Financial Year End 2023-24 Year End Planning Document

Committee considering report:	Governance Committee
Date of Committee:	16 April 2024
Portfolio Member:	Councillor Iain Cottingham
Report Author:	Shannon Coleman-Slaughter
Forward Plan Ref:	G4504

1 Purpose of the Report

This report is to inform Members of the accounting policies to be applied in the production of the Council's 2023/24 Financial Statements. It is also to confirm any amendments to these accounting policies arising from changes in operational activities and/or the impact of any new accounting standards issued.

2 Recommendations

2.1 Members are asked to consider and approve the following recommendation:

(a) To approve the accounting policies which will be applied in the production of the Council's 2023/24 Financial Statements (Appendix A).

2.2 Members are requested to note the following:

(a) Delay to the commencement of the external audits of the draft financial statements for 2021/22 and 2022/23. Nationally, there are delays across the Local Government sector in respect of financial statements being finalised to publication, and the associated issuance of audit opinions. The Department for Levelling Up, Housing & Communities (DLUHC), issued a consultation on 8th February 2024 designed to address the audit back log and make provision for a backstop date of 30th September 2024. Further detail is included in sections 4.2 – 5.3 of this report.

(b) The internal year-end timetable which will complement the production of the Draft 2023/24 Statement of Accounts (Appendix B).

3 Implications and Impact Assessment

Implication	Commentary

Financial:	The Council currently has open unaudited accounts for financial years 2021/22 and 2022/23. This report details the consultation proposed by DLUHC designed to address the audit back log. From a preparation of the account's perspective, the impact of unaudited statements is that the Council does not have assurance of its reserve levels beyond 31st March 2021 (i.e. the 2020/21 external audit opinion). Any material misstatements identified by external audit can currently be retrofitted back across all open accounting periods (i.e. where a financial year has not been closed with a published audit opinion). Draft balances are currently being rolled between financial years to enable the close down process to be undertaken and draft accounts published by the statutory deadline of 31st May annually.			
Human Resource:	Not applicable			
Legal:	The Council is required to ensure that the Statement of Accounts is properly prepared in accordance with the CIPFA Code of Practice on Local Authority Accounting (the CIPFA Code) and meets the requirements of the Accounts and Audit Regulations 2015.			
Risk Management:	Where an external auditor concludes that the Council's Statement of Accounts is not compliant with the CIPFA Code, and where the financial statements do not provide a true and fair view of the Council's financial position and performance, this may result in the issuance of a qualified audit opinion.			
Property:	Not applicable			
Policy:	Not applicable			
	Positive	**Neutral**	**Negative**	**Commentary**
Equalities Impact:		X		

A Are there any aspects of the proposed decision, including how it is delivered or accessed, that could impact on inequality?		X		
B Will the proposed decision have an impact upon the lives of people with protected characteristics, including employees and service users?		X		
Environmental Impact:		X		
Health Impact:		X		
ICT Impact:		X		
Digital Services Impact:		X		
Council Strategy Priorities:		X		
Core Business:		X		
Data Impact:		X		
Consultation and Engagement:	Joseph Holmes, Executive Director for Resources and s151 Officer.			

4 Executive Summary

4.1 On 8th February 2024 the Department for levelling Up Housing & Communities (DLUHC), published a consultation with a view to determining a way forward in respect of the backlog of unaudited Local Government accounts and embed a timely audit regime moving forward. The backlog in the publication of audited accounts of local bodies peaked at 918 (30th September 2023). As at 31st December 2023 the backlog stood at 771. In respect of West Berkshire Council, the 2021/22 external audit commenced in early 2023 but was put on hold by external audit due to conflicting workload priorities in July 2023. The 2021/22 audit opinion remains outstanding at the time of writing this report. In respect of financial year 2022/23, the Council achieved the shortened deadline for the publication of draft accounts (31st May 2023), but the external audit has not been commenced.

4.2 As stated by DLUHC, timely, high-quality financial reporting and audit of local bodies is a vital part of our democratic system. It supports good decision making by enabling effective planning, making informed decisions, and managing of services and ensures transparency and accountability to local taxpayers. Without an audit opinion, the last date at which the Council has assured reserve levels is 31st March 2021 (financial year 2020/21 audited financial statements).

4.3 The DLUHC consultation proposes a reset of the current system. A date in law known as the backstop date (30 September 2024), is proposed as the date by which local bodies will publish audited accounts for all outstanding years up to and including 2022/23. The duty for local bodies to publish a delay notice where the audit has not been concluded by the deadline will be withdrawn. The backstop applies to both local bodies and auditors. Local bodies will be required to publish audited accounts by 30 September 2024 for outstanding years. There is a likely requirement for auditors to issue a modified or disclaimed opinion on outstanding accounts if all outstanding work is not completed. Auditors will be required to clearly communicate the reasons for a modified or disclaimed opinion. Auditors are still required to undertake and complete value for money (VFM) work.

4.4 In respect of the Council preparing the financial year 2023/24 accounts, there are no significant changes in respect of new IFRS or changes in internal processes from prior years. As part of the 2022/23 financial year accounts the accruals limit for revenue was increased from £5k to £10k to align with capital and acknowledge inflation. This limit has been extended for 2023/24 to also include prepayments. This will ensure consistency and does not pose a materiality risk in respect of accounts preparation. It should be noted from 1st April 2024 IFRS 16 Leases is adopted, currently the Council is seeking procurement of IFRS 16 specific software to support adoption of the standard, a capital budget to allow for implementation is included in the proposed capital programme for financial year 2024/25. The Dedicated Schools Grant statutory override (i.e. whereby the High Needs deficit is transferred from general reserves to unusable reserves and hence protecting the Council's General Fund), remains in place for financial year 2023/24.

5 Supporting Information

Background

5.1 Under International Standards of Audit (ISAs) and the National Office Code of Audit Practice, the Council's external auditor is required to report whether, in their opinion, the Council's financial statements:

(a) Give a true and fair view of the financial position of the Council, incorporating the income and expenditure disclosed for the financial year; and

(b) Have been prepared in accordance with the CIPFA Code and comply with the reporting requirements defined in the Accounts and Audit Regulations 2015.

5.2 As part of the aforementioned consultation, local bodies must publish audited accounts by the backstop date, inclusive of financial year 2022/23, which at the time of writing this report, the external audit of the Council's accounts, as with financial year 2021/22 remains outstanding. The consultation does not appear to provide any concessions for local bodies; therefore it is required to publish audited accounts by the backstop, inclusive of the following steps:

- Publication of unaudited accounts
- Completion of public inspection period
- S151 Officer re-confirmation and member approval of a final version of the accounts
- Obtain an audit opinion for publication by 30th September 2024.

5.3 In the consultation there is not a minimum level of work defined as expected to be undertaken by external auditors in order to issue an assurance opinion. Furthermore there are no proposed changes to the 2023/24 financial year timetable. Local bodies will be required to publish draft accounts by the 31st May 2024 deadline, inclusive of publication notices should the deadline be missed. CIPFA LASAAC are currently reviewing potential simplifications of the CIPFA code, suggested areas are:

- Extending the infrastructure accounting override
- Simplifying the revaluation of operational property to permit use of indexation.
- Reducing the requirements for net defined benefit pension liabilities / assets disclosed.

5.4 Any code amendments are not anticipated to be published significantly in advance of the 2023/24-year end close process. The audit deadline in respect of the 2023/24 accounts will be disapplied and a further backstop date of 31st May 2025 implemented.

5.5 The main impacts of the above is that the Council is currently operating and undertaking financial planning on reserves levels that are not assured. As with all open (i.e. unaudited accounts), the opening balances rolled between financial years (reserves, Balance Sheet) are draft. Draft balances from financial year 2022/23 will be rolled into 2023/24 to enable the financial close to proceed and publication of draft accounts deadline to be achieved. The Council is therefore at risk of any material adjustments being identified, being reapplied to remaining open years accounts, impacting on reserve levels, undermining existing financial planning.

Proposals

5.6 One minor proposal is made as part of this report, relating to revenue prepayments. Historically the limit applied is £5k, it is proposed as part of the 2023/24 close process that this is increased to £10k to acknowledge inflation and bring the limit in line with all other minimum accounting levels applied across the accounts. To give context £815k of prepayments under £10k were raised as part of the 2022/23 close process. Increasing the limit will not impact on the Council's requirement to present financial costs in the year to which they relate and not materially distort the accounts. Materiality, historically has been approximately £5 million.

6 Conclusion

6.1 The Council currently has open unaudited accounts for financial years 2021/22 and 2022/23. This report details the consultation proposed by DLUHC designed to address the audit back log. From a preparation of the account's perspective the impact of unaudited statements is that the Council does not have assurance of its reserve levels beyond 31st March 2021 (i.e. the 2020/21 external audit opinion). Any material misstatements identified by external audit can currently be retrofitted back across all open accounting periods (i.e. where a financial year has not been closed with a published audit opinion). Draft balances are currently being rolled between financial years to enable the close down process to be undertaken and draft accounts published by the statutory deadline of 31st May annually.

6.2 One minor change to the Council's previously adopted accounting policies is proposed within this report relating to increasing the prepayment level from £5k to £10k. The s151 Officer is satisfied that the proposed change complies with the CIPFA code and the risk of material misstatement within the statement of accounts remains minimal.

7 Appendices

7.1 Appendix A – 2023/24 Draft Accounting Policies

7.2 Appendix B - 2023/24 Internal Yearend Timetable.

Subject to Call-In:

Yes: ☐ No: X

The item is due to be referred to Council for final approval	☐
Delays in implementation could have serious financial implications for the Council	☐
Delays in implementation could compromise the Council's position	☐
Considered or reviewed by Scrutiny Commission or associated Committees, Task Groups within preceding six months	☐
Item is Urgent Key Decision	☐
Report is to note only	☐

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Appendix A

2023/24 Draft Accounting Policies

General Principles

The Accounts and Audit Regulations 2015 (SI 2015 No 234) require the Council to prepare a Statement of Accounts for each financial year in accordance with proper accounting practices. For 2023/24, these proper accounting practices principally comprise:

- The Code of Practice on Local Authority Accounting in the United Kingdom 2023/24 (the Code);
- The Service Reporting Code of Practice 2023/24 (SeRCoP);
- The Local Authorities (Capital Finance and Accounting) (England) Regulations 2003 (SI 2003 No 3146, as amended).

The Statement of Accounts will be prepared using the going concern and accruals bases. The accounting convention adopted in the Statement of Accounts is principally historical cost, modified by the revaluation of certain categories of non-current assets and financial instruments.

Going Concern Concept

The financial statements shall be prepared on a going concern basis; that is, the accounts are prepared on the assumption that the functions of the Authority will continue in operational existence for the foreseeable future. Transfers of services under combinations of public sector bodies (such as local government reorganisation) do not negate the presumption of going concern.

Accruals of Income and Expenditure

Activity is accounted for in the year that it takes place rather than when cash payments are made or received. In particular:

- Revenue from the sale of goods or services is recognised in accordance with the terms and conditions of the contract.
- Supplies are recorded as expenditure when they are consumed – where there is a gap between the date supplies are received and their consumption, these amounts are carried as inventory in the Balance Sheet.
- Expenses in relation to services received (including services provided by employees) are recorded as expenditure when the services are received rather than when payments are made.
- Interest receivable on investments and payable on borrowings is accounted for on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract.
- Where revenue and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where debts may not be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.
- Accruals for 2023/24 will generally only be recognised where the value exceeds £10,000. The £10,000 limit will also be applied to prepayments in 2023/24.
- The Council recognises revenue from contracts with service recipients when it satisfies a performance obligation by transferring promised goods or services to a recipient, measured as the amount of the overall transaction price allocated to that obligation. A key income stream for the Council is Adult Social Care client income, in the region of 41% of total budgeted income for fees and charges in 2023/24. The associated accounting treatment has been reviewed. Other income amounts received by the Council include government grants

and contributions, Council Tax and Business Rates, and these sums fall outside the scope of this assessment.

Cash and Cash Equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable on notice of not more than 24 hours without material penalty. Cash equivalents are highly liquid investments that also are repayable on notice of not more than 24 hours and that are readily convertible to known amounts of cash with low risk of change in value.

Prior period adjustments, changes in accounting policies, estimates and errors.

Prior period adjustments may arise as a result of a change in accounting policies or to correct a material error. Changes are accounted for retrospectively. The basis for any prior period adjustments in 2023/24 is still to be determined. The Council will not adopt any new accounting standards or amendments in 2023/24 which will have a significant impact upon its financial position.

Charges to Revenue for Non-Current Assets

Services, support services and trading accounts are debited with the following amounts to record the cost of holding capital assets during the year:

- Depreciation attributable to the assets used by the relevant service.
- Revaluation and impairment losses on assets used by the service where there are no accumulated gains in the Revaluation Reserve against which the losses can be written off.
- Amortisation of intangible capital assets attributable to the service.

The Council is not required to raise Council Tax to fund depreciation, revaluation and impairment losses or amortisation. However, it is required to make an annual provision from revenue to contribute towards the reduction in its overall borrowing requirement equal to a prudent amount determined by the Authority in accordance with statutory guidance.

Depreciation, revaluation and impairment losses and amortisation (not charged through the Revaluation Reserve) are adjusted by means of a transaction in the Capital Adjustment Account via the Movement in Reserves Statement.

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 of approval of the Statement of Accounts. 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; and
- 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 or impact, disclosure is made in the Notes to the Accounts of the nature of these events and their estimated financial effect.

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

Interests in companies and other entities

Where the Council has material interests in subsidiary and associate companies, these will be consolidated into Group Accounts on a line-by-line basis for subsidiaries, and the equity method for associates, once accounting policies have been aligned with the Council where appropriate, and any intra-group transactions have been eliminated. For 2023/24, the Council will assess whether there is a need to prepare Group Accounts, this requirement determined by the scale of material interests in companies and other entities.

Investment Properties

Investment properties are properties that are held solely to earn rental income and/or for capital appreciation. Investment properties are measured initially at cost and subsequently at fair value. Investment properties are not depreciated, with gains and losses on revaluation being posted to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. The line is also credited/debited with gains/losses on the disposal of properties, measured as the difference between the carrying amount and sale proceeds. Accounting regulations do not permit unrealised gains and losses to impact the General Fund. Therefore, such gains and losses are reversed out of the General Fund (via the Movement in Reserves Statement) and posted to the Capital Adjustment Account.

Overheads

The costs of overheads and support services are managed separately, and therefore these service segments are reported separately and in accordance with the Council's arrangements for accountability and financial performance.

Revenue Expenditure Funded from Capital Under Statute (REFCUS)

Legislation requires defined items of revenue expenditure charged to services within the Comprehensive Income and Expenditure Statement to be treated as capital expenditure. All such expenditure is transferred from the General Fund Total via the Movement in Reserves Statement to the Capital Adjustment Account and is included in the Capital Expenditure Financing disclosure in the Council's Statement of Accounts.

Grants and Contributions

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

• The Council will comply with any 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 the Council has satisfied any conditions attached to the grant or contribution that would require repayment if not met.

The grant or contribution is credited to the relevant service line (attributable revenue grants and contributions) or Taxation and Non-specific Grant Income and Expenditure (non-ring-fenced revenue grants and all capital grants) in the Comprehensive Income and Expenditure Statement. The financial impact of receipt of grants is detailed in the Council's outturn and the Statement of Accounts documents.

Following the receipt of a grant, the Council has to assess whether in administering the grant it was acting as an agent or principal.

Where the Council has acted as agent, the following accounting treatment conditions apply:

- It was acting as an intermediary between the recipient and the appropriate Government Department.
- It did not have 'control' of the grant conditions, and there was no flexibility in determining the level of grant payable.

Where the Council acted as principal, it was able to exercise its own discretion when determining the amount of grant payable.

Community Infrastructure Levy

The Authority has elected to charge a Community Infrastructure Levy (CIL). The levy will be charged on new builds with appropriate planning consent. The Authority charges for and collects the levy, and this is a planning charge. The levy income will be used to fund a number of infrastructure projects to support the commencement date of the development of the area. The receipt of CIL is limited by regulations. It is therefore recognised at the commencement date of development in the Comprehensive Income and Expenditure Statement in accordance with the core accounting policy for Grants and Contributions detailed above.

Business Improvement Districts (BID)

A Business Improvement District (BID) scheme applies to a defined area in Newbury Town Centre. The BID is managed and operated by Newbury Business Improvement District Community Interest Company. The scheme is funded by a BID levy paid by non-domestic ratepayers. The Authority acts as principal under the scheme and accounts for income and expenditure, including contributions to the BID project, within the relevant service lines in the Comprehensive Income and Expenditure Statement.

Reserves

The Council sets aside specific amounts as reserves for future policy purposes or to cover contingencies. Earmarked reserves are identified within the General Fund Total in the Movement in Reserves Statement in the Statement of Accounts. Where expenditure has been incurred which is to be financed from an earmarked reserve, the expenditure is charged to the relevant service area within the surplus or deficit on the provision of services in the Comprehensive Income and Expenditure Statement. An amount is then transferred from the earmarked reserve to the General Fund Total via an entry in the Movement in Reserves Statement.

Schools

Local authority-maintained schools are determined to be under the control of the Council. Consequently, the income, expenditure, assets, and liabilities of maintained schools are accounted for within the Statement of Accounts. Other types of school, such as academies and free schools, are outside of the Council's control, and are therefore excluded from the Statement of Accounts.

Value Added Tax

Income and expenditure exclude any amounts related to VAT, as all VAT collected is payable to HM Revenue and Customs (HMRC) and all VAT paid is recoverable.

Joint Operations

Jointly controlled operations are where the parties involved have joint control of an arrangement and have rights to the asset and obligations relating to the activities undertaken in conjunction with other operators. These activities often involve the utilisation of the assets and resources of the operators rather than the establishment of a separate entity. The Council recognises on its Balance Sheet the assets that it controls and the liabilities that it incurs and debits and credits the Comprehensive Income and Expenditure Statement with the expenditure incurred and the share of income earned from the activity of the operation.

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

Provisions

Provisions are charged as an expense to the appropriate service line in the Comprehensive Income and Expenditure Statement where an event has taken place that gives the Council a legal or constructive obligation that in all likelihood requires settlement by a transfer of economic benefits or service potential, and a reliable estimate can be made of the amount of the obligation. Provisions are charged as the best estimate at the Balance Sheet date of the expenditure required to settle the obligation, considering relevant risks and uncertainties.

Contingent Assets

A contingent asset arises whereby an event has taken place that gives the Council a possible asset whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Council. Contingent assets are not recognised in the Balance Sheet but are disclosed in a Note to the Statement of Accounts where it is probable that there will be an inflow of economic benefit or service potential.

Contingent Liabilities

A contingent liability arises where an event has taken place that gives the Council a possible obligation whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Council. Contingent liabilities are not recognised in the Balance Sheet but disclosed in a Note to the Statement of Accounts.

Revenue Recognition

The Council’s various income streams have been assessed and classified in accordance with the Code and revenue has been recognised accordingly. Specific consideration has been given to:

- Implied or stated contractual terms for exchange transactions.
- Obligating events and/or conditions attached to non-exchange transactions, where a party receives something of value without directly giving value in exchange.
- Significance of the income stream to the Council.

Property, Plant and Equipment

Recognition

Expenditure on the acquisition, creation or enhancement of property, plant and equipment is capitalised on an accruals basis, provided that it is probable that the future economic benefit or service potential associated with the item will flow to the Council and the cost of the item can be measured reliably. Expenditure that maintains but does not add to an asset's potential to deliver future economic benefits or service potential (such as repairs and maintenance) is charged as an expense when it is incurred.

Property, plant and equipment is recognised where the initial cost or value exceeds £10,000.

Measurement

Assets are initially measured at cost, comprising:

- the purchase price.
- any costs attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.
- the cost of dismantling and removing the item and restoring the site on which it is located.

Infrastructure, community assets, assets under construction and vehicles, plant and equipment are then carried in the Balance Sheet at depreciated historical cost. Other categories of property, plant and equipment are subsequently re-measured at existing use or fair value. Assets are revalued sufficiently regularly to ensure that their carrying amount is not materially different from their current value at the
year-end but as a minimum every five years. The Council engages external valuation specialists to determine updated asset valuations.

Revaluation

Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains. Where decreases in value are identified, they are accounted for as follows:

- Where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains).
- 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(s) in the Comprehensive Income and Expenditure Statement.

The Revaluation Reserve contains revaluation gains recognised since 1 April 2007 only, the date of its formal implementation. Gains arising before that date have been consolidated into the Capital Adjustment Account.

Impairment

Assets are assessed at each year-end to determine whether there is an indication of impairment. Where indications exist and 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 impairment losses are identified, these are accounted for in the same way as revaluation losses.

Depreciation

Depreciation is provided for on all property, plant, and equipment assets by the systematic allocation of the depreciable amounts over their useful lives. An exception is made for assets without a determinable finite useful life (e.g. freehold land and certain community assets) and assets that are not yet available for use, such as assets under construction.
Depreciation is calculated on the following bases:

- Buildings – reducing balance over the useful life of the property as estimated by a qualified valuation specialist.

- Vehicles, plant, furniture, and equipment – reducing balance over the life of the asset, usually 10 years.
- Infrastructure – reducing balance over the life of the asset, usually 10 to 40 years.
- IT assets – straight-line allocation over the useful life of the asset, usually five years.

Where an asset is material and has major components, whose cost is significant to the total cost of the asset, and these elements have markedly different useful lives, such components are depreciated separately.

Revaluation gains are also depreciated, with an amount equal to the difference between current value depreciation charged on assets and the depreciation that would have been chargeable based on their historical cost being transferred each year from the Revaluation Reserve to the Capital Adjustment Account.

Disposals

When an asset is disposed of or decommissioned, the carrying amount of the asset is de-recognised in the Balance Sheet. This amount, net of any receipts from disposal, is accounted for as a gain or loss on disposal and taken to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Any revaluation gains previously accounted for in the Revaluation Reserve are transferred to the Capital Adjustment Account.

Any disposal receipts in excess of £10,000 are categorised as capital receipts and must be credited to the Capital Receipts Reserve.

The written-off value of disposals is not a charge against Council Tax but is subject to separate arrangements for capital financing. Amounts reflected in the Comprehensive Income and Expenditure Statement are appropriated to the Capital Adjustment Account via the Movement in Reserves Statement.

Asset Reclassification

The Council adheres to CIPFA and RICS guidance on the classification of properties. Where a property has had a change of use, the Council will reflect this in the Statement of Accounts. Movements between asset classes are usually between Property, Plant and Equipment and Investment Properties. Upon reclassification, assets are subsequently valued in line with the relevant class of asset. In certain cases a property may be used for a combination of investment and operational purposes. In these instances, the Council will split the valuation of the property between Property, Plant and Equipment and Investment Properties, and reflect this in the Accounts.

Minimum Revenue Provision (MRP)

The Council is not required to use Council Tax to fund depreciation, revaluation and impairment losses or amortisation of non-current assets. However, it is required to make an annual contribution from revenue towards a provision for the reduction in its overall borrowing requirement equal to either an amount calculated on a prudent basis or as determined by the Council in accordance with the established MRP policy.

Componentisation

The Code requires that each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately. Within the Council's asset portfolio there are a number of asset classes where componentisation will not be considered, including:

- Equipment – as this is considered immaterial; and
- Asset classes which are not depreciated – such as land, investment properties, heritage assets, community assets, surplus assets and assets held for sale.

The remaining assets, which are housed within the operational portfolio, are often of a specialised nature such as schools and leisure centres. The Council instructs the valuation specialist to provide component information for each individual asset. This is subsequently reviewed to determine whether or not the inclusion of a component value will have a material impact upon depreciation. For 2023/24, a componentisation de minimis of £3million will be in place. This policy will only be applied to each asset as it falls due to be revalued. Any asset (including acquisitions) that has had capital expenditure added to it during the financial year will also be considered. Where individual assets fall below the de minimis threshold, but are collectively above this level, these assets are assessed for componentisation where generally treated together elsewhere.

Heritage Assets

These assets have historical, artistic, or scientific importance, and are held primarily for their contributions to art and culture. Heritage assets are deemed to have infinite lives and are not subject to depreciation. The carrying amounts are reviewed where there is evidence of impairment such as physical damage. Any impairment is recognised and measured in accordance with the Council's general accounting policy on impairment.

Intangible Assets

An intangible asset is an identifiable non-monetary asset without physical substance. It must be controlled by the Council as a result of past events, and future economic benefit or service potential must be expected to flow from the intangible asset to the Council. The most common class of intangible asset in Local Authorities is computer software. If an item does not meet the definition of an intangible asset (identifiability, control, and future economic benefits), expenditure to acquire it or generate it internally is recognised as an expense when incurred.

Upon recognition, an intangible asset is measured at cost. Expenditure incurred on an intangible asset after it has been recognised will normally be charged to the surplus or deficit on the provision of services as incurred. Only rarely will subsequent expenditure meet the recognition criteria in the Code. Where this occurs, the expenditure is recognised in the carrying amount of the intangible asset.

The Council applies amortisation to intangible assets with finite useful lives on a reducing balance basis over the useful life of the asset, and from the point at which the asset is available for use.

Assets with indefinite useful lives are not amortised but are tested for impairment annually, and whenever there is an indication that the asset may be impaired. The useful life of the asset shall be reviewed annually thereafter.

Leases

Rentals paid by the Council under operating leases are charged to the Comprehensive Income and Expenditure Statement as an expense of the services benefitting from use of the leased asset. Charges are accounted for on a straight-line basis over the life of the lease, even if this does not match the pattern of payments.

Where the Council grants an operating lease over a property or a Property, Plant and Equipment asset, the item is retained in the Balance Sheet. Rental income is credited to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Credits are made on a straight-line basis over the life of the lease, even if this does not match the pattern of payments made.

Private Finance Initiatives (PFI) and similar contracts

PFI and similar contracts are agreements to receive services, where the responsibility for making available the property, plant and equipment needed to provide the services, passes to the PFI contractor. As the Authority is deemed to control the services that are provided under such PFI schemes, and as ownership of the property, plant and equipment will pass to the Authority at the end of the contracts for no additional charge, the Authority carries the assets used under the contracts on the Balance Sheet within property, plant and equipment. The original recognition of these assets at fair value (based upon the cost to purchase the property, plant and equipment) was balanced by the recognition of a liability for amounts due to the scheme operator to pay for the capital investment. The Authority has one PFI contract, and this is with Veolia ES West Berkshire Limited.

Non-current assets recognised in the Balance Sheet are revalued and depreciated in the same way as property, plant and equipment assets owned by the Authority.

The annual amounts payable to PFI scheme operators are analysed into five elements:

- **fair value of the services received during the year** – debited to the relevant service line in the Comprehensive Income and Expenditure Statement.
- **finance cost** – an interest charge of 6.1% on the outstanding Balance Sheet liability, debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.
- **contingent rent** – increases in the amount to be paid for the property arising during the contract, debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.
- **payment towards liability** – applied to write down the Balance Sheet liability owed to the PFI operator (the profile of write-downs is calculated using the same principles as for a finance lease);
- **lifecycle replacement costs** – a proportion of the amount payable is posted to the Balance Sheet as a prepayment and subsequently recognised as an addition within property, plant and equipment when the relevant works are eventually undertaken. This accounting is in accordance with the CIPFA Code's adaption of IFRIC 12 Service Concession Arrangements.

Financial Instruments

Financial instruments are recognised within the Balance Sheet when the Council becomes a party to their contractual provisions. These instruments are initially measured at fair value.

Financial Liabilities

Financial liabilities are subsequently measured at amortised cost. This means that the amount presented in the Balance Sheet is the outstanding principal sum repayable plus accrued interest. Annual charges to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement are based upon the carrying amount of the liability multiplied by the effective rate of interest for the instrument.

Financial Assets

Financial assets are subsequently measured in one of two ways:

• Amortised cost – assets whose contractual terms are basic lending arrangements in that these assets give rise on specified dates to cash flows that are solely payments of principal or interest on the principal amount outstanding which the Council holds under a business model whose objective is to collect those cashflows.
• Fair value – all other financial assets.

Amortised cost assets are measured in the Balance Sheet at the outstanding principal repayable plus accrued interest. Annual credits to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement are based upon the carrying amount of the asset multiplied by the effective rate of interest for the instrument. Any gains or losses in fair value that might arise are not accounted for until the instrument matures or is sold.

Allowances for impairment losses have been calculated for amortised cost assets, applying the expected credit losses model. Changes in loss allowances (including balances outstanding at the date of derecognition of an asset) are debited/credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

Changes in the values of assets carried at fair value are debited/credited to the Financing and Investment Income and Expenditure line as they arise.

Employee Benefits

Short-term employee benefits such as wages and salaries, paid annual leave, sick leave and expenses are paid on a monthly basis and reflected as expenditure in the relevant service line within the Comprehensive Income and Expenditure Statement.

Post-Employment Benefits: Pensions

As part of the terms and conditions of employment of its officers, the Council makes contributions towards the cost of post-employment benefits. Although these benefits will not actually be payable until employees retire, the Council has a commitment to fund the payments (for those benefits) and to disclose them at the time that employees earn their future entitlements.

Employees of the Council are members of three separate pension schemes:

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

The Local Government Pension Scheme provides defined benefits to members, specifically retirement lump sums and pensions, earned as employees working for the Council, or for related parties. Under IAS 19 and CIPFA Code requirements, the Council recognises the cost of post-employment benefits in the reported cost of services when these amounts are earned by employees rather than when the benefits are eventually paid as pensions. The Council will make an Employer contribution in the region of £5.22m in 2024/25 to reduce the scheme liability.

The Teachers' and NHS plans are defined benefit schemes which are accounted for as defined contribution schemes. This is because the arrangements for these schemes mean that future defined benefit liabilities are not readily identifiable, and therefore no liabilities for future payment of benefits are recognised in the Balance Sheet. Services are charged with employer contributions to the Teachers' and NHS schemes in the Comprehensive Income and Expenditure Statement within the appropriate financial year. The Council's 2024/25 Employer contribution level is at 23.68% in respect of the Teachers' scheme.

Defined Benefit Pension Schemes

Local Government Pension Scheme

The liabilities of the Royal Berkshire Pension Fund attributable to the Council are included in the Balance Sheet on an actuarial basis. The basis of calculation is the projected unit method - specifically an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, including mortality rate assumptions, employee turnover rates and estimates of projected earnings for current employees. This future liability is then discounted back to present value using a discount rate determined by reference to market yields at the Balance Sheet date of high-quality corporate bonds.
The assets of the Royal Berkshire Pension Fund attributable to the Council are held in the Balance Sheet at fair value.

The change in the net pension liability is analysed into the following components:

1. Service cost. This comprises current service cost (allocated in the Comprehensive Income and Expenditure Statement) to the services for which the employees worked, and past service cost – debited to the surplus or deficit on the provision of services in the Comprehensive Income and Expenditure Statement.
2. Net interest on the net defined benefit liability – charged to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.
3. Re-measurements - comprising the return on Plan assets (excluding amounts included in net interest on the net defined benefit liability) charged to the Pension Reserve as Other Comprehensive Income and Expenditure and actuarial gains and losses (changes in the net pension liability that arise because events have not coincided with assumptions made at the last actuarial valuation date or because the actuary has updated their assumptions). These sums are charged to the Pension Reserve as Other Comprehensive Income and Expenditure.
4. Contributions paid to the Pension Fund are charged to the General Fund via an accounting entry in the Movement in Reserves Statement to replace the service cost items above discretionary benefits.

Discretionary Benefits

The Council has restricted powers to make discretionary awards of retirement benefits in the event of early retirements of employees. Any resulting liabilities are accrued in the year of award and are accounted for using the same policies applied for liabilities relating to the Royal Berkshire Pension Fund.

Curtailments

The cost of curtailments arising as a result of the payment of unreduced pensions on early retirement have been calculated by the Actuary. The amounts calculated are the curtailment costs which affect the Council's Local Government Pension Scheme liabilities.

Collection Fund

The Collection Fund shows the transactions of the billing authority in relation to the collection of Council Tax and Non-Domestic Rates from local taxpayers, and its subsequent distribution to local authorities and Central Government. There is no requirement for a separate Collection Fund Balance Sheet since the assets and liabilities arising from collecting Non-Domestic Rates and

Council Tax belong to the bodies concerned, including major preceptors, the billing authority, and Central Government. The Council's share of Council Tax and Business Rates income is reflected in the Comprehensive Income and Expenditure Statement on an accruals basis in line with the CIPFA Code. Income due from Council Tax and ratepayers is recognised in full at 1 April, this date being the start of the financial year.

The Council's share of Council Tax and Business Rates income is reflected in the Comprehensive Income and Expenditure Statement on an agency basis, consistent with the requirements of the Code. However, the amount to be reflected in the General Fund is determined by regulation. Therefore, there is an adjustment for the difference between the accrued income and the statutory credit made through the Movement in Reserves Statement and the Collection Fund Adjustment Account.

The Council, as a billing authority, is statutorily required under Section 89 of the Local Government Finance Act 1988 to maintain a separate Collection Fund account as agent into which all transactions relating to the collection of Business Rates and Council Tax income from taxpayers and distribution to local government bodies and Central Government are made. The Collection Fund account is accounted for separately from the General Fund. Surpluses or deficits on the council tax income and distributions are apportioned to the relevant precepting body in the following financial year in proportion to each body's Band D Council Tax amount.

Council Tax

Council tax is charged on residential properties based upon valuation bandings established when the system was introduced in 1993. The number of properties in each band and calculation of the tax base (adjusted to reflect relevant discounts and exemptions) is approved by Full Council annually as part of the budget-setting process.

National Non-Domestic Rates

The Council collects Business Rates for its area based on rateable values (as determined by the Valuation Office Agency) and multiplier indices as determined by Central Government. The total income estimated to be received in the year is notified to related bodies in the immediately preceding January in accordance with statutory regulations.

Termination Benefits

Termination benefits are charged on an accruals basis to the appropriate service or to the specified segment in the appropriate line in the Comprehensive Income and Expenditure Statement (where these sums relate to pensions enhancements) at the earlier of when the Council can no longer withdraw the offer of those benefits or when the Council recognises costs for a restructuring.

Appendix B

2023/24 Internal Year-End Timetable

Category	Task description	Preparation date	Review date
Budget Managers	**KEY DATE** - year-end timetable, closing guidance and accruals instructions/templates issued to Budget Managers	Mon 2 Jan	**Sun 8 Jan**
Contingencies	**KEY DATE - Budget Managers** - issue carry forward requests (with indicative £ amounts) and requests for provisions and details of any Contingent Assets and Contingent Liabilities to Finance Managers	Fri 15 Mar	**Mon 18 Mar**
Imprest	**KEY DATE** - **Budget Managers** - final claim for reimbursement of non-schools imprest accounts & procurement cards to be submitted to service accountants	Mon 18 Mar	**Mon 18 Mar**
Schools	**KEY DATE** - Schools' final imprest claims to be submitted to Schools Finance Team	Tue 19 Mar	**Wed 20 Mar**
Accounts Receivable	**KEY DATE** - Process final transactional entries within Bank Income and Clearing Account	Wed 20 Mar	**Wed 20 Mar**
Accruals and prepayments	**KEY DATE** - **Budget Managers** - Orders to be GRN'd in Agresso by 5pm	**Thu 28 Mar**	**Thu 28 Mar**
Bank/Cash	**KEY DATE** - Final Debtors/Accounts Receivable year-end invoices to be raised by 12pm	Thu 28 Mar	**Thu 28 Mar**
Accounts Payable	**KEY DATE** - No further 2023/24 invoice registrations to be processed after 12pm cut-off	Thu 28 Mar	**Thu 28 Mar**
Revenue/Capital	**KEY DATE** - Final date for Revenue postings to Capital codes. **Accounting entries processed after this date must be pre-authorised by Head of Finance & Property**	Thu 28 Mar	**Thu 28 Mar**
Schools	**KEY DATE** - Month 12 Agresso Report issued to schools/central services	Tue 2 Apr	**Tue 2 Apr**
Capital	**KEY DATE**: Application of funding to Capital cost centres	Wed 3 Apr	**Thu 4 Apr**
Capital	**KEY DATE** - Capital Accruals deadline	Tue 9 Apr	**Tue 9 Apr**
Capital	**KEY DATE**: Transfer of actuals from cost centres	Wed 10 Apr	**Thu 11 Apr**
Capital	**KEY DATE** - Closure of General Ledger	Mon 15 Apr	**Mon 15 Apr**
Revenue	**KEY DATE** - Cut-off for all material accruals to be reflected within year-end position/vouch correct cut-off treatment for April 2024 expense items to this point	Mon 15 Apr	**Tue 16 Apr**
Schools	**KEY DATE**: Final date for closedown of Schools' cost centres and associated upload to Agresso	Wed 17 Apr	**Thu 18 Apr**
Capital	**KEY DATE**: Agree final Capital Outturn position and confirm reprofiling	Wed 17 Apr	**Thu 18 Apr**
Revenue	**KEY DATE** - Closedown of all Revenue cost centres	Mon 22 Apr	**Mon 22 Apr**

Financial Year End 2023-24 Year End Planning Document

Category	Task description	Preparation date	Review date
Schools	**KEY DATE:** Review schools' account codes / prepare year-end working paper documenting reconciliation of Delegations to B Codes, B Codes to Z Codes and consolidation of schools' trial balance	Mon 22 Apr	**Tue 23 Apr**
Schools	**KEY DATE:** Consolidation of schools' trial balance within year-end Statement of Accounts	Tue 23 Apr	**Wed 24 Apr**
Capital	**KEY DATE:** Capital Strategy Group - review Capital Outturn position and reprofiling	Wed 24 Apr	**Thu 25 Apr**
Revenue/Capital	**KEY DATE** - Revenue and Capital Directorate outturn reports to Heads of Finance & Property	Wed 1 May	**Thu 2 May**
Statement of Accounts	**KEY DATE** - Annual Governance Statement, Going Concern Report and Statement of Responsibilities to Corporate Board and Operations Board. Papers to include Draft Status Report on Statement of Accounts	Wed 1 May	**Fri 3 May**
Revenue	**KEY DATE** - Outturn report/supporting papers to Corporate Board. Papers due date - Wednesday 8 May 2024 (TBC)	Wed 8 May	**Tue 14 May**
Statement of Accounts	**KEY DATE** - finalisation of Draft Statement of Accounts and Inspection Notice for review by S151 Officer and Head of Finance & Property	Fri 17 May	**Wed 22 May**
Statement of Accounts	**KEY DATE** - Deadline for submissions to Operations Board. Papers due date - Thursday 16 May 2024 (TBC)	Thu 16 May	**Thu 23 May**
Statement of Accounts	**KEY DATE** - Publication of Draft Statement of Accounts and Inspection Notice	Tue 28 May	**Thu 30 May**
Schools	**KEY DATE** - DSG outturn report and schools' balances to HFG. Papers due date - Wednesday 29 May 2024 (TBC)	Wed 29 May	**Wed 5 Jun**
Schools	**KEY DATE** - DSG outturn report and schools' balances to Schools' Forum. Papers due date - Tuesday 11 June 2024 (TBC)	Tue 11 Jun	**Mon 17 Jun**
Statement of Accounts	**KEY DATE** - Draft Statement of Accounts and Going Concern Report to Governance and Ethics Committee		
Statement of Accounts	**KEY DATE** - Governance and Ethics Committee		