

Notice of Meeting

Governance & Audit Committee

Councillor Allen (Chairman),
Councillor Wade (Vice-Chairman),
Councillors Gbadebo, Mrs Hayes MBE, Heydon, Leake,
Mrs McKenzie-Boyle, Neil and Tullett
David St John Jones, Independent Member

Wednesday 24 July 2019, 7.30 - 9.30 pm

**Council Chamber - Time Square, Market Street, Bracknell, RG12
1JD**



Agenda

Item	Description	Page
1.	Apologies for Absence	
	To receive apologies for absence and to note the attendance of any substitute members. Reporting: Maggie Walker	
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. Reporting: ALL	
3.	Minutes of previous meeting	3 - 8
	To approve as a correct record the minutes of the meeting of the Committee held on 26 June 2019. Reporting: Maggie Walker	
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. Reporting: Maggie Walker	

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5.	Financial Statements 2018/19	9 - 154
	To approve the Financial Statements for 2018/19 and authorise the Chairman of the meeting to sign and date the Statement of Accounts on behalf of the Committee and sign and date the Letter of Representation. Reporting: Stuart McKellar	
6.	External Audit - Audit Results Report	155 - 202
	To receive the report of the Council's external auditor summarising the work carried out to discharge their statutory audit responsibilities. Reporting: Stuart McKellar	

Sound recording, photographing, filming and use of social media is permitted. Please contact Derek Morgan, 01344 352044, derek.morgan@bracknell-forest.gov.uk, so that any special arrangements can be made.

Published: 15 July 2019

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GOVERNANCE & AUDIT COMMITTEE
26 JUNE 2019
7.30 - 8.40 PM

Present:

Councillors Allen (Chairman), Wade (Vice-Chairman), Gbadebo, Mrs Hayes MBE, Heydon, Neil, Tullett and Green (Substitute)

Apologies for absence were received from:

Councillor Leake

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 27 March 2019 be approved as a correct record and signed by the Chairman.

6. Urgent Items of Business

There were no urgent items of business.

7. Annual Governance Statement

Sanjay Prashar, Borough Solicitor, attended the Committee and presented a summary of the Annual Governance Statement for 2018/19.

Members were directed to the Executive Summary which reported on the effectiveness of the Council's governance arrangements during 2018/19 and took note of a diagram of the overview of the Council's governance framework.

The statement included a summary of assurance for each of the seven principles on which the Statement was based, which were:

1. Behaving with Integrity, demonstrating strong commitment to ethical values, and respecting the rule of law
2. Ensuring openness and comprehensive stakeholder engagement
3. Defining outcomes in terms of sustainable economic, social and environmental benefits
4. Determining the interventions necessary to optimise the achievement of the intended outcomes
5. Developing the entity's capacity, including the capability of its leadership and the individuals within it
6. Managing risks and performance through robust internal control and strong public financial Management
7. Implementing good practices in transparency, reporting and audit, to deliver effective accountability

The progress to address 3 important governance improvement areas from 2017/18 were highlighted:

PROPOSED ACTION: Continue to take a proactive approach to counter fraud and whistle blowing, promoting the Council's policies and focussing internal audit activity on areas of high risk.

UPDATE: Fraud Newsletters now produced regularly. Seven fraud awareness training Sessions open to all staff already held in quarter 4 of 2018/19.

PROPOSED ACTION: Review by Standards Framework Working Group of the efficacy of introducing specific requirements in the Councillor Code of Conduct relating to the use of social media.

UPDATE: Social Media Training including in Member Development Programme agreed by Member Development Charter Working Group.

PROPOSED ACTION: To undertake a review of current compliance with GDPR and take any remedial steps as necessary (6 month post implementation review).

UPDATE: Compliance activity undertaken by DPO and IMG against action plan. Update provided to CMT in December 2018.

Sanjay advised the Committee that the key action points – and their owner – for the year ahead were:

- Refresh Council Plan and Director Service Plans (CMT).
- Keep Corporate Business Continuity Management Plan updated and communicate this across the Council (Service Manager, Emergency Planning).
- Review Strategic Risk Register to align with manifesto commitments (Head of Audit & Risk Management).
- Directorate Risk Registers to be put in place for all directorates reflecting new structure (Directors).
- Update Information Governance procedures (Data Protection Officer).
- Submit 2019/20 NHS Data Security and Protection Toolkit (Data Protection Officer).
- Cross Council Information Asset Register and Data Retention/Disposal schedules to be updated to improve records management regime (Data Protection Officer).
- Ensure provision of induction training for new Members (Head of Democratic & Registration Services).
- Monitoring of actions to address common areas of weakness (CMT).
- Monitoring of all limited assurance audit reports (DMTs).

In response to questions from Members, Sanjay Prashar, Borough Solicitor advised the Committee that:

- Three training sessions were planned on Code of Conduct for Members which Sanjay would be running.
- Members and officer relations training had taken place which was well attended. Councillor Peter Heydon said this training had been excellent and was carried out by Bethan Evans, a well-known lawyer in local government, who would also be carrying out DMT training.
- The intention was for Parish and Town Councillors to attend future training.

RESOLVED: that the draft Annual Governance Statement and action plan appended to it be approved.

8. Annual Standards Report

Sanjay Prashar, Borough Solicitor, presented a summary of the Annual Standards Report.

The report set out the current framework for the handling of complaints alleging a breach of the Code of Conduct for Members.

The data showed an increase in complaints received in 2018/19 from the 10 previous years; the figure being 9 complaints against a high of 7 complaints in 2016/17. The majority of complaints received in 2018/19 were against Parish and Town Councillors, and the grounds for each complaint and outcome were set out in appendix B of the Report.

Following a consultation on Local Government Ethical Standards launched in January 2018 by the CSPL, the findings of the review were published in a report in January 2019. Members were directed to the reports main recommendations for central government which were not expected to be made into legislation for some time. The recommendations included the reintroduction of the power to suspend Councillors for a period of up to six months and also for Councillors to be given the right to appeal to the Local Government Ombudsman against such a sanction.

The report also included a list of best practice recommendations directed to local authorities, most of which were already adopted by the Council. Where there was some divergence, those areas would form the basis of a separate report later in the year following consideration by the Code of Conduct Working Group.

In response to discussion and questions from Members, Sanjay Prashar, Borough Solicitor advised the Committee that:

- It was believed the Council had only one Independent Person, Louis Lee, who worked alongside the Monitoring Officer to consider investigative reports as a result of a complaint received against Members. Sanjay said an appointment process had been undertaken and Louis was the only successful candidate.
- The CSPL report would examine if Members were acting in capacity as a Councillor or acting in their personal capacity with reference to complaints made against them in all areas, including social media.
- It was discussed whether consideration given to any divergence in the best practice recommendations by the Code of Conduct Working Group could be overridden by the Government review taking place. Sanjay thought there was not likely to be any override and that it was important to consider which recommendations the Council adopted in terms of best practice. David St John Jones volunteered himself as Independent Member to go through the best practice recommendations and confer with the Monitoring Officer as to whether any that were not already found in the Council's Code of Conduct ought to be incorporated.

RESOLVED that:

- 1 The Standards outputs in 2018/19 as set out in appendix B of the Annual Standards Report be noted.
- 2 The Best Practice recommendations set out in the report of the Committee for Standards in Public Life (CSPL) into ethical standards in appendices C and D and the proposal in paragraph 11 of the Annual Standards Report for these recommendations to be considered by the Monitoring Officer in consultation

with the Independent Member of the Committee with a view to any changes to the Council's Standards Framework agreed by the Panel being presented to Council later in the year for adoption.

9. Strategic Risk Update

Sally Hendrick, Head of Audit and Risk Management attended the Committee and presented the Strategic Risk update.

The Strategic Risk Register was last reviewed by the Governance and Audit Committee on 30 January 2019, by SRMG on 8 May and by CMT on 5 June 2019. Key proposed changes reviewed and agreed at SRNG and CMT were:

- To add a risk on internal control weaknesses as identified in the Head of Internal Audit Annual Opinion which was currently being investigated and actioned by the Corporate Management Team;
- To add a risk on continuing health care;
- To increase the Finance risk due to uncertainty around level of future central government funding and delays in delivering transformation savings. This mirrored the increase in risk in the Central directorates risk register;
- To increase the transformation risk due to pressure on transformation savings;
- To increase the business continuity risk firstly due to recent incidents that have highlighted weaknesses and gaps in out of hours IT support and the need for service areas to have a clearer understanding of systems and functionality and how to instigate business continuity processes in the event of an incident and secondly as a result of the findings of the review of business continuity across the authorities in the emergency planning shared service.

Comment was made that risk 12 of the Register - *Business Continuity Plans and procedures inadequate or not clearly communicated and understood* – should have a current rating of red, and not amber, if the unmitigated and current residual risk rating were both 4 x 4, and in light of the fact that the risk had increased over the last 3 years. Sally Hendrick agreed with this assessment and said the scoring would be revisited.

Sally advised the Committee that Risks do drop out of the Register and when that occurs they remain in view and continue to be monitored.

It was noted there was a new Risk to the Register – *Continuing Health Care*. A question arose from the Committee as to why the rating was amber when the rationale for the score described the potential for considerable financial impact to the Council. Sally Hendrick agreed this was confusing and said the Risk was very new and still being looked at and that an External Consultant was due to undertake a review of CHC. Stuart McKellar, Director of Finance, said the Risk had been discussed earlier in the day at CMT and from this it discussion at CMT the rating should be changed to red.

With regard to Risk 10 - *IT controls or staff vulnerabilities fail to prevent a cyber attack and/or unable to respond effectively to an attack to enable IT services to be sustained* – Sally Hendrick said that ICT had provided the description and risk scores. David St John Jones said the Risk Register must reflect what the current situation was and he sought assurance that ICT were responding to the Risk as a priority.

It was discussed that the Officers who did the scoring must understand there would be scrutiny applied to their rating and there was an expectation for them to explain how they arrived at their conclusions.

It was agreed that the Risk Owner for Risks 10 and 12, the Executive Director: Delivery would attend the September meeting to explain their findings.

10. **Internal Audit Annual Assurance Report 2018/19**

Sally Hendrick, Head of Audit and Risk Management presented the Internal Audit Annual Assurance Report 2018/19.

Sally Hendrick directed Members to her overall opinion in the Report concluding that Limited Assurance could be given that the framework of internal control, risk management and governance was adequate during 2018/19 as a whole.

The Report contained details of audits where a Limited Assurance/priority 1 recommendation had been given including one area of concern, debt management which had been highlighted as a concern across several audits in addition to the Council wide audit of debt management.

Concern was raised in respect of Creditors System where Limited Assurance had been given for the past four years. Stuart McKellar said this was largely due to a glitch in the Agresso system. A senior consultant, who happens to be an expert in Agresso, has been covering long-term sickness in the department, and if any problems occur, he will be able to dig deep to find out what the issue is. Stuart McKellar added that the issues usually related to the workflow after authorisation.

The Chairman said as the Executive Director, Delivery was attending the next meeting, he would be able to update on the Delivery audits where a Limited Assurance had been given, some of which were repeats on previous years.

Discussion took place about audits being deferred due to a lack of resource within departments which was putting pressure on the delivery of the Annual Audit Plan. Sally said when faced with a request for deferring she had no option other than to assume the area remained at its previous assurance level. Stuart McKellar advised members that CMT had requested quarterly updates from Sally, focusing on Limited Assurances and to be notified of any requests for deferral and the rationale for them. The Chairman proposed that the report on deferrals given to CMT be brought to the September meeting for review by the Committee; the proposal was seconded by Councillor Peter Heydon and all other Members were in favour.

The People Directorate had the most Limited Assurances in 2018/19. Sally said she understood that, the Directorate needed time to address the audit findings. In some cases, they were also focusing on a wider review of some of their services rather than prioritising the specific issues which had been identified by the audits

With regard to absence management, one priority 1 recommendation had been raised in October 2018 in relation to uncertainty about the completeness of sickness recorded. The audit had focused on whether staff were disclosing that they were sick and whether managers were managing the sickness absence properly. Sally said that automated reports had been introduced that were sent to managers which showed the level of absence recorded within teams for managers to check completeness. However, HR & OD had committed to further automating the reports to provide for a facility whereby managers had to confirm they had spoken to team members in order to confirm that absence reporting was correct for the reporting period.

Councillor Michael Gbadebo asked whether the departments carrying out a wider review of their services were taking into account the issues which had already been identified. Sally said she assumed that was the case as it was incumbent on managers to respond to the Limited Assurance reports. Sally added that it had been conveyed to the Director for People that it would be made clear to Heads of Service and the Assistant Director the expectation as to what action they should take in response to Limited Assurance reports.

RESOLVED: That the Annual Report by the Head of Audit and Risk Management setting out the Head of Internal Audit's Opinion for 2018/19 be noted.

CHAIRMAN

**TO: GOVERNANCE AND AUDIT COMMITTEE
24 JULY 2019**

**FINANCIAL STATEMENTS 2018/19
Director: Finance**

1 PURPOSE OF REPORT

- 1.1 In accordance with the Accounts and Audit Regulations 2015, the Director: Finance signed the draft 2018/19 Statement of Accounts on 29 May 2019. Copies of the accounts were made available on the Council's website. The accounts were then subjected to audit by Ernst and Young LLP.
- 1.2 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 2018/19 attached at Annexe A;**
- 2.2 **Authorises the Chairman of the meeting to sign and date the Statement of Accounts on behalf of the Committee;**
- 2.3 **Authorises the Chairman of the meeting to sign and date the Letter of Representation set out in Annexe B.**

3 REASONS FOR RECOMMENDATIONS

- 3.1 The Accounts and Audit 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 2018/19

- 5.1.1 The Council, at its meeting on 28 February 2018, set a revenue budget for the 2018/19 financial year of £83.655m. The actual outturn for the General Fund is within budget with an under spend of -£2.528m, due in large part to a VAT refund of £2.3m which was received during the year. This is the twenty-first consecutive year the Council has managed to spend within its budget. As a result of the under spend the Council was able to return £0.013m to General Reserves rather than withdrawing the £2.515m included in the Budget.

- 5.1.2 The most significant variances were:

Unrestricted

- Within Children's Social Care there were additional costs as a consequence of an increase in the number of children being looked after. Care and accommodation costs exceeded the budget (£0.085m following an allocation of £2.134m from the Contingency Fund) as did employee costs (£0.086m). The increase in court cases also contributed to additional Special Guardianship Orders (£0.073m).
- An over spend within the Adult Community Team on residential costs and community services (£0.374m) partly offset by under spends within the team relating to staff vacancies (-£0.184m).
- An under spend within Housing Strategy primarily due to the funding of the adaptations team from grant and vacant posts (-£0.170m), additional government grant and vacant posts within the Housing Benefits Team (-£0.215m) and recovery of Housing Benefit overpayments during the year resulting in additional net income (-£0.468m).
- An over spend on directorate wide budgets within People due to delays in completing the Senior Leadership Restructure and additional transformation costs (£0.414m).
- Within Delivery the sale of Easthampstead Park Conference Centre was delayed resulting in additional one-off costs being incurred (£0.308m). The Car Parks under achieved on income (£0.357m) and additional running costs were incurred (£0.316m). There were however under spends in ICT (-£0.372m) and Waste Management (-£0.352m), and additional income from legal fees and the Cemetery and Crematorium (-£0.285m).
- Within Central under spends on Concessionary Fares (-£0.288m) and audit fees (-£0.095m) and additional income (-£0.431m), in particular from CIL and streets works.
- A significant under spend on interest budgets (-£3.369m), due to the Council taking advantage of short term interest rates, additional interest income and higher cash balances reducing the need to borrow.
- Higher than forecast capital receipts in 2016/17 and significant capital carry forwards into 2017/18 helped to create an under spend against the Minimum Revenue Provision (-£0.415m).
- A net over-achievement of Business Rates income, primarily due to additional income from Section 31 grants and the Council's share of the surplus on the Central Government Levy Account (-£0.874m).
- An under spend on Council Wide budgets primarily relating to the purchase of commercial properties which has progressed more rapidly than originally anticipated, allowing additional net savings to be generated in year (-£1.007m).
- A VAT refund relating to the overpayment of VAT on leisure income between 2010 and 2018 (-£2.299m).
- Transfers into the Transformation (£2.060m), Structural Changes (£1.500m) and Town Centre (£1.150m) Reserves partly funded by the closure of the Commercial Properties Acquisition Reserve (-£0.125m). Creation of new reserves for Schools Support (£0.350m), IT Transformation (£1.000m), Feasibility Studies (£0.500m) and Community Capacity (£1.260m).

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

5.2 Changes to Accounting Policies and Disclosure Requirements

5.2.1 The changes required under IFRS 9 Financial Instruments have now been incorporated into the financial statements. These changes include new classification and measurement requirements for financial assets, a new credit loss impairment model and new disclosure requirements. The financial assets held by the Authority will move from the Loans and Receivables category to Amortised Cost but will be accounted for on a similar basis. In addition, the high credit quality adopted by the Council for any of its investment counterparties and the fact that the investment in Downshire Homes Ltd is secured against the property assets has mitigated the impact of the new credit loss model. The new standard IFRS 15 Revenue from Contracts with Customers adopted this year, which potentially affects when revenue is reflected in the accounts, has had no material impact on the Council because of the types of income we collect.

5.3 Comprehensive Income and Expenditure Statement (CIES)

5.3.1 The Statement shows a deficit on the Provision of Services of £39.4m. 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 -£0.6m 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.

5.3.2 The loss on the disposal of Property, Plant and Equipment in 2018/19 does not impact on taxation and primarily relates to the transfer of the King's Academy Binfield school (£40.1m) to the King's Group of Academies and the loss arising from the replacement of parts of assets, for example road resurfacing.

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 increased by £1.8m to £10.3m (page 92 of the Financial Statements).

5.4.2 The increase 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

Unrestricted

- 5.5.1 These are the reserves of the authority at 31 March 2019, 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 Director: Finance 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 2018/19 Report on 23 July 2019. The Council's Reserves and Balances Policy Statement which sets out the purpose of each reserve was included at Annex D to that report. Earmarked Reserves totalling £49.8m, an increase of £19.1m on last year's figure, are summarised on page 83 of the Financial Statements. The largest movement in the year related to the Future Funding Reserve (an £11.2m increase to £19.8m) which related to gains from the Council being part of the Berkshire Business Rates pilot and was anticipated when the 2018/19 budget was approved. Other changes arose from Section 31 grant receipts and the projected surplus on the Collection Fund from 2017/18. 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 adjustment accounts which deal with situations where income and expenditure are recognised statutorily against the General Fund balance on a different basis from that expected by the Accounting Code of Practice.

General Reserves

- 5.5.5 The General Reserves balance at 31st March 2019 was £9.1m. Of this, £2.6m will be used to finance the 2019/20 budget, leaving £6.5m available (of which £4m is determined as the minimum prudent level).

5.6 Other Balance Sheet Items

- 5.6.1 The Balance Sheet shows that the Council holds Long Term Assets valued at £658.4m (excluding pension assets), with Other Land and Buildings (OLB) at £401.4m representing the most significant category. The overall value has increased by £11.9m compared to 2017/18. The most significant movements include:
- a significant decrease in assets under construction reflecting the completion of a number of assets, in particular King's Academy Binfield;
 - increases in Investment Property primarily due to the purchase of three properties during the year;
 - an increase in Long Term Debtors resulting from a further loan to Downshire Homes Ltd.
- 5.6.3 Due to its significant capital programme the Council began borrowing externally in 2016/17. A further £10.0m was borrowed from the Public Works

Loans Board on a long term basis in 2018/19 and short term borrowing also increased by £5.1m to £35.1m.

5.7 Capital Financing Requirement

5.7.1 Due to the significant capital spend during the year, the Council's Capital Financing Requirement (CFR) increased by £31.8m to £217.9m as at 31 March 2019. 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 20 of the Financial Statements.

5.8 Audit of Accounts

5.8.1 The draft accounts have been subject to scrutiny by the Council's external auditor. Following the audit of the accounts an adjustment was required to the value of a number of property assets, in particular schools, within Property, Plant and Equipment to ensure that the value in the Balance Sheet as at 31 March 2019, based on the movement in construction indices, was materially correct. This adjustment (£11.5m) has had no impact on the Council's performance or Reserves.

5.8.2 In 2015 the Government introduced reforms to public sector pensions. In December 2018, the Court of Appeal ruled (the McCloud judgement) that the 'transitional protection' offered to some members of the judges and fire fighters' schemes as part of the reforms amounted to unlawful discrimination against younger employees. At the time the draft accounts were produced it was felt that the impact on the Local Government Pension Scheme was too uncertain to warrant an adjustment to the pension disclosures or a contingent liability. The position has moved on since this time, with the Government's loss of the right to appeal to the Supreme Court and the publication of some early projections of possible impact by the Government Actuaries Department. Ernst and Young's view was that a constructive obligation exists and a reasonable estimate of the impact can be made. An impact analysis was therefore requested from the actuary which demonstrated that the overall impact was potentially an increase in liabilities of the order of £4.4m. The opportunity was also taken to seek updated pension asset values from the actuary. Using asset values as at 31 March 2019 rather than an estimate at 31 January has resulted in a reduction in overall asset values and a further increase in the net pension liability (£3.5m). Both changes have now been reflected in the accounts included at Annexe A.

5.8.3 The Annual Governance Statement has also been amended following comments from the auditors, primarily to make more direct reference to the Head of Audit's Annual Report which was considered by the Committee at its meeting in June.

5.9 Letter of Representation

- 5.9.1 The Letter of Representation (Annexe B) 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 2019 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 Director; Finance.

6 ADVICE RECEIVED FROM STATUTORY AND OTHER OFFICERS

Borough Solicitor

- 6.1 The Accounts and Audit Regulations 2015 require the 2018/19 Statement of Accounts to be formally approved by Members (a Committee or Council) and signed by the Chairman / Mayor and the appointed auditor by 31 July 2019.

Director: Finance

- 6.2.1 The Financial Statements 2018/19 is the published document which includes the 2018/19 Statement of Accounts. The Statement of Accounts includes the Movement in Reserves Statement, Comprehensive Income & Expenditure Statement, Balance Sheet, Cash Flow Statement, Collection Fund and Group Accounts together with notes which expand and explain the information in these statements.

Equalities Impact Assessment

- 6.3 None required.

Strategic Risk Management Issues

- 6.4 There are none arising directly from this report.

7 CONSULTATION

Not applicable.

Contacts for further information

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Financial Statements 2018/19

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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 123 to 129.

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 Annual Governance Statement** which accompanies the accounts and has been signed by the Chief Executive and Leader of the Council, after being approved by the Governance and Audit Committee. It explains the arrangements the Council has for the governance of its affairs and for ensuring that there is a sound system of internal control;
- **The Independent Auditor's Report** which includes the auditor's opinion on the Statement of Accounts and assesses the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources.
- **The Statement of Accounts** which incorporates the following main statements and related notes:
 - **The Statement of Responsibilities** which sets out the respective responsibilities of the Council, the Governance and Audit Committee and the Director: Finance.
 - **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.

2 Revenue Expenditure

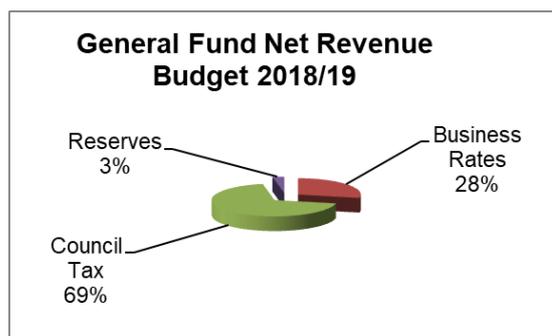
The Council, at its meeting on 28 February 2018, set a revenue budget for the 2018/19 financial year of £83.655m. The total authorised General Fund net expenditure for the 2018/19 financial year was £86.910m (including parish precepts of £3.255m). Further increases to service budgets can be approved if they are financed from earmarked and other reserves. When these further budgets are approved an equivalent sum is transferred from the reserve to the revenue account. These transfers do not have an impact on the overall budget.

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

The large proportion met from Business Rates reflects the large surplus on the Collection Fund in 2017/18 (-£3.0m), which impacts on the 2018/19 budget, and the Council forming part of the Berkshire Business Rates Pilot which resulted in an increase in Business Rates income, with an associated removal of Revenue Support Grant. The table on page 6 compares actual outturn expenditure incurred with the amended budgets for the year for the General Fund. This table reflects the Council's directorate structure from 1 September 2018, which is the basis for the internal management of performance against budgets, as does the Comprehensive Income & Expenditure Statement. A new directorate structure was introduced by the Council on that date effectively merging the Children, Young People

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and Learning and Adult Social Care, Health and Housing departments into the People Directorate with the remaining services split between the Central and Delivery directorates.



Changes in capital charges (£8.4m) and pension adjustments (-£3.8m) account for most 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 allocations from the Contingency Fund (£2.1m) and other Council Wide Budgets (-£2.6m).

Council spending was within budget for the twenty-first successive year. From the table on page 6 it can be seen that an under spend of -£2.528m occurred on the General Fund. This broadly reflects the position reported during the year that additional one-off income from a refund of VAT from HMRC relating to leisure services would be used to replace the planned use of general reserves to support the budget. 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

- The anticipated increase in bus passenger numbers following the opening of the regenerated town centre did not materialise, resulting in an under spend on Concessionary Fares (-£0.288m).
- A lower level of external and internal audit fees within Finance (-£0.095m).
- Additional income for the administration of the Community Infrastructure Levy (-0.212m), for Suitable Alternative Natural Greenspaces (SANGS) capacity (-£0.051m) and from streets works permits and penalties (-£0.168m).

Delivery

- An over spend on Industrial and Commercial Properties, primarily due to vacant properties across the portfolio (£0.205m) partly offset by an under spend on Construction and Maintenance (-£0.052m).
- An under spend in the Operations Unit primarily from reduced Home to School Transport costs and additional income (-£0.174m).
- The sale of Easthampstead Park Conference Centre was delayed resulting in additional one-off costs being incurred (£0.308m).
- An under spend at the Look Out, primarily relating to equipment and additional income (-£0.117m) plus under spends within Customer Services on licences (-£0.072m) and within Member and Mayoral Services (-£0.031m).
- An under spend within Legal Services primarily from additional fee income (-£0.203m) and additional income at the Cemetery and Crematorium (-£0.082m).

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- An under spend in ICT relating to licence and maintenance costs, equipment, mobile telephones and consultants fees (-£0.372m).
- An under spend on Waste Management resulting from a VAT adjustment and additional income (-£0.352m).
- The Car Parks under achieved on income (£0.357m) and additional running costs were incurred (£0.316m).
- An over spend on the leisure contract due to additional running costs and loss of income while repairs were carried out (£0.285m).
- Under spends on a number of other contract areas including street cleaning (-£0.030m), grounds maintenance (-£0.037m)
- An under spend on staffing budgets across the directorate due to a high number of vacancies (-£0.152m).

People

- Within Children's Social Care there were additional costs as a consequence of an increase in the number of children being looked after, where 135 high cost care packages were required compared to 121 provided for in the budget. Care and accommodation costs exceeded the budget (£0.085m following an allocation of £2.134m from the Contingency Fund) as did employee costs (£0.086m). The increase in court cases also contributed to additional Special Guardianship Orders (£0.073m). There were also increases in costs relating to foster care initiatives (£0.076m) and supporting families with no recourse to public funds (£0.060m). These costs were partly offset by under spends on care leavers maintenance grants and direct payments (-£0.124m).
- An over spend within the Adult Community Team on residential costs and community services (£0.374m) partly offset by under spends within the team relating to staff vacancies (-£0.184m).
- Under spends within the Community Team for People with Learning Disabilities relating to staff vacancies and the Learning Disability Development Fund (-£0.137m).
- Under spends within Intermediate Care (-£0.191m), within Waymead due to additional income and staff vacancies (-£0.178m) and on the discretionary budget for grants and donations (-£0.126m).
- An under spend within Housing Strategy primarily due to the funding of the adaptations team from grant and vacant posts (-£0.170m), additional government grant and vacant posts within the Housing Benefits Team (-£0.215m) and recovery of Housing Benefit overpayments during the year resulting in additional net income (-£0.468m).
- An under spend on the Community Equipment budget primarily relating to resources from the Better Care Fund (-£0.139m)
- An under-achievement of income and additional costs within Forestcare (£0.103m).
- An over spend on directorate wide budgets due to delays in completing the Senior Leadership Restructure and additional transformation costs (£0.414m).

Non-Departmental / Council Wide

- A significant under spend on interest budgets (-£3.369m). The considerable uncertainty surrounding Brexit and the UK economy has been reflected in short-term interest rates remaining low which the Council has been able to take advantage of – saving up to 1% on market rates. Additional income has been generated from the Pension Pre-payment and the loan to Downshire Homes Ltd. The remaining underspend has arisen from significantly higher cash balances during the year due to slippage on the Capital Programme, additional income from the Business Rates Pilot scheme and CIL, and the use of grants rather than

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borrowing to fund schemes. Part of this saving is one-off, with the remainder having been included in the 2019/20 budget.

- Internally funded capital expenditure was financed from internal borrowing to spread the cost impact on revenue. The capital expenditure charged to the General Fund budget was therefore not required (-£0.172m). Higher than forecast capital receipts in 2017/18 and significant capital carry forwards into 2018/19 helped to create an under spend against the Minimum Revenue Provision (-£0.415m).
- A net over-achievement of Business Rates income, primarily due to additional income from Section 31 grants and the Council's share of the surplus on the Central Government Levy Account (-£0.874m).
- An under spend on Council Wide budgets primarily relating to the purchase of commercial properties which has progressed more rapidly than originally anticipated allowing additional net savings to be generated in year (-£1.007m).
- The Council has been trying to reclaim VAT on leisure income for a number of years, arguing that the sale of sporting and leisure services should be exempt from VAT. The outcome of a court case last year which ruled in favour of a London council prompted the submission of a revised claim for overpaid VAT for the period 2010 to 2018. This claim proved successful (-£2.299m).
- Transfers into the Transformation (£2.060m), Structural Changes (£1.500m) and Town Centre (£1.150m) Reserves partly funded by the closure of the Commercial Properties Acquisition Reserve (-£0.125m). Creation of new reserves for Schools Support (£0.350m), IT Transformation (£1.000m), Feasibility Studies (£0.500m) and Community Capacity (£1.260m).

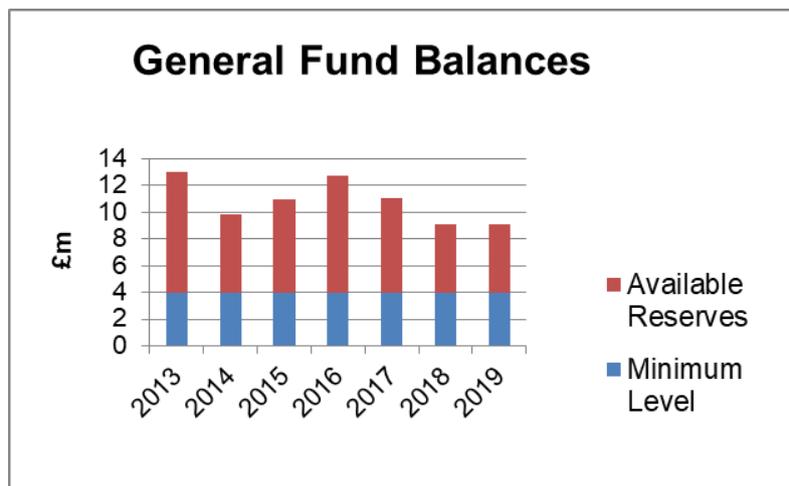
Information on key performance indicators is included in quarterly service reports, presented to the Overview and Scrutiny panels.

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GENERAL FUND	Original Budget £000	Latest Budget £000	Actual £000	Variance £000
Central	9,028	9,684	8,842	(842)
Delivery	29,355	34,482	34,198	(284)
People	66,536	63,372	62,753	(619)
Net cost of General Fund services	104,919	107,538	105,793	(1,745)
VAT refund	0	0	(2,299)	(2,299)
Capital Charges & Revenue Expenditure Funded from Capital Under Statute	(14,560)	(22,949)	(22,949)	0
Capital Expenditure Charged to the General Fund	0	172	0	(172)
IAS 19 Pension Adjustment	(10,580)	(6,773)	(6,773)	0
Council Wide Services including Business Rates Growth	(13,120)	(11,751)	(13,686)	(1,935)
Interest Receipts	0	(55)	(969)	(914)
Interest Payable	3,326	6,039	3,584	(2,455)
Minimum Revenue Provision	1,816	2,213	1,798	(415)
Levying Bodies	111	113	108	(5)
S106 Contributions to Revenue	0	(680)	(680)	0
Contribution to Capital Reserves	(200)	0	0	0
Contingency	2,500	264	0	(264)
EU Exit Preparation Grant	0	(105)	(105)	0
New Homes Bonus Grant	(1,767)	(1,767)	(1,772)	(5)
Flood, Travel Related and Brexit Grants	(4)	(4)	(18)	(14)
Net Budget Requirement	72,441	72,255	62,032	(10,223)
Parish Precepts	3,255	3,255	3,255	0
Contributions to/(from) Earmarked Reserves	11,214	11,400	19,095	7,695
Amount to be met from Government Grants and Local Taxation	86,910	86,910	84,382	(2,528)
Resources To Finance Above				
Council Tax Payers	(60,600)	(60,600)	(60,600)	0
Collection Fund Surplus	(3,160)	(3,160)	(3,160)	0
Business Rates (locally retained element)	(20,635)	(20,635)	(20,635)	0
Contribution to/(from) General Reserves	(2,515)	(2,515)	13	2,528
Total Resources	(86,910)	(86,910)	(84,382)	2,528

4 General Reserves

As the actual outturn for 2018/19 was an under spend of -£2.528m, the Council has been able to return £0.013m to General Reserves rather than withdrawing £2.515m as was budgeted. This means that more resources are available to assist the Council with balancing future years' budgets. The General Reserves balance at 31st March 2019 was £9.060m. The following chart shows the movement in the level of General Fund Balances including the minimum recommended prudent balance, which remains at £4m.



5 Pension Reserve

The Statement of Accounts has been prepared in accordance with International Accounting Standard 19 – Employee Benefits (IAS 19). Although IAS 19 has not directly affected the net outturn position, the Council's Balance Sheet includes a pension liability and a pension reserve of £269.4m as at 31 March 2019. 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 2016, the employer future service funding rate was set at 14.3% of pensionable pay with the variable past service deficit element paid as a lump sum in each financial year (£2.489m in 2018/19).

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 three main sources:

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

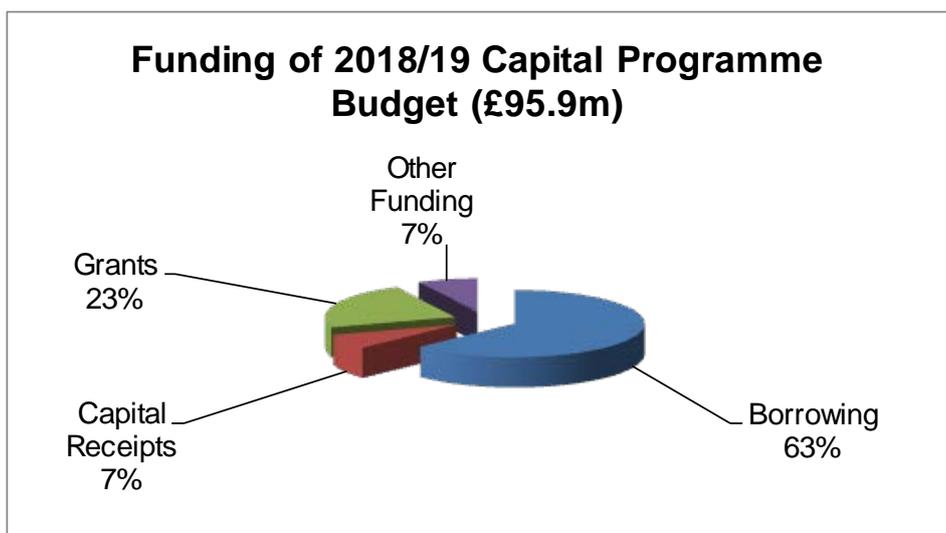
The Council had been heavily reliant on housing sales to generate new capital receipts. Following the transfer of the housing stock to Bracknell Forest Homes (now Silva Homes) in 2007/08, the Council received a share of any Right-To-Buy (RTB) proceeds in addition to a share of capital receipts from a VAT Shelter scheme. However this agreement was for 10 years only and ceased in 2017/18.

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The disposal of other assets has become increasingly important to the capital programme; however it is important to give full consideration to options available when assets are no longer required for operational purposes. All surplus, or potentially surplus, property is therefore reported to every meeting of the Asset Management Group (AMG) who coordinate and manage the Council's disposal programme. The Council is also exploring other options in addition to disposal including a property joint venture in order to secure maximum benefit from its surplus assets, including the creation of on-going revenue income streams.

As the Council's accumulated capital receipts have been fully utilised the Council has to fund part of the 2018/19 capital programme from internal or external borrowing. 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 £59.2m for 2018/19 (including £1m for unspecified Invest to Save Schemes), plus a further £36.7m carried forward from 2017/18, to be funded as shown in the following chart.

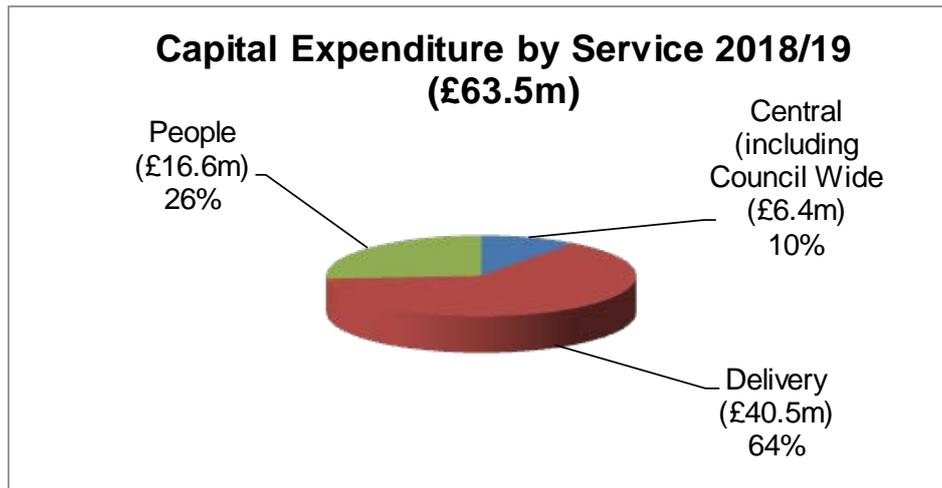


The Council actually spent £63.5m on capital projects in 2018/19 to maintain and enhance existing assets and to create or purchase new assets. Many schemes included in the capital programme are both technically and logistically complex to implement. Issues such as planning approvals, land transfers and 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.

Three commercial investment properties were purchased during the year with the primary aim of generating additional income for the Council to support front line service delivery. A further capital loan (£7.5m) was also made to Downshire Homes Ltd which 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. In the third year of trading the company acquired a further 24 properties and now owns 63 of which 58 are used as homeless accommodation and five as shared accommodation for people with learning disabilities.

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The following chart illustrates the expenditure by service, with details of individual schemes and financing being provided in the table on page 10.



During the year, £7.0m of capital receipts were used to fund capital expenditure. The most significant receipts were from the sale of land and buildings (£6.5m).

The net increase (after repayments) in the Council's Capital Financing Requirement (CFR) was £30.8m to £217.9m as at 31 March 2019. 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. The Council borrowed an additional £10m on a long term basis from the Public Works Loans Board in 2018/19 and held £35m on a short term basis with a number of organisations at the year end to help finance capital expenditure (see Note 35). 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 20.

The value of the Council's Long Term Assets was £658.4m as at 31 March 2019.

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CAPITAL PROGRAMME EXPENDITURE 2018/19		
	£000	£000
Central (including Council Wide Schemes)		
Access, Mobility, Transport and Travel Choice	110	
Local Safety Schemes	52	
Traffic Management	249	
Leisure - Outdoor Recreation	419	
Residential Street Parking	257	
Town Centre Improvement (including artwork)	2,336	
Martins Heron roundabout	1,985	
Downshire Way Duelling	661	
A3095 Improvement Scheme	147	
Other Schemes	177	6,393
People		
Kingswood Academy	4,357	
Other Primary School Projects	950	
Other Secondary School Projects	698	
Delegated Schools Capital	263	
Maintenance of Buildings	1,501	
Heathlands Re-development	205	
Loan to Downshire Homes Ltd	7,479	
Other Housing Schemes	922	
Other Schemes	200	16,575
Delivery		
Highways	3,347	
Improvements and Capital Repairs	1,070	
Replacement of LED Street Lights	2,440	
Purchase of Commercial and Investment Properties	28,484	
Civic Accommodation	476	
Bracknell Leisure Centre	1,972	
Cemetery and Crematorium	560	
Libraries	877	
ICT Schemes	877	
Other Schemes	404	40,507
Total Capital Expenditure 2017/18		63,475
FINANCING:		
Capital Receipts		7,047
Capital Grants & Contributions (incl. Community Infrastructure Levy)		23,716
Increase in Capital Financing Requirement		32,712
Total Financing		63,475

7 Changes to Accounting Policies

The changes required under *IFRS 9 Financial Instruments* have now been incorporated into the financial statements. These changes include new classification and measurement requirements for financial assets, a new credit loss impairment model and new disclosure requirements. The financial assets held by the Authority will move from the Loans and Receivables category to Amortised Cost but will be accounted for on a similar basis. In addition, the high credit quality adopted by the Council for any of its investment counterparties and the fact that the investment in Downshire Homes Ltd is secured against the property assets has mitigated the impact of the new credit loss model.

The new standard *IFRS 15 Revenue from Contracts with Customers* adopted this year, which potentially affects when revenue is reflected in the accounts, has had no material impact on the Council because of the types of income we collect.

8 Provisions and Write-offs

The provision for Business Rates appeals is required to cover the liabilities arising from the refunding of ratepayers who successfully appeal against the rateable value of their properties on the rating list. The Council's share of the provision has increased by £1.8m to £9.4m to reflect the latest information on appeals and the fact the Council was in a 100% retention pilot in 2018/19. The position is increasingly difficult to predict following the 2017 valuation and the Valuation Office Agency's new Check, Challenge, Appeal process.

General Fund write-offs totalling £0.310m were made in 2018/19 the majority of which related to Adult Social Care.

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. Currently the retail market is challenging, but The Lexicon is bucking the national trend with strong footfall and sales figures and the addition of a number of new retailers.

In February, the Council approved an additional £4.5m of funding which will contribute to the further regeneration of the town centre, enabling exciting plans for The Deck and the full refurbishment of Princess Square to be implemented. The Deck is another part of The Lexicon which is due to provide additional retail, restaurant and leisure space on the site of the old Bentalls store. Princess Square's full facelift will make it more modern, light, bright and airy and enable it to house a range of shops and leisure facilities. The council has agreed the funding to help its development partner, Bracknell Regeneration Partnership (BRP) deliver the two schemes as part of its commitment to provide a fully regenerated town centre fit for the 21st Century. The redevelopment of the two sites, a £30m project in total, will benefit the borough's residents, visitors, and businesses - encouraging additional economic prosperity for Bracknell Forest and increasing the diversity of shops and leisure facilities in the town centre. Both schemes will start in 2019 with The Deck expected to be completed in 2021. This agreement with BRP also includes the transfer of land ownership around the current bus station to the Council as well as the Council benefiting from future rental uplifts in Princess Square.

10 Forward Look

2019/20 is the final year of the Government's 4 year financial settlement for local authorities. By April 2020 the Council expects to receive no government grant to support its day to day services. Instead, it will be reliant on income from Council Tax and a share of the rates payable by businesses based in the local area. Alongside this, like most local authorities we are seeing rising demand for our services, most notably those we provide for vulnerable children and adults. Our budget plans have allowed £1.9m of additional funding for these services alone, with an extra £1.3m related to all other services.

To help balance these pressures, the Council has identified efficiency savings and additional income of just under £2.0m. In addition, the Transformation Programme is expected to reduce costs by a further £3.0m during the year. This will be in addition to the £11.6m that the programme has already delivered since 2016, through taking a different

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approach to securing services that residents value, such as transferring the running of sports, leisure and conference facilities to specialist operators and introducing new technology to enhance library services. Importantly, none of the savings proposals will have a significant impact on the services we provide for local people and no existing facilities will close.

Given the current funding gap and our expectation that this may increase significantly in 2020 as a result of a new funding system, next year's budget is based on a Council Tax increase of 2.99%. This represents an additional 73 pence per week for an average Band D property and will contribute an extra £1.7m of on-going funding. Even with this increase, we will need to use £2.6m from the Council's reserves to balance the budget and maintain services.

Working together with the other Councils and the Fire Authority in Berkshire, we were again successful in being selected as a pilot for the Government's business rate system. In addition to helping inform development of the system, the Council will benefit in 2019/20 from retaining a higher share of the growth in business rates locally since the current system was introduced in 2013/14. These additional resources, estimated to be approximately £6m, were not used to help balance the 2019/20 budget and are therefore available to help support future years' budgets. Under the Berkshire proposal, £11m of the gain from the pilot will also be provided to the Thames Valley Local Enterprise Partnership (£3.2m from Bracknell Forest) to undertake improvements in transport infrastructure that would help secure further economic and housing growth to benefit the whole County.

Resources have been set aside because there is significant uncertainty for the period from 2020/21 due to the potential impact of a number of issues, in particular:

- Fair Funding Review which will determine the distribution of resources between councils;
- 2019 Spending Review which will determine the overall quantum available for one to potentially three years;
- Business Rates system re-set the details of which have still to be finalised;
- Brexit.

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 and dealing with the impact of increasing demand and demographic changes;
- delivery of significant savings through the transformation programme;
- loss of key council staff through restructures and retirements, resulting in loss of knowledge and capacity;
- uncertainty around the impact of alternative options for Brexit, with potential financial and operational implications for services such as social care and the potential impact for businesses located in the Borough;
- an imbalance between school places and demand;
- sustaining adult social care services while there is insufficient external provision available;
- effective safeguarding of children and vulnerable adults when there are external factors outside the Council's control;
- delivery of an IT Strategy and digital infrastructure that meets business needs, compliance, information accuracy, greater reliance on end users and the threat of cyber attacks;
- maintaining adequate Business Continuity plans and procedures.

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

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 Director: Finance
Stuart.Mckellar@bracknell-forest.gov.uk

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

Executive Summary

This Annual Governance Statement considers the effectiveness of our governance arrangements during 2018/19 municipal year. This statement confirms that we have effective arrangements in place. We continually review, streamline and improve our processes to ensure these arrangements remain effective, now and into the future.

This statement is an honest appraisal of our arrangements. It shows that this year we have met our legal and statutory obligations to our residents.

This Annual Governance Statement report identifies those areas where we can and will do more to ensure that we have effective governance arrangements that enable the organisation to deliver on its promises and to ensure that the public and residents of Bracknell Forest receive high quality, value-for-money services.

A summary of assurance is given for each of the seven principles on which the Statement is based.

An update on the 2017/18 Annual Governance Statement Actions is included as **(Appendix A)**

Work underway or planned to address any governance issues for 2019/20 is set out in an Action Plan **(Appendix B)**

1 SCOPE OF RESPONSIBILITY

- 1.1 Bracknell Forest Borough Council (“The Council”) is responsible for ensuring that its business is conducted in accordance with the law and proper standards and that public money is safeguarded, properly accounted for, and used economically, efficiently and effectively. The Council also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.
- 1.2 In discharging this overall responsibility, the Council is responsible for putting in place proper arrangements for the governance of its affairs and facilitating the effective exercise of its functions, including arrangements for the management of risk.
- 1.3 The Council has approved and adopted a Code of Corporate Governance which is consistent with the principles of the CIPFA/SOLACE Framework Delivering Good Governance in Local Government. This Statement explains how the Council has complied with the code and also meets the requirements of regulation 6 (1)) of the Accounts and Audit Regulations 2015 in relation to the preparation of a statement on internal control

2 THE COUNCIL’S GOVERNANCE FRAMEWORK

- 2.1 The governance framework comprises the systems and processes, culture and values by which the authority is directed and controlled. It underpins its activities through which it accounts to, engages with and leads the community. It enables the

authority to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the appropriate delivery of services and value for money.

Diagram 1 Overview of Bracknell Forest Council Governance Framework



3 HOW DO WE KNOW OUR GOVERNANCE ARRANGEMENTS ARE WORKING?

Throughout the year, the Council regularly reviews the effectiveness of its governance framework, including its system of internal control. Activity undertaken includes:

- Consideration of governance issues by the Strategic Risk Management Group on a quarterly basis including health and safety, business continuity and information security risks
- Preparation of a rolling plan of audit coverage to be achieved in the forthcoming year by the Head of Internal Audit, primarily based on an assessment of the

Council's risk profile, and review of the plan by the Strategic Risk Management Group

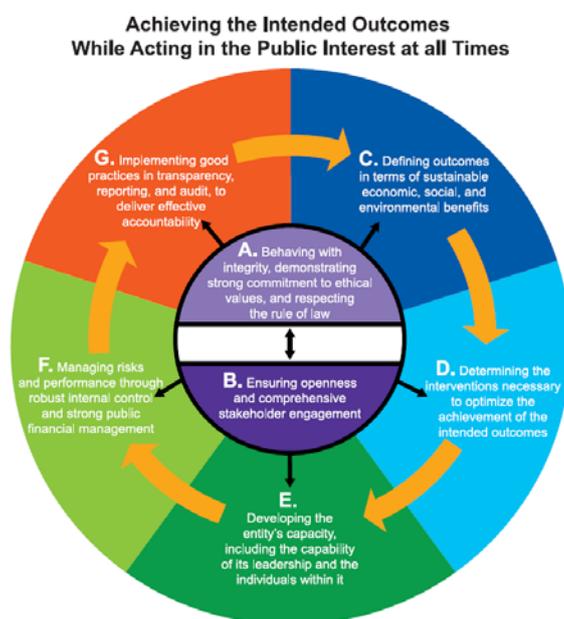
- Preparation of the annual audit report by the Head of Internal Audit setting out her opinion on the Council's overall control environment and approval of the report by the Corporate Management Team
- Quarterly updates to the Governance and Audit Committee on the work of Internal Audit
- Consideration of external audit reports by the Governance and Audit Committee
- Annual Standards report by the Borough Solicitor
- The external auditor reviews each year the council's arrangements for securing economy, efficiency and effectiveness in the use of resources
- A system of performance reporting to the Corporate Management Team, Executive, and the Overview and Scrutiny Committee/Scrutiny panels

4 THE CIPFA GOVERNANCE ASSURANCE FRAMEWORK PRINCIPLES

The CIPFA/SOLACE Framework 2016- Delivering Good Governance in Local Government suggests that this Annual Governance Statement should include a brief description of the key elements of the governance framework that the Council has in place.

- 4.1 There are seven principles and sub-principles of Corporate Governance incorporated within the CIPFA/SOLACE framework and as set out in Diagram 2 below.

Diagram 2. -The seven CIPFA Principles of Good Governance



ANNUAL GOVERNANCE STATEMENT

- 4.2 Each element of the governance framework is considered in this Statement within the context of the seven CIPFA Principles of Good Governance. An assessment is provided below by the Borough Solicitor against each principle on the level of assurance that the governance arrangements can generate, based on his review of practices adopted during the year, informed by senior management responses to his annual questionnaire.

A. Behaving with Integrity, demonstrating strong commitment to ethical values, and respecting the rule of law

Assured ✓

The Council has adopted structures, systems and processes which reflect consistency with high ethical expectations of those in its service, including Members, Officers and outside Partners. A culture of compliance is also embedded with Code breaches, disciplinary issues, data protection infringements and whistleblowing referrals being reviewed, investigated and determined in accordance with defined processes.

- 4.3 Effective arrangements are in place for the discharge of the Head of Paid Service, Monitoring Officer and Section 151 Officer functions. The Chief Executive (Head of Paid Service) and Director-Finance (Section 151 Officer) are members of the Corporate Management Team and the Borough Solicitor has access to the Corporate Management Team in his role as Monitoring Officer.
- 4.4 The Governance and Audit Committee is responsible for reinforcing effective governance, particularly through reviewing the activities of the external and internal auditors and the Council's risk management arrangements. It undertakes the core functions of an audit committee, as identified in CIPFA's *Audit Committees: Practical Guidance for Local Authorities*. The Internal Audit Plan for 2018/19 was approved by the Committee on 28 March 2018. During 2018/19 the Committee received summary reports on progress on the delivery of the Internal Audit Plan and key outcomes on completed work.
- 4.5 As required by the Localism Act 2011, the Council has adopted a Code of Conduct for Members. This sets out the standards of behaviour expected of members and is published within the Constitution and on the Council's website. All members completed the register of interests upon taking office and they receive annual reminders about personal interest declarations. This is also a standing item on all meeting agendas.
- 4.6 The Committee for Standards in Public Life carried out a review of how the Standards regime has operated nationally and published its findings and recommendations for government in January 2019. The government is expected to consider the recommendations in late 2019 and where it deems appropriate legislate to make changes to the regime. The Monitoring Officer will report to the Governance & Audit Committee in early 2020 should any requirement for change in the Council's internal Standards Framework arise.
- 4.7 The Council determined in 2018 to no longer put forward nominations on the Boards of Voluntary Organisations in order to avoid the risk of conflicts of interests arising and to mitigate the risk of Members falling foul of rules relating to personal liability where such entities fall into financial difficulties.

- 4.8 The Council has also put in place other protocols relating to the way in which Members should conduct themselves in carrying out their work as Councillors, notably the Planning Protocol for Members and the Member and Officer Protocol.
- 4.9 The Council has an approved Code of Conduct for Employees together with a number of policies and procedures which regulate how Council officers should discharge their duties, which are reviewed and updated periodically. Observance of such policies and procedures by Council employees is ensured through management overview and, if necessary, the disciplinary process.
- 4.10 The Council has an established whistleblowing policy to meet the legal requirements and ensure a route for challenges to processes or actions within the Council where complainants seek the protection of anonymity. Similarly it has a robust corporate complaints procedure in place and has throughout the year dealt with corporate complaints promptly.

B. Ensuring openness and comprehensive stakeholder engagement

Assured ✓

The Council exists to serve its residents and works effectively in partnership with a wide range of stakeholders It has a transparent decision making processes

Stakeholders

- 4.11 The Council establishes clear channels of communication with all sections of the community, other stakeholders and local partners, ensuring accountability and encouraging open consultation.
- 4.12 Formal consultation will generally only be undertaken where there is a statutory duty or legitimate expectation, and where there is a service or policy need to do so. Consultations are carried out in accordance with current national Consultation principles guidance . Individual services are required to maintain open channels of communications with relevant stakeholder groups and representative bodies where relevant to service planning.
- 4.13 During 2018/19 the Council continued to engage and consult with local communities and stakeholders in making decisions on changes to services it provides. To ensure access to residents and quality of consultations, the Council utilises an online consultation portal. Some of the key consultations carried out in the last year have been:
- Budget
 - Draft Bracknell Local Plan
 - Parks Survey
 - School admission arrangements 2020/21
 - Warfield Parish Neighbourhood Plan submission
 - Bracknell Town Neighbourhood Plan Submission
 - Hackney Carriage and Private Hire Consultation
 - Town and Country Reader Survey
- 4.14 The Council has approved Public Participation Schemes for its formal meetings. The schemes aim to enhance public engagement and give residents a further opportunity to inform Councillors about the things that concern them.

- 4.15 To increase transparency, make information more readily accessible to the citizen and to hold service providers to account the Council publishes information that it holds on its website. This includes the sets of information required by The Code of Recommended Practice for Local Authorities on Data Transparency (updated 2015).
- 4.16 The Council has a Petitions Scheme describing how petitions from residents will be dealt with by the Council. These enable a petitioner to speak with an Executive member or a committee, or to the Council if prescribed thresholds for signatures are reached. A response is made to each petition, explaining what the Council will or will not do in response.

Decision-making

- 4.17 The Council which meets monthly is the ultimate decision-making body and the principal forum for political debate. It takes decisions on the strategic aims that form the Policy Framework. It also determines the Council's budget following a process of member scrutiny. All Council meetings take place in public.
- 4.18 The Executive takes decisions on most matters of Council policy and service delivery, supported by comments of the Finance Director and Borough Solicitor and detailing any significant risk management issues. The non-executive responsibilities of the Council are discharged through its non-executive committees as described in the Scheme of Delegation.
- 4.19 The work of the Executive is supported by the Overview and Scrutiny Commission and three Overview and Scrutiny Panels. The number of panels reduced in 2018 from four due to the Commission deciding to restructure its Panels and combine the Adult Social Care & Housing Panel with the Health Overview and Scrutiny Panel in order to develop a composite view across both areas. The Commission and Panels are comprised of non-Executive Members and review and scrutinise both Executive and non-Executive decisions. In addition to scrutinising such decisions, working groups of the Panel conduct in-depth investigations into particular topic areas which result in reports setting out detailed recommendations.
- 4.20 The Council's decision-making processes operate within a framework which presumes and promotes openness. Formal meetings are held in public and executive decisions are published on the Council's website. Agendas and reports for Executive and committee meetings are published at least five clear working days in advance. The use of powers to exempt information from publication or allow a committee to meet in private is minimised, being used when necessary and only after senior officer authorisation.
- 4.21 The Forward Plan describes all significant (key) decisions planned to be taken in the following four months and is published and updated at least monthly. The Constitution also prescribes the rules and constraints around urgent decisions (not notified in the Forward Plan) and the form and content of decision reports.
- 4.22 Communication to the public is via the Council's website, in public meetings and through social media.

C. Defining outcomes in terms of sustainable economic, social and environmental benefits

Assured ✓

The Council has in place clear arrangements to define outcomes and monitor performance. In setting policies and strategies, it has adopted a long-term view about outcomes. The Council Plan was adopted for the 4-year period from 2015-2019 and has strategic themes underpinned by social, economic and environmental objectives. Following the May 2019 Local elections the Council Plan will be refreshed for a further 4 years period to take account of the aims of the incoming administration.

- 4.23 During 2015/16 the Council developed a new Council Plan for 2015-2019 which articulates a new narrative for the organisation to meet the challenges it faced. The Plan sets out six overarching strategic themes which form the vision for the Council. The strategic themes are each underpinned by measures of success and performance indicators. The main ways the strategic themes are communicated are via the Council's public website, intranet, Town and Country magazine (the Council's newspaper for residents) and Chief Executive's Briefings.
- 4.24 The Council Plan was developed after extensive consultation with the community, residents, employees, strategic partners and local businesses in order for the priorities to be consistent with their needs and aspirations.
- 4.25 Measures of success and key actions are cascaded internally through service plans, team business plans and individual performance development reviews. Delivery is monitored through:
- Quarterly Service Reports reviewed by the Executive Members, Chief Executive and the Corporate Management Team.
 - Quarterly Council Plan Overview Reports considered by the Executive.
 - Quarterly Service reports together with the Quarterly Council Plan Overview Report are then considered by the Overview and Scrutiny Commission or by the relevant Overview and Scrutiny Panel for their area.
- 4.26 All these reports are available on the Council's website and intranet. The Council's performance reporting process measures quality of service for users, ensuring services are delivered in accordance with objectives and represent the best value for money. The performance reports demonstrate that objectives and outcomes are generally being delivered and highlight any action being taken to address areas where improvement is required.
- 4.27 The Council has recently purchased a product called In Phase as its new corporate performance reporting software. This is intended improve the scope for managers to harvest data for business intelligence purposes as part of their performance monitoring activities.
- 4.28 Partnership groups have agreed joint targets that they monitor quarterly; for example, the Community Safety Partnership. Adult Social Care also produces an Annual Report referred to as the Local Account. Major partnership projects are monitored on a regular basis by the Corporate Management Team, the Executive and the Health and Wellbeing Board.
- 4.29 The Council needs to be confident that it has accurate, complete and timely performance information in order to plan and manage services to the public; ensure

good decision-making and to effectively provide feedback and report on the quality of Council services to service users, residents, partners and Government. To ensure this, the Council has a Data Quality Statement, which is reviewed annually. The Data Quality Statement provides details on how the Council aims to achieve a consistently high level of data quality. The Annual update of the Statement is required for 2019/20

D. Determining the interventions necessary to optimise the achievement of the intended outcomes

Assured ✓

The Council takes decisions on interventions based on its published Council Plan setting outcomes for services and defining actions and targets for achieving them. Proposed interventions are recorded through Directorate Business Plans for ensuring the achievement of intended outcomes within set timescales. More significant interventions through service or organisational transformation are considered and overseen by the Transformation Board chaired by the Chief Executive.

- 4.30 All Directorates establish maintain and monitor Service Plans which set out the actions required to meet the outcomes set by the Council's Plan and the targets measures and milestones used to manage their delivery.
- 4.31 The Performance Dashboard on INSIGHT provides details on progress against the key actions and indicators of the Council Plan.
- 4.32 Decision reports provide the record of all significant decisions to implement service plans and spend and are required to show the intended outcomes, the rationale for the proposal, implications for Council's resources, other options considered and engagement or consultation undertaken.
- 4.33 A new Corporate Plan is being developed to reflect the priorities in the Administration's 2019 manifesto, which will include measures of success, actions required and key performance indicators to ensure delivery can be tracked. This reflects a continuation of the approach the Council has taken for many years.

E. Developing the entity's capacity, including the capability of its leadership and the individuals within it

Assured ✓

Officers are expected to have a clear sense of their purpose, roles and responsibilities in line with the Council's vision and the suite of policies and processes which support it. A Member Induction and continuing development system is in place to ensure that all elected members have a similar understanding of their roles and responsibilities when appointed or elected to particular positions within the Council. Officers and members have access to information, guidance and training to enable them to discharge their roles.

All officers are expected to have their performance monitored and their development needs identified and addressed through the Appraisal Framework within which specific elements exist for Leadership behaviours.

- 4.34 The Council has a comprehensive induction and training process in place for both Members and officers joining the Council.
- 4.35 Its Member Development Programme offers a range of learning and development opportunities including workshops, briefing seminars on specific topics and attendance at conferences. Members are offered 360° feedback to enable them to gain insight from a range of different sources on their performance and identify their personal learning needs. In April 2018 the Council achieved reaccreditation against the Charter+ Standard. Charter+ provides a robust framework which ensures Members are supported throughout their time on the Council. Member development continues to be an embedded part of the Council's culture and courses and seminars continue to be well attended.
- 4.36 All levels of management within the Council have a designated role profile and these profiles are accessible via the Council's intranet (DORIS). Officers are given copies of their roles on appointment and are supported through induction training, their personal development review and supervision in understanding and developing their roles. Internally published HR procedures cover all aspects of performance and procedure to support managers. The Council's appraisal framework sets out the values and behaviours that officers are expected to demonstrate. These are illustrated in the diagram below.

Diagram 3 - Values and Behaviours



- 4.37 A broad internal training programme of courses is run each year for officers as well as specific professional training and this is supplemented by e-learning opportunities and also less formal learning such as mentoring and work shadowing schemes. In 2019 the Council introduced a Coaching Scheme for staff Compliance with Continuing Professional Development requirements of staff is monitored by individual officers. The Council provides sufficient resources to fund this. As part of the performance appraisal process, each officer is required to identify their learning and development objectives.

F. Managing risks and performance through robust internal control and strong public financial Management

Assured√

The Financial Regulations contained in the Constitution set out the rules to ensure robust internal control over the Council's finances. The system and arrangements for performance management and budget monitoring demonstrate sound internal monitoring and control. The Council has consistently achieved a level of fiscal prudence in recent years notwithstanding the challenging financial climate

- 4.38 The system of internal financial control is based upon a framework of comprehensive financial regulations and procedures which comply with the CIPFA "Good Practice Guide for Financial Regulations in a modern English Council". Control is maintained through regular management information, management supervision, and a structure of delegation and accountability. The Council's financial management arrangements conform to the governance requirements of the CIPFA 'Statement on the Role of the Chief Financial Officer in Local Government 2010.'
- 4.39 The Council has in place a robust plan of audit and review. The annual audit plan balances testing areas of concern with the need to do routine health checks. The formation of the plan is undertaken by the Head of Internal Audit, in conjunction with Directors and Executive Directors, thereby ensuring joint ownership of the process while maintaining suitable independence of the Audit function. The results of audits are presented to the senior managers of the service, for them to provide comments on, before they are published. The Head of Internal Audit reports quarterly to the Governance and Audit Committee and Corporate Management Team (CMT) on progress in delivering the audit plan and the outcome of audit reviews. Her reports specifically highlight issues that have led to an increased number of limited assurance audits, which are detailed in the quarterly reports and in the Head of Internal Audit's Annual Report, and the actions that have been put in place to monitor and address these. This allows for the actions to be effectively supervised by Departmental Management Teams, strategic themes to be drawn out by CMT and internal audit to focus follow up work in these areas. Thus, whilst the Head of Internal Audit issued an overall limited assurance opinion in her 2018/19 Assurance report the issues giving rise to this are being addressed by the Council's Corporate Management Team. The level of oversight has been increased in response to the issues highlighted by the Head of Internal Audit during 2018/19.
- 4.40 The 2018/19 budget was set in a climate of rising demand for services. Throughout the year a process of monitoring the delivery of the necessary savings (transformation and efficiency) was in place, including regular reporting to the Transformation Board chaired by the Chief Executive and to the Executive on progress against savings targets. The Council continued to generate efficiency savings as well as through its transformation programme. It achieved a balanced budget but was dependant on an increase in Council tax and recourse to its reserves. It developed its commercial activities through acquisition of a property investment portfolio based on sound professional advice around appreciation of risk and reward. The Council will be able to keep 75% of its business rate revenue for the second year running in 2019/20 under the Business rates pilot scheme.

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- 4.41 Further projects are in the pipeline for 2019/20 as listed below which are designed in part to improve the Council's financial health in the medium term as well as helping it to meet its social, economic and environmental aims as set out in the Council Plan. ;
- Joint venture with private sector partner to develop town centre sites
 - Remediation of London Road landfill site
 - Development of new care facilities at the site of the former Heathlands Care Home
- 4.42 As the financial challenges the Council face continues it is essential that it strengthens its arrangements and continues to implement robust processes for identifying and monitoring savings targets in the immediate future.
- 4.43 The role of the S151 Officer is set out in the constitution with the statutory underpinning of the role emphasised in the scheme of delegation. The postholder has ensured robust oversight of financial propriety. They report directly to the Chief Executive and are involved in all major decision making preparation through membership of the Corporate Leadership Team.
- 4.44 The officer scheme of delegation was reviewed to reflect changes in the senior leadership structure. It is kept under review by the Borough Solicitor. Senior Officers are required to confirm, and where necessary, revise the effectiveness of the scheme of officer onward delegation to ensure decisions are taken lawfully under the correct authority.
- 4.45 Decisions made by the Council are subject to risk assessments which are made in accordance with the organisation's risk management processes. The Risk Management Strategy which includes the Council's priorities for developing risk management arrangements was reviewed by the Governance and Audit Committee on 27 June 2018.
- 4.46 The Strategic Risk Management Group (SRMG) chaired by the Director of Finance meets quarterly and oversees all aspects of risk management at the Council including health and safety, business continuity and information security risks. During 2018/19 the Strategic Risk Register was updated and considered by SRMG on a quarterly basis and reviewed and approved twice by the Corporate Management Team, and twice by the Governance and Audit Committee. Actions to address strategic risks were updated and monitored during 2018/19 and key changes to strategic risks were summarised in the quarterly Corporate Performance Overview Report.
- 4.47 There is a process for recording and monitoring significant operational risks through directorate risk registers that are reviewed on a quarterly basis and these are used to inform the Strategic Risk Register. The Strategic Risk Register includes an overarching risk on major projects and programmes and in addition separate risk registers should be in place for all major projects and programmes although isolated exceptions to this were found by Internal Audit during 2018/19.
- 4.48 Members are engaged in the risk management process through the Governance and Audit Committee's review of the Strategic Risk Register and Member review of the Council Plan Overview Report.

G. Implementing good practices in transparency, reporting and audit, to deliver effective accountability

Assured ✓

The Council has transparent processes in place through publication of the Forward Plan of key decisions, of agendas and reports of its meetings and those of its committees and of its key decision reports on the website. It publicises its pay policy statement in line with legislation as well as expenditure on contracts in excess of £5000 in value and all other expenditure in excess of £500. The Council has robust audit arrangements in place and there is regular audit reporting to the Council's Governance and Audit Committee.

- 4.49 All meetings of the Council and of the committees which discharge executive, non-executive or scrutiny functions take place in public and have their reports and minutes published on the Council's website. Executive Member and Committee decisions, agendas and reports are published on the website and are available to the press and public. This is driven by the publication of the Forward Plan of key decisions. A limited number of reports are considered in private session only when the subject meets the criteria.
- 4.50 Internal Audit provides an independent and objective annual appraisal of key financial systems through routine compliance testing and by undertaking a number of audit reviews within service departments in accordance with the Internal Audit Plan. The Head of Audit and Risk Management develops the Annual Internal Audit Plan which is then delivered by two external contractors and by Royal Borough of Windsor and Maidenhead and Wokingham and Reading Borough Councils' internal audit teams and investigations teams under an agreement made under Section 113 of the Local Government Act 1972.
- 4.51 The Governance and Audit Committee is responsible for reinforcing effective governance, particularly through reviewing the activities of the internal auditors and the Council's risk management arrangements. During 2018/19, the Committee received summary reports on progress on the delivery of the Internal Audit Plan and key outcomes on completed work, as described in section F above.. The Internal Audit Plan for 2018/19 was approved by the Committee on 28 March 2018

ANNUAL GOVERNANCE STATEMENT

APPENDIX A

PROGRESS ON ADDRESSING GOVERNANCE IMPROVEMENT AREAS FROM 2017/18

Item	Governance Point Raised in Annual Governance Statement	Proposed Action	Owner	Comments/ Implementation Deadline	Update
1.	<u>Implement on-going actions from previous Action Plans</u>	To communicate and raise staff awareness of information management policies and implement a programme of refresher training on information security/data protection for staff and members.	Data Protection Officer	31 March 2019	Staff training updated in March 2019. Members to receive training in June 2019
		Continue to take a proactive approach to counter fraud and whistle blowing, promoting the Council's policies and focussing internal audit activity on areas of high risk.	Head of Audit and Risk Management/ Director: Finance/ Borough Solicitor	March 2019	Fraud Newsletters now produced regularly. Seven fraud awareness training sessions open to all staff have already held in quarter 4 of 18/19
		Keep Corporate Business Continuity Management Plan updated and communicate	Director: Finance and Emergency Planning Officer	Dec 2018	Ongoing

ANNUAL GOVERNANCE STATEMENT

Item	Governance Point Raised in Annual Governance Statement	Proposed Action	Owner	Comments/ Implementation Deadline	Update
		this cross Council			
2.	<u>Undertake review of Councillor Code of Conduct</u>	Review by Standards Framework Working Group of the efficacy of introducing specific requirements in Code of Conduct relating to the use of social media	Borough Solicitor	January 2019	Social Media Training including in Member Development Programme agreed by Member Development Charter Working Group
3.	<u>Preparation for Implementation of General Data Protection Requirement</u>	To undertake a review of current compliance with GDPR and take any remedial steps as necessary (6 month post implementation review)	Data Protection Officer	Dec 2018	Compliance activity undertaken by DPO and IMG against action plan. Update provided to CMT in Dec 18.

ANNUAL GOVERNANCE STATEMENT

APPENDIX B

WHAT ARE THE KEY 2018/19 GOVERNANCE MATTERS IDENTIFIED

	Item	Proposed action	Owner	Implementation deadline
1.	Post election strategic planning to reflect manifesto of incoming administration	Refresh Council Plan and Director Service Plans	Corporate Management Team	31 October 2019-31 January 2020
2.	Review Emergency Planning arrangements	Keep Corporate Business Continuity Management Plan updated and communicate this cross Council	Service Manager- Emergency Planning	31 December 2019
3.	Align corporate risks with manifesto commitments of the new administration as well key corporate objectives arising from revised Council Plan. Directorate risk register aligned with the new structure are developed.	Review Strategic Risk Register Directorate risk registers to be put in place for all directorates reflecting new structure.	Corporate Management Team Directors	December 2019 September 2019
4.	Whilst the Council has undertaken a review of Information Governance in 2018 to meet the requirements of GDPR further work is required to update Information Governance policies and procedures and embed them into the business as usual culture of the Council	Update Information Governance Procedures Submit 2019/20 NHS Data Security and Protection Toolkit Cross Council Information Asset Register and Data retention/disposal schedules to be updated to improve records	Data Protection Officer Data Protection Officer Data Protection Officer	May 2019-March 2020 31 March 2020 By 31 March 2020 or in readiness for SharePoint roll out (whichever is earliest)

ANNUAL GOVERNANCE STATEMENT

		management regime		
5.	Member Training	Ensure provision of induction training for new Members	Head of Democratic & Registration Services	By 31 July 2019
6	Address common areas of weakness in internal control and ensure issues identified in audit reports are addressed.	Monitoring of actions to address common areas of weakness. Monitoring of all limited assurance audit reports.	Corporate Management Team DMTs	Quarterly from June 2019 Quarterly from March 2019

Signed:



Cllr P.D. Bettison
Leader of the Council
** July 2019



T.R. Wheadon
Chief Executive

** July 2019

on behalf of Bracknell Forest Council

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 2019 under the Local Audit and Accountability Act 2014. The financial statements comprise the:

- Authority and Group Movement in Reserves Statement,
- Authority and Group Comprehensive Income and Expenditure Statement,
- Authority and Group Balance Sheet,
- Authority and Group Cash Flow Statement; and
- Related notes to the Core Financial Statements 1 to 42;
- Collection Fund and related notes 1 to 4;
- Group related notes 1 to 3.

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 2018/19.

In our opinion the financial statements:

- give a true and fair view of the financial position of Bracknell Forest Council and Group as at 31 March 2019 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 2018/19.

Basis for opinion

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

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

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the Director: Finance's use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Director: Finance has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Authority's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

The other information comprises the information included in the Statement of Accounts 2018/19 set out on pages 1 to 30, other than the financial statements and our auditor's report thereon. The Director: Finance is responsible for the other information.

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

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.

In connection with our audit of the financial statements, 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 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 or a material misstatement of the other information. 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.

Opinion on other matters prescribed by the Local Audit and Accountability Act 2014

Arrangements to secure economy, efficiency and effectiveness in the use of resources

In our opinion, based on the work undertaken in the course of the audit, having regard to the guidance issued by the Comptroller and Auditor General (C&AG) in November 2017, we are satisfied that, in all significant respects, Bracknell Forest Council put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2019.

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 entity;
- 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; or
- we make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014.

We have nothing to report in these respects

Responsibilities of the Director: Finance

As explained more fully in the Statement of the Director: Finance's Responsibilities set out on page 35, the Director: Finance 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 2018/19, and for being satisfied that they give a true and fair view.

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

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

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.

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 criterion issued by the Comptroller and Auditor General in November 2017, as to whether Bracknell Forest Council had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people. The Comptroller and Auditor General determined this criterion as that 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 2019.

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. The Code of Audit Practice issued by the National Audit Office (NAO) requires us to report to you our conclusion relating to proper arrangements.

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

Certificate

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

Use of our report

This report is made solely to the members of Bracknell Forest Council as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014 and for no other purpose, as set out in paragraph 43 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. To the fullest extent

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

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

29 July 2019

APPROVAL OF ACCOUNTS

Certification

I confirm that these accounts were approved by the Governance and Audit Committee of the Council at its meeting on 24 July 2019. The 16 July 2019 is the date the accounts were authorised for issue and the date which has been used to assess any post balance sheet events.

Signed on behalf of Bracknell Forest Council:

Cllr Nick Allen
Chairman of Governance and Audit Committee

24 July 2019

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 Director: Finance;
- 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 Director: Finance's Responsibilities

The Director: Finance 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 Director: Finance 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 Director: Finance 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 2019 and of its income and expenditure for the year ended 31 March 2019.

Stuart McKellar CPFA
Director: Finance

29 July 2019

COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

	2018/19			Note	2017/18 Restated		
	Gross Expenditure £000	Gross Income £000	Net £000		Gross Expenditure £000	Gross Income £000	Net £000
Central	17,918	(4,706)	13,212		17,282	(3,275)	14,007
Delivery	52,501	(9,591)	42,910		47,408	(14,312)	33,096
People	189,806	(132,496)	57,310		203,634	(138,414)	65,220
Non / Council Wide	3,811	(946)	2,865	6	(4,920)	(182)	(5,102)
VAT refund	0	(2,299)	(2,299)	6	0	0	0
Cost of Services	264,036	(150,038)	113,998	5	263,404	(156,183)	107,221
Other Operating Expenditure							
Levies			108				108
Parish Council Precepts			3,255				3,158
Other Income from Capital Receipts that do not arise from the Disposal of an Asset			(851)	6			(2,741)
(Gain)/Loss on the Disposal of Property, Plant & Equipment			41,750	6			53,101
Other Pension Administration Costs			154	11			150
Financing and Investment Income and Expenditure							
(Surplus)/Deficit on Trading Operations			770	17			122
Interest Receivable and Similar Income			(969)	35			(834)
Interest Payable and Similar Charges			3,584	35			2,322
Income and Expenditure in Relation to Investment Properties			(6,548)	19			(4,288)
Changes in Fair Value of Investment Properties			6,991	19			(7,973)
Net Interest on the Net Defined Benefit Pension Liability			6,875	11			7,500
Impairment losses / (gains)			510	35			0
Taxation and Non-specific Grant Incomes							
Council Tax Income			(60,149)				(56,509)
General and other Non-Ringfenced Government Grants			(7,147)	10			(14,511)
Business Rates Income and Expenditure			(42,154)	10			(20,011)
Capital Grants and Contributions			(20,807)	10			(22,930)
(Surplus) or Deficit on Provision of Services			39,370	5, 7			43,885
(Surplus) or Deficit on Revaluation of Non-Current Assets			(22,839)	30			(14,900)
Remeasurements of the Net Defined Benefit Pension Liability – BFC			(16,621)	11			(15,872)
Remeasurements of the Net Defined Benefit Pension Liability – Former BCC Fund			(541)	11			(1,265)
Other Comprehensive Income and Expenditure			(40,001)				(32,037)
Total Comprehensive Income and Expenditure			(631)				11,848

MOVEMENT IN RESERVES STATEMENT

2018/19	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 2018	9,047	30,668	0	13,810	53,525	176,869	230,394
Adjustment relating to the Waste PFI model	0	0	0	0	0	(908)	(908)
Adjusted Balance at 1 April 2018	9,047	30,668	0	13,810	53,525	175,961	229,486
Movement in Reserves During 2018/19							
Total Comprehensive Income and Expenditure	(39,370)	0	0	0	(39,370)	40,001	631
Adjustments Between Accounting Basis and Funding Basis Under Regulations (Note 8)	58,478	0	0	(1,850)	56,628	(56,628)	0
Transfer (to)/from Earmarked Reserves	(19,095)	19,095	0	0	0	0	0
Increase/(Decrease) in Year	13	19,095	0	(1,850)	17,258	(16,627)	631
Balance at 31 March 2019	9,060	49,763	0	11,960	70,783	159,334	230,117

2017/18	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 2017	11,071	19,095	0	13,178	43,344	198,898	242,242
Movement in Reserves During 2017/18							
Total Comprehensive Income and Expenditure	(43,885)	0	0	0	(43,885)	32,037	(11,848)
Adjustments Between Accounting Basis and Funding Basis Under Regulations (Note 8)	53,434	0	0	632	54,066	(54,066)	0
Transfer (to)/from Earmarked Reserves	(11,573)	11,573	0	0	0	0	0
Increase/(Decrease) in Year	(2,024)	11,573	0	632	10,181	(22,029)	(11,848)
Balance at 31 March 2018	9,047	30,668	0	13,810	53,525	176,869	230,394

BALANCE SHEET

	Notes	31 March 2019 £000	31 March 2018 £000
Property, Plant and Equipment			
Other Land and Buildings	18	401,367	395,359
Vehicles, Plant and Equipment	18	12,985	12,454
Infrastructure Assets	18	71,265	66,771
Community Assets	18	6,415	6,403
Assets Under Construction	18	10,691	44,969
	18	502,723	525,956
Heritage Assets		249	223
Investment Property	19	127,176	103,095
Intangible Assets		1,760	1,759
Long Term Debtors	22	26,496	15,520
Long Term Assets		658,404	646,553
Current Assets			
Inventories		65	89
Short Term Debtors	23	38,491	37,205
Cash and Cash Equivalents	24	16,164	13,289
Assets Held for Sale	18	833	1,053
		55,553	51,636
Current Liabilities			
Short Term Borrowing	35	(35,089)	(30,034)
Short Term Creditors	25	(48,453)	(51,255)
Provisions	26	(10,333)	(8,509)
		(93,875)	(89,798)
Long Term Liabilities			
Long Term Creditors	27	(19,208)	(20,001)
Waste PFI Donated Asset Account (deferred income)	15	(996)	0
Long Term Borrowing	35	(80,000)	(70,000)
Capital Grants and Other Contributions	10	(12,464)	(11,871)
Net Pension Liability	11	(277,297)	(276,125)
		(389,965)	(377,997)
Net Assets		230,117	230,394
Usable Reserves			
General Reserves		9,060	9,047
Earmarked Reserves	28	49,763	30,668
Capital Grants Unapplied Reserve	29	11,960	13,810
		70,783	53,525
Unusable Reserves			
Revaluation Reserve	30	149,869	136,195
Capital Adjustment Account	31	285,453	322,755
Collection Fund Adjustment Account	33	4,140	(2,352)
Deferred Capital Receipts Reserve	32	1,689	2,081
Pension Reserve	11	(277,297)	(276,125)
Accumulated Absences Account	34	(4,520)	(5,685)
		159,334	176,869
Total Reserves		230,117	230,394

These financial statements replace the unaudited financial statements certified by Stuart McKellar on 29 May 2019.

Stuart McKellar CPFA
Director: Finance
29 July 2019

CASH FLOW STATEMENT

		2018/19	2017/18
	Note	£000	£000
Cash Flows From Operating Activities			
Surplus or (Deficit) on Provision of Services		(39,370)	(43,885)
Adjust for Non Cash Movements			
Depreciation		14,104	12,985
Impairment & Revaluation Downwards of Non-Current Assets		7,265	1,258
Amortisation of Intangibles		251	194
Changes in Fair Value of Investment Properties		6,991	(7,973)
Changes in Provisions		1,825	1,950
Impairment losses/(gains)		510	0
Amortisation of Long Term Creditors		(65)	(119)
Carrying amount of Non-Current Assets sold		47,526	58,172
Amounts posted from the Donated Assets Account		(89)	0
Changes in Inventory		24	135
Changes in Interest Debtors		(136)	(334)
Changes in Interest Creditors		179	758
Changes in Debtors		2,418	(10,616)
Changes in Creditors		8,216	(2,792)
Changes in Net Pension Liability		18,334	11,046
Adjust for Items that are Investing or Financing Activities		(26,688)	(28,009)
Net Cash Flow From Operating Activities		41,295	(7,230)
Cash Flows from Investing Activities			
Purchase of Non-Current Assets		(55,616)	(93,212)
Purchase of Short Term and Long Term Investments		0	0
Other Payments for Investing Activities		(12,255)	(4,775)
Proceeds from Sale of Non-Current Assets		6,273	5,134
Proceeds from Short Term and Long Term Investments		0	0
Other Receipts from Investing Activities		24,570	26,647
Net Cash Flow From Investing Activities		(37,028)	(66,206)
Cash Flows from Financing Activities			
Repayment of Short Term and Long Term Borrowing	36	(35,000)	(10,000)
Cash receipts of Short Term and Long Term Borrowing	36	50,000	85,000
Capital Element of PFI Contracts	36	(333)	(222)
Council Tax and Business Rates Adjustments		(16,059)	(5,085)
Net Cash Flow From Financing Activities		(1,392)	69,693
Net (Decrease)/Increase in Cash and Cash Equivalents in the Period		2,875	(3,743)
Cash and Cash Equivalents as of the Beginning of the Period	24	13,289	17,032
Cash and Cash Equivalents as of the End of the Period	24	16,164	13,289

The cash flows for operating activities include the following items:

	2018/19	2017/18
	£000	£000
Interest received	834	500
Interest paid	(3,405)	(1,564)

1 ACCOUNTING POLICIES

1.1 Basis of Preparation

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

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

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

1.2 Going Concern

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

1.3 Accounts Payable and Accrued Expenditure

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

1.4 Income Policy

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

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

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.

NOTES TO THE CORE FINANCIAL STATEMENTS

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

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

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

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

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

1.7 Events after the Balance Sheet Date

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

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

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

1.8 Schools

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

1.9 Property, Plant and Equipment

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

NOTES TO THE CORE FINANCIAL STATEMENTS

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.

NOTES TO THE CORE FINANCIAL STATEMENTS

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

NOTES TO THE CORE FINANCIAL STATEMENTS

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.

NOTES TO THE CORE FINANCIAL STATEMENTS

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

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

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

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

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

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

1.15 Charges to Revenue for Non-Current Assets

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

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

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

NOTES TO THE CORE FINANCIAL STATEMENTS

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.

NOTES TO THE CORE FINANCIAL STATEMENTS

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).

NOTES TO THE CORE FINANCIAL STATEMENTS

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.

NOTES TO THE CORE FINANCIAL STATEMENTS

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.

NOTES TO THE CORE FINANCIAL STATEMENTS

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
- 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.

NOTES TO THE CORE FINANCIAL STATEMENTS

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. The latest valuation was as at 31 March 2016. 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.

NOTES TO THE CORE FINANCIAL STATEMENTS

(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

NOTES TO THE CORE FINANCIAL STATEMENTS

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.

NOTES TO THE CORE FINANCIAL STATEMENTS

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

- Amendments to IAS 40 Investment Property: Transfers of Investment Property
- Annual Improvements to IFRS Standards 2014 - 2016 Cycle
- IFRIC 22 Foreign Currency Transactions and Advance Consideration
- IFRIC 23 Uncertainty over Income Tax Treatments
- Amendments to IFRS 9 Financial Instruments: Prepayment Features with Negative Compensation

Although full adoption will not be required until 1 April 2019, the Council is required to disclose the estimated effect of the changes in these financial statements. None of these standards 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.

NOTES TO THE CORE FINANCIAL STATEMENTS

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 £6.8m as at 31 March 2019) 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.

NOTES TO THE CORE FINANCIAL STATEMENTS

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

NOTES TO THE CORE FINANCIAL STATEMENTS

is estimated that the annual depreciation charge for buildings would increase by £0.826m 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 a recent and comparable property purchase. A 1% change in the estimated yield would result in a £15.5m change in value of the whole portfolio.

The valuation of the Council's surplus land asset assumes it is comparable to similar assets in the local market with planning permission.

The impact of a 1% change in interest rates on the Fair Value of Financial Instruments is covered in Note 35.

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 2019 without completing a full valuation. However, the actuary is satisfied that the approach of rolling forward the previous valuation data from 31 March 2016 to 31 March 2019 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 (£539.3m) and projected service cost (£16.9m).

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	(10.3)	10.5	(0.4)	0.4
Adjustment to long term salary increase	0.9	(0.9)	0.0	0.0
Adjustment to pension increases and deferred revaluation	9.6	(9.4)	0.4	(0.4)
Adjustment to life expectancy assumptions	19.3	(18.6)	0.6	(0.6)

Impairment of Financial Instruments

At 31 March 2019, the Council had a trade debtors' balance of £16.55m. 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 £0.77m to be set aside as an allowance.

Additional allowances are also made for a number of other debts, in particular Housing Benefits, Business Rates and Council Tax. These totalled £3.23m as at 31 March 2019. Doubling the percentage used to calculate these debts would require an additional £1.23m to be set aside.

Accumulated Compensated Absences

Accumulating compensated absences are those that can be carried forward for use in future periods if the current period's entitlements are not used in full, for example untaken annual leave and flexi-time entitlement. The Council is required to accrue for any annual or flexi leave earned but not taken as at 31 March each year. For non-teaching staff the accrual is based on a historic sample of staff covering a range of pay grades, locations and 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 £0.18m for non-teaching staff and £0.21m for teaching staff.

Provision for Business Rates Appeals

The Council has made a provision of £9.51m 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 and the Royal Berkshire Fire Authority with the Council's proportion of 99% equating to £9.41m. A 1% change in the estimate would result in a £0.10m increase or decrease in the provision required for appeals (£0.09m for the Council).

5 EXPENDITURE AND FUNDING ANALYSIS

Expenditure and Funding Analysis

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

NOTES TO THE CORE FINANCIAL STATEMENTS

	2018/19			2017/18 Restated		
	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	11,304	1,907	13,211	11,575	2,432	14,007
Delivery	23,678	19,232	42,910	24,971	8,125	33,096
People	48,176	9,134	57,310	49,147	16,073	65,220
Non Departmental /Council Wide	(500)	3,366	2,866	5	(5,107)	(5,102)
VAT refund	(2,299)	0	(2,299)	0	0	0
Net Cost of Services	80,359	33,639	113,998	85,698	21,523	107,221
Other Income and Expenditure	(99,467)	24,839	(74,628)	(95,247)	31,911	(63,336)
(Surplus) or Deficit on Provision of Services	(19,108)	58,478	39,370	(9,549)	53,434	43,885
Opening General Reserve balance	9,047			11,071		
Plus Surplus/(Deficit) on the General Fund	19,108			9,549		
Transfer (To)/From Earmarked Reserves	(19,095)			(11,573)		
Closing General Reserve balance	9,060			9,047		

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.

2018/19				
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	750	1,114	43	1,907
Delivery	18,091	1,213	(72)	19,232
People	2,554	4,346	2,234	9,134
Non Departmental /Council Wide	0	4,532	(1,166)	3,366
Net Cost of Services	21,395	11,205	1,039	33,639
Other Income and Expenditure from the Expenditure and Funding Analysis	26,405	7,129	(8,695)	24,839
Difference between the General Fund Surplus / Deficit and the Surplus / Deficit on the Provision of Services in the CIES	47,800	18,334	(7,656)	58,478

NOTES TO THE CORE FINANCIAL STATEMENTS

2017/18 Restated				
Adjustments from the General Fund to arrive at the Comprehensive Income and Expenditure Statement Amounts	Adjustments for Capital Purposes	Net Pensions Adjustments	Other Adjustments	Total Adjustments
	£000	£000	£000	£000
Central	929	1,435	68	2,432
Delivery	6,699	1,418	8	8,125
People	7,522	5,856	2,695	16,073
Non Departmental /Council Wide	0	(5,463)	356	(5,107)
Net Cost of Services	15,150	3,246	3,127	21,523
Other Income and Expenditure from the Expenditure and Funding Analysis	18,769	7,800	5,342	31,911
Difference between the General Fund Surplus / Deficit and the Surplus / Deficit on the Provision of Services in the CIES	33,919	11,046	8,469	53,434

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

NOTES TO THE CORE FINANCIAL STATEMENTS

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

Directorate Income

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

Directorates	2018/19	2017/18 Restated
	Income from Services	Income from Services
	£000	£000
Central	(4,001)	(2,803)
Delivery	(8,372)	(13,311)
People	(10,774)	(11,041)
Non Departmental /Council Wide (including VAT refund)	(2,997)	(182)
Total	(26,144)	(27,337)

6 MATERIAL ITEMS OF INCOME AND EXPENDITURE

A significant increase in capital charges between years, primarily relating to valuation losses, explains the net increase in costs for the Delivery directorate. There has also been a comparative reduction in capital costs of £5.0m within the People's directorate. There was a significant gain on settlements within the Council's pension scheme in 2017/18, primarily due to the transfer of the management of three leisure sites to an external operator. This, combined with an increase in past service pension costs in 2018/19 as a result of the McCloud judgement (see Note 11), is the main reason for the significant change in the net cost of Non Departmental / Council Wide services between 2017/18 and 2018/19.

During 2017/18 the Council successfully argued that the sale of sporting and leisure services should be exempt from VAT. This resulted in a VAT refund for overpaid VAT covering the period 2010 to 2018 of -£2.299m.

The capital receipts sharing arrangement with Silva Homes ended in 2017/18, which has resulted in a significant decrease in the level of capital receipts obtained without a disposal in 2018/19.

The loss on the disposal of Property, Plant and Equipment in 2017/18 primarily relates to a number of schools becoming academies (£50.0m) and the loss arising from the de-recognition of infrastructure components (£0.7m) and Coral Reef components (£1.1m) following replacement expenditure. The loss in 2018/19 relates to Kings Academy (£40.1m), which was completed and transferred King's Group Academies during the year, and the loss arising from the de-recognition of Easthampstead Park Conference Centre plant and equipment (£0.5m) and infrastructure components (£1.1m).

NOTES TO THE CORE FINANCIAL STATEMENTS

7 EXPENDITURE AND INCOME ANALYSED BY NATURE

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

Expenditure and Income	2018/19 £000	2017/18 £000
Employee expenses	110,602	112,434
Employee expenses – Voluntary Aided Schools	3,665	3,808
Other service expenses	133,618	136,734
Revenue impact of capital items ¹	71,345	60,795
Interest payments	3,584	2,322
Precepts & levies	3,363	3,266
Net Interest on the Net Defined Benefit Pension Liability	6,875	7,500
Other pension administration costs	154	150
Total Expenditure	333,206	327,009
Fees, charges & other service income	(38,556)	(36,921)
Interest and investment income	(969)	(834)
Other income from capital receipts that do not arise from the disposal of an asset	(851)	(2,741)
Income from Council Tax and Business Rates	(102,303)	(76,520)
Government grants and contributions	(151,157)	(166,108)
Total Income	(293,836)	(283,124)
(Surplus) or Deficit on the Provision of Services	39,370	43,885

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

NOTES TO THE CORE FINANCIAL STATEMENTS

8 ADJUSTMENTS BETWEEN ACCOUNTING BASIS AND FUNDING BASIS UNDER REGULATIONS

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

2018/19	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)	31	70,130	0	0	70,130	(70,130)	0
Changes in Fair Value of Investment Properties	31	6,991	0	0	6,991	(6,991)	0
Movement in Waste PFI Donated Asset Account (deferred income)	31	(89)			(89)	89	0
Capital Grants and Contributions Applied including Community Infrastructure Levy receipts	31	(17,427)	0	0	(17,427)	17,427	0
Statutory provision for the financing of capital investment	31	(1,798)	0	0	(1,798)	1,798	0
Capital grants and contributions unapplied transferred to the capital reserve	29	(3,379)	0	3,379	0	0	0
Application of grants to capital financing	29 31	0	0	(5,229)	(5,229)	5,229	0
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement		(5,881)	5,881	0	0	0	0
Use of the Capital Receipts Reserve to finance new capital expenditure	31	0	(7,047)	0	(7,047)	7,047	0
Costs of non-current asset disposals met from the Capital Receipts Reserve		105	(108)	0	(3)	3	0
Transfer from Deferred Capital Receipts Reserve upon receipt of cash	32	0	392	0	392	(392)	0
Transfer of income from Capital Receipts that do not arise from the disposal of an Asset		(851)	851	0	0	0	0
Repayment of loans	31	0	31	0	31	(31)	0
Retirement benefits transferred to the Pension Reserve	11	28,217	0	0	28,217	(28,217)	0
Employer's Pension Contributions transferred from the Pension Reserve	11	(9,883)	0	0	(9,883)	9,883	0
Council Tax and Business Rates income (transfers to or (from) the Collection Fund Adjustment Account)	33	(6,492)	0	0	(6,492)	6,492	0
Remuneration (transfers (to) or from the Accumulated Absences Account)	34	(1,165)	0	0	(1,165)	1,165	0
Total Adjustments		58,478	0	(1,850)	56,628	(56,628)	0

NOTES TO THE CORE FINANCIAL STATEMENTS

2017/18	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)	31	73,838	0	0	73,838	(73,838)	0
Changes in Fair Value of Investment Properties	31	(7,973)	0	0	(7,973)	7,973	0
Capital Grants and Contributions Applied including Community Infrastructure Levy receipts	31	(14,186)	0	0	(14,186)	14,186	0
Statutory provision for the financing of capital investment	31	(1,205)	0	0	(1,205)	1,205	0
Capital grants and contributions unapplied transferred to the capital reserve	29	(8,744)	0	8,744	0	0	0
Application of grants to capital financing	29 31	0	0	(8,112)	(8,112)	8,112	0
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement		(5,079)	5,079	0	0	0	0
Use of the Capital Receipts Reserve to finance new capital expenditure	31	0	(7,872)	0	(7,872)	7,872	0
Costs of non-current asset disposals met from the Capital Receipts Reserve		8	(33)	0	(25)	25	0
Transfer from Deferred Capital Receipts Reserve upon receipt of cash	32	0	55	0	55	(55)	0
Transfer of income from Capital Receipts that do not arise from the disposal of an Asset		(2,741)	2,741	0	0	0	0
Repayment of loans	31	0	30	0	30	(30)	0
Retirement benefits transferred to the Pension Reserve	11	21,043	0	0	21,043	(21,043)	0
Employer's Pension Contributions transferred from the Pension Reserve	11	(9,997)	0	0	(9,997)	9,997	0
Council Tax and Business Rates income (transfers to or (from) the Collection Fund Adjustment Account)	33	8,113	0	0	8,113	(8,113)	0
Remuneration (transfers (to) or from the Accumulated Absences Account)	34	357	0	0	357	(357)	0
Total Adjustments		53,434	0	632	54,066	(54,066)	0

NOTES TO THE CORE FINANCIAL STATEMENTS

9 SCHOOLS

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

2018/19	Category and Type of School						Grand Total
	Community				Voluntary Aided	Voluntary Controlled	
	Primary	Secondary	Special	Total	Primary	Primary	
Number	17	3	1	21	4	4	29
	£000	£000	£000	£000	£000	£000	£000
Net Spend	24,598	18,723	3,677	46,998	3,840	4,191	55,029
Deficits	125	928	0	1,053	6	91	1,150
Surpluses	(2,045)	(238)	(318)	(2,601)	(195)	(32)	(2,828)

2017/18	Category and Type of School						Grand Total
	Community				Voluntary Aided	Voluntary Controlled	
	Primary	Secondary	Special	Total	Primary	Primary	
Number	18	3	1	22	4	4	30
	£000	£000	£000	£000	£000	£000	£000
Net Spend	23,864	18,303	3,756	45,923	3,729	3,989	53,641
Deficits	43	697	0	740	0	65	805
Surpluses	(1,872)	(162)	(38)	(2,072)	(131)	(51)	(2,254)

The Council also runs a pupil referral unit which falls outside the main categories of school. This cost £0.806m to run in 2018/19, with an accumulated year end surplus of -£0.051m which will be carried forward into 2019/20 (Net spend of £0.720m with an accumulated year end surplus of -£0.091m in 2017/18). In addition to the balances held by schools in the table above, two academy schools have outstanding loans in the value of £0.120m which are recognised as liabilities to the academies in the Commercial Transfer Agreements.

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 2018. The Schools Budget includes elements for a range of educational services provided on a

NOTES TO THE CORE FINANCIAL STATEMENTS

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 2018/19 are as follows:

	Central Expenditure	Individual Schools Budget	Total
	£000	£000	£000
Final DSG for 2018/19 before Academy recoupment			92,105
Academy figure recouped for 2018/19			21,495
Total DSG after Academy recoupment for 2018/19			70,610
Plus: Brought forward from 2017/18			4,451
Less: Carry forward to 2019/20 agreed in advance			0
Agreed initial budgeted distribution in 2018/19	21,995	53,066	75,061
In year adjustments ¹	(416)	416	0
Final budget distribution for 2018/19	21,579	53,482	75,061
Less: Actual central expenditure	16,972		16,972
Less: Actual ISB deployed to schools		53,482	53,482
Plus: Local authority contribution for 2018/19	0	0	0
Carry forward to 2019/20	4,607	0	4,607

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

	2018/19	2017/18
	£000	£000
Basic Needs	736	6,577
Other Government Grants	6,416	5,514
S106 Contributions	3,140	1,035
Community Infrastructure Levy (CIL)	8,480	8,217
Thames Valley Berkshire Local Enterprise Partnership Contributions	1,605	1,291
Other Capital Contributions	430	296
Total	20,807	22,930

NOTES TO THE CORE FINANCIAL STATEMENTS

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.

Business Rates income was significantly higher in 2018/19 due to the Berkshire local authorities being designated as a pilot area for a 100% business rates retention scheme. As part of this arrangement no Revenue Support Grant was receivable.

	2018/19	2017/18
	£000	£000
Revenue Support Grant	0	7,081
New Homes Bonus Grant	1,772	2,796
Transition Grant	0	914
EU Exit Preparation Grant	105	0
Troubled Families Grants	257	310
Housing and Council Tax Benefit Subsidy Administration Grant	380	409
Education Services Grant	0	426
Special Educational Needs (SEND) Grant	88	90
SEND Preparation for Employment Grant	39	0
School Improvement Monitoring and Brokering Grant	120	74
Small Business Rates Relief Grant	2,451	936
Local Reform and Community Voices Grant	0	94
Family Safeguarding Project Fund	896	246
Controlling Migration Grant	0	66
New Burdens Grant for Property Searches	0	31
Independent Living Fund Grant	256	264
Adult Social Care Support Grant	226	363
Waste PFI Deferred Income	89	0
Disabled Facilities Grant	333	333
Other non-ringfenced revenue grants	135	78
General and Non-ringfenced Government Grants	7,147	14,511
Business Rates Income	72,636	31,354
Business Rates Tariff	(30,544)	(8,874)
Business Rates Levy	62	(2,469)
Business Rates Income and Expenditure	42,154	20,011
Total	49,301	34,522

NOTES TO THE CORE FINANCIAL STATEMENTS

Grants and Contributions Credited to Services

	2018/19 £000	2017/18 £000
Dedicated Schools Grant (including pupil premium)	73,193	76,156
Sixth Form Funding	2,297	3,765
Housing Benefit Subsidy	27,172	29,569
Public Health Grant	4,050	4,157
Better Care Fund	6,046	5,891
Other Grants and Contributions	10,246	8,851
Donations	252	598
Total	123,256	128,987

Grants and Contributions - Receipts in Advance

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

For revenue grants and contributions these totalled £0.662m (£1.312m in 2017/18).

Capital Grants and Contributions - Receipts in Advance

	31 March 2019 £000	31 March 2018 £000
Short Term Creditors		
Thames Valley Berkshire Local Enterprise Partnership	0	1,605
Devolved Formula Capital	760	0
Other Government Grants	205	15
Other Contributions	0	0
Waste PFI deferred income	89	0
Long Term Liabilities		
Section 106 contributions ¹	12,464	11,871
Waste PFI deferred income	996	0
Total	14,514	13,491

¹Section 106 contributions arise from planning agreements, which govern the utilisation of the receipts.

NOTES TO THE CORE FINANCIAL STATEMENTS

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	2018/19			2017/18
	No of Employees		Total	No of Employees
	Non-schools	Schools		
£50,000 - £54,999	26	26	52	58
£55,000 - £59,999	19	15	34	29
£60,000 - £64,999	11	9	20	20
£65,000 - £69,999	1	4	5	11
£70,000 - £74,999	7	7	14	7
£75,000 - £79,999	3	2	5	4
£80,000 - £84,999	1	0	1	1
£85,000 - £89,999	3	1	4	6
£90,000 - £94,999	1	1	2	4
£95,000 - £99,999	0	1	1	0
£100,000 - £104,999	1	0	1	2
£105,000 - £109,999	0	1	1	0
£125,000 - £129,999	0	0	0	1
£130,000 - £134,999	1	0	1	0
Total	74	67	141	143
2017/18 Comparatives	71	72		

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 Strategic Director of Public Health and the statutory Director: Finance and Borough Solicitor posts.

NOTES TO THE CORE FINANCIAL STATEMENTS

Remuneration of Senior Employees 2018/19

Post Title (and Name if over £150,000)	Salary	Pension Contributions	Total Including Pension Contributions
	£000	£000	£000
Chief Executive – T Wheadon	178	25	203
Director of Resources ¹	124	7	131
Director of Children, Young People and Learning - N Edwards ²	34	5	39
Executive Director: People – N Edwards ²	117	17	134
Director of Adult Social Care, Health and Housing ³	48	7	55
Interim Executive Director: Delivery ³	78	11	89
Executive Director: Delivery ⁴	5	1	6
Director of Environment, Culture and Communities ⁵	122	7	129
Borough Treasurer ⁶	24	4	28
Director: Finance ⁶	85	12	97
Director: Place, Planning and Regeneration ⁷	58	8	66
Director: Organisational Development, Transformation and HR ⁷	58	8	66
Borough Solicitor	103	15	118
Strategic Director of Public Health Bracknell Forest ⁸	78	11	89
Strategic Director of Public Health ⁹	13	0	13
Total	1,125	138	1,263

This reflects the revised Corporate Management Team, introduced in September 2018, plus the monitoring officer (Borough Solicitor) and the Strategic Directors of Public Health. No expense allowances were paid during the year.

¹The Director of Resources left the Council on 31 August 2018, this figure includes redundancy costs

²Due to a restructure, the Director of Children Young People and Learning became the Executive Director: People on 1 July 2018

³Due to a restructure, the Director of Adult Social Care, Health and Housing became the Interim Executive Director: Delivery from 1 September 2018 to 17 March 2019.

⁴The Executive Director: Delivery was appointed on 18 March 2019.

⁵The Director of Environment, Culture and Communities left the Council on 31 August 2018, this figure includes redundancy costs

⁶The Borough Treasurer became the Director: Finance on 1 July 2018

⁷Both directors were appointed on 1 September 2018

⁸The Strategic Director of Public Health Bracknell Forest left the authority on 23 January 2019

⁹The remuneration for this post is shared between the six Berkshire unitary councils. There were two post holders during the year. Bracknell Forest's share of the costs was 7.1% until the end of January and 16.67% thereafter.

NOTES TO THE CORE FINANCIAL STATEMENTS

Remuneration of Senior Employees 2017/18

Post Title (and Name if over £150,000)	Salary	Pension Contributions	Total Including Pension Contributions
	£000	£000	£000
Chief Executive – T Wheadon	165	23	188
Assistant Chief Executive ¹	36	5	41
Director of Resources	118	17	135
Director of Children, Young People and Learning	126	18	144
Director of Adult Social Care, Health and Housing	115	17	132
Director of Environment, Culture and Communities	115	16	131
Borough Treasurer	99	14	113
Borough Solicitor	93	13	106
Strategic Director of Public Health ²	8	1	9
Strategic Director of Public Health ²	10	0.0	10
Total	885	124	1,009

¹The Assistant Chief Executive left the Council on 28 August 2017

²The remuneration for this post is shared between the six Berkshire unitary councils. This is Bracknell Forest's share (13.5%). The Strategic Director of Public Health left the Council on 30 September 2017. A consultant covered this role from 1 May 17 to 31 December 2017.

No expense allowances were paid during the year

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	
	2018/19	2017/18	2018/19	2017/18	2018/19	2017/18	2018/19	2017/18
	£0-£20,000	18	40	11	15	29	55	206
£20,001 - £40,000	9	16	3	1	12	17	340	463
£40,001 - £60,000	2	8	3	0	5	8	233	366
£60,001 - £80,000	2	2	0	0	2	2	140	147
£80,001- £100,000	1	1	0	0	1	1	88	81
£100,001- £120,000	2	1	0	0	2	1	496	226
Total	34	68	17	16	51	84	1,503	1,676

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

Liabilities are charged to the Comprehensive Income and Expenditure Statement during the year in which the Council is committed to them. The liabilities of £1.503m (£1.676m in 2017/18) were comprised of redundancy, settlements and other payments £0.887m (£0.846m), pay in lieu of notice £0.091m (£0.173m) and pension fund contributions to preserve unreduced benefits (pension strain) £0.525m (£0.657m). Pension strain is a cost payable to the Pension Fund.

NOTES TO THE CORE FINANCIAL STATEMENTS

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.

	2018/19		2017/18	
	Employers' Contribution	Additional Benefits	Employers' Contribution	Additional Benefits
Amount Paid	£4.215m	£0.284m	£4.740m	£0.240m
As a percentage of teachers' pensionable pay	16.5%	1.1%	16.5%	0.8%

The expected Employers' Contribution for 2019/20 is £4.239m

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 2016. Under Pension Fund Regulations contribution rates are set to meet 100% of the overall liabilities of the Fund. The current contribution rate is 14.3% of pensionable pay for current service plus a lump sum payment of £2.489m to cover the past service deficit element (14.3% and £2.083m in 2017/18).

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.

The McCloud Judgement and its Impact on the Local Government Pension Scheme

In 2015 the Government introduced reforms to public sector pensions. In December 2018, the Court of Appeal ruled (the McCloud judgement) that the 'transitional protection' offered

NOTES TO THE CORE FINANCIAL STATEMENTS

to some members of the judges and fire fighters' schemes as part of the reforms amounted to unlawful age discrimination. More recently, the Government lost the right to appeal to the Supreme Court and the Government Actuaries Department (GAD) published some indicative figures of the potential impact on the Local Government Pension Scheme (LGPS). Although uncertainties still remain, it was felt that a constructive obligation exists for the Royal County of Berkshire LGPS to meet any additional costs and a reasonable estimate of the impact could be made. The actuary, Barnett Waddingham, was commissioned to estimate the impact of the ruling on this Council's liabilities.

The analysis estimates what the additional costs would be if the new Scheme was more closely aligned to the old Scheme. It builds on the work of GAD and considers those members who would be affected by the underpin, namely those who were active in the Scheme at 2012 and over the age of 55. The key parameter in assessing the cost is the assumed level of future salary increases in excess of CPI. The assessment assumes salary increases will be 1.5% above CPI in addition to a promotional scale, except for the period to 31 March 2020 where salaries are assumed to rise in line with CPI. This assumption has been consistently applied to all the actuarial calculations included in the accounts.

The impact on the total liabilities at 31 March 2019 is estimated to be 0.9% of liabilities (£4.405m) and the impact on the projected service cost for the year to 31 March 2020 would be 2.3% of the service cost (£0.387m). The £4.405m has been included in the accounts as a past service cost. To illustrate how sensitive these figures are to the assumed rate of salary increases, if the salary increase assumption was lowered by 0.25% then the impact at 31 March 2019 would become 0.6% of total liabilities, and the additional impact for 2019/20, 1.6% of the service cost.

NOTES TO THE CORE FINANCIAL STATEMENTS

Comprehensive Income and Expenditure Statement and Movement in Reserves

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

	2018/19 £000	2017/18 £000
Comprehensive Income and Expenditure Statement		
Cost of Services:		
Current Service Cost	16,656	18,856
Past Service Cost including curtailments	5,174	1,053
(Gain)/Loss from Settlements	(642)	(6,516)
Other Operating Expenditure		
Other Pension Administration Costs	154	150
Financing and Investment Income and Expenditure:		
Net Interest Expense	6,875	7,500
Total Post Employment Benefits Charged to the Surplus or Deficit on the Provision of Services	28,217	21,043
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)	(12,144)	(1,246)
Actuarial (Gains) and Losses arising on changes in financial assumptions	25,404	(15,891)
Actuarial (Gains) and Losses arising on changes in demographic assumptions	(30,422)	0
Other Actuarial (Gains)/Losses on Assets	0	0
Experience (Gain)/Loss on Defined Benefit Obligation	0	0
Total Post Employment Benefits Charged to the Comprehensive Income and Expenditure Statement	11,055	3,906
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.	(28,217)	(21,043)
Actual Amount Charged Against the General Fund for Pensions in the Year:		
Employer's Contributions Payable to Pension Scheme	9,883	9,997

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 2019 £000	31 March 2018 £000
Present value of funded obligation	534,501	516,979
Fair Value of scheme (plan) assets	(262,050)	(246,164)
Net funded liability	272,451	270,815
Present value of unfunded obligation	4,846	5,310
Net liability arising from the defined benefit obligation	277,297	276,125

NOTES TO THE CORE FINANCIAL STATEMENTS

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

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

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

	31 March 2019	31 March 2018
	£000	£000
Liabilities as of the Beginning of the Period	522,289	525,232
Current Service Cost	16,656	18,856
Interest Cost	13,113	14,274
Contributions by Scheme Participants	3,002	3,272
Remeasurements		
Actuarial (Gains) and Losses arising from changes in financial assumptions	25,404	(15,891)
Actuarial (Gains) and Losses arising from changes in demographic assumptions	(30,422)	0
Experience Loss/(Gain) on Defined Benefit Obligation	0	0
Past Service Costs including Curtailments	5,174	1,053
Benefits Paid plus Unfunded Pension Payments	(14,134)	(13,353)
Unfunded Pension Payments	(399)	(407)
Liabilities assumed/(extinguished) on Settlements	(1,336)	(10,747)
Liabilities as of the end of the period	539,347	522,289

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 2019 is lower than that at 31 March 2018. As a result, the discount rate used is lower resulting in a higher value being placed on the defined benefit obligation. Projections for CPI are higher than last year which will also have increased the value of liabilities. Changes in demographic assumptions have had the opposite effect, primarily because mortality improvements have been much lower than previously forecast. The impact of changes in assumptions is covered in more detail in Note 4.

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

	31 March 2019	31 March 2018
	£000	£000
Assets as of the Beginning of the Period	246,164	243,016
Interest income	6,238	6,774
Remeasurements		
Return on Plan Assets (excluding the amount included in the Net Interest Expense)	12,144	1,246
Other Actuarial Gains and Losses	0	0
Other Administration Expenses	(154)	(150)
Employer Contributions	9,883	9,997
Contributions by Scheme Participants	3,002	3,272
Benefits Paid	(14,533)	(13,760)
Settlement prices received/(paid)	(694)	(4,231)
Assets as of the end of the period	262,050	246,164

NOTES TO THE CORE FINANCIAL STATEMENTS

The overall return on assets was 9% (3% in 2017/18) a significant improvement on last year. Returns on equities were volatile during the year but returns were particularly strong in the last quarter. Overall gilts and corporate bonds also showed positive returns for the year.

The total contribution expected to be made to the Royal County of Berkshire Pension Fund in 2019/20 is £9.260m.

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 2019		Assets Held 31 March 2018	
	£000	%	£000	%
Cash and Cash Equivalents	20,294	8	36,252	15
Bonds				
Government (Gilts)	0	0	0	0
Other ¹	35,242	13	36,971	15
Equities ²	138,115	53	117,986	48
Property ³	35,834	14	31,656	13
Target Return Portfolio (Unit Trust)	9,580	4	10,691	4
Commodities ⁴	6,493	2	4,352	2
Infrastructure ⁴	24,224	9	12,693	5
Longevity Insurance	(7,732)	(3)	(4,437)	(2)
Total	262,050	100	246,164	100

¹Other Bonds are all overseas investments

²95% of Equities are overseas investments (84% in 2017/18)

³Property pooled funds include UK and overseas elements

⁴All commodities and approximately half of the infrastructure investments are overseas investments

Basis for Estimating Asset and Liabilities

Liabilities have been estimated on an actuarial basis using the latest full valuation of the scheme as at 31 March 2016 rolled forward allowing for different financial assumptions about mortality rates, salary levels, etc. Barnett Waddingham, an independent firm of actuaries, has assessed the Royal County of Berkshire Pension Fund liabilities. Since 2012/13, different assumptions have been made for this Council and the former Berkshire County Council (BCC).

These assumptions are set with reference to market conditions at 31 March 2019 and will vary depending on the duration of the employer's liabilities, estimated at 20 years for this Council and 12 years for the former BCC. 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 1.0% below RPI (1.0% in 2017/18). Salary increases are assumed to be 1.5% above CPI in addition to a promotional scale, except for the period to 31 March 2020 where salaries are assumed to rise in line with CPI.

NOTES TO THE CORE FINANCIAL STATEMENTS

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

	2018/19		2017/18	
	% Former BCC	% BFC	% Former BCC	% BFC
Rate of inflation - RPI	3.50	3.40	3.35	3.30
Rate of inflation - CPI	2.50	2.40	2.35	2.30
Rate of increase in salaries	N/A	3.90	N/A	3.80
Rate of increase in pensions	2.50	2.40	2.35	2.30
Discount Rate	2.25	2.40	2.45	2.55
Mortality assumptions from age 65:	Age	Age	Age	Age
Longevity at 65 for current pensioners				
Men	22.0	22.0	23.1	23.1
Women	24.0	24.0	25.2	25.2
Longevity at 65 for pensioners retiring in 20 years				
Men	23.7	23.7	25.3	25.3
Women	25.8	25.8	27.5	27.5

Members will exchange half of their commutable pension for cash at retirement.

A weighted average retirement age is used for all active members.

The proportion of the membership that had taken up the option under the new scheme to pay 50% of contributions for 50% of benefits at the previous valuation date will remain the same.

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 2019	31 March 2018
	£000	£000
Surplus /(Deficit) as of beginning of the period	(276,125)	(282,216)
Remeasurements	17,162	17,137
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	(28,217)	(21,043)
Employer's pension contributions and direct payments to pensioners payable in the year	9,883	9,997
Surplus /(Deficit) as of end of the period	(277,297)	(276,125)

NOTES TO THE CORE FINANCIAL STATEMENTS

The figures include the Council's share of the Former Berkshire County Council Pension Fund Liability of £36.710m (2017/18 £36.649m).

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:

	2018/19	2017/18
	£000	£000
Allowances	570	575
Expenses	7	6
Total	577	581

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.

	2018/19			2017/18		
	Expenditure	Income	Net	Expenditure	Income	Net
	£000	£000	£000	£000	£000	£000
Public Health ¹	8,274	(8,125)	149	12,901	(12,681)	220
Other	1,853	(1,532)	321	1,735	(1,415)	320
Total	10,127	(9,657)	470	14,636	(14,096)	540

¹The contract for children aged five to nineteen was moved outside the Berkshire joint arrangement in September 2017. This is the main reason for the significant change between years.

NOTES TO THE CORE FINANCIAL STATEMENTS

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 6 years.

The non-cancellable operating lease expenditure charged to the relevant service line in the Comprehensive Income and Expenditure Statement during the year is £0.530m, a combination of £0.417m for properties and £0.113m for equipment and vehicles (2017/18 £0.403m for properties and £0.122m for equipment and vehicles).

The Council paid contingent rent of £0.019m during the year (2017/18 £0.015m).

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

	31 March 2019			31 March 2018		
	Land and Buildings £000	Equipment & Vehicles £000	Total £000	Land and Buildings £000	Equipment & Vehicles £000	Total £000
Not later than one year	123	109	232	154	119	273
Later than one year but not more than five years	384	121	505	435	153	588
Later than five years	4,608	0	4,608	6,040	0	6,040
Total	5,115	230	5,345	6,629	272	6,901

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 2019 £000	31 March 2018 £000
Not later than one year	5,958	5,065
Later than one year but not more than five years	21,695	18,758
Later than five years	38,898	29,471
Total	66,551	53,294

NOTES TO THE CORE FINANCIAL STATEMENTS

The minimum lease payments do not include rents that are contingent on events taking place after the lease was entered into. The Council received contingent rent during the year of £0.609m (2017/18 £0.857m).

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

	31 March 2019	31 March 2018
	£000	£000
Not later than one year	5,876	4,965
Later than one year but not more than five years	21,384	18,523
Later than five years	36,272	26,909
Total	63,532	50,397

The Council received contingent rent during the year of £0.600m (2017/18 £0.847m) 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 40 to 95 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 2019	31 March 2018
	Land and Buildings £000	Land and Buildings £000
Finance lease liabilities (net present value of minimum lease payments):		
Current	0	0
Non-current	4,624	4,625
	4,624	4,625
Finance costs payable in future years	48,640	49,934
Minimum lease payments	53,264	54,559

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

	31 March 2019	31 March 2018
	Land and Buildings £000	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	5,178
Later than five years	47,915	48,086
Total	53,264	54,559

NOTES TO THE CORE FINANCIAL STATEMENTS

The minimum lease payments do not include rents that are contingent on events taking place after the lease was entered into. The Council paid contingent rent during the year of £0.680m (2017/18 £0.318m) for Longshot Lane.

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

	31 March 2019	31 March 2018
	Land and Buildings	Land and Buildings
	£000	£000
Not later than one year	412	437
Later than one year but not more than five years	1,113	1,179
Later than five years	796	990
Total	2,321	2,606

The minimum lease payments do not include rents that are contingent on events taking place after the lease was entered into. The Council received contingent rent during the year of £0.087m (2017/18 £0.064m).

Council as Lessor

Under the Council's My HomeBuy Scheme, the Council has purchased, then leased out its share of fourteen 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 2019	31 March 2018
	Land and Buildings	Land and Buildings
	£000	£000
Finance lease debtor (net present value of minimum lease payments):		
Current	0	0
Non-current	1,250	1,275
	1,250	1,275
Unearned Finance income	5,637	5,807
Gross Investment in the Leases	6,887	7,082

NOTES TO THE CORE FINANCIAL STATEMENTS

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 2019	31 March 2018
	Land and Buildings £000	Land and Buildings £000
Not later than one year	58	58
Later than one year but not more than five years	230	235
Later than five years	6,599	6,789
Total	6,887	7,082

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 (2017/18 £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 during the 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:

	2018/19 £000	2017/18 £000
Value as of the beginning of the period	(5,189)	(5,411)
Adjustment for revised PFI model	266	
Adjusted Value as of the beginning of the period	(4,923)	
Payments during the year	333	222
Value as of the end of the period	(4,590)	(5,189)

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.

NOTES TO THE CORE FINANCIAL STATEMENTS

	31 March 2019	31 March 2018
	£000	£000
Within 1 year	89	89
2 to 5 years	355	355
6 to 10 years	443	443
11 to 15 years	198	287
Total	1,085	1,174

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 2019				Total payable £000
	2019/20	2-5 yrs	6-10 yrs	11-15 yrs	
	£000	£000	£000	£000	
Repayment of Liability	361	1,167	1,947	1,115	4,590
Interest	336	1,106	832	123	2,397
Payment for Services	1,514	6,962	9,705	4,747	22,928
Total	2,211	9,235	12,484	5,985	29,915

The significant reduction in the fair value of services, between 2017/18 and 2018/19, results from a review undertaken of the financial model underpinning the contract.

Obligations payable in	As at 31 March 2018				Total payable £000
	2018/19	2-5 yrs	6-10 yrs	11-15 yrs	
	£000	£000	£000	£000	
Repayment of Liability	238	1,131	1,928	1,892	5,189
Interest	340	1,180	974	245	2,739
Payment for Services	7,419	31,521	44,242	36,657	119,839
Total	7,997	33,832	47,144	38,794	127,767

NOTES TO THE CORE FINANCIAL STATEMENTS

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

	Other Land & Buildings	2018/19 Vehicles, Plant, Furniture & Equipment	Total PFI Assets	Other Land & Buildings	2017/18 Vehicles, Plant, Furniture & Equipment	Total PFI Assets
	£000	£000	£000	£000	£000	£000
Cost/Valuation						
As of the beginning of the period	5,508	1,917	7,425	5,508	1,917	7,425
Adjustment ¹	(251)	(10)	(261)			
Adjusted opening balance	5,257	1,907	7,164			
In year movements	0	0	0	0	0	0
As of the end of the period	5,257	1,907	7,164	5,508	1,917	7,425
Depreciation						
As of the beginning of the period	251	300	551	0	223	223
Adjustment ¹	(251)	(10)	(261)			
Adjusted opening balance	0	290	290			
Depreciation for Year	250	77	327	251	77	328
As of the end of the period	250	367	617	251	300	551
Net Book Value as of the beginning of the period	5,257	1,617	6,874	5,508	1,694	7,202
Net Book Value as of the end of the period	5,007	1,540	6,547	5,257	1,617	6,874

¹Following a review of the PFI model, adjustments were required to the historic cost and current value of assets in order to correct the associated figures in the Balance Sheet. The overall net impact on asset values was zero.

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.

	2018/19 £000	2017/18 £000
Fees payable to the external auditor with regard to external audit services carried out by the appointed auditor for the year	81	105
Fees payable to external auditor for the certification of grant claims and returns for the year	22	25
Fees payable in respect of other services provided by the external auditor during the year	8	4
Rebate received for previous year	0	(16)
Total	111	118

NOTES TO THE CORE FINANCIAL STATEMENTS

17 TRADING OPERATIONS

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

		2018/19		2017/18	
		£000	£000	£000	£000
Forestcare ¹	Expenditure	1,684		1,717	
	Income	(1,327)		(1,179)	
	(Surplus)/Deficit		357		538
Car Parks	Expenditure	3,396		1,917	
	Income	(3,023)		(2,327)	
	(Surplus)/Deficit		373		(410)
Other	Expenditure	395		501	
	Income	(355)		(507)	
	(Surplus)/Deficit		40		(6)
Total (Surplus)/Deficit			770		122

¹Forestcare provides out of hours contact centre services for a range of organisations.

NOTES TO THE CORE FINANCIAL STATEMENTS

18 PROPERTY, PLANT AND EQUIPMENT

Movements on Balances

	2018/19						
	Other Land & Buildings	Vehicles, Plant, Furniture & Equipment	Infra- Structure Assets	Community Assets	Surplus Assets	Assets Under Construction	Total Property, Plant and Equipment
	£000	£000	£000	£000	£000	£000	£000
Cost/Valuation							
At 1 April 2018	416,682	40,762	95,995	6,403	0	44,969	604,811
Adjustment for revised Waste PFI Model	(251)	(10)	0	0	0	0	(261)
Adjusted at 1 April 2018	416,431	40,752	95,995	6,403	0	44,969	604,550
Additions	2,895	2,022	6,175	18	0	11,731	22,841
Revaluation increases/ (decreases) recognised in the Revaluation Reserve	7,861	0	0	0	0	0	7,861
Revaluation increases/ (decreases) recognised in the Surplus/Deficit on the Provision of Services	(9,159)	(5)	0	(6)	0	0	(9,170)
Disposals	(40,124)	(1,381)	(1,347)	0	0	0	(42,852)
Reclassification (to)/from Assets Held for Sale	(8,461)	0	0	0	0	0	(8,461)
Other Reclassifications	41,979	796	3,055	0	0	(46,009)	(179)
At 31 March 2019	411,422	42,184	103,878	6,415	0	10,691	574,590
Accumulated Depreciation & Impairments							
At 1 April 2018	21,323	28,308	29,224	0	0	0	78,855
Adjustment for revised Waste PFI Model	(251)	(10)	0	0	0	0	(261)
Adjusted at 1 April 2018	21,072	28,298	29,224	0	0	0	78,594
Depreciation charge	8,563	1,896	3,645	0	0	0	14,104
Depreciation written out to the Revaluation Reserve	(14,978)	0	0	0	0	0	(14,978)
Depreciation written out to the Surplus/Deficit on the Provision of Services	(4,602)	0	0	0	0	0	(4,602)
Depreciation written out on disposal	0	(995)	(256)	0	0	0	(1,251)
At 31 March 2019	10,055	29,199	32,613	0	0	0	71,867
Net Book Value at 31 March 2019	401,367	12,985	71,265	6,415	0	10,691	502,723
Net Book Value at 31 March 2018	395,359	12,454	66,771	6,403	0	44,969	525,956
Nature of asset holding							
Owned	396,360	11,445	71,265	6,415	0	10,691	496,176
Finance lease	0	0	0	0	0	0	0
PFI	5,007	1,540	0	0	0	0	6,547
Net Book Value at 31 March 2019	401,367	12,985	71,265	6,415	0	10,691	502,723

NOTES TO THE CORE FINANCIAL STATEMENTS

	2017/18						
	Other Land & Buildings	Vehicles, Plant, Furniture & Equipment	Infra- Structure Assets	Community Assets	Surplus Assets	Assets Under Construction	Total Property, Plant and Equipment
	£000	£000	£000	£000	£000	£000	£000
Cost/Valuation							
At 1 April 2017	435,042	41,081	82,483	6,287	4,800	38,356	608,049
Additions	10,702	2,132	4,680	54	0	34,478	52,046
Revaluation increases/ (decreases) recognised in the Revaluation Reserve	9,700	0	0	0	0	0	9,700
Revaluation increases/ (decreases) recognised in the Surplus/Deficit on the Provision of Services	(2,034)	0	0	(2)	0	0	(2,036)
Disposals	(51,107)	(2,451)	(800)	0	0	(3,540)	(57,898)
Reclassification (to)/from Assets Held for Sale	(250)	0	0	0	(4,800)	0	(5,050)
Other Reclassifications	14,629	0	9,632	64	0	(24,325)	0
At 31 March 2018	416,682	40,762	95,995	6,403	0	44,969	604,811
Accumulated Depreciation & Impairments							
At 1 April 2017	21,585	28,556	26,279	0	0	0	76,420
Depreciation charge	8,094	1,803	3,088	0	0	0	12,985
Depreciation written out to the Revaluation Reserve	(5,200)	0	0	0	0	0	(5,200)
Depreciation written out to the Surplus/Deficit on the Provision of Services	(604)	0	0	0	0	0	(604)
Depreciation written out on disposal	(2,552)	(2,051)	(143)	0	0	0	(4,746)
At 31 March 2018	21,323	28,308	29,224	0	0	0	78,855
Net Book Value at 31 March 2018	395,359	12,454	66,771	6,403	0	44,969	525,956
Net Book Value at 31 March 2017	413,457	12,525	56,204	6,287	4,800	38,356	531,629
Nature of asset holding							
Owned	390,102	10,837	66,771	6,403	0	44,969	519,082
Finance lease	0	0	0	0	0	0	0
PFI	5,257	1,617	0	0	0	0	6,874
Net Book Value at 31 March 2018	395,359	12,454	66,771	6,403	0	44,969	525,956

NOTES TO THE CORE FINANCIAL STATEMENTS

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 principally carried out by Steve Booth BSc, MRICS, ASVA, DipAF – the Council’s Head of Property & Facilities, although for some assets an external firm of valuers was used to determine building costs. 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 2018/19 rolling programme were not materially misstated in the Balance sheet. As a result, £155m of the 2018/19 assets listed below were revalued using the index.

	Other Land & Buildings	Vehicles, Plant Furniture & Equipment	Infra- structure Assets	Community Assets	Surplus Assets	Assets Under Construct- ion	Total Property, Plant and Equipment
	£000	£000	£000	£000	£000	£000	£000
Carried at historic cost	0	40,277	103,878	6,415	0	10,691	161,261
Valued at current or Fair Value as at:							
2018/19	204,408	0	0	0	0	0	204,408
2017/18	38,437	0	0	0	0	0	38,437
2016/17	16,065	1,907	0	0	0	0	17,972
2015/16	31,629	0	0	0	0	0	31,629
2014/15	120,883	0	0	0	0	0	120,883
Total Cost or Valuation	411,422	42,184	103,878	6,415	0	10,691	574,590

NOTES TO THE CORE FINANCIAL STATEMENTS

19 INVESTMENT PROPERTY

	2018/19	2017/18
	£000	£000
Balance at the beginning of the period	103,095	48,626
Additions:		
Purchases	30,728	46,208
Subsequent expenditure	344	288
Net gains/losses from Fair Value adjustments	(6,991)	7,973
Balance at the end of the period	127,176	103,095

Three Investment Properties were purchased during the year at a cost of £30.728m as part of the Council's Commercial Property Investment and town centre strategies. Of the balance as at 31 March 2019, £0.350m relates to properties held under finance leases (£0.424m in 2017/18) and £126.826m to properties owned by the Council (£102.671m in 2017/18). At 31 March 2019, all Investment Properties were let under operating leases with the exception of seven properties currently without tenants and three properties held for future sale. The value of the properties let under operating leases was £121.455m (£96.483m in 2017/18).

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 2019	31 March 2018
	£000	£000
Rental Income From Investment Property	(7,707)	(5,572)
Operating Expenses Arising From Investment Property	1,159	1,284
Net Gain	(6,548)	(4,288)

Valuation basis

The Fair Value of Investment Property has been measured using a market approach, taking into account existing lease terms and rentals and information gathered from managing the Council's Investment Property portfolio. It was conducted by Steve Booth, the Head of Property and Facilities, in accordance with the methodologies and estimation bases set out in the professional standards of the Royal Institution for Chartered Surveyors.

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 a recent and comparable property purchase.

There is limited activity within the local market for equivalent properties. As the local rental yield is based on two recent transactions, the valuations have been categorised as level 2 of the Fair Value hierarchy. These transactions show an increase in yield compared to last year which has resulted in a lower fair value for the whole portfolio.

NOTES TO THE CORE FINANCIAL STATEMENTS

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.

20 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 2019	31 March 2018
	£000	£000
Opening Capital Financing Requirement	186,121	111,708
Adjustment relating to the revised Waste PFI model	908	0
Adjusted Opening Capital Financing Requirement	187,029	111,708
<i>Capital Investment</i>		
Property, Plant and Equipment	22,841	52,046
Investment Property	31,072	46,497
Intangible Assets	101	365
Revenue Expenditure Funded from Capital under Statute	1,982	2,191
Long Term Debtors	7,479	5,881
	63,475	106,980
<i>Sources of Finance</i>		
Capital Receipts	(7,047)	(7,872)
Disposal costs incurred in advance of the Capital Receipt	(1)	(22)
Government Grants and Other Contributions	(23,716)	(23,468)
Sums Set Aside from Revenue:		
Waste PFI Donated Asset Account (deferred income)	(89)	0
Minimum Revenue Provision	(1,798)	(1,205)
	(32,651)	(32,567)
Closing Capital Financing Requirement	217,853	186,121
Increase/(Decrease) in underlying need to borrow (supported by government financial assistance)	(569)	(520)
Increase/(Decrease) in underlying need to borrow (unsupported by government financial assistance)	31,393	71,759
Assets acquired under Finance Leases (The Avenue Car Park)	0	3,174
Increase/(Decrease) in Capital Financing Requirement	30,824	74,413

NOTES TO THE CORE FINANCIAL STATEMENTS

21 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 2019 are as follows.

Capital Scheme	31 March 2019
	£000
Town Centre Regeneration	6,000
King's Academy Equipment	660
Downshire Way Duelling	3,492
Traffic Modelling	170
Replacement of LED Street Lights	835
Loan to Downshire Homes Ltd - purchase of two properties	554
Structural Maintenance of Bridges	179
Total	11,890

22 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. A further capital loan was made to Downshire Homes Ltd (DHL) during the year, which 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. In 2018/19 DHL acquired a further 24 properties and now owns 63, 58 of which are used as homeless accommodation and five as shared accommodation for people with learning disabilities.

	31 March 2019	31 March 2018
	£000	£000
Local Authorities		
Loan to Warfield Parish Council	40	48
Loan to Downshire Homes Ltd	19,692	12,213
Other Entities and Individuals		
Housing Association Loans	0	343
Sale of Council Houses Loans	15	16
Car Loans to Employees	397	360
Rent to Mortgage Properties	376	376
South Hill Park Loan	10	12
Mortgages	699	729
Shared Equity Property Finance Leases	980	978
Byways/Adastron Finance Lease	445	445
Construction Industry Levy	3,842	0
Total	26,496	15,520

NOTES TO THE CORE FINANCIAL STATEMENTS

23 SHORT TERM DEBTORS

	31 March 2019	31 March 2018
	£000	£000
Central Government Bodies	9,185	3,646
Other Local Authorities	1,932	4,643
NHS Bodies	2,872	3,177
Public Corporations and Trading Funds	3	5
Other Entities and Individuals	24,499	25,734
Total	38,491	37,205

The significant increase in central government debt primarily relates to the governments share of the final deficit on the Business Rates element of the Collection Fund in 2017/18.

24 CASH AND CASH EQUIVALENTS

	31 March 2019	31 March 2018
	£000	£000
Investments With Original Maturities of 3 Months or Less	14,855	17,001
Cash held by the Council	6	6
Bank Balance / (Overdraft)	1,303	(3,718)
Total	16,164	13,289

25 SHORT TERM CREDITORS

	31 March 2019	31 March 2018
	£000	£000
Central Government Bodies	5,178	13,326
Other Local Authorities	7,157	3,616
NHS Bodies	685	907
Public Corporations and Trading Funds	0	0
Other Entities and Individuals	35,433	33,406
Total	48,453	51,255

In 2017/18 income from the Collection Fund was payable to central government resulting in a significant creditor (£9m). This is not the case in 2018/19, where money is due from central government.

26 PROVISIONS

2018/19	Town Centre Regeneration £000	Business Rates Appeals £000	Construction £000	Total £000
Balance at 1 April 2018	507	7,592	410	8,509
Additional provisions	0	2,543	0	2,543
Unused amounts reversed	0	0	0	0
Amounts used	0	(719)	0	(719)
Balance at 31 March 2019	507	9,416	410	10,333

NOTES TO THE CORE FINANCIAL STATEMENTS

The provision for Business Rates shows an overall increase and reflects the latest information on appeals and the fact the Council was a 100% retention pilot in 2018/19. The position is increasingly difficult to predict following the 2017 valuation and the Valuation Office Agency's new Check, Challenge, Appeal process.

The Town Centre Regeneration provisions cover the potential cost of Compulsory Purchase Orders (CPOs) served on tenants in the northern section of Bracknell Town Centre and in Market Place. Actual payments are subject to negotiation and it has been assumed that outstanding claims can be finalised in 2019/20.

2017/18	Town Centre Regeneration £000	Business Rates Appeals £000	Construction £000	Total £000
Balance at 1 April 2017	594	5,964	0	6,558
Additional provisions	0	2,187	410	2,597
Unused amounts reversed	(52)	0	0	(52)
Amounts used	(35)	(559)	0	(594)
Balance at 31 March 2018	507	7,592	410	8,509

27 LONG TERM CREDITORS

	31 March 2019 £000	31 March 2018 £000
Other Entities and Individuals		
PFI Obligations	4,229	4,951
Finance Lease Obligations	4,624	4,624
Peel Centre Prepaid Rent	9,527	9,592
Deposits	828	834
Total	19,208	20,001

28 EARMARKED RESERVES

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

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

NOTES TO THE CORE FINANCIAL STATEMENTS

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

2018/19	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	1,273	(337)	622	1,558
Other Schools' Balances	4,543	(1,028)	1,144	4,659
Insurance & Uninsured Claims	2,843	(53)	162	2,952
Cost of Structural Change	1,990	(1,200)	1,500	2,290
Future Funding	8,609	0	11,213	19,822
Transformation	2,882	(1,320)	2,060	3,622
ICT Transformation	0	0	1,000	1,000
Revenue Grants Unapplied	2,898	(262)	873	3,509
Other	5,630	(321)	5,042	10,351
Total	30,668	(4,521)	23,616	49,763
Total movements in 2017/18	19,095	(6,607)	18,180	30,668

29 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.

	2018/19 £000	2017/18 £000
Opening Balance	13,810	13,178
Received	3,394	8,744
Repaid	(15)	0
Applied to Capital Financing	(5,229)	(8,112)
Closing Balance	11,960	13,810

NOTES TO THE CORE FINANCIAL STATEMENTS

30 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.

	2018/19	2017/18
	£000	£000
As of the beginning of the period	136,195	141,347
Adjustment relating to the revised Waste PFI model	(852)	0
Adjusted as of the beginning of the period	135,343	141,347
Upward revaluation of assets	22,858	15,768
Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services	(19)	(868)
Surplus or deficit on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services	22,839	14,900
Difference between Current/Fair Value depreciation and historical cost depreciation	(2,695)	(2,732)
Accumulated gains on assets sold or scrapped	(5,618)	(17,320)
Amount written off to the Capital Adjustment Account	(8,313)	(20,052)
Closing Balance	149,869	136,195

31 CAPITAL ADJUSTMENT ACCOUNT

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

The Account contains accumulated gains and losses on Investment Properties.

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

NOTES TO THE CORE FINANCIAL STATEMENTS

	2018/19	2017/18
	£000	£000
Balance at 1 April	322,755	337,198
Adjustment relating to the revised Waste PFI model	(56)	0
Adjusted Balance at 1 April	322,699	337,198
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	(14,104)	(12,985)
Revaluation Losses on Property Plant & Equipment	(7,265)	(1,258)
Amortisation of Intangible Assets	(251)	(194)
Revenue Expenditure Funded from Capital under Statute	(984)	(1,229)
Amount of non-current assets written off as part of the gain/loss on sale	(47,526)	(58,172)
	(70,130)	(73,838)
Adjusting amounts written out of the Revaluation Reserve	8,313	20,052
Net written out amount of the cost of non-current assets consumed in the year	(61,817)	(53,786)
Capital financing applied in the year:		
Use of the Capital Receipts Reserve to finance new capital expenditure	7,047	7,872
Capital Grants and Contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	17,427	14,186
Application of Capital Grants and Contributions to capital financing from the Capital Grants Unapplied Reserve	5,229	8,112
Statutory provision for the financing of capital investment	1,798	1,205
Prior year costs of non-current asset disposals met from in-year Capital Receipts	3	25
Capital expenditure charged against the General Fund balance	0	0
	31,504	31,400
Movements in the market value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement	(6,991)	7,973
Movements in the Waste PFI Donated Asset Account (deferred income) credited to the Comprehensive Income and Expenditure Statement	89	0
Repayment of loans	(31)	(30)
Balance at 31 March	285,453	322,755

NOTES TO THE CORE FINANCIAL STATEMENTS

32 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.

	2018/19	2017/18
	£000	£000
As of the beginning of the period	2,081	2,136
Shared Equity Property Finance Leases	0	0
Transfer to the Capital Receipts Reserve upon receipt of cash	(392)	(55)
Closing Balance	1,689	2,081

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

	31 March	31 March
	2019	2018
	£000	£000
Mortgages on Council Houses Sold	15	18
Housing Association Loans	0	356
Loan to Warfield Parish Council	48	56
Rent to Mortgage Properties	376	376
Shared Equity Property Finance Leases	805	830
Byways/Adastron House Finance Lease	445	445
Total	1,689	2,081

33 COLLECTION FUND ADJUSTMENT ACCOUNT

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

	2018/19	2017/18
	£000	£000
As of the beginning of the period	(2,352)	5,761
Net change during the year	6,492	(8,113)
Closing Balance	4,140	(2,352)

NOTES TO THE CORE FINANCIAL STATEMENTS

34 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.

	2018/19	2017/18
	£000	£000
As of the beginning of the period	5,685	5,328
Net change during the year	(1,165)	357
Closing Balance	4,520	5,685

35 FINANCIAL INSTRUMENTS

Categories of Financial Instruments

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

Financial Assets	Current	31 March 2019		Fair Value
		Long Term	Total	
	£000	£000	£000	£000
Debtors – Amortised Cost	23,169	26,496	49,665	57,972
Total Financial Assets	23,169	26,496	49,665	57,972
Non-financial Assets	15,322	0	15,322	15,322
Total	38,491	26,496	64,987	73,294
Financial Liabilities				
Borrowings – Amortised Cost	35,884	80,000	115,884	139,143
Creditors – Amortised Cost	32,581	9,850	42,431	79,923
Total Financial Liabilities	68,465	89,850	158,315	219,066
Non-financial Liabilities	15,077	0	15,077	15,077
Total	83,542	89,850	173,392	234,143

NOTES TO THE CORE FINANCIAL STATEMENTS

Financial Assets	Current	31 March 2018		Fair Value
		Long Term	Total	
	£000	£000	£000	£000
Debtors – Amortised Cost	29,324	15,520	44,844	49,265
Total Financial Assets	29,324	15,520	44,844	49,265
Non-financial Assets	7,881	0	7,881	7,881
Total	37,205	15,520	52,725	57,146
Financial Liabilities				
Borrowings – Amortised Cost	30,759	70,000	100,759	121,350
Creditors – Amortised Cost	28,763	9,575	38,338	75,199
Total Financial Liabilities	59,522	79,575	139,097	196,549
Non-financial Liabilities	21,767	0	21,767	21,767
Total	81,289	79,575	160,864	218,316

Financial Assets classified as loans and receivables in 2017/18 have all been reclassified to Debtors - amortised cost following the implementation of IFRS9. No adjustments were required to carrying values or impairment allowances as part of this reclassification.

Cash and cash equivalents, which include Money Market Funds held at amortised cost, are also financial instruments and are detailed in Note 24.

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);

NOTES TO THE CORE FINANCIAL STATEMENTS

- 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 £115.9m would be valued at £121.0m.

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 2019) 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 2019) arising from a commitment to pay interest above current market rates.

The Fair Value of the assets is significantly higher than the carrying amount because the Council's portfolio of long term debtors includes a fixed rate loan to Downshire Homes Ltd of £19.7m (£12.2m in 2017/18) where the interest rate receivable is higher than the rates available for similar loans at the Balance Sheet date. This shows a notional future gain attributable to the commitment to receive interest above current market rates.

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	2018/19 Surplus or Deficit on the Provision of Services £000	2017/18 Surplus or Deficit on the Provision of Services £000
Interest Revenue – financial assets measured at amortised cost	969	834
Interest expense	(3,584)	(2,322)

NOTES TO THE CORE FINANCIAL STATEMENTS

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 2018/19 was set at £266m. This is the maximum limit of external borrowings or other long term liabilities.
- The Operational Boundary was expected to be £250m. 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

NOTES TO THE CORE FINANCIAL STATEMENTS

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 2018/19 was approved by Full Council on 28 February 2018 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-2018-to-2019.pdf>.

The Council's maximum exposure to credit risk in relation to its deposits in financial institutions and money market funds of £16.2m 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 2019 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 22. 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 (£19.7m) and Construction Industry Levy (CIL) payments (£3.8m). 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 a number of 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.

NOTES TO THE CORE FINANCIAL STATEMENTS

Loss Allowance	2018/19	2017/18
	£000	£000
Opening Balance as at 1 April	2,425	1,908
Movements	199	517
As at 31 March	2,624	2,425
Write offs	311	99
Impairment losses /(gains)	510	616

Loss allowances are also held for Council Tax (£0.401m) and Business Rates debts (£0.972m) 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 2019 was £0.809m (2017/18 £0.657m).

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.

NOTES TO THE CORE FINANCIAL STATEMENTS

The Council borrowed a further £10m from the Public Works Loans Board in 2018/19 on a long term basis (£80m in total) and held £35.9m with a number of organisations on a short term basis 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 2019 £000	31 March 2018 £000
Less than one year	0%	100%	35,884	30,759
Between 5 and 10 years	0%	100%	30,000	20,000
More than 40 years	0%	100%	50,000	50,000
Total	0%	100%	115,884	100,759

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 2019, if all interest rates had been 1% higher (with all other variables held constant) the financial effect would be as follows.

NOTES TO THE CORE FINANCIAL STATEMENTS

	£000
Increase in interest receivable on variable rate investments & cash equivalents	(202)
Impact on Surplus or Deficit on the Provision of Services	(202)
Decrease in Fair Value of fixed rate investment assets	4,299
Impact on Other Comprehensive Income and Expenditure	4,299
Decrease in Fair Value of fixed rate borrowing and other liabilities (no impact on the Comprehensive Income and Expenditure Statement)	26,370

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.

36 RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

	1 April 2018 £000	Financing Cash Flows £000	Other Non- cash Changes £000	31 March 2019 £000
Long Term Borrowings	70,000	10,000	0	80,000
Short Term Borrowings	30,034	5,000	55	35,089
Finance Lease Liabilities	4,624	0	0	4,624
PFI Liabilities	5,189	(333)	(266)	4,590
Total Liabilities from Financing Activities	109,847	14,667	(211)	124,303

37 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.

NOTES TO THE CORE FINANCIAL STATEMENTS

38 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 prevention and self care programme, raising awareness of actions residents can take themselves to improve their health and reduce the need to access health and social care services.

A summary of gross income and gross expenditure is provided below.

	Gross Expenditure	Gross Income	Bracknell Forest Council Contribution
	£000	£000	£000
Financial Year 2018/19	10,046¹	11,331	4,864
Financial Year 2017/18	10,397 ²	11,488	4,642

¹ The Council £8.547m and the Clinical Commissioning Group £1.499m

² The Council £8.978m and the Clinical Commissioning Group £1.419m

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 2018/19	8,947	8,947	403
Financial year 2017/18	7,557	7,557	420

39 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.

40 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 2019, the Council administered, £1.60m within 123 bank accounts (£1.51m as at 31st March 2018). Additionally, as part of these responsibilities, two residential properties and a car were under the Council's management. The assets are not owned by the Council and have not therefore been included in the financial statements.

41 PRIOR PERIOD ADJUSTMENTS

A new directorate structure was introduced by the Council in September 2018. This has been reflected in the Comprehensive Income and Expenditure Statement and Note 5. Figures for 2017/18 have also been restated for comparative purposes and extracts from the tables affected are shown below – only affected lines are shown.

NOTES TO THE CORE FINANCIAL STATEMENTS

Comprehensive Income and Expenditure Statement

	2017/18			2017/18 Restated		
	Gross Expenditure	Gross Income	Net	Gross Expenditure	Gross Income	Net
	£000	£000	£000	£000	£000	£000
Resources/Corporate Services	20,887	(1,651)	19,236			
Children, Young People and Learning	120,891	(90,800)	30,091			
Adult Social Care, Health & Housing]	82,410	(47,614)	34,796			
Environment, Culture & Communities	44,136	(15,936)	28,200			
Central				17,282	(3,275)	14,007
Delivery				47,408	(14,312)	33,096
People				203,634	(138,414)	65,220
Non Departmental / Council Wide	(4,920)	(182)	(5,102)	(4,920)	(182)	(5,102)
Cost of Services	263,404	(156,183)	107,221	263,404	(156,183)	107,221

Expenditure and Funding Analysis

	2017/18			2017/18 Restated		
	Net Expenditure Chargeable to the General Reserve	Adjustments between the Accounting & Funding Basis	Net Expenditure in the CIES	Net Expenditure Chargeable to the General Reserve	Adjustments between the Funding & Accounting Basis	Net Expenditure in the CIES
	£000	£000	£000	£000	£000	£000
Corporate Services	16,553	2,683	19,236			
Children, Young People and Learning	18,177	11,914	30,091			
Adult Social Care, Health and Housing	30,970	3,826	34,796			
Environment, Culture and Communities	19,993	8,207	28,200			
Central				11,575	2,432	14,007
Delivery				24,971	8,125	33,096
People				49,147	16,073	65,220
Non Departmental /Council Wide	5	(5,107)	(5,102)	5	(5,107)	(5,102)
Net Cost of Services	85,698	21,523	107,221	85,698	21,523	107,221

NOTES TO THE CORE FINANCIAL STATEMENTS

Analysis of adjustments within the Expenditure and Funding Analysis

2017/18

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
Resources	1,644	1,031	8	2,683
Children, Young People and Learning	6,479	4,176	1,259	11,914
Adult Social Care, Health and Housing	1,043	1,680	1,103	3,826
Environment, Culture and Communities	5,984	1,822	401	8,207
Non Departmental /Council Wide	0	(5,463)	356	(5,107)
Net Cost of Services	15,150	3,246	3,127	21,523

2017/18 Restated

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	929	1,435	68	2,432
Delivery	6,699	1,418	8	8,125
People	7,522	5,856	2,695	16,073
Non Departmental /Council Wide	0	(5,463)	356	(5,107)
Net Cost of Services	15,150	3,246	3,127	21,523

Directorate Income

Directorates	2017/18 Income from Services £000	2017/18 Restated Income from Services £000
Resources	(1,280)	
Children, Young People and Learning	(4,757)	
Adult Social Care, Health and Housing	(6,284)	
Environment, Culture and Communities	(14,834)	
Central		(2,803)
Delivery		(13,311)
People		(11,041)
Non Departmental /Council Wide	(182)	(182)
Total	(27,337)	(27,337)

42 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 Director: Finance, on 16 July 2019. There were no post balance sheet events.

THE COLLECTION FUND

Business Rates £000	2018/19 Council		Notes	2017/18 Council		Total £000
	Tax £000	Total £000		Business Rates £000	Tax £000	
Income						
	71,399	71,399	Council Tax Receivable	3	67,056	67,056
74,196		74,196	Business Rates Receivable	2	68,848	68,848
			Less: Transitional Protection Payments Payable			
74,196	71,399	145,595	Total Income		68,848	135,904
Expenditure						
Apportionment of Previous Year Surplus / (Deficit)						
3,107		3,107	Central Government		9,299	9,299
3,045	115	3,160	Bracknell Forest Council		9,113	9,726
62	6	68	Royal Berkshire Fire Authority		186	217
	15	15	Police and Crime Commissioner		85	85
Precepts, Demands and Shares						
			Central Government		30,454	30,454
69,034	60,600	129,634	Bracknell Forest Council		29,844	86,249
697	2,915	3,612	Royal Berkshire Fire Authority		609	3,395
	8,257	8,257	Police and Crime Commissioner		7,591	7,591
Charges to Collection Fund						
(230)		(230)	Transitional Protection Payments Payable		1,419	1,419
163	118	281	Less: write offs		66	206
169	44	213	Less: Increase/ (Decrease) in Allowance for Impairments		(90)	(80)
(5,982)		(5,982)	Less: Increase/ (Decrease) in Provision for Appeals		3,321	3,321
141		141	Less: Cost of Collection		144	144
			Less: Disregarded Amounts			
70,206	72,070	142,276	Total Expenditure		84,365	152,026
(3,990)	671	(3,319)	Movement on the fund balance	4	15,517	16,122
4,948	(88)	4,860	(Surplus)/Deficit brought forward		(10,569)	(693)
958	583	1,541	(Surplus)/Deficit as at 31 March	4	4,948	(88)

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 2019	£172,966,180 (£172,859,110 31 March 2018)
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Rateable Values are externally assessed on a five yearly national basis by the Valuation Office.

Business Rate Multiplier - Standard	49.3p (47.9p 2017/18)
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Business Rate Multiplier - Small Business	48.0p (46.6p 2017/18)
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(A property with a rateable value below £50,999)

3 Council Tax

The Council's tax base for 2018/19 was 45,298. This is the number of chargeable dwellings in each valuation band (adjusted for dwellings where discounts apply) converted to an equivalent number of band D dwellings.

NOTES TO THE COLLECTION FUND

This was calculated as follows:-

Band	Actual Number of Properties	Estimated Number of Taxable Properties after effect of discounts & exemptions	Ratio	Band D Equivalent Dwellings
A (Disabled)	0	5	5/9 ^{ths}	3
A	1,567	1,372	6/9 ^{ths}	915
B	4,410	3,807	7/9 ^{ths}	2,961
C	17,722	16,233	8/9 ^{ths}	14,429
D	9,355	8,738	9/9 ^{ths}	8,738
E	7,895	7,492	11/9 ^{ths}	9,157
F	4,900	4,725	13/9 ^{ths}	6,825
G	2,306	2,239	15/9 ^{ths}	3,732
H	265	257	18/9 ^{ths}	513
	48,420			47,273
			Less allowance for losses on collection	(402)
			Less allowance for Council Tax Reduction Scheme	(2,593)
			Add contributions in lieu from the Ministry of Defence	268
			Add allowance for new properties	752
			Council Tax Base	45,298

4 Collection Fund Surplus / Deficit

A surplus of £3.319m has been achieved on the Collection Fund, broken down into a £0.671m deficit on Council Tax (a £0.605m deficit in 2017/18) and a £3.990m surplus on Business Rates (a £15.517m deficit in 2017/18). The balance of the Fund carried forward is a £1.541m deficit.

Share of Surplus / (Deficit)	Opening Balance £000	Council Tax £000	Business Rates £000	Closing Balance £000
Bracknell Forest Council	(2,349)	(565)	7,057	4,143
Central Government	(2,475)	0	(3,107)	(5,582)
Police & Crime Commissioner	9	(78)	0	(69)
Royal Berkshire Fire Authority	(45)	(28)	40	(33)
Total	(4,860)	(671)	3,990	(1,541)

GROUP ACCOUNTS

Introduction

The Council is required to produce Group Accounts if it has material interests in subsidiaries, associates and joint ventures.

Downshire Homes Ltd (DHL) is a separate entity 100% owned and controlled by the Council and as such is classified as a wholly owned subsidiary. Its purpose is to acquire properties that can be used to house homeless families or provide learning disability accommodation. A key incentive to the Council in doing this is that the homeless accommodation rent levels from DHL are less expensive than other short term solutions such as Bed & Breakfast accommodation and it enables the Council to discharge its homeless duty by placing households in secure tenancies. It also ensures more capacity in the local market for Learning Disability client accommodation, which in turn should help the Council manage cost pressures.

DHL became operational in 2016/17. Due to continued investment in the company Group Accounts are now deemed to be required on the grounds of materiality. In 2018/19 DHL acquired a further 24 properties and now owns 63, 58 of which are used as homeless accommodation and five as shared accommodation for people with learning disabilities. An operating loss of £0.834m was made in 2018/19 (£0.527m loss in 2017/18). 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.

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

	2018/19			2017/18 Restated		
	Gross Expenditure £000	Gross Income £000	Net £000	Gross Expenditure £000	Gross Income £000	Net £000
Central	17,918	(4,662)	13,256	17,282	(3,252)	14,030
Delivery	52,501	(9,533)	42,968	47,408	(14,289)	33,119
People	190,564	(133,065)	57,499	204,245	(138,812)	65,433
Non Departmental / Council Wide	3,811	(946)	2,865	(4,920)	(182)	(5,102)
	0	(2,299)	(2,299)	0	0	0
Cost of Services	264,794	(150,505)	114,289	264,015	(156,535)	107,480
Other Operating Expenditure						
Levies			108			108
Parish Council Precepts			3,255			3,158
Other Income from Capital Receipts that do not arise from the Disposal of an Asset			(851)			(2,741)
(Gain)/Loss on the Disposal of Property, Plant & Equipment			41,750			53,101
Other Pension Administration Costs			154			150
Financing and Investment Income and Expenditure						
(Surplus)/Deficit on Trading Operations			770			122
Interest Receivable and Similar Income			(480)			(493)
Interest Payable and Similar Charges			3,584			2,322
Income and Expenditure in Relation to Investment Properties			(6,548)			(4,288)
Changes in Fair Value of Investment Properties			6,991			(7,973)
Net Interest on the Net Defined Benefit Pension Liability			6,875			7,500
Impairment losses/ (gains)			510			0
Taxation and Non-specific Grant Incomes						
Council Tax Income			(60,148)			(56,507)
General and other Non-Ringfenced Government Grants			(7,147)			(14,511)
Business Rates Income and Expenditure			(42,154)			(20,011)
Capital Grants and Contributions			(20,807)			(22,930)
(Surplus) or Deficit on Provision of Services			40,151			44,487
Tax Expenses of Downshire Homes Ltd			55			(75)
Group (Surplus) or Deficit			40,206			44,412
(Surplus) or Deficit on Revaluation of Non-Current Assets			(22,841)			(14,923)
Remeasurements of the Net Defined Benefit Pension Liability – BFC			(16,621)			(15,872)
Remeasurements of the Net Defined Benefit Pension Liability – Former BCC Fund			(541)			(1,265)
Other Comprehensive Income and Expenditure			(40,003)			(32,060)
Total Comprehensive Income and Expenditure			203			12,352

GROUP MOVEMENT IN RESERVES STATEMENT

2018/19	General Reserves £000	Earmarked Reserves £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 2018	9,047	30,668	13,810	53,525	176,869	230,394	(857)	229,537
Adjustment relating to the Waste PFI model	0	0	0	0	(908)	(908)	0	(908)
Adjusted Balance at 1 April 2018	9,047	30,668	13,810	53,525	175,961	229,486	(857)	228,629
Movement in Reserves During 2018/19								
Total Comprehensive Income and Expenditure	(38,769)	0	0	(38,769)	40,001	1,232	(1,435)	(203)
Adjustments Between Group Accounts and Authority Accounts	(601)	0	0	(601)	0	(601)	601	0
Adjustments Between Accounting Basis and Funding Basis Under Regulations	58,478	0	(1,850)	56,628	(56,628)	0	0	0
Transfer (to)/from Earmarked Reserves	(19,095)	19,095	0	0	0	0	0	0
Increase/(Decrease) in Year	13	19,095	(1,850)	17,258	(16,627)	631	(834)	(203)
Balance at 31 March 2019	9,060	49,763	11,960	70,783	159,334	230,117	(1,691)	228,426

2017/18	General Reserves £000	Earmarked Reserves £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 2017	11,071	19,095	13,178	43,344	198,898	242,242	(353)	241,889
Movement in Reserves During 2017/18								
Total Comprehensive Income and Expenditure	(43,475)	0	0	(43,475)	32,037	(11,438)	(914)	(12,352)
Adjustments Between Group Accounts and Authority Accounts	(410)	0	0	(410)	0	(410)	410	0
Adjustments Between Accounting Basis and Funding Basis Under Regulations	53,434	0	632	54,066	(54,066)	0	0	0
Transfer (to)/from Earmarked Reserves	(11,573)	11,573	0	0	0	0	0	0
Increase/(Decrease) in Year	(2,024)	11,573	632	10,181	(22,029)	(11,848)	(504)	(12,352)
Balance at 31 March 2018	9,047	30,668	13,810	53,525	176,869	230,394	(857)	229,537

GROUP BALANCE SHEET

	Notes	31 March 2019 £000	31 March 2018 £000
Property, Plant and Equipment			
Other Land and Buildings	1	419,692	406,837
Vehicles, Plant and Equipment	1	12,985	12,454
Infrastructure Assets	1	71,265	66,771
Community Assets	1	6,415	6,403
Assets Under Construction	1	10,691	44,969
		521,048	537,434
Heritage Assets		249	223
Investment Property		127,176	103,095
Intangible Assets		1,760	1,759
Long Term Debtors		6,802	3,305
Deferred Tax Asset		25	80
Long Term Assets		657,060	645,896
Current Assets			
Inventories		65	89
Short Term Debtors		37,978	36,887
Cash and Cash Equivalents		16,390	13,423
Assets Held for Sale		833	1,053
		55,266	51,452
Current Liabilities			
Short Term Borrowing		(35,089)	(30,034)
Short Term Creditors		(48,513)	(51,271)
Provisions		(10,333)	(8,509)
		(93,935)	(89,814)
Long Term Liabilities			
Long Term Creditors		(19,208)	(20,001)
Waste PFI Donated Asset Account (deferred income)		(996)	0
Long Term Borrowing		(80,000)	(70,000)
Capital Grants and Other Contributions		(12,464)	(11,871)
Net Pension Liability		(277,297)	(276,125)
		(389,965)	(377,997)
Net Assets		228,426	229,537
Usable Reserves			
General Reserves		8,459	8,637
Earmarked Reserves		49,763	30,668
Income and Expenditure Reserve		(1,114)	(470)
Capital Grants Unapplied Reserve		11,960	13,810
		69,068	52,645
Unusable Reserves			
Revaluation Reserve		149,893	136,218
Capital Adjustment Account		285,453	322,755
Collection Fund Adjustment Account		4,140	(2,352)
Deferred Capital Receipts Reserve		1,689	2,081
Pension Reserve		(277,297)	(276,125)
Accumulated Absences Account		(4,520)	(5,685)
		159,358	176,892
Total Reserves		228,426	229,537

These financial statements replace the unaudited financial statements certified by Stuart McKellar on 29 May 2019.

Stuart McKellar CPFA
Director: Finance
29 July 2019

GROUP CASH FLOW STATEMENT

	2018/19	2017/18
	£000	£000
Cash Flows From Operating Activities		
Surplus or (Deficit) on Provision of Services	(40,151)	(44,487)
Adjust for Non Cash Movements		
Depreciation	14,252	13,127
Impairment & Revaluation Downwards of Non-Current Assets	7,805	1,607
Amortisation of Intangibles	251	194
Changes in Fair Value of Investment Properties	6,991	(7,973)
Changes in Provisions	1,825	1,950
Impairment losses/(gains)	510	0
Amortisation of Long Term Creditors	(65)	(119)
Carrying amount of Non-Current Assets sold	47,526	57,414
Amounts posted from the PFI Donated Asset Account	(89)	0
Changes in Inventory	24	135
Changes in Interest Debtors	12	(46)
Changes in Interest Creditors	179	758
Changes in Debtors	2,355	1,829
Changes in Creditors	8,369	(15,299)
Changes in Net Pension Liability	18,334	11,046
Adjust for Items that are Investing or Financing Activities	(26,688)	(28,009)
Net Cash Flow From Operating Activities	41,440	(7,873)
Cash Flows from Investing Activities		
Purchase of Non-Current Assets	(63,267)	(99,093)
Purchase of Short Term and Long Term Investments	0	0
Other Payments for Investing Activities	(4,657)	1,106
Proceeds from Sale of Non-Current Assets	6,392	5,874
Other Receipts from Investing Activities	24,451	26,647
Net Cash Flow From Investing Activities	(37,081)	(65,466)
Cash Flows from Financing Activities		
Repayment of Short Term and Long Term Borrowing	(35,000)	(10,000)
Cash receipts of Short Term and Long Term Borrowing	50,000	85,000
Capital Element of PFI Contracts	(333)	(222)
Council Tax and Business Rates Adjustments	(16,059)	(5,085)
Net Cash Flow From Financing Activities	(1,392)	69,693
Net (Decrease)/Increase in Cash and Cash Equivalents in the Period	2,967	(3,646)
Cash and Cash Equivalents as of the Beginning of the Period	13,423	17,069
Cash and Cash Equivalents as of the End of the Period	16,390	13,423

The cash flows for operating activities include the following items:

	2018/19	2017/18
	£000	£000
Interest received	493	447
Interest paid	(3,405)	(1,564)

NOTES TO THE GROUP FINANCIAL STATEMENTS

1 PROPERTY, PLANT AND EQUIPMENT

Movements on Balances

	2018/19						
	Other Land & Buildings	Vehicles, Plant, Furniture & Equipment	Infra- Structure Assets	Community Assets	Surplus Assets	Assets Under Construction	Total Property, Plant and Equipment
	£000	£000	£000	£000	£000	£000	£000
Cost/Valuation							
At 1 April 2018	428,386	40,762	95,995	6,403	0	44,969	616,515
Adjustment for revised Waste PFI Model	(251)	(10)	0	0	0	0	(261)
Adjusted at 1 April 2018	428,135	40,752	95,995	6,403	0	44,969	616,254
Additions	10,547	2,022	6,175	18	0	11,731	30,493
Revaluation increases/ (decreases) recognised in the Revaluation Reserve	7,885	0	0	0	0	0	7,885
Revaluation increases/ (decreases) recognised in the Surplus/Deficit on the Provision of Services	(10,095)	(5)	0	(6)	0	0	(10,106)
Disposals	(40,243)	(1,381)	(1,347)	0	0	0	(42,971)
Reclassification (to)/from Assets Held for Sale	(8,461)	0	0	0	0	0	(8,461)
Other Reclassifications	41,979	796	3,055	0	0	(46,009)	(179)
At 31 March 2019	429,747	42,184	103,878	6,415	0	10,691	592,915
Accumulated Depreciation & Impairments							
At 1 April 2018	21,549	28,308	29,224	0	0	0	79,081
Adjustment for revised Waste PFI Model	(251)	(10)	0	0	0	0	(261)
Adjusted at 1 April 2018	21,298	28,298	29,224	0	0	0	78,820
Depreciation charge	8,711	1,896	3,645	0	0	0	14,252
Depreciation written out to the Revaluation Reserve	(14,978)	0	0	0	0	0	(14,978)
Depreciation written out to the Surplus/Deficit on the Provision of Services	(4,976)	0	0	0	0	0	(4,976)
Depreciation written out on disposal	0	(995)	(256)	0	0	0	(1,251)
At 31 March 2019	10,055	29,199	32,613	0	0	0	71,867
Net Book Value at 31 March 2019	419,692	12,985	71,265	6,415	0	10,691	521,048
Net Book Value at 31 March 2018	406,837	12,454	66,771	6,403	0	44,969	537,434
Nature of asset holding							
Owned	414,685	11,445	71,265	6,415	0	10,691	514,501
Finance lease	0	0	0	0	0	0	0
PFI	5,007	1,540	0	0	0	0	6,547
Net Book Value at 31 March 2019	419,692	12,985	71,265	6,415	0	10,691	521,048

NOTES TO THE GROUP FINANCIAL STATEMENTS

	2017/18						
	Other Land & Buildings	Vehicles, Plant, Furniture & Equipment	Infra- Structure Assets	Community Assets	Surplus Assets	Assets Under Construction	Total Property, Plant and Equipment £000
	£000	£000	£000	£000	£000	£000	£000
Cost/Valuation							
At 1 April 2017	441,177	41,081	82,483	6,287	4,800	38,356	614,184
Additions	17,360	2,132	4,680	54	0	34,478	58,704
Revaluation increases/ (decreases) recognised in the Revaluation Reserve	9,351	0	0	0	0	0	9,351
Revaluation increases/ (decreases) recognised in the Surplus/Deficit on the Provision of Services	(2,011)	0	0	(2)	0	0	(2,013)
Disposals	(51,870)	(2,451)	(800)	0	0	(3,540)	(58,661)
Reclassification (to)/from Assets Held for Sale	(250)	0	0	0	(4,800)	0	(5,050)
Other Reclassifications	14,629	0	9,632	64	0	(24,325)	0
At 31 March 2018	428,386	40,762	95,995	6,403	0	44,969	616,515
Accumulated Depreciation & Impairments							
At 1 April 2017	21,674	28,556	26,279	0	0	0	76,509
Depreciation charge	8,236	1,803	3,088	0	0	0	13,127
Depreciation written out to the Revaluation Reserve	(5,200)	0	0	0	0	0	(5,200)
Depreciation written out to the Surplus/Deficit on the Provision of Services	(604)	0	0	0	0	0	(604)
Depreciation written out on disposal	(2,557)	(2,051)	(143)	0	0	0	(4,751)
At 31 March 2018	21,549	28,308	29,224	0	0	0	79,081
Net Book Value at 31 March 2018	406,837	12,454	66,771	6,403	0	44,969	537,434
Net Book Value at 31 March 2017	419,503	12,525	56,204	6,287	4,800	38,356	537,675
Nature of asset holding							
Owned	401,580	10,837	66,771	6,403	0	44,969	530,560
PFI	5,257	1,617	0	0	0	0	6,874
Net Book Value at 31 March 2018	406,837	12,454	66,771	6,403	0	44,969	537,434

NOTES TO THE GROUP FINANCIAL STATEMENTS

Valuations

DHL property valuations are carried out annually and are therefore included in 2018/19 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	40,277	103,878	6,415	0	10,691	161,261
Valued at current or Fair Value as at:							
2018/19	222,733	0	0	0	0	0	222,733
2017/18	38,437	0	0	0	0	0	38,437
2016/17	16,065	1,907	0	0	0	0	17,972
2015/16	31,629	0	0	0	0	0	31,629
2014/15	120,883	0	0	0	0	0	120,883
Total Cost or Valuation	429,747	42,184	103,878	6,415	0	10,691	592,915

2 FINANCIAL INSTRUMENTS

Categories of Financial Instruments

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

Financial Assets	31 March 2019			Fair Value £000
	Current £000	Long Term £000	Total £000	
Debtors – Amortised Cost	22,731	6,827	29,558	29,558
Total Financial Assets	22,731	6,827	29,558	29,558
Non-financial Assets	15,322	0	15,322	15,322
Total	38,053	6,827	44,880	44,880
Financial Liabilities				
Borrowings – Amortised Cost	35,884	80,000	115,884	139,143
Creditors – Amortised Cost	32,641	9,850	42,491	79,983
Total Financial Liabilities	68,525	89,850	158,375	219,126
Non-financial Liabilities	15,077	0	15,077	15,077
Total	83,602	89,850	173,452	234,203

NOTES TO THE GROUP FINANCIAL STATEMENTS

Financial Assets	Current	31 March 2018		Fair Value
		Long Term	Total	
	£000	£000	£000	£000
Debtors – Amortised Cost	29,006	3,306	32,312	32,312
Total Financial Assets	29,006	3,306	32,312	32,312
Non-financial Assets	7,881	0	7,881	7,881
Total	36,887	3,306	40,193	40,193
Financial Liabilities				
Borrowings – Amortised Cost	30,759	70,000	100,759	121,350
Creditors – Amortised Cost	28,779	9,575	38,354	75,215
Total Financial Liabilities	59,538	79,575	139,113	196,565
Non-financial Liabilities	21,767	0	21,767	21,767
Total	81,305	79,575	160,880	218,332

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	2018/19 Surplus or Deficit on the Provision of Services £000	2017/18 Surplus or Deficit on the Provision of Services £000
Interest Revenue – financial assets measured at amortised cost	480	493
Interest expense	(3,584)	(2,322)

NOTES TO THE GROUP FINANCIAL STATEMENTS

3 PRIOR PERIOD ADJUSTMENTS

A new directorate structure was introduced by the Council in September 2018. This has been reflected in the Group Comprehensive Income and Expenditure Statement and figures for 2017/18 have been restated for comparative purposes. The affected lines are shown below.

Group Comprehensive Income and Expenditure Statement						
	2017/18			2017/18 Restated		
	Gross Expenditure £000	Gross Income £000	Net £000	Gross Expenditure £000	Gross Income £000	Net £000
Resources/Corporate Services	20,887	(1,605)	19,282			
Children, Young People and Learning	120,891	(90,800)	30,091			
Adult Social Care, Health & Housing]	83,021	(48,012)	35,009			
Environment, Culture & Communities	44,136	(15,936)	28,200			
Central				17,282	(3,252)	14,030
Delivery				47,408	(14,289)	33,119
People				204,245	(138,812)	65,433
Non Departmental / Council Wide	(4,920)	(182)	(5,102)	(4,920)	(182)	(5,102)
Cost of Services	264,015	(156,535)	107,480	264,015	(156,535)	107,480

GLOSSARY

ACCRUALS

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

ACTUARIAL GAINS AND LOSSES

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

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

AMORTISATION

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

ASSET

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

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

BUDGET

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

BUSINESS RATES TARIFF

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

BUSINESS RATES LEVY

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

CAPITAL CHARGE

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

CAPITAL EXPENDITURE

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

CAPITAL FINANCING REQUIREMENT

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

CAPITAL RECEIPTS

The proceeds from the disposal of non-current assets.

GLOSSARY

COMMUNITY ASSETS

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

COMMUNITY INFRASTRUCTURE LEVY

A levy charged on most new developments in the Borough with appropriate planning consent, which will be spent on infrastructure (such as transport, schools and social care facilities).

CONSISTENCY

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

CONSUMER PRICE INDEX (CPI)

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

CONTINGENT RENT

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

CONTINGENCY

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

CREDITOR

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

CURRENT SERVICE COST (PENSIONS)

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

CURRENT VALUE

The Current Value of Property, Plant and Equipment used to support service delivery will be based on existing use where there is an active market or Depreciated Replacement Cost where assets are specialised or rarely sold (for example a school).

CURTAILMENT

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

DEBTOR

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

DEFINED BENEFIT SCHEME

A pension or other retirement benefit scheme other than a defined contribution scheme. Usually, the scheme rules define the benefits independently of the contributions payable,

GLOSSARY

and the benefits are not directly related to the investments of the scheme. The scheme may be funded or unfunded (including notionally funded).

DEFINED CONTRIBUTION SCHEME

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

DEPRECIATION

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

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.

GLOSSARY

IMPAIRMENT OF ASSETS

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

INFRASTRUCTURE ASSETS

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

INTANGIBLE FIXED ASSETS

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

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.

GLOSSARY

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.

NET INTEREST COST ON THE NET DEFINED BENEFIT PENSION LIABILITY

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

NON DISTRIBUTED COSTS

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

OPERATING LEASES

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

PAST SERVICE COST

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

PENSIONS / IAS 19

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

PRIVATE FINANCE INITIATIVE (PFI)

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

POST BALANCE SHEET EVENTS

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

PRIOR PERIOD ADJUSTMENT

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

PROJECTED UNIT METHOD

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

PRUDENCE

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

GLOSSARY

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.

GLOSSARY

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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29 July 2019

Andrew Brittain
Associate Partner
Ernst & Young LLP
Apex Plaza
Forbury Road
Reading
RG1 1 YE

Dear Andrew

This letter of representation is provided in connection with your audit of the Council's financial statements of Bracknell Forest Council ("the Council") for the year ended 31st March 2019. 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 Council's financial statements give a true and fair view of the Council's financial position of Bracknell Forest Council as of 31st March 2019 and of its financial performance (or operations) and its cash flows for the year then ended in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018/19.

We understand that the purpose of your audit of our 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 the Accounts and Audit Regulations 2015 and CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018/19.
2. We acknowledge, as members of management of the Council, our responsibility for the fair presentation of the Council's financial statements. We believe the Council

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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 Council in accordance with [the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018/19 for the Council and are free of material misstatements, including omissions. We have approved the Council's financial statements.

3. The significant accounting policies adopted in the preparation of the Council's financial statements are appropriately described in the Council's financial statements.
4. As members of management of the Council, we believe that the 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 2018/19 for the Council that are free from material misstatement, whether due to fraud or error.
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 financial statements taken as a whole.

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

1. We acknowledge that we are responsible to determine that the Council's activities are conducted in accordance with laws and regulations and that we are responsible to identify and address 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 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 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 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 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-

FINANCE

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 are reflected in the Council's financial statements.
3. We have made available to you all minutes of the meetings of the Council, and committees held through the year to the most recent meeting on the following date: 24th July 2019.
4. We confirm the completeness of information provided regarding the identification of related parties. We have disclosed to you the identity of the Council's related parties and all related party relationships and transactions of which we are aware, including sales, purchases, loans, transfers of assets, liabilities and services, leasing arrangements, guarantees, non-monetary transactions and transactions for no consideration for the 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 Council's financial statements.
5. We believe that the significant assumptions we used in making accounting estimates, including those measured at fair value, are reasonable.
6. We have disclosed to you, and the Council has complied with, all aspects of contractual agreements that could have a material effect on the Council's financial statements in the event of non-compliance, including all covenants, conditions or other requirements of all outstanding debt.

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 Council's financial statements.
2. We have informed you of all outstanding and possible litigation and claims, whether or not they have been discussed with legal counsel.
3. We have recorded and/or disclosed, as appropriate, all liabilities related litigation and claims, both actual and contingent. There are no guarantees that we have given to third parties.

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E. Subsequent Events

1. There have been no events subsequent to year end which require adjustment of or disclosure in the Council's financial statements or notes thereto.

F. Other information

1. We acknowledge our responsibility for the preparation of the other information. The other information comprises the Annual Report, Narrative Report, the Statement of Accountable Officers Responsibilities and the Annual Governance Statement for 2018/19.
2. We confirm that the content contained within the other information is consistent with the financial statements.

G. Ownership of Assets

1. Except for assets capitalised under finance leases, the Council has satisfactory title to all assets appearing in the balance sheets, and there are no liens or encumbrances on the Council's assets, nor has any asset been pledged as collateral. All assets to which the Council's has satisfactory title appear in the balance sheets.
2. All agreements and options to buy back assets previously sold have been properly recorded and adequately disclosed in the Council's financial statements.
3. We have no plans to abandon lines of product or other plans or intentions that will result in any excess or obsolete inventory, and no inventory is stated at an amount in excess of net realisable value.

H. Reserves

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

I. Contingent Liabilities

1. We are unaware of any violations or possible violations of laws or regulations the effects of which should be considered for disclosure in the Council's financial statements or as the basis of recording a contingent loss (other than those disclosed or accrued in the Council's financial statements).

We are unaware of any known or probable instances of non-compliance with the requirements of regulatory or governmental authorities, including their financial reporting requirements, and there have been no communications from regulatory agencies or government representatives concerning investigations or allegations of non-compliance, except as follows:

- (1) Matters of routine, normal, recurring nature (e.g., examinations by bank and insurance examiners, examinations by taxing authorities none of which involves any allegations of noncompliance with laws or regulations that should be considered for disclosure in the Council's financial statements or as a basis for recording a loss contingency).

FINANCE

J. Use of the Work of a Specialist

1. We agree with the findings of the specialists that we engaged to evaluate the valuation of Property, Plant and Equipment and the Pension Liability and have adequately considered the qualifications of the specialists in determining the amounts and disclosures included in the Council's financial statements and the underlying accounting records. We did not give or cause any instructions to be given to the specialists with respect to the values or amounts derived in an attempt to bias their work, and we are not otherwise aware of any matters that have had an effect on the independence or objectivity of the specialists.

K. Property, Plant and Equipment and Pension Estimates

1. We believe that the measurement processes, including related assumptions and models, used to determine the accounting estimates have been consistently applied and are appropriate in the context of the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018/19.
2. We confirm that the significant assumptions used in making the accounting estimate of property, plant and equipment and pensions appropriately reflect our intent and ability to carry out providing services on behalf of the entity.
3. We confirm that the disclosures made in the Council's financial statements with respect to the accounting estimates are complete and made in accordance with CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018/19.
4. We confirm that no adjustments are required to the accounting estimates and disclosures in the Council financial statements due to subsequent events.

L. Retirement benefits

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

Yours sincerely,

Stuart McKellar – Director: Finance

Nick Allen – Chair of the Governance and Audit Committee

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Bracknell Forest Council – unadjusted audit differences schedule 2018-19

We have identified one judgemental audit differences to bring your attention, both of which relate to estimates within your financial statements:

1. PPE valuation

This relates to the value of PPE assets in the Council's Statement of Accounts. The value of the unadjusted difference is £1.1m.

The difference was identified the audit work on PPE valuation, reviewing those assets not revalued as part of the 2018/19 valuation exercise and assessing whether they could be materially different to the value disclosed in the financial statements. The Council has adjusted their accounts and made an adjustment of £14.5m to increase PPE values. However, there was one uncorrected judgemental difference of £1.1 million increase to the value of assets within the PPE balance that was not revalued in 2018/19.

The difference is not material to the accounts and we have sufficient assurance that the Council's estimate of PPE assets as a whole is materially correct.

**TO: GOVERNANCE AND AUDIT COMMITTEE
24 JULY 2019**

**EXTERNAL AUDIT: AUDIT RESULTS REPORT
(Director: Finance)**

1 PURPOSE OF REPORT

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

2 SUPPORTING INFORMATION

- 2.1 The Code of Audit Practice requires the external auditor to provide a summary of the work they carried out to discharge their statutory audit responsibilities to 'those charged with governance'. It is also a requirement that this summary be considered ahead of the signing of the accounts by the external auditor, which must be no later than 31 July 2019. 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

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

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

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Bracknell Forest
Council
Audit results report

Year ended 31 March 2019

July 2019

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EY

Building a better
working world



Private and Confidential

24 July 2019

Dear Governance and Audit Committee Members

We are pleased to attach our audit results report for the forthcoming meeting of the Governance and Audit Committee. This report summarises our preliminary audit conclusion in relation to the audit of Bracknell Forest Council for 2018/19. We will aim to issue our final report at the Governance and Audit Committee meeting scheduled for 27 June 2019.

We have substantially completed our audit of Bracknell Forest Council for the year ended 31 March 2019. Subject to concluding the outstanding matters listed in our report, we confirm that we expect to issue an unqualified audit opinion on the financial statements in the form at Section 03 before the statutory deadline of 31 July 2019. We also have no matters to report on your arrangements to secure economy, efficiency and effectiveness in your use of resources

This report is intended solely for the use of the Governance and Audit Committee, other members of the Authority, and senior management. It should not be used for any other purpose or given to any other party without obtaining our written consent.

We would like to thank your staff for their help during the engagement.

We welcome the opportunity to discuss the contents of this report with you at the Governance and Audit Committee meeting on 24 July 2019.

Yours faithfully

Andrew Brittain

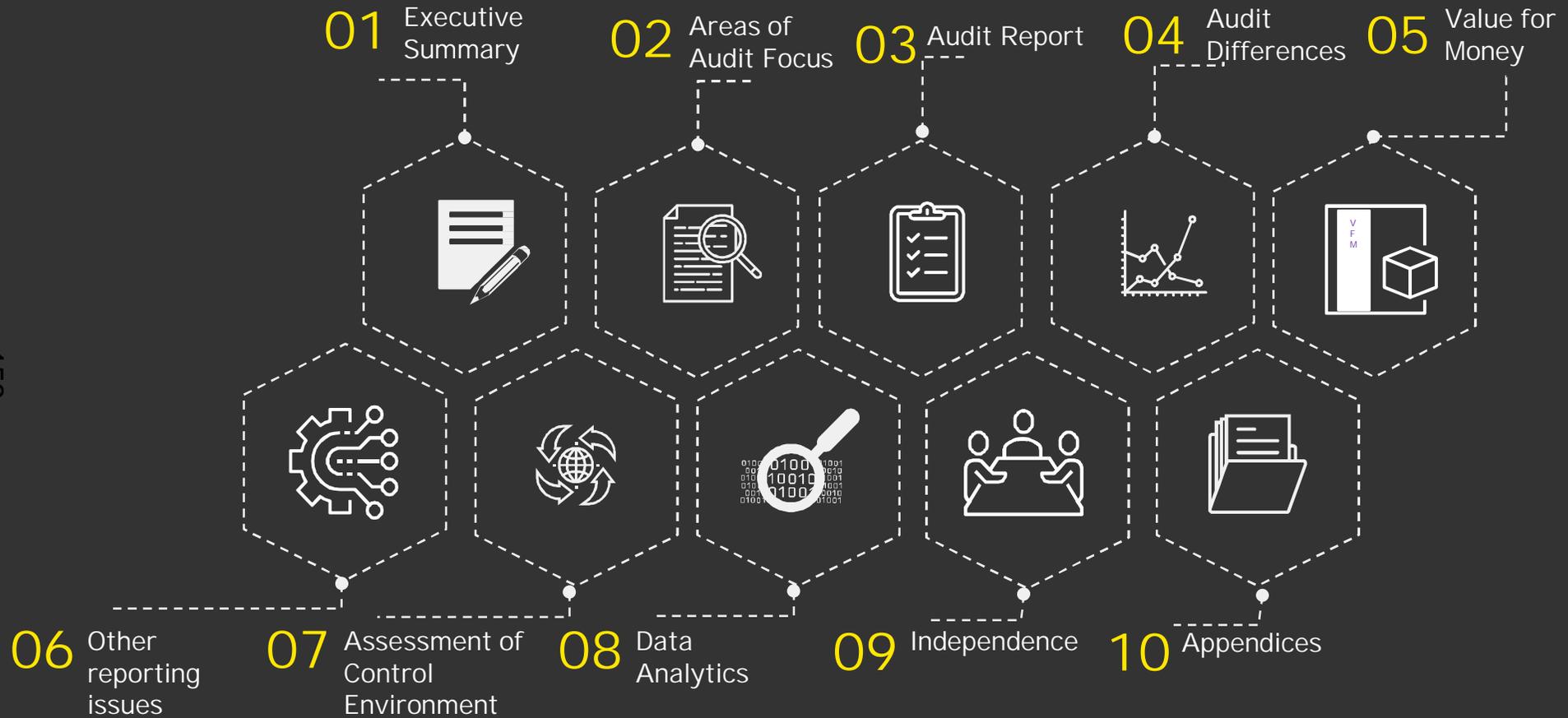
Associate Partner

For and on behalf of Ernst & Young LLP

Encl

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In April 2015 Public Sector Audit Appointments Ltd (PSAA) issued "Statement of responsibilities of auditors and audited bodies". It is available from the via the PSAA website (www.PSAA.co.uk). 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 (updated April 2018)" issued by the PSAA sets out additional requirements that auditors must comply with, over and above those set out in the National Audit Office Code of Audit Practice (the Code) and in legislation, and covers matters of practice and procedure which are of a recurring nature. This report is made solely to the Governance and Audit Committee and management of Bracknell Forest Council in accordance with the statement of responsibilities. Our work has been undertaken so that we might state to the Governance and Audit Committee and management of Bracknell Forest Council those matters we are required to state to them in this report and for no other purpose. To the fullest extent permitted by law we do not accept or assume responsibility to anyone other than the Governance and Audit Committee and management of Bracknell Forest Council for this report or for the opinions we have formed. It should not be provided to any third-party without our prior written consent.



01 Executive Summary

Executive Summary

Scope update

In our audit planning report presented at the 31 January 2019 Governance and Audit Committee meeting, we provided you with an overview of our audit scope and approach for the audit of the financial statements.

Materiality:

In our Governance and Audit Committee Planning Report, we communicated that our audit procedures would be performed using a materiality of £5.6m, with performance materiality, at 75% of overall materiality, of £4.2m, and a threshold for reporting misstatements of £278k. We updated our planning materiality assessment using the draft results and have also reconsidered our risk assessment. Based on our materiality measure of gross expenditure on provision of services, we our overall materiality assessment has remained unchanged at £5.6m, with performance materiality, at 75% of overall materiality, remaining at £4.2m.

The basis of our assessment has remained consistent with prior years at 2% of gross expenditure on provision of services.

161 Status of the audit

We have substantially completed our audit of the Council's financial statements for the year ended 31 March 2019 and have performed the procedures outlined in our Audit planning report. Subject to satisfactory completion of the outstanding matters set out below we expect to issue an unqualified opinion on the Authority's financial statements in the form which appears at Section 3. At the time of writing the outstanding matters are:

- Pensions – procedures relating to the adjustment and disclosure of the McCloud judgment;
- Assurance letter from Berkshire Pension Scheme auditors;
- Related parties: outstanding declaration of interest from 6 members;
- Some income and expenditure testing;
- Journals testing;
- Review of the final version of the financial statements;
- Completion of subsequent events review;
- Receipt of the signed management representation letter;
- Completion of procedures required by the National Audit Office (NAO) regarding the Whole of Government Accounts submission.

However until work is complete, further amendments may arise. We expect to issue the audit certificate at the same time as the audit opinion.

Executive Summary

Audit differences

At the time of writing, there are three adjusted audit differences of:

- PPE value increase of £14.5 million, as discussed on page 12.
- Pension liability increase of £4.4 million to £539.3 million, as discussed on page 11
- Pension assets value decrease of £3.5 million to £262.0 million, as discussed on page 11

There was one unadjusted judgemental audit difference of £1.1 million, as discussed on page 12 .

However, we are yet to conclude our all of our work. We will update this report and the Committee when this work has been finalised.

Areas of audit focus

Our Audit Planning Report identified key areas of focus for our audit of the Council's financial statements. This report sets out our observations and conclusions, including our views on areas which might be conservative, and where there is potential risk and exposure. We summarise our consideration of these matters, and any others identified, in the "Key Audit Issues" section of this report.

We ask you to review these and any other matters in this report to ensure:

- there are no other considerations or matters that could have an impact on these issues
- you agree with the resolution of the issue
- there are no other significant issues to be considered.

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.

Control observations

We have adopted a fully substantive approach, so have not tested the operation of controls.

In addition, during the audit we identified a number of observations and improvement recommendations on the Council's Risk Management arrangements. These are set out in Section 7.



Executive Summary

Value for money

We have considered your arrangements to take informed decisions; deploy resources in a sustainable manner; and work with partners and other third parties. In our Audit Planning Report we identified two significant risks. These were:

- Delivery of a sustainable medium term financial plan; and
- Commercialisation and the purchase of investment properties

We have no matters to report about your arrangements to secure economy efficiency and effectiveness in your use of resources.

Other reporting issues

We have reviewed the information presented in the Annual Governance Statement for consistency with our knowledge of the Authority. Following discussions with officers, amendments were made to present a more consistent view and therefore we have nothing further to report in this regard.

We have not yet performed the procedures required by the National Audit Office (NAO) on the Whole of Government Accounts submission.

We have no other matters to report.

Independence

Please refer to Section 9 for our update on Independence. We have no matters to report.



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02 Areas of Audit Focus





Areas of Audit Focus

Significant risk

Misstatements due to fraud or error

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

What judgements are we focused on?

We focussed on testing key areas that are susceptible to management bias.

What did we do?

- Inquired of management about risks of fraud and the controls put in place to address those risks.
- Understood the oversight given by those charged with governance of management's processes over fraud.
- Considered of the effectiveness of management's controls designed to address the risk of fraud.

Performed mandatory procedures regardless of specifically identified fraud risks, including:

- Tested the appropriateness of journal entries recorded in the general ledger and other adjustments made in the preparation of the financial statements
- Assessed accounting estimates for evidence of management bias, and
- Evaluated the business rationale for significant unusual transactions.

In addition to our overall response, we considered where these risks may present themselves and identified a separate fraud risk related to the capitalisation of revenue expenditure as set out on the next slide.

What are our conclusions?

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.

We did not identify any other transactions during our audit which appeared unusual or outside the Authority's normal course of business



Areas of Audit Focus

Significant risk

Misstatements due to fraud or error – capitalisation of revenue expenditure

What is the risk?

As identified in ISA 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 would otherwise appear to be operating effectively.

In considering how the risk of management override may present itself, we conclude that this is primarily through management taking action to override controls and manipulate in year financial transactions that impact the medium to longer term projected financial position. A key way of improving the revenue position is through the inappropriate capitalisation of revenue expenditure. The Council has a significant fixed asset base and a material capital programme and therefore has the potential to materially impact the revenue position through inappropriate capitalisation.

What judgements are we focused on?

We focussed on the testing capital expenditure and obtaining evidence that additions have been correctly classified as capital expenditure.

What did we do?

We took a substantive approach to respond to this risk, undertaking the following procedures:

- Tested a sample of capital expenditure at a lower testing threshold, to verify that revenue costs had not been inappropriately capitalised;
- Reviewed unusual journal pairings related to capital expenditure posted around the year-end i.e. where the debit is to capital expenditure and the credit to income and expenditure.

What are our conclusions?

Our audit work did not identify any material issues or unusual transactions to indicate any misreporting of the Authority's financial position through the inappropriate capitalisation of revenue expenditure.



Areas of Audit Focus

Significant risk

Pension Net Liability Valuation

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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).

The Council's pension fund deficit is a material estimated balance and the Code requires that the net liability be disclosed on the Council's balance sheet. At 31 March 2018 this totalled £276.125m.

The information disclosed is based on the IAS 19 report issued to the Council by the actuary to RBWM. Accounting for this scheme involves significant estimation and judgement and therefore management engages the actuary to undertake the calculations on their behalf. ISAs (UK and Ireland) 500 and 540 require us to undertake procedures on the use of management experts and the assumptions underlying fair value estimates.

What judgements are we focused on?

The significance of the liability to the Council's balance sheet, as well as the difficulty in valuing some of the pension fund assets caused by their nature and size. Small changes in assumptions when valuing the pension net liability valuation can have a material impact on the financial statements.

What did we do?

We took a substantive approach to respond to this risk, undertaking the following procedures. We:

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

What are our conclusions?

We are satisfied that the Council has correctly reflected the IAS 19 entries provided by their actuaries in the financial statements. We are also satisfied that the actuaries are appropriately qualified.

This year, there has also been an ongoing national issue which has meant that a late change is required to the Council's pension net liability. It relates to legal rulings regarding age discrimination arising from public sector pension scheme transitional arrangements, commonly described as the "McCloud ruling". Officers requested their actuary update their estimate of net pension scheme liability taking into account the McCloud ruling and any difference between actual and estimated return on pension scheme assets. As a result two adjustments have been made:

- Pension liability: The Council's Pension liability has increased by £4.4 million to £539.3 million
- Pension asset: This estimate decreased by £3.5 million to £262.0 million

At the time of writing, the assurance from the pension fund auditor is outstanding.

Significant risk

Significant risk – valuation of property, including investment properties

What is the risk?

The fair value of Property, Plant and Equipment (PPE) represent significant balances in the Council's accounts and are subject to valuation changes, impairment reviews and depreciation charges. Management is required to make material judgemental inputs and apply estimation techniques to calculate the year-end balances recorded in the balance sheet.

In assessing this risk, we considered the material valuations of operational and investment property held by the Council, the varied nature of these assets and the basis on which they are valued, including the need to apply judgement. We also considered the assets not revalued in year to assess the likelihood of material misstatement within the population. The Code of Practice on Local Authority Accounting states that where assets are revalued, revaluations should be made with sufficient regularity such that the carrying amount does not differ materially from that using the current value at the end of the reporting period. Each class of asset should normally be valued at least every five years, subject to this requirement.

What judgements are we focused on?

Our work on valuations focussed on assessing the reasonableness of the methodologies adopted by the valuers in undertaking their valuations in 2018/19 and of the key assumptions input into these valuations.

We have also considered those assets that were not valued in 2018/19 and the potential for material misstatement in the valuation of those assets.

What did we do?

We took a substantive approach to respond to this risk, undertaking the procedures set out below.

We disaggregated the Council's property portfolio to determine those asset classes where more judgement was required in the valuation of assets, resulting in a focus on the following:

- Investment properties - £127.176 million
- Land and buildings - £386.873 million

We selected a sample within these asset categories to test the assumptions and inputs that were used in their valuation.

What are our conclusions?

We assessed the methodologies adopted by the valuers in undertaking their valuations in 2018/19 and of the key assumptions input into these valuations as reasonable.

As part of our audit, the Council provided an analysis of the rolling programme of valuations and applied relevant indices, dependent on the last revaluation date for the asset class. This provided an indication as to whether the valuation of assets not revalued in year could be materially different to the value disclosed in the financial statements.

We reviewed this analysis and challenged the Council on its appropriateness, concluding that changes needed to be made to ensure the relevant indices were applied based on the asset type and value. As a result of subsequent calculations there was a judgemental audit difference of £15.6m. The Council has agreed to:

- make an adjustment of £14.5m; and
- report the unadjusted remaining difference of £1.1m in their management representation letter.

We have reported the above differences in Section 4 of this report.

Audit risks

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 key audit matters we will include in our audit report.

What is the risk/area of focus?	What we found
<p><u>NDR Appeals Provision</u></p> <p>The Non Domestic Rates Appeals Provision is a judgemental balance in the Council's financial statements which is underpinned by a number of assumptions. The movement of the NDR Appeals Provision in 2018/19 was significant from an opening balance of £7.592 million to a closing balance of £9.416 million at 31 March 2019.</p> <p>The provision for NDR for 2018/19 was increased to reflect the latest information, at 31 March 2019. The position difficult to predict following the 2017 valuation and the Valuation Office Agency's (VOA) Check, Challenge and Appeal process. We needed to revisit the assumptions underpinning the NDR provision for the 2018/19 accounts based on the most up to date information available.</p>	<p>We:</p> <ul style="list-style-type: none"> reviewed the calculation of the provision for accuracy; reviewed the assumptions used in the calculation based on the latest information in 2018/19; considered the Council's use of its expert, Rates Plus, involved in the calculation. <p>We have no issues to report</p>
<p><u>PFI Accounting</u></p> <p>PFI is a complex area and we commissioned a detailed review of the Waste Recycling Group RE3 arrangements, for the three councils involved, namely Bracknell Forest, Reading and Wokingham Borough Councils.</p> <p>Our work, by our PFI specialist:</p> <ul style="list-style-type: none"> included a review of the assumptions used in the Waste PFI accounting model; commented on local adjustments, made by Bracknell Forest Council, following the changes to the accounting model held by the host council, Reading Borough Council; reviewed the planned entries and disclosures for the Council's 18/19 accounts. 	<ul style="list-style-type: none"> We have no other issues to report.

Other areas of audit focus (continued)

What is the risk/area of focus?

What we found

IFRS 9 Financial instruments

This new accounting standard is applicable for local authority accounts from this financial year and changes:

- how financial assets are classified and measured;
- how the impairment of financial assets are calculated; and
- the disclosure requirements for financial instruments.

We:

- assessed the authority's implementation arrangements that should include an impact assessment paper setting out the application of the new standard, transitional adjustments and planned accounting for 2018/19;
- considered the classification and valuation of financial instrument assets;
- reviewed the implementation of the new expected credit loss model impairment calculations for assets; and
- checked additional disclosure requirements for compliance with the CIPFA Code.

We have no issues to report.

IFRS 15 Revenue from contracts with customers

This new accounting standard is applicable for local authority accounts from this year. The key requirements of the standard cover the identification of performance obligations under customer contracts and the linking of income to the meeting of those performance obligations.

The impact on local authority accounting was likely to be limited as large revenue streams like council tax, non domestic rates and government grants will be outside the scope of IFRS 15. However where that standard is relevant, the recognition of revenue could change and new disclosure requirements have been introduced.

We:

- assessed the authority's implementation arrangements that should include an impact assessment paper setting out the application of the new standard, transitional adjustments and planned accounting for 2018/19.
- consider application to the authority's revenue streams, and where the standard is relevant test to ensure revenue is recognised when (or as) it satisfies a performance obligation; and
- checked additional disclosure requirements.

We have no issues to report.



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03 Audit Report



Audit Report

Draft audit report

Our opinion on the financial statements

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

Opinion

We have audited the financial statements of Bracknell Forest Council for the year ended 31 March 2019 under the Local Audit and Accountability Act 2014. The financial statements comprise the:

- Authority and Group Movement in Reserves Statement,
- Authority and Group Comprehensive Income and Expenditure Statement,
- Authority and Group Balance Sheet,
- Authority and Group Cash Flow Statement; and
- Related notes to the Core Financial Statements 1 to 42;
- Collection Fund and related notes 1 to 4;
- Group related notes 1 to 3.

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 2018/19.

In our opinion the financial statements:

- give a true and fair view of the financial position of Bracknell Forest Council and Group as at 31 March 2019 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 2018/19

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 Bracknell Forest Council and group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard and the Comptroller and Auditor General's (C&AG) 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

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the Director: Finance's use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Director: Finance has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Authority's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.



Audit Report

Our opinion on the financial statements

Other information

The other information comprises the information included in the Statement of Accounts 2018/19, other than the financial statements and our auditor's report thereon. The Director: Finance is responsible for the other information.

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.

In connection with our audit of the financial statements, 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 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 or a material misstatement of the other information. 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.

Opinion on other matters prescribed by the Local Audit and Accountability Act 2014

Arrangements to secure economy, efficiency and effectiveness in the use of resources

In our opinion, based on the work undertaken in the course of the audit, having regard to the guidance issued by the Comptroller and Auditor General (C&AG) in November 2017, we are satisfied that, in all significant respects, Bracknell Forest Council put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2019.

Matters on which we report by exception

We report to you if:

- in our opinion the Annual Governance Statement is misleading or inconsistent with other information forthcoming from the audit or our knowledge of the Council;
- we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014;
- we make written recommendations to the audited body under Section 24 of the Local Audit and Accountability Act 2014;
- we make an application to the court for a declaration that an item of account is contrary to law under Section 28 of the Local Audit and Accountability Act 2014;
- we issue an advisory notice under Section 29 of the Local Audit and Accountability Act 2014; or
- we make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014.

We have nothing to report in these respects;



Audit Report

Our opinion on the financial statements

Responsibility of the Director: Finance

As explained more fully in the Statement of the Director: Finance's Responsibilities set out on page 35, the Director: Finance 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 2018/19, and for being satisfied that they give a true and fair view.

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

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

Auditor's responsibilities for the audit of the financial statements

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

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 criterion issued by the Comptroller and Auditor General (C&AG) in November 2017, as to whether the Bracknell Forest Council had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people. The Comptroller and Auditor General determined this criterion as that 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 2019.



Audit Report

Our opinion on the financial statements

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.

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. The Code of Audit Practice issued by the National Audit Office (NAO) requires us to report to you our conclusion relating to proper arrangements.

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

Certificate

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

Use of our report

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



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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

Corrected differences

At the time of writing, there was one judgemental difference greater than £4.17m that was identified during the course of our audit that was corrected by management.

- PPE valuation: This relates to our work on PPE valuation reviewing those assets not revalued as part of the 2018/19 valuation exercise and assessing whether they could be materially different to the value disclosed in the financial statements. The Council has adjusted their accounts and made an adjustment of £14.5m to increase PPE values.
- Pension liability: The Council's pension liability has increased by £4.4 million to £539.3 million due to recent appeal judgements, which have been made in cases affecting judges' and firefighters' pension in relation to age discrimination arising from pension scheme transition arrangements. It has been determined that this ruling also applies to transition arrangements in the Local Government Pension Scheme which has meant an increase in the estimated liability of the pension scheme.
- Pension asset: This estimate decreased by £3.5 million to £262.0 million as the pension scheme actuary has re-run its pension scheme reports and the change in valuation is due to better known information at the balance sheet date.

There were also one minor change to the disclosure notes that was made during the course of the audit.

Uncorrected differences

At the time of writing, there was one judgemental difference which was above the reporting threshold for uncorrected differences of £278k.

- PPE valuation: As discussed above, there was one uncorrected judgemental difference of £1.1 million increase to the value of assets within the PPE balance that were not re-valued in 2018/19. This unadjusted remaining difference of £1.1m needs to be reported in the Council's management representation letter.

Whilst not representing an audit difference, we note that the disclosure on Earmarked reserves (note 28) has a total of £49.763 million of Earmarked reserves, of which there are £10.351 million of "other earmarked reserves" including the Better Care Fund Reserve (£2.091 million), the Regeneration of Bracknell Town Centre (£1.791 million), the Public Health Reserve (£1.56 million) and the Commuted Maintenance of Land Reserve (£1.687million). Disclosing these larger reserves would reduce the "Other reserve" total to £3.22 million which could improve the disclosure for the reader.



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05

Value for Money Risks



Background

We are required to consider whether the Council has put in place 'proper arrangements' to secure economy, efficiency and effectiveness on its use of resources. This is known as our value for money conclusion.

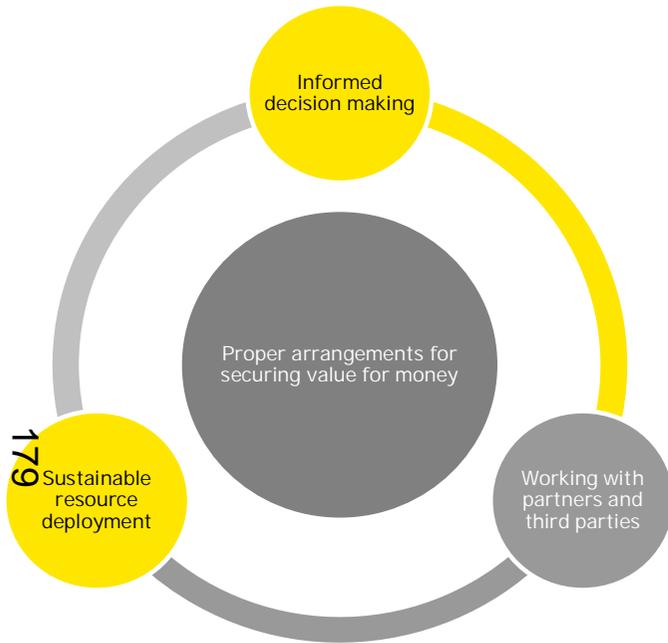
For 2018/19 this is based on the overall evaluation criterion:

"In all significant respects, the audited body had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people"

Proper arrangements are defined by statutory guidance issued by the National Audit Office. They comprise your arrangements to:

- Take informed decisions;
- Deploy resources in a sustainable manner; and
- Work with partners and other third parties.

In considering your proper arrangements, we will draw on the requirements of the CIPFA/SOLACE framework for local government to ensure that our assessment is made against a framework that you are already required to have in place and to report on through documents such as your annual governance statement.



Overall conclusion

We identified two significant risks. These were:

- Delivery of a sustainable medium term financial plan; and
- Commercialisation and the purchase of investment properties

We found no issues and therefore have no matters to report about your arrangements to secure economy, efficiency and effectiveness in your use of resources.



Value for Money Risks

What is the significant value for money risk?	What arrangements does the risk affect?	What we did
Delivery of a robust Medium Term Financial Plan (MTFP)		
<p>In the Council's four year Medium Term Financial Plan (MTFP), reported to Cabinet in February 2018, the Council set a balanced budget for 2018/19. However, the cumulative shortfall of the MTFP through to 2020/21 is £9.4m, of which a £6m gap is predicted for 2020/21. The Council has a strategy in place to resolve the shortfall which is driven by commercial investment and transformational projects.</p> <p>The Council's transformational change programme is critical in enabling the Council to delivering the level of savings needed for a sustainable financial future, Progress is being made in the achievement of some £10.4 million of transformation savings and some £3.8 million of efficiency savings over the period of the MTFP until 2021/2022. There is also the planned "managed use" of the Council's Future Funding Reserve to smooth the impact of the Government planned changes to local government funding in 2020/21 . £1 million of reserves was planned to be used in the Council's 2016 - 2020 Efficiency Plan as part of setting a balanced budget for 2019/20.</p> <p>However, there is significant demand increases for Children's Social Care causing financial pressure in 18/19 and in future years which will require a higher level of savings and additional income than originally predicted to balance the 2019/20 budget. The Council's commercial programme is being accelerated in order to deliver its planned target of £3 million of income generation by 2019/20. The current focus of the Council's Corporate Management Team is, therefore, its need to review its prioritisation of transformation and enabling resources to continue its successful delivery of change.</p> <p>We will review the Council's Medium Term Financial Plan to assess whether the financial planning in place is sufficient to position the Council on a sustainable financial footing in the medium term.</p>	<p>Deploy resources in a sustainable manner</p>	<p>We:</p> <ul style="list-style-type: none"> assessed the key assumptions made within the annual budget and MTFP; reviewed the progress made in identifying savings for 2019/20 and beyond; assessed the effectiveness of project management by the Transformation Board in overseeing transformational projects and income generation opportunities; reviewed the Council's business planning process for both generating savings and also undertaking commercial projects; <p>Our findings are summarised overleaf.</p>

Delivery of a robust Medium Term Financial Plan (MTFP)

The Council is currently taking steps towards improving its financial resilience and long-term sustainability whilst demonstrating prudence in relation to medium-term financial planning, identifying future savings as well as commercialisation arrangements. The financial resilience tool indicates that the Medium Term Financial Plan (MTFP) may be sufficiently financially resilient. We have reviewed the key assumptions of the MTFP and obtained related working papers from the client which support the conclusion that all key assumptions appear reasonable. Assumptions and key elements of the MTFP are monitored on a quarterly basis by the Council. This allows the Council to keep track of actual to plan, and means it can take swift action that may include revising its estimates of subsequent financial years.

The delivery of the Council's strategic priorities has been underpinned by good financial forecasts, risks and assumptions which have been disclosed and reported by management to Council and to Members in 2019/20. As outlined in the Council's Efficiency Plan 2016-20 and the 2017/18 - 2019/20 MTFS, the Council considers the following measures when working towards achieving a balanced budget:

- taking a firm line to limit future year's pressures
- delivering efficiency savings and reducing back office costs
- increasing the Council Tax
- utilising available balances
- implementing transformational savings

The Council's transformational change programme is critical in enabling it to deliver the level of savings needed for a sustainable financial future. With the predicted level of additional savings expected to fall beyond 2020 (given most of the services will have been subject to a detailed review by then), it is likely that greater reliance will be placed upon Council Tax income to fund any budget gap(s). Council Tax was assumed to be at the maximum permissible amount of 2.99% in the 19/20 Revenue Budget and subsequent years in the MTFP. Additionally, in response to the possibility of additional savings not materialising, the Future Funding Reserve has been created, supplemented through additional income from the Business Rate Pilot scheme(s), to help manage the transition to alternative funding arrangements.

It is important for the Council to find the right balance between achieving the significant savings outlined and budgeted in the MTFP to fund the budget gap whilst at the same time maintaining a certain level of service provision. Overall the Council has identified savings to date, whilst noting that improvements need to be made to continue to generate additional savings.

A risk will continue to remain upon the delivery of significant savings through the transformation programme. This has been acknowledged in budget papers and the Council's Strategic Risk register. This risk is likely to become even greater given the various financial uncertainties the Council currently faces and will continue to face in the future. Initial steps, such as transferring funds from part of the one-off Business Rate pilot gain to the Transformation Reserve, have been taken to reduce the reliance on the transformational programme, which is necessary to manage this risk effectively.



Value for Money Risks

What is the significant value for money risk?	What arrangements does the risk affect?	What we did
Commercialisation and the purchase of investment properties		
<p>By November 2017, one year after the Council approved its Commercial Property Investment Strategy (CPIS), the Council has completed on the purchase of 5 properties at a total cost of £70 million. However the Council's CPIS may not deliver the target £3 million income by 2019/20 and therefore £20 million has been released from the 2018/19 capital programme to accelerate delivery of the CPIS programme which now totals £90 million.</p> <p>The Council uses an evaluation tool, to assist its Executive Committee in reviewing each investment opportunity, showing which parameters are acceptable for consideration and those which are not. It appears that all investments are subject to a full external due diligence process, which includes a building condition surveys including all M&E, independent RICS valuations and a legal audit as well as officer site inspection and market consideration. Any items considered less than satisfactory are reported.</p> <p>The Prudential Code, issued by CIPFA has always contained a statement (paragraph 46) that local authorities should not borrow more than, or in advance of, their needs purely in order to profit from the investment of the extra sums borrowed. However, paragraph 47 of the Statutory Guidance also states that where a local authority has chosen to disregard the Prudential Code and the Guidance, additional explanations and disclosures will be required, including risk management. The Guidance also requires investments to have regard to Security, Liquidity and Yield in that order.</p> <p>We will review the Council's arrangements for the purchase of investment properties to ensure that they are adequate in terms of providing value for money and comply with proper governance and risk management arrangements.</p>	<p>Deploy resources in a sustainable manner</p>	<p>We reviewed:</p> <ul style="list-style-type: none"> • The underlying rationale for the Council's proposed investments and clarity on how this sits with the Council's strategy and objectives; • Legal powers and other advice obtained e.g. tax, investment decisions; • Compliance with sections 46 and 47 of Statutory Guidance on Local Authority Investments and the Prudential Code; • The Council's MRP policy; • Clarity of governance arrangements for the Council's decision making with regard to their investment property purchases; • Recognition and reporting of risks in the Council's strategic risk register. <p>We also considered the extent to which the Council has demonstrated the key Prudential Code considerations:</p> <ul style="list-style-type: none"> • Existence of capital expenditure plans and a clear strategy that has regard to have regard to; service objectives, stewardship of assets, value for money, prudence and sustainability, affordability and practicality; • Demonstrating value for money in borrowing decisions • Security of borrowed funds; • Extent of borrowing for investments and borrowing overall • The nature of the investment; • Risks involved, including falling capital values, borrowing costs, illiquidity of assets.

Commercialisation and the purchase of investment properties

With many Local Authorities facing uncertainty over government funding in recent years, councils have already or are now turning towards commercial activities to increase sources of self-sufficient funding. Bracknell Forest's commercialisation activities are mainly centred around the Commercial Property Investment Strategy ('CPIS') which was approved by the Executive in December 2016, setting out the aim to invest in properties and achieve a beneficial return for the Council.

The core objective of the investment strategy is to generate a long-term revenue income stream for the Council to assist in meeting the budget gap as a result of government funding cuts and other financial pressures.

Discussion with the client and review of documentation provided indicates that a clear and consistent process was adopted and followed in identifying, investigating and presenting relevant investment proposals to various Council internal stakeholders. Within the process, there were a number of possible opportunities where each proposal could be discussed and alternative views could be presented. This indicates there are robust arrangements in place which allow the Council to exercise sufficient governance over key decisions relating to CPIS.

The CPIS programme has now fully invested the approved budget, meaning no further investment proposals are currently being considered. Going forward, half-yearly meetings will be held which will review each of the existing six property portfolios. It should be noted that in Internal Audit's 2017/18 CPIS report, it was observed that progress against the Investment Strategy is verbally reported (rather than formally presented) to senior management and the Executive Committee: Commercial Property. Similarly, discussions between the Chief Property Officer, Director: Finance and Chief Executive were documented either via email or through verbal correspondence. This indicates an absence of formal reporting and transparency, which lacks best practice arrangements. The half-yearly review meetings should help ensure that sufficient arrangements are now in place to ensure formal reporting and transparency takes place. Discussion with the client gave comfort that the Council does recognise the importance of formal reporting and transparency when considering and monitoring the performance of CPIS.

The Council also recognises the importance and reliance placed upon the success of the CPIS in generating a long-term revenue income stream that can be used to fund any budget gap(s) arising from government funding cuts and other financial pressures. Measures identified, such as the use of a voluntary revenue provision in addition to the mandatory revenue provision, demonstrate prudent decision making.

We find the risks identified by the Council to be appropriate and mitigated by the risk control procedures identified in the relevant risk registers. All investments are subject to a full external due diligence process. This includes building condition surveys including all Mechanical & Electrical (M&E), independent RICS valuations and a legal audit as well as officer site inspection and market consideration. Any items considered less than satisfactory are reported. This has led to one accepted bid being withdrawn following this rigorous due diligence process. Given the CPIS programme has now fully invested the approved budget, procurement risks should no longer be a concern to the Council, although it will need to ensure that sufficient risk management processes are in place to ensure its current investment portfolio is effectively managed and potential income generation is maximised.

The Council has ensured and outlined its compliance with relevant legislation, namely the Local Government Act 2003, CIPFA Prudential Code, MHCLG MRP and Investment Guidance and the CIPFA Treasury Management Code in its recent 2019/20 budget proposal presented to the full Council in February 2019.



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 Statement of Accounts 2018/19 with the audited financial statements.

- The financial and non-financial information in the Statement of Accounts 2018/19 and published with the financial statements was consistent with the audited financial statements.

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

- We have reviewed the information presented in the Annual Governance Statement for consistency with our knowledge of the Authority. We found that it was not consistent with other information from our audit of the financial statements, mainly in relation to the disclosure of the increased number of "limited" assurance reports from Internal Audit and the "limited" overall audit opinion from the Head of Internal Audit.

185 We discussed this with officers and amendments were made to present a more consistent view of those items, and therefore we have nothing further to report in this regard.

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. As the Council's assets, income, liabilities and expenditure are below the threshold set by HM Treasury, detailed audit of the return is not required for Bracknell Forest Council.

We will submit the required return in due course and in accordance with the deadline set.

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.

We also have a duty to make written recommendations to the Authority, copied to the Secretary of State, and take action in accordance with our responsibilities under the Local Audit and Accountability Act 2014. We did not identify any issues.

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 Council’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;
- Any other matters significant to overseeing the financial reporting process;
- Related parties;
- External confirmations;
- Going concern; and
- Consideration of laws and regulations.

We did not identify any issues.



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Assessment of Control Environment

Assessment of Control Environment

Internal financial control

It is the responsibility of the Authority to develop and implement systems of internal financial control and to put in place proper arrangements to monitor their adequacy and effectiveness in practice. Our responsibility as your auditor is to consider whether the Authority has put adequate arrangements in place to satisfy itself that the systems of internal financial control are both adequate and effective in practice.

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. As we have adopted a fully substantive approach, we have therefore not tested the operation of controls.

Although our audit was not designed to express an opinion on the effectiveness of internal control we are required to communicate to you significant deficiencies in internal control.

We have not identified any significant deficiencies in the design or operation of an internal control that might result in a material misstatement in your financial statements of which you are not aware. We have, however, made the following observations relating to your overall control environment:

Risk management arrangements

The Council's risk management arrangements are identified as a governance issue to be addressed in the action plan in the Council's 2018/19 Annual Governance Statement. There was no formal internal audit review of the Council's risk management arrangements during 2018/19. Officers recognise that there are weaknesses in the arrangements and have commissioned an internal audit consultancy report on risk management in 2019/20 which means that there will be no formal audit opinion on the findings. Through our work we have observed the following which could help improve the risk management arrangements:

- An independent internal audit of the effectiveness of the Council's risk management arrangements.
- Better documentation of the Council's Strategic Risk Register with clear actions and timescales on how risks are managed going forward.
- Reappraisal of the risk appetite to ensure that the Council is operating at a risk level commensurate with that documented for its strategic risks.
- The formalising of a risk register for the People Directorate following the combining of Adults and Children's services.
- Clarity on the role of the Governance and Audit Committee in providing assurance over the effectiveness of the Council's Risk Management arrangements, by understanding and commenting on the effectiveness of the whole process.

We will follow-up on the above as part of our VFM work for 2019/20.

Member declarations

When undertaking our procedures on related party transactions we checked declarations of interest, and we noted (at the time of writing) that six members had not completed a declaration.

Whilst we are satisfied through alternative procedures that there were no transactions requiring disclosure, we would recommend that Members ensure that their declarations are complete and updated for changes. This is an important part of the process for the Council to identify related party transactions and protect itself from the risk of reputational damage.



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08 Data Analytics



Use of Data Analytics in the Audit

► Data analytics – Journals Testing

Analytics Driven Audit

Data analytics

We used our data analysers to enable us to capture entire populations of your financial data. These analysers:

- Help identify specific exceptions and anomalies which can then be the focus of our substantive audit tests; and
- Give greater likelihood of identifying errors than traditional, random sampling techniques.

In 2018/19, our use of these analysers in the authority's audit included testing journal entries and employee expenses, 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.

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Independence

Confirmation

We confirm that there are no changes in our assessment of independence since our confirmation in our audit planning report dated January 2019, which we presented to 30 January Governance and Audit Committee.

We complied with the FRC Ethical Standards and the requirements of the PSAA's Terms of Appointment.

We consider that our independence in this context is a matter which you should review, as well as us. It is important that you and your Governance and Audit Committee consider the facts known to you and come to a view. If you would like to discuss any matters concerning our independence, we will be pleased to do this at the meeting of the Governance and Audit Committee on 24 July 2019.

Relationships, services and related threats and safeguards

The FRC Ethical Standard requires that we provide details of all relationships between Ernst & Young (EY) and your council, its directors, senior management and its affiliates. This includes all services provided by us and our network to your council, 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 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 2018 to the date of this report, which we consider may reasonably be thought to bear on our independence and objectivity.

18 Services provided by Ernst & Young

The page overleaf includes a summary of the fees that you have paid to us in the year ended 31 March 2019 in line with the disclosures set out in FRC Ethical Standard and in statute. Full details of the services that we have provided and the related threats and safeguards are included below.

We confirm that none of the services listed overleaf have been provided on a contingent fee basis.

As at the date of this report, future non-audit services are limited to the reasonable assurance engagement for the housing subsidy grant claim. There are no other future services which have been contracted and no written proposal to provide non-audit services has been submitted.

Fee analysis

As part of our reporting on our independence, we set out below a summary of the fees paid for the year ended 31 March 2019.

We confirm that we have undertaken non-audit work outside the NAO Code requirements in relation to the housing subsidy grant claim. Non-audit work is work not carried out under the Code. We have adopted the necessary safeguards in completing this work and complied with Auditor Guidance Note 1 issued by the NAO in December 2017.

	Final Fee 2018/19	Planned Fee 2018/19	Scale Fee 2018/19	Final Fee 2017/18
	£	£	£	£
Total Audit Fee – Code work	Notes 1,2 & 3	80,639	80,639	104,726
Non-audit work for Housing subsidy grant claim	TBC - Note 4	18,771	Not applicable	20,100

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Note 1: Value for Money significant risks: We have undertaken additional work in relation to the two significant VFM risks, as discussed in Section 5. These were:

- Delivery of a sustainable medium term financial plan; and
- Commercialisation and the purchase of investment properties

We are not yet in a position to quantify the final costs associated with this work but any variation to the fee will need to be agreed with officers and approved by PSAA.

Note 2 – Annual Governance Statement (AGS) review: Our work on the AGS also identified issues which required us to spend more time than planned on reviewing the Council's control environment and its risk management arrangements, as we have reported in Sections 6 and 7 (Assessment of the Control Environment of this report). We are not yet in a position to quantify the final costs associated with this work but any variation to the fee will need to be agreed with officers and approved by PSAA.

Note 3: Waste PFI accounting model review: Our work on the assessment of the Waste PFI accounting model required us to spend more time than planned. We are not yet in a position to quantify the final costs associated with this work but any variation to the fee will need to be agreed with officers and approved by PSAA.

Note 4 – Housing benefit subsidy grant claim: From 2018/19, the Council is responsible for appointing their own reporting accountant to undertake the work on their claims in accordance with the instructions determined by the relevant grant paying body. The Council has appointed us to act as reporting accountants in relation to the housing subsidy claim.

The fee is based on:

- £18,771 plus VAT for the certification work
- £3,634 for the second set of extended ("40+") testing (as our agreed proposal of 7 September 2018, allowed for one set of 40+ testing)
- £2,314 for each subsequent set of extended testing

The final fee therefore will be dependent on the level of extended testing required for the 2018/19 claim.



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10 Appendices

Appendix A

Required communications with the Governance and Audit Committee

There are certain communications that we must provide to the Governance and Governance and Audit Committees of UK clients. 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 – 30 January 2019	
Planning and audit approach	Communication of the planned scope and timing of the audit, any limitations and the significant risks identified.	Audit planning report – 30 January 2019	
Significant findings from the audit	<ul style="list-style-type: none"> • Our view about the significant qualitative aspects of accounting practices including accounting policies, accounting estimates and financial statement disclosures • Significant difficulties, if any, encountered during the audit • Significant matters, if any, arising from the audit that were discussed with management • Written representations that we are seeking • Expected modifications to the audit report • Other matters if any, significant to the oversight of the financial reporting process 	Audit planning report – 30 January 2019	

Appendix A

		Our Reporting to you
Required communications	What is reported?	When and where
Going concern	<p>Events or conditions identified that may cast significant doubt on the entity's ability to continue as a going concern, including:</p> <ul style="list-style-type: none"> • Whether the events or conditions constitute a material uncertainty • Whether the use of the going concern assumption is appropriate in the preparation and presentation of the financial statements • The adequacy of related disclosures in the financial statements 	No conditions or events were identified, either individually or together to raise any doubt about Bracknell Forest Council's ability to continue for the 12 months from the date of our report.
Misstatements	<ul style="list-style-type: none"> • Uncorrected misstatements and their effect on our audit opinion • 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 – 24 July 2019
Subsequent events	<ul style="list-style-type: none"> • Enquiry of the Governance and Audit Committee where appropriate regarding whether any subsequent events have occurred that might affect the financial statements. 	Audit results report – 24 July 2019
Fraud	<ul style="list-style-type: none"> • Enquiries of the Governance and Audit Committee to determine whether they have knowledge of any actual, suspected or alleged fraud affecting the Authority • 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 Authority, any identified or suspected fraud involving: <ol style="list-style-type: none"> 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's responsibility. 	Audit results report – 24 July 2019

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Required communications	What is reported?	  When and where
Related parties	<p>Significant matters arising during the audit in connection with the Authority's related parties including, when applicable:</p> <ul style="list-style-type: none"> • 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 Authority 	Audit results report – 24 July 2019
<p>Independence</p> <p>198</p>	<p>Communication of all significant facts and matters that bear on EY's, and all individuals involved in the audit, objectivity and independence.</p> <p>Communication of key elements of the audit engagement partner's consideration of independence and objectivity such as:</p> <ul style="list-style-type: none"> • 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 <p>Communications whenever significant judgments are made about threats to objectivity and independence and the appropriateness of safeguards put in place.</p>	<p>Audit planning report – 30 January 2019 and</p> <p>Audit results report – 24 July 2019</p>

Appendix A

		Our Reporting to you
Required communications	What is reported?	When and where
External confirmations	<ul style="list-style-type: none"> Management's refusal for us to request confirmations Inability to obtain relevant and reliable audit evidence from other procedures. 	We have received all requested confirmations
Consideration of laws and regulations	<ul style="list-style-type: none"> Subject to compliance with applicable regulations, matters involving identified or suspected non-compliance with laws and regulations, other than those which are clearly inconsequential and the implications thereof. Instances of suspected non-compliance may also include those that are brought to our attention that are expected to occur imminently or for which there is reason to believe that they may occur Enquiry of the Governance and 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 Governance and Audit Committee may be aware of 	We have asked management and those charged with governance. We have not identified any material instances or non-compliance with laws and regulations.
Significant deficiencies in internal controls identified during the audit	<ul style="list-style-type: none"> Significant deficiencies in internal controls identified during the audit. 	Audit results report on 24 July 2019 and Annual Audit Letter on 18 September 2019.

Appendix A

		Our Reporting to you
Required communications	What is reported?	When and where
Group Audits	<ul style="list-style-type: none"> An overview of the type of work to be performed on the financial information of the components An overview of the nature of the group audit team's planned involvement in the work to be performed by the component auditors on the financial information of significant components Instances where the group audit team's evaluation of the work of a component auditor gave rise to a concern about the quality of that auditor's work Any limitations on the group audit, for example, where the group engagement team's access to information may have been restricted Fraud or suspected fraud involving group management, component management, employees who have significant roles in group-wide controls or others where the fraud resulted in a material misstatement of the group financial statements. 	Audit planning report on 30 January 2019 and Audit results report on 24 July 2019
Written representations we are requesting from management and/or those charged with governance	<ul style="list-style-type: none"> Written representations we are requesting from management and those charged with governance 	Audit results report on 24 July 2019
Material inconsistencies or misstatements of fact identified in other information which management has refused to revise	<ul style="list-style-type: none"> Material inconsistencies or misstatements of fact identified in other information which management has refused to revise 	Audit results report on 24 July 2019
Auditors report	<ul style="list-style-type: none"> Any circumstances identified that affect the form and content of our auditor's report 	Audit results report on 24 July 2019
Fee Reporting	<ul style="list-style-type: none"> Breakdown of fee information when the audit planning report is agreed Breakdown of fee information at the completion of the audit Any non-audit work 	Audit planning report on 30 January 2019 and Audit results report on 24 July 2019
Certification work	<ul style="list-style-type: none"> Summary of certification work 	Certification Report in January 2020

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