit Committee and management of Bracknell Forest Council for this report or for the opinions we have formed. It should not be provided to any third-party without our prior written consent.



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01 Executive Summary

Executive Summary

Scope update

In our audit planning report tabled at the 26 January 2022 Governance and Audit Committee meeting, we provided you with an overview of our audit scope and approach for the audit of the financial statements. We carried out our audit in accordance with this plan and there have been no changes to the audit scope.

Status of the audit

We have substantially completed our audit of Bracknell Forest Council. The following items relating to the completion of our audit procedures were outstanding at the date of this report.

- ▶ Completion of our testing of Property, Plant and Equipment (PPE) valuation
- ▶ Completion of our testing of the IAS 19 Pension Liability valuation
- ▶ Completion of internal review procedures
- ▶ Receipt and review of final version of the financial statements
- ▶ Receipt and review of the signed management representation letter
- ▶ Completion of subsequent events review up to date of audit report
- ▶ Completion of Whole of Government Accounts procedures

Given that the audit process is still ongoing, we will continue to challenge the remaining evidence provided and the final disclosures in the Narrative Report and Accounts which could influence our final audit opinion, a current draft of which is included in Section 03.

Executive Summary

Auditor responsibilities under the new Code of Audit Practice 2020

Under the Code of Audit Practice 2020 we are still required to consider whether the Authority has put in place 'proper arrangements' to secure economy, efficiency and effectiveness on its use of resources. The 2020 Code requires the auditor to design their work to provide them with sufficient assurance to enable them to report to the Authority a commentary against specified reporting criteria (see below) on the arrangements the Authority has in place to secure value for money through economic, efficient and effective use of its resources for the relevant period.

The specified reporting criteria are:

- **Financial sustainability**
How the Authority plans and manages its resources to ensure it can continue to deliver its services;
- **Governance**
How the Authority ensures that it makes informed decisions and properly manages its risks; and
- **Improving economy, efficiency and effectiveness**
How the Authority uses information about its costs and performance to improve the way it manages and delivers its services.

Status of the audit - Value for Money

In our Audit Plan and subsequent update to the Audit Committee, we reported that we had substantially completed our value for money (VFM) risk assessment and had not at that stage identified any risk of significant weakness against the three reporting criteria we are required to consider under the NAO's 2020 Code. We have since completed our VFM risks assessment and have not identified any risk of significant weakness.

Ahead of completion of the audit of the financial statements, we are required to revisit our assessment and this is currently ongoing. At the time of writing this has identified any additional risks of significant weakness and as a result, we expect to have no matters to report by exception in the auditor's report (see Section 03). We plan to issue the VFM commentary by the as part of issuing the Auditor's Annual Report.

Executive Summary

Audit differences

There are no unadjusted audit differences arising from our audit at the current time.

At the date of this report, there is one identified misstatements above the threshold that has been adjusted by management. This relates to the Authority's receipt of an updated IAS19 report after the production of the draft financial statements, which resulted in changes being required to the Authority's own net pension liability within the accounts.

There are no matters, apart from those reported by management or disclosed in this report, which we believe should be brought to the attention of the Governance and Audit Committee.

Other reporting issues

We have reviewed the information presented in the Annual Governance Statement for consistency with our knowledge of the Authority. We have no matters to report as a result of this work.

~~We~~ We have performed the procedures required by the National Audit Office (NAO) on the Whole of Government Accounts submission. We will make the final submission to the NAO upon completion of the audit.

We have no other matters to report.

Executive Summary

Areas of audit focus

In our Audit Plan we identified a number of key areas of focus for our audit of the financial report of Bracknell Forest Council's. This report sets out our observations and status in relation to these areas, including our views on areas which might be conservative and areas where there is potential risk and exposure. Our consideration of these matters and others identified during the period is summarised within the "Areas of Audit Focus" Section 02 of this report. We have identified no new audit risks since our Audit Plan.

We request that you review these and other matters set out in this report to ensure:

- ▶ There are no residual further considerations or matters that could impact these issues
- ▶ You concur with the resolution of the issue
- ▶ There are no further significant issues you are aware of to be considered before the financial report is finalised

There are no matters, other than those reported by management or disclosed in this report, which we believe should be brought to the attention of the Governance and Audit Committee or Management.

Control observations

During the audit, we identified no significant control deficiencies to bring to the attention of the Governance and Audit Committee.

Independence

Please refer to Section 09 for our update on Independence.



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03 Areas of Audit Focus



Areas of Audit Focus

Fraud risk

**Misstatements due to fraud or error
(management override)**

What is the risk?

The financial statements as a whole are not free of material misstatements whether caused by fraud or error.

As identified in ISA (UK) 240, management is in a unique position to perpetrate fraud because of its ability to manipulate accounting records directly or indirectly and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. We identify and respond to this fraud risk on every audit engagement.

What did we do and what judgements are we focused on?

We have:

- ▶ asked management about risks of fraud and the controls to address those risks;
- ▶ Ensured we understood the oversight given by those charged with governance of management's processes over fraud; and
- ▶ considered the effectiveness of management's controls designed to address the risk of fraud.

We also performed mandatory procedures regardless of specifically identified fraud risks, including:

- ▶ testing the appropriateness of journal entries recorded in the general ledger and other adjustments made in the preparation of the financial statements;
- ▶ assessing accounting estimates for evidence of management bias; and
- ▶ evaluating the business rationale for significant unusual transactions.

We used our data analytics capabilities to assist with our work, including journal entry testing. We assessed journal entries for evidence of management bias and evaluated for business rationale.

What are our conclusions

Based on the work completed to date we have not identified any material weaknesses in controls or evidence of material management override.

We have not identified any instances of inappropriate judgements being applied or management bias.

We have not identified any transactions during our audit which appeared unusual or outside the Council's normal course of business.



Areas of Audit Focus

Fraud risk

Inappropriate capitalisation of revenue expenditure

(Risk of fraud in revenue and expenditure recognition)

What is the risk?

Under ISA 240 there is a presumed risk that revenue may be misstated due to improper revenue recognition. In the public sector, this requirement is modified by Practice Note 10 issued by the Financial Reporting Council, which states that auditors should also consider the risk that material misstatements may occur by the manipulation of expenditure recognition.

We have assessed that one area the risk is most likely to occur is through the inappropriate capitalisation of revenue expenditure, as there is an incentive to reduce expenditure which is funded from Council Tax. This could then result in funding of that expenditure, that should properly be defined as revenue, through inappropriate sources such as capital receipts, capital grants, or borrowing.

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What did we do and what judgements are we focused on?

We have:

- ▶ reviewed and tested revenue and expenditure recognition policies;
- ▶ tested PPE additions using lowered testing thresholds, to ensure they are appropriately supported by documentary evidence, and that the expenditure incurred and capitalised is clearly capital in nature;
- ▶ Sought to identify and understand the basis for any significant journals transferring expenditure from non-capital codes to PPE additions or from revenue to capital codes on the general ledger at the end of the year; and
- ▶ Tested REFCUS to ensure that it is appropriate for the revenue expenditure incurred to be financed from ring fenced capital resources.

What are our conclusions

We have completed our planned procedures with regard to this fraud risk and we have not identified any instances of inappropriate capitalisation of revenue expenditure.



Areas of Audit Focus

Fraud risk

Inappropriate recognition of income from rental properties

(Risk of fraud in revenue and expenditure recognition)

What is the risk?

Under ISA 240 there is a presumed risk that revenue may be misstated due to improper revenue recognition. In the public sector, this requirement is modified by Practice Note 10 issued by the Financial Reporting Council, which states that auditors should also consider the risk that material misstatements may occur by the manipulation of expenditure recognition.

We have assessed that one area the risk is most likely to occur is through the inappropriate recognition of income from rental properties, as this is a non-standard income stream for Local Government bodies. There is an incentive to overstate revenue from rental properties to improve the general fund position.

What did we do and what judgements are we focused on?

We have:

- ▶ Tested revenue from rental properties using lowered testing thresholds, to ensure they are appropriately supported by documentary evidence, and that the revenue recognised is appropriate;
- ▶ Tested cut-off of revenue from rental properties at to ensure income from rental agreements straddling the financial year end is recognised in the correct accounting period.

What are our conclusions

We have completed our planned procedures with regard to this fraud risk and we have not identified any instances of inappropriately recognised rental income.



Areas of Audit Focus

Significant risk

Valuation of Land and Buildings

What is the risk?

The Local Authority Accounting Code of Practice require the Council to make extensive disclosures within its financial statements regarding its land and buildings.

The value of Property, Plant and Equipment (PPE) and Investment Property represent significant balances in the Councils accounts at £565.0m and £118.4m respectively and are subject to valuation changes, impairment reviews and depreciation charges.

Management is required to make material judgements and apply estimation techniques to calculate the year-end balances recorded in the balance sheet.

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What did we do and what judgements are we focused on?

We have:

- ▶ considered the work performed by the Council's valuers, including the adequacy of the scope of the work performed, their professional capabilities and the results of their work;
- ▶ reviewed the internal challenge of WHE's valuations by the Council's surveyor;
- ▶ sample tested key asset information used by the valuers in performing their valuation (e.g. floor plans to support valuations based on price per square metre) and challenged the key assumptions used by the valuers;
- ▶ considered the annual cycle of valuations to ensure that assets have been valued within a 5 year rolling programme as required by the Code for PPE and annually for Investment Property.
- ▶ reviewed assets not subject to valuation in 2020/21 to confirm that the remaining asset base is not materially misstated;
- ▶ considered changes to useful economic lives as a result of the most recent valuation; and
- ▶ tested to confirm that accounting entries have been correctly processed in the financial statements.

What are our conclusions

As at the date of this report our work is still in progress in respect of the following:

- ▶ testing a sample of Property, Plant and Equipment assets revalued in year to confirm that the valuation basis is appropriate and the accounting entries are correct. We have a number of queries which we are awaiting responses on; and
- ▶ Completing internal review of our audit procedures

We will provide members a verbal update of the status of our work at the 23 March 2022 Governance and Audit Committee meeting.



Areas of Audit Focus

Significant risk

Pension Liability Valuation

What is the risk?

The Local Authority Accounting Code of Practice and IAS19 require the Council to make extensive disclosures within its financial statements regarding its membership of the Berkshire County Council Local Government Pension Scheme, administered by the Royal Borough of Windsor and Maidenhead Unitary Authority (RBWM).

At 31 March 2021 the pension fund deficit totalled £354.4m. The information disclosed is based on the IAS 19 report issued to the Council by the actuary to the Pension Fund Administrator.

Accounting for this scheme involves significant estimation and judgement and therefore management engages an actuary to undertake the calculations on their behalf. ISAs (UK) 500 and 540 (revised) require us to undertake procedures on the use of management experts and the assumptions underlying fair value estimates.

In the prior year, unadjusted audit differences were identified and there is a risk that these could repeat in 2020/21.

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What did we do and what judgements are we focused on?

We have:

- ▶ liaised with the auditors of the Royal County of Berkshire Pension Fund, to obtain assurances over the information supplied to the actuary in relation to Bracknell Forest Council.
- ▶ assessed the work of the Pension Fund actuary (Barnett Waddingham) including the assumptions they have used by relying on the work of PWC - Consulting Actuaries commissioned by Public Sector Auditor Appointments for all Local Government sector auditors, and considering any relevant reviews by the EY actuarial team; and
- ▶ reviewed and tested the accounting entries and disclosures made within the Council's financial statements in relation to IAS19.

What are our conclusions

As at the date of this report our work is still in progress in respect of the following:

- ▶ Receipt of report from EY Pension specialist in relation to issues identified with Deloitte's audit letter
- ▶ Final review and conclusion in relation to Deloitte's audit letter

We will provide members a verbal update of the status of our work at the 23 March 2022 Governance and Audit Committee meeting.



Areas of audit focus

Other areas of audit focus

We have identified other areas of the audit, that have not been classified as significant risks, but are still important when considering the risks of material misstatement to the financial statements and disclosures and therefore may be matters that we report on

What is the risk/area of focus?	What did we do?
<p><u>Accounting for Covid-19 related grant funding</u></p> <p>The Council has received a significant level of government funding in relation to Covid-19. Whilst there is no change in the CIPFA Code or accounting standard (IFRS 15) in respect of accounting for grant funding, the emergency nature of some of the grants received and in some cases the lack of clarity on any associated restrictions and conditions, means that the Council will need to apply a greater degree of assessment and judgement to determine the appropriate accounting treatment in the 2020/21 statements.</p>	<p>We have:</p> <ul style="list-style-type: none"> ▶ considered the Council’s judgement on material grants received in relation to whether it is acting as: <ul style="list-style-type: none"> ▪ An agent, where it has determined that it is acting as an intermediary; or ▪ Principal, where the Council has determined that it is acting on its own behalf. ▶ for grants received where the Council acted as principal, considered whether any associated restrictions and conditions have been met and that grants have been claimed and recognised in accordance with the scheme rules. ▶ verified that the Council has adequately disclosed grant income received in the year, under both principal and agent arrangements.
<p><u>Accounting for Public Finance Initiative (PFI)</u></p> <p>The Council has one waste PFI arrangement with the Waste Recycling Group RE3 Limited. This is a joint PFI contract entered into with Reading and Bracknell Forest Council for the disposal of waste.</p>	<p>We have:</p> <ul style="list-style-type: none"> ▶ reviewed the assumptions used in the Waste PFI accounting model; ▶ reviewed local adjustments, made by the Council, following any changes to the accounting model held by the host council, Reading Borough Council; ▶ reviewed the planned entries and disclosures for the Council’s 2020/21 accounts.



Areas of audit focus

Other areas of audit focus

We have identified other areas of the audit, that have not been classified as significant risks, but are still important when considering the risks of material misstatement to the financial statements and disclosures and therefore may be matters that we report on

What is the risk/area of focus?	What did we do?
<p><u>NDR Appeals Provision</u></p> <p>The provision for NDR appeals represents a material transaction in the Council's accounts and requires significant estimation. There is a higher level of uncertainty involved in the estimation of the non-domestic rates appeals provision due to Covid-19. Businesses have faced a significant level of change and uncertainty during 2020/21, which might drive a change in their rateable value appeals behaviour.</p>	<p>We have:</p> <ul style="list-style-type: none">▶ reviewed the Council's methodology for calculating the provision and the considerations for the uncertain environment as at the reporting date;▶ assessed the work of the Council's specialist (Rates Plus Rating) including the adequacy of the scope of the work performed, their professional capabilities and managements' challenge and review of their work;



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04 Audit Report



Audit Report

Draft audit report

Our opinion on the financial statements

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

Opinion

We have audited the financial statements of Bracknell Forest Council for the year ended 31 March 2021 under the Local Audit and Accountability Act 2014. The financial statements comprise the:

- Authority and Group Movement in Reserves Statement,
- Authority and Group Comprehensive Income and Expenditure Statement,
- Authority and Group Balance Sheet,
- Authority and Group Cash Flow Statement,
- the related notes 1 to 41 to the Authority Financial Statements,
- the related notes 1 to 2 to the Group Financial Statements,
- Collection Fund and the related notes 1 to 4.

The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21.

In our opinion the financial statements:

- give a true and fair view of the financial position of Bracknell Forest Council as at 31 March 2021 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 2020/21.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report below. We are independent of the authority and the group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard and the Comptroller and Auditor General's (C&AG) AGNO1, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the Executive Director: Resources' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the authority's ability to continue as a going concern for a period of 12 months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the Executive Director: Resources with respect to going concern are described in the relevant sections of this report. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the authority's ability to continue as a going concern.



Audit Report

Draft audit report

Our opinion on the financial statements

Other information

The other information comprises the information included in the Statement of Accounts 2020/21, other than the financial statements and our auditor's report thereon. The Executive Director: Resources is responsible for the other information contained within the Statement of Accounts 2020/21.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

Matters on which we report by exception

We report to you if:

- in our opinion the annual governance statement is misleading or inconsistent with other information forthcoming from the audit or our knowledge of the Council;
- we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014;
- we make written recommendations to the audited body under Section 24 of the Local Audit and Accountability Act 2014;

- we make an application to the court for a declaration that an item of account is contrary to law under Section 28 of the Local Audit and Accountability Act 2014;
- we issue an advisory notice under Section 29 of the Local Audit and Accountability Act 2014;
- we make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014;
- we are not satisfied that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2021.

We have nothing to report in these respects.

Responsibility of the Executive Director: Resources

As explained more fully in the Statement of the Responsibilities set out on page 18, the Executive Director: Resources 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 2020/21, and for being satisfied that they give a true and fair view and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Executive Director: Resources is responsible for assessing the Authority's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Authority either intends to cease operations, or have no realistic alternative but to do so.



Audit Report

Draft audit report

Our opinion on the financial statements

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.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect irregularities, including fraud. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below. However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the entity and management.

• We obtained an understanding of the legal and regulatory frameworks that are applicable to the authority and determined that the most significant are:

- Local Government Act 1972,
- School Standards and Framework Act 1998
- Local Government Finance Act 1988 (as amended by the Local Government Finance Act 1992),
- Education Act 2002 and school Standards and Framework Act 1998 (England)
- Local Government Act 2003,
- The Local Authorities (Capital Finance and Accounting) (England) Regulations 2003 as amended in 2018 and 2020,
- Waste and Emissions Trading Act 2003,
- National Health Service Act 2006,
- Planning Act 2008 and the Community Infrastructure Levy Regulations 2010 (SI 2010/948),
- The Local Audit and Accountability Act 2014, and
- The Accounts and Audit Regulations 2015.

In addition, the authority has to comply with laws and regulations in the areas of anti-bribery and corruption, data protection, employment and tax legislation, general power of competence, procurement and health & safety.

• We understood how Bracknell Forest Council is complying with those frameworks by understanding the incentive, opportunities and motives for non-compliance, including inquiring of management, head of audit and risk management and those charged with governance and obtaining and reading documentation relating to the procedures in place to identify, evaluate and comply with laws and regulations, and whether they are aware of instances of non-compliance. We corroborated this through our reading of the authority's committee minutes, through enquiry of employees to confirm authority policies, and through the inspection of employee handbooks and other



Audit Report

Draft audit report

Our opinion on the financial statements

information. Based on this understanding we designed our audit procedures to identify non-compliance with such laws and regulations. Our procedures had a focus on compliance with the accounting framework through obtaining sufficient audit evidence in line with the level of risk identified and with relevant legislation.

- We assessed the susceptibility of the authority's financial statements to material misstatement, including how fraud might occur by understanding the potential incentives and pressures for management to manipulate the financial statements, and performed procedures to understand the areas in which this would most likely arise. Based on our risk assessment procedures, we identified inappropriate capitalisation of revenue expenditure, inappropriate recognition of rental income, and management override of controls to be our fraud risks.
- To address our fraud risk of inappropriate capitalisation of revenue expenditure we tested the authority's capitalised expenditure to ensure the capitalisation criteria were properly met and the expenditure was genuine.
- To address our fraud risk of inappropriate recognition of rental income, we tested the authority's rental income to ensure the recognition criteria was properly met, the income was genuine, and the income was recorded in the correct financial year.
- To address our fraud risk of management override of controls, we tested specific journal entries identified by applying risk criteria to the entire population of journals. For each journal selected, we tested specific transactions back to source documentation to confirm that the journals were authorised and accounted for appropriately.

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A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

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

We have undertaken our review in accordance with the Code of Audit Practice, having regard to the guidance on the specified reporting criteria issued by the Comptroller and Auditor General (C&AG) in April 2021, as to whether Bracknell Forest Council had proper arrangements for financial sustainability, governance and improving economy, efficiency and effectiveness. The Comptroller and Auditor General determined these criteria as those necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether Bracknell Forest Council put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2021.

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

We are required under Section 20(1)(c) of the Local Audit and Accountability Act 2014 to satisfy ourselves that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

We are not required to consider, nor have we considered, whether all aspects of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.



Audit Report

Draft audit report

Our opinion on the financial statements

Delay in certification of completion of the audit

We cannot formally conclude the audit and issue an audit certificate until we have completed the work necessary to issue our assurance statement in respect of the Authority's Whole of Government Accounts consolidation pack. We are satisfied that this work does not have a material effect on the financial statements or our work on value for money arrangements.

Until we have completed these procedures we are unable to certify that we have completed the audit of the accounts in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice issued by the National Audit Office.

Use of our report

This report is made solely to the members of Bracknell Forest Council, as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014 and for no other purpose, as set out in paragraph 43 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than Bracknell Forest Council and Bracknell Forest Council's members as a body, for our audit work, for this report, or for the opinions we have formed.

Andrew Britain (Key Audit Partner)
Ernst & Young LLP (Local Auditor)
Reading
[Date]



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05 Audit Differences





Audit Differences

In the normal course of any audit, we identify misstatements between amounts we believe should be recorded in the financial statements and the disclosures and amounts actually recorded. These differences are classified as “known” or “judgemental”. Known differences represent items that can be accurately quantified and relate to a definite set of facts or circumstances. Judgemental differences generally involve estimation and relate to facts or circumstances that are uncertain or open to interpretation.

Summary of adjusted differences

We highlight misstatements greater than £4.369m which have been corrected by management that were identified during the course of our audit.

There is one corrected misstatement. The value of the Royal County of Berkshire Pension Fund's assets were understated by £48.12m in the Pension Fund's financial statements resulting in a misstatement of £5.732m in Bracknell Forest Council's accounts. This has been corrected by management. The misstatement was brought to our attention by both management and Deloitte, as auditors of the Pension Fund.

At the time of writing, there are no uncorrected misstatements.



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06

Value for Money



Value for money

The Authority's responsibilities for value for money (VFM)

The **Authority** is required to maintain an effective system of internal control that supports the achievement of its policies, aims and objectives while safeguarding and securing value for money from the public funds and other resources at its disposal.

As part of the material published with its financial statements, the **Authority** is required to bring together commentary on its governance framework and how this has operated during the period in a governance statement. In preparing its governance statement, the **Authority** tailors the content to reflect its own individual circumstances, consistent with the requirements set out in the CIPFA code of practice on local authority accounting. This includes a requirement to provide commentary on its arrangements for securing value for money from their use of resources.

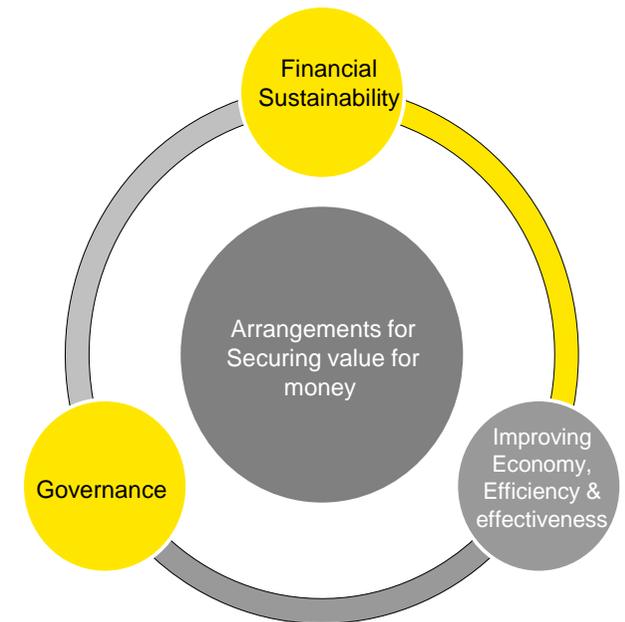
Risk assessment

In our Audit Plan and subsequent update to the Audit Committee, we reported that we had substantially completed our value for money (VFM) risk assessment and had not at that stage identified any risk of significant weakness against the three reporting criteria we are required to consider under the NAO's 2020 Code. We have since completed our VFM risks assessment and have not identified any risk of significant weakness.

Status of our VFM work

Ahead of completion of the audit of the financial statements, we are revisiting our assessment and this is currently ongoing. At the date of this report we have are therefore yet to complete our planned procedures, however we expect this work to be completed by the time we present this paper to the Governance and Audit Committee.

In the event our outstanding VFM procedures are not completed, we have considered whether this has an impact on our audit opinion on the financial statements and determined it does not.





07 Other reporting issues

Other reporting issues

Other reporting issues

Consistency of other information published with the financial statements, including the Annual Governance Statement

We must give an opinion on the consistency of the financial and non-financial information in the Narrative Report published with the audited financial statements:

- Financial information in the Narrative Report and published with the financial statements was consistent with the audited financial statements.

We must also review the Annual Governance Statement for completeness of disclosures, consistency with other information from our work, and whether it complies with relevant guidance.

- We have reviewed the Annual Governance Statement and can confirm it is consistent with other information from our audit of the financial statements and we have no other matters to report.

36 Whole of Government Accounts

Alongside our work on the financial statements, we also review and report to the National Audit Office on your Whole of Government Accounts return. The extent of our review, and the nature of our report, is specified by the National Audit Office.

We have no issues to raise and will complete the submission to the NAO upon completion of the audit.

Other reporting issues

Other reporting issues

Other powers and duties

We have a duty under the Local Audit and Accountability Act 2014 to consider whether to report on any matter that comes to our attention in the course of the audit, either for the Authority to consider it or to bring it to the attention of the public (i.e. “a report in the public interest”).

We did not identify any issues which required us to issue a report in the public interest.

Other matters

As required by ISA (UK&I) 260 and other ISAs specifying communication requirements, we must tell you significant findings from the audit and other matters if they are significant to your oversight of the Authority’s financial reporting process. They include the following:

- Significant qualitative aspects of accounting practices including accounting policies, accounting estimates and financial statement disclosures;
- Any significant difficulties encountered during the audit;
- Any significant matters arising from the audit that were discussed with management;
- Written representations we have requested;
- Expected modifications to the audit report;
- Any other matters significant to overseeing the financial reporting process;
- Findings and issues around the opening balance on initial audits (if applicable);
- Related parties;
- External confirmations;
- Going concern;
- Consideration of laws and regulations; and
- Group audits

As at the date of this report we have nothing that we need to bring to the attention of the Governance and Audit Committee in respect of other matters.



08

Assessment of Control Environment



Assessment of Control Environment

Financial Controls

As part of our audit of the financial statements, we obtained an understanding of internal control sufficient to plan our audit and determine the nature, timing and extent of testing performed.

Although our audit was not designed to express an opinion on the effectiveness of internal control, we are required to communicate to you any significant deficiencies in internal control, including group-wide or at components. As at the date of this report we have nothing that we need to bring to the attention of the Governance and Audit Committee.



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09 Data Analytics



Use of Data Analytics in the Audit

Data analytics – revenue recognition, income and expenditure, payroll

Analytics Driven Audit

Data analytics

We used our data analysers to enable us to capture entire populations of the Authority's financial data. These analysers:

- ▶ Help to identify specific exceptions and anomalies which can then be the focus of our substantive audit tests; and
- ▶ Make identifying errors more likely than traditional, random sampling techniques.

In 2020/21, our use of these analysers in the authority's audit included testing journal entries and employee costs, to identify and focus our testing on those entries we deem to have the highest inherent risk to the audit.

We capture the data through our formal data requests and the data transfer takes place on a secured EY website. These are in line with our EY data protection policies which are designed to protect the confidentiality, integrity and availability of business and personal information.

Journal Entry Analysis

We obtain downloads of all financial ledger transactions posted in the year. We perform completeness analysis over the data, reconciling the sum of transactions to the movement in the trial balances and financial statements to ensure we have captured all data. Our analysers then review and sort transactions, allowing us to more effectively identify and test journals that we consider to be higher risk, as identified in our audit planning report.

Payroll Analysis

We also use our analysers in our payroll testing. We obtain all payroll transactions posted in the year from the payroll system and perform completeness analysis over the data, including reconciling the total amount to the General Ledger trial balance. We then analyse the data against a number of specifically designed procedures. These include analysis of payroll costs by month to identify any variances from established expectations, as well as more detailed transactional interrogation.



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Independence

Relationships, services and related threats and safeguards

The FRC Ethical Standard requires that we provide details of all relationships between Ernst & Young (EY) and the Council, and its members and senior management and its affiliates, including all services provided by us and our network to your company, its directors and senior management and its affiliates, and other services provided to other known connected parties that we consider may reasonably be thought to bear on the our integrity or objectivity, including those that could compromise independence and the related safeguards that are in place and why they address the threats.

There are no relationships from 1 April 2020 to the date of this report, which we consider may reasonably be thought to bear on our independence and objectivity.

Services provided by Ernst & Young

The next page includes a summary of the fees that you have paid to us in the year ended 31 March 2021 in line with the disclosures set out in FRC Ethical Standard and in statute.

As at the date of this report, there are no future services which have been contracted and no written proposal to provide non-audit services has been submitted.

We confirm there are no changes in our assessment of independence since our confirmation in our audit planning board report dated 26 January 2022.

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We complied with the APB Ethical Standards. In our professional judgement the firm is independent and the objectivity of the audit engagement partner and audit staff has not been compromised within the meaning of regulatory and professional requirements.

We consider that our independence in this context is a matter that should be reviewed by both you and ourselves. It is therefore important that you and your Audit & Governance Committee consider the facts of which you are aware and come to a view. If you wish to discuss any matters concerning our independence, we will be pleased to do so at the forthcoming meeting of the Governance and Audit Committee on 23 March 2022.

We confirm we do not plan to undertake non-audit work outside of the Statement of responsibilities of auditors and audited bodies as issued by the Public Sector Audit Appointments Ltd . We will apply the necessary safeguards in our completion of this work should we be required to complete any.

EY Transparency Report 2021

Ernst & Young (EY) has policies and procedures that instil professional values as part of firm culture and ensure that the highest standards of objectivity, independence and integrity are maintained.

Details of the key policies and processes in place within EY for maintaining objectivity and independence can be found in our annual Transparency Report which the firm is required to publish by law. The most recent version of this Report is for the year end 30 June 2021:

[EY UK Transparency Report 2021 | EY UK](#)



Fees

The duty to prescribe fees is a statutory function delegated to Public Sector Audit Appointments Ltd (PSAA) by the Secretary of State for Housing, Communities and Local Government.

This is defined as the fee required by auditors to meet statutory responsibilities under the Local Audit and Accountability Act 2014 in accordance with the requirements of the Code of Audit Practice and supporting guidance published by the National Audit Office, the financial reporting requirements set out in the Code of Practice on Local Authority Accounting published by CIPFA/LASAAC, and the professional standards applicable to auditors' work.

Description	Planned Fee 2020/21	Scale Fee 2020/21	Final Fee 2019/20
	£	£	£
Total Audit Fee - Code work	£80,639	£80,639	£80,639
Changes in work required to address professional and regulatory requirements and scope associated with risk (see Note 1)	£45,361	N/A	£45,361*
Revised Proposed Scale Fee	£126,000	N/A	£126,000
Scale Fee Variation - new VFM arrangements (Note 2)	£10,000 - £19,000	-	N/A
Scale Fee Variation - revised ISA 540 (Note 2)	£4,400	-	N/A
Scale Fee Variation due to one-off issues impacting 2019/20 and 2020/21 audits (see Note 3)	TBD	N/A	£21,300*
Total Proposed Audit Fee	TBD	£80,639	£147,300
Non-Audit Fee - Housing Benefit Certification Work (Note 4)	£25,720	N/A	£19,146
Non-Audit Fee - Teacher's Pension Certification Work (Note 5)	£11,000	N/A	-

* Currently with PSAA for determination



Fees

Note 1

We have previously discussed with the management and the Governance and Audit Committee that we do not believe the existing scale fees provide a clear link with a public sector organisation's risk and complexity and laid out the impact of regulatory changes which have caused that. We have quantified the implications of these factors on our assessment of the baseline fee to deliver a sustainable high-quality external audit. For 2019/20 and 2020/21 the scale fee has been re-assessed to take these into account. The 2019/20 additional fee remains subject to approval by the PSAA.

Note 2

In 2020/21, the new VFM arrangements and revised ISA 540 (estimates) to result in a scale fee variation. PSAA have published guidance on these matters and advise for minimum additional fees, for a unitary authority, of £10,000 - £19,000 in respect of the new VFM arrangements, and £4,400 in respect of the revised ISA 540.

Note 3

2019/20 - we have quantified the additional work we undertook in the completion of the 2019/20 audit, including costs associated with delays in receiving the Deloitte IAS 19 report; resolving material issues raised within the report and responding to findings, including input from EY Pensions specialists; impact of Covid-19 including additional risk assessment procedures and consultations; the elongated audit period and impact on volume of post balance sheet event work. We have agreed this fee variation with the s151 officer and are seeking approval from the PSAA.

2020/21 - we are yet to quantify the additional work we have undertaken in the completion of the 2020/21 audit, however we would expect variations in respect of the new NAO Code and resulting work on VFM arrangements and ISA 540 (both highlighted separately above as PSAA have already issued guidance on these areas); delays in receiving the Deloitte IAS 19 report and subsequent input required from EY Pensions specialists; the new significant risk in relation to rental income; the new area of other audit focus in relation to Covid-19 related grants and the elongated audit period and impact on volume of post balance sheet event work. We will discuss this with the s151 officer and seek approval from PSAA in due course.

Note 4

From 2018/19 onwards the Housing Benefit subsidy audit work falls outside the PSAA regime and is subject to a separate fee proposal and engagement terms. This work is now complete and the fee for 2020/21 is a base fee of £19,530 plus fees for extended testing of £6,190.

Note 5

For 2020/21 we have been engaged by the Council to complete the Teacher's Pension Audit. This work has been completed and the agreed fee was £11,000.



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11 Appendices

Appendix A

Required communications with the Governance and Audit Committee

There are certain communications that we must provide to the those charged with governance of UK entities. We have detailed these here together with a reference of when and where they were covered:

 Our Reporting to you		
Required communications	 What is reported?	  When and where
Terms of engagement 47	Confirmation by the Governance and Audit Committee of acceptance of terms of engagement as written in the engagement letter signed by both parties.	The statement of responsibilities serves as the formal terms of engagement between the PSAA's appointed auditors and audited bodies
Our responsibilities	Reminder of our responsibilities as set out in the engagement letter.	Audit planning report presented at the 26 January 2022 Governance and Audit Committee meeting
Planning and audit approach	Communication of the planned scope and timing of the audit, any limitations and the significant risks identified. When communicating key audit matters this includes the most significant risks of material misstatement (whether or not due to fraud) including those that have the greatest effect on the overall audit strategy, the allocation of resources in the audit and directing the efforts of the engagement team.	Audit planning report presented at the 26 January 2022 Governance and Audit Committee meeting
Significant findings from the audit	<ul style="list-style-type: none"> ▶ Our view about the significant qualitative aspects of accounting practices including accounting policies, accounting estimates and financial statement disclosures ▶ Significant difficulties, if any, encountered during the audit ▶ Significant matters, if any, arising from the audit that were discussed with management ▶ Written representations that we are seeking ▶ Expected modifications to the audit report ▶ Other matters if any, significant to the oversight of the financial reporting process 	Audit results report presented at the 23 March 2022 Governance and Audit Committee meeting

Appendix A

		Our Reporting to you
Required communications	What is reported?	When and where
48	<ul style="list-style-type: none"> ▶ Subject to compliance with regulations, any actual or suspected non-compliance with laws and regulations identified relevant to the audit committee ▶ Subject to compliance with regulations, any suspicions that irregularities, including fraud with regard to the financial statements, may occur or have occurred, and the implications thereof ▶ The valuation methods used and any changes to these including first year audits ▶ The scope of consolidation and exclusion criteria if any and whether in accordance with the reporting framework ▶ The identification of any non-EY component teams used in the group audit ▶ The completeness of documentation and explanations received ▶ Any significant difficulties encountered in the course of the audit ▶ Any significant matters discussed with management ▶ Any other matters considered significant 	
Going concern	<p>Events or conditions identified that may cast significant doubt on the entity's ability to continue as a going concern, including:</p> <ul style="list-style-type: none"> ▶ Whether the events or conditions constitute a material uncertainty related to going concern ▶ Whether the use of the going concern assumption is appropriate in the preparation and presentation of the financial statements ▶ The appropriateness of related disclosures in the financial statements 	Audit results report presented at the 23 March 2022 Governance and Audit Committee meeting
Misstatements	<ul style="list-style-type: none"> ▶ Uncorrected misstatements and their effect on our audit opinion, unless prohibited by law or regulation ▶ The effect of uncorrected misstatements related to prior periods ▶ A request that any uncorrected misstatement be corrected ▶ Material misstatements corrected by management 	Audit results report presented at the 23 March 2022 Governance and Audit Committee meeting
Subsequent events	<ul style="list-style-type: none"> ▶ Enquiry of the audit committee where appropriate regarding whether any subsequent events have occurred that might affect the financial statements. 	Audit results report presented at the 23 March 2022 Governance and Audit Committee meeting

Appendix A

		Our Reporting to you
Required communications	What is reported?	When and where
50	<p>Communications whenever significant judgements are made about threats to objectivity and independence and the appropriateness of safeguards put in place.</p> <p>For public interest entities and listed companies, communication of minimum requirements as detailed in the FRC Revised Ethical Standard 2019:</p> <ul style="list-style-type: none"> ▶ Relationships between EY, the company and senior management, its affiliates and its connected parties ▶ Services provided by EY that may reasonably bear on the auditors' objectivity and independence ▶ Related safeguards ▶ Fees charged by EY analysed into appropriate categories such as statutory audit fees, tax advisory fees, other non-audit service fees ▶ A statement of compliance with the Ethical Standard, including any non-EY firms or external experts used in the audit ▶ Details of any inconsistencies between the Ethical Standard and Group's policy for the provision of non-audit services, and any apparent breach of that policy ▶ Where EY has determined it is appropriate to apply more restrictive rules than permitted under the Ethical Standard ▶ The audit committee should also be provided an opportunity to discuss matters affecting auditor independence 	
External confirmations	<ul style="list-style-type: none"> ▶ Management's refusal for us to request confirmations ▶ Inability to obtain relevant and reliable audit evidence from other procedures. 	Audit results report presented at the 23 March 2022 Governance and Audit Committee meeting
Consideration of laws and regulations	<ul style="list-style-type: none"> ▶ Subject to compliance with applicable regulations, matters involving identified or suspected non-compliance with laws and regulations, other than those which are clearly inconsequential and the implications thereof. Instances of suspected non-compliance may also include those that are brought to our attention that are expected to occur imminently or for which there is reason to believe that they may occur ▶ Enquiry of the audit committee into possible instances of non-compliance with laws and regulations that may have a material effect on the financial statements and that the audit committee may be aware of 	Audit results report presented at the 23 March 2022 Governance and Audit Committee meeting

Appendix A

		Our Reporting to you
Required communications	What is reported?	When and where
Significant deficiencies in internal controls identified during the audit	<ul style="list-style-type: none"> ▶ Significant deficiencies in internal controls identified during the audit. 	Audit results report presented at the 23 March 2022 Governance and Audit Committee meeting
Group Audits	<ul style="list-style-type: none"> ▶ An overview of the type of work to be performed on the financial information of the components ▶ An overview of the nature of the group audit team's planned involvement in the work to be performed by the component auditors on the financial information of significant components ▶ Instances where the group audit team's evaluation of the work of a component auditor gave rise to a concern about the quality of that auditor's work ▶ Any limitations on the group audit, for example, where the group engagement team's access to information may have been restricted ▶ Fraud or suspected fraud involving group management, component management, employees who have significant roles in group-wide controls or others where the fraud resulted in a material misstatement of the group financial statements. 	Audit planning report presented at the 26 January 2022 Governance and Audit Committee meeting AND Audit results report presented at the 23 March 2022 Governance and Audit Committee meeting
Written representations we are requesting from management and/or those charged with governance	<ul style="list-style-type: none"> ▶ Written representations we are requesting from management and/or those charged with governance 	Audit results report presented at the 23 March 2022 Governance and Audit Committee meeting
Material inconsistencies or misstatements of fact identified in other information which management has refused to revise	<ul style="list-style-type: none"> ▶ Material inconsistencies or misstatements of fact identified in other information which management has refused to revise 	Audit results report presented at the 23 March 2022 Governance and Audit Committee meeting
Auditors report	<ul style="list-style-type: none"> ▶ Key audit matters that we will include in our auditor's report ▶ Any circumstances identified that affect the form and content of our auditor's report 	Audit results report presented at the 23 March 2022 Governance and Audit Committee meeting

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Management representation letter

Management Rep Letter

[To be prepared on the entity's letterhead]

[Date]

Ernst & Young

Apex Plaza

Reading

Ag1 1YE

Dear Andrew,

Bracknell Forest Council - Audit for the year ended 31 March 2021.

This letter of representations is provided in connection with your audit of the consolidated and financial statements of Bracknell Forest Council ("the Group and Council") for the year ended 31 March 2021. We recognise that obtaining representations from us concerning the information contained in this letter is a significant procedure in enabling you to form an opinion as to whether the consolidated and Council financial statements give a true and fair view of the Group and Council financial position of Bracknell Forest Council as of 31 March 2021 and of its financial performance (or operations) and its cash flows for the year then ended in accordance with, for the Group and for the Council, CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21.

We understand that the purpose of your audit of our consolidated and council financial statements is to express an opinion thereon and that your audit was conducted in accordance with International Standards on Auditing, which involves an examination of the accounting system, internal control and related data to the extent you considered necessary in the circumstances, and is not

designed to identify - nor necessarily be expected to disclose - all fraud, shortages, errors and other irregularities, should any exist.

Accordingly, we make the following representations, which are true to the best of our knowledge and belief, having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves:

A. Financial Statements and Financial Records

1. We have fulfilled our responsibilities, under the relevant statutory authorities, for the preparation of the financial statements in accordance with, for the Group and for the Council the Accounts and Audit Regulations 2015 and CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21.
2. We acknowledge, as members of management of the Group and Council, our responsibility for the fair presentation of the consolidated and Council financial statements. We believe the consolidated and Council financial statements referred to above give a true and fair view of the financial position, financial performance (or results of operations) and cash flows of the Group and for the Council, the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21 and are free of material misstatements, including omissions. We have approved the consolidated and Council financial statements.
3. The significant accounting policies adopted in the preparation of the Group and Council financial statements are appropriately described in the Group and Council financial statements.

Management representation letter

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4. As members of management of the Group and Council, we believe that the Group and Council have a system of internal controls adequate to enable the preparation of accurate financial statements in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21 for the Group and for the Council that are free from material misstatement, whether due to fraud or error. We have disclosed to you any significant changes in our processes, controls, policies and procedures that we have made to address the effects of the COVID-19 pandemic on our system of internal controls.
 5. There are no unadjusted audit differences identified during the current audit and pertaining to the latest period presented.
 6. We confirm the Group and Council does not have securities (debt or equity) listed on a recognized exchange.

B. Non-compliance with law and regulations, including fraud

1. We acknowledge that we are responsible for determining that the Group and Council's activities are conducted in accordance with laws and regulations and that we are responsible for identifying and addressing any non-compliance with applicable laws and regulations, including fraud.
2. We acknowledge that we are responsible for the design, implementation and maintenance of internal controls to prevent and detect fraud.
3. We have disclosed to you the results of our assessment of the risk that the consolidated and Council financial statements may be materially misstated as a result of fraud.

4. We have no knowledge of any identified or suspected non-compliance with laws or regulations, including fraud that may have affected the Group or Council (regardless of the source or form and including without limitation, any allegations by "whistleblowers"), including non-compliance matters:

- involving financial statements;
- related to laws and regulations that have a direct effect on the determination of material amounts and disclosures in the consolidated or Council's financial statements;
- related to laws and regulations that have an indirect effect on amounts and disclosures in the financial statements, but compliance with which may be fundamental to the operations of the Group or Council's activities, its ability to continue to operate, or to avoid material penalties;
- involving management, or employees who have significant roles in internal controls, or others; or
- in relation to any allegations of fraud, suspected fraud or other non-compliance with laws and regulations communicated by employees, former employees, analysts, regulators or others.

C. Information Provided and Completeness of Information and Transactions

1. We have provided you with:
 - Access to all information of which we are aware that is relevant to the preparation of the financial statements such as records, documentation and other matters;
 - Additional information that you have requested from us for the purpose of the audit; and

Management representation letter

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- Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.
2. All material transactions have been recorded in the accounting records and all material transactions, events and conditions are reflected in the Consolidated and Council financial statements, including those related to the COVID-19 pandemic.
 3. We have made available to you all minutes of the meetings of the Group, and committees including the Governance and Audit Committee (or summaries of actions of recent meetings for which minutes have not yet been prepared) held through the year to the most recent meeting on the following date: 23 March 2022.
 4. We confirm the completeness of information provided regarding the identification of related parties. We have disclosed to you the identity of the Group and Council's related parties and all related party relationships and transactions of which we are aware, including sales, purchases, loans, transfers of assets, liabilities and services, leasing arrangements, guarantees, non-monetary transactions and transactions for no consideration for the year ended, as well as related balances due to or from such parties at the year end. These transactions have been appropriately accounted for and disclosed in the Consolidated and Council financial statements.
 5. We believe that the methods, significant assumptions and the data we used in making accounting estimates and related disclosures are appropriate and consistently applied to achieve recognition, measurement and disclosure that is in accordance with applicable financial reporting framework.

6. We have disclosed to you, and the Group and Council has complied with, all aspects of contractual agreements that could have a material effect on the consolidated and council financial statements in the event of non-compliance, including all covenants, conditions or other requirements of all outstanding debt.
7. From the date of our last management representation letter through to the date of this letter we have disclosed to you any unauthorized access to our information technology systems that either occurred or to the best of our knowledge is reasonably likely to have occurred based on our investigation, including of reports submitted to us by third parties (including regulatory agencies, law enforcement agencies and security consultants), to the extent that such unauthorized access to our information technology systems is reasonably likely to have a material impact to the financial statements, in each case or in the aggregate.

D. Liabilities and Contingencies

1. All liabilities and contingencies, including those associated with guarantees, whether written or oral, have been disclosed to you and are appropriately reflected in the consolidated and council financial statements.
2. We have informed you of all outstanding and possible litigation and claims, whether or not they have been discussed with legal counsel.
3. We have recorded and/or disclosed, as appropriate, all liabilities related to litigation and claims, both actual and contingent, and have disclosed in Note 36 to the consolidated and council financial statements all guarantees that we have given to third parties.

Management representation letter

Management Rep Letter

E. Going Concern

1. The consolidated and council financial statements discloses all the matters of which we are aware that are relevant to the Group and Council's ability to continue as a going concern, including significant conditions and events, our plans for future action, and the feasibility of those plans.

F. Subsequent Events

1. There have been no events, including events related to the COVID-19 pandemic, subsequent to year end which require adjustment of or disclosure in the consolidated and council financial statements or notes thereto.

G. Group audits

1. There are no significant restrictions on our ability to distribute the retained profits of the Group because of statutory, contractual, exchange control or other restrictions other than those indicated in the Group financial statements.
2. Necessary adjustments have been made to eliminate all material intra-group unrealised profits on transactions amongst council, subsidiary undertakings and associated undertakings.

H. Other information

1. We acknowledge our responsibility for the preparation of the other information. The other information comprises the Narrative Report and Annual Governance Statement.
2. We confirm that the content contained within the other information is consistent with the financial statements.

I. Reserves

1. We have properly recorded or disclosed in the consolidated and council financial statements the useable and unusable reserves.

J. Use of the Work of a Specialist

1. We agree with the findings of the specialists that we engaged to evaluate the valuation of property, plant and equipment, investment property, pension liability, and NDR appeals provision and have adequately considered the qualifications of the specialists in determining the amounts and disclosures included in the consolidated and council financial statements and the underlying accounting records. We did not give or cause any instructions to be given to the specialists with respect to the values or amounts derived in an attempt to bias their work, and we are not otherwise aware of any matters that have had an effect on the independence or objectivity of the specialists.

K. Valuation of property, plant and equipment (PPE), investment property (IP) and pension liability estimate

1. We confirm that the significant judgments made in making the estimates have taken into account all relevant information and the effects of the COVID-19 pandemic of which we are aware.
2. We believe that the selection or application of the methods, assumptions and data used by us have been consistently and appropriately applied or used in making the estimates.
3. We confirm that the significant assumptions used in making the estimates appropriately reflect our intent and ability to carry out the specific courses of action on behalf of the entity.

Appendix B

Management representation letter

Management Rep Letter

4. We confirm that the disclosures made in the consolidated and parent entity financial statements with respect to the accounting estimates, including those describing estimation uncertainty, are complete and are reasonable in the context of CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21.
5. We confirm that appropriate specialized skills or expertise has been applied in making the estimates.
6. We confirm that no adjustments are required to the accounting estimates and disclosures in the consolidated and parent entity financial statements, including due to the COVID-19 pandemic.

L. Retirement benefits

1. On the basis of the process established by us and having made appropriate enquiries, we are satisfied that the actuarial assumptions underlying the scheme liabilities are consistent with our knowledge of the business. All significant retirement benefits and all settlements and curtailments have been identified and properly accounted for.

Yours faithfully,

Executive Director: Resources

Chairman of the Governance and Audit Committee

Appendix C

Implementation of IFRS 16 Leases

In previous reports to the Governance and Audit Committee, we have highlighted the issue of new accounting standards and regulatory developments. IFRS 16 introduces a number of significant changes which go beyond accounting technicalities. For example, the changes have the potential to impact on procurement processes as more information becomes available on the real cost of leases. The key accounting impact is that assets and liabilities in relation to significant lease arrangements previously accounted for as operating leases will need to be recognised on the balance sheet. IFRS 16 requires all substantial leases to be accounted for using the acquisition approach, recognising the rights acquired to use an asset.

IFRS 16 does not come into effect for authority until 1 April 2022. However, officers should be acting now to assess the authority's leasing positions and secure the required information to ensure the authority will be fully compliance with the 2022/23 Code. The following table summarises some key areas officers should be progressing.

IFRS 16 theme	Summary of key measures 
Data collection	Management should: <ul style="list-style-type: none"> ▶ Put in place a robust process to identify all arrangements that convey the right to control the use of an identified asset for a period of time. The adequacy of this process should be discussed with auditors. ▶ Classify all such leases into low value; short-term; peppercorn; portfolio and individual leases ▶ Identify, collect, log and check all significant data points that affect lease accounting including: the term of the lease; reasonably certain judgements on extension or termination; dates of rent reviews; variable payments; grandfathered decisions; non-lease components; and discount rate to be applied.
 Policy Choices	The Authority needs to agree on certain policy choices. In particular: <ul style="list-style-type: none"> ▶ Whether to adopt a portfolio approach ▶ What low value threshold to set and agree with auditors ▶ Which asset classes, if any, are management adopting the practical expedient in relation to non-lease components ▶ What is managements policy in relation to discount rates to be used?
Code adaptations for the public sector	Finance teams should understand the Code adaptations for the public sector. The Code contains general adaptations, (e.g. the definition of a lease); transitional interpretations (e.g. no restatement of prior periods) and adaptations that apply post transition (e.g. use of short-term lease exemption).
Transitional accounting arrangements	Finance teams should understand the accounting required on first implementation of IFRS 16. The main impact is on former operating leases where the authority is lessee. However, there can be implications for some finance leases where the authority is lessee; and potentially for sub-leases, where the authority is a lessor, that were operating leases under the old standard.
Ongoing accounting arrangements	Finance teams need to develop models to be able to properly account for initial recognition and subsequent measurement of right of use assets and associated liabilities. This is more complex than the previous standard due to more regular remeasurements and possible modifications after certain trigger events.
Remeasurements and modifications	Finance teams need to familiarise themselves with when the 'remeasurement' or 'modification' of a lease is required and what to do under each circumstance. A modification can lead to an additional lease being recognised. It is also important to know when remeasurements require a new discount rate is to be applied to the lease.

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ED None

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TO: GOVERNANCE AND AUDIT COMMITTEE
26 January 2022

FINANCIAL STATEMENTS 2020/21
Executive Director: Resources

1 PURPOSE OF REPORT

- 1.1 In accordance with the Accounts and Audit Regulations 2015 (as amended by the Accounts and Audit (Amendment) Regulations 2021), draft accounts were required to be signed by the 31 July 2021 and audited by the 30 September 2021. The Executive Director: Resources signed the draft 2020/21 Statement of Accounts on 28 May 2021. Copies of the accounts were then made available on the Council's website.
- 1.2 Due to delays in the completion of the audit of the Royal County of Berkshire Pension Fund by Deloitte LLP for the 2019/20 accounts it was not possible to bring the audited accounts to the Committee for authorisation before the revised deadline of 30 September 2021. In fact, the audit did not commence until late October.
- 1.3 This report summarises for Committee Members the key elements within the accounts and the findings of the audit.

2 RECOMMENDATIONS

That the Committee:

- 2.1 **Approves the Financial Statements for 2020/21 attached at Annexe A;**
- 2.2 **Authorises the Chairman of the meeting to sign and date the Statement of Accounts on behalf of the Committee;**
- 2.3 **Authorises the Chairman of the meeting to sign and date the Letter of Representation (to follow).**

3 REASONS FOR RECOMMENDATIONS

- 3.1 The Accounts and Audit Regulations 2015 require the accounts to be approved by Council (or Committee of the Council) and the Chairman of the meeting to formally sign the accounts to certify that this has been undertaken.

4 ALTERNATIVE OPTIONS CONSIDERED

- 4.1 None.

5 SUPPORTING INFORMATION

5.1 Outturn Expenditure 2020/21

- 5.1.1 The Council, at its meeting on 26 February 2020, set a revenue budget for the 2020/21 financial year of £79.221m. Council spending was within budget for

Unrestricted

the twenty-third successive year with an underspend of -£3.615m on the General Fund. As a result of the under spend, the Council returned £3.236m to General Reserves rather than the budgeted £0.379m withdrawal.

5.1.2 The most significant variances were:

- An overspend on Education and Learning (£0.335m) resulting from overspends on staffing (£0.371m) and unbudgeted costs for renting modular classrooms during emergency roof repair works (£0.251m), partly offset by a significant variance at the Open Learning Centre (-£0.107m).
- A net underspend on Children's Social Care. The most significant variances included underspends on staffing (-£0.316m), care leavers support and maintenance costs (-£0.135m) partly offset by an overspend on care and accommodation costs (£0.243m).
- An overspend on externally provided social care primarily due to clients in the community requiring support with memory & cognition (£0.656m). An internal review of contracts within Forestcare helped achieve an underspend (-£0.184m).
- An underspend on Early Help and Communities (-£0.940m) primarily relating to Housing Welfare & Benefits and staff vacancies.
- Within Central there were additional consultancy costs associated with planning appeals (£0.156m). There was reduced income within the Traffic Service (£0.131m) and at The Lookout (£0.274m) partly offset by additional income generated for Suitable Alternative Natural Greenspaces (SANGS) capacity (-£0.129m). Government grant was transferred into Central to cover COVID-19 costs (-£0.481m).
- Within Delivery there were pressures in ICT (£0.198m), Waste Disposal (£0.457m), Car Parking, due to loss of income, (£0.666m) and Leisure (1.329m), as additional financial support was required. These were partly offset by underspends on running costs in Office Accommodation (-£0.120m) and Registration of Electors / Elections (-£0.105m), and a net overachievement of income at the Cemetery and Crematorium (-£0.230m). Government grant was also transferred into Delivery to cover COVID-19 costs (-£2.084m).
- A significant under spend on interest budgets (-£0.966m). Average cash balances have been substantially higher than those experienced in 2019/20, removing the need for any new borrowing in 2020/21.
- Higher than forecast capital receipts in 2019/20 and significant capital carry forwards into 2020/21 helped to create an under spend against the Minimum Revenue Provision (-£0.148m).
- Not all the COVID-19 LA Support Grant received from the government to help meet pressures resulting from the pandemic was required by directorates (-£1.810m).
- Not all the Contingency Fund was required in 2020/21, resulting in an underspend (-£1.930m).
- An overspend relating to an additional payment to the Thames Valley Local Enterprise Partnership (£0.241m), reductions in the section 31 grant receivable from central government (£0.326m) and increases in the levy payable to central government (£0.649m) because of the actual, more positive outturn position on Business Rates income.

A detailed comparison of the outturn and estimated expenditure is provided in the Narrative Report on pages 3 and 4 of the Financial Statements.

5.2 Changes to Accounting Policies and Disclosure Requirements

5.2.1 No changes were required this year.

5.3 Comprehensive Income and Expenditure Statement (CI&ES)

5.3.1 The Statement shows a deficit on the Provision of Services of £6.0m. This is because the statement shows the cost of providing services in accordance with accounting practices, rather than the amount to be funded from taxation. The taxation position which shows the real impact on the General Fund is shown in the Movement in Reserves Statement. The CI&ES also includes gains and losses arising from the revaluation of assets and changes in pension liabilities. The total figure of £79.6m explains the change in the net assets of the Council presented in the Balance Sheet. Individual Balance Sheet items are discussed in more detail below.

5.4 Provisions

5.4.1 The Council's balances contain specific provisions for known liabilities where the timing or amount of the liability is uncertain. These are considered each year as part of the budget cycle to ensure adequacy and need, and are again reviewed at the year end, in considering the annual accounts. Provisions have reduced by £1.5m to £7.1m (page 77 of the Financial Statements).

5.4.2 The reduction relates to movements on the provision for Business Rates appeals. This is required to cover the liabilities arising from the refunding of ratepayers who successfully appeal against the rateable value of their properties on the rating list. The change in provision reflects the latest information on appeals. The position is increasingly difficult to predict following the 2017 valuation and the Valuation Office Agency's new Check, Challenge, appeal process, through which very few appeals have been concluded to date across the country.

5.5 Revenue Reserves

5.5.1 These are the reserves of the authority at 31 March 2021, consisting of Earmarked Reserves, the General Reserve and other Revenue Reserves (e.g. the Pension Reserve).

5.5.2 Earmarked Reserves are sums of money which have been set aside for specific purposes. These are excluded from general balances available to support revenue or capital expenditure.

5.5.3 At the end of each year the Executive Director: Resources reviews earmarked reserves and adjusts them to reflect the changing risks the organisation faces. The movements identified were presented to the Executive in the Revenue Expenditure Outturn 2020/21 Report on 20 July 2021. The Council's Reserves and Balances Policy Statement which sets out the purpose of each reserve was included at Annexe D to that report. Earmarked Reserves totalling £84.2m, an increase of £27.0m on last year's figure, are summarised on page 79 of the Financial Statements. The largest movements in the year relate to the Business Rates Relief Reserve (£13.0m - designed to meet the additional cost of the reliefs granted in 2020/21 which won't actually impact on the budget until 2021/22), the budgeted creation of the Business Rates Revaluation Reserve, which will be used to meet the cost of any significant

downward Business Rates valuations (£7.5m) and the Revenue Grants Unapplied Reserve (£4m), primarily relating to Covid-19 grants. Earmarked Reserves will help to balance the revenue budget over the medium term by smoothing the impact of changes in Business Rates income and central government funding decisions.

- 5.5.4 There are also a number of unusable revenue reserves, such as the Pension Reserve, so called because the Council is not able to utilise them to provide services. They are primarily adjustment accounts which deal with situations where income and expenditure are recognised statutorily against the General Fund balance on a different basis from that expected by the Accounting Code of Practice. The Net Pension Reserve liability has increased despite there being a positive return on assets (15%). This is primarily due to a decrease in the discount rate (which is linked to corporate bond yields) and revised projections for CPI (0.7% higher than last year) both of which have significantly increased the liability.
- 5.5.5 A new unusable reserve called the Dedicated Schools Grant Adjustment Account was created in 2020/21. Any deficit on the Schools Budget for the financial years 2020/21 to 2022/23 are required to be charged to this account under new legislation. This follows on from the requirement in the School and Early Years Finance (England) Regulations 2020 that a schools' budget deficit must be carried forward to be funded from future Dedicated Schools Grant (DSG) income rather than the General Reserve. As there is an overall deficit as at 31 March 2021, any general schools' balances previously held in earmarked reserves have now been transferred into this account (net deficit £2.626m). It is likely that after the three years responsibility for any remaining deficit will fall on the Council and it is therefore essential that emerging plans to address the deficit are agreed quickly and enacted by the Council and schools.

General Reserves

- 5.5.6 The General Reserves balance as at 31st March 2021 was £10.3m, with only £0.001m committed to funding the 2021/22 revenue budget. Taking into account the minimum recommended prudent balance of £4.5m there is potentially £5.8m available.

5.6 Other Balance Sheet Items

- 5.6.1 The Balance Sheet shows that the Council holds Long Term Assets valued at £708.8m (excluding pension assets). The overall value has increased by £13.0m compared to 2019/20. The most significant movements include:
- An increase in Other Land and Buildings primarily due to an increase in values and the completion of assets;
 - an increase in the value of assets under construction including expenditure on the Heathlands Re-development (£3.1m), the A3095 Improvement Scheme (£6.6m) and Downshire Way duelling (£1.3m).
 - a reduction in the value of Investment Properties (£9.0m)
- 5.6.2 Due to its significant capital programme the Council began borrowing externally in 2016/17. Due the Council's improved cash position during the year no further long term borrowing was required and short term borrowing decreased by £15.0m to zero.

- 5.6.3 The short term creditor balance is £9.3m higher in 2020/21 than 2019/20. There is a significant creditor balance in 2020/21 relating to grants where the Council is acting as an agent for central government (£4.2m). The Council also received the government's share of section 31 grant relating to Business Rates reliefs (to assist with cash flow) which will need to be repaid next year (£13.5m). In 2019/20, £5.0m was owed to the Thames Valley Local Enterprise Partnership at the end for the year in relation to the Business Rates Pilot. There was no pilot arrangement in 2020/21. A breakdown is shown on page 76 of the accounts.
- 5.6.4 The increase in Capital Grants and Other Contributions compared to last year primarily reflects the receipt of S106 income which was not applied to capital schemes during the year.

5.7 Capital Financing Requirement

- 5.7.1 The Council's Capital Financing Requirement (CFR) increased by £3.0m to £214.6m as at 31 March 2021. 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. A charge is made each year to revenue known as the Minimum Revenue Provision which writes down the balance of the CFR over time. Further details can be found in Note 19 (page 74) of the Financial Statements.

5.8 Audit of Accounts

- 5.8.1 The draft accounts have been subject to scrutiny by the Council's external auditor. As part of the audit of the pension fund it was discovered that the value of the Royal County of Berkshire Pension Fund's assets were understated by £48.12m in the Pension Fund's financial statements resulting in a misstatement of £5.732m in the Council's accounts. As this figure was above the materiality threshold for the Council, the accounts were amended. No other significant amendments were required to the Statement of Accounts.

5.9 Letter of Representation

- 5.9.1 The Letter of Representation is a significant part of the audit process that enables the external auditor to form an opinion as to whether the financial statements give a true and fair view of the financial position of the Council as at 31 March 2021 and of its expenditure and income for the year then ended. The Letter is normally attached as an Annex but was not available when the agenda was published. It is expected to be available at the meeting so that the Committee can review and confirm its approval of the letter and authorise the Chairman to sign it on its behalf with the Executive Director: Resources.

6 ADVICE RECEIVED FROM STATUTORY AND OTHER OFFICERS

Borough Solicitor

- 6.1 The Accounts and Audit (Amendment) Regulations 2021 require the 2020/21 Statement of Accounts to be formally approved by Members (a Committee or Council) and signed by the Chairman / Mayor and the appointed auditor by 30 September 2021.

Executive Director: Resources

- 6.2.1 The Financial Statements 2020/21 is the published document which includes the 2020/21 Statement of Accounts. The Statement of Accounts includes the Movement in Reserves Statement, Comprehensive Income & Expenditure Statement, Balance Sheet, Cash Flow Statement, Collection Fund and Group Accounts together with notes which expand and explain the information in these statements.

Equalities Impact Assessment

- 6.3 None required.

Strategic Risk Management Issues

- 6.4 There are none arising directly from this report.

7 CONSULTATION

Not applicable.

Contacts for further information

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Financial Statements 2020/21

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NARRATIVE REPORT

1 Introduction

The Accounts and Audit Regulations 2015 require the Council to produce a Statement of Accounts for each financial year giving certain specified information. This Narrative Report accompanies the accounts and provides a brief explanation of the financial aspects of Bracknell Forest Council's activities and draws attention to the main characteristics of the Council's financial position. To assist readers, a glossary of accounting terms is included on pages 105 to 110.

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

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

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

This Narrative Report is followed by:

- **The Independent Auditor's Report** which includes the auditor's opinion on the Statement of Accounts and assesses the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources.
- **The Statement of Accounts** which incorporates the following main statements and related notes:
 - **The Statement of Responsibilities** which sets out the respective responsibilities of the Council, the Governance and Audit Committee and the Executive Director: Resources.
 - **The Comprehensive Income & Expenditure Statement**, which shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from Council Tax. Councils raise Council Tax to cover expenditure in accordance with regulations; this may be different from the accounting cost. The Council Tax position is shown in the Movement in Reserves Statement.
 - **The Movement in Reserves Statement**, which shows the movement in the year on the different reserves held by the Council, analysed into 'usable reserves' (i.e. those that can be applied to fund expenditure or reduce local taxation) and other reserves.
 - **The Balance Sheet**, which shows the value as at the Balance Sheet date of the assets and liabilities recognised by the Council. The net assets of the Council (assets less liabilities) are matched by the reserves held by the Council. Reserves are reported in two categories. The first category of reserves are usable reserves, i.e. those reserves that the Council may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use (for example the Capital Receipts Reserve that may only be used to fund capital expenditure or repay debt). The second category of reserves is those that the

NARRATIVE REPORT

Council is not able to use to provide services. This category of reserves includes reserves that hold unrealised gains and losses (for example the Revaluation Reserve), where amounts would only become available to provide services if the assets are sold; and reserves that hold timing differences shown in the Movement in Reserves Statement section 'Adjustments between accounting basis and funding basis under regulations'.

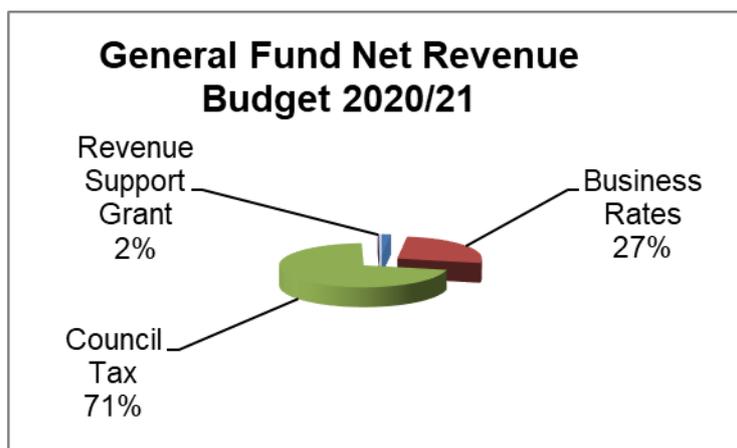
- **The Cash Flow Statement**, which shows the changes in cash and cash equivalents (investments that mature in three months or less) of the Council during the reporting period. The statement shows how the Council generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities. The amount of net cash flows arising from operating activities is a key indicator of the extent to which the operations of the Council are funded by way of Council Tax and grant income or from the recipients of services provided by the Council. Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute to the Council's future service delivery. Cash flows arising from financing activities are useful in predicting claims on future cash flows by providers of capital (i.e. borrowing) to the Council.
- **The Collection Fund**, which records the Council Tax and Business Rates raised by the Council during the year and how they are subsequently distributed.
- **The Group Accounts** include the group statements and associated notes for the Council and its wholly owned subsidiary Downshire Homes Ltd.

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

2 Revenue Expenditure

The Council, at its meeting on 26 February 2020, set a revenue budget for the 2020/21 financial year of £91.207m. The total authorised General Fund net expenditure for the 2020/21 financial year was £94.779m (including parish precepts of £3.572m). Further increases to service budgets can be approved if they are financed from earmarked and other reserves. When these further budgets are approved an equivalent sum is transferred from the reserve to the revenue account. These transfers do not have an impact on the overall budget.

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



NARRATIVE REPORT

The table on page 5 compares actual outturn expenditure incurred with the amended budgets for the year for the General Fund. This table reflects the Council's directorate structure during 2020/21, which is the basis for the internal management of performance against budgets, as does the Comprehensive Income & Expenditure Statement.

Changes in capital charges (£1.2m) and pension adjustments (-£6.2m) account for part of the movement on service directorate budgets since the original budget was approved. These are reversed out of the accounts and therefore there is no net change to the overall budget. Other significant adjustments included transfers to reserves (-£2.7m).

Council spending was within budget for the twenty-third successive year. The table on page 5 shows an under spend of -£3.615m occurred on the General Fund. In-year projections had indicated a potentially significant overspend developing, however additional government funding towards COVID-19 pressures and an improvement in the position on social care costs helped to turn this position around. Additional COVID-19 funding has been allocated to individual Directorates and consequently they show an overall nil variance in the table. The most significant variances from budget are explained in the sections below.

3 Major Revenue Variances

The major variances occurred in the following areas:

Central

- Additional consultancy costs associated with planning appeals (£0.156m).
- Loss of income within Traffic due to the pandemic, particularly from Street Works (£0.131m).
- Additional income for Suitable Alternative Natural Greenspaces (SANGS) capacity (-£0.129m)
- Loss of income from the closure of The Lookout due to the pandemic (£0.274m).
- Transfer of government grant into Central to cover COVID-19 costs (-£0.481m).

Delivery

- An overspend in ICT relating to the purchase of computer software and licences and revenue contributions to capital (£0.198m).
- Underspends on running costs in Office Accommodation (-£0.120m) and Registration of Electors / Elections (-£0.105m).
- An overspend within Waste Management primarily relating to the cost of waste disposal (£0.457m).
- An overspend on Car Parks due to the loss of income (£1.019m) partly offset by a reduction in running costs (-£0.353m).
- Financial support provided under the leisure contract because of the pandemic (£1.329m).
- A net overachievement of income at the Cemetery and Crematorium (-£0.230m).
- Transfer of government grant into Delivery to cover COVID-19 costs (-£2.084m).

People

- An overspend on Education and Learning (£0.335m) resulting from overspends on staffing (£0.371m) and unbudgeted costs for renting modular classrooms during emergency roof repair works (£0.251m), partly offset by a number of underspends in particular a significant variance at the Open Learning Centre (-£0.107m).
- A net underspend on Children's Social Care. The most significant variances included underspends on staffing (-£0.316m), care leavers support and maintenance costs (-£0.135m) and Childcare Solicitors (-£0.058m) partly offset by an overspend on care and accommodation costs (£0.243m).

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- An overspend on care packages within adult social care, primarily due to an increase in the number and cost of learning disability clients (£0.856m). This was partly offset by underspends at Waymead, the in-house respite service, as it remained closed throughout the year (-£0.162m) and on staffing costs (-£0.250m).
- An overspend on externally provided social care primarily due to clients in the community requiring support with memory & cognition (£0.656m). An internal review of contracts within Forestcare helped achieve an underspend (-£0.184m).
- An underspend on Early Help and Communities (-£0.940m). The main elements were an underspend within Housing Welfare & Benefits (-£0.485m), largely caused by a reduction in the provision for bad debts, staff vacancies (-£0.425m) partly offset by an overspend on Housing Management and Property (£0.303m) in both running and staff costs.
- Transfer of government grant into People to cover COVID-19 costs (-£0.141m).

Non-Departmental / Council Wide

- A significant under spend on interest budgets (-£0.966m). Average cash balances have been substantially higher than those experienced in 2019/20, removing the need for any new borrowing in 2020/21. This has resulted from a combination of slippage on the capital programme, the underspend on the revenue budget and positive cashflows from grants being received, pending their allocation.
- Higher than forecast capital receipts in 2019/20 and significant capital carry forwards into 2020/21 helped to create an under spend against the Minimum Revenue Provision (-£0.148m).
- An overspend relating to an additional payment to the Thames Valley Local Enterprise Partnership (£0.241m), increases in the levy payable to central government (£0.649m) and reductions in the section 31 grant receivable from central government (£0.326m) because of the actual, more positive outturn position on Business Rates income.
- The impact of the triennial pension revaluation on employers' pension contributions was less than expected (-£0.088m).
- Other under spends primarily relating to pension recharges and joint arrangements, and the provision for bad debts and write offs (-£0.133m).
- Not all the COVID-19 LA Support Grant received from the government to help meet pressures resulting from the pandemic was required by directorates (-£1.810m).
- Not all the Contingency Fund was required in 2020/21, resulting in an underspend (-£1.930m).
- Transfers into the ICT Transformation (£0.189m) and the School Masterplans and Feasibility Studies (£0.055m) Reserves.

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

NARRATIVE REPORT

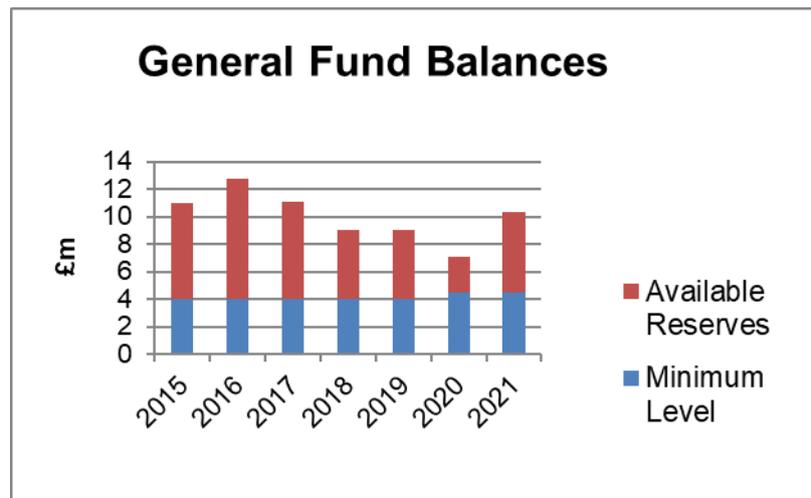
GENERAL FUND	Original Budget £000	Latest Budget £000	Actual £000	Variance £000
Central	18,616	18,684	18,684	0
Delivery	13,862	14,361	14,361	0
People	78,848	72,379	72,379	0
Net cost of General Fund services	111,326	105,424	105,424	0
Capital Charges & Revenue Expenditure Funded from Capital Under Statute	(14,659)	(15,905)	(15,905)	0
Capital Expenditure Charged to the General Fund	0	1,024	1,024	0
IAS 19 Pension Adjustment	(12,007)	(5,777)	(5,777)	0
Council Wide Services including Business Rates Growth	(6,005)	(18,257)	(17,265)	992
Interest Receipts	0	8	(998)	(1,006)
Interest Payable	1,958	3,571	3,611	40
Minimum Revenue Provision	2,014	2,393	2,245	(148)
Levying Bodies	113	113	111	(2)
Contribution to Capital Reserves	(200)	0	0	0
Transfer to the Dedicated Schools Grant Adjustment Account	0	(2,626)	(2,626)	0
Contingency	2,250	1,930	0	(1,930)
COVID-19 Hardship Fund	0	(610)	(610)	0
COVID-19 LA Support Grant	0	(3,589)	(5,399)	(1,810)
New Homes Bonus Grant	(1,917)	(1,917)	(1,917)	0
Flood and Travel Related Grants	(14)	(14)	(9)	5
Additional Restrictions Support Grant	0	(768)	(768)	0
LA Discretionary Grant Fund	0	(572)	(572)	0
Net Budget Requirement	82,859	64,428	60,569	(3,859)
Parish Precepts	3,572	3,572	3,572	0
Contributions to/(from) Earmarked Reserves	8,348	26,779	27,023	244
Amount to be met from Government Grants and Local Taxation	94,779	94,779	91,164	(3,615)
Resources to Finance Above				
Council Tax	(67,048)	(67,048)	(67,048)	0
Collection Fund Surplus	(8,750)	(8,750)	(8,750)	0
Revenue Support Grant	(1,771)	(1,771)	(1,771)	0
Business Rates (locally retained element)	(16,831)	(16,831)	(16,831)	0
Contribution to/(from) General Reserves	(379)	(379)	3,236	3,615
Total Resources	(94,779)	(94,779)	(91,164)	3,615

4 General Reserves

As the actual outturn for 2020/21 was an under spend of -£3.615m, the Council returned £3.236m to General Reserves rather than the budgeted £0.379m withdrawal. This means that more resources are available to assist the Council with balancing future years' budgets. The General Reserves balance at 31st March 2021 was £10.327m, with only £0.001m committed to funding the 2021/22 revenue budget. The following chart shows the movement in the level of General Fund Balances including the minimum recommended prudent balance, which was increased to £4.5m in 2019/20. There is therefore potentially £5.8m available before reaching this level, although careful consideration will need to be given to the required

NARRATIVE REPORT

level of General Reserves in future years as the on-going impact on spending and funding becomes clearer over the months and years ahead.



5 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 net pension liability and a pension reserve of £354.4m as at 31 March 2021. The pension liability reflects the Fair Value of future pension liabilities that have been incurred less the assets that have already been set aside to fund them.

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

The Council’s contribution rate to the pension fund is formally determined by the scheme actuary every three years. After the valuation on 31 March 2019, the employer future service funding rate was set at 15.5% of pensionable pay from 2020/21 with the variable past service deficit element paid as a lump sum in each financial year (£3.171m in 2020/21).

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

6 Capital Expenditure

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

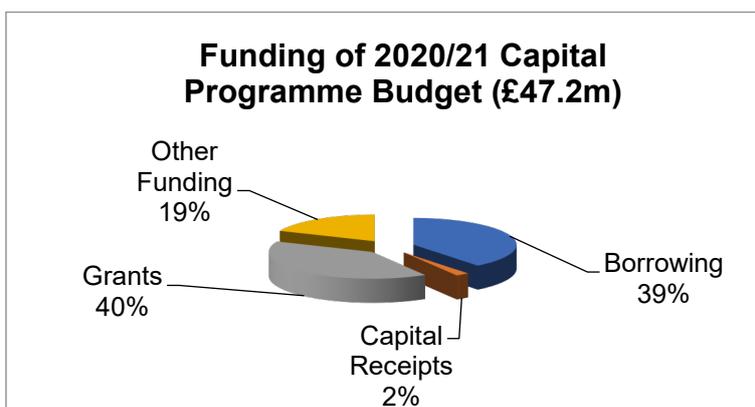
- Capital Receipts
- Government Grants
- Section 106 Receipts, Community Infrastructure Levy and other contributions
- Borrowing

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The disposal of other assets has become increasingly important to the capital programme; however, it is important to give full consideration to options available when assets are no longer required for operational purposes. All surplus, or potentially surplus, property is therefore considered by the Asset Management Board who co-ordinate and manage the Council's disposal programme. The Council has also established a property joint venture (see section 9) in order to secure maximum benefit from its surplus assets to support the town's regeneration. This is also expected to create revenue income streams.

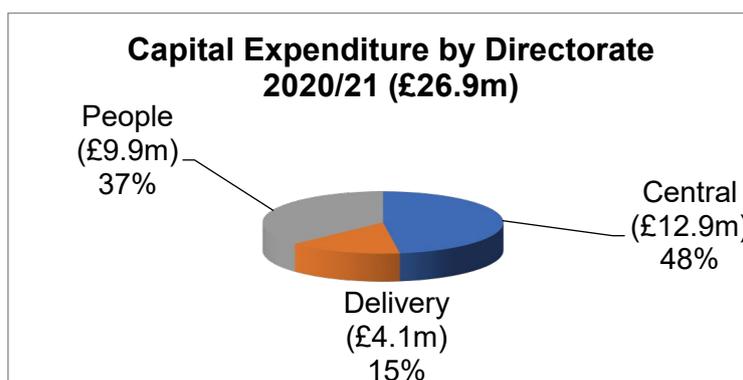
Due to the size of its capital programme the Council started to borrow externally in 2016/17, having previously been debt free.

The Council originally approved a capital programme of £20.3m for 2020/21 (including £1m for unspecified Invest to Save Schemes), plus a further £26.9m carried forward from 2019/20, to be funded as shown in the following chart.



The Council actually spent £26.9m on capital projects in 2020/21 to maintain and enhance existing assets and to create or purchase new assets. Many schemes included in the capital programme are both technically and logistically complex to implement. Issues such as planning approvals, land transfers and inclement weather can all lead to unavoidable delays. In addition, their financial scale requires a lengthy tender process to ensure the best price is obtained prior to letting the contract. It is therefore 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 following chart illustrates the expenditure by service, with details of individual schemes and financing being provided in the table on page 8.



During the year, £1.4m of capital receipts were used to fund capital expenditure. The most significant receipts were from the sale of land and buildings (£1.1m)

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The net increase (after repayments and refinancing) in the Council's Capital Financing Requirement (CFR) was £3.0m to £214.6m as at 31 March 2021. The CFR 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. The Council held £80m of loans on a long term basis from the Public Works Loans Board to help finance capital expenditure (see Note 34). A charge is made each year to revenue known as the Minimum Revenue Provision which writes down the balance of the CFR over time. Further details can be found in Note 19.

The value of the Council's Long Term Assets was £708.8m as at 31 March 2021.

CAPITAL PROGRAMME EXPENDITURE 2020/21		
	£000	£000
Central		
Highways	1,979	
Replacement of LED Street Lights	1,004	
Mobility and Access Improvement Schemes	266	
Local Safety Schemes	212	
Leisure - Outdoor Recreation	731	
Residential Street Parking	243	
Downshire Way Duelling	1,265	
A3095 Improvement Scheme	6,631	
Community Centres	212	
Traffic Signal Infrastructure	107	
Other Schemes	192	12,842
People		
Kings Academy Oakwood	231	
Primary School Projects	1,239	
Delegated Schools Capital	294	
Maintenance of Buildings	2,461	
Heathlands Re-development	3,075	
Housing Schemes	1,204	
Other Schemes	1,440	9,944
Delivery		
Improvements and Capitalised Repairs	2,006	
Waste Vehicles	758	
Libraries	81	
Bracknell Leisure Centre	320	
ICT Schemes	607	
Other Schemes	325	4,097
Total Capital Expenditure		26,883
FINANCING:		
Capital Receipts		1,356
Capital Grants & Contributions (incl. Community Infrastructure Levy)		19,169
Direct Revenue Funding		1,024
Increase in Capital Financing Requirement		5,334
Total Financing		26,883

7 Changes to Accounting Policies

There have been no changes to the Council's accounting policies in 2020/21.

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8 Provisions and Write-offs

The provision for Business Rates appeals is required to cover the liabilities arising from the refunding of ratepayers who successfully appeal against the rateable value of their properties on the rating list. The Council's share of the provision has decreased by £1.5m to £6.8m to reflect the latest information on appeals. The position on appeals is increasingly difficult to predict following the 2017 valuation, the Valuation Office Agency's new Check, Challenge, Appeal process and the economic impact of COVID-19.

General Fund write-offs totalling £0.327m were made in 2020/21 the majority of which related to Adult Social Care and Housing.

9 Bracknell Town Centre Regeneration

The regenerated town centre, called The Lexicon Bracknell opened as planned on the 7 September 2017. The Lexicon has created a new social and cultural heart for the area, by bringing a high-quality mix of shops, restaurants and entertainment within vibrant public spaces to the town centre.

An extensive makeover of Princess Square started in the autumn of 2019 as part of the next stage in Bracknell town centre's regeneration. This major milestone in Bracknell town centre's overall regeneration was secured following the signing of a legal agreement between Bracknell Forest Council and its development partner, Bracknell Regeneration Partnership (BRP). The new look Princess Square will provide customers with the perfect blend of convenience and destination shops and eateries, as a natural extension and next phase of the regeneration of the town.

A further investment phase, to turn the old Bentalls unit into a vibrant new covered public space to be known as The Deck, will provide new food and retail units linking The Lexicon directly with the revitalised Princess Square. In total, the refurbishment of Princess Square and development of The Deck represent a further £30m of investment by the council and BRP. Whilst the project has been delayed by the pandemic, funding was secured from the Thames Valley Berkshire Local Enterprise Partnership's Local Growth Fund in January for the demolition of the old Bentalls unit and work has now commenced. The cleared site will then be transformed into The Deck.

The Council has also established a property joint venture with Countryside Properties, called the Bracknell Forest Cambium Partnership, which will help the town centre to continue to grow whilst providing new homes. Several projects are planned, the first being the redevelopment of the Coopers Hill site (next to Bracknell Train Station). The aim is to create new homes for families, first time buyers and older people, all within walkable reach of the town centre. At the same time a brand new youth hub will be opened at Braccan Walk. This will provide a space in the town centre for young people to meet and take part in varied activities.

10 Forward Look

Preparations for the Council's 2021/22 budget started in earnest in September 2020. Over the course of the Autumn there was real uncertainty around the on-going impact of COVID-19 and the level of the Government's financial support for local authorities to deal with this. Indeed, it was only after the Council's draft budget proposals for next year were published for consultation on 15 December that we received confirmation of our funding levels.

It is fair to say that the Government's response has been welcome. Additional funding has been received specifically relating to the service pressures and income losses experienced

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due to COVID-19. In addition, some specific grants that were expected to end in 2020/21 have been continued into next year.

Consequently, the Council has some unexpected one-off financial flexibility. Councillors have decided to use this to help protect all essential front-line services and to develop a package of measures to help residents and businesses start to recover from the pandemic. This includes support for our local economy including our town centres, recognising their important role in employment and the wider economy, and for vulnerable groups.

In terms of core services, savings of over £3m have been identified to help offset pressures (many Covid related) totalling over £8m. There is also an increase of 3.49% for Bracknell Forest's element of the Council Tax. This is significantly lower than the maximum permitted increase of 4.99% and will add 91 pence per week to a Band D bill.

It is recognised that any increase is unwelcome and for some households may be unaffordable. For this reason, working age households in receipt of Council Tax Support will see a £150 reduction in their tax bill in 2021/22.

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

- significant pressures on the Council's ability to balance its finances whilst maintaining satisfactory service standards;
- the impact of COVID-19 on staffing and supplier resources, public the impact of the coronavirus on internal staff resources and external suppliers, and the council's ability to deliver essential services and meet the increasing needs of the community;
- the impact of the high use of long term locums and agency workers for key posts on finances and business resilience;
- uncertainty around the ongoing impact of Brexit, the financial and operational implications for services such as social care, contingency planning requirements and the potential impact for businesses located in the Borough;
- ensuring children with special education needs receive timely and appropriate support for their education where demand is increasing, and internal resources are limited;
- the impact of demand led services and the need to plan for and respond to future and in-year demographic changes, changes in the market for services and any associated financial pressures;
- sustaining adult social care services where there is a risk of insufficient external provision;
- effective safeguarding of children and vulnerable adults when there are external factors outside the Council's control;
- potential budget reductions that may reduce the effectiveness of measures to maintain highways and assets.
- delivery of an IT Strategy and digital infrastructure that meets business and customer needs, compliance, information accuracy, greater reliance on end users and the threat of cyber-attacks;
- maintaining adequate Business Continuity plans and procedures;
- maintaining an adequate internal control environment.

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

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11 Coronavirus (COVID-19) Pandemic

The Coronavirus (COVID-19) pandemic has continued to have a significant service and financial impact on the Council throughout the year.

Central Government provided general support to councils for cost pressures and specific support for the loss of fees and charges using a range of grants. It also included grant schemes to support businesses including the Small Business Grant Fund; Retail, Hospitality and Leisure Grant Fund, multiple Local Restrictions grants and the Additional Restrictions Grant. Councils have been responsible for administering and paying over the grants to the businesses affected, in line with published guidance. Some of the schemes are fully reimbursed for all costs incurred, others have provided a set allocation. The Council has used its business rates system to identify the properties that meet the eligibility criteria for many of the grants. However, these grants are not Collection Fund transactions. Some have been made available specifically for businesses that do not pay business rates.

Where the Council has acted as an agent of government neither the income nor the payments are recorded in the Comprehensive Income & Expenditure Statement. Further information on the individual grants dealt with on an agency basis is included in Note 13. Over £20.9m (£19.5m for business support) has been received and £16.5m paid out in this manner.

The Council continues to work closely with central government and the health service to support businesses and residents. The Corporate Management Team and members have been meeting regularly since March 2020 to consider and lead the Council's response to the crisis.

Several key actions were taken at the start of the pandemic in March 2020 and these have continued throughout 2020/21:

- enacting Directorate Business Continuity Plans and adapting them to address the specific risks of COVID-19 where appropriate, liaising with other local areas through the Thames Valley Local Resilience Forum and a range of Berkshire-wide groups;
- monitoring and implementing central government and Public Health England guidance and best practice;
- working with key suppliers to ensure they continue to be financially viable and have put appropriate business continuity arrangements in place to avoid/mitigate the risk of disruption to critical services;
- identifying and working with vulnerable groups and individuals who may need additional support;
- working with volunteers to support local communities;
- ensuring additional government support provided for businesses and Council Tax payers experiencing hardship is distributed in a timely manner whilst minimising the risk of fraud;
- identifying, monitoring and reporting to Government on the financial impact of the pandemic on costs and income;
- ensuring IT systems continue to support remote working and the Council's website contains up to date information and advice on local services and national guidance;
- ensuring essential services continue to be delivered whilst avoiding all but critical face to face contact;
- monitoring and supporting Schools;
- regular communications with staff via MS Teams, video, email and phone with almost all staff continuing to work from home;
- monitoring workforce statistics and staffing matters including staff health and safety;
- ensuring virtual council meetings can take place.

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Moving forward, the Council will continue to review its Medium Term Financial Strategy in recognition of the impact of the pandemic. The changing environment and “new normal” in which we will find ourselves requires the Council to review the services it provides, the delivery models employed and to focus on ensuring outcomes that are of the highest priority.

12 Further Information

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

Stuart McKellar Executive Director: Resources
Stuart.Mckellar@bracknell-forest.gov.uk

Arthur Parker Chief Accountant
Arthur.Parker@Bracknell-Forest.gov.uk

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

Opinion

We have audited the financial statements of Bracknell Forest Council for the year ended 31 March 2021 under the Local Audit and Accountability Act 2014. The financial statements comprise the:

- Authority and Group Movement in Reserves Statement,
- Authority and Group Comprehensive Income and Expenditure Statement,
- Authority and Group Balance Sheet,
- Authority and Group Cash Flow Statement,
- the related notes 1 to 41 to the Authority Financial Statements,
- the related notes 1 to 2 to the Group Financial Statements,
- Collection Fund and the related notes 1 to 4.

The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21.

In our opinion the financial statements:

- give a true and fair view of the financial position of Bracknell Forest Council as at 31 March 2021 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 2020/21.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report below. We are independent of the Council in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard and the Comptroller and Auditor General's (C&AG) AGN01, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the Executive Director: Resources' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the authority's ability to continue as a going concern for a period of 12 months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the Executive Director: Resources with respect to going concern are described in the relevant sections of this report. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the authority's ability to continue as a going concern.

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

Other information

The other information comprises the information included in the Statement of Accounts 2020/21, other than the financial statements and our auditor's report thereon. The Executive Director: Resources is responsible for the other information contained within the Statement of Accounts 2020/21.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements, or our knowledge obtained in the course of the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

Matters on which we report by exception

We report to you if:

- in our opinion the annual governance statement is misleading or inconsistent with other information forthcoming from the audit or our knowledge of the Council;
- we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014;
- we make written recommendations to the audited body under Section 24 of the Local Audit and Accountability Act 2014;
- we make an application to the court for a declaration that an item of account is contrary to law under Section 28 of the Local Audit and Accountability Act 2014;
- we issue an advisory notice under Section 29 of the Local Audit and Accountability Act 2014;
- we make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014;
- we are not satisfied that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2021.

We have nothing to report in these respects

Responsibility of the Executive Director: Resources

As explained more fully in the Statement of Responsibilities set out on page 19, the Executive Director: Resources 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 2020/21, and for being satisfied that they give a true and fair view and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

In preparing the financial statements, the Executive Director: Resources is responsible for assessing the Authority's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Authority either intends to cease operations, or have no realistic alternative but to do so.

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.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect irregularities, including fraud. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below. However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the entity and management.

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the authority and determined that the most significant are:
 - Local Government Act 1972,
 - School Standards and Framework Act 1998
 - Local Government Finance Act 1988 (as amended by the Local Government Finance Act 1992),
 - Education Act 2002 and school Standards and Framework Act 1998 (England)
 - Local Government Act 2003,
 - The Local Authorities (Capital Finance and Accounting) (England) Regulations 2003 as amended in 2018 and 2020,
 - Waste and Emissions Trading Act 2003,
 - National Health Service Act 2006,
 - Planning Act 2008 and the Community Infrastructure Levy Regulations 2010 (SI 2010/948),
 - The Local Audit and Accountability Act 2014, and
 - The Accounts and Audit Regulations 2015.

In addition, the authority has to comply with laws and regulations in the areas of anti-bribery and corruption, data protection, employment and tax legislation, general power of competence, procurement and health & safety.

- We understood how Bracknell Forest Council is complying with those frameworks by understanding the incentive, opportunities and motives for non-compliance, including inquiring of management, head of audit and risk management and those charged with governance and obtaining and reading documentation relating to the procedures in place to identify, evaluate and comply with laws and regulations, and whether they are

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

aware of instances of non-compliance. We corroborated this through our reading of the authority's committee minutes, through enquiry of employees to confirm authority policies, and through the inspection of employee handbooks and other information. Based on this understanding we designed our audit procedures to identify non-compliance with such laws and regulations. Our procedures had a focus on compliance with the accounting framework through obtaining sufficient audit evidence in line with the level of risk identified and with relevant legislation.

- We assessed the susceptibility of the authority's financial statements to material misstatement, including how fraud might occur by understanding the potential incentives and pressures for management to manipulate the financial statements, and performed procedures to understand the areas in which this would most likely arise. Based on our risk assessment procedures, we identified inappropriate capitalisation of revenue expenditure, inappropriate recognition of rental income, and management override of controls to be our fraud risks.
- To address our fraud risk of inappropriate capitalisation of revenue expenditure we tested the authority's capitalised expenditure to ensure the capitalisation criteria were properly met and the expenditure was genuine.
- To address our fraud risk of inappropriate recognition of rental income, we tested the authority's rental income to ensure the recognition criteria was properly met, the income was genuine, and the income was recorded in the correct financial year.
- To address our fraud risk of management override of controls, we tested specific journal entries identified by applying risk criteria to the entire population of journals. For each journal selected, we tested specific transactions back to source documentation to confirm that the journals were authorised and accounted for appropriately.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

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

We have undertaken our review in accordance with the Code of Audit Practice, having regard to the guidance on the specified reporting criteria issued by the Comptroller and Auditor General (C&AG) in April 2021, as to whether Bracknell Forest Council had proper arrangements for financial sustainability, governance and improving economy, efficiency and effectiveness. The Comptroller and Auditor General determined these criteria as those necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether Bracknell Forest Council put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2021.

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

We are required under Section 20(1)(c) of the Local Audit and Accountability Act 2014 to satisfy ourselves that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

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

We are not required to consider, nor have we considered, whether all aspects of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

Certificate

We certify that we have completed the audit of the accounts of Bracknell Forest Council in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice issued by the National Audit Office.

Use of our report

This report is made solely to the members of Bracknell Forest Council as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014 and for no other purpose, as set out in paragraph 43 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than Bracknell Forest Council and Bracknell Forest Council's members as a body, for our audit work, for this report, or for the opinions we have formed.

Andrew Brittain (Key Audit Partner)
Ernst & Young LLP (Local Auditor)
Reading

** March 2022

APPROVAL OF ACCOUNTS

Certification

I confirm that these accounts were approved by the Governance and Audit Committee of the Council at its meeting on ** March 2022. The ** March 2022 is the date the accounts were authorised for issue and the date which has been used to assess any post balance sheet events.

Signed on behalf of Bracknell Forest Council:

Cllr Nick Allen
Chairman of Governance and Audit Committee

** March 2022

STATEMENT OF RESPONSIBILITIES

The Council's Responsibilities

The Authority is required to:

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

The Executive Director: Resources' Responsibilities

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

In preparing this Statement of Accounts, the Executive Director: Resources has:

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

The Executive Director: Resources has also:

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

I certify that the Statement of Accounts gives a 'true and fair view' of the financial position of the Council as at 31 March 2021 and of its income and expenditure for the year ended 31 March 2021.

Stuart McKellar CPFA
Executive Director: Resources

** March 2022

COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

	2020/21			Note	2019/20		
	Gross Expenditure £000	Gross Income £000	Net £000		Gross Expenditure £000	Gross Income £000	Net £000
Central	29,180	(7,926)	21,254		29,253	(6,435)	22,818
Delivery	35,382	(8,739)	26,643		35,313	(10,560)	24,753
People	211,427	(141,388)	70,039		200,659	(131,613)	69,046
Non / Council Wide	1,339	0	1,339		1,276	(8,326)	(7,050)
Cost of Services	277,328	(158,053)	119,275	5, 6	266,501	(156,934)	109,567
Other Operating Expenditure							
Levies			111				109
Parish Council Precepts			3,572				3,335
Other Income from Capital Receipts that do not arise from the Disposal of an Asset			(1,306)				(2,359)
(Gain)/Loss on the Disposal of Property, Plant & Equipment			3,519				1,440
Other Pension Administration Costs			149	11			150
Financing and Investment Income and Expenditure							
(Surplus)/Deficit on Trading Operations			45				116
Interest Receivable and Similar Income			(998)	34			(1,337)
Interest Payable and Similar Charges			3,611	34			3,791
Income and Expenditure in Relation to Investment Properties			(7,578)	18			(7,267)
Changes in Fair Value of Investment Properties			8,077	18			(1,004)
(Gain)/Loss on the Disposal of Investment Properties			50	18			4
Net Interest on the Net Defined Benefit Pension Liability			5,630	11			6,755
Impairment losses / (gains)			(1)	34			703
Taxation and Non-specific Grant Incomes							
Council Tax Income			(67,058)				(63,262)
General and other Non-Ringfenced Government Grants			(29,774)	10			(10,465)
Business Rates Income and Expenditure			(9,667)	10			(26,637)
Capital Grants and Contributions			(21,635)	10			(25,378)
(Surplus) or Deficit on Provision of Services			6,022	5, 7			(11,739)
(Surplus) or Deficit on Revaluation of Non-Current Assets			(18,335)	29			(33,882)
Remeasurements of the Net Defined Benefit Pension Liability			91,902	11			(55,425)
Other Comprehensive Income and Expenditure			73,567				(89,307)
Total Comprehensive Income and Expenditure			79,589				(101,046)

MOVEMENT IN RESERVES STATEMENT

2020/21	General Reserves	Earmarked Reserves	Capital Receipts Reserve	Capital Grants Unapplied	Total Usable Reserves	Total Unusable Reserves	Total Council Reserves
	£000	£000	£000	£000	£000	£000	£000
Balance at 1 April 2020	7,091	57,186	92	18,792	83,161	239,011	322,172
Movement in Reserves During 2020/21							
Total Comprehensive Income and Expenditure	(6,022)	0	0	0	(6,022)	(73,567)	(79,589)
Adjustments Between Accounting Basis and Funding Basis Under Regulations (Note 8)	36,281	0	1,245	3,956	41,482	(41,482)	0
Transfer (to)/from Earmarked Reserves	(27,023)	27,023	0	0	0	0	0
Increase/(Decrease) in Year	3,236	27,023	1,245	3,956	35,460	(115,049)	(79,589)
Balance at 31 March 2021	10,327	84,209	1,337	22,748	118,621	123,962	242,583

2019/20	General Reserves	Earmarked Reserves	Capital Receipts Reserve	Capital Grants Unapplied	Total Usable Reserves	Total Unusable Reserves	Total Council Reserves
	£000	£000	£000	£000	£000	£000	£000
Balance at 1 April 2019	9,060	49,763	0	11,960	70,783	150,343	221,126
Movement in Reserves During 2019/20							
Total Comprehensive Income and Expenditure	11,739	0	0	0	11,739	89,307	101,046
Adjustments Between Accounting Basis and Funding Basis Under Regulations (Note 8)	(6,285)	0	92	6,832	639	(639)	0
Transfer (to)/from Earmarked Reserves	(7,423)	7,423	0	0	0	0	0
Increase/(Decrease) in Year	(1,969)	7,423	92	6,832	12,378	88,668	101,046
Balance at 31 March 2020	7,091	57,186	92	18,792	83,161	239,011	322,172

BALANCE SHEET

	Notes	31 March 2021 £000	31 March 2020 £000
Property, Plant and Equipment			
Other Land and Buildings	17	450,592	434,384
Vehicles, Plant and Equipment	17	13,873	14,017
Infrastructure Assets	17	68,489	70,491
Community Assets	17	6,838	6,536
Assets Under Construction	17	25,159	15,061
	17	564,951	540,489
Heritage Assets		271	271
Investment Property	18	118,398	127,386
Intangible Assets		1,524	1,941
Long Term Debtors	21	23,618	25,725
Long Term Assets		708,762	695,812
Current Assets			
Inventories		63	64
Short Term Debtors	22	34,763	30,527
Cash and Cash Equivalents	23	17,160	17,668
Assets Held for Sale	17	0	0
		51,986	48,259
Current Liabilities			
Short Term Borrowing	34	0	(15,039)
Short Term Creditors	24	(62,226)	(52,969)
Provisions	25	(7,060)	(8,562)
		(69,286)	(76,570)
Long Term Liabilities			
Long Term Creditors	26	(18,703)	(18,911)
Waste PFI Donated Asset Account (deferred income)	15	(819)	(908)
Long Term Borrowing	34	(80,000)	(80,000)
Capital Grants and Other Contributions	10	(667)	(491)
Net Pension Liability	11	(348,690)	(245,019)
		(448,879)	(345,329)
Net Assets		242,583	322,172
Usable Reserves			
General Reserves		10,327	7,091
Earmarked Reserves	27	84,209	57,186
Usable Capital Receipts Reserve		1,337	92
Capital Grants Unapplied Reserve	28	22,748	18,792
		118,621	83,161
Unusable Reserves			
Revaluation Reserve	29	192,848	179,516
Capital Adjustment Account	30	298,614	299,995
Collection Fund Adjustment Account	32	(11,378)	8,250
Deferred Capital Receipts Reserve	31	1,376	1,446
Pension Reserve	11	(348,690)	(245,019)
Dedicated Schools Grant Adjustment Account	9	(2,626)	0
Accumulated Absences Account	33	(6,182)	(5,177)
		123,962	239,011
Total Reserves		242,583	322,172

These financial statements replace the unaudited financial statements certified by Stuart McKellar on 28 May 2021.

Stuart McKellar CPFA
Executive Director: Resources
**** March 2022**

CASH FLOW STATEMENT

		2020/21	2019/20
	Note	£000	£000
Cash Flows from Operating Activities			
Surplus or (Deficit) on Provision of Services		(6,022)	11,739
Adjust for Non Cash Movements			
Depreciation		14,665	16,226
Impairment & Revaluation Downwards of Non-Current Assets		404	(5,038)
Amortisation of Intangibles		468	424
Changes in Fair Value of Investment Properties		8,077	(1,004)
Changes in Provisions		(1,502)	(1,771)
Impairment losses/(gains)		(1)	703
Amortisation of Long Term Creditors		(64)	(64)
Carrying amount of Non-Current Assets sold		4,700	4,077
Amounts posted from the Donated Assets Account		(89)	(89)
Changes in Inventory		1	1
Changes in Interest Debtors		881	(384)
Changes in Interest Creditors		(83)	(603)
Changes in Debtors		(1,967)	2,506
Changes in Creditors		8,499	3,702
Changes in Net Pension Liability		11,769	14,156
Adjust for Items that are Investing or Financing Activities		(24,078)	(30,398)
Net Cash Flow From Operating Activities		15,658	14,183
Cash Flows from Investing Activities			
Purchase of Non-Current Assets		(22,491)	(20,479)
Purchase of Short Term and Long Term Investments		0	0
Other Payments for Investing Activities		0	(421)
Proceeds from Sale of Non-Current Assets		1,206	2,904
Other Receipts from Investing Activities		22,548	15,414
Net Cash Flow From Investing Activities		1,263	(2,582)
Cash Flows from Financing Activities			
Repayment of Short Term and Long Term Borrowing	35	(25,000)	(50,000)
Cash receipts of Short Term and Long Term Borrowing	35	10,000	30,000
Capital Element of PFI Contracts	35	(315)	(361)
Council Tax and Business Rates Adjustments		(2,114)	10,264
Net Cash Flow From Financing Activities		(17,429)	(10,097)
Net (Decrease)/Increase in Cash and Cash Equivalents in the Period		(508)	1,504
Cash and Cash Equivalents as of the Beginning of the Period	23	17,668	16,164
Cash and Cash Equivalents as of the End of the Period	23	17,160	17,668

The cash flows for operating activities include the following items:

	2020/21	2019/20
	£000	£000
Interest received	1,879	953
Interest paid	(3,694)	(4,394)

NOTES TO THE CORE FINANCIAL STATEMENTS

1 ACCOUNTING POLICIES

1.1 Basis of Preparation

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

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

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

1.2 Going Concern

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

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

However, the preparation of the financial statements requires management to assess the Council's ability to continue as a going concern even if the financial reporting framework does not include an explicit requirement to do so. Covid-19 has been a significant consideration in the assessment due to the uncertainty surrounding its impact and duration. Whilst the impact has proved to be material, significant additional resources have been received from Central Government to support the Council and the wider local economy. Both the cash and reserves position of the Council have also been considered. A cash flow forecast has been produced to September 2022 that indicates the only borrowing required will be temporary short term borrowing towards the end of the financial year to aid cash management. As at the 31 March 2021, the Council had General Reserves of £10.3m which is significantly above the Council's minimum recommended prudent balance of £4.5m and no reliance has been placed on the General Reserve to balance the budget in 2021/22. There are also significant earmarked reserves (£82.1m as of 31 March 2021), in particular the Future Funding Reserve (£18.4m), used to smooth the impact of changes in Business Rates income and central government funding decisions, and the Business Rates Revaluation Reserve (£7.5m), which will be used to meet the cost of any significant downward Business Rates valuations. Overall, the Council is therefore in a relatively strong position in terms of managing its medium term financial position.

1.3 Accounts Payable and Accrued Expenditure

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

NOTES TO THE CORE FINANCIAL STATEMENTS

1.4 Income Policy

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

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

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

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

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

1.5 Exceptional Items

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

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

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

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

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

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

1.7 Events after the Balance Sheet Date

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

- those that provide evidence of conditions that existed at the end of the reporting period – the Statement of Accounts is adjusted to reflect such events

NOTES TO THE CORE FINANCIAL STATEMENTS

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

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

1.8 Schools

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

1.9 Property, Plant and Equipment

Expenditure on Property, Plant and Equipment is capitalised at cost when it will bring benefits to the Council for more than one reporting period, subject to a de-minimis capitalisation threshold of £2,000. Items below this limit are charged to the Comprehensive Income and Expenditure Statement. The Council does not capitalise borrowing costs incurred whilst assets are under construction.

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

Operational land and buildings are subsequently measured at Current Value. Current Value is primarily based on the amount that would be paid for the asset in its existing use. Current Value is estimated using a depreciated replacement cost approach when the asset is specialised and/or rarely sold (such as a school). Surplus assets are measured at Fair Value which is based on best market value.

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

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

When an asset's carrying amount decreases as the result of a revaluation or impairment, the decrease is debited directly to the Revaluation Reserves to the extent of any credit balance

NOTES TO THE CORE FINANCIAL STATEMENTS

existing in respect of that asset. Any remaining decrease is recognised against the relevant service lines in the Comprehensive Income and Expenditure Statement.

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

Impairment

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

Depreciation

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

Buildings	shorter of remaining life or 70 years
Infrastructure Assets	shorter of remaining life or 90 years
Vehicles, Plant and Equipment	shorter of remaining lease period, remaining life, or 30 years

Where an asset comprises two or more major components with substantially different useful economic lives, each component is accounted for separately for depreciation purposes and depreciated over its individual useful life.

No depreciation is charged on land, community assets (as they are held in perpetuity with no determinable useful life) and assets under construction.

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

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

1.10 Heritage Assets

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

Heritage Assets are recognised and measured (including the treatment of revaluation gains and losses) in accordance with the Council's accounting policies on Property, Plant and

NOTES TO THE CORE FINANCIAL STATEMENTS

Equipment. However, some of the measurement rules are relaxed and consequently Heritage Assets are carried at valuation rather than Fair Value, reflecting the fact that exchanges of Heritage Assets are uncommon. There is also no requirement for valuations to be carried out or verified by external valuers, nor is there any prescribed minimum period between valuations.

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

1.11 Investment Property

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

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

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

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

Investment properties held at Fair Value are not depreciated.

1.12 Intangible Assets

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

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

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

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

NOTES TO THE CORE FINANCIAL STATEMENTS

1.13 Disposals and Non-current Assets Held for Sale

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

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

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

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

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

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

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

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

1.15 Charges to Revenue for Non-Current Assets

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

NOTES TO THE CORE FINANCIAL STATEMENTS

assets used in the provision of services. In addition, services also receive a charge for the amortisation of intangible assets and where required any impairment loss for intangible assets used in the provision of services.

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

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

1.16 Revenue Expenditure Funded from Capital under Statute

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

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

1.17 Private Finance Initiative (PFI)

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

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

- payment for the Fair Value of services received; and
- payment for the PFI assets, including finance costs and contingent rent.

Services Received

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

PFI Assets

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

NOTES TO THE CORE FINANCIAL STATEMENTS

PFI Liabilities

A PFI liability and a deferred creditor are recognised at the same time the PFI asset is recognised. The deferred creditor (donated asset account) reflects the proportion of the assets funded by third party revenues and is released over the life of the contract. The PFI is measured initially at the same amount as the PFI asset less the deferred creditor and is subsequently measured at amortised cost. Both liabilities are included in Short Term Creditors and Long Term Creditors. Interest is charged to the Comprehensive Income and Expenditure Statement over the arrangement period at a constant periodic rate of interest on the remaining balance of the liability for each period.

1.18 Lease Classification

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

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

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

Operating Leases (Council as Lessee)

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

Operating Leases (Council as Lessor)

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

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

Finance Leases (Council as Lessee)

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

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

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

NOTES TO THE CORE FINANCIAL STATEMENTS

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

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

Lease payments are apportioned between:

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

Finance Leases (Council as Lessor)

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

1.19 Cash and Cash Equivalents

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

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

1.20 Financial Instruments

Recognition

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

Financial Assets

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

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

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

NOTES TO THE CORE FINANCIAL STATEMENTS

Financial assets measured at amortised cost are initially recognised at Fair Value and then measured at amortised cost using the effective interest rate method. The effective interest rate is a method of calculating the amortised cost of a financial asset and of allocating the interest revenue or expense over the relevant period using the estimated future cash flows. For the loans that the Council has made, this means that the amount presented in the Balance Sheet is the outstanding principal receivable (plus accrued interest) and interest credited to the Comprehensive Income and Expenditure Statement is the amount receivable for the year in the loan agreement.

Expected Credit Loss Model for Financial Assets

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

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

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

Derecognition

A financial asset is considered for derecognition when the contractual rights to the cash flows from the financial asset expire, or the Council has either transferred the contractual right to receive the cash flows from the asset, or has assumed an obligation to pay those cash flows to one or more recipients, subject to certain criteria. The Council de-recognises a transferred financial asset if it transfers substantially all the risks and rewards of ownership. Any gains and losses that arise on derecognition are credited or debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

Financial Liabilities

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

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

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

1.21 Fair Value

The Council measures Surplus Assets and Investment Properties and some of its financial instruments, such as finance leases and its PFI arrangement, at Fair Value at each reporting date. Fair Value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the 31 March. The Fair Value

NOTES TO THE CORE FINANCIAL STATEMENTS

measurement assumes that the transaction takes place in the principal or most advantageous market for the asset or liability.

When measuring the Fair Value of a non-financial asset, the Council takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Council uses appropriate valuation techniques for each circumstance, maximising the use of observable inputs where available. The Fair Value hierarchy categorises inputs as follows:

Level 1 – quoted prices in active markets for identical assets or liabilities.

Level 2 – other inputs that are observable for the asset or liability, either directly or indirectly.

Level 3 – unobservable inputs for the asset or liability.

1.22 Employee Benefits

Leave and flexi-time

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

Termination Benefits

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

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

Post Employment Benefits

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

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

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

Teacher's Pension Scheme

NOTES TO THE CORE FINANCIAL STATEMENTS

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

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

Local Government Pension Scheme

The Council's contributions are determined by triennial actuarial valuation. Under Superannuation Regulations, the contribution rates are set to meet all the liabilities of the fund.

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

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

The assets of the pension fund attributable to the Council are measured at Fair Value as follows:

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

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

- (i) Service cost, comprising:
 - current service cost – the increase in liabilities as a result of years of service earned this year;
 - past service cost – the change in liabilities arising from current year decisions whose effect relates to years of service earned in earlier years or from plan curtailments;
 - gains or losses on settlements - transactions that eliminate all further legal or constructive obligations for part or all of the benefits provided under the plan;
- (ii) Other Pension Administration Costs which are those that are directly related to the management of plan assets. These are included under Other Operating Expenditure.
- (iii) Net interest on the net defined benefit liability - the change during the period in the net defined benefit liability. It is calculated by applying the discount rate used to measure the defined benefit obligation at the beginning of the period to the net defined benefit liability at the beginning of the period adjusted for contribution and benefit payments during the year.

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(iv) Remeasurements comprising:

- differences between the return on plan assets and interest income on plan assets calculated as part of the net interest on the net defined benefit liability;
- actuarial gains and losses which result from events not coinciding with assumptions made at the last actuarial valuation or the actuaries updating the assumptions.

(v) Contributions paid into the Royal County of Berkshire Pension Fund, and

(vi) Benefits paid.

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

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

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

1.23 Government Grants and Other Contributions

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

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

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

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

Where capital grants and contributions are credited to the Comprehensive Income and Expenditure Statement, they are reversed out of the General Fund Balance in the Movement 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

NOTES TO THE CORE FINANCIAL STATEMENTS

transferred to the Capital Adjustment Account once they have been applied to fund capital expenditure.

Community Infrastructure Levy (CIL)

The levy is charged on most new developments in the Borough with appropriate planning consent, based on a locally determined charging schedule. The levy must be spent on infrastructure (such as transport, schools and social care facilities) or used to meet administrative expenses (up to 5%). It will partly replace Section 106 developer contributions.

CIL is received without outstanding conditions and is therefore recognised at the commencement date of the chargeable development in the Comprehensive Income and Expenditure Statement in accordance with the accounting policy set out for capital grants and contributions above.

1.24 Provisions

Provisions are recognised when:

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

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

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

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

1.25 Contingent Assets & Liabilities

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

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

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

1.26 Reserves

The Council sets aside specific amounts as reserves for future policy purposes or to cover contingencies. Reserves are created by appropriating amounts out of the General Fund

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Balance in the Movement in Reserves Statement. When expenditure to be financed from a reserve is incurred, it is charged to the appropriate service revenue account in that year to score against the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement. The reserve is then appropriated back into the General Fund Balance in the Movement in Reserves Statement so that there is no net charge against Council Tax for the expenditure.

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

1.27 Inventory

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

1.28 Value Added Tax (VAT)

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

2 ACCOUNTING STANDARDS ISSUED BUT NOT YET ADOPTED

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

- Definition of a Business: Amendments to IFRS 3 Business Combinations
- Interest Rate Benchmark Reform: Amendments to IFRS 9, IAS 39 and IFRS 7
- Interest Rate Benchmark Reform – Phase 2: Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16

Although full adoption will not be required until 1 April 2021, the Council is required to disclose the estimated effect of the changes in these financial statements. None of these amendments are expected to have a material impact on the information contained in the Council's financial statements.

3 CRITICAL JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

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

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

Lease Accounting

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

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 model. Longshot Lane meets the definition of an Investment Property and the Council is required by the Code to apply the Fair Value model.

Impairment of Assets

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

PFI Schemes and Similar Contracts

In 2006/07 the Council, together with Wokingham Borough and Reading Borough Councils, entered into a PFI contract for the disposal of waste. The Councils are deemed to control the services provided and will obtain ownership of the associated assets at the end of the contract. The accounting policies for PFI schemes and similar contracts have therefore been applied to the arrangement and the Council's share of the assets (valued at £4.6m as at 31 March 2021) are recognised as Property, Plant and Equipment on the Balance Sheet.

Schools Property

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

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

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

There are four Voluntary Aided (VA) Schools within the Council's area. The Council owns and controls the playing fields at two of the schools and these assets are included on the Balance Sheet. The remaining land and building assets are owned by the Oxford or Portsmouth Diocese or other trustees. There has been no reassignment of rights for these assets that would pass control of the economic benefits and service potential to the school or governing body. These assets are used under licences rather than leases which pass no interest to the schools and are terminable by the trustees at any time without causal action. In practice their

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continued agreement to permit the schools as entities to use the assets means that the trustees (or owners) are perpetually reasserting this control and this has not been passed to the school. They are therefore not recognised as assets of the school or included in the Balance Sheet.

There are three Voluntary Controlled (VC) Schools within the Council's area. Elements of the land (including the playing fields) and buildings are owned and controlled by the Council and are therefore reflected in the Balance Sheet. The remaining assets are owned by the Oxford Diocese and another trustee under similar licence arrangements to VA schools. These assets are therefore not recognised as assets of the school or included in the Balance Sheet.

Academies are not considered to be maintained schools in the Council's control. Thus the land and building assets are not included on the Council's Balance Sheet. There are nine academies (four Secondary Schools and five Primary Schools) within the Council's area.

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

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

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

Property, Plant and Equipment

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

Buildings are depreciated over useful lives that are dependent on assumptions about the level of repairs and maintenance that will be incurred in relation to individual assets. The current economic climate makes it uncertain that the Council's current spending on repairs and maintenance can be sustained, which would affect the useful lives assigned to buildings. If the useful life is reduced, depreciation increases and the carrying amount falls. It is estimated that the annual depreciation charge for buildings would increase by £0.493m if all the useful lives were reduced by one year.

Fair Value measurements

When the Fair Values of non-financial assets, financial assets and financial liabilities cannot be measured based on quoted prices in active markets it is measured using valuation techniques. Where possible, the inputs to these valuation techniques are based on observable data, but where this is not possible judgement is required in establishing Fair Values.

For Investment Properties the most significant valuation assumption used is that the rental yield (rental as a percentage of property value) achievable on most Investment Properties is

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equivalent to that achieved on recent and comparable property purchase, although consideration is also given to rental income outlook. A 1% change in the estimated yield would result in a £13.1m change in value of the whole portfolio.

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

Due to the unprecedented set of circumstances caused by COVID-19 and an absence of relevant/sufficient market evidence on which to base judgement, the valuation of three large retail or office properties are reported as being subject to 'material valuation uncertainty' as set out in VPS 3 and VPGA 10 of the RICS Valuation – Global Standards. Consequently, in respect of these properties less certainty – and a higher degree of caution – should be attached to their valuations than would normally be the case.

Future Payments under the Waste PFI Scheme

The estimates of the future payments to the contractor are based on assumptions regarding inflation (assumed to average 2.5%) and performance. Increases in inflation above 2.5% will lead to the Council having to pay over more to the contractor than set out in Note 15. If the contractor's performance is lower than has been built into the financial model, the contractor will have penalty charges levied against it, and therefore the Council's costs will be lower than set out in Note 15.

Measurement of Pension Liability

The present value of the net pension liability depends on a number of factors that are determined on an actuarial basis and the value of the underlying assets. The actual net liability of the Council will continue to be subject to volatility, as a result of changes to these factors and the underlying assumptions.

It is not possible to assess the accuracy of the estimated liability as at 31 March 2021 without completing a full valuation. However, the actuary is satisfied that the approach of rolling forward the previous valuation data from 31 March 2019 to 31 March 2021 should not introduce any material distortions in the results.

The effects of changes in individual assumptions can be measured. The following table sets out the impact of change in the significant actuarial assumptions on the present value of scheme liabilities (£633.6m) and projected service cost (£23.7m).

Sensitivity Analysis	Present Value of Total Obligation		Projected Service Cost	
	+0.1%	-0.1%	+0.1%	-0.1%
	£m	£m	£m	£m
Adjustment to discount rate	(12.6)	12.9	(0.7)	0.7
Adjustment to long term salary increase	0.8	(0.8)	0.0	0.0
Adjustment to pension increases and deferred revaluation	12.0	(11.7)	0.7	(0.7)
Adjustment to life expectancy assumptions	28.4	(27.1)	1.0	(1.0)

Impairment of Financial Instruments

At 31 March 2021, the Council had a trade debtors' balance of £17.99m. The impairment for doubtful debts figure is based on applying a percentage to the outstanding balance which varies depending on how long the debt has been outstanding. If collection rates were to

NOTES TO THE CORE FINANCIAL STATEMENTS

deteriorate, a doubling of the percentage used to calculate the impairment for general debts would require an additional £0.81m to be set aside as an allowance.

Additional allowances are also made for several other debts, in particular Housing Benefits, Business Rates and Council Tax. These totalled £3.19m as at 31 March 2021. Doubling the percentage used to calculate these debts would require an additional £1.80m to be set aside.

The economic impact of the pandemic has made the estimation of impairments more difficult as there is more uncertainty about the economic viability of debtors and hence their ability to settle their debts. An understatement of doubtful debts would lead to a future adjustment and impairment to be reflected. The impairment allowances held are based on historic experience and success rates experienced in collection. There has been insufficient evidence so far to suggest that allowances should be increased upwards.

Accumulated Compensated Absences

Accumulating compensated absences are those that can be carried forward for use in future periods if the current period's entitlements are not used in full, for example untaken annual leave and flexi-time entitlement. The Council is required to accrue for any annual or flexi leave earned but not taken as at 31 March each year. For non-teaching staff the accrual is based on a historic sample of staff covering a range of pay grades, locations, and directorates. For teaching staff, where leave is earned and taken on a term by term basis, a formula is used to identify the number of days of untaken leave for the spring term. The impact of an increase in outstanding leave of 1 day for all staff would be to increase the accrual by £0.12m for non-teaching staff and £0.23m for teaching staff.

Provision for Business Rates Appeals

The Council has made a provision of £13.92m for outstanding Business Rates appeals. This is based on the latest list of outstanding rating proposals provided by the Valuation Office Agency and external advice from rating agents, taking into account factors such as the settled claims history for the Council, changes in comparable hereditaments, market trends and other valuation issues, including the potential for certain proposals to be withdrawn. The provision is split between the Council, Central Government and the Royal Berkshire Fire Authority with the Council's proportion of 49% equating to £6.82m. A 1% change in the estimate would result in a £0.14m increase or decrease in the provision required for appeals (£0.07m for the Council).

5 EXPENDITURE AND FUNDING ANALYSIS

Expenditure and Funding Analysis

The Expenditure and Funding Analysis shows how annual expenditure is used and funded from resources (government grants, rents, Council Tax and Business Rates) by local authorities in comparison with those resources consumed or earned in accordance with generally accepted accounting practices. It also shows how this expenditure is allocated for decision making purposes between the Council's directorates. Income and expenditure accounted for under generally accepted accounting practices is presented more fully in the Comprehensive Income and Expenditure Statement (CIES).

NOTES TO THE CORE FINANCIAL STATEMENTS

	2020/21			2019/20		
	Net Expenditure Chargeable to the General Reserve £000	Adjustments between the Accounting & Funding Basis £000	Net Expenditure in the CIES £000	Net Expenditure Chargeable to the General Reserve £000	Adjustments between the Funding & Accounting Basis £000	Net Expenditure in the CIES £000
Central	14,488	6,765	21,253	15,899	6,919	22,818
Delivery	22,437	4,207	26,644	19,558	5,195	24,753
People	54,382	15,657	70,039	58,760	10,286	69,046
Non Departmental /Council Wide	(1,459)	2,798	1,339	(8,106)	1,056	(7,050)
Net Cost of Services	89,848	29,427	119,275	86,111	23,456	109,567
Other Income and Expenditure	(120,107)	6,854	(113,253)	(91,565)	(29,741)	(121,306)
(Surplus) or Deficit on Provision of Services	(30,259)	36,281	6,022	(5,454)	(6,285)	(11,739)
Opening General Reserve balance	7,091			9,060		
Plus Surplus/(Deficit) on the General Fund	30,259			5,454		
Transfer (To)/From Earmarked Reserves	(27,023)			(7,423)		
Closing General Reserve balance	10,327			7,091		

Analysis of adjustments within the Expenditure and Funding Analysis

The table below analyses the adjustments column in the Expenditure and Funding Analysis between capital, pension and other adjustments.

2020/21	Adjustments from the General Fund to arrive at the Comprehensive Income and Expenditure Statement Amounts	Adjustments for Capital Purposes £000	Net Pensions Adjustments £000	Other Adjustments £000	Total Adjustments £000
Central		5,801	1,100	(136)	6,765
Delivery		3,901	349	(43)	4,207
People		6,203	4,298	5,156	15,657
Non Departmental /Council Wide		(1,024)	213	3,609	2,798
Net Cost of Services		14,881	5,960	8,586	29,427
Other Income and Expenditure from the Expenditure and Funding Analysis		(13,628)	5,810	14,672	6,854
Difference between the General Fund Surplus / Deficit and the Surplus / Deficit on the Provision of Services in the CIES		1,253	11,770	23,258	36,281

NOTES TO THE CORE FINANCIAL STATEMENTS

2019/20				
Adjustments from the General Fund to arrive at the Comprehensive Income and Expenditure Statement Amounts	Adjustments for Capital Purposes £000	Net Pensions Adjustments £000	Other Adjustments £000	Total Adjustments £000
Central	5,474	1,401	44	6,919
Delivery	4,560	744	(109)	5,195
People	2,586	4,644	3,056	10,286
Non Departmental /Council Wide	0	439	617	1,056
Net Cost of Services	12,620	7,228	3,608	23,456
Other Income and Expenditure from the Expenditure and Funding Analysis	(29,608)	6,928	(7,061)	(29,741)
Difference between the General Fund Surplus / Deficit and the Surplus / Deficit on the Provision of Services in the CIES	(16,988)	14,156	(3,453)	(6,285)

Further details of individual adjustments and where they impact in the Comprehensive Income and Expenditure Statement is included in the following table.

NOTES TO THE CORE FINANCIAL STATEMENTS

CIES	Capital Adjustments	Pension Adjustments	Other Adjustments
Cost Of Services	Adds in depreciation and amortisation, impairments and revaluation changes for property plant and equipment, and any revenue funded from capital under statute.	The removal of the council's pension contributions as allowed by statute and their replacement with current and past service costs and (gains)/losses from settlements.	Removes non-ringfenced grants managed by directorates. Transfers to/(from) the accumulated absences account. Removes impairment movements from directorates
Other Operating Expenditure	Adjusts for the (gain)/loss on disposal of property plant and equipment and income from capital receipts that do not arise from a disposal.	Adds in other pension administration costs.	
Financing and Investment Income and Expenditure	For investment property adjusts for any (gain)/loss on disposal and movements in fair value. Also deducts the Minimum Revenue Provision.	Adds in the net interest on the defined benefit liability.	Adds impairment movements
Taxation and Non-Specific Grant Incomes	Adds in capital grants and contributions applied to finance capital or transferred to capital reserves during the year.		Adds non-ringfenced grants managed by directorates. Adjusts for the difference between what is chargeable under statutory regulations for Council Tax and Business Rates and the income recognised under generally accepted accounting practices.

Directorate Income

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

	2020/21	2019/20
Directorates	Income from Services	Income from Services
	£000	£000
Central	(5,625)	(5,811)
Delivery	(5,804)	(9,130)
People	(10,826)	(12,744)
Non Departmental /Council Wide	0	(8,327)
Total	(22,255)	(36,012)

NOTES TO THE CORE FINANCIAL STATEMENTS

The 2019/20 figure for Non-Departmental /Council Wide included S106 income which had been earmarked for revenue purposes and has therefore been recorded as income before being transferred to the Revenue Grants Unapplied Reserve to be allocated over a number of years (£7.6m). Income is also significantly lower for many services in 2020/21 due to the pandemic.

6 MATERIAL ITEMS OF INCOME AND EXPENDITURE

The pandemic has had a significant impact on both the cost of services and income levels in each of the Directorates. The government has provided significant support for both the additional costs and the loss of income.

The income within the Central Directorate reflects the receipt of several specific government grants to help meet the costs of the pandemic.

Within the Delivery Directorate, a reduction in fees and charges income, in particular, from Car Parking and Leisure activities, was partly offset by additional support from the Government.

Within the People Directorate, there has been additional expenditure on Public Health, commissioning and other demand led services, capital charges and the Schools Budget in 2020/21. In several areas additional grants and contributions have been received to help offset the additional costs.

Within Council Wide Services, the 2019/20 figures include S106 contributions recorded as revenue income but then subsequently transferred to an earmarked reserve to be utilised over a number of years.

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

- a decrease in the fair value of investment properties in 2020/21 due to market conditions;
- significant increases in the level of Non-Ringfenced Government Grants received in 2020/21 to help meet the costs of the pandemic and, in particular, the support provided to Small Businesses via the granting of additional reliefs;
- a significant reduction in Business Rates income compared to 2019/20 resulting from the end of the Business Rates pilot in 2019/20 and the granting of reliefs to Small Businesses;
- a comparative reduction in capital spend financed from grants and contributions.

NOTES TO THE CORE FINANCIAL STATEMENTS

7 EXPENDITURE AND INCOME ANALYSED BY NATURE

The Council's income and expenditure is analysed below. The subjective analysis is based on the Service Reporting Code of Practice for Local Authorities.

Expenditure and Income	2020/21 £000	2019/20 £000
Employee expenses	114,201	112,653
Employee expenses – Voluntary Aided Schools	4,196	3,869
Other service expenses	144,197	138,549
Revenue impact of capital items ¹	27,552	13,060
Interest payments	3,611	3,791
Precepts & levies	3,683	3,444
Net Interest on the Net Defined Benefit Pension Liability	5,630	6,755
Other pension administration costs	149	150
Total Expenditure	303,219	282,271
Fees, charges & other service income	(31,438)	(44,634)
Interest and investment income	(998)	(1,337)
Other income from capital receipts that do not arise from the disposal of an asset	(1,306)	(2,359)
Income from Council Tax and Business Rates	(76,725)	(89,899)
Government grants and contributions	(186,730)	(155,781)
Total Income	(297,197)	(294,010)
(Surplus) or Deficit on the Provision of Services	6,022	(11,739)

¹ This includes depreciation and amortisation, impairments, Revenue Expenditure Funded from Capital under Statute, valuation changes for non-current assets and any gain or loss resulting from their disposal.

NOTES TO THE CORE FINANCIAL STATEMENTS

8 ADJUSTMENTS BETWEEN ACCOUNTING BASIS AND FUNDING BASIS UNDER REGULATIONS

This note details the adjustments that are made to the total comprehensive income and expenditure recognised by the Council in the year in accordance with proper accounting practice to arrive at the resources that are specified by statutory provisions as being available to the Council to meet future capital and revenue expenditure.

2020/21	Note	General Fund £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	Total Usable Reserves £000	Total Unusable Reserves £000	Total Council Reserves £000
Adjustments Between Accounting Basis and Funding Basis Under Regulations							
Reversal of items relating to capital expenditure (transferred to the Capital Adjustment Account)	30	20,606	0	0	20,606	(20,606)	0
Changes in Fair Value of Investment Properties	30	8,077	0	0	8,077	(8,077)	0
Movement in Waste PFI Donated Asset Account (deferred income)	30	(89)	0	0	(89)	89	0
Capital Grants and Contributions Applied including Community Infrastructure Levy receipts	30	(13,019)	0	0	(13,019)	13,019	0
Statutory provision for the financing of capital investment	30	(2,245)	0	0	(2,245)	2,245	0
Capital expenditure charged against the General Fund balance	30	(1,024)	0	0	(1,024)	1,024	0
Capital grants and contributions unapplied transferred to the capital reserve	28	(8,616)	0	8,616	0	0	0
Application of grants to capital financing	28 30	0	0	(4,660)	(4,660)	4,660	0
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement		(1,136)	1,136	0	0	0	0
Use of the Capital Receipts Reserve to finance new capital expenditure	30	0	(1,356)	0	(1,356)	1,356	0
Costs of non-current asset disposals met from the Capital Receipts Reserve		5	(5)	0	0	0	0
Transfer from Deferred Capital Receipts Reserve upon receipt of cash	31	0	70	0	70	(70)	0
Transfer of income from Capital Receipts that do not arise from the disposal of an Asset		(1,306)	1,306	0	0	0	0
Repayment of loans	30	0	94	0	94	(94)	0
Retirement benefits transferred to the Pension Reserve	11	22,990	0	0	22,990	(22,990)	0
Employer's Pension Contributions transferred from the Pension Reserve	11	(11,221)	0	0	(11,221)	11,221	0
Council Tax and Business Rates income (transfers to or (from) the Collection Fund Adjustment Account)	32	19,628	0	0	19,628	(19,628)	0
Remuneration (transfers (to) or from the Accumulated Absences Account)	33	1,005	0	0	1,005	(1,005)	0
Transfers (to) or from the Dedicated Schools Grant Adjustment Account	9	2,626	0	0	2,626	(2,626)	0
Total Adjustments		36,281	1,245	3,956	41,482	(41,482)	0

NOTES TO THE CORE FINANCIAL STATEMENTS

2019/20	Note	General Fund £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	Total Usable Reserves £000	Total Unusable Reserves £000	Total Council Reserves £000
Adjustments Between Accounting Basis and Funding Basis Under Regulations							
Reversal of items relating to capital expenditure (transferred to the Capital Adjustment Account)	30	16,698	0	0	16,698	(16,698)	0
Changes in Fair Value of Investment Properties	30	(1,004)	0	0	(1,004)	1,004	0
Movement in Waste PFI Donated Asset Account (deferred income)	30	(89)			(89)	89	0
Capital Grants and Contributions Applied including Community Infrastructure Levy receipts	30	(9,048)	0	0	(9,048)	9,048	0
Statutory provision for the financing of capital investment	30	(2,222)	0	0	(2,222)	2,222	0
Capital grants and contributions unapplied transferred to the capital reserve	28	(16,330)	0	16,330	0	0	0
Application of grants to capital financing	28 30	0	0	(9,498)	(9,498)	9,498	0
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement		(2,661)	2,661	0	0	0	0
Use of the Capital Receipts Reserve to finance new capital expenditure	30	0	(5,249)	0	(5,249)	5,249	0
Costs of non-current asset disposals met from the Capital Receipts Reserve		27	(28)	0	(1)	1	0
Transfer from Deferred Capital Receipts Reserve upon receipt of cash	31	0	243	0	243	(243)	0
Transfer of income from Capital Receipts that do not arise from the disposal of an Asset		(2,359)	2,359	0	0	0	0
Repayment of loans	30	0	106	0	106	(106)	0
Retirement benefits transferred to the Pension Reserve	11	24,528	0	0	24,528	(24,528)	0
Employer's Pension Contributions transferred from the Pension Reserve	11	(10,372)	0	0	(10,372)	10,372	0
Council Tax and Business Rates income (transfers to or (from) the Collection Fund Adjustment Account)	32	(4,110)	0	0	(4,110)	4,110	0
Remuneration (transfers (to) or from the Accumulated Absences Account)	33	657	0	0	657	(657)	0
Total Adjustments		(6,285)	92	6,832	639	(639)	0

NOTES TO THE CORE FINANCIAL STATEMENTS

9 SCHOOLS

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

2020/21	Category and Type of School							Grand Total
	Community				Voluntary Aided	Voluntary Controlled	Pupil Referral Unit	
	Primary	Secondary	Special	Total	Primary	Primary	Secondary	
Number	16	3	1	20	4	3	1	28
Net Spend	£000	£000	£000	£000	£000	£000	£000	£000
	26,487	19,286	4,564	50,337	4,083	3,468	943	58,831
Deficits Surpluses	508	247	0	755	0	75	0	830
	(1,850)	(516)	(276)	(2,642)	(196)	(99)	(34)	(2,971)

2019/20	Category and Type of School							Grand Total
	Community				Voluntary Aided	Voluntary Controlled	Pupil Referral Unit	
	Primary	Secondary	Special	Total	Primary	Primary	Secondary	
Number	16	3	1	20	4	3	1	28
Net Spend	£000	£000	£000	£000	£000	£000	£000	£000
	26,354	18,962	4,243	49,559	4,000	3,450	821	57,830
Deficits Surpluses	470	590	0	1,060	0	43	0	1,103
	(1,401)	(294)	(324)	(2,019)	(147)	(13)	(23)	(2,202)

Dedicated Schools Grant

The Council's expenditure on schools is funded primarily by grant monies provided by the Education and Skills Funding Agency, the Dedicated Schools Grant (DSG). An element of DSG is recouped by the Agency to fund academy schools in the Council's area. DSG is ring-fenced and can only be applied to meet expenditure properly included in the Schools Budget, as defined in the School Finance and Early Years (England) Regulations 2020. The Schools Budget includes elements for a range of educational services provided on a council-wide basis and for the Individual Schools Budget (ISB), which is divided into a budget share for each maintained school. Details of the deployment of DSG receivable for 2020/21 are as follows.

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	Central Expenditure	Individual Schools Budget	Total
	£000	£000	£000
Final DSG for 2020/21 before Academy recoupment			101,019
Academy figure recouped for 2020/21			25,056
Total DSG after Academy recoupment for 2020/21			75,963
Plus: Brought forward from 2019/20			1,763
Less: Carry forward to 2021/22 agreed in advance			0
Agreed initial budgeted distribution in 2020/21	25,146	52,580	77,726
In year adjustments	17	(17)	0
Final budget distribution for 2020/21	25,163	52,563	77,726
Less: Actual central expenditure	27,789		27,789
Less: Actual ISB deployed to schools		52,816	52,816
Plus: Local authority contribution for 2020/21	0	253	253
In year carry forward to 2021/22	(2,626)	0	(2,626)
Plus: Carry forward to 2021/22 agreed in advance			0
Carry forward to 2021/22			(2,626)

The net deficit balance can be broken down as follows:

	£'000
New / expanding schools: start-up / diseconomies	746
New / expanding schools: increases in Business Rates	435
New SEN Resource Provision start-up / diseconomies	459
SEN Transformation Reserve	255
General unallocated balance	(4,521)
Total as at 31 March 2021	(2,626)

Dedicated Schools Grant Adjustment Account

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

Any deficit on the Schools Budget for the financial years 2020/21 to 2022/23 are required to be charged to this account under the new legislation. This follows on from the requirement in the School and Early Years Finance (England) Regulations 2020 that a schools' budget deficit must be carried forward to be funded from future Dedicated Schools Grant (DSG) income, unless permission is sought from the secretary of state for education to fund the deficit from

NOTES TO THE CORE FINANCIAL STATEMENTS

general resources. As there is an overall deficit as at 31 March 2021, any general schools' balances previously held in earmarked reserves have now been transferred into this account. The deficit on the account is £2.626m with a breakdown provided in the previous table. Individual school's balances remain in a separate earmarked reserve.

10 GRANT & CONTRIBUTIONS INCOME AND BUSINESS RATES

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

Credited to Taxation and Non Specific Grant Income

Capital Grants & Contributions

	2020/21	2019/20
	£000	£000
Local Transport Plan (LTP)	3,622	4,394
Other Government Grants	2,939	1,878
S106 Contributions	7,698	13,277
Community Infrastructure Levy (CIL)	1,562	3,756
Thames Valley Berkshire Local Enterprise Partnership Contributions	4,780	1,800
Other Capital Contributions	1,034	273
Total	21,635	25,378

Revenue Grants & Contributions

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

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

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

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

The Berkshire Wide business rates retention pilot came to an end in 2019/20 and as a result the Council's retained share of Business Rates income has reduced, a Levy is now payable, and Revenue Support Grant has recommenced.

Small Business Rates grant has increased significantly because of the additional reliefs granted by the Government as a result of the pandemic. As the reliefs have reduced Business Rates income even further, this element of the grant has been transferred into an Earmarked Reserve to meet the resulting deficit on the Collection Fund (which becomes payable in 2021/22).

NOTES TO THE CORE FINANCIAL STATEMENTS

	2020/21	2019/20
	£000	£000
Revenue Support Grant	1,771	0
COVID-19 LA Support Grant	5,399	2,392
New Homes Bonus Grant	1,917	1,356
EU Exit Preparation Grant	0	210
Troubled Families Grants	394	260
Housing and Council Tax Benefit Subsidy Administration Grant	353	347
Emergency Assistance Grant - Food & Essential Supplies	82	0
Clinically Extremely Vulnerable Grant	151	0
School Improvement Monitoring and Brokering Grant	124	122
Small Business Rates Relief Grant	15,024	2,746
New Burden Discretionary Grant Fund	188	0
Independent Living Fund Grant	248	248
Adult Social Care Support Grant	1,900	618
Improved Better Care Fund	1,480	1,118
Waste PFI Deferred Income	89	89
Disabled Facilities Grant	534	853
Other non-ringfenced revenue grants	120	106
General and Non-ringfenced Government Grants	29,774	10,465
Business Rates Income	23,100	47,408
Business Rates Tariff	(9,502)	(20,827)
Business Rates Levy	(3,931)	56
Additional Business Rates Grants and Payments		
Additional Restrictions Support Grant	768	0
Additional Restrictions Support Payments	(768)	0
LA Discretionary Grant Fund	572	0
LA Discretionary Grant Payments	(572)	0
Business Rates Income and Expenditure	9,667	26,637
Total	39,441	37,102

Grants and Contributions Credited to Services

Several additional service specific grants were received in the year to help meet the impact of the pandemic (£8.9m). The two most significant being the Contain Outbreak Management Fund (£2.9m), to help reduce the spread of coronavirus and support local public health, and grants support for the loss of income on sales, fees, and charges (£2.7m).

NOTES TO THE CORE FINANCIAL STATEMENTS

	2020/21	2019/20
	£000	£000
Dedicated Schools Grant (including pupil premium)	77,981	74,328
Sixth Form Funding	1,683	1,845
Other Schools Grants and Contributions	7,406	4,690
Housing Benefit Subsidy	21,728	23,096
Public Health Grant	4,213	3,943
Better Care Fund	8,185	6,450
COVID-19 Related Grants	8,873	0
Other Grants and Contributions	4,553	4,492
Donations	191	412
Total	134,813	119,256

Grants and Contributions - Receipts in Advance

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

Revenue Grants and Contributions - Receipts in Advance

	31 March 2021	31 March 2020
	£000	£000
Short Term Creditors		
Small Business Rates Reliefs Grant	0	2,302
Additional Restrictions Grants	2,772	0
Other Grants & Contributions	1,911	681
Total	4,683	2,983

The most significant element relates to Business Rates grants which were paid to the Council in advance to aid cash flow.

Capital Grants and Contributions - Receipts in Advance

	31 March 2021	31 March 2020
	£000	£000
Short Term Creditors		
Devolved Formula Capital	465	509
Salix Decarbonisation	771	0
Special Provisions Capital Fund	890	708
Pothole Fund	283	0
Other Government Grants and Contributions	108	16
Waste PFI deferred income	89	89
Long Term Liabilities		
Section 106 contributions ¹	667	491
Waste PFI deferred income	819	908
Total	4,092	2,721

NOTES TO THE CORE FINANCIAL STATEMENTS

¹Section 106 contributions arise from planning agreements, which govern the utilisation of the receipts. Most of the receipts have now been recognised as revenue and either applied or an equivalent amount transferred to the Revenue Grants Unapplied Reserve or the Capital Grants Unapplied Account.

11 EMPLOYEE BENEFITS

REMUNERATION OF EMPLOYEES

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

Total Remuneration ¹	2020/21			2019/20
	No of Employees		Total	No of Employees
	Non-schools	Schools		
£50,000 - £54,999	36	50	86	79
£55,000 - £59,999	28	26	54	36
£60,000 - £64,999	13	19	32	27
£65,000 - £69,999	6	9	15	13
£70,000 - £74,999	5	10	15	13
£75,000 - £79,999	1	9	10	5
£80,000 - £84,999	5	1	6	5
£85,000 - £89,999	2	4	6	5
£90,000 - £94,999	0	1	1	8
£95,000 - £99,999	2	2	4	2
£100,000 - £104,999	0	1	1	1
£105,000 - £109,999	2	0	2	1
£110,000 - £114,999	0	1	1	1
£125,000 - £129,999	0	0	0	1
Total	100	133	233	197
2019/20 Comparatives	90	107		

¹ The total remuneration includes redundancy and settlement payments where applicable.

The following tables set out the remuneration disclosures for senior employees whose salary is equal to or more than £50,000 per year. Any senior employee whose salary is £150,000 or more per year has also been named. The term senior employee applies to the Chief Executive and his direct line reports, the statutory Executive Director: Resources and Borough Solicitor posts, other members of the Corporate Management Team (CMT) and the Strategic Director of Public Health. No expense allowances were paid during the year.

NOTES TO THE CORE FINANCIAL STATEMENTS

Remuneration of Senior Employees 2020/21

Post Title (and Name if over £150,000)	Salary	Pension Contributions	Total Including Pension Contributions
	£000	£000	£000
Chief Executive – T Wheadon	188	0	188
Executive Director: People – N Edwards ¹	71	10	81
Assistant Director: Education and Learning ²	114	16	130
Assistant Director: Children's Social Care ²	111	17	128
Assistant Director: Adult Social Care ²	105	16	121
Executive Director: Delivery	140	21	161
Executive Director: Resources ³	120	18	138
Executive Director: Place, Planning and Regeneration ⁴	113	17	130
Assistant Director: Chief Executive's Office	83	13	96
Borough Solicitor	110	17	127
Strategic Director of Public Health ⁵	25	0	25
Total	1,180	145	1,325

¹ The Executive Director: People left the Council on 31 August 2020.

² CMT was temporarily expanded to include three assistant directors following the departure of the Executive Director: People.

³ The Director: Finance became Director: Resources on 1st April 2020 and Executive Director: Resources on 1st November 2020.

⁴ The Director: Place, Planning and Regeneration became Executive Director: Place, Planning and Regeneration on 1st November 2020.

⁵ The remuneration for this post is shared equally between the six Berkshire unitary councils.

Remuneration of Senior Employees 2019/20

Post Title (and Name if over £150,000)	Salary	Pension Contributions	Total Including Pension Contributions
	£000	£000	£000
Chief Executive – T Wheadon ¹	201	9	210
Executive Director: People – N Edwards	156	22	178
Executive Director: Delivery	131	18	149
Director: Finance	112	16	128
Director: Place, Planning and Regeneration	104	15	119
Director: Organisational Development, Transformation and HR ²	128	11	139
Borough Solicitor	106	15	121
Strategic Director of Public Health ³	25	0	25
Total	963	106	1,069

¹Includes returning officer payments of £0.023m due to the two elections held during the year.

²The Director: Organisational Development, Transformation and HR left the Council on 31 December 2019, this figure includes exit costs.

³The remuneration for this post is shared equally between the six Berkshire unitary councils.

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	
	2020/21	2019/20	2020/21	2019/20	2020/21	2019/20	2020/21	2019/20
£0-£20,000	7	6	10	13	17	19	77	112
£20,001 - £40,000	4	4	1	0	5	4	152	124
£40,001 - £60,000	0	1	0	1	0	2	0	101
£60,001 - £80,000	1	0	0	0	1	0	71	0
£80,001 - £100,000	1	0	0	0	1	0	91	0
£100,001- £150,000	0	2	0	0	0	2	0	246
Total	13	13	11	14	24	27	391	583

Other departures include agreed settlements and contract terminations arising, for example, on ill health grounds or during probationary periods.

Liabilities are charged to the Comprehensive Income and Expenditure Statement during the year in which the Council is committed to them. The liabilities of £0.391m (£0.583m in 2019/20) were comprised of redundancy, settlements and other payments £0.222m (£0.310m), pay in lieu of notice £0.059m (£0.034m) and pension fund contributions to preserve unreduced benefits (pension strain) £0.110m (£0.239m). Pension strain is a cost payable to the Pension Fund.

PENSIONS

Teachers' Pension Scheme

Contributions to the Scheme by employers and employees are set at rates determined by the Secretary of State, taking advice from the Scheme's actuary. The Scheme's payments are partially funded by the employer and employee contributions, the balance of funding being provided by Parliament through general taxation.

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

	2020/21		2019/20	
	Employers' Contribution	Additional Benefits	Employers' Contribution	Additional Benefits
Amount Paid	£6.316m	£0.218m	£5.347m	£0.234m
As a percentage of teachers' pensionable pay	23.7%	0.8%	16.5%	0.9%
The expected Employers' Contribution for 2021/22 is £6.316m				

NOTES TO THE CORE FINANCIAL STATEMENTS

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

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

Local Government Pension Scheme

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

The Council pays employer's contributions into the Royal County of Berkshire Pension Fund. The contribution rate is determined by the Fund's Actuary based on triennial valuations, the last relevant review being at 31 March 2019. Under Pension Fund Regulations contribution rates are set to meet 100% of the overall liabilities of the Fund over time. The current contribution rate is 15.5% of pensionable pay for current service plus a lump sum payment of £3.171m to cover the past service deficit element (14.3% and £2.914m in 2019/20).

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

NOTES TO THE CORE FINANCIAL STATEMENTS

Comprehensive Income and Expenditure Statement and Movement in Reserves

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

	2020/21 £000	2019/20 £000
Comprehensive Income and Expenditure Statement		
Cost of Services:		
Current Service Cost	16,998	17,184
Past Service Cost including curtailments	213	439
(Gain)/Loss from Settlements	0	0
Other Operating Expenditure		
Other Pension Administration Costs	149	150
Financing and Investment Income and Expenditure:		
Net Interest Expense	5,630	6,755
Total Post Employment Benefits Charged to the Surplus or Deficit on the Provision of Services	22,990	24,528
Other Post Employment Benefits Charged to the Comprehensive Income and Expenditure Statement – Remeasurements of the Net Defined Benefit Liability		
Return on Plan Assets (excluding the amount included in the Net Interest Expense)	(31,288)	9,742
Actuarial (Gains) and Losses arising on changes in financial assumptions	135,656	(49,729)
Actuarial (Gains) and Losses arising on changes in demographic assumptions	(5,533)	(5,730)
Other Actuarial (Gains)/Losses on Assets	0	(1,462)
Experience (Gain)/Loss on Defined Benefit Obligation	(6,933)	(8,246)
Total Post Employment Benefits Charged to the Comprehensive Income and Expenditure Statement	114,892	(30,897)
Movement in Reserves Statement		
Reversal of net charges made to the Surplus or Deficit on the Provision of Services for Post Employment Benefits in accordance with the Code.	(22,990)	(24,528)
Actual Amount Charged Against the General Fund for Pensions in the Year:		
Employer's Contributions Payable to Pension Scheme	11,221	10,372

Pensions Assets and Liabilities Recognised in the Balance Sheet

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

	31 March 2021 £000	31 March 2020 £000
Present value of funded obligation	630,745	490,515
Fair Value of scheme (plan) assets	(284,873)	(248,433)
Net funded liability	345,872	242,082
Present value of unfunded obligation	2,818	2,937
Net liability arising from the defined benefit obligation	348,690	245,019

NOTES TO THE CORE FINANCIAL STATEMENTS

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

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

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

	31 March 2021	31 March 2020
	£000	£000
Liabilities as of the Beginning of the Period	493,452	539,347
Current Service Cost	16,998	17,184
Interest Cost	11,462	12,802
Contributions by Scheme Participants	3,284	3,180
Remeasurements		
Actuarial (Gains) and Losses arising from changes in financial assumptions	135,656	(49,729)
Actuarial (Gains) and Losses arising from changes in demographic assumptions	(5,533)	(5,730)
Experience Loss/(Gain) on Defined Benefit Obligation	(6,933)	(8,246)
Past Service Costs including Curtailments	213	439
Benefits Paid plus Unfunded Pension Payments	(14,653)	(15,396)
Unfunded Pension Payments	(383)	(399)
Liabilities assumed/(extinguished) on Settlements	0	0
Liabilities as of the end of the period	633,563	493,452

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

The key financial assumptions required for determining liabilities are the discount rate, linked to corporate bond yields, and the rate of future inflation. The bond yield at 31 March 2021 is lower than that at 31 March 2020. As a result, the discount rate used is 0.35% lower resulting in a higher value being placed on the defined benefit obligation. Projections for CPI are 0.7% higher than last year which will have also significantly increased the value of liabilities as it impacts on pension increases and salary increase assumptions.

Changes in demographic assumptions have reduced the liability, primarily because there has been a reduction in longevity assumptions compared to last year. The impact of changes in assumptions is covered in more detail in Note 4.

An allowance was made for the potential impact of the McCloud & Sargeant judgements ('transitional protection' offered to some members of the judges and fire fighters' schemes as part of the 2015 pension reforms amounted to unlawful age discrimination with a knock on effect for the Local Government Pension Scheme (LGPS) in the figures provided for 2018/19 with the adjustment (£4.405m) shown as a Prior Service Cost. This allowance is therefore incorporated in the roll forward approach (rolling forward the last full valuation data to 31 March 2021) used for 2020/21 and has been remeasured at the accounting date along with the normal LGPS liabilities.

On 16 July 2020, the Government published a consultation on the proposed remedy to be applied to LGPS benefits in response to the McCloud and Sargeant cases. The Government published its response to the consultation on the 25 February 2021 including a proposed

NOTES TO THE CORE FINANCIAL STATEMENTS

remedy, however statutory guidance has still to be issued on how the remedy is to be managed in practice. We do not believe there are any material differences between the approach underlying the estimated allowance and the proposed remedy. Further legislation will be required to amend the relevant scheme regulations which will be the subject of further consultation.

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

	31 March 2021 £000	31 March 2020 £000
Assets as of the Beginning of the Period	248,433	253,059
Interest income	5,832	6,047
Remeasurements		
Return on Plan Assets (excluding the amount included in the Net Interest Expense)	31,288	(9,742)
Other Actuarial Gains and Losses	0	1,462
Other Administration Expenses	(149)	(150)
Employer Contributions	11,221	10,372
Contributions by Scheme Participants	3,284	3,180
Benefits Paid	(15,036)	(15,795)
Settlement prices received/(paid)	0	0
Assets as of the end of the period	284,873	248,433

The overall return on assets was 15% (-1% in 2019/20) resulting in an increase in asset values as asset performance has been strong since 31 March 2020.

The total contribution expected to be made to the Royal County of Berkshire Pension Fund in 2021/22 is £11.493m.

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

	Assets Held 31 March 2021		Assets Held 31 March 2020	
	£000	%	£000	%
Cash and Cash Equivalents	12,729	5	29,338	12
Bonds				
Government (Gilts)	0	0	0	0
Other	46,524	16	23,124	9
Equities ¹	171,241	60	140,274	56
Property ²	34,921	12	34,134	14
Target Return Portfolio (Unit Trust)	11,506	4	10,464	4
Commodities	0	0	1,464	1
Infrastructure ³	23,182	8	20,366	8
Longevity Insurance	(15,230)	(5)	(10,731)	(4)
Total	284,873	100	248,433	100

¹97% of Equities are overseas investments (93% in 2019/20)

²Property pooled funds include UK and overseas (76%) elements (70% in 2019/20)

³All infrastructure investments are overseas investments (19% in 2019/20)

NOTES TO THE CORE FINANCIAL STATEMENTS

Basis for Estimating Asset and Liabilities

Liabilities have been estimated on an actuarial basis using the latest full valuation of the scheme as at 31 March 2019 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 2021 and will vary depending on the duration of the employer's liabilities, estimated at 20 years. The (Single Equivalent) Discount Rate is based on notional cash flows relating to the annualised Merrill Lynch AA rated corporate bond yield curve.

As future pension increases are based on CPI rather than RPI, an assumption has been made that CPI will be 0.4% below RPI (0.8% in 2019/20). This reflects the anticipated reform of RPI inflation following the UK Statistics Authority's proposal to change how RPI is calculated and subsequent announcements from the Chancellor suggesting this reform is now likely to take effect from 2030. Salary increases are assumed to be 1.0% above CPI in addition to a promotional scale (1.0% above CPI in 2019/20).

Demographic assumptions are consistent with those used for the most recent Fund valuation, which was carried out as at 31 March 2019, except for the CMI projection model. The mortality improvement projection has been updated to use the latest version of the Continuous Mortality Investigation's model, CMI_2020, which was released in March 2021. This update has been made in light of the coronavirus pandemic and reflects the latest information available from the CMI. The new CMI_2020 Model introduces a "2020 weight parameter" for the mortality data in 2020 so that the exceptional mortality experienced due to the coronavirus pandemic can be incorporated without having a disproportionate impact on results. A 2020 weigh parameter of 25% has been applied.

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

	2020/21	2019/20
	%	%
Rate of inflation - RPI	3.20	2.70
Rate of inflation - CPI	2.80	1.90
Rate of increase in salaries	3.80	2.90
Rate of increase in pensions	2.80	1.90
Discount Rate	2.00	2.35
Mortality assumptions from age 65:	Age	Age
Longevity at 65 for pensioners retiring at 31 March 2021		
Men	21.2	21.5
Women	23.9	24.1
Longevity at 65 for pensioners retiring in 20 years		
Men	22.5	22.9
Women	25.4	25.5

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

NOTES TO THE CORE FINANCIAL STATEMENTS

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:

	31 March 2021	31 March 2020
	£000	£000
Surplus /(Deficit) as of beginning of the period	(245,019)	(286,288)
Remeasurements	(91,902)	55,425
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	(22,990)	(24,528)
Employer's pension contributions and direct payments to pensioners payable in the year	11,221	10,372
Surplus /(Deficit) as of end of the period	(348,690)	(245,019)

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

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

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

Tel: 0845 6027237

12 MEMBERS' ALLOWANCES & EXPENSES

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

	2020/21	2019/20
	£000	£000
Allowances	576	574
Expenses	1	5
Total	577	579

13 AGENCY EXPENDITURE & INCOME

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

The Council acts as the lead council for Public Health, the Emergency Duty Service and the London Road Landfill Site through joint operations and provides services to the five other Berkshire Unitary Councils. The Council is reimbursed for this work including a contribution towards administrative costs. Only the net income or expenditure for each service has been included in the Comprehensive Income and Expenditure Statement.

NOTES TO THE CORE FINANCIAL STATEMENTS

	2020/21			2019/20		
	Expenditure	Income	Net	Expenditure	Income	Net
	£000	£000	£000	£000	£000	£000
Public Health	6,799	(6,616)	183	7,781	(7,640)	141
Other	2,416	(2,004)	412	2,323	(1,897)	426
Total	9,215	(8,620)	595	10,104	(9,537)	567

During the year the Council also acted as an agent for the government in several areas, where grant was received and then distributed externally to support businesses, care providers or individuals. The most significant grants provided additional support to small businesses, and businesses in the retail, hospitality, and leisure sectors and those subsequently required to close due to local or national lockdown. The grants are listed in the table below with any remaining income being held on the balance sheet as a creditor. None of the income or expenditure has been included in the Comprehensive Income and Expenditure Statement.

	2020/21		
	Expenditure	Income	Creditor
	£000	£000	£000
Small Business & Retail and Hospitality & Leisure Grants Funds	10,250	(10,250)	0
Local Restrictions Support Grants	5,117	(9,195)	(4,078)
Christmas Support Payments for Wet-Led Pubs	2	(32)	(30)
National Leisure Recovery Fund	72	(237)	(165)
Test and Trace Support Payments Grant¹	73	(87)	(14)
Infection Control Grant²	926	(999)	(73)
Rapid Testing Fund²	106	(129)	(23)
Total	16,546	(20,929)	(4,383)

¹This is the non-discretionary element of the grant paid to individuals.

²This is the element of the grants allocated to care providers on a 'per bed' basis.

14 LEASES

OPERATING LEASES

Council as Lessee

The Council leases various land and/or buildings under non-cancellable operating lease agreements. The lease terms range from 1 to 99 years. The operating leases do not have purchase options, although some have escalation clauses and terms of renewal. Renewals are negotiated with the lessor in accordance with the provisions of the individual lease agreements.

The Council also leases various equipment and vehicles under non-cancellable operating lease agreements. The lease terms are between 1 and 5 years.

The non-cancellable operating lease expenditure charged to the relevant service line in the Comprehensive Income and Expenditure Statement during the year is £0.713m, a combination of £0.527m for properties and £0.186m for equipment and vehicles (2019/20 £0.432m for properties and £0.209m for equipment and vehicles).

NOTES TO THE CORE FINANCIAL STATEMENTS

The Council paid contingent rent of £0.017m during the year (2019/20 £0.023m).

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

	31 March 2021			31 March 2020		
	Land and Buildings	Equipment & Vehicles	Total	Land and Buildings	Equipment & Vehicles	Total
	£000	£000	£000	£000	£000	£000
Not later than one year	153	103	256	105	133	238
Later than one year but not more than five years	429	112	541	372	144	516
Later than five years	4,422	0	4,422	4,514	0	4,514
Total	5,004	215	5,219	4,991	277	5,268

Council as Lessor

The Council leases various land and/or buildings to lessees under non-cancellable operating lease agreements. The lease terms range from 1 to 149 years. The leases do not have purchase options, although some have escalation clauses and terms of renewal. Renewals are negotiated with the lessee in accordance with the provisions of the individual lease agreements. The minimum lease payments to be received by the Council (including the sub-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 2021	31 March 2020
	£000	£000
Not later than one year	5,685	5,758
Later than one year but not more than five years	21,335	21,734
Later than five years	28,481	33,817
Total	55,501	61,309

The minimum lease payments do not include rents that are contingent on events taking place after the lease was assigned. The Council received contingent rent during the year of £0.697m (2019/20 £0.726m).

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

	31 March 2021	31 March 2020
	£000	£000
Not later than one year	5,276	5,671
Later than one year but not more than five years	19,709	21,423
Later than five years	24,882	31,743
Total	49,867	58,837

The Council received contingent rent during the year of £0.686m (2019/20 £0.717m) for Investment Property.

NOTES TO THE CORE FINANCIAL STATEMENTS

FINANCE LEASES

Council as Lessee

The Council leases various properties under non-cancellable finance lease agreements. The property lease terms range from 1 to 99 years. The leases do not have purchase options, although some have escalation clauses and terms of renewal. Renewals are negotiated with the lessor in accordance with the provisions of the individual lease agreements.

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

	31 March 2021	31 March 2020
	Land and Buildings	Land and Buildings
	£000	£000
Finance lease liabilities (net present value of minimum lease payments):		
Current	0	0
Non-current	4,624	4,624
	4,624	4,624
Finance costs payable in future years	46,052	47,346
Minimum lease payments	50,676	51,970

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

	31 March 2021	31 March 2020
	Land and Buildings	Land and Buildings
	£000	£000
Not later than one year	1,295	1,295
Later than one year but not more than five years	4,054	4,053
Later than five years	45,327	46,622
Total	50,676	51,970

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 £0.443m (2019/20 £0.424m) for Longshot Lane and The Avenue Car Park.

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

	31 March 2021	31 March 2020
	Land and Buildings	Land and Buildings
	£000	£000
Not later than one year	454	416
Later than one year but not more than five years	1,205	1,201
Later than five years	563	760
Total	2,222	2,377

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 assigned. The Council received contingent rent during the year of £0.099m (2019/20 £0.096m).

Council as Lessor

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

In 2014 the Council entered into a finance lease over a 999 year period with Thames Valley Housing Association for the combined Adastron House/Byways site.

The gross investment in the leases is equal to the minimum lease payments expected to be received over the remaining terms, as the properties and land are expected to have a nil residual value when the leases come to an end. The minimum lease payments comprise settlement of the long term debtors for the interest in the properties and land acquired by the lessees and finance income that will be earned by the Council in future years whilst the debtors remains outstanding.

The gross investment is made up of the following amounts:

	31 March 2021	31 March 2020
	Land and Buildings	Land and Buildings
	£000	£000
Finance lease debtor (net present value of minimum lease payments):		
Current	0	0
Non-current	953	1,015
	953	1,015
Unearned Finance income	4,196	4,499
Gross Investment in the Leases	5,149	5,514

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 2021	31 March 2020
	Land and Buildings	Land and Buildings
	£000	£000
Not later than one year	44	46
Later than one year but not more than five years	174	185
Later than five years	4,931	5,283
Total	5,149	5,514

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

NOTES TO THE CORE FINANCIAL STATEMENTS

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 (2019/20 £0.0m).

15 WASTE PFI CONTRACT

In 2006/07 the Council, together with Wokingham Borough and Reading Borough Councils, entered into a PFI contract for the disposal of waste. Actual payments will depend upon the contractor's performance as well as that of the individual Councils in waste collection. As part of the contract, the contractor built a transfer station, materials recycling facility, civic amenity site and offices. The contract expires in 2031/32. The PFI model was amended last year resulting in some adjustments to opening values.

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

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:

	2020/21	2019/20
	£000	£000
Value as of the beginning of the period	(4,229)	(4,590)
Payments during the year	315	361
Value as of the end of the period	(3,914)	(4,229)

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

	31 March 2021	31 March 2020
	£000	£000
Within 1 year	89	89
2 to 5 years	355	355
6 to 10 years	443	443
11 to 15 years	21	109
Total	908	996

NOTES TO THE CORE FINANCIAL STATEMENTS

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 2021				Total payable £000
	2021/22 £000	2-5 yrs £000	6-10 yrs £000	11-15 yrs £000	
Repayment of Liability	323	1,237	2,162	192	3,914
Interest	286	927	531	8	1,752
Payment for Services	1,679	7,398	10,231	481	19,789
Total	2,288	9,562	12,924	681	25,455

Obligations payable in	As at 31 March 2020				Total payable £000
	2020/21 £000	2-5 yrs £000	6-10 yrs £000	11-15 yrs £000	
Repayment of Liability	314	1,221	2,040	654	4,229
Interest	309	1,019	686	48	2,062
Payment for Services	1,626	7,157	9,977	2,654	21,414
Total	2,249	9,397	12,703	3,356	27,705

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

	2020/21			2019/20		
	Other Land & Buildings £000	Vehicles, Plant, Furniture & Equipment £000	Total PFI Assets £000	Other Land & Buildings £000	Vehicles, Plant, Furniture & Equipment £000	Total PFI Assets £000
Cost/Valuation						
As of the beginning of the period	5,257	1,907	7,164	5,257	1,907	7,164
Revaluation increases/ (decreases) recognised in the Revaluation Reserve	(142)	(486)	(628)	0	0	0
Revaluation increases/ (decreases) recognised in the Surplus/Deficit on the Provision of Services	(1,296)	(352)	(1,648)	0	0	0
As of the end of the period	3,819	1,069	4,888	5,257	1,907	7,164
Depreciation						
As of the beginning of the period	500	444	944	250	367	617
Depreciation for Year	251	77	328	250	77	327
Depreciation written out to the Revaluation Reserve	(46)	(134)	(180)	0	0	0
Depreciation written out to the Surplus/Deficit on the Provision of Services	(705)	(97)	(802)	0	0	0
As of the end of the period	0	290	290	500	444	944
Net Book Value as of the beginning of the period	4,757	1,463	6,220	5,007	1,540	6,547
Net Book Value as of the end of the period	3,819	779	4,598	4,757	1,463	6,220

NOTES TO THE CORE FINANCIAL STATEMENTS

16 AUDITOR'S REMUNERATION

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

	2020/21	2019/20
	£000	£000
Fees payable to the external auditor with regard to external audit services carried out by the appointed auditor for the year	81	81
Fees payable to external auditor for the certification of grant claims and returns for the year	27	27
Fees payable in respect of other services provided by the external auditor during the year	28	20
Grant claim fees under/(over) accrued in previous year	(8)	5
Rebate received for previous year	0	(10)
Total	128	123

NOTES TO THE CORE FINANCIAL STATEMENTS

17 PROPERTY, PLANT AND EQUIPMENT

Movements on Balances

	2020/21						
	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
Cost/Valuation							
At 1 April 2020	438,045	43,057	107,484	6,536	0	15,061	610,183
Additions ¹	3,547	2,065	3,906	302	0	15,108	24,928
Revaluation increases/ (decreases) recognised in the Revaluation Reserve	12,468	(352)	0	0	0	0	12,116
Revaluation increases/ (decreases) recognised in the Surplus/Deficit on the Provision of Services	(2,294)	(490)	(14)	0	0	0	(2,798)
Disposals	(2,543)	(289)	(2,343)	0	0	0	(5,175)
Reclassification (to)/from Assets Held for Sale	(8)	0	0	0	0	0	(8)
Other Reclassifications	4,207	619	184	0	0	(5,010)	0
At 31 March 2021	453,422	44,610	109,217	6,838	0	25,159	639,246
Accumulated Depreciation & Impairments							
At 1 April 2020	3,661	29,040	36,993	0	0	0	69,694
Depreciation charge	7,625	2,119	4,921	0	0	0	14,665
Depreciation written out to the Revaluation Reserve	(6,219)	0	0	0	0	0	(6,219)
Depreciation written out to the Surplus/Deficit on the Provision of Services	(2,102)	(231)	0	0	0	0	(2,333)
Depreciation written out on disposal	(135)	(191)	(1,186)	0	0	0	(1,512)
At 31 March 2021	2,830	30,737	40,728	0	0	0	74,295
Net Book Value at 31 March 2021	450,592	13,873	68,489	6,838	0	25,159	564,951
Net Book Value at 31 March 2020	434,384	14,017	70,491	6,536	0	15,061	540,489
Nature of asset holding							
Owned	445,445	13,094	68,489	6,838	0	25,159	559,025
Finance lease	1,328	0	0	0	0	0	1,328
PFI	3,819	779	0	0	0	0	4,598
Net Book Value at 31 March 2021	450,592	13,873	68,489	6,838	0	25,159	564,951

¹ Assets Under Construction additions include expenditure on the Heathlands Re-development (£3.1m), the A3095 Improvement Scheme (£6.6m) and Downshire Way duelling (£1.3m).

NOTES TO THE CORE FINANCIAL STATEMENTS

	2019/20						
	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
Cost/Valuation							
At 1 April 2019	411,422	42,184	103,878	6,415	0	10,691	574,590
Additions	4,245	3,048	4,890	64	0	5,478	17,725
Revaluation increases/ (decreases) recognised in the Revaluation Reserve	27,774	0	0	0	0	0	27,774
Revaluation increases/ (decreases) recognised in the Surplus/Deficit on the Provision of Services	1,801	0	0	(5)	0	0	1,796
Disposals	(7,166)	(2,458)	(1,336)	0	0	0	(10,960)
Reclassification (to)/from Assets Held for Sale	(335)	0	0	0	0	(81)	(416)
Other Reclassifications	304	283	52	62	0	(1,027)	(326)
At 31 March 2020	438,045	43,057	107,484	6,536	0	15,061	610,183
Accumulated Depreciation & Impairments							
At 1 April 2019	10,055	29,199	32,613	0	0	0	71,867
Depreciation charge	9,364	2,150	4,712	0	0	0	16,226
Depreciation written out to the Revaluation Reserve	(6,109)	0	0	0	0	0	(6,109)
Depreciation written out to the Surplus/Deficit on the Provision of Services	(3,160)	0	0	0	0	0	(3,160)
Depreciation written out on disposal	(6,489)	(2,309)	(332)	0	0	0	(9,130)
At 31 March 2020	3,661	29,040	36,993	0	0	0	69,694
Net Book Value at 31 March 2020	434,384	14,017	70,491	6,536	0	15,061	540,489
Net Book Value at 31 March 2019	401,367	12,985	71,265	6,415	0	10,691	502,723
Nature of asset holding							
Owned	428,326	12,554	70,491	6,536	0	15,061	532,968
Finance lease	1,301	0	0	0	0	0	1,301
PFI	4,757	1,463	0	0	0	0	6,220
Net Book Value at 31 March 2020	434,384	14,017	70,491	6,536	0	15,061	540,489

Valuation basis

The Council carries out a rolling programme that ensures that all Property, Plant and Equipment required to be measured at Current or Fair Value is professionally revalued at least every five years. The valuations were carried out by Steve Booth BSc, MRICS, ASVA, DipAF – the Council's Head of Strategic Property or an external firm of valuers. Valuations of land and buildings were carried out in accordance with the methodologies and bases for 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.

NOTES TO THE CORE FINANCIAL STATEMENTS

The significant assumptions applied in estimating values on a Depreciated Replacement Cost basis are:

- Disregarding any site specific abnormal characteristics that would cause its market value to differ from that needed to replace the service potential at least cost.
- Disregarding alternative potential uses that would drive the value above that needed to replace the service potential of the property; and

The valuation of the Council's surplus land asset assumes it is comparable to similar assets in the local market with planning permission. This is a level 2 valuation under the Fair Value hierarchy.

The following statement shows the progress of the Council's revaluations of Property, Plant and Equipment. Other Land and Buildings are revalued on a five year rolling programme; however the Council also undertook an index based revaluation review to ensure that those assets not scheduled to be revalued in the 2020/21 rolling programme were not materially misstated in the Balance sheet. As a result, £167m of the 2020/21 assets listed below were revalued using the index.

	Other Land & Buildings	Vehicles, Plant Furniture & Equipment	Infra- structure Assets	Community Assets	Surplus Assets	Assets Under Construct- ion	Total Property, Plant and Equipment
	£000	£000	£000	£000	£000	£000	£000
Carried at historic cost	0	42,993	109,217	6,838	0	25,159	184,207
Valued at current or Fair Value as at:							
2020/21	281,880	1,617	0	0	0	0	283,497
2019/20	125,945	0	0	0	0	0	125,945
2018/19	15,754	0	0	0	0	0	15,754
2017/18	23,118	0	0	0	0	0	23,118
2016/17	6,725	0	0	0	0	0	6,725
Total Cost or Valuation	453,422	44,610	109,217	6,838	0	25,159	639,246

NOTES TO THE CORE FINANCIAL STATEMENTS

18 INVESTMENT PROPERTY

	2020/21	2019/20
	£000	£000
Balance at the beginning of the period	127,386	127,176
Additions:		
Purchases	0	0
Subsequent expenditure	89	182
Disposals	(1,000)	(1,060)
Reclassifications from PPE	0	84
Net gains/losses from Fair Value adjustments	(8,077)	1,004
Balance at the end of the period	118,398	127,386

Of the balance as at 31 March 2021, £0.621m relates to properties held under finance leases (£0.585m in 2019/20) and £117.777m to properties owned by the Council (£126.801m in 2019/20). At 31 March 2021, all Investment Properties were let under operating leases except for nine properties currently without tenants and three properties held for future sale. The value of the properties let under operating leases was £114.209m (£122.271m in 2019/20).

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, except where the lease terms specify otherwise.

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

	31 March 2021	31 March 2020
	£000	£000
Rental Income from Investment Property	(8,712)	(8,319)
Operating Expenses Arising from Investment Property	1,134	1,052
Net Gain	(7,578)	(7,267)

Valuation basis

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

The most significant valuation assumption used is that the rental yield (rental as a percentage of property value) achievable on most Investment Properties is equivalent to that achieved on recent and comparable property purchases. Consideration is also given to rental income outlook.

To estimate the Fair Value of Investment Property, the highest and best use of each asset needs to be considered. Although alternative uses were assessed as part of the process, this was considered to be their current use. There has therefore been no change in the valuation techniques used during the year for Investment Properties.

NOTES TO THE CORE FINANCIAL STATEMENTS

There is limited activity within the local market for equivalent properties, therefore the valuations have been categorised as level 2 of the Fair Value hierarchy.

An increase in yield has been forecast for three large retail or office properties compared to last year, which has resulted in a reduction of approximately £9m in the fair value for these assets. This reflects the underlying market conditions for such properties. Across the rest of the portfolio, yields have largely been unchanged with an overall increase in valuations of £1m in total.

19 CAPITAL EXPENDITURE AND FINANCING

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

	31 March 2021	31 March 2020
	£000	£000
Opening Capital Financing Requirement	211,589	217,853
<i>Capital Investment</i>		
Property, Plant and Equipment	24,928	17,725
Investment Property	90	182
Intangible Assets	50	386
Revenue Expenditure Funded from Capital under Statute	1,815	2,542
Long Term Debtors	0	685
	26,883	21,520
<i>Sources of Finance</i>		
Capital Receipts	(1,356)	(5,249)
Disposal costs incurred in advance of the Capital Receipt	13	(2)
Government Grants and Other Contributions	(19,169)	(20,222)
Sums Set Aside from Revenue:		
Direct Revenue Contributions	(1,024)	0
Waste PFI Donated Asset Account (deferred income)	(89)	(89)
Minimum Revenue Provision	(2,245)	(2,222)
	(23,870)	(27,784)
Closing Capital Financing Requirement	214,602	211,589
Increase/(Decrease) in underlying need to borrow (supported by government financial assistance)	(537)	(571)
Increase/(Decrease) in underlying need to borrow (unsupported by government financial assistance)	3,550	(5,693)
Increase/(Decrease) in Capital Financing Requirement	3,013	(6,264)

NOTES TO THE CORE FINANCIAL STATEMENTS

20 CAPITAL COMMITMENTS

Estimated commitments for capital expenditure for significant schemes that had started, or where legal contracts had been entered into, as of 31 March 2021 are as follows.

Capital Scheme	31 March 2021
	£000
Town Centre Regeneration	6,000
Highways Improvements	3,137
Wooden Hill Primary Extension	256
Commercial Centre Project	172
Heathlands Redevelopment	7,638
Total	17,203

21 LONG TERM DEBTORS

The Council makes loans to a number of organisations and individuals and acts as the lessor for a number of finance leases. Downshire Homes Ltd (DHL) is a wholly owned subsidiary of the Council. Its purpose is to provide accommodation for homeless people and people with learning disabilities. By setting up the company the Council has been able to save costs by increasing the supply of such accommodation.

	31 March 2021	31 March 2020
	£000	£000
Local Authorities		
Loan to Warfield Parish Council	24	32
Loan to Downshire Homes Ltd	20,313	20,313
Other Entities and Individuals		
Sale of Council Houses Loans	15	15
Car Loans to Employees	294	415
Rent to Mortgage Properties	376	376
South Hill Park Loan	64	69
Mortgages	510	597
Shared Equity Property Finance Leases	684	731
Byways/Adastron Finance Lease	445	445
Community Infrastructure Levy	893	2,732
Total	23,618	25,725

22 SHORT TERM DEBTORS

	31 March 2021	31 March 2020
	£000	£000
Central Government Bodies	2,956	2,311
Other Local Authorities	1,897	2,076
NHS Bodies	4,119	3,979
Public Corporations and Trading Funds	3	6
Other Entities and Individuals	25,788	22,155
Total	34,763	30,527

NOTES TO THE CORE FINANCIAL STATEMENTS

The increase in Other Entities and Individuals debt primarily relates to an increase in Business Rates arrears and in increase in the level of trade debtors.

23 CASH AND CASH EQUIVALENTS

	31 March 2021	31 March 2020
	£000	£000
Investments With Original Maturities of 3 Months or Less	20,244	16,803
Cash held by the Council	6	6
Bank Balance / (Overdraft)	(3,090)	859
Total	17,160	17,668

24 SHORT TERM CREDITORS

	31 March 2021	31 March 2020
	£000	£000
Central Government Bodies	30,037	10,553
Other Local Authorities	4,942	5,967
NHS Bodies	694	1,089
Public Corporations and Trading Funds	57	111
Other Entities and Individuals	26,496	35,249
Total	62,226	52,969

There is a significant creditor balance in 2020/21 relating to grants where the Council is acting as an agent for central government (£4.2m). The Council also received the government's share of section 31 grant relating to Business Rates reliefs (to assist with cash flow) which will need to be repaid next year (£13.5m). In 2019/20, £5.0m was owed to the Thames Valley Local Enterprise Partnership at the end of the year in relation to the Business Rates Pilot. There was no pilot arrangement in 2020/21.

25 PROVISIONS

2020/21	Business		Total
	Rates	Appeals	
	£000	£000	£000
Balance at 1 April 2020	8,347	215	8,562
Addition /(reduction) in provisions	(1,016)	28	(988)
Unused amounts reversed	0	0	0
Amounts used	(510)	(4)	(514)
Balance at 31 March 2021	6,821	239	7,060

2019/20	Town Centre	Business		Total
	Regeneration	Rates	Appeals	
	£000	£000	£000	£000
Balance at 1 April 2019	507	9,416	410	10,333
Additional provisions	0	455	9	464
Unused amounts reversed	(333)	0	(210)	(543)
Amounts used	(168)	(1,524)	0	(1,692)
Balance at 31 March 2020	6	8,347	209	8,562

NOTES TO THE CORE FINANCIAL STATEMENTS

The provision for Business Rates shows an overall decrease and reflects the latest information on appeals and the fact the Council was back in the 50% retention scheme in 2020/21 (in a 75% pilot in 2019/20). The position is increasingly difficult to predict following the 2017 valuation and the Valuation Office Agency's new Check, Challenge, Appeal process. In 2020/21 the small opening balance on Town Centre Regeneration has been included in other provisions.

26 LONG TERM CREDITORS

	31 March 2021	31 March 2020
	£000	£000
Other Entities and Individuals		
PFI Obligations	3,592	3,914
Finance Lease Obligations	4,623	4,624
Peel Centre Prepaid Rent	9,399	9,463
Deposits	1,089	910
Total	18,703	18,911

27 EARMARKED RESERVES

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

- Schools' Balances held under a scheme of delegation are permitted to be retained under the Schools Standards & Framework Act 1998. These are managed by the schools rather than the Council and held in a separate earmarked reserve. The Other Schools' Balances Reserve represented the element of schools' expenditure funded by Dedicated Schools Grant that had been carried forward. As the Schools Budget is now in an overall deficit position, these balances have now been transferred into the Dedicated Schools Grant Adjustment Account, a new unusable reserve (see Note 9).
- The Insurance & Uninsured Claims Reserve provides cover for the following:
 - The excess payable on claims under the Council's insurance policies; and
 - potential future claims not covered by existing policies, including contractual disputes, legal claims, breach of contract, Mental Health S117 claims and copyright claims.
- The Cost of Structural Changes Reserve is used to fund the one-off additional costs arising from restructuring where there are demonstrable future benefits.
- The Future Funding Reserve is used to smooth the impact of changes in Business Rates income and central government funding decisions.
- The Transformation Reserve is used to meet the upfront costs of the Council's transformation programme aimed at identifying significant savings that can be incorporated into future years' budgets. The ICT Transformation Reserve is specifically for ICT developments.
- The Revenue Grants Unapplied Reserve holds resources equivalent to unspent grant income received without conditions which are released from the reserve as the associated expenditure is incurred.

NOTES TO THE CORE FINANCIAL STATEMENTS

- The Business Rates Revaluation Reserve will be used to meet the cost of any significant downward Business Rates valuations.
- Section 31 grant received during 2020/21 to meet the cost of Business Rates reliefs, made available by the Government to support businesses during the pandemic, has been transferred into the Business Rates Reliefs Reserve. As these reliefs were granted after the Business Rates budget was set the reduction in income received resulted in a significant deficit on the Collection Fund in 2020/21 which will need to be funded from this reserve in 2021/22.

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

2020/21	Balance at 1 April £000	Transfers Out £000	Transfers In £000	Balance at 31 March £000
Earmarked Reserves				
Schools' Balances Held Under a Scheme of Delegation	1,015	(48)	1,174	2,141
Other Schools' Balances	1,847	(1,847)	0	0
Insurance & Uninsured Claims	3,059	(264)	114	2,909
Cost of Structural Change	3,158	(229)	0	2,929
Regeneration of Bracknell Town Centre	4,313	(275)	2,000	6,038
Future Funding	18,146	0	278	18,424
Transformation	3,179	(309)	500	3,370
Public Health	1,719	0	794	2,513
Better Care Fund	2,322	0	712	3,034
ICT Transformation	1,000	(189)	189	1,000
Commuted Maintenance of Land	1,636	0	0	1,636
Revenue Grants Unapplied	10,781	(972)	4,938	14,747
COVID-19 Reserve	2,289	0	0	2,289
Business Rates Revaluation Reserve	0	0	7,500	7,500
Business Rates Reliefs Reserve	0	0	13,048	13,048
Other	2,722	(404)	313	2,631
Total	57,186	(4,537)	31,560	84,209
Total movements in 2019/20	49,763	(12,752)	20,175	57,186

28 CAPITAL GRANTS UNAPPLIED RESERVE

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

	2020/21 £000	2019/20 £000
Opening Balance	18,792	11,960
Received	8,617	16,330
Applied to Capital Financing	(4,661)	(9,498)
Closing Balance	22,748	18,792

NOTES TO THE CORE FINANCIAL STATEMENTS

29 REVALUATION RESERVE

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

	2020/21	2019/20
	£000	£000
As of the beginning of the period	179,516	149,869
Upward revaluation of assets	30,748	38,526
Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services	(12,413)	(4,644)
Surplus or deficit on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services	18,335	33,882
Difference between Current/Fair Value depreciation and historical cost depreciation	(3,514)	(3,051)
Accumulated gains on assets sold or scrapped	(1,489)	(1,184)
Amount written off to the Capital Adjustment Account	(5,003)	(4,235)
Closing Balance	192,848	179,516

30 CAPITAL ADJUSTMENT ACCOUNT

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

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

	2020/21	2019/20
	£000	£000
Balance at 1 April	299,995	285,453
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	(14,665)	(16,226)
Revaluation Losses on Property Plant & Equipment	(404)	5,038
Amortisation of Intangible Assets	(468)	(424)
Revenue Expenditure Funded from Capital under Statute	(369)	(1,009)
Amount of non-current assets written off as part of the gain/loss on sale	(4,700)	(4,077)
	(20,606)	(16,698)
Adjusting amounts written out of the Revaluation Reserve	5,003	4,235
Net written out amount of the cost of non-current assets consumed in the year	(15,603)	(12,463)
Capital financing applied in the year:		
Use of the Capital Receipts Reserve to finance new capital expenditure	1,356	5,249
Capital Grants and Contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	13,019	9,048
Application of Capital Grants and Contributions to capital financing from the Capital Grants Unapplied Reserve	4,660	9,498
Statutory provision for the financing of capital investment	2,245	2,222
Capital expenditure charged against the General Fund	1,024	0
Prior year costs of non-current asset disposals met from in-year Capital Receipts	0	1
	22,304	26,018
Movements in the market value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement	(8,077)	1,004
Movements in the Waste PFI Donated Asset Account (deferred income) credited to the Comprehensive Income and Expenditure Statement	89	89
Repayment of loans	(94)	(106)
Balance at 31 March	298,614	299,995

31 DEFERRED CAPITAL RECEIPTS RESERVE

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

NOTES TO THE CORE FINANCIAL STATEMENTS

	2020/21	2019/20
	£000	£000
As of the beginning of the period	1,446	1,689
Transfer to the Capital Receipts Reserve upon receipt of cash	(70)	(243)
Closing Balance	1,376	1,446

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

	31 March	31 March
	2021	2020
	£000	£000
Mortgages on Council Houses Sold	15	15
Loan to Warfield Parish Council	32	40
Rent to Mortgage Properties	376	376
Shared Equity Property Finance Leases	508	570
Byways/Adastron House Finance Lease	445	445
Total	1,376	1,446

32 COLLECTION FUND ADJUSTMENT ACCOUNT

The Collection Fund Adjustment Account manages the differences arising from the recognition of Council Tax and Business Rates income in the Comprehensive Income and Expenditure Statement as it falls due from Council Tax payers and Business Rates payers compared with the income calculated for the year in accordance with statutory requirements. The change in the balance primarily relates to Business Rates and the granting of additional reliefs after the budget was set. This has created a significant deficit on the Collection Fund.

	2020/21	2019/20
	£000	£000
As of the beginning of the period	8,250	4,140
Net change during the year	(19,628)	4,110
Closing Balance	(11,378)	8,250

33 ACCUMULATED ABSENCES ACCOUNT

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

	2020/21	2019/20
	£000	£000
As of the beginning of the period	(5,177)	(4,520)
Net change during the year	(1,005)	(657)
Closing Balance	(6,182)	(5,177)

NOTES TO THE CORE FINANCIAL STATEMENTS

34 FINANCIAL INSTRUMENTS

Categories of Financial Instruments

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

Financial Assets	Current	31 March 2021		Fair Value
		Long Term	Total	
	£000	£000	£000	£000
Debtors – Amortised Cost	27,959	23,618	51,577	55,519
Total Financial Assets	27,959	23,618	51,577	55,519
Non-financial Assets	6,804	0	6,804	6,804
Total	34,763	23,618	58,381	62,323
Financial Liabilities				
Borrowings – Amortised Cost	287	80,000	80,287	106,325
Creditors – Amortised Cost	27,117	9,034	36,151	73,313
Total Financial Liabilities	27,404	89,034	116,438	179,638
Non-financial Liabilities	34,822	0	34,822	34,822
Total	62,226	89,034	151,260	214,460

Financial Assets	Current	31 March 2020		Fair Value
		Long Term	Total	
	£000	£000	£000	£000
Debtors – Amortised Cost	23,099	25,725	48,824	61,614
Total Financial Assets	23,099	25,725	48,824	61,614
Non-financial Assets	7,428	0	7,428	7,428
Total	30,527	25,725	56,252	69,042
Financial Liabilities				
Borrowings – Amortised Cost	15,331	80,000	95,331	158,133
Creditors – Amortised Cost	35,869	9,446	45,315	88,154
Total Financial Liabilities	51,200	89,446	140,646	246,287
Non-financial Liabilities	16,808	0	16,808	16,808
Total	68,008	89,446	157,454	263,095

NOTES TO THE CORE FINANCIAL STATEMENTS

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

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

The debtors and creditors figures exclude statutory debtors and creditors relating to Council Tax, Business Rates, teachers and local government superannuation, government grants, VAT and HMRC PAYE deductions. As there is no contract in place, these are not considered to be financial instruments. For completeness they are included in non-financial assets and liabilities in the tables above.

Fair Value of Assets and Liabilities carried at Amortised Cost

All the Council's financial liabilities and financial assets represented by amortised cost and long term debtors and creditors are measured in the Balance Sheet at amortised cost using the effective interest rate method. Their Fair Value is measured as the present value of the expected cash flows over the remaining life of the instruments, using the following assumptions:

- For PWLB and non-PWLB loans payable, premature repayment rates from the PWLB have been applied to provide the fair value under PWLB debt redemption procedures (a Level 2 valuation using discounted cash flows);
- For PFI contracts and finance leases, premature repayment rates from the Public Works Loans Board (PWLB) have been applied to provide the Fair Value under PWLB debt redemption procedures. These financial liabilities are held by and under the control of the providers rather than the Council. This valuation basis is therefore only a Level 3 approximation of the net present value of the arrangements based on PWLB rates;
- For loans receivable prevailing benchmark market rates have been used to provide the Fair Value;
- No early repayment or impairment is recognised;
- Where an instrument, including trade and other receivables, has a maturity of less than 12 months the Fair Value is taken to be the principal outstanding or the billed amount.

As the fair value of loans payable is based on PWLB premature repayment rates it includes a penalty charge for early redemption in addition to charging a premium for the additional interest that would be paid. A supplementary measure of the additional interest that the Council will pay as a result of its borrowing commitments for fixed rate loans is to compare the terms of these loans with the new borrowing rates available from the PWLB. If a value is calculated on this basis, the carrying amount of £80.3m would be valued at £88.0m.

In both valuation approaches the fair value of borrowing liabilities is greater than the carrying amount which shows a notional future loss (based on economic conditions at 31 March 2021) arising from a commitment to pay interest to lenders above current market rates.

The Fair Value of long term creditors is also significantly higher than the carrying amount because the interest rates payable for the PFI contract and the Longshot Lane and The Avenue Car Park finance leases is higher than the prevailing rates estimated to be available

NOTES TO THE CORE FINANCIAL STATEMENTS

at the Balance Sheet date. This shows a notional future loss (based on economic conditions at 31 March 2021) arising from a commitment to pay interest above current market rates.

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

Income, Expense, Gains and Losses

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

Income, Expense, Gains and Losses	2020/21 Surplus or Deficit on the Provision of Services £000	2019/20 Surplus or Deficit on the Provision of Services £000
Interest Revenue – financial assets measured at amortised cost	998	1,337
Interest expense	(3,611)	(3,791)

Key Risks

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

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

Overall Procedures for Managing Risk

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

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

The key issues within the strategy were:

- The Authorised Limit for 2020/21 was set at £248m. This is the maximum limit of external borrowings or other long term liabilities.

NOTES TO THE CORE FINANCIAL STATEMENTS

- The Operational Boundary was expected to be £238m. This is the expected level of debt and other long term liabilities during the year.

Credit risk

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

The credit criteria for the Council are as follows:

- The minimum criteria for investment counterparties are:
 - In light of the changing economic backdrop, the shift in the relative importance of credit-ratings and the sector's requirement for a more sophisticated approach to counterparty selection, the Council's Treasury Management advisers have developed a modelling approach. This utilises credit ratings from the three main credit rating agencies supplemented with overlays of credit watches and outlooks in a weighted scoring system. This is then combined with Credit Default Swap (CDS) spreads from which the end product is a series of colour coded bands which indicate the relative creditworthiness of counterparties. This service uses a wider array of information than just primary ratings and by using a risk weighted scoring system does not give undue preference to just one agency's ratings. The minimum credit rating that the Council will use will be a short term rating of F1 and a long term rating of A-, a viability rating of A- and a support rating of 1.
 - UK Banks or Building Societies.
 - Money Market Funds – AAA Rating Sterling Denominated.
 - UK Government (including gilts and Debt Management Account Deposit Facility (DMADF)).
 - UK Local Authorities.
- The time and money limits on the Council's counterparty lists are as follows:

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

The full Investment Strategy for 2020/21 was approved by Full Council on 26 February 2020 and is available, along with the treasury management strategy, on the Council website at <https://www.bracknell-forest.gov.uk/sites/default/files/documents/treasury-management-report-2020-to-2021.pdf>.

The Council's maximum exposure to credit risk in relation to its deposits in financial institutions and money market funds of £17.2m 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 2021 that this was likely to crystallise.

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

NOTES TO THE CORE FINANCIAL STATEMENTS

Amounts Arising from Expected Credit Losses

An analysis of long term debtors is included in Note 21. Risk for each category has not increased significantly and remains low; therefore, losses have been assessed on the basis of 12-month expected losses. After considering each category of debt, no loss allowances have been made. The most significant debts relate to the loan to Downshire Homes Ltd (£20.3m) and Construction Industry Levy (CIL) payments (£0.9m). The interest payable on the loan is factored into DHL's business model and the loan is secured against the properties owned by DHL. CIL for larger developments is payable in instalments potentially over several years. The development cannot progress if CIL payments are not made.

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

Loss Allowance	2020/21	2019/20
	£000	£000
Opening Balance as at 1 April	2,747	2,624
Movements	(329)	123
As at 31 March	2,418	2,747
Write offs	328	580
Impairment losses /(gains)	(1)	703

Loss allowances are also held for Council Tax (£0.698m) and Business Rates debts (£1.032m) using a provision matrix. These are not financial instruments and any movement in the allowance or write offs are charged to the Collection Fund.

The Council initiates a legal charge on property where, for instance, clients require the assistance of social services but cannot afford to pay immediately. The total collateral at 31 March 2021 was £1.142m (2019/20 £1.176m).

Liquidity risk

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

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

NOTES TO THE CORE FINANCIAL STATEMENTS

Refinancing and Maturity Risk

The Council commenced borrowing in 2016/17 and therefore now has a debt portfolio. Whilst the cash flow procedures above are considered against the refinancing risk procedures, longer term risk to the Council relates to managing the exposure to replacing financial instruments as they mature. This risk relates to both the maturing of longer term financial liabilities and longer term financial assets.

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

- monitoring the maturity profile of financial liabilities and amending the profile through either new borrowing or the rescheduling of the existing debt; and
- monitoring the maturity profile of investments to ensure sufficient liquidity is available for the Council's day to day cash flow needs, and the spread of longer term investments provide stability of maturities and returns in relation to the longer term cash flow needs.

The Council has in previous years borrowed a total of £80m from the Public Works Loans Board on a long term basis (£0m in 2020/21) to finance capital expenditure.

The maturity analysis of these borrowings is as follows, with the maximum and minimum limits for fixed interest rates maturing in each period:

	Lower Limit	Upper Limit	31 March 2021 £000	31 March 2020 £000
Less than one year	0%	100%	287	15,331
Between 2 and 5 years	0%	100%	20,000	0
Between 5 and 10 years	0%	100%	10,000	30,000
More than 40 years	0%	100%	50,000	50,000
Total	0%	100%	80,287	95,331

The Council has longer term financial liabilities relating to finance leases and PFI arrangements and the maturity analyses are disclosed in Notes 14 and 15 to these accounts.

Market risk

Interest rate risk - The Council is exposed to interest rate movements on its borrowings and investments. Movements in interest rates have a complex impact on the Council, depending on how variable and fixed interest rates move across differing financial instrument periods. For instance, a rise in variable and fixed interest rates would have the following effects:

- Borrowings at variable rates – the interest expense charged to the Comprehensive Income and Expenditure Statement will rise;
- Borrowings at fixed rates – the fair value of the borrowing will fall
- investments at variable rates – the interest income credited to the Surplus or Deficit on the Provision of Services will rise; and
- investments at fixed rates – the Fair Value of the assets will fall.

NOTES TO THE CORE FINANCIAL STATEMENTS

Borrowings are not carried at fair value on the balance sheet, so nominal gains and losses on fixed rate borrowings would not impact on the Surplus or Deficit on the Provision of Services or Other Comprehensive Income and Expenditure. However, changes in interest payable and receivable on variable rate borrowings and investments will be posted to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement and affect the General Fund Balance.

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

According to this assessment strategy, at 31 March 2021, 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	(254)
Impact on Surplus or Deficit on the Provision of Services	(254)
Decrease in Fair Value of fixed rate investment assets	3,448
Impact on Other Comprehensive Income and Expenditure	3,448
Decrease in Fair Value of fixed rate borrowing and other liabilities (no impact on the Comprehensive Income and Expenditure Statement)	26,287

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

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

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

35 RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

	1 April 2020 £000	Financing Cash Flows £000	Other Non- cash Changes £000	31 March 2021 £000
Long Term Borrowings	80,000	0	0	80,000
Short Term Borrowings	15,039	(15,000)	(39)	0
Finance Lease Liabilities	4,624	0	0	4,624
PFI Liabilities	4,229	(315)	0	3,914
Total Liabilities from Financing Activities	103,892	(15,315)	(39)	88,538

NOTES TO THE CORE FINANCIAL STATEMENTS

	1 April 2019 £000	Financing Cash Flows £000	Other Non- cash Changes £000	31 March 2020 £000
Long Term Borrowings	80,000	0	0	80,000
Short Term Borrowings	35,089	(20,000)	(50)	15,039
Finance Lease Liabilities	4,624	0	0	4,624
PFI Liabilities	4,590	(361)	0	4,229
Total Liabilities from Financing Activities	124,303	(20,361)	(50)	103,892

36 CONTINGENCIES

Contingent Liabilities

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

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

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

37 POOLED BUDGETS

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

Pooled Budget: Better Care Fund

The Better Care Fund pooled budget was established on 1 April 2015 and incorporates the intermediate care pooled budget that existed in prior years. This new pooled budget aims to improve person-centred co-ordinated care through integration of Council and NHS services. The agreement is between Bracknell Forest Council and Bracknell and Ascot Clinical Commissioning Group.

The Better Care Fund consists of a number of schemes, some of which are managed by the Council and some by the Clinical Commissioning Group. The schemes include:

- Multi-disciplinary care teams, bringing together health and social care professionals to help individuals manage long term conditions.
- Integrated care teams to assist people transferring from hospital to home.
- A falls prevention advisory service, providing falls risk assessments and support in the community.

NOTES TO THE CORE FINANCIAL STATEMENTS

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

	Gross Expenditure	Gross Income	Bracknell Forest Council Contribution
	£000	£000	£000
Financial Year 2020/21	10,463¹	11,604	4,402
Financial Year 2019/20	11,450 ²	11,110	4,186

¹ The Council £8.436m and the Clinical Commissioning Group £2.027m

² The Council £9.569m and the Clinical Commissioning Group £1.881m

Pooled Budget: Community Equipment Services

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

The aim of the partnership is to improve the integration of health and social care community equipment services to meet the needs of users. A summary of income and expenditure is provided below.

	Gross Expenditure	Gross Income	Bracknell Forest Council Contribution
	£000	£000	£000
Financial year 2020/21	10,696	10,696	623
Financial year 2019/20	9,913	9,913	533

38 RELATED PARTY TRANSACTIONS

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

Central Government

Central government has effective control over the general operations of the Council – it is responsible for providing the statutory framework, within which the Council operates, provides the majority of its funding in the form of grants and prescribes the terms of many of the transactions that the Council has with other parties (e.g. council tax bills, housing benefits). Grant receipts from government departments are included in the subjective analysis in Note 7 and the grant analysis in Note 10.

Members of the Council

Members of the Council have direct control over the Council's financial and operating policies. The total of members' allowances and expenses paid is shown in Note 12. All Members were asked to complete a disclosure statement in respect of themselves and their family

NOTES TO THE CORE FINANCIAL STATEMENTS

members/close relatives, detailing any material transactions with related parties. The declarations confirmed that no material related party transactions exist.

Officers of the Council

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

39 THIRD PARTY FUNDS

The Council administers a number of bank accounts on behalf of clients by acting as the appointee or deputy. The clients concerned can no longer manage their own affairs, usually because of mental incapacity or severe physical disability. As at 31st March 2021, the Council administered, £1.65m within 115 bank accounts (£1.57m as at 31st March 2020). Additionally, as part of these responsibilities, four residential properties were under the Council's management. The assets are not owned by the Council and have not therefore been included in the financial statements.

40 PRIOR PERIOD ADJUSTMENTS

No prior period adjustments were required in 2020/21.

41 NON-ADJUSTING POST BALANCE SHEET EVENTS

Events after the Balance Sheet date are those events, both favourable and unfavourable, that occur between the end of the reporting period and the date when the Statement of Accounts is authorised for issue. The Statement of Accounts were authorised for issue by Stuart McKellar, the Executive Director: Resources, on ** March 2022. There were no post balance sheet events.

THE COLLECTION FUND

Business Rates £000	2020/21 Council Tax £000		Notes	Business Rates £000	2019/20 Council Tax £000	
	Total £000	Total £000			Total £000	
			Income			
	80,122	80,122	Council Tax Receivable	3	76,006	76,006
52,709		52,709	Business Rates Receivable	2	72,894	72,894
			Less: Transitional Protection Payments Receivable		157	157
52,709	80,122	132,831	Total Income		73,051	149,057
			Apportionment of Previous Year's Estimated Surplus / (Deficit)			
450		450	Central Government		5,581	5,581
(8,241)	(509)	(8,750)	Bracknell Forest Council		4,942	427
(79)	(25)	(104)	Royal Berkshire Fire Authority		106	21
	(76)	(76)	Police and Crime Commissioner			58
(7,870)	(610)	(8,480)	Apportionment Total		10,629	506
			Expenditure			
			Precepts, Demands and Shares			
(34,929)		(34,929)	Central Government		(18,403)	(18,403)
(34,230)	(67,048)	(101,278)	Bracknell Forest Council		(54,471)	(62,754)
(699)	(3,165)	(3,864)	Royal Berkshire Fire Authority		(736)	(3,021)
	(10,125)	(10,125)	Police and Crime Commissioner			(9,401)
			Charges to Collection Fund			
(724)		(724)	Transitional Protection Payments Payable			
			Less: write offs in excess of provision			
(1,555)	(290)	(1,845)	Less: Increase/ (Decrease) in Allowance for Impairments		90	(241)
(2,642)		(2,642)	Less: Increase/ (Decrease) in Provision for Appeals		(1,769)	(1,769)
	518	518	Less: S13A Discretionary Reliefs			19
(152)		(152)	Less: Cost of Collection		(150)	(150)
(74,931)	(80,110)	(155,041)	Total Expenditure		(75,439)	(75,398)
(30,092)	(598)	(30,690)	Movement on the fund balance	4	8,241	1,114
7,283	531	7,814	Surplus/(Deficit) brought forward		(958)	(583)
(22,809)	(67)	(22,876)	Surplus/(Deficit) as at 31 March	4	7,283	531

NOTES TO THE COLLECTION FUND

1 Accounting Policy

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

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

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

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

2 Income from Business Rates

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

Total Business Rateable Value 31 March 2021	£167,754,575
	(£167,203,687 31 March 2020)

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

Business Rate Multiplier - Standard	51.2p (50.4p 2019/20)
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Business Rate Multiplier - Small Business	49.9p (49.1p 2019/20)
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(A property with a rateable value below £50,999)

3 Council Tax

The Council's tax base for 2020/21 was 46,816. This is the number of chargeable dwellings in each valuation band (adjusted for dwellings where discounts apply) converted to an equivalent number of band D dwellings.

NOTES TO THE COLLECTION FUND

This was calculated as follows:-

Band	Actual Number of Properties	Estimated Number of Taxable Properties after effect of discounts & exemptions	Ratio	Band D Equivalent Dwellings
A (Disabled)	0	5	5/9 ^{ths}	3
A	1,544	1,355	6/9 ^{ths}	903
B	4,606	4,000	7/9 ^{ths}	3,111
C	18,149	16,580	8/9 ^{ths}	14,738
D	9,636	8,988	9/9 ^{ths}	8,988
E	8,039	7,628	11/9 ^{ths}	9,323
F	4,999	4,819	13/9 ^{ths}	6,961
G	2,373	2,300	15/9 ^{ths}	3,833
H	260	260	18/9 ^{ths}	520
	49,606			48,380
		Less allowance for losses on collection		(218)
		Less allowance for Council Tax Reduction Scheme		(2,486)
		Add contributions in lieu from the Ministry of Defence		268
		Add allowance for new properties		872
		Council Tax Base		46,816

4 Collection Fund Surplus / Deficit

A deficit of £30.690m has been achieved on the Collection Fund, broken down into a £0.598m deficit on Council Tax (a £1.114m surplus in 2019/20) and a £30.092m deficit on Business Rates (a £8.241m surplus in 2019/20) The balance of the Fund carried forward is a £22.876m deficit.

Share of Surplus / (Deficit)	Opening Balance £000	Council Tax £000	Business Rates £000	Closing Balance £000
Bracknell Forest Council	8,251	(499)	(19,130)	(11,378)
Central Government	(597)	0	(10,661)	(11,258)
Police & Crime Commissioner	66	(75)	0	(9)
Royal Berkshire Fire Authority	94	(24)	(301)	(231)
Total	7,814	(598)	(30,092)	(22,876)

The large deficit achieved on Business Rates this financial year can be attributed to the impact of COVID-19. A large amount of support was provided in the year to businesses, and whilst this was funded by the Government, this funding came by way of Section 31 grant which sits outside of the Collection Fund. The additional grant received in the General Fund has been transferred into an earmarked reserve called the Business Rates Refunds Reserve. It will be used to cover the Council's share of the Business Rates deficit when this becomes payable in 2021/22.

GROUP ACCOUNTS

Introduction

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

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

DHL became operational in 2016/17. Due to continued investment in the company Group Accounts are now deemed to be required on the grounds of materiality. DHL owns 65 properties, 60 of which are used as homeless accommodation and 5 as shared accommodation for people with learning disabilities. An operating profit of £1.207m was made in 2020/21 (£0.631m loss in 2019/20). The accounts for DHL have been prepared on the same basis as the Council's accounts. It also has the same accounting period and follows the same accounting policies as the Council. The future of DHL is currently being explored and a decision on the way forward is expected in 2021/22.

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

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

GROUP COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

	2020/21			2019/20		
	Gross Expenditure £000	Gross Income £000	Net £000	Gross Expenditure £000	Gross Income £000	Net £000
Central	29,180	(7,890)	21,290	29,253	(6,382)	22,871
Delivery	35,382	(8,739)	26,643	35,313	(10,559)	24,754
People	211,748	(143,631)	68,117	201,271	(132,349)	68,922
Non Departmental / Council Wide	1,339	0	1,339	1,276	(8,326)	(7,050)
Cost of Services	277,649	(160,260)	117,389	267,113	(157,616)	109,497
Other Operating Expenditure						
Levies			111			109
Parish Council Precepts			3,572			3,335
Other Income from Capital Receipts that do not arise from the Disposal of an Asset			(1,306)			(2,359)
(Gain)/Loss on the Disposal of Property, Plant & Equipment			3,519			1,440
Other Pension Administration Costs			149			150
Financing and Investment Income and Expenditure						
(Surplus)/Deficit on Trading Operations			45			116
Interest Receivable and Similar Income			(324)			(664)
Interest Payable and Similar Charges			3,610			3,791
Income and Expenditure in Relation to Investment Properties			(7,578)			(7,267)
Changes in Fair Value of Investment Properties			8,077			(1,004)
(Gain)/Loss on the Disposal of Investment Properties			50			4
Net Interest on the Net Defined Benefit Pension Liability			5,630			6,755
Impairment losses/ (gains)			(1)			703
Taxation and Non-specific Grant Incomes						
Council Tax Income			(67,054)			(63,259)
General and other Non-Ringfenced Government Grants			(29,774)			(10,465)
Business Rates Income and Expenditure			(9,667)			(26,637)
Capital Grants and Contributions			(21,635)			(25,378)
(Surplus) or Deficit on Provision of Services			4,813			(11,133)
Tax Expenses of Downshire Homes Ltd			0			25
Group (Surplus) or Deficit			4,813			(11,108)
(Surplus) or Deficit on Revaluation of Non-Current Assets			(18,557)			(33,863)
Remeasurements of the Net Defined Benefit Pension Liability			91,902			(55,425)
Other Comprehensive Income and Expenditure			73,345			(89,288)
Total Comprehensive Income and Expenditure			78,158			(100,396)

GROUP MOVEMENT IN RESERVES STATEMENT

2020/21	General Reserves £000	Earmarked Reserves £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	Total Usable Reserves £000	Total Unusable Reserves £000	Total Council Reserves £000	DHL Reserves £000	Total Group Reserves £000
Balance at 1 April 2020	7,091	57,186	92	18,792	83,161	239,011	322,172	(2,341)	319,831
Movement in Reserves During 2020/21									
Total Comprehensive Income and Expenditure	(5,284)	0	0	0	(5,284)	(73,567)	(78,851)	693	(78,158)
Adjustments Between Group Accounts and Authority Accounts	(738)	0	0	0	(738)	0	(738)	738	0
Adjustments Between Accounting Basis and Funding Basis Under Regulations	36,281	0	1,245	3,956	41,482	(41,482)	0	0	0
Transfer (to)/from Earmarked Reserves	(27,023)	27,023	0	0	0	0	0	0	0
Increase/(Decrease) in Year	3,236	27,023	1,245	3,956	35,460	(115,049)	(79,589)	1,431	(78,158)
Balance at 31 March 2021	10,327	84,209	1,337	22,748	118,621	123,962	242,583	(910)	241,673

2019/20	General Reserves £000	Earmarked Reserves £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	Total Usable Reserves £000	Total Unusable Reserves £000	Total Council Reserves £000	DHL Reserves £000	Total Group Reserves £000
Balance at 1 April 2019	9,060	49,763	0	11,960	70,783	150,343	221,126	(1,691)	219,435
Movement in Reserves During 2019/20									
Total Comprehensive Income and Expenditure	12,486	0	0	0	12,486	89,307	101,793	(1,397)	100,396
Adjustments Between Group Accounts and Authority Accounts	(747)	0	0	0	(747)	0	(747)	747	0
Adjustments Between Accounting Basis and Funding Basis Under Regulations	(6,285)	0	92	6,832	639	(639)	0	0	0
Transfer (to)/from Earmarked Reserves	(7,423)	7,423	0	0	0	0	0	0	0
Increase/(Decrease) in Year	(1,969)	7,423	92	6,832	12,378	88,668	101,046	(650)	100,396
Balance at 31 March 2020	7,091	57,186	92	18,792	83,161	239,011	322,172	(2,341)	319,831

GROUP BALANCE SHEET

	Notes	31 March 2021 £000	31 March 2020 £000
Property, Plant and Equipment			
Other Land and Buildings	1	470,568	452,875
Vehicles, Plant and Equipment	1	13,873	14,017
Infrastructure Assets	1	68,489	70,491
Community Assets	1	6,838	6,536
Assets Under Construction	1	25,159	15,061
		584,927	558,980
Heritage Assets		271	271
Investment Property		118,398	127,386
Intangible Assets		1,524	1,941
Long Term Debtors		3,296	5,403
Deferred Tax Asset		0	0
Long Term Assets		708,416	693,981
Current Assets			
Inventories		63	64
Short Term Debtors		33,503	29,821
Cash and Cash Equivalents		17,260	17,954
Assets Held for Sale		0	0
		50,826	47,839
Current Liabilities			
Short Term Borrowing		0	(15,039)
Short Term Creditors		(61,630)	(53,059)
Provisions		(7,060)	(8,562)
		(68,690)	(76,660)
Long Term Liabilities			
Long Term Creditors		(18,703)	(18,911)
Waste PFI Donated Asset Account (deferred income)		(819)	(908)
Long Term Borrowing		(80,000)	(80,000)
Capital Grants and Other Contributions		(667)	(491)
Net Pension Liability		(348,690)	(245,019)
		(448,879)	(345,329)
Net Assets		241,673	319,831
Usable Reserves			
General Reserves		9,589	6,344
Earmarked Reserves		84,209	57,186
Income and Expenditure Reserve		(400)	(1,599)
Usable Capital Receipts Reserve		1,337	92
Capital Grants Unapplied Reserve		22,748	18,792
		117,483	80,815
Unusable Reserves			
Revaluation Reserve		193,076	179,521
Capital Adjustment Account		298,614	299,995
Collection Fund Adjustment Account		(11,378)	8,250
Deferred Capital Receipts Reserve		1,376	1,446
Pension Reserve		(348,690)	(245,019)
Dedicated Schools Grant Adjustment Account		(2,626)	0
Accumulated Absences Account		(6,182)	(5,177)
		124,190	239,016
Total Reserves		241,673	319,831

These financial statements replace the unaudited financial statements certified by Stuart McKellar on 28 May 2021.

Stuart McKellar CPFA
Executive Director: Resources
**** March 2022**

GROUP CASH FLOW STATEMENT

	2020/21	2019/20
	£000	£000
Cash Flows From Operating Activities		
Surplus or (Deficit) on Provision of Services	(4,813)	11,133
Adjust for Non Cash Movements		
Depreciation	14,850	16,415
Impairment & Revaluation Downwards of Non-Current Assets	(1,044)	(4,781)
Amortisation of Intangibles	468	424
Changes in Fair Value of Investment Properties	8,077	(1,004)
Changes in Provisions	(1,502)	(1,771)
Impairment losses/(gains)	(1)	703
Amortisation of Long Term Creditors	(64)	(64)
Carrying amount of Non-Current Assets sold	4,700	4,077
Amounts posted from the PFI Donated Asset Account	(89)	(89)
Changes in Inventory	1	1
Changes in Interest Debtors	881	(199)
Changes in Interest Creditors	(83)	(603)
Changes in Debtors	(1,990)	2,495
Changes in Creditors	8,390	3,750
Changes in Net Pension Liability	11,769	14,156
Adjust for Items that are Investing or Financing Activities	(24,078)	(30,398)
Net Cash Flow From Operating Activities	15,472	14,245
Cash Flows from Investing Activities		
Purchase of Non-Current Assets	(22,492)	(21,111)
Purchase of Short Term and Long Term Investments	0	0
Other Payments for Investing Activities	0	209
Proceeds from Sale of Non-Current Assets	1,206	2,904
Other Receipts from Investing Activities	22,548	15,414
Net Cash Flow From Investing Activities	1,262	(2,584)
Cash Flows from Financing Activities		
Repayment of Short Term and Long Term Borrowing	(25,000)	(50,000)
Cash receipts of Short Term and Long Term Borrowing	10,000	30,000
Capital Element of PFI Contracts	(314)	(361)
Council Tax and Business Rates Adjustments	(2,114)	10,264
Net Cash Flow From Financing Activities	(17,428)	(10,097)
Net (Decrease)/Increase in Cash and Cash Equivalents in the Period	(694)	1,564
Cash and Cash Equivalents as of the Beginning of the Period	17,954	16,390
Cash and Cash Equivalents as of the End of the Period	17,260	17,954

The cash flows for operating activities include the following items:

	2020/21	2019/20
	£000	£000
Interest received	1,207	462
Interest paid	(3,694)	(4,394)

NOTES TO THE GROUP FINANCIAL STATEMENTS

1 PROPERTY, PLANT AND EQUIPMENT

Movements on Balances

	2020/21						
	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
Cost/Valuation							
At 1 April 2020	456,536	43,057	107,484	6,536	0	15,061	628,674
Additions	3,547	2,065	3,906	302	0	15,108	24,928
Revaluation increases/ (decreases) recognised in the Revaluation Reserve	12,690	(352)	0	0	0	0	12,338
Revaluation increases/ (decreases) recognised in the Surplus/Deficit on the Provision of Services	(1,031)	(490)	(14)	0	0	0	(1,535)
Disposals	(2,543)	(289)	(2,343)	0	0	0	(5,175)
Reclassification (to)/from Assets Held for Sale	(8)	0	0	0	0	0	(8)
Other Reclassifications	4,207	619	184	0	0	(5,010)	0
At 31 March 2021	473,398	44,610	109,217	6,838	0	25,159	659,222
Accumulated Depreciation & Impairments							
At 1 April 2020	3,661	29,040	36,993	0	0	0	69,694
Depreciation charge	7,810	2,119	4,921	0	0	0	14,850
Depreciation written out to the Revaluation Reserve	(6,219)	0	0	0	0	0	(6,219)
Depreciation written out to the Surplus/Deficit on the Provision of Services	(2,287)	(231)	0	0	0	0	(2,518)
Depreciation written out on disposal	(135)	(191)	(1,186)	0	0	0	(1,512)
At 31 March 2021	2,830	30,737	40,728	0	0	0	74,295
Net Book Value at 31 March 2021	470,568	13,873	68,489	6,838	0	25,159	584,927
Net Book Value at 31 March 2020	452,875	14,017	70,491	6,536	0	15,061	558,980
Nature of asset holding							
Owned	465,421	13,094	68,489	6,838	0	25,159	579,001
Finance lease	1,328	0	0	0	0	0	1,328
PFI	3,819	779	0	0	0	0	4,598
Net Book Value at 31 March 2021	470,568	13,873	68,489	6,838	0	25,159	584,927

NOTES TO THE GROUP FINANCIAL STATEMENTS

	2019/20						
	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
Cost/Valuation							
At 1 April 2019	429,747	42,184	103,878	6,415	0	10,691	592,915
Additions	4,876	3,048	4,890	64	0	5,478	18,356
Revaluation increases/ (decreases) recognised in the Revaluation Reserve	27,755	0	0	0	0	0	27,755
Revaluation increases/ (decreases) recognised in the Surplus/Deficit on the Provision of Services	1,355	0	0	(5)	0	0	1,350
Disposals	(7,166)	(2,458)	(1,336)	0	0	0	(10,960)
Reclassification (to)/from Assets Held for Sale	(335)	0	0	0	0	(81)	(416)
Other Reclassifications	304	283	52	62	0	(1,027)	(326)
At 31 March 2020	456,536	43,057	107,484	6,536	0	15,061	628,674
Accumulated Depreciation & Impairments							
At 1 April 2019	10,055	29,199	32,613	0	0	0	71,867
Depreciation charge	9,553	2,150	4,712	0	0	0	16,415
Depreciation written out to the Revaluation Reserve	(6,109)	0	0	0	0	0	(6,109)
Depreciation written out to the Surplus/Deficit on the Provision of Services	(3,349)	0	0	0	0	0	(3,349)
Depreciation written out on disposal	(6,489)	(2,309)	(332)	0	0	0	(9,130)
At 31 March 2020	3,661	29,040	36,993	0	0	0	69,694
Net Book Value at 31 March 2020	452,875	14,017	70,491	6,536	0	15,061	558,980
Net Book Value at 31 March 2019	419,692	12,985	71,265	6,415	0	10,691	521,048
Nature of asset holding							
Owned	446,817	12,554	70,491	6,536	0	15,061	551,459
Finance lease	1,301	0	0	0	0	0	1,301
PFI	4,757	1,463	0	0	0	0	6,220
Net Book Value at 31 March 2020	452,875	14,017	70,491	6,536	0	15,061	558,980

NOTES TO THE GROUP FINANCIAL STATEMENTS

Valuations

DHL property valuations are carried out annually and are therefore included in 2020/21 below.

	Other Land & Buildings	Vehicles, Plant Furniture & Equipment	Infra- structure Assets	Community Assets	Surplus Assets	Assets Under Construct- ion	Total Property, Plant and Equipment
	£000	£000	£000	£000	£000	£000	£000
Carried at historic cost	0	42,993	109,217	6,838	0	25,159	184,207
Valued at current or Fair Value as at:							
2020/21	301,856	1,617	0	0	0	0	303,473
2019/20	125,945	0	0	0	0	0	125,945
2018/19	15,754	0	0	0	0	0	15,754
2017/18	23,118	0	0	0	0	0	23,118
2016/17	6,725	0	0	0	0	0	6,725
Total Cost or Valuation	473,398	44,610	109,217	6,838	0	25,159	659,222

2 FINANCIAL INSTRUMENTS

Categories of Financial Instruments

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

Financial Assets	31 March 2021			Fair Value
	Current	Long Term	Total	
	£000	£000	£000	£000
Debtors – Amortised Cost	27,373	3,296	30,669	30,669
Total Financial Assets	27,373	3,296	30,669	30,669
Non-financial Assets	6,804	0	6,804	6,804
Total	34,177	3,296	37,473	37,473
Financial Liabilities				
Borrowings – Amortised Cost	287	80,000	80,287	106,325
Creditors – Amortised Cost	27,195	9,034	36,229	73,391
Total Financial Liabilities	27,482	89,034	116,516	179,716
Non-financial Liabilities	34,822	0	34,822	34,822
Total	62,304	89,034	151,338	214,538

NOTES TO THE GROUP FINANCIAL STATEMENTS

Financial Assets	Current	31 March 2020		Fair Value
		Long Term	Total	
	£000	£000	£000	£000
Debtors – Amortised Cost	22,393	5,403	27,796	27,796
Total Financial Assets	22,393	5,403	27,796	27,796
Non-financial Assets	7,428	0	7,428	7,428
Total	29,821	5,403	35,224	35,224
Financial Liabilities				
Borrowings – Amortised Cost	15,331	80,000	95,331	158,133
Creditors – Amortised Cost	35,959	9,446	45,405	88,448
Total Financial Liabilities	51,290	89,446	140,736	246,581
Non-financial Liabilities	16,808	0	16,808	16,808
Total	68,098	89,446	157,544	263,389

Income, Expense, Gains and Losses

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

Income, Expense, Gains and Losses	2020/21 Surplus or Deficit on the Provision of Services £000	2019/20 Surplus or Deficit on the Provision of Services £000
Interest Revenue – financial assets measured at amortised cost	324	664
Interest expense	(3,610)	(3,791)

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.

BUSINESS RATES TARIFF

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

BUSINESS RATES LEVY

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

CAPITAL CHARGE

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

CAPITAL EXPENDITURE

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

CAPITAL FINANCING REQUIREMENT

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

CAPITAL RECEIPTS

The proceeds from the disposal of non-current assets.

GLOSSARY

COMMUNITY ASSETS

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

COMMUNITY INFRASTRUCTURE LEVY

A levy charged on most new developments in the Borough with appropriate planning consent, which will be spent on infrastructure (such as transport, schools and social care facilities).

CONSISTENCY

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

CONSUMER PRICE INDEX (CPI)

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

CONTINGENT RENT

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

CONTINGENCY

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

CREDITOR

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

CURRENT SERVICE COST (PENSIONS)

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

CURRENT VALUE

The Current Value of Property, Plant and Equipment used to support service delivery will be based on existing use where there is an active market or Depreciated Replacement Cost where assets are specialised or rarely sold (for example a school).

CURTAILMENT

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

DEBTOR

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

DEFINED BENEFIT SCHEME

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

GLOSSARY

DEFINED CONTRIBUTION SCHEME

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

DEPRECIATION

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

DEPRECIATED REPLACEMENT COST

The current cost of replacing an asset, based on a modern equivalent asset less deductions for physical deterioration.

DISCRETIONARY BENEFITS

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

EXCEPTIONAL ITEMS

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

FAIR VALUE

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

FINANCIAL INSTRUMENTS

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

FINANCE LEASE

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

GOVERNMENT GRANTS

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

HERITAGE ASSETS

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

IMPAIRMENT OF ASSETS

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

INFRASTRUCTURE ASSETS

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

GLOSSARY

INTANGIBLE FIXED ASSETS

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

INVENTORIES

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

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

INVESTMENT PROPERTY

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

INVESTMENTS (NON-PENSIONS FUND)

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

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

INVESTMENTS (PENSIONS FUND)

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

LARGE SCALE VOLUNTARY TRANSFER (LSVT)

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

MARKET VALUE

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

MINIMUM REVENUE PROVISION (MRP)

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

NET BOOK VALUE

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

GLOSSARY

NET INTEREST COST ON THE NET DEFINED BENEFIT PENSION LIABILITY

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

NON DISTRIBUTED COSTS

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

OPERATING LEASES

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

PAST SERVICE COST

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

PENSIONS / IAS 19

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

PRIVATE FINANCE INITIATIVE (PFI)

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

POST BALANCE SHEET EVENTS

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

PRIOR PERIOD ADJUSTMENT

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

PROJECTED UNIT METHOD

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

PRUDENCE

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

RELATED PARTIES

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

- one party has direct or indirect control of the other party; or
- the parties are subject to common control from the same sources; or
- one party has influence over the financial and operational policies of the other party to an extent that the other party might be inhibited from pursuing at all times its own separate interest; or

GLOSSARY

- the parties, in entering a transaction, are subject to influence from the same source to such an extent that one of the parties to the transaction has subordinated its own separate interests.

REMEASUREMENTS OF THE NET DEFINED BENEFIT PENSION LIABILITY

Comprised of actuarial gains and losses and any return on plan assets not already included in the net interest calculation.

RETIREMENT BENEFITS

All forms of consideration given by an employer in exchange for services rendered by employees that are payable after the completion of employment. Retirement benefits do not include termination benefits payable as a result of either (i) an employer's decision to terminate an employee's employment before the normal retirement date or (ii) an employee's decision to accept voluntary redundancy in exchange for those benefits, because these are not given in exchange for services rendered by employees.

REVALUATION DECREASE

A downward movement in the current or Fair Value of an asset resulting from a general fall in prices at the time of valuation.

REVENUE EXPENDITURE FUNDED FROM CAPITAL UNDER STATUTE

Expenditure which may properly be deferred, but which does not result in, or remain matched with a long term asset and is written out to revenue in the year it is incurred, e.g. home improvement grants.

SCHEME LIABILITIES

The liabilities of a defined benefit pension scheme for outgoings due after the valuation date. Scheme liabilities measured using the projected unit method reflect the benefits that the employer is committed to provide for service up to the valuation date.

SECTION 106

Monies received from developers under section 106 of the Town & Country Planning Act 1990, as a contribution towards the cost of providing facilities and infrastructure which may be required as a result of their development.

SERVICE REPORTING CODE OF PRACTICE FOR LOCAL AUTHORITIES (SeRCOP)

The code contains a standard definition of services and total cost to ensure consistency between local authorities for reporting and comparison purposes.

SUBSIDIARY

An entity controlled by the Council.

USEFUL LIFE

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

VESTED RIGHTS

In relation to a defined benefit pension scheme, these are:

- for active members, benefits to which they would unconditionally be entitled on leaving the scheme;
- for deferred pensioners, their preserved benefits;
- for pensioners, pensions to which they are entitled.

Vested rights include where appropriate the related benefits for spouses or other dependants.

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To: **Governance and Audit Committee**
23rd March 2022

Interim Internal Audit Update Head of Audit and Risk Management

1 Purpose of Report

1.1 This report presents the update on progress on the annual Internal Audit Plan.

2 Recommendation

2.1 **To note the update on progress on the Internal Audit Plan for 2021/22.**

3 Reasons for Recommendation(S)

3.1 To ensure the Council complies with statutory requirements for internal audit.

3.2 To note the proposed the name change for our second highest level of assurance opinion from “Adequate” to “Satisfactory” to take effect for audits commenced from 1st April 2022.

4 Alternative Options Considered

4.1 There are no alternatives.

5 Supporting Information

5.1 Delivery of the Council’s internal audit services in 2021/22 is being delivered as follows:

- TIAA Ltd who will undertake IT audit;
- Farsight Consulting who will audit schools,
- Wokingham Council’s Business Assurance team delivering internal audit services under a S113 agreement;
- Temporary senior auditors; and
- two permanent in-house senior auditors who joined us in the summer of 2021, one of whom subsequently left the Council in January 2022.

6 Consultation and Other Considerations

Legal Advice

6.1 There are no specific legal implications arising from the recommendations in this Report.

Financial Advice

6.2 The work of internal audit is key to providing assurance about the effectiveness of the Council’s internal control environment.

Other Consultation Responses

6.3 Report discussed at CMT on 9th March.

Equalities Impact Assessment

6.4 Not applicable.

Strategic Risk Management Issues

6.5 A robust internal audit service is essential for ensuring proper processes are in place for effective control.

Climate Change Implications

6.6 Not applicable.

Health & Wellbeing Considerations

6.7 Not applicable.

Background Papers

Internal Audit Plan 2021/22

Internal Audit Charter

Contact for further information

Sally Hendrick, Head of Audit and Risk Management - 01344 352092



**BRACKNELL FOREST COUNCIL
HEAD OF AUDIT AND RISK
MANAGEMENT'S INTERIM REPORT**

MARCH 2022

Sally Hendrick
Head of Audit and Risk Management
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1.BACKGROUND

- 1.1 The Council is required under the Accounts and Audit (Amendment) (England) Regulations to “maintain an adequate and effective system of internal audit of its accounting records and of its systems of internal control in accordance with the proper practices in relation to internal control.” This report summarises the activities of Internal Audit for the period April 2021 to February 2022 drawing together progress on the Annual Internal Audit Plan, risk management and other activities carried out by Internal Audit.

2. INTERNAL AUDIT

- 2.1 The basic approach adopted by Internal Audit falls broadly into four types of audit:
- System reviews provide assurance that the system of control in all activities undertaken by the Council is appropriate and adequately protects the Council’s interests.
 - Regularity (financial) checking helps ensure that the accounts maintained by the Council accurately reflect the business transacted during the year. It also contributes directly towards the external auditor’s audit of the annual accounts.
 - Computer/IT audits, carried out by specialist audit staff, provide assurance that an adequate level of control exists over the provision and use of computing facilities
 - Certification as required by relevant Government departments that grant monies have been spent in accordance with grant terms and conditions.
- 2.2 Recommendations are made after individual audits, leading to an overall assurance opinion for the system or establishment under review and building into an overall annual assurance opinion on the Council’s operations called the Head of Internal Audit Annual Opinion. The different categories of recommendation and assurance opinions are set out in the following tables.
- 2.3 Since 1st April 2019 we have been categorising our **audit opinions** according to our assessment of the controls in place and the level of compliance with these controls as follows::

	Good - There is a sound system of internal control designed to achieve the objectives of the system/process and manage the risks to the achievement of objectives and this is being complied with. Recommendations will only be of low priority.
	Adequate - there is basically a sound system of control but there are some areas of minor weakness and/or some areas of non- compliance which put the system/process objectives at risk. Recommendations will only be low or moderate in priority.
	Partial - there are areas of weakness and/or non- compliance with control which put the system/process objectives at risk and undermine the system’s overall integrity.

	Recommendations may include major recommendations but could only include critical priority recommendations if mitigated by significant strengths elsewhere.
	Inadequate - controls are weak across a number areas of the control environment and/or not complied with putting the system/process objectives at significant risk. Recommendations will include major and/or critical recommendations
	None - There is no control framework in place and management is inadequate leaving the system open to risk of significant error or fraud.

2.4 We categorise our recommendations according to their level of priority as set out below:

	Critical - Critical and urgent in that failure to address the risk could lead to factors such as significant financial loss, significant fraud, serious safeguarding breach, critical loss of service, critical information loss, failure of major projects, intense political or media scrutiny. Remedial action must be taken immediately.
	Major - failure to address issues identified by the audit could have significant impact such as high financial loss, safeguarding breach, significant disruption to services, major information loss, significant reputational damage or adverse scrutiny by external agencies. Remedial action to be taken urgently.
	Moderate - failure to address issues identified by the audit could lead to moderate risk factors materialising such as medium financial loss, fraud, short term disruption to non-core activities, scrutiny by internal committees, limited reputational damage from unfavourable media coverage. Prompt specific remedial should be taken.
	Low - failure to address issues identified by the audit could lead to low level risks materialising such as minor errors in system operations or processes, minor delays without impact on service or small financial loss. Remedial action is required.

3. SUMMARY OF INTERNAL AUDIT RESULTS TO DATE

- 3.1 The Annual Internal Audit Plan for 2021/22 was considered and approved by the Governance and Audit Committee on 24th March 2021. The delivery of the individual audits during 2021/22 is being undertaken by
- TIAA Ltd who will undertake IT audit;
 - Farsight Consulting who will audit schools,
 - Wokingham Council's Business Assurance team delivering internal audit services under a S113 agreement;
 - Temporary senior auditors; and
 - two permanent in-house senior auditors who joined us in the summer of 2021 one of whom has since left.
- 3.2 There has been some delay in progressing the 21/22 Audit Plan as a backlog of 20/21 audits deferred to late qtr 4 or early qtr 1 of 21/22 at management request had first to be cleared, schools scheduled to be audited were not prepared to have audits undertaken until the autumn. Good progress has now been made on school audits. The two new senior auditors were not able to join us until July and August and one has now left for health reasons. Two temporary senior auditors are now in place.
- 3.3 Between April 2021 to February 2022, 7 grant audits and 22 reports/memos were finalised, 8 reports/memos were issued in draft awaiting management responses and 11 audits were work in progress. A number of audits have been deferred and these are listed with the referral reason given in Appendix 2.

3.4 Details on the status and outcome of all audits are attached at Appendix 1. A summary of the outcome of finalised and audits with reports issued in draft are set out below.

2021/22 ASSURANCE LEVELS	NUMBER OF AUDITS TO DATE	2020/21 ASSURANCE LEVELS	NUMBER OF AUDITS
Good	2	Good	4
Adequate	13	Adequate	15
Partial	8	Partial	10
Inadequate	3	Inadequate	0
No assurance	0	No assurance	0
<u>Total for Audits with an Opinion</u>	26	<u>Total for Audits with an Opinion</u>	29
Memos and reports with Major Recommendation and no Opinion	4	Memos and reports with Major Recommendation and no Opinion	4
Other Follow Up Memos/ Reports with no Opinion	3	Other Follow Up Memos/ Reports with no Opinion	3
<u>Total Audits</u>	33	<u>Total Audits</u>	36
Grant Certifications/Submissions	7	Grant Certifications	7
Overall Total	40	Overall Total	43

Identified High Priority Control Issues

3.5 Audits which have identified high priority recommendations will generally be revisited in 2022/23, to ensure successful implementation of agreed recommendations. The audits where major and critical recommendations have been raised are set out below:

AUDITS WHERE HIGH PRIORITY ISSUES HAVE BEEN IDENTIFIED SINCE THE LAST UPDATE IN THE INTERNAL AUDIT INTERIM REPORT IN JANUARY 2022		
● TREE SERVICES	We raised two major recommendations relating to the completion and monitoring of the tree inspection programme and the completion of due diligence checks on contractors / consultants.	ASSURANCE OPINION: PARTIAL
● SUPERVISION-ADVISORY REVIEW COVERING ADULT SOCIAL CARE AND MENTAL HEALTH	This was an advisory review requested by the management team. Two major observations were raised supervision monitoring records and monitoring of actions identified from supervision meetings.	NO OPINION BUT 2 MAJOR RECOMMENDATIONS

SCHOOL AUDITS FOR GOVERNING BODIES WHERE HIGH PRIORITY ISSUES HAVE BEEN IDENTIFIED SINCE THE LAST UPDATE IN THE INTERNAL AUDIT INTERIM REPORT IN JANUARY 2022		
● SCHOOL D	<p>We raised two critical recommendations as a consequence of the audit. The first critical recommendation related to the completion of DBS checks for governors. A further critical recommendation was raised relating to the audit of the School Fund. No audit of the Fund had been completed since 2018/19 and the records were incomplete. This was holding up the preparation of accounts and audit for 2020/21.</p> <p>We also raised six major recommendations. These major recommendations related to there being no Register of Certifying Officers for Capital and Revenue Expenditure in place at the School and weaknesses in budget monitoring, pre-employment checks and the bank reconciliation process. The final major recommendation raised is common to all school audits and did not impact on the opinion in relation to medium term budget setting arrangements forecasting a deficit position.</p>	ASSURANCE OPINION: INADEQUATE
● SCHOOL B	We raised two major recommendations. The first related to the absence of detail in the format of the audit of the school's private funds and the audit	ASSURANCE OPINION: PARTIAL

	arrangements for the private funds being inadequate for the high number of transactions going through and the high balances on the funds. We also raised one major recommendation in relation to medium term budget setting arrangements. This is common to all school audits and did not impact on the opinion in relation to medium term budget setting arrangements forecasting a deficit position.	
● SCHOOL E	<p>We raised six major recommendations, three of which related to budget related risks. We noted that regular budget monitoring reports had not been produced in the absence of a bursar, the School was not completing a monthly reconciliation between FMS and Agresso and a major recommendation was also raised in relation to medium term budget forecasts predicting a deficit which is common to all schools and did not impact on the opinion.</p> <p>Major recommendations have also been raised in relation to non-pay expenditure (raising and authorisation of orders, obtaining goods received notes, authorisation of invoices, BFC Finance and Legal review of lease agreements), the School collecting the large values of income for wraparound care and the nursery in cash or in cheques and the audit of the private fund for 2019-20 where the accounts had been prepared but the audit had not been carried out.</p>	ASSURANCE OPINION: PARTIAL

In addition, some major recommendations have been raised at a number of audits such as climate change which though considered significant for management did not prevent us from concluding that controls were adequate. A major recommendation was also raised at all school audits undertaken to date in respect to medium term budget forecasts predicting deficits over the next 3 years. Whilst this has not resulted in itself in a partial or inadequate opinion this is something governing bodies should continue to monitor.

Update of Previous Audits with High Priority Recommendations

- 3.6 Since April 2021, we have followed up one audit from 2020/21 where significant weaknesses had been identified (reactive maintenance). The Head of Audit and Risk Management can report that issues previously identified have been addressed. A number of other follow up audits are currently in progress. See Appendix 2.

External Quality Assessment and Quality Assurance and Improvement Programme

- 3.7 Under mandatory Public Sector Internal Audit Standards our internal audit service has to be externally assessed every 5 years. This is now due and is being undertaken by CIPFA in April 2022.
- 3.8 As shown below, to date 9 out of 10 completed client questionnaires received for 2021/22 have shown the auditees to be satisfied with the service. In 77% of cases internal audit delivered the first draft report within 15 days of the exit meeting.

	Client Questionnaires		Draft Report /Memo Produced within 15 Days of Exit meeting
	Received	Satisfactory	
1st April 2021 to 28th February 2022	10	90%	68%
2020/21	9	89%	60%

4. PROGRESS ON INTERNAL CONTROL ENVIRONMENT 2021/22

- 4.1 Progress to improve the control environment is monitored quarterly based on the outcome of the audits undertaken and in particular identifying whether agreed management actions for areas previously found to have significant control weaknesses have been implemented as this has been a key factor in the Head of Audit and Risk Management's annual opinion on the control environment for the last 3 years. A number of key follow up audits are currently ongoing.

5. RISK MANAGEMENT

- 5.1 The Strategic Risk Register has already been reviewed four times by the Strategic Risk Management Group (SRMG) and twice by the Corporate Management Team. Directorate risk registers continue to be updated quarterly.

AUDIT	Start Date	Date of Draft Report	Key Indicator Met*	Assurance Level				Recommendation Priority				Status	
				Good	Adequate	Partial	inadequate	Critical	Major	Moderate	Low		
												Audit deferred to qtr 2 of 22/23 as Business continuity project delayed due to COVID	
Complaints Process	August 21	14/9/21	✓			✓			4	5		Finalised	
Corporate Governance infrastructure— People only												Deferred to 22/23	
E+ card- general control, IT controls and information governance arrangements with contractors	14/9/21	3/12/21	X			✓			2	6	3	Revised draft report issued	
Grant Reviews and Certifications Bus Service Operator	21/9/21	21/9/21	✓	N/A – Grant certification								Certified	
Troubled Families	24/6/21	30/6/21	✓	N/A – Memo to support PBR grant submission									Finalised
Troubled Families	27/9/21	30/9/21	✓	N/A – Memo to support PBR grant submission						1			Finalised
Troubled Families- March 2022 submission	2/3/22											Work in progress	
Green Homes Grants compliance audit	26/7/21	31/8/21	✓				✓		8			Finalised	
COVID Restart grants	August 21		✓	N/A- no opinion. Observations raised rather than recommendations					3	2	1	Finalised	
COVID Additional Restrictions grants	August 21	01/12/21	✓	N/A- no opinion. Observations raised rather than recommendations					3	2	2	Finalised	

AUDIT	Start Date	Date of Draft Report	Key Indicator Met*	Assurance Level				Recommendation Priority				Status
				Good	Adequate	Partial	Inadequate	Critical	Major	Moderate	Low	
Pot Hole Fund	6/9/21	21/9/21	✓	N/A – Grant certification								Certified
Local transport capital block funding (integrated transport and highways maintenance)	6/9/21	21/9/21	✓	N/A – Grant certification								Certified
Emergency Active Travel Fund	13/9/21	21/9/21	✓	N/A – Grant certification								Certified
Active Travel Fund Tranche 2	13/9/21	21/9/21	✓	N/A – Grant certification								Certified

2. COUNCIL WIDE

AUDIT	Start Date	Date of Draft Report	Key Indicator Met*	Assurance Level				Recommendation Priority				Status
				Good	Adequate	Partial	Inadequate	Critical	Major	Moderate	Low	
Amazon account												Asked to defer to 22/23 after the new Head of Procurement comes into post
Climate Change	July 2021	5/8/21	✓		✓				1	2		Finalised
Debt management	14/2/22											Work in progress

3. CORE FINANCIAL SYSTEMS

AUDIT	Start Date	Date of Draft Report	Key Indicator Met*	Assurance Level				Recommendation Priority				Status
				Good	Adequate	Partial	Inadequate	Critical	Major	Moderate	Low	
Reconciliations												Work in progress
Staff establishment costs (Joint HR and Finance audit budgeted under OD, Transformation and HR)	1/12/21											Work in progress
Banking - advisory audit												Deferred to 22/23
Council Tax and Business Rates	1/12/21											Work in progress
Creditors	14/1/22											Work in progress
Housing Benefit and Council Tax Reduction												Deferred to qtr 1 of 22/23 at service request

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4. IT AUDIT

IT AUDIT	Start Date	Date of Draft Report	Key Indicator Me*	Assurance Level				Critical	Major	Moderate	Low	Status
				Good	Adequate	Partial	Inadequate					
Transport routing	August 2021	27/10/21	X		✓				2	2	Draft issued	
Emergency Duty Service System	March 22										Work in progress	

IT AUDIT	Start Date	Date of Draft Report	Key Indicator Me*	Assurance Level								Status
				Good	Adequate	Partial	Inadequate	Critical	Major	Moderate	Low	
Forestcare IT systems including telephony	March 22											Work in progress
Heath and Social Care ICT Care Systems Integration (Dependent upon Digital Strategy)	1/9/21											Work in progress
CORE waste management system												Cancelled
Agresso advisory review and support for upgrade and movement to the Cloud												Cancelled as not required by service area
Agresso (Follow up- major recommendations raised in 2019/20 and 2020/21)	1/12/21											Work in progress
Cyber Security— Incident Management and Resilience												Deferredd
Cyber liability (Follow up- partial assurance 2020/21)	February 22											Work in progress
DSPT NEW AUDIT	March 22											Work in progress

5. PLACE, PLANNING, AND REGENERATION

AUDIT	Start Date	Date of Draft Report	Key Indicator met	Assurance Level				Recommendation priority				Status
				Good	Adequate	Partial	Inadequate	Critical	Major	Moderate	Low	
SANGs	May 2021	16/7/21	✓	N/A – Advisory memo							1	"D" Finalised
S106 – Use of the monies in compliance with development in the relevant geographic area		11/8/21	✓	✓							6	"D" Finalised
Tree service	1/9/21	1/2/22	X			✓			2	4	1	Draft issued
Street lighting follow up (partial assurance opinion 2019/20)												Deferred to Qtr 2 of 22/23 at service request
Development Control	23/8/21	6/12/21	✓		✓					9	1	Draft issued
Building Control and land charges	29/9/21	29/11/21	✓		✓					6	1	Finalised
Public Health												Deferred to Qtr 1 of 22/23

6. CHIEF EXECUTIVE'S OFFICE

AUDIT	Start Date	Date of Draft Report	Key Indicator met*	Assurance Level				Recommendation Priority				Status
				Good	Adequate	Partial	Inadequate	Critical	Major	Moderate	Low	
Transformation support costs advisory review												Deferred to Qtr 1 of 22/23

7. DELIVERY

AUDIT	Start Date	Date of Draft Report	Key Indicator met*	Assurance level				Recommendation Priority				Status
				Good	Adequate	Partial	Inadequate	Critical	Major	Moderate	Low	
Public Protection Partnership (Follow up-partial assurance 2020/21)	February 2021											Work in progress
Reactive Maintenance (Follow up- partial assurance 2020/21)	August 2021	27/8/21	✓	N/A- Follow up memo. All recommendations addressed								Finalised
Commercial property (Follow up- partial assurance 2020/21)												Deferred to Qtr 1 of 22/23 as completion of actions expected June 22
Cemetery and Crematorium	12/7/21	15/9/21	X		✓					10	1	"D" Finalised
Everyone Active Covid support	June 21	30/6/21	✓	✓								Finalised

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8. PEOPLE

AUDIT	Start Date	Date of Draft Report	Key Indicator Met*	Assurance levels				Recommendation Priority				Status
				Good	Adequate	Partial	Inadequate	Critical	Major	Moderate	Low	
Transport in CTPLD- advisory review												"D" Unable to progress planning due to staff sickness therefore defer to 22/23

AUDIT	Start Date	Date of Draft Report	Key Indicator Met*	Assurance levels				Recommendation Priority				Status
				Good	Adequate	Partial	Inadequate	Critical	Major	Moderate	Low	
Financial assessments	November 21	7/2/21	X		✓					7		Finalised
Preparation for new Liberty Safeguard regulations— advisory piece												Audit cancelled as new national guidance has still not been issued
Deputyships and appointees	28/2/22											Work in progress
Commissioning due diligence checks												Cancelled
Children's placements												Deferred to 22/23 to free up resource to audit SEND
Supervision- advisory review covering ASC and Mental Health	October 21	21/1/22	✓	N/A memo issued on advisory with no opinion					2	7	1	Draft issued
SEND targeted areas- NEW ADDITIONAL AUDIT	December 21											Work in progress
Breakthrough (Follow up- partial assurance 2020/21)	14/2/22											Work in progress

AUDIT	Start Date	Date of Draft Report	Key Indicator Met*	Assurance levels				Recommendation Priority				Status
				Good	Adequate	Partial	Inadequate	Critical	Major	Moderate	Low	
COVID Test and trace grants												Defer to 22/23 after grant programme has closed
Open Learning Centre												Deferred to 22/23 at service area request
Nursery provider support payments												Deferred to late qtr 4 at service area request

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9. SCHOOLS

AUDIT	Start Date	Date of Draft Report	Key Indicator Met	Good	Adequate	Partial	Inadequate	Critical	Major	Moderate	Low	Status
School census												Work in progress
Services to schools- Can Do	12/8/21	7/12/21	X			✓			3	9		Draft report issued
SCHOOL I (follow up -Ltd 2017/18 and 2018/19)												"D" Now deferred to qtr 1 of 22/23
SCHOOL H	14/10/21	24/12/21	✓									D" Draft report issued for discussion

AUDIT	Start Date	Date of Draft Report	Key Indicator Met	Good	Adequate	Partial	Inadequate	Critical	Major	Moderate	Low	Status
SCHOOL G (follow up -Ltd 2018/19)												"D" Qtr 4 audit
SCHOOL F (reaudit-Ltd 2018/19)	1/11/21	13/1/22	X		✓				1	6	2	"D" Draft issued
SCHOOL L (follow up partial 19/20) Cancelled as becoming an academy												"D" cancelled
SCHOOL J follow up												"D" Qtr 4 audit
SCHOOL K (follow up partial 19/20)												"D" Qtr 4 audit
SCHOOL A	7/6/21	29/7/21	X		✓				1	4		"D" Final issued
SCHOOL B	22/11/21	17/12/21	✓			✓			2	5	2	"D" Final issued
SCHOOL C	11/10/21	22/12/21	x		✓				1	3	1	"D" Final issued
SCHOOL D	4/10/21	20/12/21	X				✓	2	6	7	2	"D" Draft report issued for discussion"

AUDIT	Start Date	Date of Draft Report	Key Indicator Met	Good	Adequate	Partial	Inadequate	Critical	Major	Moderate	Low	Status
SCHOOL E	18/10/21		X			✓			6	3	2	Draft report issued for discussion

2021/22 AUDITS DEFERRED TO 2022/23

AUDIT	DIRECTORATE	REASON
Data indicators	Council wide	Internal Audit resource pressures
Project management of O&S reviews and subsequent action plan implementation	Council wide	Deferred at management request to allow a full cycle of reviews on which to base the audit
Business continuity	Delivery	Deferred at management request until after test exercise
Corporate Governance infrastructure –People only	People	Deferred at management request whilst work is ongoing on this
Amazon account	Resources	Deferred at management request until the new Head of Procurement is in post
Banking -advisory audit	Resources	Internal Audit resource pressures
Housing Benefit and Council Tax Reduction	People	Internal Audit resource pressures
Cyber Security – Incident Management and Resilience	Delivery	Deferred at management request until after test exercise
Street lighting follow up (partial assurance opinion 2019/20)	Place, Planning and Regeneration	Deferred at management request until completion of the LED replacement project
Public Health	Place, Planning and Regeneration	Deferred so that audit can be carried out after funding allocation for brought forward balances has been approved
Transformation support costs advisory review	Chief Executive's Office	Internal Audit resource pressures
Commercial property (Follow up- partial assurance 2020/21)	Delivery	Deferred to 22/23 as key recommendations has an implementation date of June 2022
Transport in CTPLD- advisory review	People	Deferred as management instructions awaited on the scope of the audit
Children's placements	People	Deferred so that audit resources can be re-directed to new higher priority audit work on SEND
Post leaving Care	People	
Disabled Facilities Grants	People	Internal Audit resource pressures
COVID Test and trace grants	People	Deferred so that audit can take place at the end of the grant programme
Open Learning Centre	People	Deferred at management request as key service staff are on long term absence
Fox Hill School	School	Internal Audit resource pressures

APPENDIX 3

2020/21 AUDITS IDENTIFYING SIGNIFICANT ISSUES		
AUDIT	RATING	CURRENT AUDIT STATUS
● Debt Management	PARTIAL	Currently being re-audited.
● Management of Essential Car User Allowances and Mileage	PARTIAL	To be re-audited in Qtr 1 of 22/23
● Public Protection Partnership	PARTIAL	Currently being re-audited.
● Management of Commercial Properties	PARTIAL	To be followed up in Qtr 2 of 22/23 when new IT system in place
● Reactive Maintenance	PARTIAL	Followed up and all significant issues raised have been addressed
● Cyber	PARTIAL	Currently being re-audited.
● Agresso IT System Follow Up	FOLLOW UP HENCE NO OPINION BUT MAJOR RECOMMENDATIONS RAISED	Currently being re-audited.
● Creditors	PARTIAL	Currently being re-audited.
● Business Rates	BOTH PARTIAL	Currently being re-audited.
● Council Tax and council tax		
● Domiciliary Care Follow up	FOLLOW UP HENCE NO OPINION BUT MAJOR RECOMMENDATION STILL OUTSTANDING	To be re-audited in Qtr 3 of 22/23 when new contracts have bedded in.
● Breakthrough	PARTIAL	To be followed up in Qtr 4 Currently being re-audited.

OTHER AUDITS AREAS WHERE SIGNIFICANT ISSUES IDENTIFIED PRE 20/21 WERE STILL OUTSTANDING AT 31/3/21	CURRENT AUDIT STATUS
<ul style="list-style-type: none"> ● Forestcare (Follow Up Memo. 2019/20 Also limited in 2017/18) 	Currently being re-audited.
<ul style="list-style-type: none"> ● Adult Social Care Pathway (Qtr 4 2017/18 Audit) 	To be followed up in Qtr 1 of 22/23
<ul style="list-style-type: none"> ● Loans for Housing Rents and Deposits 	Currently being followed up as part of the debt management audit in Qtr 4 of 21/22
<ul style="list-style-type: none"> ● Public Health 	To be re-audited in Qtr 1 of 22/23
<ul style="list-style-type: none"> ● Disabled Facilities Grants 	To be re-audited in Qtr 1 of 22/23
<ul style="list-style-type: none"> ● ICT Continuity Management 	To be re-audited as part of business continuity in Qtr 2 of 22/23

**TO: GOVERNANCE AND AUDIT COMMITTEE
23RD MARCH 2021**

INTERNAL AUDIT PLAN 2021/22 (Head of Audit and Risk Management)

1 PURPOSE OF REPORT

- 1.1 The purpose of this report is to set out the underlying principles applied in the Internal Audit planning process and seek the Governance and Audit Committee's approval of the Internal Audit Plan for 2022/23.

2 RECOMMENDATION

- 2.1 **To approve the Internal Audit Plan for 2022/23 attached at Appendix A.**

3 REASONS FOR RECOMMENDATION

- 3.1 To ensure that the Council meets its statutory responsibilities for internal audit.

4 ALTERNATIVE OPTIONS CONSIDERED

- 4.1 There is no alternative option.

5 SUPPORTING INFORMATION

Internal Audit Requirements

- 5.1 All local authorities must make proper provision for internal audit in line with the 1972 Local Government Act (S151) and the Accounts and Audit Regulations 2015. The latter states that authorities must "undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance." The Council delegates its statutory responsibilities for the provision of the internal audit service under the Accounts and Audit (England) Regulations 2015 to the Executive Director: Resources.

- 5.2 More specifically, Internal Audit aims to: -

- satisfy the legal requirements of a Local Authority Internal Audit Service and provide an annual opinion on the adequacy of the Council's control environment risk management and governance processes;
- comply with Public Sector Internal Audit Standards;
- examine, evaluate and report independently and objectively on the adequacy of management's arrangements to secure the proper use of resources (economy, efficiency and effectiveness);
- assist management in achieving its objectives, managing its risks and establishing and maintaining adequate systems of internal control;
- assist management, where appropriate, in the investigation of alleged fraud, theft, corruption or other irregularity; and

- ensure External Audit can place reliance on Internal Audit's work to inform their planning, avoid duplication and minimise audit fees.

- 5.3 Internal Audit provides independent assurance on the control environment but for Internal Audit to provide full assurance on all activities and transactions across the organisation, the Council would need to commit significantly more resources to internal audit services than is realistically available. Historically, the Council has taken the view that spend on internal audit should be limited to only what is necessary to undertake sufficient audit work to enable an annual evidence based opinion to be given. Responsibility for the prevention and detection of fraud rests with management. However, in undertaking all audit assignments audits are mindful to the risk of fraud and fraud and look to ensure that managers have put adequate procedures in place to address the risk of fraud.
- 5.4 The 2022/23 programme will incorporate audits that had to be deferred from 2021/22. Delivery of these deferred audits will be prioritised during 2021/22.
- 5.5 The audits in the Council's internal audit plan are delivered via a hybrid of in-house resource and outsourcing. Two external providers are used for audit. IT audit is delivered by TIAA Ltd and around a third of general audits are carried out by Wokingham Council Internal Audit Team. An in-house team was set up during 2021/22 with one senior auditor and one vacant senior auditor post. Two temporary senior auditors are currently backfilling and assisting with the backlog of audits due to the vacant post. Counter fraud is provided by Reading Borough Council Fraud Investigation Teams.

6 ADVICE RECEIVED FROM STATUTORY AND OTHER OFFICERS

Legal Advice

- 6.1 Nothing to add.

Financial Advice

- 6.2 There are no financial implications arising from the report. However, a strong internal control environment helps ensure that the Council is not exposed to unexpected financial risks and ensure value for money. The Internal Audit programme is focused primarily on key financial controls as well as high risk areas identified by the Head of Internal Audit and senior managers across the organisation. As such, it is to be expected that some areas may receive limited assurance reports. Where weaknesses are identified it is important that they are addressed as quickly as possible.

Equalities Impact Assessment

- 6.3 Not applicable.

Strategic Risk Management Issues

- 6.4 Robust internal audit arrangements are an important part of effective risk management. Audit plans should be targeted to areas of greatest risk to the Council and individual internal audit reviews should focus on controls in place to mitigate risk and highlight any gaps in assurance.

Climate Change Implications

6.5 Not applicable.

Health & Wellbeing Considerations

6.6 Not applicable.

7 CONSULTATION

Principal Groups Consulted

7.1 The Chief Executive, S151 Officer (Executive Director: Resources) , Directors and Assistant Directors, ICT and the Council's internal audit services contractors (TIAA), DMTs and CMT.

Method of Consultation

7.2 The development of the Annual Internal Audit Plan has involved extensive consultation with a range of stakeholders, to ensure that their views on risks and current issues, within individual departments and corporately, are identified and considered. This was based on one to one discussions with senior officers noted above and TIAA as our key internal audit service providers for IT audit.

Representations Received

7.3 Not applicable.

Background Papers

Public Sector Internal Audit Standards

Internal Audit Charter

Contact for further information

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BRACKNELL FOREST COUNCIL

INTERNAL AUDIT PLAN 2022/23

Introduction

The role of internal audit is that of an:

‘Independent, objective assurance and consulting activity designed to add value and improve an organisations operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes’.

The Council is responsible for establishing and maintaining appropriate risk management processes, control systems, accounting records and governance arrangements. Internal audit plays a vital role in advising the Council that these arrangements are in place and operating effectively.

The Council’s response to internal audit activity should lead to the strengthening of the control environment and, therefore, contribute to the achievement of the organisation’s objectives.

The aim of internal audit’s work programme is to provide independent and objective assurance to management, in relation to the business activities; systems or processes under review that:

- the framework of internal control, risk management and governance is appropriate and operating effectively; and
- risk to the achievement of the Council’s objectives is identified, assessed and managed to a defined acceptable level.

The internal audit plan provides the mechanism through which the Chief Internal Auditor can ensure most appropriate use of internal audit resources to provide a clear statement of assurance on risk management, internal control and governance arrangements.

Internal Audit focus should be proportionate and appropriately aligned. The plan will remain fluid and subject to on-going review and amendment, in consultation with the relevant Executive Directors/ Directors and Audit Sponsors, to ensure it continues to reflect the needs of the Council. Amendments to the plan will be discussed and agreed with the S151 officer.

The Internal Audit Team

The internal audit service is led by Sally Hendrick, Head of Audit and Risk Management supported by Michele Woodhatch, Internal Audit Contract Manager. Additional audit resources are being recruited to increase in-house capacity and in the meantime an agency senior audit has been supporting the in-house team. Delivery of audits is through a hybrid of in-house resource and outsourcing of some general audit work to Wokingham Council internal audit team and all IT audit work to TIAA Ltd. In addition, counter fraud support is provided by Reading Borough Council and Oxford City Council Fraud Investigation Teams.

Conformance with internal auditing standards

The internal audit service is designed to conform to the Public Sector Internal Audit Standards (PSIAS). Under the PSIAS there is a requirement for audit services to have an external quality assessment every five years. In March 2016, Ian Withers, the Audit and Governance Manager at the London Borough of Croydon was commissioned to complete an external quality assessment of Bracknell Forest Council's internal audit services against the PSIAS, Local Government Application Note and the International Professional Practices Framework. In considering all sources of evidence the external assessor concluded:

‘Based on the scope of the work carried out, the overall conclusion of this review is that internal audit at Bracknell Forest Council GENERALLY CONFORMS with the Public Sector Internal Audit Standards with a high level of compliance.’

A further external assessment is now due and arrangements have been put in place to undertake this over the next few months.

Conflicts of Interest

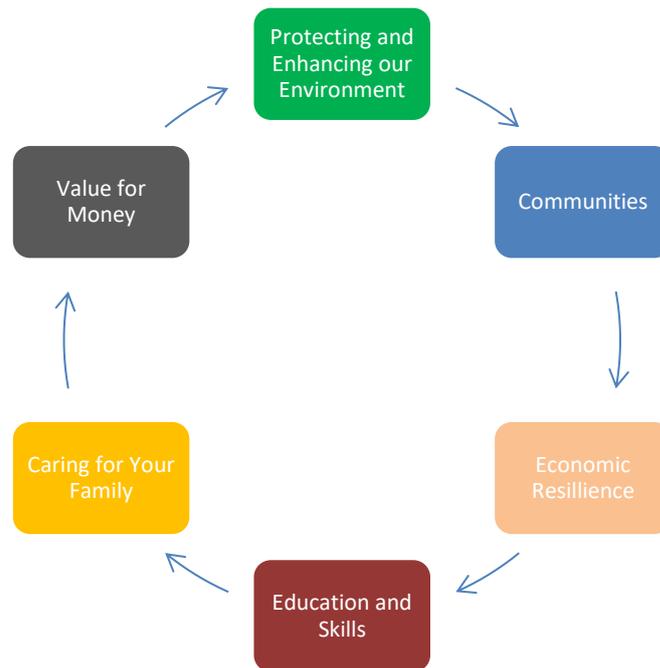
We are not aware of any relationships that may affect the independence and objectivity of the team, and which are required to be disclosed under internal auditing standards.

The Council Plan

The Public Sector Internal Audit standards state that:

“The chief audit executive must establish risk-based plans to determine the priorities of the internal audit activity, consistent with the organisation’s goals”

The organisation's current goals are set out in the Council Plan 2019 -2023 which was developed to address the financial challenges facing the Council and deliver the commitments made in the 2019 election manifesto. The 2022/23 Internal Audit Plan has been developed to link to the organisation's current goals as set out in the strategic themes in the Council Plan 2019-2023 as set out below:



Council Risk

The Council has a clear framework and approach to risk management. The strategic risks assessed by the Council are a key focus of our planning for the year to ensure it meets the organisation’s assurance needs and contributes to the achievement of their objectives. We will monitor the strategic risk register closely over the course of the year to ensure our plan remains agile to the rapidly changing landscape.

REF.	STRATEGIC RISK
Risk 1	Finance
Risk 2	Staffing Pressure
Risk 3	Special Education Needs
Risk 4	Adult Social Care Supply and Demand
Risk 5	Safeguarding
Risk 6	IT Strategy and Infrastructure
Risk 7	Cyber
Risk 8	Information Security
Risk 9	Business Control
Risk 10	Internal Control
Risk 11	COVID
Risk 12	Children Social Care Supply and Demand

Developing the internal audit plan 2022/23

We have used various sources of information and discussed priorities for internal audit with the following groups:

- Chief Executive
- Corporate Management Team
- Executive Directors
- Assistant Directors
- ICT
- Internal Audit Providers

Based on these conversations with key stakeholders, review of key corporate documents and our understanding of the organisation the Head of Audit and Risk Management has developed an annual audit plan for the coming year.

The Council are reminded that internal audit is only one source of assurance and through the delivery of our plan we will not, and do not seek to cover all risks and processes within the organisation. We will however continue to monitor closely the of other assurance providers to ensure that duplication is minimised and a suitable breadth of assurance is obtained



2022/23 INTERNAL AUDIT PLAN

AUDIT	DAYS BY QUARTER				TOTAL DAYS	TOTAL DAYS
	Q1	Q2	Q3	Q4	22/23	21/22
1.GOVERNANCE	37	42	29	14	122	108
2.COUNCIL WIDE AUDITS	20	35	37	10	102	64
3.IT AUDIT	11	29	25	1	66	66
4.RESOURCES	0	0	50	0	50	77
5.PLACE, PLANNING, AND REGENERATION	10	10	20	10	50	43
6.CHIEF EXECUTIVE'S OFFICE	0	0	0	0	0	7
7.DELIVERY	0	5	0	0	5	24
8.PEOPLE	62	53	52	0	167	155
9.SCHOOLS	4	0	20	10	34	62
TOTAL	144	174	233	45	596	606

DETAILED BREAKDOWN**1.GOVERNANCE**

AUDIT	Days	Qtr 1	Qtr 2	Qtr 3	Qtr 4	Sponsor	Priority	Strategic Risk	Strategic Theme (s)
Data indicators	8	8	0	0	0	Assistant Director; Executive's Office	Medium	1-12	Value for Money
Project management of O&S reviews and subsequent action plan implementation	10	0	10	0	0	Executive Director:Delivery	High	1-12	Value for Money
Evidence of GOLD COVID decision making process	5	0	5	0	0	Chief Executive	High	1-12	Value for Money
Recording of decisions	8	0	8	0	0	Executive Director:Delivery	High	1-12	Value for Money
Complaints Process follow up (partial assurance opinion 2021/22)	5	0	0	0	5	Executive Director:Delivery	Very High	1-12	Value for Money

AUDIT	Days	Qtr 1	Qtr 2	Qtr 3	Qtr 4	Sponsor	Priority	Strategic Risk	Strategic Theme (s)
CCTV follow up (partial assurance opinion 2021/22)	5	0	5	0	0	Executive Director:Delivery	Very high	1	
IR 35	10	0	0	10	0	Executive Director:Resources	High	1	Value for Money
SARs	10	10	0	0	0	Executive Director:Delivery	High	1	Value for Money
Counter Fraud Counter Fraud Projects	20	5	5	5	5	Executive Director:Resources	High	1-12	Value for Money
Business covid support grants	20	10	0	10	0	Executive Director:Resources	Very high	1	Value for money
Grant Certifications Bus Service Operator	1	0	1	0	0	Executive Director of Place, Planning and Regeneration	Very high	1	Value for Money
Integrated Transport Block Allocation	3	0	3	0	0	Executive Director of Place, Planning and Regeneration	Very high	1	Value for Money
DOH Weight management allocation	1	0	1	0	0	Executive Director of Place, Planning and Regeneration	Very high	1	Caring for Your Family
Troubled Families	16	4	4	4	4	Executive Director:People	Very high	1	Caring for Your Family
TOTAL	122	37	42	29	14				

2. COUNCIL WIDE

AUDIT	Days	Qtr 1	Qtr 2	Qtr 3	Qtr 4	Sponsor(s)	Priority	Strategic Risk	Strategic Theme (s)
Amazon Business Card	7	0	0	7	0	Executive Director:Resources	Medium	1	Value for Money
E+ Card- General and IT audit follow up	5	0	0	5	0	Executive Director:Delivery	Very high	1	Value for Money
Debt management follow up	5	0	0	5	0	Executive Director:Resources	Very high	1	Value for Money
Income invoicing	15	0	15	0	0	Executive Director:Resources	High	1	Value for Money
Town Centre Maintenance Planning	10	0	10	0	0	Executive Director of Place, Planning and Regeneration	High	1	Value for Money
Business change support costs advisory review	10	10	0	0	0	Assistant Director; Executive's Office	High	1	Value for Money
Contingency	50	10	10	20	10				
TOTAL COUNCIL WIDE AUDITS	102	20	35	37	10				

3. RESOURCES

AUDIT	Days	Qtr 1	Qtr 2	Qtr 3	Qtr 4	Sponsor	Priority	Strategic Risk	Strategic Theme (s)
Staff establishment costs (Joint HR and Finance audit budgeted under OD, Transformation and HR)	15	0	0	15	0	Executive Director:Resources	High	1	Value for Money
Apprenticeship Levy advisory audit	10	0	0	10	0	Executive Director:Resources	High	1	Value for Money
Council Tax and Business Rates	20	0	0	20	0	Executive Director:Resources	Very high	1	Value for Money
Creditors Follow Up	5	0	0	5	0	Executive Director:Resources	Very high	1	Value for Money
TOTAL	50	0	0	50	0				

4. IT AUDIT

AUDIT	Days	Qtr 1	Qtr 2	Qtr 3	Qtr 4	Sponsor	Priority	Strategic Risk	Strategic Theme (s)
ICT Supplier Management (Software Product Usage, Licensing and Cloud Services)	9	0	9	0	0	Executive Director:Delivery	High	1	Value for Money
Intranet Controls	8	0	0	8	0	Executive Director:People	High	1	Value for Money
Business Continuity Management Review (Incl IT Continuity Follow-up)	11	0	11	0	0	Executive Director:People	High	1	Value for Money
Windows Virtual Desktop Review)	8	0	8	0	0	Executive Director:People	High	1	Value for Money
Cyber Security – Incident Management and Resilience	8	0	0	8	0	Executive Director:Delivery	High	1	Value for Money
On-Line payments	8	0	0	8	0	Executive Director:Delivery	High	1	Value for Money
Sharepoint usage	10	10	0	0	0	Executive Director:Delivery	High	1	Value for Money
IT Audit Management	4	1	1	1	1				
TOTAL	66	11	29	25	1				

5. PLACE, PLANNING, AND REGENERATION

AUDIT	Days	Qtr 1	Qtr 2	Qtr 3	Qtr 4	Sponsor	Priority	Strategic Risk	Strategic Theme (s)
Highways reactive maintenance	10	0	0	10	0	Executive Director of Place, Planning and Regeneration	High	1	Value for Money
Highways adoptions	10	0	0	0	10	Executive Director of Place, Planning and Regeneration	High		
Tree service- follow up (partial assurance opinion 2021/22)	5	0	0	5	0	Executive Director of Place, Planning and Regeneration	Very high	1	Value for Money

AUDIT	Days	Qtr 1	Qtr 2	Qtr 3	Qtr 4	Sponsor	Priority	Strategic Risk	Strategic Theme (s)
Street lighting follow up (partial assurance opinion 2019/20)	5	0	0	5	0	Executive Director of Place, Planning and Regeneration	Very high	1	Value for Money
The Look Out	10	0	10	0	0	Executive Director of Place, Planning and Regeneration	High	1	Value for Money
Public Health	10	10	0	0	0	Executive Director of Place, Planning and Regeneration	Very high	1	Caring for your Family
TOTAL	50	10	10	20	10				

6. CHIEF EXECUTIVE'S OFFICE

AUDIT	Days	Qtr 1	Qtr 2	Qtr 3	Qtr 4	Sponsor	Strategic Risk	Strategic Theme (s)
Business change support costs advisory review allocated as Council wide audit see above	0	0	0	0	0	See above	1	Value for Money
TOTAL								

7. DELIVERY

AUDIT	Days	Qtr 1	Qtr 2	Qtr 3	Qtr 4	Sponsor	Priority	Strategic Risk	Strategic Theme
Commercial properties Follow up (partial assurance opinion 2021/22)	5	0	5	0	0	Executive Director:Delivery	Very high	1	Value for Money
TOTALu	5	0	5	0	0				

8. PEOPLE

AUDIT	Days	Qtr 1	Qtr 2	Qtr 3	Qtr 4	Sponsor	Priority	Strategic Risk	Strategic Theme
Open Learning Centre	7	7	0	0	0	Executive Director:People	High	1	Education and Skills
Services to Schools Follow up	5	0	5	0	0	Executive Director:People	Very high	1	Education and Skills
SEND targeted reviews	10	0	10	0	0	Executive Director:People	Very high	1,3, 5.6 and 12	Education and Skills
Pupil Referral unit	7	7	0	0	0	Executive Director:People	High	1,5.6 and 12	Education and Skills
Transition children to adults including engagement with MAPPA and Probation in YJT to transition YP	10	0	0	10	0	Executive Director:People	High	1,4, 5 and 6	Caring for your Family
Children's social care placements	10	0	10	0	0	Executive Director:People	High	5,6 and 12	Caring for your Family
Larchwood follow up	7	0	0	7	0	Executive Director:People	Very high	1,5.6 and 12	Value for Money

AUDIT	Days	Qtr 1	Qtr 2	Qtr 3	Qtr 4	Sponsor	Priority	Strategic Risk	Startegic Theme	
Permanency planning follow up	5	5	0	0	0	Executive Director:People	Very high	5.6 and 12	Caring for your Family	
Post leaving Care	8	8	0	0	0	Executive Director:People	High	5.6 and 12	Caring for your Family	
Parenting assessments follow up	5	0	5	0	0	Executive Director:People	Very high	5.6 and 12	Caring for your Family	
Recording of Direct work, inc Youth Justice, MAKE Safe and Permanency hub	10	0	10	0	0	Executive Director:People	High	5.6 and 12	Communities	
Housing Benefit and Council Tax Reduction	30	15	0	15	0	Executive Director:People	Very high	High	1	Communities
COVID hardship grants	3	0	3	0	0	Executive Director:People	Very high	1	Communities	
Housing allocations	10	0	10	0	0	Executive Director:People	High	1	Communities	
Homelessness	10	0	0	10	0	Executive Director:People	High	1	Communities	
Disabled Facilities Grants	10	10	0	0	0	Executive Director:People	Very high	1 and 4	Communities	
Transport in CTPLD- advisory piece	7	7	0	0	0	Executive Director:People	High	1,4 and 5	Value for Money	
Domiciliary Care	10	0	0	10	0	Executive Director:People	Very high	1,4 and 5	Caring for your Family	
Direct payments- advisory piece on fraud triggers	3	3	0	0	0	Executive Director:People	Medium	1	Value for Money	
TOTAL	167	62	53	52	0					

9. SCHOOLS

AUDIT	Days	Qtr 1	Qtr 2	Qtr 3	Qtr 4	Sponsor	Priority	Strategic Risk	Startegic Theme
SCHOOL I (reaudit-Ltd 2018/19)	4	4	0	0	0	Executive Director:People	Very high	1 and 11	Education and Skills
SCHOOL D (re-audit inadequate 21/22)	4	0	0	4	0	Executive Director:People	Very high	1 and 11	Education and Skills
SCHOOL B (follow up partial 21/22)	2	0	0	2	0	Executive Director:People	Very high	1 and 11	Education and Skills
SCHOOL E (follow up partial 21/22)	2	0	0	2	0	Executive Director:People	Very high	1 and 11	Education and Skills
SCHOOL H(follow up partial 21/22)	2	0	0	2	0	Executive Director:People	Very high	1 and 11	Education and Skills

AUDIT	Days	Qtr 1	Qtr 2	Qtr 3	Qtr 4	Sponsor	Priority	Strategic Risk	Strategic Theme
SCHOOL AUDITS IDENTIFIED FROM SELF ASSESSMENT	20	0	0	10	10	Executive Director: People	High	1 and 11	Education and Skills
TOTAL	34	4	0	20	10				

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**TO: GOVERNANCE AND AUDIT COMMITTEE
23 MARCH 2022**

STRATEGIC RISK UPDATE Head of Audit and Risk Management

1 PURPOSE OF REPORT

1.1 This report presents the updated Strategic Risk Register.

2 RECOMMENDATIONS

2.1 The Governance and Audit Committee to provide feedback for CMT on the strategic risk register attached

3. REASONS FOR RECOMMENDATION

3.1 To ensure Council; has identified all its key risks so that these can be appropriately manages and mitigated.

4 Alternative Options Considered

4.1 There are no alternatives.

5 SUPPORTING INFORMATION

5.1 The Register was reviewed by the Strategic Risk Management Group(SRMG) on 10th February prior to review at CMT on 9th March. The following changes were made to the Register:

- The Finance (Risk 1) was re-graded from a red to amber risk; and
- The COVID risk score (Risk 11) is reduced for consistency with the COVID risk register following review at GOLD meetings.

6. Consultation and Other Considerations

Legal Advice

6.1 There are no specific legal implications arising from the recommendations in this Report.

Financial Advice

6.2 There are no financial implications arising from this report.

Other Consultation Responses

6.3 The register was reviewed by SRMG and CMT on 10th February and 9th March respectively.

Equalities Impact Assessment

6.4 Not applicable.

Strategic Risk Management Issues

- 6.5 A robust Strategic Risk Register that is a complete and up to date record of the significant corporate risks is essential for effective risk management, enabling the Council to prioritise resources to identify and implement actions to address the threats to the achievement of the Council's objectives and make informed decisions

Climate Change Implications

- 6.6 Not applicable.

Health & Wellbeing Considerations

- 6.7 Not applicable.

Background Papers

Risk Management Strategy

Contact for further information

Sally Hendrick, Head of Audit and Risk Management - 01344 352092

APPENDIX 1

RISK MATRIX- STRATEGIC RISK REGISTER CURRENT
RESIDUAL RISK SCORES AND RAG RATING AS RED,
AMBER OR GREEN

LIKELIHOOD

5					
4			11. COVID↓	1. Finance and economic 2. Staffing 3. Special education needs 4. Adult social care supply chain and socio economic risks	
3			10. control environment 8. Data protection	7. Cyber 9. Business continuity	
2			6. IT Strategy and Infrastructure	5. Safeguarding children and vulnerable adults	
1					
	1	2	3	4	5

IMPACT

Likelihood:

- 5 Very High
- 4 High
- 3 Significant
- 2 Low
- 1 Almost Impossible

Impact:

- 5 Catastrophic
- 4 Critical
- 3 Major
- 2 Marginal
- 1 Negligible

APPENDIX 2 STRATEGIC RISK REGISTER MARCH 2022

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Strategic Theme 1: Value for money																																						
Risk 1: Significant pressures on the Council's ability to balance its finances whilst maintaining satisfactory service standards		Risk Owner: Executive Director: Resources																																				
Risk Rating (Likelihood x Impact) Unmitigated 5 x 5 Current Residual 4 x 4 Target Risk Score 3 x 3 Potential Impact <ul style="list-style-type: none"> Strategic objectives and statutory duties not met 	<p style="text-align: center;">Finance Risk</p> <table border="1"> <caption>Finance Risk Data</caption> <thead> <tr> <th>Quarter</th> <th>Unmitigated</th> <th>Current</th> <th>Target</th> </tr> </thead> <tbody> <tr> <td>Qtr 1 20/21</td> <td>25</td> <td>20</td> <td>8</td> </tr> <tr> <td>Qtr 2 20/21</td> <td>25</td> <td>20</td> <td>8</td> </tr> <tr> <td>Qtr 3 20/21</td> <td>25</td> <td>20</td> <td>8</td> </tr> <tr> <td>Qtr 4 20/21</td> <td>25</td> <td>8</td> <td>8</td> </tr> <tr> <td>Qtr 1 21/22</td> <td>25</td> <td>8</td> <td>8</td> </tr> <tr> <td>Qtr 2 21/22</td> <td>25</td> <td>12</td> <td>8</td> </tr> <tr> <td>Qtr 3 21/22</td> <td>25</td> <td>16</td> <td>8</td> </tr> <tr> <td>Qtr 4 21/22</td> <td>25</td> <td>16</td> <td>9</td> </tr> </tbody> </table>	Quarter	Unmitigated	Current	Target	Qtr 1 20/21	25	20	8	Qtr 2 20/21	25	20	8	Qtr 3 20/21	25	20	8	Qtr 4 20/21	25	8	8	Qtr 1 21/22	25	8	8	Qtr 2 21/22	25	12	8	Qtr 3 21/22	25	16	8	Qtr 4 21/22	25	16	9	Rationale for current score: Current risk score maintained despite improvement in the financial position and forecast outturn due to ongoing financial concerns and pressures. Rationale for target risk score Achieving a sustainable financial position is a core responsibility. The target score has been increased slightly reflecting risk appetite.
Quarter	Unmitigated	Current	Target																																			
Qtr 1 20/21	25	20	8																																			
Qtr 2 20/21	25	20	8																																			
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Qtr 3 21/22	25	16	8																																			
Qtr 4 21/22	25	16	9																																			
		Current RAG rating Amber																																				
Current Actions <i>(What we are currently doing about the risk)</i> <ul style="list-style-type: none"> The approach to budget monitoring has been changed to reflect the level of unpredictability. Now identifying best and worst case scenarios and tracking use of the covid contingency. Monthly returns are being provided to MHCLG, supporting the need for additional Government resources to be provided to cover the unprecedented additional costs arising from Covid-19 measures Approved plans are in place to invest in projects that will both provide improved local facilities for residents and reduce costs / increase income to mitigate future spending pressures, e.g. Heathlands and the Property Joint Venture. Regular updates on these projects are provided to CMT. Preparations have started for the 22/23 budget with significant uncertainty at this stage around the level of resources available 		Further Mitigation <i>(what more should we do to reduce risk to our risk appetite level) and opportunities</i> <table border="1"> <thead> <tr> <th></th> <th>Officer responsible</th> <th>Target date</th> </tr> </thead> <tbody> <tr> <td>Specific focus in Covid-19 "recovery" work to identify opportunities to change to systems and processes with lessons learned from working arrangements since March</td> <td>Executive Director: Finance</td> <td>Ongoing</td> </tr> </tbody> </table>		Officer responsible	Target date	Specific focus in Covid-19 "recovery" work to identify opportunities to change to systems and processes with lessons learned from working arrangements since March	Executive Director: Finance	Ongoing																														
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Strategic Theme 1: Value for money
Strategic Theme 2: Economic resilience
Strategic Theme 3: Education and skills
Strategic Theme 4: Caring for residents and their families
Strategic Theme 5: A clean, green and responsibly sustainable place
Strategic Theme 6: Communities

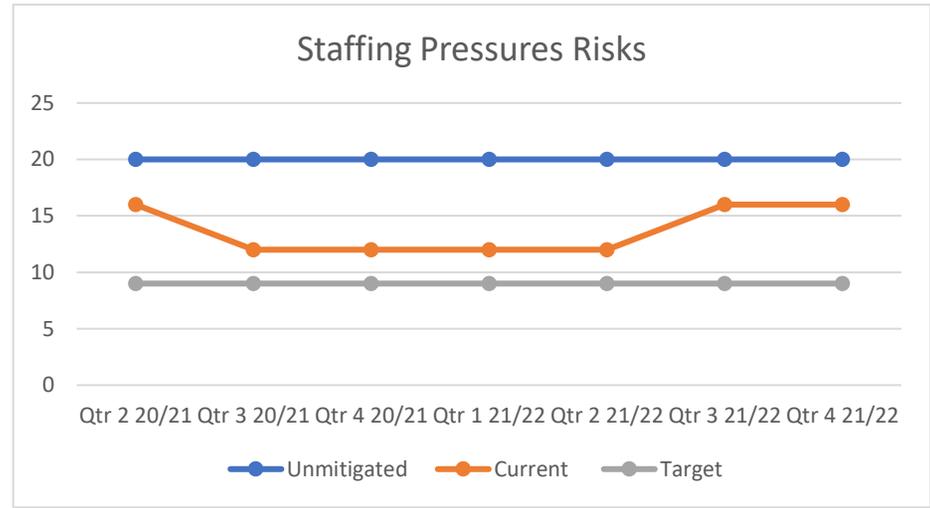
Risk 2: Staffing pressures **Risk Owner:**
CMT

Risk Rating (Likelihood x Impact)

- Unmitigated 5 x 4
- Current Residual 4 x 4
- Target Risk Score 3 x 3

Potential Impact

- Increased financial pressures due to high reliance on locums and agency workers
- Increased reliance on market premia and retention payments due to labour market pressures i.e. social workers and specialists post
- Potential for weakness in resilience in key areas as locums and agency workers can leave at shorter notice.
- The loss of experienced permanent staff and replacement with less experienced agency personnel.



Rationale for current score: Increased turnover of staff in key areas and difficulties in recruiting to key technical posts due to pressures in the market and delays arising from COVID 19.

Rational for target risk score
Staff are the key resource in delivering key services and providing support to front line services.

Current RAG rating	Red
---------------------------	------------

- Current Actions(What we are currently doing about the risk)
- Management information on long term, high cost locums/ agency workers now being produced for peer review at CMT.
- Retendered neutral agency vendor contract
- New campaign out for OTs
- Preparing an ongoing campaign for Children’s Social Workers to reduce the number of recruits that are currently coming through from agencies at an extra cost.

Further Mitigation (what more should we do to reduce risk to our risk appetite level) and opportunities

	Officer responsible	Target date
The move to use of permanent/fixed terms contracts as an alternative to locums and agency arrangements is progressing with 4 locum posts having already been or in the process of being converted to permanent posts.	CMT	Ongoing
Well being and employee experience will be a focus of the HR-OD offer currently being planned	Assistant Director: HR and OD	Ongoing

<ul style="list-style-type: none"> • New mobile friendly job application form • Regional benchmarking of salary and benefits paid by other local authorities – part of recruitment project which will inform future recruitment and retention strategy • Small budget set aside to boost visibility and target applicants free of charge for specific adverts for traditionally hard to fill posts. • Well-being initiatives and research activity underway that will diagnose support needed to staff • Current HR-OD redesign process is implementing instant win improvements to processes and systems for recruiting • managers and potential applicants i.e. mobile application functionality • People – workforce board – meeting monthly to discuss, plan and optimise staffing budget across services • Exit interviews are undertaken with it being possible to request a full one. Hard to recruit areas are being targeted. • Market premia is being implemented where required plus, where applicable, consultants are being moved to employee status • Staff wellbeing surveys being undertaken on a quarterly basis in response to additional pressures from COVID • Managers Handbook developed and awaiting review before issuing 	to contribute to retention of staff which will be a priority within the future Recruitment and Retention Strategy.		
	HR-OD service restructure will refocus service offer and Talent Manager role will then plan and write business plan offer.	Assistant Director: HR and OD	Ongoing
	Consideration of applying market premiums and other retention incentives within the other services where agency costs are increasing.	CMT	As necessary
	Non-monetary offers need to be considered	Assistant Director: HR and OD	Ongoing
	New Home Working Policy to be introduced which will relax requirements for location of employees facilitating recruitment from a wider pool of candidates	CMT	Ongoing
	Working with the neutral agency vendor to review current arrangements and re-embed with managers the benefits of going through the agency vendor to reduce off contract spend.	Assistant Director: HR and OD	Ongoing
	Looking at ways to make the recruitment process more efficient for all parties by exploring/utilising aspects of the systems that we currently do not use.	Assistant Director: HR and OD	Ongoing

Strategic Theme 3: Education and skills																														
<p>Risk 3: Council unable to ensure children with special education needs receive timely and appropriate support for their education due to the rate at which demand is increasing.</p>		<p>Risk Owners: People DMT</p>																												
<p>Risk Rating (Likelihood x Impact) Unmitigated 5 x 4 Current Residual 4x 4 Target Risk Score 2 x 3</p> <p>Potential Impact</p> <ul style="list-style-type: none"> • Failure to meet demand for support to children with higher level education needs and their parents • Statutory duties not met due to pressure on services • Increased budget pressures owing to market inability to meet demand and competition driving up places 	<table border="1"> <caption>Special Education Needs Risk Data</caption> <thead> <tr> <th>Quarter</th> <th>Unmitigated</th> <th>Current</th> <th>Target</th> </tr> </thead> <tbody> <tr> <td>Qtr3 20/21</td> <td>20</td> <td>16</td> <td>4</td> </tr> <tr> <td>Qtr 4 20/21</td> <td>20</td> <td>16</td> <td>4</td> </tr> <tr> <td>Q1 21/22</td> <td>20</td> <td>16</td> <td>4</td> </tr> <tr> <td>Q2 21/22</td> <td>20</td> <td>16</td> <td>4</td> </tr> <tr> <td>Qtr3 21/22</td> <td>20</td> <td>16</td> <td>4</td> </tr> <tr> <td>Qtr 4 21/22</td> <td>20</td> <td>16</td> <td>4</td> </tr> </tbody> </table>	Quarter	Unmitigated	Current	Target	Qtr3 20/21	20	16	4	Qtr 4 20/21	20	16	4	Q1 21/22	20	16	4	Q2 21/22	20	16	4	Qtr3 21/22	20	16	4	Qtr 4 21/22	20	16	4	<p>Rationale for current score:</p> <p>Risk level maintained following OFSTED inspection and following steep increase in children with an EHCP. Increased pressures on internal resources to deliver education psychology, undertaking the identification, assessment and monitoring of provision for children that require an Education Health Care Plan (EHCP) 2, parental guidance and dispute avoidance and resolution exacerbated by high staff turnover.</p> <p>Rationale for target risk score Risk appetite is fairly low due to statutory responsibilities to safeguard and educate.</p> <p>Current RAG rating Red</p>
Quarter	Unmitigated	Current	Target																											
Qtr3 20/21	20	16	4																											
Qtr 4 20/21	20	16	4																											
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Qtr3 21/22	20	16	4																											
Qtr 4 21/22	20	16	4																											
<p>Current Actions (What we are currently doing about the risk)</p> <ul style="list-style-type: none"> • SEN Commissioning Strategy & Plan developed • High Needs Block project progressing: commissioning framework in development, realignment of budget, high levels of scrutiny • Restructure of SEN Team and changes in processes • Review and restructure of SEN Support Services • SEN Task and Finish Group • SEN Improvement Board set up with all stakeholders • Review of current Education Establishment sites and feasibility study to explore what additional provision can be developed within borough, which will reduce cost and provide more local places: 	<p>Further Mitigation (what more should we do to reduce risk to our risk appetite level) and opportunities</p> <table border="1"> <thead> <tr> <th></th> <th>Officer responsible</th> <th>Target date</th> </tr> </thead> <tbody> <tr> <td>Lead commissioning officer to take forward the implementation priorities set out within the SEN Commissioning Plan and Action Plan</td> <td>AD Commissioning</td> <td>Ongoing</td> </tr> <tr> <td>Commitment to a cross-service governance panel of the delivery of the SEN commissioning plan that also includes partners from Health.</td> <td>AD Education & Learning</td> <td>Ongoing</td> </tr> </tbody> </table>			Officer responsible	Target date	Lead commissioning officer to take forward the implementation priorities set out within the SEN Commissioning Plan and Action Plan	AD Commissioning	Ongoing	Commitment to a cross-service governance panel of the delivery of the SEN commissioning plan that also includes partners from Health.	AD Education & Learning	Ongoing																			
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<p>Specialist Resource Provision x 8 have been developed to provide on school site specialist units</p> <ul style="list-style-type: none"> Increased resources to facilitate development and implementation of improved annual review processes and placement decisions 	<p>Making available commissioning support and consistency in procuring and maintaining SEND provision through appropriate resources and additional capacity, Producing action plans in response to the outcome and required actions identified by OFSTED at the SEN inspection.</p>	<p>AD Commissioning</p> <p>AD Education & Learning</p>	<p>Ongoing</p> <p>Ongoing</p>
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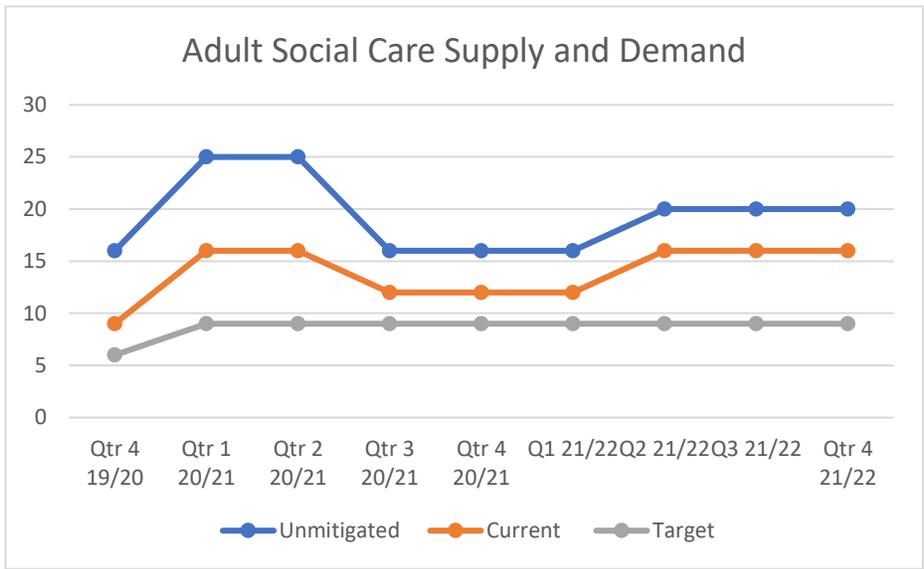
Strategic Theme 4: Caring for residents and their families

Risk 4: Council unable to sustain delivery of services to support adult social care needs due to uncertainty of changes in demand arising from socio-economic factors and insufficient external provision for adult social care.

Risk Owners:
Executive Director:
People

Risk Rating (Likelihood x Impact)
Unmitigated 5x4
Current Residual 4 x 4
Target Risk Score 3 x 3
Potential Impact

- Failure to meet demand.
- Statutory duties not met.
- Increased budget pressures
- Needing to move people from one setting to another at short notice



Rationale for current score:
The unmitigated and current residual scores have both increased due to the impact of COVID 19 which has put pressure on adult social care providers and hence the supply chain.

Rationale for target risk score
With changes in the adult social care provider market, the Council will have to accept a higher level of risk.

Current RAG rating Amber

- Current Actions (What we are currently doing about the risk)**
- People Care Governance board in place to manage any strategic provider safeguarding and quality issues
 - Continuing rollout and development of contract monitoring toolkit and approach
 - East Berks Commissioners group developed during COVID is ensuring a collaborative approach to market management including a specific task and finish group reviewing capacity
 - East Berks COVID Care governance group meets weekly to support providers where there is an outbreak and support a co-ordinated response
 - Market Position Statement is currently in development
 - Heathlands due to open in April 2022
 - Regular provider forum's ensure we are kept up to speed with emerging issues
 - Use of the NHS capacity tracker to assess local supply

Further Mitigation (what more should we do to reduce risk to our risk appetite level) and opportunities

	Officer responsible	Target date
Develop the Market Position Statement with the Market	AD: Commissioning	Ongoing
Continue to work across East Berks as a collaborative approach to manage market gaps and encourage strategic supplier management	Executive Director: People	Ongoing

<ul style="list-style-type: none"> • Risk and Issue log in place and reviewed across operations, safeguarding and commissioning 3 times a week that includes and market capacity issues and risks • Care home resilience plans developed during pandemic. These were considered to be examples of exemplary practice by the Local Government Association and ADASS (the safeguarding adults network). • Linked into the national social care sector COVID Support Task Force which oversees implementation of the Government's care home support package . • Financial support provided to social care providers between April and July to meet costs and loss of income associated to Covid outbreak • Review of Adults Conversations Model, conversation 3, as part of transformation project • Assess purchasing intentions based on the current appraisal of the range of support. • Analysis prepared on the annual impact of demographic change as part of the council's budget setting process • Reducing demand through prevention / reablement / review of existing care packages • Finance tracker reviewed monthly and intelligence used to address pressure points 	<p>Council is currently reviewing domiciliary care market and , reviewing the CBS framework which had effect of reduction of supply available in the borough</p>	AD: Commissioning	Ongoing
	<p>Place Summit, which will contribute towards a contemporary understanding of our local problem profile</p>	Executive Director:People	Ongoing
	<p>Review of Better Care Fund to identify areas of service improvement</p>	Executive Director:People	Ongoing
	<p>Covid 19 may have altered the profile of Older People and their subsequent long-term needs. Further national work would be required before we can do any modelling on this.</p>	Executive Director:People	Ongoing

Strategic Theme 4: Caring for residents and their families

Risk 5: The Council does not identify and discharge all its responsibilities for safeguarding children and vulnerable adults

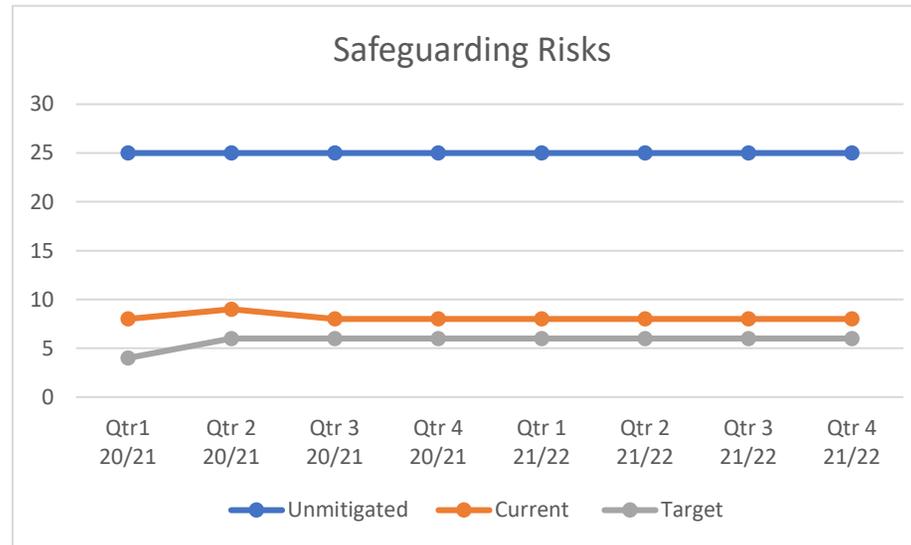
Risk Owner
Executive
Director: People

Risk Rating (Likelihood x Impact)

Unmitigated: 5 x 5
Current residual: 2 x 4
Target Risk Score 2 x 3

Potential Impact

- Death or serious injury
- Prosecution
- Detrimental impact on council reputation
- Censure by inspection
- Public dissatisfaction
- Relationship with partners impaired



Rationale for current score:

Active controls in place to mitigate risk.

Rationale for target risk score

Increased in Qtr 2 of 20/21 as the Government's guidance had been that the full suite of safeguarding measures could not be delivered due to COVID-19.

Current RAG rating Amber

Current Actions *(What we are currently doing about the risk)*

- Continue to roll our safeguarding awareness programmes for all internal staff and stakeholders
- Adherence to the pan-Berkshire safeguarding children procedures
- Training provided for all staff as identified in induction and through appraisal process
- All staff have regular supervision as per the council's policy
- Ensure that the audit programme for children's social care is adhered to
- Supervision and appraisal policy in place and applied including review of PDP
- Embedding of Family Safeguarding Model of practice to ensure strong evidence-based practice with highly skilled and trained workers

Further Mitigation *(what more should we do to reduce risk to our risk appetite level) and opportunities*

	Officer responsible	Target date
• Mechanism for reporting and learning from serious and untoward incidents being developed	AD: Commissioning	Ongoing
• Review of current policy portfolio	Executive Director: People	Ongoing
• Ensure learning from ministerial serious case reviews is a rolling programme	People DMT	Ongoing
• Embed new policy mechanism for reporting and learning from serious and untoward incidents.	People DMT	Ongoing

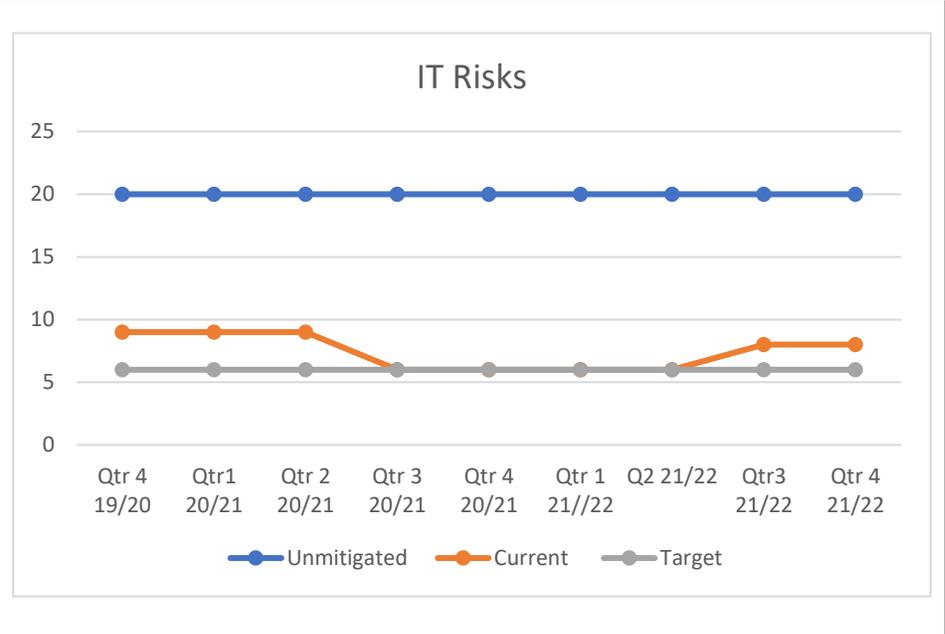
<ul style="list-style-type: none"> • Opportunity for greater collaboration with local stakeholders through the People Safeguarding Board covering Adults and Children is being implemented • Ensure that people are fully involved with the safeguarding process • Promote positive risk management by ensuring people are supported to identify risks associated with those actions and have risk management plans in place • Multi-agency risk framework now in place • Make Safeguarding Personal as per the Care Act 2014 in place • Dedicated work on contextual safeguarding • Identification and delivery of relevant training and development for staff • Regular audits of practice including case audits and supervision files • Regular monitoring of data and information • Annual reporting to DMT, Executive Director for People, Chief Executive and Safeguarding Board • CSE and missing focused work • Work of the Safeguarding Board in prevention / communication • Review of school related policy documents where there is a potential risk of harm, e.g. administration of medicine and review of training • Highlight headteacher and governor responsibilities • School visits / activity logs / systems • Ensuring staff are kept up to date with training and developments in practice, within a partnership environment 	<ul style="list-style-type: none"> • Place Summit, which will contribute towards a contemporary understanding of our local problem profile 	Executive Director:People	Ongoing	
	<ul style="list-style-type: none"> • Reorganisation of our safeguarding and QA teams, establishing effective leadership structures with the aim of instilling a culture of greater rigour and continuous improvement 	AD: Commissioning	Ongoing?	
	<ul style="list-style-type: none"> • Recruit to 3 permanent Head of Service roles in the coming months and we have appointed a full-time Principal Social Worker who will be transitioning into the role. 	AD: CSC	Ongoing?	
	<ul style="list-style-type: none"> • Implementation of Tri-X policy portfolio for adults and children's services 	AD: Commissioning	Ongoing	

Strategic Theme 1: Value for money
 Strategic Theme 2: Economic resilience
 Strategic Theme 3: Education and skills
 Strategic Theme 4: Caring for residents and their families
 Strategic Theme 5: A clean, green and responsibly sustainable place
 Strategic Theme 6: Communities

Risk 6: IT Strategy and digital infrastructure fails to meet the needs of the organisation.

Risk Owners:
 Executive Director
 Delivery

Risk Rating (Likelihood x Impact)
 Unmitigated 4 x 5
 Current Residual 2x4
 Target Risk Score 2 x 3
Potential Impact
 Disruption to services.
 Failure to meet statutory duties.



Rationale for current score:
Having completed the cloud migration project for the key systems of the council, moving services to either Azure and SaaS and the upgrade to EDS / Forestcare, the normal operations of systems has been protected and made more resilient from all but a cyber attack

Rationale for target risk score
 Appetite is low due to dependency on IT for delivery of all services

Current RAG rating Amber

- Current Actions (What we are currently doing about the risk)**
- Improvement programme being implemented and updates being provided and being monitored at CMT on a regular basis
 - New Digital and ICT Strategy for 2021 to 2021 has now been approved
 - Networking Strategy developed for approval
 - Remedial work to fix infrastructure issues continuing.
 - Cloud migration strategy underway
 - Phase four of Office 365 programme being scoped, to ensure we maximise the return on our investment in the Enterprise Licensing

Further Mitigation (what more should we do to reduce risk to our risk appetite level) and opportunities

	Officer responsible	Target date

Strategic Theme 1: Value for money
 Strategic Theme 2: Economic resilience
 Strategic Theme 3: Education and skills
 Strategic Theme 4: Caring for residents and their families
 Strategic Theme 5: A clean, green and responsibly sustainable place
 Strategic Theme 6: Communities

Risk 7 IT controls or staff vulnerabilities fail to prevent a cyber attack and/or unable to respond effectively to an attack to enable IT services to be sustained.

Risk Owners:
 Executive Director
 Delivery

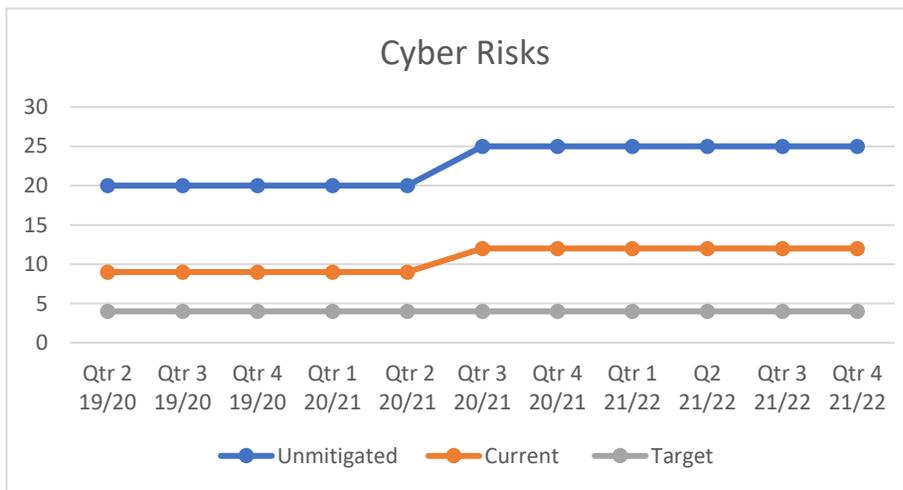
Risk Rating (Likelihood x Impact)

Unmitigated 5 x 5

Current Residual 3 x 4
 Target Risk Score 2 x 2

Potential Impact

- Disruption to services.
- Failure to meet statutory duties.
- Reputational damage.
- Financial loss



Rationale for current score:

The inherent likelihood of cyber-attacks against local authorities has risen with more sustained and intense attacks. The current likelihood of the risk materialising has hence increased. The impact of an attack is mitigated by improving cyber security controls in IT, and Disaster Recovery and Business Continuity arrangements. An external review of cyber risk controls is currently ongoing which will identify if this risk can now be reduced.

Rationale for target risk score

Appetite is low due to dependency on IT for delivery of all services.

Current RAG rating Amber

Current Actions *(What we are currently doing about the risk)*

- Cyber Security policies all re-written and published on the intranet
- Microsoft SCP ATP II Licensing acquired for advanced security on Office 365- Outlook, Office, SharePoint and Teams as well as security and compliance on all Council data.
- Windows Defender ATP deployed for the best in class anti-virus protection for all laptops.
- MS Intune deployed for protection of smartphones
- PSN compliant

Further Mitigation *(what more should we do to reduce risk to our risk appetite level) and opportunities*

	Officer responsible	Target date
Cyber security e-learning has been made available to the whole organisation. Work is being taken forward to identify the most effective way to mitigate the risk of phishing such as further training and developing anti-phishing policies. To consider if carrying out simulations tests would be an effective way of	Assistant Director: Customer Experience, Digital & IT	Ongoing

<ul style="list-style-type: none"> • Members of government early warning groups such as NCSC (National Cyber-Security Council) and SEGWARP (Warning, Advice and Reporting Point) • Mandatory Information security and GDPR training before access is given to systems • Disaster Recovery Plan and Action Plan for the systematic recovery of systems. • Disaster Recovery contract with a provider to get systems up and running and an Action Plan for the systematic recovery of systems • Cyber risks monitored through Delivery risk register • Risks of cyber attacks covered regularly in IT newsletter • NCSC Cyber Security training package undertaken by staff in IT and Digital Services • New VPN with Split Tunnelling has been implemented. Microsoft Defender Advanced Threat Protection web filtering has been implemented. • External review of cyber controls is underway. This will deliver recommendations on technical improvements, ICT staff development and organisation-wide staff training that will help to improve our cyber resilience. • New VPN configuration reduces risk of successful cyber-attack. • Cyber training identified • New network strategy developed will enable greater resilience against cyber attacks • Cyber review undertaken and action plan is in development to address recommendations 	raising awareness and vigilance to the threat of phishing		
	The new Networking Strategy will mean each component on the network performs independently as a security component, and this will be implemented over the next year..	Assistant Director: Customer Experience, Digital & IT	Ongoing
	Cyber Essentials Certification project restarted following departure of the project manager.	Assistant Director: Customer Experience, Digital & IT	Ongoing
	Sign-up to MS Sentinel for cyber attack management when servers begin moving to Azure .	Assistant Director: Customer Experience, Digital & IT	Ongoing
	To identify any lessons learned from the Business continuity exercise due in March 2022	Assistant Director: Customer Experience, Digital & IT	Ongoing

Strategic Theme 1: Value for money
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 Strategic Theme 6: Communities

Risk 8: Council unable to comply with data protection/security requirements to secure data resulting in inappropriate disclosure, loss or theft of sensitive data.

Risk Owners:
 Executive Director
 Delivery

Risk Rating (Likelihood x Impact)

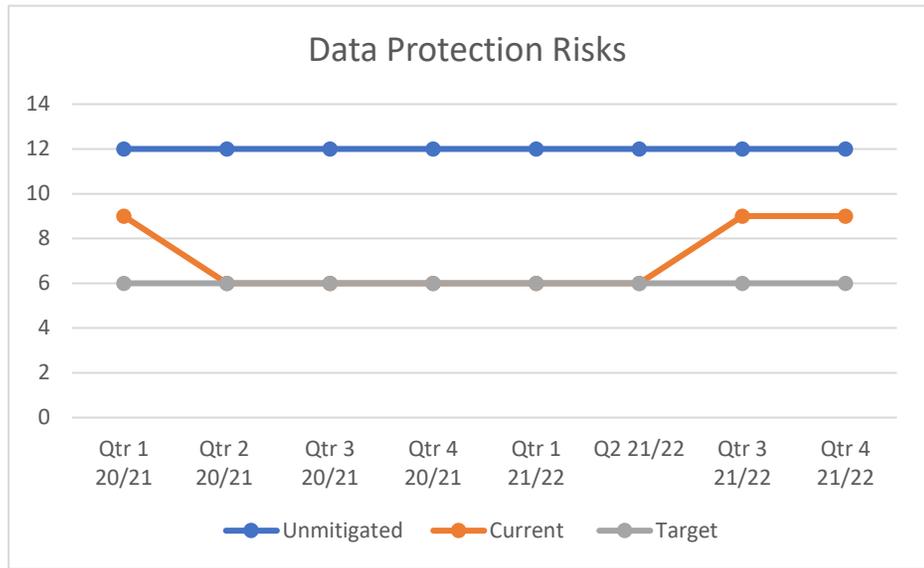
Unmitigated 3 x 4

Current Residual 3 x 3

Target Risk Score 2 x 3

Potential Impact

Fines/penalties. Disruption to services. Failure to meet statutory duties. Removal of access to external databases and systems e.g. DWP



Rationale for current score:
 The ICO follow up inspection of 2021 has been completed with no further comment on the compliance landscape. However, as the volume of sensitive data handled has increased, the opportunities and therefore the risks for breaches has also risen. This risk profile therefore has changed due to increase in quantum rather than lack of effectiveness of control

Rationale for target risk score
 In addition to the financial risk, financial penalties are now very high and will be increasing further hence the Council will seek to minimise the risk of these being incurred.

Current RAG rating	Amber
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Current Actions *(What we are currently doing about the risk)*

- Annual GDPR online training for all staff (95% target achieved for 2021/22)

Further Mitigation *(what more should we do to reduce risk to our risk appetite level) and opportunities*

<ul style="list-style-type: none"> • The Information Management Group with new terms of reference and new membership is meeting regularly to review action plans, corporate lessons learnt and performance data • DPO / SIRO monitoring information security breaches for trends and systemic failures. Working with Information Management Group and reporting to CMT to report issues and roll out process changes. • Monitoring of Subject Access Requests is now a standard agenda item for the Information Management Group and Corporate Management Team. • Information Governance Leads have been identified and trained. Internal review has been completed and changes made following first year of operation. • The Information Asset Register is now complete and CMT have agreed how this will be maintained going forward • CMT have agreed how the Information Asset Register with fit into EDRMS which will provide the retention and destruction framework. • All teams have now migrated their data into the EDRMS (SharePoint) file structures so that all held data now has markers for sensitive data and had a retention schedule attached to it. • Security of data in personal folders has been increased by moving these to the cloud based One Drive with onward programme to see this in EDRMS. • Audit by the Information Commissioner's Officer complete with no further comments. Action plan and process of continuous improvement now embedded in practise. 		Officer responsible	Target date	
	The DPO role has transferred from the Legal service to the IT service, allowing greater links between the technology and the business process. The new DPO will be introducing automation to some of the compliance processes, reducing the number of staff handling each request. This in turn reduces the risk of a breach	Executive Director: Delivery	Ongoing	
	CMT has agreed to deploy the new National Graduate Trainees for their first placement in IG. This will give needed capacity to the organisation to complete a full stock take of DIPA and ensure that these are current and up to date	Executive Director: Delivery	Ongoing	
	Progress on the action plan arising out of the ICO inspection to be monitored by the Information Management Group.	Executive Director: Delivery	Ongoing	
	Review of the work of the IG divisional leads to complete lessons learnt exercise and roll out further embedding of the role and role outcome	Executive Director: Delivery	Ongoing	
	Roll out guidance and training for Information Asset Owners (IAO), embedding corporate ownership and clear accountability	Executive Director: Delivery	31/3/22	

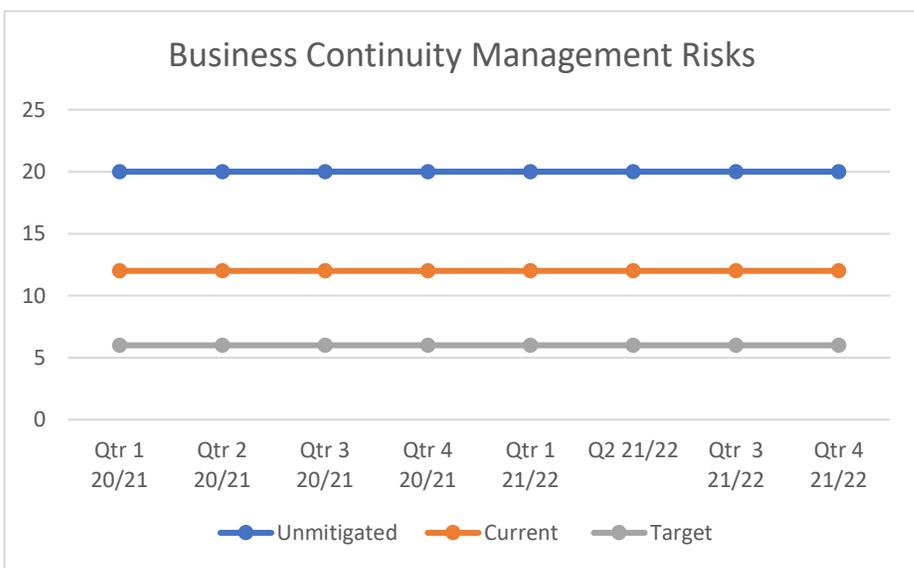
Strategic Theme 1: Value for money
 Strategic Theme 2: Economic resilience
 Strategic Theme 3: Education and skills
 Strategic Theme 4: Caring for residents and their families
 Strategic Theme 5: A clean, green and responsibly sustainable place
 Strategic Theme 6: Communities

Risk 9: The Council’s Business Continuity Management (BCM) fails to effectively deal with potential threats and risks.

Risk Owners:
 Executive Director:
 Delivery

Risk Rating (Likelihood x Impact)
 Unmitigated 4 x 5
 Current Residual 3 x 4
 Target Risk Score 2 x 3

- Potential Impact**
- Lack of ability to respond in a coordinated manner during a Business Continuity event, particularly when affecting the whole Council over prolonged periods.#
 - Enforcement action under the Civil Contingencies Act 2004.
 - Reputational damage.



Rationale for current score:
 The risk remains significant because the improvement programme put in place is not completed as this has been overtaken by events with COVID-19 and planned actions have not yet been completed as originally intended. There will be a need to look at the new ways of working after recovery following COVID-19 as this may mean the new Business Continuity Plan that was due to be developed will be different to what was expected pre-Covid-19. There is also the potential impact of Brexit on service continuity e.g. the impact of the shortage of HGV drivers on delivery of necessary supplies.

Rationale for target score
 The Council has agreed that as minimum the level of improvement should take the Council to Low risk if not best practice.

Current RAG rating Amber

Current Actions *(What we are currently doing about the risk)*

- Following the external review an action plan is now in place to ensure all service and corporate business continuity plans covering essential and critical functions are in place and robust.1
- Service Business Continuity Liaison Officers and Emergency Planning Liaison Officers have been identified to work with the Emergency Planning Unit
- Business Impact Analysis Workshops and Drop-in Sessions have taken place.
- Recovery Workshops have taken place.
- A number of Service Plans are now in place and being reviewed.
- The Service Plans which have not been completed are being targeted in order to complete the update of all plans.
- From September 2021 the 3 year programme of exercising specific service plans and the corporate plans along with the annual light touch revision and 3 yearly review of the plans will be put in place.

Further Mitigation (what more should we do to reduce risk to our risk appetite level) and opportunities

	Officer responsible	Target date
Developing strategic governance document for business continuity	Emergency Planning	March 2022
All Service & Corporate Plans to be in place	All Services & Emergency Planning	March 2022
Formal review programme in place	Emergency Planning	March 2022
Service and/ or Corporate Exercises programme in place	Emergency Planning	March 2022
Undertake corporate business continuity exercise and identify any lesson to be learned to action moving forward.	Emergency Planning & All services	March 2022

Strategic Theme 1: Value for money
 Strategic Theme 2: Economic resilience
 Strategic Theme 3: Education and skills
 Strategic Theme 4: Caring for residents and their families
 Strategic Theme 5: A clean, green and responsibly sustainable place
 Strategic Theme 6: Communities

Risk 10: Weaknesses in the internal control environment.

Risk Owners:
CMT/DMTs

Risk Rating (Likelihood x Impact)

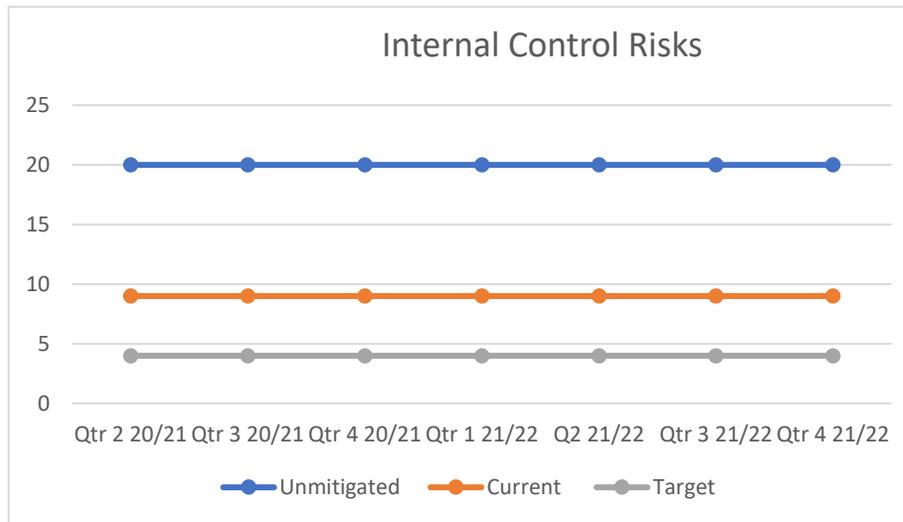
Unmitigated 5 x 4

Current Residual 3 x 3

Target Risk Score 2 x 2

Potential Impact

Increased potential for financial loss, fraud and safeguarding issues.
 Reputational damage.
 External sanction.



Rationale for current score:

Risk reducing as action taken is improving the control environment but more time is needed to ensure this is embedded effectively.

Rationale for target risk score

Appetite is low as ensuring that an effective control environment is in place is fundamental to ensuring the organisation's objectives are met and is a statutory requirement under the Accounts and Audit Regulations.

Current RAG rating	Amber
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Current Actions (What we are currently doing about the risk)

- Limited assurance audit reports monitored at DMTs.
- Follow up audits of limited assurance areas being completed during 2020/21
- Regular review of reporting to CMT on impact of audit deferrals and outcomes on 20/21 audit opinion

Further Mitigation (what more should we do to reduce risk to our risk appetite level) and opportunities

	Officer responsible	Target date
Regular specific slots at CMT and DMTs on audit and governance	CMT/DMTs	31/3/21

Strategic Theme 1: Value for money
 Strategic Theme 2: Economic resilience
 Strategic Theme 3: Education and skills
 Strategic Theme 4: Caring for residents and their families
 Strategic Theme 5: A clean, green and responsibly sustainable place
 Strategic Theme 6: Communities

Risk 11: Council unable to deliver essential services and meet the needs of the community due to pressures from coronavirus on internal staff resources and external suppliers providing critical functions and increased demands for support arising from people and groups requiring support.

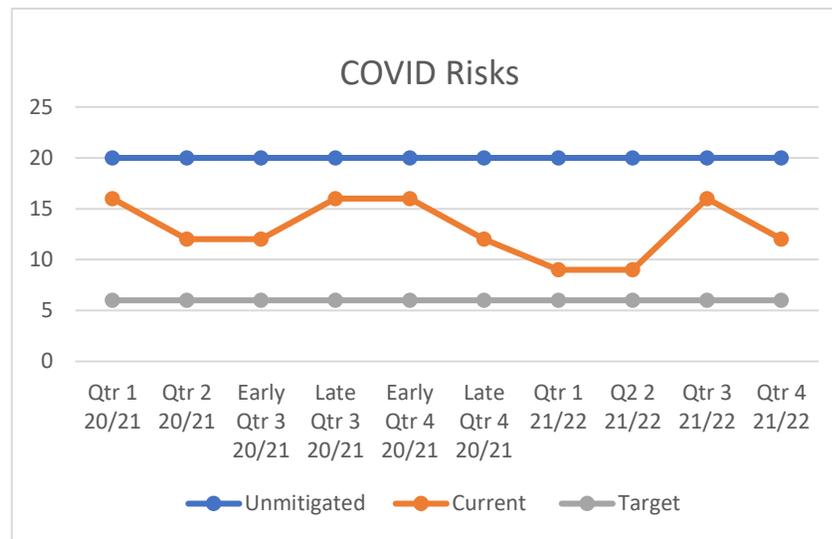
Risk Owners: CMT

Risk Rating (Likelihood x Impact)

Unmitigated 4 x 5
 Current Residual 4 x 3
 Target Risk Score 2 x 3

Potential Impact

- Council unable to deliver statutory/ Covid functions effectively to all groups needing support
- Reputational damage
- Continued loss of income from some income generating services
- Staff isolation Exposure to fraud, particularly in respect of administration of emergency Government financial support package
- Council is not able to support the Test and Trace , functions and effectively manage Local outbreaks
- Sustained increase in Hardship and welfare support requests



Rationale for current score:

The sustained prevalence of Covid within the Borough is placing strain on some council services particularly in relation to Hospital Capacity/discharge, Social Care, Education services remain under additional pressure and ongoing Covid responsibilities are drawing some resources away from some planned works and some business as usual which impacts on staffing and is creating backlogs in small areas of the Council.

Rationale for target score

During a flu pandemic the Council has a key role to play in ensuring that its existing and new essential services to the community are maintained and adapted as well as assisting with Government support initiatives.

Current RAG rating **Amber**

Current Actions (What we are currently doing about the risk)

- Continuing to follow the advice of the Government the UK Health Security Agency (UKHSA) and the East Berkshire Health Protection Board
- Coronavirus (COVID-19) CMT Gold Group meets once every two weeks to consider the potential impacts on staff, service provision and the wider Bracknell Forest community and coordinate the Council's response and recovery. Task and Finish Groups set up to feed into the CMT Gold meeting, and aid effective decision making
- Public Health Team and covid-19 policy team monitoring central government guidance and best practice
- All departments tasked with enacting their Business Continuity Plans when required and adapting them to address the risk of COVID-19 where appropriate
- Service areas working with key suppliers ensuring that they have put appropriate business continuity arrangements in place to avoid/mitigate the risk of disruption to critical services
- Identifying and working with vulnerable groups/ individuals who may need additional support during the pandemic response
- Communication with staff now taking place via teams, email and phone with a large proportion of staff continuing to work remotely (although office space is now available), weekly CX update, and bi-monthly all member briefing
- Communication with staff advising them on actions to take if they suspect they have symptoms, testing, self isolation and the methods of recording this, so we have an accurate workforce picture. Those going to the workplace need to undertake testing before doing so.
- The council is planning and delivering internal and external communication and engagement to encourage staff and wider population vaccine take up and to home test
- Financial reporting changed to enable identification of any Covid-19 related spend, so that the impact is properly recorded and future claims of financial support from Government can be substantiated
- IT capacity is under continual review
- Many services are now delivering face to face work following appropriate risk assessment, with protective measures such as PPE, increased ventilation, enhanced hygiene).
- Monitoring and supporting higher risk settings such as Schools and Care Homes
- Staffing matters are being dealt with through an HR Grouping, with regular reporting of absence to CMT Gold
- High-level community impact assessment complete and a Covid Resident's Survey presented to the Executive. The community impact assessment was updated in June 21 and a second Covid Resident's Survey has now concluded.
- Participation in the Local Resilience Forum (when required)
- Detailed verification checks introduced around payment of business support grants
- Changes to contractual arrangements to provide additional financial support to suppliers include standard anti-fraud clauses, mirroring those adopted by Government

Further Mitigation (what more should we do to reduce risk to our risk appetite level) and opportunities

	Officer responsible	Target date
Monitor absences arising from suspected cases of coronavirus and divert staff to critical services where required	CMT /AD's	ongoing
Regular communications with staff and the public as the situation develops via various media streams	CMT	ongoing
Follow and adhere to any national guidance /instruction on Home working, isolation, testing and other service delivery matters	CMT	ongoing
Community response (via the Ark) to support vulnerable people and those self isolating	CMT /AT	ongoing
Staffing matters under review with requirements to work outside normal contracted hours and different roles, being considered when required	CMT/HR	ongoing
Business and Suppliers support group working through business / financial related matters when required to do so	CMT/ SMC	ongoing
School Support being co-ordinated through the Local Authority – enabling consistency of message	CMT/RM	ongoing
Representation on the LRF (Response and Recovery) provided as required	AH /Emergency Planning	ongoing
Maintain vigilance for potential fraud risk as a result of changes to processes to enable quick transactions and payments to suppliers and emergency support to individuals	SLG	Ongoing
Working on the basis of national predictions for Deaths, infection rates and recovery	CMT/PH	ongoing
Established a methodology for Recovery Principles agreed by the Executive	AH/CMT	ongoing
Data collection on service and community impact being collected to review for trends and to contribute to recovery including resident Covid Impact Survey	CMT/AT	ongoing
Care Home Resilience Plan developed across the ICS area	SM/ThW	Ongoing

<ul style="list-style-type: none"> • <i>Wokingham BC internal audit team commissioned to review our approach to administering the small business grants, recognising the need to ensure adequate, proportionate anti-fraud measures are being adopted</i> • <i>Outbreak Management Cell has developed a Local Outbreak Management Plan to respond to and manage local outbreaks this has been signed off by the NHS and PHE</i> • <i>Work on recovery/renewal continues</i> • <i>Local contact tracing continues to identify those individuals who have tested positive and not been contacted by NHS Test and Trace. Self Isolation calls are also made to those who have indicated that they require additional support to self-isolate.</i> • <i>Public Health dashboard provides close to real time information on cases and outbreaks</i> • <i>Working with Health on the school and booster vaccination rollout particularly helping with Comms messaging.</i> • <i>Targeted Community Testing Programme focusses on disproportionality impacted groups and under-served communities</i> • <i>Business continuity measures being instigated in the health and care elements of the People department to cover staff shortages, spikes in demand and recruitment difficulties, alongside normal Winter Pressures.</i> • <i>Local Outbreak Engagement Board established and meeting Monthly</i> 	<i>Comms messages about Vaccinations, testing and boosters continue to be provide through various media forms</i>	<i>AT</i>	<i>Ongoing</i>
	<i>Active participation at the Frimley CCG Vaccine Board to identify opportunities to increase vaccine uptake across the Borough</i>	<i>GH</i>	<i>Ongoing</i>
	<i>Monitoring Hospital capacity and pressures to plan actions needed by the Council</i>	<i>GS/CMT</i>	<i>ongoing</i>

Strategic Theme 3: Education and skills																																						
<p>Risk 12: Children’s Social Care demand and supply challenges related to the market for services and associated financial pressures</p>		<p>Risk Owner: Executive Director: People</p>																																				
<p>Risk Rating (Likelihood x Impact) Unmitigated 5 x 4 Current Residual 4 x 4 Target Risk Score 2 x 3</p> <p>Potential Impact</p> <ul style="list-style-type: none"> • Statutory responsibilities not met • Significant budget overspends resulting from increased costs of external placements • Harm to individual children who are not in suitably high quality placements • Adverse effect on staff morale • Adverse effect on external inspections / assessments 	<table border="1"> <caption>Children's Social Care Demand and Supply Risks</caption> <thead> <tr> <th>Quarter</th> <th>Unmitigated</th> <th>Current</th> <th>Target</th> </tr> </thead> <tbody> <tr> <td>Qtr 1 20/21</td> <td>20</td> <td>16</td> <td>5</td> </tr> <tr> <td>Qtr 2 20/21</td> <td>20</td> <td>16</td> <td>5</td> </tr> <tr> <td>Qtr 3 20/21</td> <td>20</td> <td>16</td> <td>5</td> </tr> <tr> <td>Qtr 4 20/21</td> <td>20</td> <td>8</td> <td>5</td> </tr> <tr> <td>Qtr 1 21/22</td> <td>20</td> <td>8</td> <td>5</td> </tr> <tr> <td>Q2 21/22</td> <td>20</td> <td>16</td> <td>5</td> </tr> <tr> <td>Q3 21/22</td> <td>20</td> <td>16</td> <td>5</td> </tr> <tr> <td>Q4 21/22</td> <td>20</td> <td>16</td> <td>5</td> </tr> </tbody> </table>	Quarter	Unmitigated	Current	Target	Qtr 1 20/21	20	16	5	Qtr 2 20/21	20	16	5	Qtr 3 20/21	20	16	5	Qtr 4 20/21	20	8	5	Qtr 1 21/22	20	8	5	Q2 21/22	20	16	5	Q3 21/22	20	16	5	Q4 21/22	20	16	5	<p>Rationale for current score: Risk is now higher due to greater pressure in the supply of places available resulting in difficulties in finding suitable placements for children.</p> <p>Rationale for target risk score Appetite low due to impact on financial planning</p> <p>Current RAG rating Red</p>
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Q4 21/22	20	16	5																																			
<p>Current Actions (What we are currently doing about the risk)</p> <ul style="list-style-type: none"> • Transformation programme focusing on developing in-house foster service • Regular performance monitoring and reporting to DMT, Children’s SMT and Transformation Board • Access to resource team in place to source best possible placements at cost and quality when in-house not available • Strong partnership relationships • Regular reporting to the Safeguarding Board and DMT • Demand increase has had additional resources • Transformation under Family Safeguarding Model has provided additional staff in two of the family safeguarding teams – aiming to reduce number of children who become looked after • Monitoring the data to assess for impact of Covid • Frameworks in place with South East local authorities for residential care, independent foster care and semi-independent accommodation seeking to influence market cost and quality • Access to Resources Team in place to secure VFM from placements 	<p>Further Mitigation (what more should we do to reduce risk to our risk appetite level) and opportunities</p> <table border="1"> <thead> <tr> <th></th> <th>Officer responsible</th> <th>Target date</th> </tr> </thead> <tbody> <tr> <td>Marketing strategy to recruit additional foster carers to support children with higher needs</td> <td>AD CSC</td> <td>Ongoing</td> </tr> <tr> <td>Joint Working between council and wider partners including new HWB strategy</td> <td>AD CSC</td> <td>Ongoing</td> </tr> <tr> <td>Sustainability of funding for FSM</td> <td>AD CSC</td> <td>Ongoing</td> </tr> <tr> <td>New sufficiency strategy for children’s placements under development</td> <td>AD CSC</td> <td>Ongoing</td> </tr> <tr> <td>Placements workstream within council looking to optimise process and secure best placements at best cost</td> <td>AD CSC</td> <td>Ongoing</td> </tr> </tbody> </table>			Officer responsible	Target date	Marketing strategy to recruit additional foster carers to support children with higher needs	AD CSC	Ongoing	Joint Working between council and wider partners including new HWB strategy	AD CSC	Ongoing	Sustainability of funding for FSM	AD CSC	Ongoing	New sufficiency strategy for children’s placements under development	AD CSC	Ongoing	Placements workstream within council looking to optimise process and secure best placements at best cost	AD CSC	Ongoing																		
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**APPENDIX 3
RISK MATRIX**

243

LIKELIHOOD

5					
4					
3					
2					
1					
	1	2	3	4	5

IMPACT

Likelihood:
 5 Very High
 4 High
 3 Significant
 2 Low
 1 Almost Impossible

Impact:
 5 Catastrophic
 4 Critical
 3 Major
 2 Marginal
 1 Negligible

CRITERIA FOR ASSESSING LIKELIHOOD

PROBABLILTY	SCORE	DEFINITION
Almost impossible	1	Rare (0-5%).The risk will material only in exceptional circumstances.
Low	2	Unlikely (5-25%). This risk will probably not materialise.
Significant	3	Possible (25-75%). This risk might materialise at some tim
High	4	Likely (75-95%). This risk will probably materialise at least once.

Very High	5	Almost certain (>95%). This risk will materialise in most circumstances.
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CRITERIA FOR ASSESSING IMPACT

	Negligible	Minor	Major	Critical	Catastrophic
Score	1	2	3	4	5
Disruption to established routines/operational delivery	No interruption to service. Minor industrial disruption.	Some disruption manageable by altered operational routine.	Disruption to a number of operational areas within a location and possible flow to other locations.	All operational areas of a location compromised. Other locations may be affected.	Total system dysfunction. Total shutdown of operations
Damage to reputation	Minor adverse publicity in local media.	Significant adverse publicity in local media.	Significant adverse publicity in national media.	Significant adverse publicity in national media. Senior management and/or elected Member dissatisfaction.	Senior management and/or elected Member resignation/removal.
Political	Could have a major impact one departmental objective but no impact on a Council Medium Term Objective	Could have a major impact one or more departmental objective but no impact on a Council Medium Term Objective	Could have a major impact on a Departments objective with some impact on a Council Medium Term Objective	Council severely impact the delivery of a Council Medium Term Objective	Council would not be able to meet multiple Medium Term Objectives.
Security	Non notifiable or reportable incident.	Localised incident. No effect on operations.	Localised incident. Significant effect on operations.	Significant incident involving multiple locations.	Extreme incident seriously affecting continuity of operations.

	Negligible	Minor	Major	Critical	Catastrophic
Score	1	2	3	4	5
Financial (Council as a whole/ single dept.)	<1% of monthly budget	>2% of monthly budget	<5% of monthly budget	<10% of monthly budget	<15% of monthly budget
General environmental and social impacts	No lasting detrimental effect on the environment i.e. noise, fumes, odour, dust emissions, etc. of short term duration	Short term detrimental effect on the environment or social impact i.e. significant discharge of pollutants in local neighbourhood.	Serious local discharge of pollutants or source of community annoyance in general neighbourhood that will require remedial attention.	Long term environmental or social impact e.g chronic and significant discharge of pollutants.	Extensive detrimental long term impacts on the environment and community e.g catastrophic and/or extensive discharge of persistent hazardous pollutants.
Corporate management	Localised staff and management dissatisfaction.	Broader staff and management dissatisfaction.	Senior management and /or elected Member dissatisfaction. Likelihood of legal action.	Senior management and/or elected Member dissatisfaction. Legal action.	Senior management and/or elected Member resignation/removal.
Operational management	Staff and line management dissatisfaction with part of a local service area.	Dissatisfaction disrupts service.	Significant disruption to services.		Resignation/removal of local management.
Workplace health and safety	Incident which does not result in lost time.	Injury not resulting in lost time.	Injury resulting in lost time. Compensatable injury.	Serious injury /stress resulting in hospitalisation.	Fatality (not natural causes)
Legal	Minor breach resulting in small	Regulatory breach resulting in small	Major regulatory breach resulting in	Severe regulatory breach resulting in	Very severe regulatory impact that

	Negligible	Minor	Major	Critical	Catastrophic
Score	1	2	3	4	5
	finest and minor disruption for an short period	finest and short term disruption for an short period	major finest and short term disruption for an short period	severe finest and disruption for an extended period	threatens the strategic objectives of the Council

To: **Governance and Audit Committee**
23 March 2022

Review of Contract Standing Orders **Executive Director of Delivery**

1 Purpose of Report

- 1.1 The purpose of this report is to recommend the replacement of the Council's existing Contract Standing Orders with an updated version as set out in **Appendix 1**

2 Recommendation; That the Council

- 2.1 Replaces its existing Contract Standing Orders with the version proposed in **Appendix 1**

3 Reasons for Recommendation(S)

- 3.1 The Current Contract Standing Orders need to be updated to ensure they reflect legislative requirements and the Council's scheme of delegation

4 Alternative Options Considered

- 4.1 To retain the Current Standing Orders is not a viable option in order to ensure clarity of purpose and compliance with legal requirements.

5 Supporting Information

- 5.1 The law requires a local authority to make Standing Orders with respect to contracts for the supply of goods or materials or for the execution of works.
- 5.2 The Standing Orders must include provisions for securing competition and for regulating the manner in which tenders are to be invited. They may exempt contracts for a price below that specified in the standing orders and may authorise the authority to exempt any contract from the relevant standing order when it is satisfied that the exemption is justified by special circumstances.
- 5.3 The Council has adopted Contract Standing Orders as part of the Constitution which have been amended from time to time as required to meet the Council's operational needs.
- 5.4 This report recommends that Council replaces its existing Contract Standing Orders with the version set out in **Appendix 1** to the report. An accompanying Contract Standing Order Best Practice checklist **Appendix 2** will be circulated to all Council Heads of Service once the revised Contract Standing Orders have been approved by Council.
- 5.5 A summary of the material changes is set out below;

5.5.1 Thresholds

There are different thresholds which trigger application of the Public Contract Regulations 2015 for different types of contracts and these are updated every 2 years.

The most recent update to the thresholds was on 1 January 2022 and the new thresholds are as follows (now inclusive of VAT whereas previously VAT was not included):

Concession Services Threshold: £4,447,447.50 (assuming VAT applies at 20%)

Works Contract Threshold: £4,447,447.50 (assuming VAT applies at 20%)

Standard Supply Services Threshold: £177,897.50 (assuming VAT applies at 20%)

Social and Other Services Threshold: £552,950 (assuming VAT applies at 20%)

5.5.2 Consideration of Grants

Under the current published Contract Standing Orders, grants of any form were excluded from scope. However, just because the Council is using a grant, does not mean that this is exempt from the procurement regime. Therefore grants which are “procurement activity grants” (i.e giving funding to an organisation to deliver a service commissioned according to the Council’s requirements) have been included as being within scope under the proposed new Contract Standing Orders. Grant to voluntary organisations which are merely supporting those organisations’ existing activities rather than delivering a service on behalf of the Council will remain outside of scope.

5.5.3 Effect of approved Procurement Plans on decision making process

The current published Contract Standing Orders state that when it comes to contract award, if a procurement above £1m has been the subject of an approved procurement plan, further approval at contract award stage is only required where cost and scope as stated in the procurement plan are not met or where the procurement plan states that such approval is required. However it is considered that should actually refer to “further approval *by the Executive*” not being required, as it would be expected in practice that Executive Member approval would still be sought for contract award for contracts above £400,000 and that Executive Director (or person with delegated authority) approval would be sought for contracts below such amount, even if the contract award did not exceed the cost and scope as stated in an approved procurement plan. Hence the new Contract Standing Orders reflect this.

5.5.4 Contract Standing Order Waivers

The current published Contract Standing Orders suggest that an Executive Director could waive a requirement to follow the Contract Standing Orders provided that the associated value did not exceed the PCR 2015 threshold. However, as the limit of an individual Executive Director’s authority is set at £400,000, and the threshold for works contracts which triggers application of the PCR 2015 is above £4million, it does not seem proper that an Executive Director acting alone could approve a waiver of the requirement not to follow a competitive procurement for such a sum. Hence it is proposed that Borough Solicitor approval will also be required if the contract is above threshold or above £400,000 (Borough Solicitor approval is already required if contract is above threshold so amendment is really just to make clear that Executive

Director alone cannot approve waiver for contract which has associated value of more than £400,000).

5.5.5 Contract Extensions and Variations

Under the current published Contract Standing Orders, it is not clear who would need to authorise extensions or variations, apart from that Borough Solicitor approval is required if the extension or variation is not clearly provided for in the original contract and, once the extension or variation is included, the contract has a total contract value which exceeds the relevant threshold under the PCR 2015.

To make it clearer what authority is needed, new Contract Standing Orders propose that this depends on what expenditure was authorised within the approved Contract Award Report. If the total contract value, inclusive of the extension or variation, now exceeds the sum approved in the Contract Award Report, then this should be treated as a new procurement for governance purposes (in line with the tick sheets appended to the Contract Standing Orders).

If the total contract value, inclusive of the extension of variation, does not exceed the sum approved in the Contract Award Report, then the Executive Director can approve this if the total value does not exceed £400,000 whereas Executive Director approval and Borough Solicitor approval would be required if the total contract value exceeds £400,000.

5.5.6 Checklists

Checklists within the form of ticksheets are already included within the current published Contract Standing Orders. These have been amended to reflect the changes to the main body of the Contract Standing Orders.

Further, a separate checklist (separate to the Contract Standing Orders), has been prepared which sets out good practice in relation to procurement and entering into contracts.

6 Consultation and Other Considerations

Legal Advice

- 6.1 Section 135 of the Local Government Act 1972 requires the Council to issue Contract Standing Orders with respect to contracts for the supply of goods or materials and for the execution of works.
- 6.2 The Public Services (Social Value) Act 2012 imposes a duty on the Council to consider social value in its procurement activities.
- 6.4 Section 3 of the Local Government Act 1999 imposes a duty on the Council to provide best value in the delivery of its services.
- 6.5 These implications have been taken into consideration in the preparation of the proposed contract standing orders.

Financial Advice

- 6.6 Robust control of external expenditure committed through supplier contracts is essential for the Council to properly manage its financial status. The proposed changes ensure that appropriate controls are in place and all procurement activity is conducted and approved in a compliant manner whilst ensuring that commercial flexibility of the Council is not compromised.

Equalities Impact Assessment

- 6.7 The proposals incorporate the Principles set out in the Public Contract Regulations relating to non discrimination.

Strategic Risk Management Issues

- 6.8 It is recommended that the Council adopts the proposed Contract Standing Orders for the reasons outlined in this report.

Contact for further information

Claire Bradford Contracts & Procurement Lawyer, Delivery Directorate - 01344 355277
Claire.bradford@bracknell-forest.gov.uk

SECTION 11 – CONTRACT STANDING ORDERS

These Contract Standing Orders are made under section 135 of the Local Government Act 1972.

Guidance regarding the use of these Standing Orders and further explanation as to how they operate can be found in the Procurement Manual.

DEFINITIONS

In these Standing Orders, the following expressions have the following meanings:

“Concession”	Where the Council entrusts the provision and management of the services to a contractor where the main benefit for the contractor is the right to commercially exploit the services.
“Concession Services Threshold”	£4,447,447,50 as at 1 January 2022 or any different figure that may be substituted by applicable legislation from time to time. Note that this figure has been calculated on the basis that VAT will apply to the procurement at a rate of 20% (see also paragraph 6.2 of these Contract Standing Orders)
“Corporate Contract”	A contract relating to the procurement of supplies, works or services that has been tendered and managed by the Council
“Executive”	Means a meeting to which the Leader and all those Members that are serving as Executive Members have been invited, or in the case of non-executive functions references to “the Executive” are deemed to be references to the Council or the committee or sub-committee to which the Council has delegated responsibility for that function
“Executive Director”	The Chief Executive or the most senior officer in a department of the Council or the Governing Body of a school with delegated responsibilities under the Local Management of Schools Regulations
“Executive Member”	Means the Member of the Executive with responsibility for the service for which a procurement is being carried out
“Framework Agreement”	Means an agreement or other arrangement between one or more

	contracting authorities and one or more suppliers which establishes the terms (in particular as to price and, where appropriate, quantity) under which suppliers will enter into one or more contracts with the Council in the period during which the framework agreement applies
“Non Commercial Considerations”	<ol style="list-style-type: none"> 1. whether contractors employ self-employed individuals, 2. any involvement of the business activities or interests of the contractor with irrelevant fields of Government policy, 3. the conduct of the contractor in industrial disputes, 4. the country of origin or location of suppliers, 5. any political, industrial or sectarian interest of the contractor, 6. financial support or lack of financial support by the contractor for any institution, 7. use or non use by a contractor of technical or professional services provided by the Council under the Building Act 1984.
“Procurement Manual”	The manual containing guidance and mandatory rules on the procurement of all supplies services and works and any further matters referred to in these Contract Standing Orders
“Public Contracts Regulations”	The Public Contracts Regulations 2015 (SI 2015 No 102) as amended or the Concession Contracts Regulations 2016 as amended
“Responsible Officer”	The Executive Director or a person to whom the Executive Director has given clear written delegated responsibility to exercise a function which these Contract Standing Orders identify
“Social and Other Specific Services Threshold”	£552,950 as at 1 January 2022 or any different figure that may be substituted by applicable legislation from time to time. Note that this figure has been calculated on the basis that VAT will apply to the procurement at a rate of 20% (see also paragraph 6.2 of these Contract Standing Orders)

“Strategic Procurement Plan“	Means the Strategic Procurement Plan available from the Procurement pages on the Council’s intranet
“Supplies and Services Threshold”	£177,897.50 as at 1 January 2022 or any different figure that may be substituted by applicable legislation from time to time. Note that this figure has been calculated on the basis that VAT will apply to the procurement at a rate of 20% (see also paragraph 6.2 of these Contract Standing Orders)
“Total Contract Value”	The whole of the estimated value which the Council expects to give under the contract, calculated according to the valuation principles within the Public Contract Regulations 2015 and applicable legislation
“Threshold”	Means the Supplies and Services Threshold or the Social and Other Specific Services Threshold or the Works Threshold (under the Public Contract Regulations 2015) or the Concession Services Threshold under the Concession Contracts Regulations 2016, as the case may be
“Works Threshold”	£4,447,447.50 as at 1 January 2022 or any different figure that may be substituted by applicable legislation from time to time. Note that this figure has been calculated on the basis that VAT will apply to the procurement at a rate of 20% (see also paragraph 6.2 of these Contract Standing Orders)

1. Introduction and application of Standing Orders

These Contract Standing Orders set out the framework for the procurement of supplies, works and services. They are an essential set of rules and compliance with them will ensure that officers both seek and obtain good value for money and that public money is properly spent and accounted for.

These Standing Orders apply to all contracts for the procurement of supplies, the provision of services (including adults and children's care services and concessions) or the execution of works by the Council or on its behalf. Whether a grant falls within the scope of these Contract Standing Orders is to be decided according to the guidance given at paragraph 2.4 of the Contract Standing Orders.

- 1.1 In any procurement where quotations or tenders are required no matter what the value may be, officers must always apply procedures that allow a fair and non-discriminatory competitive process, and equal treatment of all potential suppliers and contractors.
- 1.2 Contracts must not be artificially split to avoid the application of the key thresholds contained in these Standing Orders.
- 1.3 Officers dealing with the procurement of standard or repetitive supplies and services should always consider the use of Framework Agreements and corporate contracts and should seek guidance from the Head of Corporate Procurement or from the Borough Solicitor.
- 1.4 These Contract Standing Orders do not apply to the following:
 - A contract for service for the employment of staff by the Council
 - The engagement of Counsel
 - The acquisition disposal or transfer of land or an interest in land and property
 - Hire of premises
 - Non procurement activity grants as defined in paragraph 2.4.1 of these Contract Standing Orders
 - Direct payments to individuals for social care services or services brokered on behalf of individuals in receipt of an individual budget.
 - Contracts for services or goods provided by the Council to schools within the Borough, provided the Total Contract Value is below the Threshold as defined in these Contract Standing Orders.

2. Roles and responsibilities

- 2.1 Executive Directors are responsible for ensuring that chief officers and all staff with procurement responsibilities within their directorates fully understand and comply with these Standing Orders.
- 2.2 Executive Directors are responsible for all purchase orders and contracts tendered and let by their directorates, are accountable to the Executive for the performance of their duties in relation to contract letting and management and must ensure that all council officers comply with these Standing Orders. The duties set out in paragraph 2.3 also apply to a Responsible Officer (except for paragraphs 2.3.5, and paragraphs 2.3.13 to .15 which are duties to be complied with by an Executive Director personally)

- 2.3 Their duties are as follows:
- 2.3.1 To seek and obtain value for money and secure continuous improvement in all procurements.
 - 2.3.2 To ensure no contract is entered into by their Directorate without there being adequate and agreed budget provision.
 - 2.3.3 To ensure compliance with all applicable legislation, seeking advice from the Borough Solicitor or the Head of Corporate Procurement at an early stage in the process whenever appropriate.
 - 2.3.4 To ensure that Non Commercial Considerations do not influence any decision to seek quotations or tenders or to enter into any contract.
 - 2.3.5 To ensure all staff (including any agents or consultants acting on their behalf) dealing with procurement for their directorate are fully aware of and comply with these Standing Orders and those parts of the Procurement Manual which are stated therein as compulsory in accordance with these Standing Orders and to arrange adequate training on their operation.
 - 2.3.6 To declare to the council any pecuniary interest whether direct or indirect they personally have in any contract to be let, and to make that declaration in writing to the Borough Solicitor.
 - 2.3.7 In the event of any breach of these Standing Orders to take immediate action and report it to the Borough Solicitor and/or the Executive Director of Resources.
 - 2.3.8 To ensure every contract over the Supplies and Services threshold has a named officer with responsibility for it.
 - 2.3.9 To keep securely proper records of all purchase orders, signed contracts and copies of all relevant documentation so as to provide a full audit trail of actions taken.
 - 2.3.10 To comply with the Council's arrangements for the obtaining and opening of quotations and tenders as set out in the Procurement Manual.
 - 2.3.11 To ensure that the council's seal is affixed to any contract where this is required to give the contract legal efficacy or to reflect established industry practice and to ensure that all other contracts are signed by an Executive Director or by a person authorised under delegated powers to act on his or her behalf or placed through the Corporate Finance System.
 - 2.3.12 To keep a record of any waivers of these Standing Orders.
 - 2.3.13 To keep a written record of any delegations they make of their powers under these Standing Orders and ensure these are published on the Council's Intranet.
 - 2.3.14 To ensure that records are kept in a manner that ensures reviews of contracts are undertaken in good time ideally at least one year in advance of termination dates and that appropriate action is taken.
 - 2.3.15 To make arrangements for the publication of tenders and of contracts awarded as the Council may require from time to time.

- 2.4.1 Grant allocations by the Council which are a procurement activity, i.e *funds given to procure services on behalf of the Council*, referred to hereon as “procurement activity grants” irrespective of whether this involves expenditure of external funding, shall be subject to the principles detailed at paragraph 2.4.2. Grants given to or applied for by the Council which are for internal use only or grants given by the Council to a voluntary organisation which has bid for funds and is providing services *directly to individuals as part of their charitable work rather than carrying out a service on behalf of the Council* (referred to hereon as “non procurement activity grants”) are outside the scope of these Contract Standing Orders. However for non procurement activity grants it is still recommended that all usual due diligence and principles of good practice are followed (with legal advice sought where required).
- 2.4.2 Procurement activity grants, as defined in paragraph 2.4.1, shall be subject to the same requirements for advertising and authorisation as any other type of procurement, as per the relevant appendix of these Contract Standing Orders. The relevant Appendix within the Standing Orders to be followed shall depend upon the nature of the grant (i.e if a grant for services which are not covered by the “Light Touch Regime” then Appendix 1 shall be followed and if a grant for works then Appendix 2 shall be applicable).

3. Consultation and approvals prior to advertising a procurement

- 3.1 Officers must take advice from the Head of Corporate Procurement or the Borough Solicitor on the relevance of the Public Contract Regulations for any procurement where the Total Contract Value is estimated to be more than the Supplies and Services Threshold, including advice on the classification of a procurement as Supplies and Services, Works or Social and Other Specific Services or as a Concession.
- 3.2 When it can reasonably be anticipated that the Total Contract Value might exceed the Supplies and Services Threshold the Executive Director must ensure that an estimate of the anticipated Total Contract Value is prepared and recorded in writing. The estimate should not be more than twelve months old when tenders or quotations are invited and is to be inclusive of Value Added Tax.
- 3.3 For all procurements of supplies and services with an estimated Total Contract Value in excess of the Supplies and Services Threshold, and procurement of works with an estimated Total Contract Value in excess of £400,000, a Strategic Procurement Plan in the form set out in the Procurement Manual and incorporating comments from the Executive Director of Resources, Borough Solicitor and Head of Corporate Procurement, must be prepared for the approval of the Executive Director and, if appropriate, the Executive Member or the Executive (see Appendices 1, 2,3 and 4). In all cases the Strategic Procurement Plan must be approved before the contract is advertised.
- 3.4 The Council’s Constitution defines Executive Decisions and Key Decisions and the procedure for making these, for example publication for making these, for example publication for 28 days before decision and call-in for 5 days afterwards. Planning of a procurement must take into account these procedures in consultation with Democratic Services.

4. Obtaining quotations and tenders

- 4.1 (a) Subject to paragraph 4.1(b) below, for any procurement of supplies or services the required number of quotations or tenders must be sought in accordance with the financial limits and procedures set out in the Procurement Manual and applicable Appendices of these Standing Orders..
- (b) Procurements of residential care placements, care and or support provided in the person's home or for the special educational or other needs of younger people (including fostering) shall be carried out in accordance with procedures authorised by the relevant Executive Director in consultation with the Executive Member with the advice of the Executive Director of Resources, the Borough Solicitor and the Head of Corporate Procurement and published in the Procurement Manual
- 4.2 Where advertising is preferred, but not required by these Contract Standing Orders, officers choosing not to advertise must record the reasons for their decisions.
- 4.3 Where any works contract is to be let the required number of quotations or tenders must be sought in accordance with the financial limits and procedures set out in Appendix 2.
- 4.4 The Responsible Officer must ensure that the selection of suppliers from whom tenders or quotations are sought is carried out openly, fairly and transparently. The requirements for advertising, which are made to ensure compliance with legal requirements for transparency and freedom from discrimination, are set out in Appendices, 1, 2,3 and 4 and must always be followed.

5. Contract documentation and standard contract conditions

- 5.1 The provisions of any Statute or Regulation take precedence over anything said in these Standing Orders, and all contracts entered into by the Council must comply with all of those requirements.
- 5.2 It is preferred for the Council's standard conditions of contract to be employed unless,
- (1a) Leasing arrangements are involved, or
- (1b) the requirement is particularly complex or the use of the standard conditions is inappropriate
- AND in each such case the formal advice of the Borough Solicitor has been given, or
- (2) the supplier requires the Council to contract on terms supplied by it, and the total value is no more than £35,000.

In all cases where the Total Contract Value is expected to exceed the Threshold, the advice of the Borough Solicitor must be sought on any appropriate additions to the Council's standard terms.

6. Approval and acceptance of quotations and tenders

- 6.1 All requests for quotations and tenders for works, services or supplies must be carried out according to the procedures set out in the Procurement Manual.

- 6.2 The evaluation of written quotations and tenders and any pre-qualification of bidders must be carried out according to the procedures set out in the Procurement Manual, clearly documented and, if above the Threshold, advice must be sought from the Head of Corporate Procurement. It has been assumed for the purposes of setting out the different Thresholds within the definitions section of these Contract Standing Orders that VAT will apply to the procurement, due to VAT being included in the calculation of the Threshold. If however Finance have confirmed within a Strategic Procurement Plan that VAT will not apply to the procurement then the figures within the definitions section of these Contract Standing Orders may be disapplied and the figures referred to in “Procurement Policy Note – New Thresholds Values and Inclusion of VAT in Contract Estimates” (dated December 2021 and published by the Cabinet Office), as updated from time to time, may be used instead for the purposes of establishing whether the planned procurement is above Threshold.
- 6.3 Where the estimated Total Contract Value is more than the Supplies and Services Threshold and only one tender is received the Executive Director must take advice from the Head of Corporate Procurement and the Borough Solicitor on the appropriate action.
- 6.4 The Responsible Officer may accept a tender or quotation for **works, supplies or services** where the Total Contract Value is not more than £400,000. Where the tender is above the Supplies and Services Threshold, a report should be submitted by officers to the Executive Director, but if an Executive Director has not delegated power to a Responsible Officer to accept a quotation the Executive Director must prepare a report on the acceptance of the tender or quotation and keep it available for auditing.
- 6.5 (a) The Executive Director shall not accept tenders for supplies, services or works where the Total Contract Value is more than £400,000 without securing the written agreement of the Executive Member (through a report to the Executive Member).
- (b) Executive Director written approval (through a summary report to the Executive Director) shall be required for a contract award which has an associated cost of below £400,000, unless another individual is authorised to approve under a scheme of delegation. However for a contract award which has an associated cost of below £5,000 then the written approval of the Executive Director (or other individual authorised under a scheme of delegation) without a summary report, will be sufficient.
- 6.6 Where a procurement above £1,000,000 has been the subject of an approved Strategic Procurement Plan, further approval *by the Executive* at contract award stage is only required:
- a) where cost as defined in the Strategic Procurement Plan has been significantly exceeded or scope significantly altered;
 - b) the Strategic Procurement Plan as approved specifically states that the award is to be approved by the Executive – for complex or sensitive matters.

The result should be recorded and communicated to the Executive Director and Executive Member. Where the cost and scope for a procurement above £1,000,000 does not exceed that outlined within the Strategic Procurement Plan, then a report to the Executive Member from the Executive Director shall still be required.

- 6.7 Where the Executive Director wishes to accept a tender other than the lowest acceptable tender, full supporting documentation must be kept to evidence why the lowest acceptable tender was not accepted. If the tender is one to which paragraphs 6.5 or 6.6 apply, the Executive Director shall report the values of all tenders received and the reasons for selecting the preferred tender.
- 6.8 All contracts entered into by the Council shall be completed (subject to delegated financial limits) in accordance with the following requirements (however note separate requirements which apply to works contracts as set out in Appendix 2).

Total Value	Method of Completion	Signed By
Up to and including £5,000	Purchase order or oral	Responsible Officer
£5,000 to the Supplies and Services Threshold	Purchase order or contract	Executive Director or Responsible Officer as delegated
Over the Supplies and Services Threshold	Signed contract or execution under seal if required to give the contract legal efficacy or to reflect established industry practice	Executive Director or Responsible Officer as delegated or executed under seal by Borough Solicitor

- 6.9 It is advised that all contracts should as a matter of good practice be signed or sealed before the supply, service or work begins.

7. Waiver of Contract Standing Orders

- 7.1 If there are special circumstances to waive or suspend any section or sections of Contract Standing Orders, the following approvals must be obtained depending on contract value:
1. for all contracts up to the relevant Threshold (as defined in these Contract Standing Orders), not to exceed £400,000, to be calculated according to total contract value inclusive of any previous extension or variation, the Executive Director may approve.
 2. for contracts in excess of the relevant Threshold (as defined in these Contract Standing Orders) or above £400,000, to be calculated according to total contract value inclusive of any previous extension or variation, the Borough Solicitor and the Executive Director (taking advice from the Head of Corporate Procurement) may approve. A waiver in respect of a direct award alone will not remove the requirement to follow any aspect of the internal authorisation process for expenditure relevant to the procurement (set out in the Appendices of these Standing Orders) unless this is specifically included as part of the waiver (noting that a waiver to not follow such processes will only be granted in exceptional circumstances).
- 7.2 The standard Waiver form is to be used.

7.3 The Executive Director must ensure that a record of all cases where Contract Standing Orders have been waived is sent to the Head of Corporate Procurement, recording the reasons for waiver and the approvals obtained. The Head of Corporate Procurement shall maintain a full record, sequentially numbered, of all Waivers granted.

8. Contract extensions and variations (see also flowchart at Appendix 5)

8.1 Where an extension or variation (including any change in requirement) is not clearly provided for in the original contract and, once the extension or variation is included, the contract has a total contract value which exceeds the relevant Threshold under the PCR 2015, advice must be taken from the Borough Solicitor.

Circumstances where the variation or extension falls within approved contract value authorised in Contract Award Report

8.2 Subject to paragraph 8.1, extensions or variations below £400,000 (inclusive of total contract value) can be approved by the Executive Director.

8.3 Subject to paragraph 8.1, if the sum for the variation or extension of the contract falls within the approved contract value in the relevant Contract Award Report but exceeds £400,000, then for the extension or variation, *Executive Director and Borough Solicitor* written approval shall be required.

Circumstances where the variation or extension does not fall within approved contract value authorised in Contract Award Report

8.4 If the variation or extension of the contract does not fall within the approved contract value authorised in the relevant Contract Award Report then officers should proceed as in the case of a *new procurement* and follow the procedure within the relevant appendix of these Contract Standing Orders, as determined by the total contract value inclusive of the extension or variation.

8.6 If a variation or extension takes the Total Contract Value above £400k then this will need to be recorded as a Key Decision unless advised otherwise by the Borough Solicitor or Democratic Services.

9. Framework Agreements

9.1 Framework Agreements let by other contracting authorities may only be used in accordance with the requirements set out in the Procurement Manual and the relevant framework guidance.

Appendix 1

Jan-22

Supplies and Services

Minimum Requirements

✓ = Mandatory

Total Contract Value		Up to £5k	>£5k to £35k	>£35k to £177,898 ⁽¹⁾	>£177,898 ⁽¹⁾ to £400k	>£400k to £1m	>£1m	
Strategic Procurement Plan (SPP)	Add SPP to Executive Work Plan (EWP) as a Key Decision	If > one ward ⁽²⁾	If > one ward ⁽²⁾	If > one ward ⁽²⁾	If > one ward ⁽²⁾	✓	✓	
	Appropriate Report	Summary report to Executive Director ⁽³⁾ and add to EWP if a Key Decision	If > one ward ⁽²⁾	If > one ward ⁽²⁾	If > one ward ⁽²⁾	If > one ward ⁽²⁾		
		Report to Executive Member with SPP as confidential annex					✓	
		Report to Executive with SPP as confidential annex						✓
Format	Request for Quotation (RFQ) or Extended RFQ for more complex requirements	✓ oral	✓	✓				
	Invitation to Tender (ITT)				✓	✓	✓	
Specification		✓ oral	✓ outline	✓	✓	✓	✓	
Terms	BFC standard terms and conditions (Purchase Order or Services)	Preferred	Where suitable ⁽⁴⁾	Where suitable ⁽⁴⁾	Where suitable ⁽⁴⁾	Where suitable ⁽⁴⁾	Where suitable ⁽⁴⁾	
Competition	Seek a minimum of 3 quotes	Preferred	✓	✓				
	Formal Tender - seek a minimum of 5 tenders				✓	✓	✓	
	Utilise a Framework Agreement	Mini competition of all suppliers able to meet the requirement - or otherwise as defined in the Framework Agreement (single supplier Framework Agreement permitted)						
Advertising	SE Business Portal (or equivalent) and Contracts Finder (except maintained schools)		Preferred above £25k ⁽⁶⁾	Preferred ⁽⁶⁾	✓	✓	✓	
	Find a Tender Service (FTS)				✓	✓	✓	
Approval of Contract Award	Add approval to Executive Work Plan (EWP) as a Key Decision	If > one ward ⁽²⁾	If > one ward ⁽²⁾	If > one ward ⁽²⁾	If > one ward ⁽²⁾	✓	✓	
	Summary report to Executive Director ⁽³⁾ .	If > one ward ⁽²⁾	✓	✓	✓			
	Report to Executive Member with confidential annex					✓	✓	
	Report to Executive with confidential annex	Where a procurement above £1m has been the subject of an approved procurement plan, further approval by the Executive at contract award stage is only required where cost and scope as stated in the procurement plan are not met or where the procurement plan states that such approval is required.						
Form of Contract	Purchase Order approved by Executive Director ⁽³⁾	✓ oral	✓	✓				
	Contract signed by Executive Director ⁽³⁾				✓	✓	✓	
	Deed signed under seal by Borough Solicitor	Where required to give the contract legal efficacy or if requested, for example to comply with industry practice						
Contract Award Notice	SE Business Portal and Contracts Finder (maintained schools are exempt from Contracts Finder requirement)		Where advertised ⁽⁵⁾	✓	✓	✓	✓	
	Find a Tender Service (FTS)				✓	✓	✓	
Waivers, extensions and variations	Add contract award to Executive Work Plan (EWP) as a Key Decision	If > one ward ⁽²⁾	If > one ward ⁽²⁾	If > one ward ⁽²⁾	If > one ward ⁽²⁾	✓	✓	
	Waivers - refer to para 7 of Contract Standing Orders.							
	Contract extensions and variations - refer to para 8 of Contract Standing Orders							

(1) As of 1st January 2022, the Supplies and Services Threshold is £213,477 inclusive of VAT, or £177,898 exclusive of VAT if assumed at 20%

(2) "If > one ward" applies where the resulting contract would be significant in terms of its effects on communities living or working in an area comprising two or more Wards or electoral divisions in the Borough. If in doubt seek legal advice.

(3) Or person with expressly delegated authority under Register of Contract Delegated Authority

(4) Seek legal advice

Appendix 2

Jan-22

Works

Minimum Requirements

✓ = Mandatory

	Total Contract Value	Up to £5k	>£5k to £35k	>£35k to £177,898 ⁽¹⁾	>£177,898 ⁽¹⁾ to £400k	>£400k to £1m	>£1m
Strategic Procurement Plan (SPP)	Add SPP to Executive Work Plan (EWP) as a Key Decision	If > one ward ⁽²⁾	If > one ward ⁽²⁾	If > one ward ⁽²⁾	If > one ward ⁽²⁾	✓	✓
	Appropriate Report						
	Summary report to Executive Director ⁽³⁾ and add to EWP if a Key Decision	If > one ward ⁽²⁾	If > one ward ⁽²⁾	If > one ward ⁽²⁾	If > one ward ⁽²⁾		
	Report to Executive Member with SPP as confidential annex					✓	
	Report to Executive with SPP as confidential annex						✓
Format	Request for Quotation (RFQ) or Extended RFQ for more complex requirements	✓ oral	✓	✓			
	Invitation to Tender (ITT)				✓	✓	✓
Specification		✓ outline preferred	✓ outline	✓	✓	✓	✓
Terms	BFC standard terms and conditions or JCT terms ⁽⁴⁾	Preferred	Where suitable ⁽⁴⁾	Where suitable ⁽⁴⁾	Where suitable ⁽⁴⁾	Where suitable ⁽⁴⁾	Where suitable ⁽⁴⁾
Competition	Seek a minimum of 3 quotes	Preferred	✓	✓			
	Formal Tender - seek a minimum of 5 tenders				✓	✓	✓
	Utilise a Framework Agreement	Mini competition of all suppliers able to meet the requirement - or otherwise as defined in the Framework Agreement					
Advertising	SE Business Portal (or equivalent) and Contracts Finder (except maintained schools) ⁽⁷⁾					Preferred	✓
	Find a Tender Service (FTS)						Mandatory above Threshold ⁽⁵⁾
Approval of Contract Award	Add approval to Executive Work Plan (EWP) as a Key Decision	If > one ward ⁽²⁾	If > one ward ⁽²⁾	If > one ward ⁽²⁾	If > one ward ⁽²⁾	✓	✓
	Summary report to Executive Director ⁽³⁾	If > one ward ⁽²⁾	✓	✓	✓		
	Report to Executive Member with confidential annex					✓	✓
	Report to Executive with confidential annex	Where a procurement above £1m has been the subject of an approved procurement plan, further approval by the Executive at contract award stage is only required where cost and scope as stated in the procurement plan are not met or where the procurement plan states that such approval is required.					
Form of Contract	Purchase Order approved by Executive Director ⁽³⁾	✓ oral	✓	If < £50k			
	JCT Contract signed by Executive Director ⁽³⁾			If > £50k	✓	✓	✓
	Deed signed under seal by Borough Solicitor	Where required to give the contract legal efficacy or if requested, for example to comply with industry practice					
Contract Award Notice	SE Business Portal and Contracts Finder (maintained schools are exempt from Contracts Finder requirement)		Where advertised ⁽⁶⁾	✓	✓	✓	✓
	Find a Tender Service (FTS)						Where advertised
Waivers, extensions and variations	Add contract award to Executive Work Plan (EWP) as a Key Decision	If > one ward ⁽²⁾	If > one ward ⁽²⁾	If > one ward ⁽²⁾	If > one ward ⁽²⁾	✓	✓
	Waivers - refer to para 7 of Contract Standing Orders.						
	Contract extensions and variations - refer to para 8 of Contract Standing Orders						

(1) As of 1st January 2022, the Supplies and Services Threshold is £213,477 inclusive of VAT, or £177,898 exclusive of VAT if assumed at 20%

(2) "If > one ward" applies where the resulting contract would be significant in terms of its effects on communities living or working in an area comprising two or more Wards or electoral divisions in the Borough. If in doubt seek legal advice.

(3) Or person with expressly delegated authority under Register of Contract Delegated Authority

(4) BFC standard terms (Purchase Order or Services) to be used below £50,000 and The Joint Contracts Tribunal (JCT) terms to be used above £50,000. If not appropriate, seek legal advice.

(5) As of 1st January 2022, the Works Threshold is £5,336,937 inclusive of VAT, or £4,447,447 exclusive of VAT if assumed at 20%

Appendix 3

Jan-22

Social and Other Specific Services

Minimum Requirements

✓ = Mandatory

	Total Contract Value	Up to £5k	>£5k to £35k	>£35k to £177,898 ⁽¹⁾	>£177,898 ⁽¹⁾ to £400k	>£400k to £1m	>£1m
Strategic Procurement Plan (SPP)	Add SPP to Executive Work Plan (EWP) as a Key Decision	If > one ward ⁽²⁾	If > one ward ⁽²⁾	If > one ward ⁽²⁾	If > one ward ⁽²⁾	✓	✓
	Appropriate Report						
	Summary report to Executive Director ⁽³⁾ and add to EWP if a Key Decision	If > one ward ⁽²⁾	If > one ward ⁽²⁾	If > one ward ⁽²⁾	If > one ward ⁽²⁾		
	Report to Executive Member with SPP as confidential annex					✓	
	Report to Executive with SPP as confidential annex						✓
Format	Request for Quotation (RFQ) or Extended RFQ for more complex requirements	✓ oral	✓	✓			
	Invitation to Tender (ITT)				✓	✓	✓
Specification		✓ oral	✓ outline	✓	✓	✓	✓
Terms	BFC standard terms and conditions (Purchase Order or Services)	Preferred	Where suitable ⁽⁴⁾	Where suitable ⁽⁴⁾	Where suitable ⁽⁴⁾	Where suitable ⁽⁴⁾	Where suitable ⁽⁴⁾
Competition	Seek a minimum of 3 quotes	Preferred	✓	✓			
	Formal Tender - seek a minimum of 5 tenders				✓	✓	✓
	Utilise a Framework Agreement	Mini competition of all suppliers able to meet the requirement - or otherwise as defined in the Framework Agreement					
Advertising	SE Business Portal (or equivalent) and Contracts Finder (except maintained schools) ⁽⁷⁾			Preferred ⁽⁷⁾	Preferred ⁽⁷⁾	✓	✓
	Find a Tender Service (FTS)					Mandatory above Threshold ⁽⁵⁾	✓
Approval of Contract Award	Add approval to Executive Work Plan (EWP) as a Key Decision	If > one ward ⁽²⁾	If > one ward ⁽²⁾	If > one ward ⁽²⁾	If > one ward ⁽²⁾	✓	✓
	Summary report to Executive Director ⁽³⁾	If > one ward ⁽²⁾	✓	✓	✓		
	Report to Executive Member with confidential annex					✓	✓
	Report to Executive with confidential annex	Where a procurement above £1m has been the subject of an approved procurement plan, further approval by the Executive at contract award stage is only required where cost and scope as stated in the procurement plan are not met or where the procurement plan states that such approval is required.					
Form of Contract	Purchase Order approved by Executive Director ⁽³⁾	✓ oral	✓	✓			
	Contract signed by Executive Director ⁽³⁾				✓	✓	✓
	Deed signed under seal by Borough Solicitor	Where required to give the contract legal efficacy or if requested, for example to comply with industry practice					
Contract Award Notice	SE Business Portal and Contracts Finder (maintained schools are exempt from Contracts Finder requirement)		Where advertised ⁽⁶⁾	✓	✓	✓	✓
	Find a Tender Service (FTS)					Where advertised	✓
Waivers, extensions and variations	Add contract award to Executive Work Plan (EWP) as a Key Decision	If > one ward ⁽²⁾	If > one ward ⁽²⁾	If > one ward ⁽²⁾	If > one ward ⁽²⁾	✓	✓
	Waivers - refer to para 7 of Contract Standing Orders.						
	Contract extensions and variations - refer to para 8 of Contract Standing Orders						

(1) As of 1st January 2022, the Supplies and Services Threshold is £213,477 inclusive of VAT, or £177,898 exclusive of VAT if assumed at 20%

(2) "If > one ward" applies where the resulting contract would be significant in terms of its effects on communities living or working in an area comprising two or more Wards or electoral divisions in the Borough. If in doubt seek legal advice.

(3) Or person with expressly delegated authority under Register of Contract Delegated Authority

(4) Seek legal advice

(5) As of 1st January 2022, the Social and Other Services Threshold is £663,540 inclusive of VAT, or £552,950 exclusive of VAT if assumed at 20%

Appendix 4

Jan-22

Concessions

Minimum Requirements

✓ = Mandatory

	Total Contract Value	Up to £5k	>£5k to £35k	>£35k to £177,898 ⁽¹⁾	>£177,898 ⁽¹⁾ to £400k	>£400k to £1m	>£1m
Strategic Procurement Plan (SPP)	Add SPP to Executive Work Plan (EWP) as a Key Decision	If > one ward ⁽²⁾	If > one ward ⁽²⁾	If > one ward ⁽²⁾	If > one ward ⁽²⁾	✓	✓
	Appropriate Report						
	Summary report to Executive Director ⁽³⁾ and add to EWP if a Key Decision	If > one ward ⁽²⁾	If > one ward ⁽²⁾	If > one ward ⁽²⁾	If > one ward ⁽²⁾		
	Report to Executive Member with SPP as confidential annex					✓	
	Report to Executive with SPP as confidential annex						✓
Format	Request for Quotation (RFQ) or Extended RFQ for more complex requirements	✓ oral	✓	✓			
	Invitation to Tender (ITT)				✓	✓	✓
Specification		✓ oral	✓ outline	✓	✓	✓	✓
Terms	BFC standard terms and conditions (Purchase Order or Services)	Preferred	Where suitable ⁽⁴⁾	Where suitable ⁽⁴⁾	Where suitable ⁽⁴⁾	Where suitable ⁽⁴⁾	Where suitable ⁽⁴⁾
Competition	Seek a minimum of 3 quotes	Preferred	✓	✓			
	Formal Tender - seek a minimum of 5 tenders				✓	✓	✓
	Utilise a Framework Agreement	Mini competition of all suppliers able to meet the requirement - or otherwise as defined in the Framework Agreement					
Advertising	SE Business Portal (or equivalent) and Contracts Finder (except maintained schools) ⁽⁷⁾					Preferred ⁽⁷⁾	✓
	Find a Tender Service (FTS)						Mandatory above Threshold ⁽⁵⁾
Approval of Contract Award	Add approval to Executive Work Plan (EWP) as a Key Decision	If > one ward ⁽²⁾	If > one ward ⁽²⁾	If > one ward ⁽²⁾	If > one ward ⁽²⁾	✓	✓
	Summary report to Executive Director ⁽³⁾ .	If > one ward ⁽²⁾	✓	✓	✓		
	Report to Executive Member with confidential annex					✓	✓
	Report to Executive with confidential annex	Where a procurement above £1m has been the subject of an approved procurement plan, further approval by the Executive at contract award stage is only required where cost and scope as stated in the procurement plan are not met or where the procurement plan states that such approval is required.					
Form of Contract	Purchase Order approved by Executive Director ⁽³⁾	✓ oral	✓	✓			
	Contract signed by Executive Director ⁽³⁾				✓	✓	✓
	Deed signed under seal by Borough Solicitor	Where required to give the contract legal efficacy or if requested, for example to comply with industry practice					
Contract Award Notice	SE Business Portal and Contracts Finder (maintained schools are exempt from Contracts Finder requirement)		Where advertised ⁽⁶⁾	✓	✓	✓	✓
	Find a Tender Service (FTS)						Where advertised
Waivers, extensions and variations	Add contract award to Executive Work Plan (EWP) as a Key Decision	If > one ward ⁽²⁾	If > one ward ⁽²⁾	If > one ward ⁽²⁾	If > one ward ⁽²⁾	✓	✓
	Waivers - refer to para 7 of Contract Standing Orders.						
	Contract extensions and variations - refer to para 8 of Contract Standing Orders						

(1) As of 1st January 2022, the Supplies and Services Threshold is £213,477 inclusive of VAT, or £177,898 exclusive of VAT if assumed at 20%

(2) "If > one ward" applies where the resulting contract would be significant in terms of its effects on communities living or working in an area comprising two or more Wards or electoral divisions in the Borough. If in doubt seek legal advice.

(3) Or person with expressly delegated authority under Register of Contract Delegated Authority

(4) Seek legal advice

(5) As of 1st January 2022, the Concessions Threshold is £5,336,937 inclusive of VAT, or £4,447,447 exclusive of VAT if assumed at 20%

Appendix 5

Flowchart summarising process for contract extensions and variations – see para 8 of CSOs

Does extension or variation fall within approved contract value authorised in contract award report? (Previous extensions and variations to be included in assessing this).

Yes
(Para 8.2 of CSOs)

No
(Para 8.4 of CSOs)

Is total contract value, inclusive of the proposed extension or variation, below £400,000?
(Para 8.2 of CSOs)

Is total contract value, inclusive of the proposed extension or variation, below £400,000?
(Para 8.4 of CSOs)

Yes

No

Yes

No

Can be authorised by Executive Director (however Borough Solicitor advice to be taken where an extension or variation is not clearly provided for in the original contract and, once the extension or variation is included, the contract has a total contract value which exceeds the relevant Threshold under the PCR 2015).

(Paras 8.2 and 8.1 of CSOs)

Must be authorised by Executive Director AND Borough Solicitor

(Para 8.3 of CSOs)

Can be authorised by Executive Director (however Borough Solicitor advice to be taken where an extension or variation is not clearly provided for in the original contract and, once the extension or variation is included, the contract has a total contract value which exceeds the relevant Threshold under the PCR 2015).

(Paras 8.5 and 8.1 of CSOs)

To be treated for governance purposes as a new procurement: follow procedure in relevant Appendix based on type of service/goods and total contract value.

Note that Borough Solicitor advice to be taken where an extension or variation is not clearly provided for in the original contract and, once the extension or variation is included, the contract has a total contract value which exceeds the relevant Threshold under the PCR 2015.

(Para 8.4 and 8.1 of CSOs)

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of the Local Government Act 1972.

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