Notice of Meeting

Governance & Audit Committee
Councillor Karim (Chair),
Councillor O'Regan (Vice-Chair),
Councillors Allen, Ejaz, Haffegee, Neil, Robertson and Zahuruddin

Wednesday 19 July 2023, 7.30 pm
Council Chamber - Time Square, Market Street, Bracknell, RG12 1JD

Bracknell Forest Council

Agenda

All councillors at this meeting have adopted the Mayor's Charter which fosters constructive and respectful debate.

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**	
	Members are asked to declare any disclosable pecuniary or affected interests in respect of any matter to be considered at this meeting. 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. 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.	
3.	**Minutes of previous meeting**	3 - 6
	To approve as a correct record the minutes of the previous meeting of the Committee	
4.	**Urgent Items of Business**	
	Any other items which, pursuant to Section 100B(4)(b) of the Local Government Act 1972, the Chairman decides are urgent.	
5.	**External Audit: Audit Results Report - 2020-21 Financial Statements**	7 - 60
	This report advises Members of a report by the Council's external auditor	

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	summarising the work carried out to discharge their statutory audit responsibilities. **Reporting:** Arthur Parker, Chief Accountant	
6.	**Financial Statements 2020/21**	61 - 188
	This report summarises for Committee Members the key elements within the accounts and the findings of the audit. **Reporting:** Arthur Parker, Chief Accountant	
7.	**Annual Standards Report**	189 - 196
	Review of Standards arrangements for 2022/23 for noting. **Reporting:** Sanjay Prashar, Borough Solicitor	

Sound recording, photographing, filming and use of social media is permitted. Please contact Lizzie Rich, 01344 352253, lizzie.rich@bracknell-forest.gov.uk, so that any special arrangements can be made.

Published: 11 July 2023

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GOVERNANCE & AUDIT COMMITTEE
21 JUNE 2023
7.30 - 8.18 PM

Bracknell Forest Council

Present:
Councillors Karim (Chair), Allen, Ejaz, Haffegee, Neil, Robertson and Zahuruddin

Also Present:
Councillors Bidwell, Pickering, Watts and Wright

Also Present Virtually:
Councillors Bidwell, Pickering and Wright

Apologies for absence were received from:
Councillors O'Regan

4. **Declarations of Interest**

There were no declarations of interest.

5. **Minutes of previous meeting**

RESOLVED that the minutes of the meeting of the committee held on the 22 March 2023 and 24 May 2023 (Annual Meeting) be approved as a correct record.

6. **Urgent Items of Business**

There were no urgent items of business.

7. **External Audit: Audit Progress Report**

Stuart McKellar, Borough Treasurer introduced Andrew Brittain, Ernst & Young to present the External Audit report.

Ernst & Young were responsible for the external audit of Bracknell Forest Council's accounts. Andrew explained that delays to audit activity had been caused by a delay to the completion of the Berkshire Local Government Pension Fund audit which came under the Royal Borough of Windsor and Maidenhead audit process with Deloitte. The letter of assurance for the 2020/21 audit of the pension fund had now been received, and so the 2020/21 audit had now been completed.

The 2021/22 audit would be completed over the summer months, and it was hoped that any outstanding issues on the account would be brought to the September 2023 Committee meeting. Once the 2021/22 audit was complete, the 2022/23 audit would begin with an interim visit in March 2023. It was noted that a number of Councils currently had open audits, and the Government was looking into ways to accelerate the process.

Arising from questions, the following points were noted:

- While most Councils had met audit deadlines in previous years, the number of Councils able to meet audit deadlines had declined rapidly. The issue was a national one, and not specific to Bracknell Forest.
- An audit result report would be brought to the July 2023 Committee meeting, which would include a conclusion on financial statements, an audit opinion and a value for money conclusion which considered whether economy of effectiveness was being achieved through the Council's third-party arrangements.

8. **Internal Audit Annual Assurance Report 2022/23**

Sally Hendrick, Head of Audit and Risk Management presented the Internal Audit Annual Assurance report which was to note.

The report included an opinion for the year of partial assurance, based on work undertaken by internal auditors across 53 audits conducted throughout the year. The opinion was based on some areas of weakness which had been drawn out through audits conducted during the year. However, it was noted that the number of partial assurance opinions had declined in number compared to the previous year. Sally commented that the partial assurance was based on the number of recommendations which had not been carried out or put in place.

It was noted that a number of partial assurance opinions in this year's report related to schools, which were autonomous bodies separate to the Council for this purpose.

To keep track of recommendations, a recommendation tracker had been implemented to assist management in keeping track of progress on recommendations. It was hoped that this would improve the rate of implementation and action following internal audits.

The Council was required to conduct a self-assessment every year under the Public Sector Internal Audit Standards, and to hold an external review of its internal audit service every 5 years. The last external audit had been conducted in March 2022, with very few points for improvement drawn out. One point arising from this external review had been a suggestion to take on apprentices in a 'grown your own' approach to address recruitment difficulties. Two apprentices had been in place in the team for 6 months and were progressing well, however it was noted that it would take some time for these officers to be fully trained.

Sally drew attention to work around counter-fraud and benefits abuse. Internal audit officers had worked together with the Department for Work and Pensions on benefits cases this year and had also done proactive work on Blue Badge claimants.

In response to questions, the following points were noted:

- It was speculated that recommendations had not been followed up or implemented due to staffing pressures and turnovers across the Council. Auditors were keen to inform departments not to sign up to actions which could not be delivered.
- Members requested an additional column on the recommendation tracker to take account of the recommendations which were outstanding or not yet started. Any critical recommendations would have a formal follow up separately to the recommendation tracker.
- The external assessment had advised officers to make better use of data analytics to evaluate risks and weaknesses. There had been a delay to this

work due to the vacant Principal Auditor post, which was about to go out to advert. Once the post was filled, all audit staff would be trained in data analytics and data interrogation.

- The recruitment market for auditors was challenging, and applicants were often at the end of their careers. Post-COVID, there had been a high turnover of auditor posts both internally and externally.
- The internal audit team used contractors to cover some posts, but it was noted that contract workers were also often at the end of their careers and the churn made the auditing process more difficult.
- While artificial intelligence would be a useful resource for audit processing, it would require a high degree of data maturity in order to be successful.
- The strategic risk register would be presented to the September 2023 Committee meeting.
- Members requested that a report be put together on the assurances not met in 2022, which could be shared with Departmental Management Teams and Corporate Management Team to track those issues which caused concern.

RESOLVED that the Governance and Audit Committee note the Head of Audit and Risk Management's Annual Report setting out the Head of Internal Audit's Opinion for 2022/23.

CHAIRMAN

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TO: GOVERNANCE AND AUDIT COMMITTEE
19 July 2023

EXTERNAL AUDIT: AUDIT RESULTS REPORT - 2020/21 FINANCIAL STATEMENTS
(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.

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 audit by Deloitte LLP. Now that the detailed audit work is complete, 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

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Arthur Parker – 01344 352158
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Bracknell Forest Council
Audit results report

Year ended 31 March 2021

July 2023

EY
Building a better working world

Private and Confidential

July 2023

Bracknell Forest Council
Governance and Audit Committee
Time Square
Market Street
Bracknell
RG12 1JD

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. Our audit is now complete. Since the draft report we presented in March 2022, in addition to resolving the delayed IAS 19 reporting from the pension scheme auditors, there have been two national issues which delayed the completion of the audit. These were the accounting for infrastructure assets and the impact of the 2021-22 triennial valuation of pension funds for earlier audits which were still open. We agreed with management that we would circulate this updated audit results report for members of the Governance and Audit Committee to confirm that all work relating to the 20/21 audit has been completed, including updated going concern disclosures and a review of subsequent events up to the audit reporting date.

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 Council'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 at the Governance and Audit Committee meeting on 19 July 2023.

Yours faithfully

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

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.psaa.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 July 2021)" 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.

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.

- 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. As a result, we have completed our planned VFM procedures and have no matters to report by exception in the auditor’s report (see Section 03). We plan to issue the VFM commentary as part of issuing the Auditor’s Annual Report. We plan to issue the VFM commentary by the as part of issuing the Auditor’s Annual Report.

Executive Summary

Audit differences

There is one unadjusted difference we have identified which relates to the valuation of property, plant and equipment. An incorrect land area was used to value the Hanworth (Pines) Community Centre which has led to the asset value being overstated by £1.991m. Management has chosen not to correct this misstatement.

There are two unadjusted differences identified by the auditors of the Royal County of Berkshire Pension Fund which relates to the valuation of net pension liability. These pertain to the Goodwin case not being reflected in the liability value and a difference noted between the actual and actuarial total forecasted contributions made by Bracknell Forest Council to the pension fund. These have led to an understatement by £1.267m and £0.776m respectively.

There are two identified misstatements above the threshold that has been adjusted by management. These relate to the Net Pension Liability and Earmarked Reserves. The first adjustment 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. The second adjustment relates to the Dedicated School Grant where, upon discussion with the Department for Education, it was decided that individual school balances should remain as a separate earmarked reserve.

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 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.

02 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.

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.

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.

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.

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

We have completed our planned procedures with regard to the significant risk relating to the valuation of property, plant and equipment. We have identified an audit difference where an incorrect land area was used to value the property which has led to the asset value being overstated by £1.991m. Management has chosen not to correct this misstatement.

No other material issues were noted.

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.

Triennial Review:
On 31 March 2023, the triennial valuation report for the Royal County of Berkshire Pension Fund for the year ended 31 March 2022 was issued. There is a risk that the triennial valuation highlights that were present in years prior to 31 March 2022 and would result in the Pension Liability not being appropriately valued.

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.
- reviewed the updated IAS 19 report for 2021/22 based on the 2022 triennial valuation against the IAS 19 report based on the 2019 triennial valuation to determine if the conditions that resulted in the change in 21/22 values related to conditions that existed in years prior to 31 March 2022 and if the assumptions used in 20/21 were still reasonable.

What are our conclusions

Please refer to the next slide for our conclusion.

Significant risk Pension Liability Valuation (continued)

What are our conclusions?

We have assessed the work of the pension actuary (Barnett Waddingham) including the assumptions used. We have relied on the work of PWC - Consulting Actuaries commissioned by the NAO for all Local Government sector auditors, in turn reviewed by the EY actuarial team. We did not find any issues in this area. We have also assessed the impact of the 2022 Triennial review on the 2020/21 financial statements, with the aid of the EY actuarial team, and did not find any issues. The accounting entries and disclosures within the Authority's financial statements had been carried out correctly based on the information the Authority received from the actuary.

We have liaised with the auditors (Deloitte) of Royal County of Berkshire Pension Fund, to obtain assurances over the information supplied to the actuary in relation to the Authority. The response to our request was provided on 28 April 2023.

Issues that have been identified by Deloitte in relation to their audit of the Royal County of Berkshire Pension Fund that members should be aware of are;

- Based on the evidence obtained from a walk-through of the key controls identified over maintaining member records; updating member records for employer monthly/annual data returns and changes identified by members, it was noted that there is no record of any formal checks performed over the data extracted from the administrative systems by a senior team member. As a result, Deloitte did not consider the controls to be designed and implemented satisfactorily and recommendations have been made to management in respect of those controls. We have considered the impact on the Council's accounts and we have concluded that this has no material effect on them.

- No adjustments have been made to the reflect the outcome of the Goodwin legal ruling. Again, we have involved our EY pensions specialists to assess the impact, and concluded an estimated understatement of pensions liability of £1.267m. We have reported this as an uncorrected audit difference in this report. No audit differences are identified in relation to the McCloud legal ruling.
- For the Council there was a reconciliation of the total number of active, deferred, pensioner and dependents members submitted to the actuary to the IAS19 Report produced by the Actuary. Differences of 1,380 were noted in relation to active members, 373 were noted in relation to deferred members (including "undecided" members), and 1,805 were noted in relation to pensioner and dependant members. The tests did not provide assurance on completeness and accuracy of individual employer membership data submitted to the actuary. Therefore we involved our EY pensions specialists to review this area in order to conclude there was not the potential for a material misstatement in the LGPS liabilities. The outcome of this work indicated that there is no material impact on the valuation of the pension net liability for Bracknell Forest Council.
- In order to gain assurance over the completeness and accuracy of information in the IAS 19 template, Deloitte has compared the total contributions in the template of £138.2m to the total contributions receivable per the Fund's Agresso accounting records of £136.6m. A difference of £1.6m was therefore noted between accounting records and actuarial total reported contributions receivable for the Fund as a whole. The difference is a result of incomplete cash flow information being provided to the actuary. This has resulted in an understatement of the liability amounting £0.776m for Bracknell Forest Council.
- It was identified that there was a significant risk over the valuation of the longevity swap. Deloitte has tested the design and implementation of controls over the valuation of this investment at the Fund. Deloitte has also performed an assessment of the external expert who provides the client with the valuation of the swap. During the audit the private equity funds were adjusted by £48,121,000 in the draft financial statements. We have reported this as a corrected audit adjustment in this document.

The judgemental differences identified in the second and fourth bullet points above have not been amended by the Authority. These are reported in page 25 of this report.

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?
<u>Accounting for Covid-19 related grant funding</u> 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.	We have: ‣ considered the Council's judgement on material grants received in relation to whether it is acting as: ▪ 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.
<u>Accounting for Public Finance Initiative (PFI)</u> 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.	We have: ‣ 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.
<u>NDR Appeals Provision</u> 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.	We have: ‣ 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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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?
<u>Accounting for Infrastructure Assets</u> Cipfa provided an update to the Code and specifications for future Codes for Infrastructure Assets in November 2022. Infrastructure non-current assets are carried in the Balance Sheet at depreciated historic cost. Once an item of property, plant and equipment has been recognised and capitalised, an authority may incur further costs on that asset at a later date. The Code requires that subsequent costs should be capitalised only if they result in items with physical substance and meet the recognition principle set out in paragraph 4.1.2.18 of the Code. Where expenditure meets these criteria, it is added to the carrying amount of the relevant asset. Where the subsequent expenditure represents the replacement of a component, the old component must be written out of the Balance Sheet. The Department to Levelling Up, Housing and Communities (DLUHC) and CIPFA have worked on a sector wide approach to resolution of the reporting of infrastructure assets. Following a process of consultations with FRAB, local councils, ICAEW, and external audit firms, the resolution is in two streams: - CIPFA have issued an adaptation to the Code of Practice on Local Authority Accounting to allow reporting on a net basis for infrastructure assets. - DLUHC have issued a Statutory Instrument (The Local Authorities (Capital Finance and Accounting) (England) (Amendment) Regulations 2022) which allows for the infrastructure assets opening balance to be brought forward without amendment and determines the carrying amount to be derecognised in respect of replaced components to be nil. For all open audits, auditors are required to assess if Councils have appropriately applied the 4.1.2.18 of the Code, or where this has not been the case, that they have correctly applied the adaptation and SI.	We have: ‣ reviewed note 17 and noted that the Council writes out the gross book value and depreciation for replaced infrastructure assets; ‣ assessed the Council's methodology for calculating the value of the 'replaced asset' to be derecognised ‣ The Council calculates the relevant amount of derecognised components in accordance with the accounting practices identified in regulation 31 of the Code of Practice on local authority accounting (continue with the original code requirements and not apply the Statutory Instrument). ‣ We are satisfied that the procedures followed and the records maintained by Bracknell Forest Council for infrastructure assets are in line with the Code. ‣ We conclude that the current disclosures in the financial statements relating to infrastructure assets are appropriate.

03 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 ('the Authority' OR 'the Council') and its subsidiary (the 'Group') for the year ended 31 March 2021 under the Local Audit and Accountability Act 2014. The financial statements comprise the:

- Council and Group Movement in Reserves Statement,
- Council and Group Comprehensive Income and Expenditure Statement,
- Council and Group Balance Sheet,
- Council and Group Cash Flow Statement
- the related notes 1 to 41 to the Council 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 as amended by the Update to the Code and Specifications for Future Codes for Infrastructure Assets (November 2022).

In our opinion the financial statements:

- give a true and fair view of the financial position of Bracknell Forest Council and the Group 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 as amended by the Update to the Code and Specifications for Future Codes for Infrastructure Assets (November 2022).

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. We are independent of 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 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 Group'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 Group's ability to continue as a going concern.

Draft audit report

Our opinion on the financial statements

Other information

The other information comprises the information included in the Statement of Accounts 20/21, 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 20/21.

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 Group and 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 Group and the Council 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 pages 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 as amended by the Update to the Code and Specifications for Future Codes for Infrastructure Assets (November 2022), and for being satisfied that they give a true and fair view and for such internal control as the Executive Director: Resources determines 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 Group and the Council'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 Group and the Council either intends to cease operations, or has no realistic alternative but to do so.

Draft audit report

Our opinion on the financial statements

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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 Group 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 2018,2020 and 2021,
- 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 Group and the Council has to comply with laws and regulations in the areas of anti-bribery and corruption, data protection, employment Legislation, tax Legislation, general power of competence, procurement and health & safety.

Draft audit report

Our opinion on the financial statements

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 Group and the Council's committee minutes, through enquiry of employees to confirm Group and the Council 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.

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We assessed the susceptibility of the Group and the Council'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 Group and the Council'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 council'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 2020, having regard to the guidance on the specified reporting criteria issued by the Comptroller and Auditor General in April 2021, as to whether the 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 the 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, the Bracknell Forest Council had put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

Draft audit report

Our opinion on the financial statements

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.

Delay in certification of completion of the audit

We are required under the Code of Audit Practice to complete a return on the Council's submission for Whole of Government Accounts. The NAO have issued the group instruction and we have submitted the assurance return, however, we cannot formally conclude the audit and issue an audit certificate until the NAO have confirmed that no further assurances are required from us to complete their work as group auditor. We are satisfied that this work does not have a material effect on the financial statements or our work on value for money arrangements.

In addition, we cannot formally conclude the audit and issue an audit certificate until we have issued our Auditor's Annual Report for the year ended 31 March 2021. We have completed our work on the value for money arrangements and will report the outcome of our work in our commentary on those arrangements within the Auditor's Annual Report.
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.

Our opinion on the financial statements

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 the Group and the Group'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

04 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 adjusted 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.

There are no other adjusted misstatements.

Summary of unadjusted differences

We highlight misstatements greater than £291k which have not been corrected by management that were identified during the course of our audit.

There is one unadjusted misstatement. This relates to the valuation of property, plant and equipment (PPE). During the course of our testing we identified one asset (a community centre) which was valued using an incorrect land area due to error. The land area used was significantly larger than the actual land area which lead to an overstatement of the asset value by £1.991m. As a result the PPE and Revaluation Reserve balances are overstated by this amount. Management have chosen not to correct for this.

There are two unadjusted differences identified by the auditors of the Royal County of Berkshire Pension Fund which relates to the valuation of net pension liability. These pertain to the Goodwin case not being reflected in the liability value and a difference noted between the actual and actuarial total forecasted contributions made by Bracknell Forest Council to the pension fund. These have led to an understatement by £1.267m and £0.776m respectively.

There are no other unadjusted misstatements.

05 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.

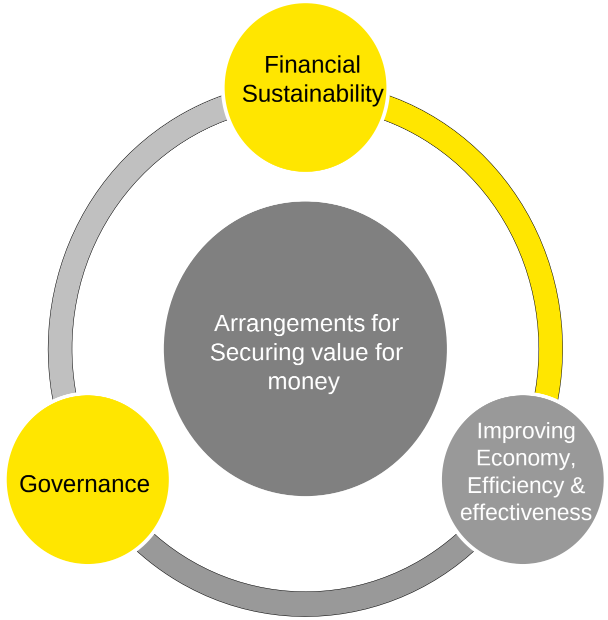
As part of the material published with its financial statements, the Authority is required to bring together commentary on its governance framework and how this has operated during the period in a governance statement. In preparing its governance statement, the Authority tailors the content to reflect 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

We have completed our planned VFM procedures and have no matters to report by exception in the auditor's report (see Section 03). We plan to issue the VFM commentary as part of issuing the Auditor's Annual Report.



06 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.

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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 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.

07 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.

08 Data Analytics

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.

09 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.

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 19 July 2023.

We confirm that we have undertaken non-audit work outside of the Statement of responsibilities of auditors and audited bodies as issued by the Public Sector Audit Appointments Ltd . We have applied the necessary safeguards in our completion of this work.

EY Transparency Report 2022

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 2022:

EY UK 2022 Transparency Report | 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	Proposed Fee 2020/21 £	Planned Scale Fee 2020/21 £	Final Fee 2019/20 £
Audit Scale Fee – Code work	£80,639	£80,639	£80,639
Scale fee variation determined by PSAA	-	N/A	£40,523
Changes in work required to address professional and regulatory requirements and scope associated with risk (see Note 1)	£45,361	N/A	N/A
Revised Scale Fee	£126,000	N/A	£121,162
Scale Fee Variation – new VFM arrangements (Note 2)	£10,000	£10,000	N/A
Scale Fee Variation – revised ISA 540 (Note 2)	£5,000	£5,000	N/A
Scale Fee Variation due to one-off issues impacting the 2020/21 audit (see Note 3)	£26,149	N/A	N/A
Total Audit Fee	TBD	£95,639	£121,162
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	-

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 2020/21 the scale fee has been re-assessed to take these into account.

Note 2

In 2020/21, the new VFM arrangements and revised ISA 540 (estimates) result in a scale fee variation. PSAA have published guidance on these matters and advise for minimum additional fees, for a unitary authority. We have kept these proposed fees at the lower end of the ranges indicated in the guidance.

Note 3

For 2020/21 we have quantified the additional work we undertook in the completion of the 2020/21 audit. This includes the significant delays in receiving, including iterations thereof, of the Deloitte IAS 19 report and subsequent input required from EY Pensions specialists (£7k); the new significant risk in relation to rental income (£2k); the new area of other audit focus in relation to Covid-19 related grants (£6k); additional procedures required in relation to the national issue surrounding infrastructure assets (£5.5k); reconsidering the impact of the 2022 triennial valuation (£2.7k) and the elongated audit period and impact on volume of post balance sheet event work (£3k). We will discuss this with management 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 was 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.

10 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	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	▸ 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 19 July 2023 Governance and Audit Committee meeting

Appendix A

Required communications	What is reported?	Our Reporting to you — When and where
	▸ 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	Events or conditions identified that may cast significant doubt on the entity's ability to continue as a going concern, including: ▸ 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 19 July 2023 Governance and Audit Committee meeting
Misstatements	▸ 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 19 July 2023 Governance and Audit Committee meeting
Subsequent events	▸ 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 19 July 2023 Governance and Audit Committee meeting

Appendix A

		Our Reporting to you
Required communications	**What is reported?**	**When and where**
Fraud	▸ Enquiries of the audit committee to determine whether they have knowledge of any actual, suspected or alleged fraud affecting the entity ▸ Any fraud that we have identified or information we have obtained that indicates that a fraud may exist ▸ Unless all of those charged with governance are involved in managing the entity, any identified or suspected fraud involving: a. Management; b. Employees who have significant roles in internal control; or c. Others where the fraud results in a material misstatement in the financial statements. ▸ The nature, timing and extent of audit procedures necessary to complete the audit when fraud involving management is suspected ▸ Any other matters related to fraud, relevant to Governance and Audit Committee responsibility.	Audit results report presented at the 19 July 2023 Governance and Audit Committee meeting
Related parties	Significant matters arising during the audit in connection with the entity's related parties including, when applicable: ▸ Non-disclosure by management ▸ Inappropriate authorisation and approval of transactions ▸ Disagreement over disclosures ▸ Non-compliance with laws and regulations ▸ Difficulty in identifying the party that ultimately controls the entity	Audit results report presented at the 19 July 2023 Governance and Audit Committee meeting
Independence	Communication of all significant facts and matters that bear on EY's, and all individuals involved in the audit, objectivity and independence. Communication of key elements of the audit engagement partner's consideration of independence and objectivity such as: ▸ The principal threats ▸ Safeguards adopted and their effectiveness ▸ An overall assessment of threats and safeguards ▸ Information about the general policies and process within the firm to maintain objectivity and independence	Audit planning report presented at the 26 January 2022 Governance and Audit Committee meeting AND Audit results report presented at the 19 July 2023 Governance and Audit Committee meeting

Appendix A

		Our Reporting to you
Required communications	**What is reported?**	**When and where**
	Communications whenever significant judgements are made about threats to objectivity and independence and the appropriateness of safeguards put in place. For public interest entities and listed companies, communication of minimum requirements as detailed in the FRC Revised Ethical Standard 2019: ▸ 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	▸ Management's refusal for us to request confirmations ▸ Inability to obtain relevant and reliable audit evidence from other procedures.	Audit results report presented at 19 July 2023 Governance and Audit Committee meeting
Consideration of laws and regulations	▸ 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 19 July 2023 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	▸ Significant deficiencies in internal controls identified during the audit.	Audit results report presented at the 19 July 2023 Governance and Audit Committee meeting
Group Audits	▸ 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 19 July 2023 Governance and Audit Committee meeting
Written representations we are requesting from management and/or those charged with governance	▸ Written representations we are requesting from management and/or those charged with governance	Audit results report presented at the 19 July 2023 Governance and Audit Committee meeting
Material inconsistencies or misstatements of fact identified in other information which management has refused to revise	▸ Material inconsistencies or misstatements of fact identified in other information which management has refused to revise	Audit results report presented at the 19 July 2023 Governance and Audit Committee meeting
Auditors report	▸ 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 19 July 2023 Governance and Audit Committee meeting

Appendix B

Management representation letter

Management Rep Letter

[To be prepared on the entity's letterhead]
[Date]

Ernst & Young
R+ Building
2 Blagrave St
Reading
RG1 1AZ

Dear Andrew

This letter of representations is provided in connection with your audit of the consolidated and Council 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 Council CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21(as amended by the Update to the Code and Specifications for Future Codes for Infrastructure Assets (November 2022)).

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 Council the Accounts and Audit Regulations 2015 and CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21 (as amended by the Update to the Code and Specifications for Future Codes for Infrastructure Assets (November 2022)).

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 Council in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21 (as amended by the Update to the Code and Specifications for Future Codes for Infrastructure Assets (November 2022)) 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.

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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 (as amended by the Update to the Code and Specifications for Future Codes for Infrastructure Assets (November 2022)) for the Group and 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. We believe that the effects of any unadjusted audit differences, summarised in the accompanying schedule, accumulated by you during the current audit and pertaining to the latest period presented are immaterial, both individually and in the aggregate, to the consolidated and Council financial statements taken as a whole.

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;

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- Additional information that you have requested from us for the purpose of the audit; and
- Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.

2. All material transactions have been recorded in the accounting records and 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 Council, and committees Governance and Audit (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: 21 June 2023.

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 CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21 (as amended by the Update to the Code and Specifications for Future Codes for Infrastructure Assets (November 2022)).

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, 22 September 2021, through 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 on the Group and Council financial statements, in each case or in the aggregate, and (2) ransomware attacks when we paid or are contemplating paying a ransom, regardless of the amount.

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.

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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.

E. Going Concern

1. Note 1 to 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, and including events related to the conflict and related sanctions in Ukraine, Russia and/or Belarus, 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 the 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. Climate-related matters

1. We confirm that to the best of our knowledge all information that is relevant to the recognition, measurement, presentation and disclosure of climate-related matters has been considered, including the impact resulting from the commitments made by the Group and Council, and reflected in the consolidated and Council financial statements.

2. The key assumptions used in preparing the consolidated and Council financial statements are, to the extent allowable under the requirements of CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21(as amended by the Update to the Code and Specifications for Future Codes for Infrastructure Assets (November 2022)), aligned with the statements we have made in the other information or other public communications made by us (see section H).

Reserves

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

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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.

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 specific courses of action on behalf of the entity.

4. We confirm that the disclosures made in the consolidated and Council entity financial statements with respect to the accounting estimate(s), including those describing estimation uncertainty and the effects of the COVID-19 pandemic, are complete and are reasonable in the context of CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21(as amended by the Update to the Code and Specifications for Future Codes for Infrastructure Assets (November 2022)).

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.

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 2024. 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 2024/25 Code. The following table summarises some key areas officers should be progressing.

IFRS 16 theme	Summary of key measures
Data collection	Management should: ▸ 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: ▸ 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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(ITEM)

TO: GOVERNANCE AND AUDIT COMMITTEE
19 July 2023

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 and 2020/21 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.

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 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 2025/26 (extended by three years in 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). The deficit excludes individual school balances following clarification from the Department of health that these should remain in a separate Earmarked Reserve.

5.5.6 It is likely that after the six years, responsibility for any remaining deficit will fall on the Council and it is therefore essential that plans to address the deficit are agreed and enacted by the Council and schools.

General Reserves

5.5.7 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 77 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 75) of the Financial Statements.

5.8 Audit of Accounts

5.8.1 The auditors of the Royal County of Berkshire Pension Fund discovered that the value of assets was understated by £48.12m in the Pension Fund's financial statements resulting in a misstatement of £5.732m in the Council's accounts. This figure was above the materiality threshold for the Council and therefore the accounts were amended.

5.8.2 During the audit of the Council's accounts a valuation error was identified where an incorrect land area had been used to value the Hanworth (Pines) Community Centre. This led to the asset value being overstated by £1.991m. Two further misstatements were also discovered by the auditor of the Berkshire Pension Fund relating to the Net Pension Liability leading to a combined understatement of £2.043m. These errors were not corrected in the 2020/21 accounts as they fell below the materiality threshold

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 Committee is asked to 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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Bracknell Forest Council

Financial Statements 2020/21

CONTENTS

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

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.

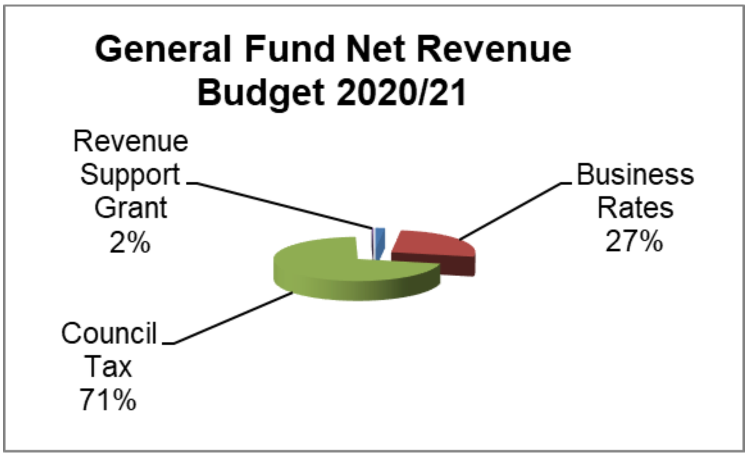
- **The Group Accounts** include the group statements and associated notes for the Council and its wholly owned subsidiary Downshire Homes Ltd.

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.



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).

- 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

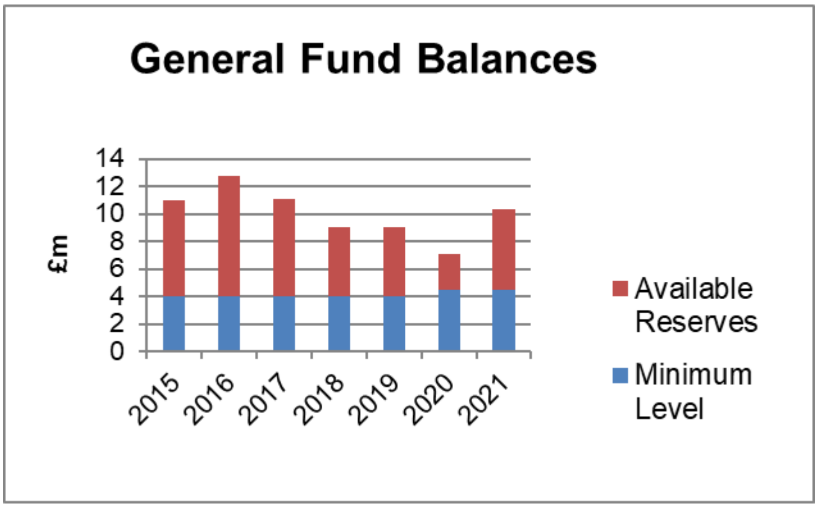
- A significant under spend on interest budgets (-£0.966m). Average cash balances have been substantially higher than those experienced in 2019/20, removing the need for any new borrowing in 2020/21. This has resulted from a combination of slippage on the capital programme, the underspend on the revenue 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.

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 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 £348.7m 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

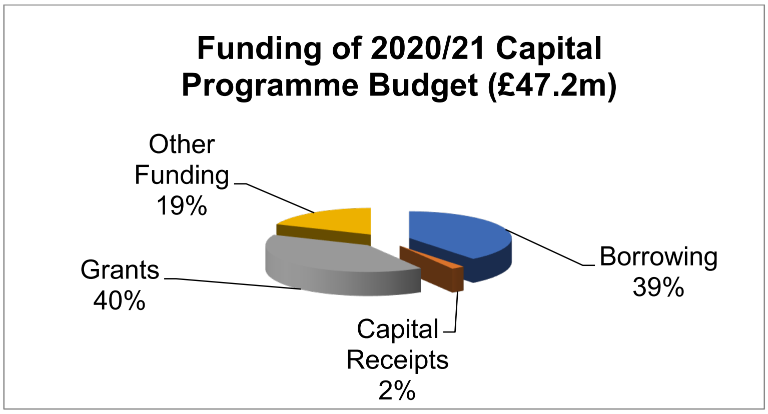
The Council has funded its capital programme from four main sources:

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

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.

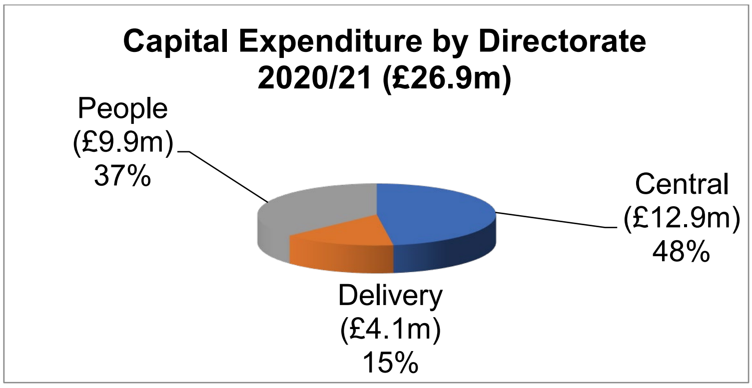
Due to the size of its capital programme the Council started to borrow externally in 2016/17, having previously been debt free.

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)

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.

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 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.

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.

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 and its subsidiary (the ‘Group’) under the Local Audit and Accountability Act 2014. The financial statements comprise the:

- Council and Group Movement in Reserves Statement,
- Council and Group Comprehensive Income and Expenditure Statement,
- Council and Group Balance Sheet,
- Council and Group Cash Flow Statement,
- the related notes 1 to 41 to the Council 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 as amended by the Update to the Code and Specifications for Future Codes for Infrastructure Assets (November 2022).

In our opinion the financial statements:

- give a true and fair view of the financial position of Bracknell Forest Council and the Group 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 as amended by the Update to the Code and Specifications for Future Codes for Infrastructure Assets (November 2022).

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 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.

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

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.

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 Group and 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 Group and the Council 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 as amended by the Update to the Code and Specifications for Future Codes for Infrastructure Assets (November 2022), and for being satisfied that they give a true and fair view and for such internal control as the Executive Director: Resources determines 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 Group and the Council'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 Group and the Council either intends to cease operations, or have no realistic alternative but to do so.

The Council 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 Group and the Council's committee minutes, through enquiry of employees to confirm Group and the Council 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 Group and the Council'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 Group and the Council'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 Council'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 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.

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

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.

Delay in certification of completion of the audit

We are required under the Code of Audit Practice to complete a return on the Council's submission for Whole of Government Accounts. The NAO have issued the group instruction and we have submitted the assurance return; however, we cannot formally conclude the audit and issue an audit certificate until the NAO have confirmed that no further assurances are required from us to complete their work as group auditor. We are satisfied that this work does not have a material effect on the financial statements or our work on value for money arrangements.

In addition, we cannot formally conclude the audit and issue an audit certificate until we have issued our Auditor's Annual Report for the year ended 31 March 2021. We have completed our work on the value for money arrangements and will report the outcome of our work in our commentary on those arrangements within the Auditor's Annual Report.

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

July 2023

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 Michael Karim
Chairman of Governance and Audit Committee

19 July 2023

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

05 July 2023

COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

	2020/21				2019/20		
	Gross Expenditure £000	**Gross Income £000**	**Net £000**	Note	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 £000	Earmarked Reserves £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	Total Usable Reserves £000	Total Unusable Reserves £000	Total Council Reserves £000
Balance at 1 April 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 £000	Earmarked Reserves £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	Total Usable Reserves £000	Total Unusable Reserves £000	Total Council Reserves £000
Balance at 1 April 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
05 July 2023

CASH FLOW STATEMENT

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

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. The latest cashflow projection indicates that the Council is likely to borrow a further £20m towards the end of 2023/24. This still leaves the Council significantly under borrowed compared to the Capital Financing Requirement. 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 excluding schools 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.

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

- 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 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

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.

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 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.

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).

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.

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 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

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.

(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 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

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.

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 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 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 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).

	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**

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.

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:

Directorates	**2020/21 Income from Services £000**	2019/20 Income from Services £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)

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.

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.

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**

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**

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

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

	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 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).

	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).

	2020/21 £000	2019/20 £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 £000	31 March 2020 £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 £000	31 March 2020 £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

[1]Section 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 No of Employees Non-schools	Schools	Total	2019/20 No of Employees
£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.

Remuneration of Senior Employees 2020/21

Post Title (and Name if over £150,000)	Salary £000	Pension Contributions £000	Total Including Pension Contributions £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 £000	Pension Contributions £000	Total Including Pension Contributions £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**

[1]Includes returning officer payments of £0.023m due to the two elections held during the year.
[2]The Director: Organisational Development, Transformation and HR left the Council on 31 December 2019, this figure includes exit costs.
[3]The remuneration for this post is shared equally between the six Berkshire unitary councils.

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				

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.

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

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 £000	31 March 2020 £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 Penson 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 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	31 March 2020
	£000	£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

[1]97% of Equities are overseas investments (93% in 2019/20)
[2]Property pooled funds include UK and overseas (76%) elements (70% in 2019/20)
[3]All infrastructure investments are overseas investments (19% in 2019/20)

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 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.

	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 Grant[1]	73	(87)	(14)
Infection Control Grant[2]	926	(999)	(73)
Rapid Testing Fund[2]	106	(129)	(23)
Total	16,546	(20,929)	(4,383)

[1]This is the non-discretionary element of the grant paid to individuals.
[2]This 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).

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.

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 Land and Buildings £000	31 March 2020 Land and Buildings £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 Land and Buildings £000	31 March 2020 Land and Buildings £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 Land and Buildings £000	31 March 2020 Land and Buildings £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

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.

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

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 2021/22	2-5 yrs	6-10 yrs	11-15 yrs	Total payable
	£000	£000	£000	£000	£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 2020/21	2-5 yrs	6-10 yrs	11-15 yrs	Total payable
	£000	£000	£000	£000	£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	Vehicles, Plant, Furniture & Equipment	Total PFI Assets	Other Land & Buildings	Vehicles, Plant, Furniture & Equipment	Total PFI Assets
	£000	£000	£000	£000	£000	£000
Cost/Valuation						
As of the beginning of the period	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

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 £000	2019/20 £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

17 PROPERTY, PLANT AND EQUIPMENT

Movements on Balances

2020/21	Other Land & Buildings £000	Vehicles, Plant, Furniture & Equipment £000	Infra-Structure Assets £000	Community Assets £000	Surplus Assets £000	Assets Under Construction £000	Total Property, Plant and Equipment £000
Cost/Valuation							
At 1 April 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).

2019/20	Other Land & Buildings £000	Vehicles, Plant, Furniture & Equipment £000	Infra-Structure Assets £000	Community Assets £000	Surplus Assets £000	Assets Under Construction £000	Total Property, Plant and Equipment £000
Cost/Valuation							
At 1 April 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.

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 £000	Vehicles, Plant Furniture & Equipment £000	Infra-structure Assets £000	Community Assets £000	Surplus Assets £000	Assets Under Construct-ion £000	Total Property, Plant and Equipment £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**

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.

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
Capital Investment		
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
Sources of Finance		
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)

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 £000	31 March 2020 £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 £000	31 March 2020 £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

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 for the year in relation to the Business Rates Pilot. There was no pilot arrangement in 2020/21.

25 PROVISIONS

2020/21	Business Rates Appeals	Other	Total
	£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 Regeneration	Business Rates Appeals	Other	Total
	£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**

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.

- 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

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.

	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.

	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 2021 £000	31 March 2020 £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)

34 FINANCIAL INSTRUMENTS

Categories of Financial Instruments

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

	31 March 2021			
Financial Assets	**Current**	**Long Term**	**Total**	**Fair Value**
	£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**

	31 March 2020			
Financial Assets	**Current**	**Long Term**	**Total**	**Fair Value**
	£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**

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 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.

- 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.

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 £000	2019/20 £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.

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.

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**

	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.

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	**10,463[1]**	**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 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 5 July 2023. There were no post balance sheet events.

THE COLLECTION FUND

2020/21 Business Rates £000	2020/21 Council Tax £000	2020/21 Total £000		Notes	2019/20 Business Rates £000	2019/20 Council Tax £000	2019/20 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	76,006	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	5,369
(79)	**(25)**	**(104)**	Royal Berkshire Fire Authority		106	21	127
	(76)	**(76)**	Police and Crime Commissioner			58	58
(7,870)	**(610)**	**(8,480)**	**Apportionment Total**		10,629	506	11,135
			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)	(117,225)
(699)	**(3,165)**	**(3,864)**	Royal Berkshire Fire Authority		(736)	(3,021)	(3,757)
	(10,125)	**(10,125)**	Police and Crime Commissioner			(9,401)	(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)	(151)
(2,642)		**(2,642)**	Less: Increase/ (Decrease) in Provision for Appeals		(1,769)		(1,769)
	518	**518**	Less: S13A Discretionary Reliefs			19	19
(152)		**(152)**	Less: Cost of Collection		(150)		(150)
(74,931)	**(80,110)**	**(155,041)**	**Total Expenditure**		(75,439)	(75,398)	(150,837)
(30,092)	**(598)**	**(30,690)**	**Movement on the fund balance**	4	8,241	1,114	9,355
7,283	**531**	**7,814**	Surplus/(Deficit) brought forward		(958)	(583)	(1,541)
(22,809)	**(67)**	**(22,876)**	**Surplus/(Deficit) as at 31 March**	4	7,283	531	7,814

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)
Business Rate Multiplier - Small Business	49.9p (49.1p 2019/20)

(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.

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	5/9ths	3
A	1,544	1,355	6/9ths	903
B	4,606	4,000	7/9ths	3,111
C	18,149	16,580	8/9ths	14,738
D	9,636	8,988	9/9ths	8,988
E	8,039	7,628	11/9ths	9,323
F	4,999	4,819	13/9ths	6,961
G	2,373	2,300	15/9ths	3,833
H	260	260	18/9ths	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 is 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
05 July 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)

1 PROPERTY, PLANT AND EQUIPMENT

Movements on Balances

				2020/21			
	Other Land & Buildings £000	Vehicles, Plant, Furniture & Equipment £000	Infra-Structure Assets £000	Community Assets £000	Surplus Assets £000	Assets Under Construction £000	Total Property, Plant and Equipment £000
Cost/Valuation							
At 1 April 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 £000	Vehicles, Plant, Furniture & Equipment £000	Infra-Structure Assets £000	Community Assets £000	Surplus Assets £000	Assets Under Construction £000	Total Property, Plant and Equipment £000
Cost/Valuation							
At 1 April 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**

Valuations

DHL property valuations are carried out annually and are therefore included in 2020/21 below.

	Other Land & Buildings £000	Vehicles, Plant Furniture & Equipment £000	Infra-structure Assets £000	Community Assets £000	Surplus Assets £000	Assets Under Construct-ion £000	Total Property, Plant and Equipment £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:

		31 March 2021		
Financial Assets	**Current**	**Long Term**	**Total**	**Fair Value**
	£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**

Financial Assets	Current	31 March 2020 Long Term	Total	Fair Value
	£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 INFRASTRUTURE 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 INITATIVE (PFI)
A Central Government initiative which aims to increase the level of funding available for public services by attracting private sources of finance.

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

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

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

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

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

- one party has direct or indirect control of the other party; or
- the parties are subject to common control from the same sources; or
- one party has influence over the financial and operational policies of the other party to an extent that the other party might be inhibited from pursuing at all times its own separate interest; or

- the parties, in entering a transaction, are subject to influence from the same source to such an extent that one of the parties to the transaction has subordinated its own separate interests.

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:

a) for active members, benefits to which they would unconditionally be entitled on leaving the scheme;
b) for deferred pensioners, their preserved benefits;
c) for pensioners, pensions to which they are entitled.

Vested rights include where appropriate the related benefits for spouses or other dependants.

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Letter of representations: Audit of Group and Council financial statements

19 July 2023

Ernst & Young
R+ Building
2 Blagrave St
Reading
RG1 1AZ

Dear Andrew,

This letter of representations is provided in connection with your audit of the consolidated and Council 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 Council, CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21(as amended by the Update to the Code and Specifications for Future Codes for Infrastructure Assets (November 2022)).

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:

RESOURCES DIRECTORATE

Bracknell Forest Council, Time Square, Market Street, Bracknell, Berkshire RG12 1JD
T: 01344 352000 www.bracknell-forest.gov.uk

Letter of representations: Audit of Group and Council financial statements

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 Council the Accounts and Audit Regulations 2015 and CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21 (as amended by the Update to the Code and Specifications for Future Codes for Infrastructure Assets (November 2022)).

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 Council, in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21 (as amended by the Update to the Code and Specifications for Future Codes for Infrastructure Assets (November 2022)) 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.

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 (as amended by the Update to the Code and Specifications for Future Codes for Infrastructure Assets (November 2022)) for the Group and 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. We believe that the effects of any unadjusted audit differences, summarised in the accompanying schedule, accumulated by you during the current audit and pertaining to the latest period presented are immaterial, both individually and in the aggregate, to the consolidated and Council financial statements taken as a whole.

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.

RESOURCES DIRECTORATE

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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

   - 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 Council, and Governance and Audit committees (or summaries of actions of recent meetings for which minutes have not yet been prepared) held through the year to the most recent meeting on the following date: 21 June 2023.

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

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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 CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21 (as amended by the Update to the Code and Specifications for Future Codes for Infrastructure Assets (November 2022)).

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, 22 September 2021, through 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 on the Group and Council financial statements, in each case or in the aggregate, and (2) ransomware attacks when we paid or are contemplating paying a ransom, regardless of the amount.

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.

E. Going Concern

1. Note 1 to 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, and including events related to the conflict and related sanctions in Ukraine, Russia and/or Belarus, subsequent to year end which require adjustment of or disclosure in the consolidated and Council financial statements or notes thereto.

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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 the 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. Climate-related matters

1. We confirm that to the best of our knowledge all information that is relevant to the recognition, measurement, presentation and disclosure of climate-related matters has been considered, including the impact resulting from the commitments made by the Group and Council, and reflected in the consolidated and Council financial statements.

2. The key assumptions used in preparing the consolidated and Council financial statements are, to the extent allowable under the requirements of CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21(as amended by the Update to the Code and Specifications for Future Codes for Infrastructure Assets (November 2022)), aligned with the statements we have made in the other information or other public communications made by us (see section H).

Reserves

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

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.

RESOURCES DIRECTORATE

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Letter of representations: Audit of Group and Council financial statements

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 specific courses of action on behalf of the entity.
4. We confirm that the disclosures made in the consolidated and Council entity financial statements with respect to the accounting estimate(s), including those describing estimation uncertainty and the effects of the COVID-19 pandemic, are complete and are reasonable in the context of CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21 (as amended by the Update to the Code and Specifications for Future Codes for Infrastructure Assets (November 2022)).
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.

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 sincerely,

____

(Executive Director: Resources)

____

(Chairman of the Governance & Audit Committee)

RESOURCES DIRECTORATE

Bracknell Forest Council, Time Square, Market Street, Bracknell, Berkshire RG12 1JD
T: 01344 352000 www.bracknell-forest.gov.uk

Communication schedule for uncorrected misstatements

Entity: Bracknell Forest Council **Period Ended:** 31-Mar-2021 **Currency:** £

Uncorrected misstatements			Analysis of misstatements Debit/(Credit)									
No.	W/P ref.	Account (Note 1)	Assets Current	Assets Non-current	Liabilities Current	Liabilities Non-current	Equity components	Effect on the current period OCI	Income statement effect of the current period		Income statement effect of the prior period	
		(misstatements are recorded as journal entries with a description)	Debit/(Credit) (Note 2)	Debit/(Credit) (Note 2)	Debit/(Credit) (Note 2)	Debit/(Credit) (Note 2)	Debit/(Credit)	Debit/(Credit)	Debit/(Credit)	Non taxable	Prior period Debit/(Credit)	Non taxable
Factual misstatements:												
	21 BFC	PPE Land Error										
		Surplus on revaluation of PPE						1,991,000				
		PPE (Land)		(1,991,000)								
Judgmental misstatements:												
	21 BFC	Consideration of the impact of Goodwin on Pensions Liability										
		Past service cost						1,267,126				
		Net Pensions Liability				(1,267,126)						
	21 BFC	Variance between the actuary's forecasted contributions for the year of £14,505,000 against actual contributions receivable of £13,729,221										
		Remeasurements of the net defined pension liability (OCI)						775,779				
		Net Pensions Liability				(775,779)						
Total of uncorrected misstatements before income tax			0	(1,991,000)	0	(2,042,905)	0	4,033,905	0		0	
Total of uncorrected misstatements			0	(1,991,000)	0	(2,042,905)	0	4,033,905	0		0	
Financial statement amounts			51,986,000	708,762,000	(69,286,000)	(448,879,000)	(242,583,000)		6,022,000		(11,739,000)	
Effect of uncorrected misstatements on F/S amounts			0.0%	-0.3%	0.0%	0.5%	0.0%		0.0%		0.0%	

		Current period		Prior period
Memo: Total of non-taxable items (marked 'X' above)		0		0
Uncorrected misstatements before income tax	0.0%	0		0
Less: Tax effect of misstatements at current year marginal rate	0%	0		0
Uncorrected misstatements in income tax		0		0
Cumulative effect of uncorrected misstatements after tax but before turnaround	0.0%	0		0
Turnaround effect of prior period uncorrected misstatements		**After tax**	**Memo: Before tax**	
All factual and projected misstatements:		0	0	
Judgmental misstatements (Note 3):			0	
Cumulative effect of uncorrected misstatements, after turnaround effect	0.0%	0		
Current year income before tax		6,022,000		
Current year income after tax		6,022,000		

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TO: GOVERNANCE & AUDIT COMMITTEE – 19 JULY 2023
COUNCIL - 13 SEPTEMBER 2023

STANDARDS ANNUAL REPORT
(Executive Director - Delivery - Legal)

1. PURPOSE OF REPORT

1.1 The attached report (**APPENDIX A**) advises Council of activity within its Standards framework from 1 April 2022 to 31 March 2023

2. RECOMMENDATIONS

That the Council **NOTES**:

2.1 The Standards outputs in 2022/23 as set out in (**APPENDIX B)** of this report

3. REASONS FOR RECOMMENDATIONS

3.1 To keep Council appraised on an annual basis of activity relating to its Standards Regime

4. SUPPORTING INFORMATION

4.1 The Standards Framework comprises a number of elements including the code of conduct for Councillors, rules around disclosure of interests, procedure for dealing with complaints and sanctions for breach. Until its dissolution in November 2016 responsibility for oversight of the Standards Framework vested in the Standards Committee. Subsequently this has transferred to the Governance & Audit Committee.

4.2 The attached report appraises the Council of Standards related activity from 1 April 2022 to 31 March 2023.

5 ADVICE RECEIVED FROM STATUTORY AND OTHER OFFICERS

Borough Solicitor

5.1 The Borough Solicitor is the author of this report.

Director :Finance

5.2 There are no financial implications arising.

6 STRATEGIC RISK MANAGEMENT ISSUES

6.1 None.

Background Papers None.

Contact for Further Information
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APPENDIX A

STANDARDS ANNUAL REPORT 2022/23

1. The Council's Standards Committee was dissolved in 2016 and its functions incorporated into the terms of reference of the Governance and Audit Committee.

Complaints

2. Under the current procedure for the handling of complaints alleging a breach of the Code of Conduct for Members, a complaint is first considered by the Monitoring Officer. The options available to the Monitoring Officer at that stage are:-

- refer for investigation

- refer for some other form of action ("other action")

- determine that no further action is required.("no action")

3 If a complaint is referred for investigation the ensuing report is considered by the statutory Independent Person and the Monitoring Officer. At that stage the options are:-

  - refer to a Code of Conduct Panel for consideration.
  - refer for resolution by some other form of action (e.g. if the investigation finds that there has been a breach and the Member agrees to apologise)
  - no further action required (investigation finds no breach which conclusion is agreed by the independent person and Monitoring Officer)

4. In the period between 1 April 2022 and 31 March 2023 the Monitoring Officer received 18 complaints alleging breaches of Codes of Conduct for Members. The grounds of each complaint and its outcome are set out in the table attached **(Appendix B)**

5. In most cases where no action was taken this decision was preceded by consultation with the Independent Person before being shared with the Complainant and subject member. In accordance with a protocol adopted in 2016, the Party whip was also notified in the case of complaints against ruling Party members.

Nb An Independent Person is a statutory role whom the Monitoring Officer may consult with prior to making a determination on whether or not to investigate a complaint. In 2022 Ms Heather Quillish was appointed to this role replacing the previous incumbent, Dr Louis Lee.

Previous years data

Year	No. of Complaints	Upheld
2008/09	0	0
2009/10	6	2
2010/11	1	0
2011/12	2	0
2012/13	4	0
2013/14	6	0

2014/15	5	0
2015/16	2	0
2016/17	7	0
2017/18	6	0
2018/19	8	1
2019/20	7	1
2020/21	9	2
2021/22	0	0
2022/23	18	0

6. Whilst there was a sharp rise in complaints during 2022/23, thirteen of the eighteen complaints originated from two complainants consequent to largely contained sets of facts. In one series of complaints the complainant sought to highlight perceived breaches of procedure relating to a planning application. In another instance the complainant was a former town councillor whose concerns largely centred around what he considered to be a conspiracy of councillors to ignore his correspondence. In all cases no breaches of the Code were established. The overall figures were therefore consistent in large part to those of previous years. The fact that none were ultimately upheld reflects a continuing overall cultural adherence to the Code within both the Borough and Parish/Town Councils.

7. Whilst the adequacy of sanctions within the Standards regime continues to attract debate nationally there are currently no proposals flowing from the Ministry of Housing, Communities and Local Government to introduce further legislation.

8. One of the recommendations flowing from a report of the Committee for Standards in Public Life (CSPL) published in January 2019 was for the Local Government Association *“to create an updated model code of conduct, in consultation with representative bodies of councillors and officers of all tiers of local government.”*

9. The LGA published a model Code in late December 2020 and it was for individual authorities to determine whether to adopt it. A Code of Conduct Panel was convened by the Authority for this purpose and recommended that its existing Code did not require any significant amendments. Such minor amendments as were recommended by the Panel were subsequently approved by Council and have been incorporated.

Councillors are reminded of their duties both in respect of the rules relating to the registration and disclosure of Interests set out in the Code of Conduct and their behavioural obligations under the Code.

Appendix B

	Date of Complaint	Status of Complainant	Borough or Parish Councillor	Grounds of Complaint	Outcome
1	27 July 2022	Resident	Borough	Using council resources improperly	No action as no evidence of breach
2	30 September 2022	Resident	Borough	Violating planning protocol/bias & predetermination	No action as no evidence of breach
3	30 September 2022	Resident	Borough	Violating planning protocol/bias & predetermination	No action as no evidence of breach
4	30 September 2022	Resident	Borough	Violating planning protocol/bias & predetermination	No action as no evidence of breach
5	30 September 2022	Resident	Borough	Bias & Pretermination	No action as no evidence of breach
6	1 November 2022	Resident	Borough	Bringing the Council or the office of councillor into disrepute	No action as no evidence of breach
7	8 December 2022	Resident	Borough	Failing to make decision on merit	No action as no evidence of breach
8	30 December 2022	Resident	Borough	Failing to treat others with respect	No action as no evidence of breach
9	3 January 2023	Resident	Borough	Bringing the Council/office of Councillor into disrepute	No action as no evidence of breach

10	3 January 2023	Resident	Borough	Bringing the Council/office of Councillor into disrepute	No action as no evidence of breach
11	18 January 2023	Resident	Borough	Improperly using their position to secure an advantage for themselves and/or others or to disadvantage another person/ Bringing the Council or the office of the Councillor into disrepute	No action as no evidence of breach
12	16 February 2023	Resident	Borough	Bringing the Council or the office of councillor into disrepute	Informal resolution
13	21 March 2023	Resident	Borough	Bringing the council or the office of councillor into disrepute	No action as no evidence of breach
14	21 March 2023	Resident	Borough	Bringing the council or the office of councillor into disrepute	No action as no evidence of breach

15	21 March 2023	Resident	Borough	Failing to make a decision on merit	No action as no evidence of breach
16	21 March 2023	Resident	Borough	Discriminating against me/other persons	No action as no evidence of breach
17	21 March 2023	Resident	Borough	Discriminating against me/other persons	No decision taken as Councillor lost seat at local election before Monitoring Officer's enquiries completed.
18	23 March 2023	Resident	Borough	Failing to treat others with respect	Informal apology suggested but no longer a councillor

NB;
Complaints 2-5 and 8-11 arose pursuant to a single planning application and were submitted by two associated residents against several members of the planning committee

Complaints 13-17 were submitted by the same resident against 5 separate councillors

Therefore 13 of the 18 complaints originated from two complainants and this will have impacted on the overall figures for 2022/23.

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