Supplemental Items for Governance Committee

Monday 25th September 2023 at 6.30 pm

in Council Chamber Council Offices
Market Street Newbury

Part I **Page No.**

8	**External Audit Annual Audit Report - 2020/21 (G4455) *APPENDICES A & C TO FOLLOW*** Purpose: the report provides members with the final annual audit report provided by Grant Thornton in respect of their external review of the 2020/21 Financial Statements.	1 - 122

Sarah Clarke.

Sarah Clarke
Service Director (Strategy & Governance)
For further information about this/these item(s), or to inspect any background documents referred to in Part I reports, please contact Sadie Owen (Principal Democratic Services Officer) on 01635 519052 893, e-mail: sadie.owen1@westberks.gov.uk

Further information and Minutes are also available on the Council's website at www.westberks.gov.uk

West Berkshire COUNCIL

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Grant Thornton

Auditor's Annual Report on West Berkshire Council

2020/21

September 2023

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We are required under Section 20(1)(c) of the Local Audit and Accountability Act 2014 to satisfy ourselves that the Council 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 commentary relating to proper arrangements.

We report if significant matters have come to our attention. We are not required to consider, nor have we considered, whether all aspects of the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

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The contents of this report relate only to those matters which came to our attention during the conduct of our normal audit procedures which are designed for the purpose of completing our work under the NAO Code and related guidance. Our audit is not designed to test all arrangements in respect of value for money. However, where, as part of our testing, we identify significant weaknesses, we will report these to you. In consequence, our work cannot be relied upon to disclose all irregularities, or to include all possible improvements in arrangements that a more extensive special examination might identify. We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

Executive summary

Value for money arrangements

Our Value for Money assessment for 2020/21 was delayed. In consideration of this delay, we have agreed with the Council to provide a combined commentary on the Council's Value for Money arrangements for 2021/22 and 2022/23. This work has already commenced, and we intend to provide the Council with a combined Auditor's Annual Report for 2021/22 and 2022/23 by the end of 2023 to support timely reporting. Under the National Audit Office (NAO) Code of Audit Practice ('the Code'), we are required to consider whether the Council has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources. The auditor is no longer required to give a binary qualified / unqualified VFM conclusion. Instead, auditors report in more detail on the Council's overall arrangements, as well as key recommendations on any significant weaknesses in arrangements identified during the audit. Auditors are required to report their commentary on the Council's arrangements under specified criteria. As part of our work, we considered whether there were any risks of significant weakness in the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources. We identified risks in respect of:

- Financial sustainability
- Governance
- Improving economy, efficiency and effectiveness.

Criteria	Risk assessment	Conclusion
Financial sustainability	No risks of significant weaknesses identified	No significant weaknesses in arrangements identified, but two improvement recommendations made.
Governance	No risks of significant weaknesses identified	No significant weaknesses in arrangements identified, but three improvement recommendations made.
Improving economy, efficiency and effectiveness	No risks of significant weaknesses identified	No significant weaknesses in arrangements identified and no improvement recommendations made.

Green	No significant or improvement weaknesses in arrangements identified.
Amber	No significant weaknesses in arrangements identified, but improvement recommendations made.
Red	Significant weaknesses in arrangements identified and improvement recommendations made.

Financial sustainability

West Berkshire Council (the Council) was successful in 2020/21 in identifying and managing financial pressure; identifying and delivering savings plans; and maintaining financial resilience. In 2020/21, the Council stood at the start of a high value, three-year Capital Programme for which a significant element of external borrowing was planned. Slippage did occur during the year. Over the life of the programme, careful time profiling will be important for managing borrowing costs effectively. As the Council turns to budgeting for future years, wider trends, for example in the workforce and the Children's Services market, will be important to consider. Our work has not identified any significant weaknesses in arrangements but has identified two improvement recommendations. Further details can be seen on pages 10 - 11.

The Council is currently managing a challenging financial position as detailed within the 2023/24 Revenue Financial Performance Quarter One Report considered by the Scrutiny Commission on 14 September 2023. This report outlined a forecast overspend of £6.3m for 2023/24 and detailed new Council measures, including the introduction of spending controls and the formation of a financial review panel to closely assess ongoing Council spending. The Council's current financial challenges presents risk to the financial sustainability of the Council. We consider the Council needs to place a significant focus on the development of wider plans, during 2023, to manage the financial challenges it faces. This is an area of that will be followed up on in more detail within our 2021/22 and 2022/23 Auditors Annual Report.

Governance

The Council has demonstrated that effective governance arrangements are in place to manage the delivery of key statutory services alongside the monitoring and management of risks. There is an acceptance that a review of governance arrangements are needed to ensure these are more focussed and continue to deliver in future years. Management are currently reviewing the arrangements and will look to have updated processes in place in 2023. Our work has not identified any significant weaknesses in arrangements but has identified three improvement recommendations. Further details can be seen on pages 14 - 16.

Improving economy, efficiency and effectiveness

In 2020/21, the Council had effective performance monitoring arrangements in place. Existing arrangements for managing (and monitoring and evaluating) contracts performance were being standardised. The Council had effective arrangements for working with a rage of partners, including residents, and arrangements around procurement were also being strengthened. We will consider progress with standardising and developing contract management and procurement arrangements as part of our value for money work for 2021/22 and 2022/23. Our work has not identified any significant weaknesses in arrangements and no improvement recommendations have been made.

Opinion on the financial statements

National Audit Office (NAO) Code of Audit Practice ('the Code'), we are required to report whether, in our opinion:

- the Council's financial statements give a true and fair view of the financial position of the Council and the Council's income and expenditure for the year; and
- have been properly prepared in accordance with the CIPFA/LASAAC code of practice on local authority accounting and prepared in accordance with the Local Audit and Accountability Act 2014.

We are also required to report whether other information published together with the audited financial statements, including the Annual Governance Statement (AGS) and Narrative Report, is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

Our accounts audit work was undertaken remotely, and we have reported our findings to date in the audit findings report to the July 2023 Governance and Ethics Committee.

Our audit work has identified five material errors and identified a further three adjustments to the financial statements. We recommended a number of adjustments to improve the presentation of the financial statements.

We raised a high-level recommendation in relation to the Council incorrectly recognising grant income from Covid-19 support schemes through incorrect application of the agent and principal standard. We also identified a further nine medium risks and four low risk recommendations which have been agreed with management and will be followed up as part of the 2021/22 audit.

We identified significant issues in the following areas:

- Recognition of grant income on the agent v principal basis which led to a material adjustment
- Valuation of property, plant and equipment assets including reconciliation to the FAR
- Double counting of school expenditure
- A change in policy for cash and cash equivalents that had been incorrectly applied

The work undertaken led to prior period adjustments in relation to S106 payments, lease disclosures, employee benefit expenditure and short-term cash and cash equivalents.

We will issue an opinion on the Council's 2020/21 financial statements upon completion of the work. This will be in September 2023

Commentary on the Council's arrangements to secure economy, efficiency and effectiveness in its use of resources

All Councils are responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness from their resources. This includes taking properly informed decisions and managing key operational and financial risks so that they can deliver their objectives and safeguard public money. The Council's responsibilities are set out in Appendix A.

Councils report on their arrangements, and the effectiveness of these arrangements as part of their annual governance statement.

Under the Local Audit and Accountability Act 2014, we are required to be satisfied whether the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

The National Audit Office's Auditor Guidance Note (AGN) 03, requires us to assess arrangements under three areas:

Financial sustainability

Arrangements for ensuring the Council can continue to deliver services. This includes planning resources to ensure adequate finances and maintain sustainable levels of spending over the medium term (3-5 years).

Governance

Arrangements for ensuring that the Council makes appropriate decisions in the right way. This includes arrangements for budget setting and management, risk management, and ensuring the Council makes decisions based on appropriate information.

Improving economy, efficiency and effectiveness

Arrangements for improving the way the Council delivers its services. This includes arrangements for understanding costs and delivering efficiencies and improving outcomes for service users.

Our commentary on each of these three areas, as well as the impact of Covid-19, is set out on pages 6 to 19. Further detail on how we approached our work is included in Appendix B.

Financial sustainability

We considered how the Council:

- identifies all the significant financial pressures it is facing and builds these into its plans
- plans to bridge its funding gaps and identify achievable savings
- plans its finances to support the sustainable delivery of services in accordance with strategic and statutory priorities
- ensures its financial plan is consistent with other plans such as workforce, capital, investment and other operational planning
- identifies and manages risk to financial resilience, such as unplanned changes in demand and assumptions underlying its plans.

Identifying and planning for financial pressure

In 2020/21, the Council budgeted for:

- total funding of £130.6m (including Council Tax receipts of £93m, Business Rates receipts of £23m,and ring fenced Adult Social Care funding of £6.4m); and
- total base budget costs of £130.2m (after allowing for and in-year savings and efficiencies of £3.2m).

The budget for 2020/21 was underpinned by modelling of expected cost pressures in demand led services (Adult Social Care, Children and Family Services and Education). Shortly after the budget was approved in March 2020, the first UK cases of Covid-19 were reported.

The Council's year end revenue outturn for 2020/21 was a General Fund underspend of £4.6m.

£3.6m of the underspend was attributed by the Council to the impact of Covid-19. The remaining £1m was driven by business-as-usual underspends within directorates. Behind the recorded net underspend, there were significant General Fund overspends (against the approved budget) as a result of the pandemic. These were off-set by £12.3m of emergency Covid-19 grant payments received by the Council during the year.

During 2020/21, the Council also received £62.4m of small business grants for disbursal. The value of small business grants received exceeded the value of grants claimed for the area and the Council's year end cash balances increased significantly as a result – from £22m at 31 March 2020 to £33m at 31 March 2021.

Reserves

The 2020/21 budget report considered by full Council on 3 March 2020 stated the Council's earmarked general fund reserves were £13.38m as of 1 April 2020 a reduction of £6.3m from the prior year.

This reduction in reserves resulted from investment in the Council's strategic priorities, a collection fund deficit, and a shortfall in commercial property income. The Council's commercial property holding are covered in more detail later in this section.

The Council's earmarked reserves included specific reserves, of £3.9m as of 1 April 2020, which were intended to support the Council's transformation and savings programmes. These earmarked reserves where available for the Council to:

- invest in transformational strategies.
- help support future restructuring costs associated with savings plans.
- and to support the re-profiling of savings within the Council medium terms financial strategy, if required.

These reserves represent a reasonable way to assist the Council's in its transformational and savings activities whilst providing a level of risk mitigation.

The 2020/21 budget report included a recommendation from the Executive Director for Resources and Section 151 Officer, that the Council should maintain a minimum level of unallocated general fund reserves, derived from a risk-based calculation, of £6.5m, which equated to 5% of the annual budget requirement for 2020/21.

The 2020/21 budget report stated that actual unallocated general fund reserves were £7.97m as of 1 April 2020, 6% of the 2021/22 annual budget requirement, and above recommend minimum levels set by the Council.

The Council's adoption of a minimum level of unallocated general fund reserves, represents an adequate risk mitigation strategy. For 2020/21 the Council set a minimum level of our unallocated general fund reserves which equated to 5% of the net revenue budget for 2020/21.

Financial sustainability (continued)

Reserves (Cont'd)

We consider that the Council should seek to maintain a minimum level of unallocated general fund reserves that at least equates to 5% of net revenue budget and we will review this as part of our value for money work for 2021/22 and 2022/23.

Identifying achievable savings plans

During 2020/21 the Council was successful at identifying achievable savings plans independently of Covid-19 related underspends.

On 10 June 2021, the Executive considered the 2020/21 Revenue Financial Performance Provisional Outturn Report which included a detailed analysis of the Council's performance in achieving previousley agreed savings plans for 2020/21 and was supported by Red, Amber and Green (RAG) gradings which aided ease of assessment.

The report identified that £3m (95%) of planned savings were achieved in 2020/21 and for the savings that were not realised during 2020/21, £0.2m (5%), the Council was able to provide detailed explanations and alternative next steps for 2021/22.

The 2020/21 Revenue Financial Performance Provisional Outturn Report did reference growing demand in respect Children and Family Services (CFS) with the report explaining there has been a 35% increase in child protection plans between January and March 2021.

Rising demand within CFS did impact planned savings of £3.7m identified in the 2021/22 budget. On 7 June 2022 the Executive considered the 2021/22 Revenue Financial Performance Provisional Outturn Report identified that £2.7m (73%) of planned savings were achieved in 2021/22 with £1m (27%) of savings not yet realised. Included in the savings slippage were increased costs associated with rising demand for CFS care placements and safeguarding and additional children services legal fees.

The Council can demonstrate that it has delivered the majority of identified savings during 2020/21 and 2021/22. However, rising demand particularly within CFS has impacted savings performance during 2021/22. Demand within CFS is referenced in more detail later in this section.

Property Investment Strategy

In 2017 the Council adopted a Property Investment Strategy which set out a capital investment framework within which the Council could acquire commercial property for the sole purpose of generating new revenue income to support the financial sustainability of the Council.

The Commercial Property Investment Strategy proposed new capital expenditure of £100m, funded by Council borrowing, with potential acquisitions to be considered in or outside the borough.

The Property Investment Strategy references a Property Investment Board (PIB), that acts as the formal governance for the acquisition, disposal, and ongoing management of the investment portfolio.

The PIB membership includes Council officers and members who are supported by specialist external advice from the Council's property agents. Included within the PIB membership was the Head of Legal Services who was afforded with delegated authority, having received agreement from the PIB, to purchase investment property in accordance with the Property Investment Strategy up to a maximum of £15m per transaction.

Full Council considered an amendment to the Property Investment Strategy on 3 March 2020, which restricted any new commercial property investments to be within the district, in compliance with Chartered Institute of Public Finance and Accountancy (CIPFA) Prudential Property Investment guidance.

On 2 March 2021 full Council considered a further report on the Property Investment Strategy and this included a recommendation to halt any further commercial property acquisitions, under the strategy, following the Council's assessment of Public Works Loan Board (PWLB) guidance on loans secured primarily for yield.

The Property Investment Strategy report explained that between October 2017 and March 2019 the Council had acquired nine commercial properties, ranging between £2.9m to £9.1m in value, with a total portfolio value of £62.08m which provided a gross annual rental income of £3.07m (as at October 2020).

The report also stated that the PIB will continue to oversee the ongoing strategic management of the Council's commercial property portfolio, including disposals, and will receive regular reports from the Council's property agents in relation to the performance and management of risk relating to the Council's commercial property investments.

The Council's assessment of the viability of the Property Investment Strategy, provides evidence of the Council's willingness to review the appropriateness of previous Council decisions in the context of a changing legislative frameworks.

Financial sustainability (continued)

Property Investment Strategy (Cont'd)

However, the governance, oversight and appraisal of commercial property investments now held by the Council, could be enhanced further and this leads to an improvement recommendation. We recommend the Council conducts a review of its Property Investment Strategy to include an:

- assessment of the financial impact of the Property Investment Strategy, to include a review of performance against original assumptions, minimum revenue provision and resultant revenue impacts of increased borrowing levels.
- evaluation of the Property Investment Strategy's role in supporting the ongoing financial sustainability of the Council.
- assessment of the adequacy of current risk management, monitoring and oversight arrangements, to ensure risk and performance matters relating to the Council's commercial property investments, including disposals, is assessed adequately by those charged with governance, in addition to members appointed to the property investment board.

Supporting the sustainable delivery of services in accordance with strategic priorities

The Medium-Term Financial Strategy (MTFS) for 2020/21 to 2023/24 noted that from 2020/21 onwards, the Council would be moving its financial planning processes to become more focussed on outcomes through an Outcomes Based Budgeting (OBB) approach.

The revenue budget for 2020/21 accordingly detailed new revenue spending of £1.1m to directly invest in the Council's strategic priorities, including:

- maintaining a green district.
- supporting businesses.
- developing local infrastructure.
- ensuring vulnerable children and adults achieve better outcomes.
- supporting everyone achieve their full potential.
- maintaining sustainable services through innovation and partnership.

The Capital Programme for 2020/21 and for 202/22 to 2023/24 has similarly been allocated across the Council's priorities.

The Capital Strategy for 2020/21 to 2022/23 shows that in 2020/21, the Council was at the start of a three-year capital investment programme totalling £111m, which was funded by a combination of grant funding, capital receipts, and borrowing, of which, £40m had been allocated to support the Council Priority "Supporting everyone achieve their full potential" and a further £45m had been allocated to the Council Priority "Developing local infrastructure, including housing".

However, outturn reporting for 2020/21 showed that, for Year 1 (2020-21), the capital programme was subject to fluctuation and slippage in part due to Covid-19. Planned capital spend in 2020/21 started at £42m; was re-profiled to £48m; and then reduced to £37m. A series of valid reasons for 2020/21 slippage were reported by the Council, including:

- Covid-19 delays to maintenance programmes.
- Time taken to procure required contractors.
- Time to achieve vacant possession of specific buildings.
- Delays in completing feasibility studies and commencing works due to wider construction industry factors.
- Difficulty accessing leisure centres during Covid-19.

We will review progress with the Capital programme as the Council recovered from the impacts of the pandemic as part of 2021/22 and 2022/23 Auditors Annual Report.

Consistency with other plans

The Council's Capital Strategy set out for 2020/21 to 2022/23 that 45% (£47m) of capital spend over the three years would be from debt financing and that capital financing costs in the revenue budget for each of the three years would need to increase.

The 2020/21 revenue budget accordingly reflected a £0.5m increase in capital financing costs taking the total expected borrowing costs for the year to £11.2m (9% of the total budget for the year) and this demonstrates alignment between the Council's capital and revenue planning during 2020/21.

We note that at the time of writing this report, future interest rate rises may be a risk. As the Council plans for 2024/25 and beyond, assumptions around financing costs should be carefully assessed. Forecasting and monitoring slippage is likely to become more critical as a result.

Financial sustainability (continued)

Consistency with other plans (Cont'd)

There are some areas where wider trends will need to be considered for budgeting in future years. At the time of writing our report, work was ongoing at the Council to update the Workforce Strategy for 2019-23 (last refreshed in 2021). The Strategy for 2019-23 focused on:

- internal workforce challenges.
- leadership.
- recruitment and retention.
- organisational development.
- employee wellbeing.

Work has started in good time to renew the strategy when it expires. With widespread labour market issues effecting the UK, the Council may need to consider themes around how the labour market is affecting external providers, and therefore the stability of the supply chain, as well as its direct workforce needs.

An area where future budget planning will need to be mindful of wider factors is Children's Services. National pressure on places and the increasing complexity of needs has resulted in growing price pressure when commissioning through the private sector.

A May 2022 Ofsted Report on the Council's Children's' Services commented that the Council did not have in place a Children and Family Services (CFS) sufficiency strategy. As already noted in this report, rising demand in CFS has negatively impacted the Council's savings programme for 2021/22.

A CFS sufficiency strategy would have supported financial planning within this service area during 2020/21. The Council has subsequently adopted, during 2023, a Sufficiency Statement for Children, Young People and Families 2023 – 2026. This statement set out how the Council will ensure future provision meets the needs of children requiring support by the Council and does reference significant increases, since 2020/21, specifically in relation to Council led child protection plan and the number of children placed within the Council's care. The statement outlines how the Council intends to respond to this increase in demand by developing new partnerships and growing in-house provision to meet the specific needs of individual children.

However, the statement does not describe in detail the resources needed to meet increasing demand, the impact, and intercorrelation, of the demand on the Council's MTFS, nor does it specifically reference how the Council will address affordability of demand and supply or how the Council will monitor effectiveness of the statement through governance. This leads to an improvement recommendation.

We recommend the Council reviews and updates the Sufficiency Statement for Children, Young People and Families 2023 – 2026 to:

- Include an assessment of the financial impact to the Council of increasing demand within CFS.
- Describe how the Council will ensure alignment between Sufficiency Statement for Children, Young People and Families 2023 – 2026 and the Council's MTFS.
- Include an action plan to outline how the Council will address affordability of demand and supply, with a specific focus on areas of CFS which have seen significant increases in demand.
- Describe the Council's governance arrangements to monitor the effectiveness of Sufficiency Statement for Children, Young People and Families 2023 – 2026 .

Managing risks to financial resilience

As previously noted, the Council's Executive Director for Resources and Section 151 Officer assessed (in February 2020) that general fund reserves of at least £6.5m were required to be held during 2020/21 to maintain financial resilience. With the onset of the Covid-19 pandemic shortly afterwards and high cash receipts to fund small business grants, cash balances increased significantly during 2020/21 (from £22m to £33m) and the Council's reserves stood significantly higher than the minimum required amount by the year end, however this was a short-term increase following further distribution of small business grants during 2021/22. The Council has in the past carried out its' own benchmarking and identified itself as a relatively low reserves carrier. For 2020/21 though, financial resilience was strong, looking both at reserves and at liquidity. How the Council manages risk to financial resilience, as the Council recovers from the impacts of the pandemic, will be assessed in more detail as part of 2021/22 and 2022/23 Auditors Annual Report.

Summary

The Council was successful in 2020/21 in identifying and managing financial pressure; identifying and delivering savings plans; and maintaining financial resilience.

In 2020/21, the Council stood at the start of a high value, three-year Capital Programme for which a significant element of external borrowing was planned. Slippage did occur during the year. Over the life of the programme, careful time profiling will be important for managing borrowing costs effectively.

As the Council turns to budgeting for future years, wider trends, for example in the workforce and the Children's Services market, will be important to consider.

In conclusion we have not identified any significant weaknesses in arrangements to ensure the Council manages risk to its financial sustainability however we have made two improvement recommendations set out on pages 10 and 11.

Improvement recommendations

Financial sustainability

1	**Recommendation**	We recommend the Council conducts a review of its Property Investment Strategy to include an: • assessment of the financial impact of the Property Investment Strategy, to include a review of performance against original assumptions, minimum revenue provision and resultant revenue impacts of increased borrowing levels. • evaluation of the Property Investment Strategy role in supporting the ongoing financial sustainability of the Council. • assessment of the adequacy of current risk management, monitoring and oversight arrangements, to ensure risk and performance matters relating to the Council's commercial property investments, including disposals, is assessed adequately by those charged with governance, in addition to members appointed to the property investment board.
	Why/impact	During 2020/21 the Council made significant adjustments to its Property Investment Strategy. It is timely the Council reviews the impact of the Property Investment Strategy and satisfies itself that the ongoing governance, appraisal and oversight arrangements are adequate.
	Auditor judgement	The Council's assessment of the viability of the Property Investment Strategy, during 2020/21, provides evidence of the Council's willingness to review the appropriateness of previous Council decisions. However, the governance, oversight and appraisal of commercial property investments now held by the Council, could be enhanced further.
	Summary findings	The Council has acquired commercial property investments under the scope of the Council's Property Investment Strategy. The Council's property investment board acts as the formal governance for the acquisition, disposal, and ongoing management of the investment portfolio. This recommendation seeks to enhance exiting arrangements for governance, oversight and appraisal of the Council's commercial property investments.
	Management comment	The Council is currently undertaking a review of its Property Investment Strategy, and a new Strategy will be coming to the Executive meeting in Autumn 2023.

The range of recommendations that external auditors can make is explained in Appendix B.

Improvement recommendations

Financial sustainability

2	**Recommendation**	We recommend the Council reviews and updates the Sufficiency Statement for Children, Young People and Families 2023 – 2026 to: • Include an assessment of the financial impact to the Council of increasing demand within CFS. • Describe how's the Council will ensure alignment between Sufficiency Statement for Children, Young People and Families 2023 – 2026 and the Council's MTFS. • Include an action plan to outline how the Council will address affordability of demand and supply, with a specific focus on areas of CFS which have seen significant increases in demand. • Describe the Council's governance arrangements to monitor the effectiveness of Sufficiency Statement for Children, Young People and Families 2023 – 2026.
	Why/impact	This will support the Council to plan and allocate resources effectively to ensure the needs of children within the Council's care, are met.
	Auditor judgement	The Council did not have in place, during 2020/21, a current CFS sufficiency strategy which would have supported financial planning within this service area. The Council has subsequently adopted, during 2023, a Sufficiency Statement for Children, Young People and Families 2023 – 2026 however this could be enhanced further to support effective strategic planning within CFS.
	Summary findings	The enhancement of the Sufficiency Statement for Children, Young People and Families 2023 – 2026 will support the Council to plan and allocate resources, within CFS, effectively.
	Management comment	

The range of recommendations that external auditors can make is explained in Appendix B.

Governance

We considered how the Council:

- monitors and assesses risk and gains assurance over the effective operation of internal controls, including arrangements to prevent and detect fraud
- approaches and carries out its annual budget setting process
- ensures effectiveness processes and systems are in place to ensure budgetary control
- ensures it makes properly informed decisions, supported by appropriate evidence and allowing for challenge and transparency
- monitors and ensures appropriate standards.

Monitoring and assessing risk and gaining assurance over control

The Council has a risk management, control and assurance processes in place. The Council maintained a strategic corporate risk register throughout 2020/21. The corporate risk register was presented quarterly to the Corporate Board and six monthly to the Governance and Ethics Committee for monitoring, discussion and review.

The corporate risk register for quarter four 2020/21 was reviewed by the Governance and Ethics Committee on 26 July 2021. The corporate risk register report identified 11 risk areas graded to determine both the likelihood and the impact of the risk occurring using a 4 by 4 evaluation criteria.

Each risk was red, amber and green (RAG) graded, and the risk register included descriptions of risk triggers, potential consequences of the risk, existing controls, further actions required to mitigate the risk and direction of travel indicators were used within the reports to highlight risk movement. Potential financial consequences of the risk and a target date to manage the risk were also included.

The corporate risk register did not directly assign individual risks to a senior officer but stated that risk were actively managed by the Council's internal Corporate Board, additionally the corporate risk registers, presented to the Governance and Ethics Committee, are not published on the Council's website. The Council has explained that the corporate risk registers presented to the Governance and Ethics Committee, six monthly, are not published online due to the inclusion of sensitive information and the reports have been considered exempt for publication. These factors lead to an improvement recommendation. We recommend the Council enhances oversight and transparency of it risk management activities by:

- assigning responsibility for the management of individual risk to senior officers.
- considering if further information regarding the Council's risk management activities could be made available on the Council's website including details of specific risks the Council is managing.

The Council has an internal audit team of five staff, which provides both internal audit and counter fraud assurance. During 2020/21, a new post of Principal Auditor was created within the team to increase capacity and enrich skills. In addition to Internal Audit and Counter Fraud work, in 2020/21 the team also undertook a series of unplanned investigations. Although the Covid-19 pandemic affected working hours and time taken to recruit to post, the Internal Audit team exceeded their service performance target for the year (of 80% productive time). The Internal Audit opinion for 2020/21 concluded that there was "Reasonable Assurance that the governance, risk management and control framework remained robust during the year".

The Council has a suite of policies describing the approach to minimise fraud, bribery and corruption. These include Anti-Fraud and Corruption Policy, Whistleblowing Policy, Anti-Money Laundering Policy and Bribery Act Policy .

The Council's constitution, part 13 Codes and Protocols, includes a Members Code of Conduct and a separate Officers Code of Conduct these documents have not been fully updated since 2017 and this leads to an improvement recommendation. We recommend the Council reviews, updates, and agrees a Members Code of Conduct and a separate Officers Code of Conduct as these are key documents supporting the Council's approach and controls in the prevention and detection of fraud.

Budget Setting and Budgetary Control

As indicated in the Financial Sustainability section of this report, the Council had effective processes in place for budget setting and budgetary control. The Council prepares and approves the revenue budget on an annual basis through the Executive and the members. The presentation of the budget allows members to review, and where necessary, challenge the assumptions within it. Consideration of different scenarios is set out to the Executive within the medium-term financial strategy documents. For 2020/21, scenarios considered included changes around macro economics; Fair Funding Review; business rates reset; and Council Tax referendum.

Governance (Continued)

Budget Setting and Budgetary Control (Cont'd)

Revenue Financial Performance Reports (budget monitoring reports) and Capital Financial Performance Reports (capital outturn monitoring reports) are presented to the Council's Executive Committee on a quarterly basis. The revenue budget monitoring reports presented to the Executive included consideration of trends, explanations around variances and separate reporting on progress against savings plans. The Capital Financial Performance Reports (capital outturn) included slippage and analysis of contributing factors.

Financial Reporting

On 25 April 2022, the Governance Committee considered our Draft Audit Findings Report for 2020/21. The report detailed several adjusted misstatements relating to incorrect classification of assets, grant, loan and investment income and a duplication of some payroll elements however the report concluded that it was anticipated the final audit report will be unmodified for the year ending 31 March 2021. We understand from the Council that the capabilities of the current finance system could be improved to remove the need for some manual reporting which has resulted in some errors being reported and this has been compounded by training needs within the finance team, and this leads to an improvement recommendation. We recommend the Council strengthens its finance team processes by:

- the optimisation of the finance system to remove the need for manual reporting outside of the core finance system.
- assessing the training needs of the finance team officers.

Making properly Informed decisions

As part of our work, we reviewed a sample of papers presented to the Executive Committee during 2020/21, supporting decisions around:

- a new £1m Community Bond.
- the closure of a residential care home.
- closing a Community Solutions Fund.
- approving Community Infrastructure Levies use.
- restructuring for strategy and governance.

Papers presented to Committee were well structured and included detailed consideration of options, risks and impacts. The papers provided an appropriate platform for debate.

Monitoring and ensuring appropriate standards

On the 1 April 2020, the Council created a new Strategy and Governance department, merging human resources, legal services and strategic support teams.

This new department is responsible for monitoring and ensuring standards within the Council. At the time of our value for money work, a review of governance arrangements and protocols in the Constitution was underway. This followed a Local Government Association (LGA) Peer Review in 2019. Actions were also being followed up from a review of Audit Committee effectiveness following the LGA peer review recommendation that stated:

'look at how to strike a better balance in relation to the Council's very extensive governance arrangements – ensuring proportionality through looking at how people use their time'

We will review the outcomes from these streams of work in more detail as part of 2021/22 and 2022/23 Auditors Annual Report.

Summary

Overall, the Council can be seen to have appropriate governance arrangements in place to monitor and manage risk alongside making informed decisions. Executive functions are in place and there is a robust Internal Audit process which holds management to account and provides areas of improvement and best practice to management.

There is a recognition that the governance structures need to be reviewed to ensure that these are fit for purpose and that there is focussed review at the appropriate level to ensure that Council can efficiently expedite their statutory requirements. This was noted in the LGA peer review, and the Council have started the process of review with a view to streamlining the overall governance arrangements.

In conclusion we have not identified any significant weaknesses in arrangements however we have made three improvement recommendations set out on pages 14 – 16.

Improvement recommendations

Governance

3	**Recommendation**	We recommend the Council enhances oversight and transparency of its risk management activities by: • assigning responsibility for the management of individual risk to senior officers. • considering if further information regarding the Council's risk management activities could be made available on the Council's website including details of specific risks the Council is managing.
	Why/impact	The Council's has an established risk management framework, and this recommendation seeks to enhance these arrangements further.
	Auditor judgement	Oversight and transparency of the Council's risk management activities would be enhanced by each risk being assigned to a responsible senior officer and for more details, of the risks being managed by the Council, being available to the public.
	Summary findings	The Council maintains a corporate risk register however responsibility for individual risks is not assigned to a nominated senior officer. Oversight to the Council's corporate risk register is provided by the Council's Governance and Ethics Committee however the actual corporate risk register is not published due to the inclusion of information the Council has deemed to be sensitive.
	Management comment	The Council is undertaking a review of its Risk Management Strategy; this will come to the Executive and Governance committee in the new calendar year. Future risk management reports to the Governance and Ethics Committee will include part I and part II elements.

The range of recommendations that external auditors can make is explained in Appendix B.

Improvement recommendations

Governance

4	**Recommendation**	We recommend the Council reviews, updates, and agrees a Members Code of Conduct and a separate Officers Code of Conduct.
	Why/impact	The Council's Members Code of Conduct and Officers Code of Conduct are key documents describing the Council's expectations and controls in respect of retained member and officer conduct.
	Auditor judgement	The Council's Members Code of Conduct and Officers Code of Conduct should be current and aligned to current risks, themes and organisational values.
	Summary findings	The Council's constitution, part 13 Codes and Protocols, includes a Members Code of Conduct and a separate Officers Code of Conduct these documents have not been fully updated since 2017.
	Management comment	The Council has undertaken a fundamental review of its Constitution in the past eighteen months. The final element of the review includes the Member's and Officer's codes of conduct, and this will be coming to the Governance and Ethics Committee and Full Council in the coming months to complete the review.

The range of recommendations that external auditors can make is explained in Appendix B.

Improvement recommendations

Governance

5	**Recommendation**	We recommend the Council strengthen its finance team processes by: • the optimisation of the finance system to remove the need for manual reporting outside of the core finance system. • assessing the training needs of the finance team officers.
	Why/impact	Optimisation of the finance system, and the provision of further training to finance team officers, would help support the financial functions and responsibilities of the Council.
	Auditor judgement	The Council's finance system requires optimisation to reduce risk and support efficient processes. Additionally training to finance team officers would strengthen the Council's financial functions and reduce the risk of errors.
	Summary findings	Our Draft Audit Findings Report for 2020/21 detailed several adjusted misstatements relating to incorrect classification of assets, grant, loan and investment income and a duplication of some payroll elements.
	Management comment	The Council has undertaken a review and updated its financial system to reduce the amount of manual financial reporting required. Training needs are also reviewed, and the team has seen some new staff join since the 2020-21 audit completed.

The range of recommendations that external auditors can make is explained in Appendix B.

Improving economy, efficiency and effectiveness

We considered how the Council:

- uses financial and performance information to assess performance to identify areas for improvement
- evaluates the services it provides to assess performance and identify areas for improvement
- ensures it delivers its role within significant partnerships, engages with stakeholders, monitors performance against expectations and ensures action is taken where necessary to improve
- ensures that it commissions or procures services in accordance with relevant legislation, professional standards and internal policies, and assesses whether it is realising the expected benefits.

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Using financial and performance information to identify areas for improvement

On a quarterly basis, the Council's Executive Committee receives Revenue and Capital Financial Performance Reports and Performance Reports that cover core business and Council improvement measures. The measures in the Performance Reports are aligned with the Priorities set out in the Council Strategy for 2019-23.

We reviewed the 2020/21 Quarter 4 Performance Report in detail. The report included links to the Council Strategy; RAG rating of outturn against target for seventeen Core Business Activities; and national benchmarking for core business measures. For context, the report also included "influencer measure dashboards" showing current and prior year comparison data for a range of socio-economic measures including:

- employment rates.
- empty business rated properties.
- house prices and planning applications.
- incident rates for crime and domestic abuse.
- volunteering hours.
- numbers of adults over 60 and children in care accessing sport and leisure facilities.

The Council's Performance Report for Quarter 4 of 2020/21 included a good balance of statistical metrics and narrative explanations.

We note that in the Quarter 4 report seven of seventeen Core Business Activities were RAG rated red and were not forecast to achieve the targets set by the Council.

The targets related to:

- Children in Care visits.
- Care Quality Commission (CQC) provider inspection grades.
- timeliness of adult financial assessments.
- road network repair.
- clean environment.
- Council Tax and Non-Domestic rates collection.

Exception reports were provided in the Executive Committee papers for all red RAG rated measures. Extensive national benchmarking was also provided within the Quarter 4 Performance Report – with red RAG ratings shown as applying to a reduced number of areas (Maintaining Roads; Council Tax collection; Non-Domestic rates collection) once the national position was considered.

For the CQC inspection grades, we note that the Council's target was for all provider services to be rated as Good or above for the "Safe" criteria, whereas in fact only 80% of provider services had achieved this grading.

For one of the sites ranked as Requires Improvement (Birchwood Nursing Home), the ranking dated back to 2018 and re-inspection had been delayed by Covid-19. For the other site (Walnut Close), the Council had already gone through a process of public consultation around options for closure and closure had been approved by the Executive Committee in November 2020. Areas for improvement had mainly focused on facilities needing to be upgraded against the potential that more cost-effective solutions could be found elsewhere.

Improving economy, efficiency and effectiveness (Continued)

Evaluating services to identify areas for improvement

Responsibility for contract management standards is a responsibility of the Council's commissioning team with contract management responsibility being held with the respective service. The LGA Peer Review in November 2019 noted that contract management arrangements were relatively immature, and the Council's own Internal Auditors made observations in February 2020 about the scope for introducing common contact management standards.

A new Commissioning and Procurement Strategy presented to the Executive Committee in April 2020 highlighted that, although detailed contract management would remain with Directorates, the Council's Commissioning team will take on the lead role for setting the standards for the Directorates to follow. For the monitoring and evaluation aspect of contract management, the SEND team was highlighted by the Council as an example of existing good practice for other teams to follow. The quality of monitoring and evaluation for other teams was shown to be less consistent. Progress with implementing the new arrangements will be considered in more detail as part of 2021/22 and 2022/23 Auditors Annual Report.

Partnership Working

The Council's Strategy for 2019-23 included as a priority its' intention to "Ensure sustainable services through innovation and partnerships". Commitments and actions listed within the strategy to achieve that priority included:

- Supporting the Health and Wellbeing Board.
- Developing a Community Engagement Framework with statutory partners and community and voluntary sector organisations.
- Positioning the Council as an "employer of choice".
- Approving a Corporate Landlord Strategy.
- Engaging with social media, residents, and digital options for communication.

The Council developed a series of new strategies in 2020/21 to move these commitments forward: the Health and Wellbeing Strategy 2021/30; the Community and Engagement Strategy 2020/23; refreshed Workforce Strategy 2021 (with work currently ongoing to re-issue a fully updated Workforce Strategy in 2023); the Tenancy Strategy March 2021; and the Digital Strategy 2020/23.

Our Value for Money testing for 2021/22 and 2022/23 will include consideration of how these strategies have been implemented during their first year.

For 2020/21, we note the issue of a new community bond at the start of the year as an example of innovation that, although low in value in 2020/21 (£1m), has the potential to be replicated elsewhere. The bond is designed to provides residents with an opportunity to fund green initiatives at rates that are lower for the Council than PWLB loans would be and higher for residents than could be earned elsewhere. The Council worked with a private sector partner to develop the bond, including work on risk, mitigations, legal due diligence and oversight mechanisms. A similar bond has successfully been copied by at least one other authority benefitting from the learning.

Procurement

The Strategic Commissioning and Procurement Strategy presented to the Executive Committee in April 2020 highlighted, in addition to changes around standardising contract management, a two-year plan to strengthen the Council's procurement functions.

Planned changes highlighted in the Strategy included: A common process for procurement in all directorates to be introduced; all procurements to use an e-portal (at the time, only some did) ; enhanced reporting to the Procurement Board and to the Corporate Board; and two new posts to be created. In 2020/21, the first new post was introduced and funded from the Council's transformation budget. The Council intends that both posts will be fully established within business-as-usual budgets.

The Strategy highlighted that the new approach would be fully embedded by 2022. We will review the implementation of the Strategic Commissioning and Procurement in more detail as part of 2021/22 and 2022/23 Auditors Annual Report.

Summary

In 2020/21, the Council had effective performance monitoring arrangements in place. Existing arrangements for managing (and monitoring and evaluating) contracts performance were in being standardised. The Council had effective arrangements for working with a rage of partners, including residents, and arrangements around procurement were also being strengthened. For 2020/21, we are content that no significant weaknesses have been identified and no improvement recommendations have been made.

COVID-19 arrangements

Since March 2020 COVID-19 has had a significant impact on the population as a whole and how Council services are delivered.

We have considered how the Council's arrangements have adapted to respond to the new risks they are facing.

Financial sustainability

As we have noted earlier in this report, the financial impacts of the Covid-19 pandemic on the Council during 2020/21 included £3.6m of Revenue Budget underspend as spending activities were delayed; significant elements of Capital Programme slippage as sites could not be accessed and works could not be carried out; and a year-end increase of £11m cash balances as small business grants were received at a higher rate than they were disbursed.

Within the Revenue budget, Covid-related underspends were mainly concentrated within the People directorate. Factors driving underspend included reduced take-up of adult respite care; and reduced home to school transport. Further underspends within the Places directorate were driven by a fall in tenant evictions and reduced spending on sport and leisure facilities repairs and maintenance. As noted earlier in this report, delays in accessing leisure centres was also one of the factors that led to slippage in the Capital Programme, as did slower rtaes of gaining vacant possession and securing contractors and completing feasibility studies during the pandemic.

In other areas, significant additional General Fund costs were incurred as a result of the pandemic as the Council took on new functions and lost some streams of commercial income.

Additional costs were off-set by £12.3m of emergency funds from central government. The Council has acknowledged that without this money, its' reserves position at 31 March 2021 would not have been possible.

Governance

As the draft Annual Governance Statement for 2020/21 noted, the Covid-19 pandemic put a lot of pressure on the Council's governance structures. For much of the year the Council was operating through an emergency planning framework with meetings taking place weekly. In addition, the Council continued to operate its usual governance processes.

Processes were moved online, with Council meetings taking place virtually throughout 2020/21 alongside all Council business through its various governance boards and groups. This meant that the Council was still able to undertake its core functions as well as operate in response to the Covid pandemic. The Internal Audit team were able to exceed their 80% productive time target despite the impact that the pandemic had on hours worked.

We have noted elsewhere in this report that there have been delays to a review of Governance and the Constitution in 2020/21. The delays are in part due to Covid-19. We did not however identify any significant weaknesses in governance for 2020/21 resulting directly from the pandemic.

Improving economy, efficiency and effectiveness

Central Government data shows the Council paid out small business grants under eight different schemes during 2020/21 at a higher rate than most Councils in England. Since the start of the pandemic, some 9,347 different payments have been made by the Council. During 2020/21, the sums disbursed by the Council to local businesses were valued at £49m.

The Council took a positive and proactive approach to the pandemic. A Recovery Strategy was published in June 2020 (and refreshed in July 2021) setting out a range of actions to seek the opportunities that arose during the pandemic as well as ensure the mitigation, wherever possible, of the impacts of the pandemic. Themes for recovery surrounded health, the local economy and education

In addition to its' business-as-usual, the Council delivered a range of additional schemes for its' residents and schools, including the 'Surviving to Thriving' scheme with Greenham Common Trust; the delivery of a Holiday Activities Fund; a Household Support Fund; the Bloom into Spring programme; and the Schools' Welcome Back Fund. At the same time, the Council developed the wide range of Strategies highlighted at Page 19 of this Report for taking forward actions and commitments already set out in the Council Strategy for 2019-23. Taken together, these different strands of work indicate that the Council's commitment to maintaining and improving economy, efficiency and effectiveness of its' services for residents was not weakened by the pandemic.

Opinion on the financial statements

Audit opinion on the financial statements

Our work on the 2020/21 audit is ongoing. We will issue our opinion upon completion of this work.

Other opinion/key findings

Our work on the 2020/21 audit is ongoing. We will issue our opinion upon completion of this work.

Audit Findings Report

More detailed findings can be found in our Interim AFR, which was published and reported to the Council's Audit Committee on 23 April 2022. This position has been updated to reflect national issues such as infrastructure assets.

Whole of Government Accounts

To support the audit of the Whole of Government Accounts (WGA), we are required to review and report on the WGA return prepared by the Council. This work includes performing specified procedures under group audit instructions issued by the National Audit Office.

This will be undertaken alongside the completion of the statutory accounts audit.

Preparation of the accounts

The Council provided draft accounts in line with the national deadline and provided working papers to support it.

Issues arising from the accounts:

The key issues were:

- Prior period adjustments in relation to S106 payments, lease disclosures, double counting of school employee expenses and classification of short term investments & cash and cash equivalents
- We have made four material adjustments to the primary statements the largest of which is a reclassification of grant income that was incorrectly classified as principal when they were agent.
- Testing identified a number of inconsistencies between the fixed asset register and the accounts which identified a number of assets included in the balance sheet that the Council no longer owned

Grant Thornton provides an independent opinion on whether the accounts are:

- True and fair
- Prepared in accordance with relevant accounting standards
- Prepared in accordance with relevant UK legislation.

Appendices

Appendix A - Responsibilities of the Council

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Role of the Chief Financial Officer (or equivalent):

- Preparation of the statement of accounts
- Assessing the Council's ability to continue to operate as a going concern

Public bodies spending taxpayers' money are accountable for their stewardship of the resources entrusted to them. They should account properly for their use of resources and manage themselves well so that the public can be confident.

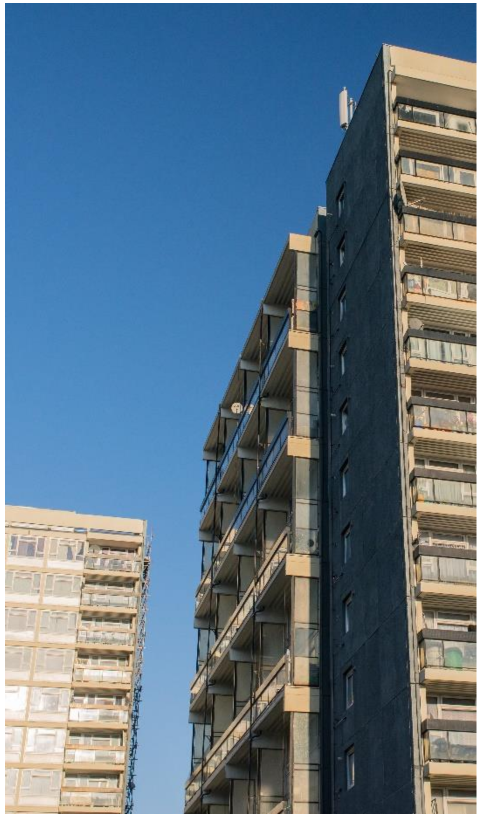
Financial statements are the main way in which local public bodies account for how they use their resources. Local public bodies are required to prepare and publish financial statements setting out their financial performance for the year. To do this, bodies need to maintain proper accounting records and ensure they have effective systems of internal control.

All local public bodies are responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness from their resources. This includes taking properly informed decisions and managing key operational and financial risks so that they can deliver their objectives and safeguard public money. Local public bodies report on their arrangements, and the effectiveness with which the arrangements are operating, as part of their annual governance statement.

The Chief Financial Officer (or equivalent) is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Chief Financial Officer (or equivalent) determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The Chief Financial Officer (or equivalent) or equivalent is required to prepare 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. In preparing the financial statements, the Chief Financial Officer (or equivalent) is responsible for assessing the Council's ability to continue as a going concern and use the going concern basis of accounting unless there is an intention by government that the services provided by the Council will no longer be provided.

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



Appendix B - An explanatory note on recommendations

A range of different recommendations can be raised by the Council's auditors as follows:

Type of recommendation	Background	Raised within this report	Page reference
Statutory	Written recommendations to the Council under Section 24 (Schedule 7) of the Local Audit and Accountability Act 2014. A recommendation under schedule 7 requires the Council to discuss and respond publicly to the report.	No	N/A
Key	The NAO Code of Audit Practice requires that where auditors identify significant weaknesses as part of their arrangements to secure value for money they should make recommendations setting out the actions that should be taken by the Council. We have defined these recommendations as 'key recommendations'.	No	N/A
Improvement	These recommendations, if implemented should improve the arrangements in place at the Council, but are not a result of identifying significant weaknesses in the Council's arrangements.	Yes	10 – 11 14 – 16

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Financial Statements

West Berkshire Council 2020/21

PublicFinance AWARDS 2021 WINNER

Sustainability and Social Value Award 2021

West Berkshire COUNCIL

Annual Financial Report Year Ending 31 March 2021

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Annual Governance Statement 2020/21 and Written Statements

Annual Governance Statement

1. Scope of Responsibility

1.1 West Berkshire 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. West Berkshire 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, West Berkshire Council is responsible for putting in place proper arrangements for the governance of its affairs and facilitating the effective exercise of its functions, which includes arrangements for the management of risk.

1.3 This Statement explains how West Berkshire Council has complied with the Code and also meets the requirements of regulation 6(1)(a) of the Accounts and Audit Regulations 2015 in relation to the review of its system of internal control in accordance with best practice, and that the review be reported in an Annual Governance Statement.

1.4 The Council is currently undertaking a comprehensive review of its Constitution to improve its governance and decision making. The Council is also delivering an action plan following a corporate peer challenge led by the Local Government Association November 2019.

2. The Purpose of the Governance Framework

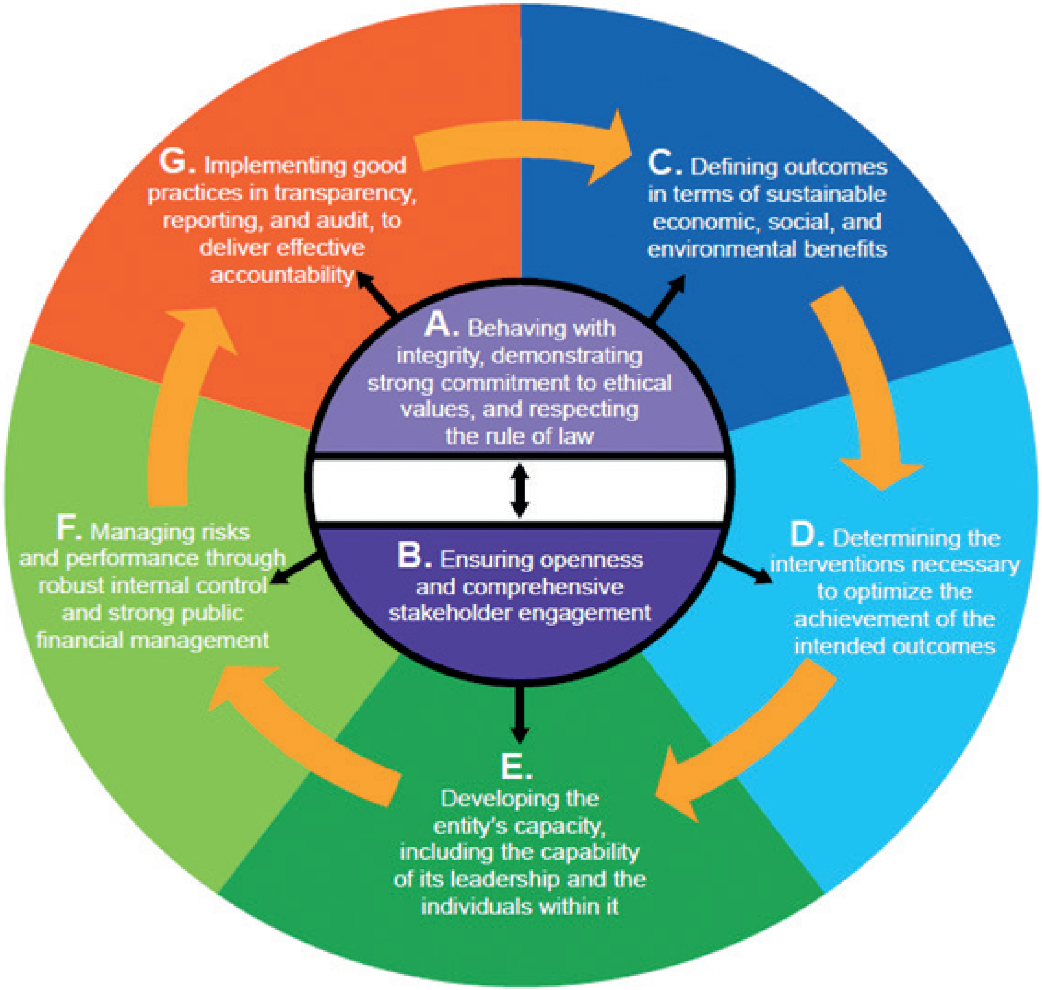
2.1 The purpose of the governance framework is to ensure that the authority directs and controls its activities in a way that meets standards of good governance and is accountable to the community. It does this by putting in place an organisational culture and values which drive a responsible approach to the management of public resources, supported by appropriate systems and processes, and ensuring that these work effectively. It works with the Council's Performance Management Framework to ensure that the Council has in place strategic objectives reflecting the needs of the community and is monitoring the achievement of these objectives through delivery of appropriate, cost-effective services.

2.2 The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of West Berkshire Council's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.

2.3 The governance framework has been in place at West Berkshire Council for the year ended 31 March 2021 and up to the date of approval of the Statement of Accounts. The Governance and Ethics Committee approved a Code of Local Governance at its meeting in April 2021 which supports the framework for the compilation of the Annual Governance Statement.

3. The Principles of Good Governance

3.1 The CIPFA/SOLACE framework Delivering Good Governance in Local Government sets out seven core principles of good governance, these are:



4. Methodology for preparing the Annual Governance Statement

4.1 The Annual Governance Statement has been prepared using a process similar to that used in the previous year, where it is including

- Review of the annual Internal Audit report and quarterly internal audit progress reports;
- The work of the Finance and Governance Group reviewing the Constitution on an annual basis and referring changes to the Governance and Ethics Committee and Council;
- The Governance and Ethics Committee approves the Annual Governance Statement at the same time as the final approval of the financial statements, and is signed off by the Chief Executive or Section 151 officer and Leader of the Council;
- Review of the Corporate risk Register by the Corporate Board and Governance and Ethics Committee;
- Responding positively to external regulators such as OFSTED, the Information Commissioner, the Local Government Ombudsman and external auditor Grant Thornton.

5. The Governance Framework

5.1 There are a number of key elements to the systems and processes that comprise the Council's governance arrangements. These elements form our local code of Governance and these are underpinned by the CIPFA / SOLACE framework above and core principles of good governance which are:- • Focusing on the purpose of the authority and on outcomes for the local community and creating and implementing a vision for the local area.

- Members and Officers working together to achieve a common purpose with clearly defined functions and roles.
- Promoting values for the authority and demonstrating the values of good governance through upholding high standards of conduct and behaviour.
- Taking informed and transparent decisions which are subject to effective scrutiny and managed risk.
- Developing the capacity and capability of Members and officers to be effective.
- Engaging with local people and other stakeholders to ensure robust public accountability

5.2 The Council has arrangements for managing risk in its Risk Management Strategy which was approved at the Governance and Ethics Committee in April 2021.

6. Review of effectiveness

6.1 The authority has a statutory responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. The review of effectiveness is informed by the work of Heads of Service / Service Directors who have responsibility for the development and maintenance of a sound governance environment.

6.2 This review is articulated in the Code of Corporate Governance approved by the Governance and Ethics Committee in April 2021.

6.3 It is also important to reflect on the previous year's key areas for improvement and well as a review of governance for the year past. The Covid pandemic put a lot of pressure on the Council's governance structures. For much of the year the Council was operating through an emergency planning framework with 'GOLD' meetings taking place weekly. Though specifically in respect of the Covid response, the GOLD meetings did change the usual governance framework and meant that a lot of the Council's focus was on the Covid pandemic and supporting residents and businesses. The Council did continue to operate its usual governance processes and these were moved online with Council meetings taking place virtually throughout 2020-21 alongside all Council business through its various governance boards and groups. This meant that the Council was still able to undertake its core functions as well as operate in response to the Covid pandemic.

6.4 For 2020-21 the AGS had four areas for improvement; two of these, project capacity and asset management have been continued through into 2021-22, and two have been removed from the AGS. These two areas were:

- Delivering effective engagement
- Commercial investments

6.5 In 2020-21 the Executive approved a new communication and engagement strategy[1]. This set out enhancements to be made and also reflected on the positive work completed during the pandemic.

Though not all actions are complete, this has been removed from the AGS as progress has been demonstrated and it ceases to remain a key issue for improvement.

6.6 The commercial investments theme has been removed as the Council, per the decision at the Budget meeting in March 2021, has ceased new acquisitions of commercial property. The governance around the monitoring of these investment is robust. The issue did include transformation and future commercial opportunities; this will be kept under close consideration during 2021-22 because, though the Government has ruled out access to the Public Works Loans Board to borrow primarily for yield, the Council will be seeking to transform its services continually and there will be a range of projects to support this.

[1] http://decisionmaking.westberks.gov.uk/ieDecisionDetails.aspx?AIId=59870

7. Key Governance areas for improvement

7.1 The Council faces a number of issues and areas of significant change that will require consideration and action as appropriate over the coming years and these are:

Issue	Detail	Action	Owner/Date
Capacity to deliver projects	Ensuring that the Council has sufficient and appropriately qualified staff to deliver its programme of projects while maintaining frontline services to residents and businesses. Core to delivering the refreshed Council Strategy	Additional resources and effective management of the project governance structure following the S&G restructure	Strategic Director (S&G) -March 2022
Improving Asset Management	Ensuring that the Council maintains a comprehensive, asset register, that supports its decision making process for the enhancement, disposal and maintenance of assets. Recommendation from Internal Audit and within previous Annual Governance Statement	Completion of outstanding audit actions to be finalised in line with the Internal Audit report	Head of Finance - October 2021
Digital Transformation	Ensuring that the Digital strategy has a complete delivery plan that supports the digital enhancements that the Council wishes to make in light of ways of working established through the Covid pandemic as well as to drive service improvements and efficiencies.	Customer First Programme Board to approve and manage the Digital delivery plan	CFPB (Chairman) -March 2022

8. Assurance Summary

8.1 Good governance is about operating properly. It is the means by which the Council shows that it is taking decision for the good of its residents, in fair, equitable and open way. It also requires standards of behaviour that support good decision making – collective and individual integrity, openness and honesty. It is the foundation for the effective delivery of good quality services that meet the needs of the users. It is fundamental to demonstrating that public money is well spent. Without good governance, the Council would find it difficult to operate services successfully.

8.2 The Internal Audit Opinion for 2020/21 is that the Council's framework of governance, risk management and management control is 'reasonable' and that audit testing carried out during the year has demonstrated controls to be working in practice. The assessments contained within this document highlight that there are effective arrangements in place to deliver good governance but that four key areas are highlighted to further improve our governance.

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

Lee Dillon
Leader
of the Council

Date: 25 September 2023

Nigel Lynn
Chief Executive

Date: 25 September 2023

Action plan – 2020-21

Item	Action	Responsible officer	Progress
Delivering effective engagement -ensuring effective engagement with stakeholders through which to hear the voice of the resident more	Completion of a new Engagement Strategy and approach	Chief Executive	Complete
Capacity to deliver projects - ensuring that the Council has sufficient and appropriately qualified staff to deliver its programme of projects while maintaining frontline services to residents and businesses	Rollout of training programme on new project methodology across management	Performance, Research and Consultation Manager	Partially complete – paused due to C-19
	All new projects to be supported by business case through the project methodology	Performance, Research and Consultation Manager	Complete
	Regular monitoring and management through corporate project governance	Service Director (Strategy and Governance)	Complete

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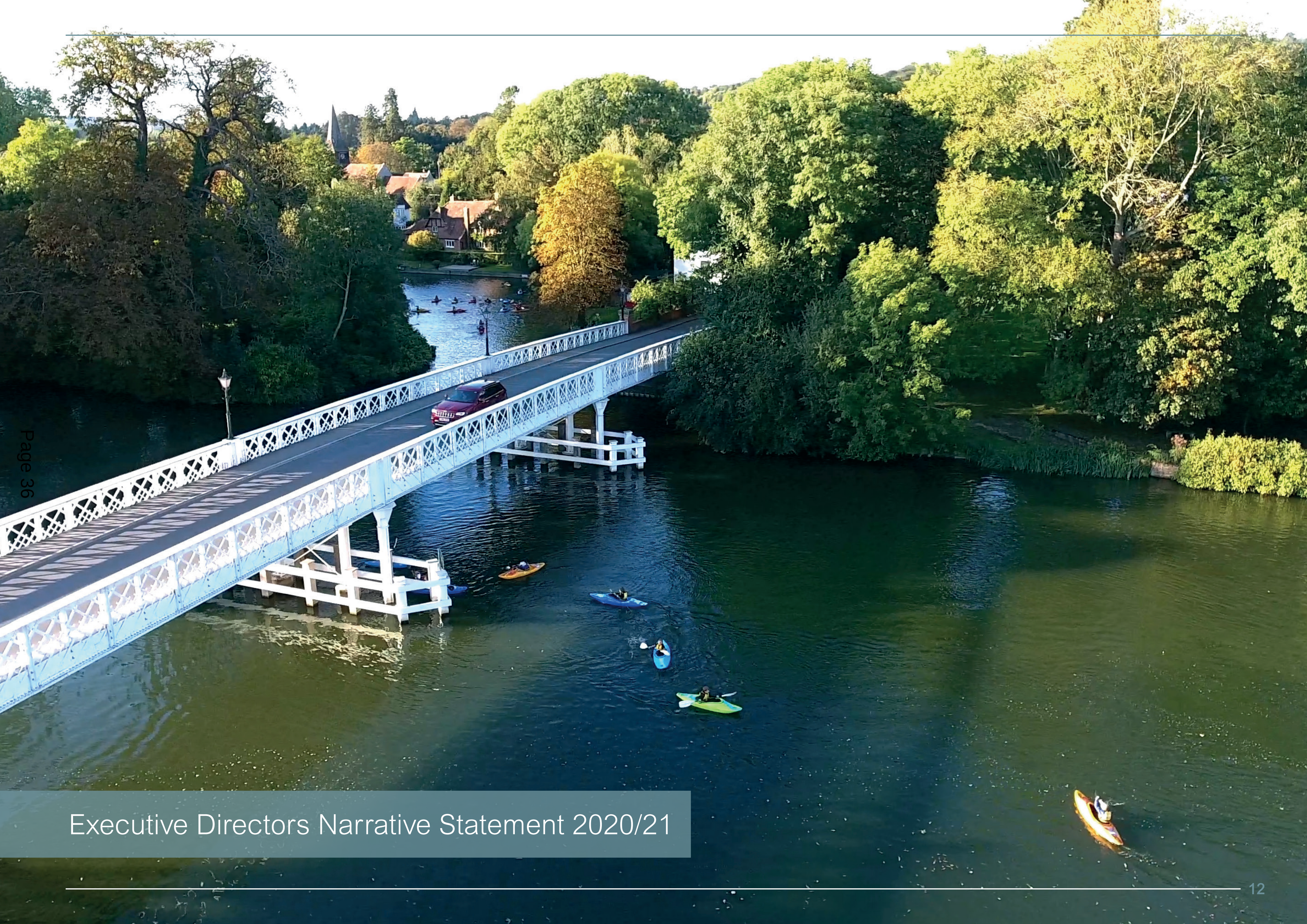
Item	Action	Responsible officer	Progress
Improving Asset Management - ensure that the Council maintains a comprehensive, asset register, that supports its decision making process for the enhancement, disposal and maintenance of assets	Completion of all outstanding Internal audit recommendations	Head of Finance and Property	September 2021
	Completion of Asset challenge process through all asset types	Property Services Manager	July 2022
Commercial activity	The Council's significant investment in commercial property, transformation programme and pursuing commercialisation opportunities will continue to require effective governance arrangements relating to any proposed changes	Service Director (Strategy and Governance)	Complete – all activity ceased and existing governance in place



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Executive Directors Narrative Statement 2020/21

Executive Director's Narrative Statement 2020/21

1. Finance and Resources

The 2020-21 financial year saw the Council return a surplus overall to increase its General Fund by over £4 million. As detailed further, there have been a significant amount of other transactions that support this position including substantial Government funding support during the Covid pandemic. In financial terms, the 2020-21 year has been extra-ordinary, with additional funding for the Council, business and residents nearly equivalent to Council's annual budget being supplied. The impact of this support and the continued impact of the pandemic will continue to be felt into future financial years. The other significant change in the financial statements for this year is that the Council has a negative balance sheet driven by the increase to the overall pension deficit; both of these themes are referred to below.

The future of Local Government finance contains plenty of uncertainty. The impact of the Covid pandemic will be felt for a number of years and is likely to change how public services are delivered in the long term. The Government Spending Review (SR20) that was announced in November 2020 was for a one year period for Local Government, given the significant uncertainty over the public finances. The absence of a longer term financial envelope for Local Government does mean that there remains significant uncertainty over the financial position from 2022-23. The Council has had an ongoing focus on ensuring strong financial management and resilience to ensure that, irrespective of this uncertainty, that it has sufficient financial reserves as well as a medium term financial planning framework, to continue to operate its services to the public and deliver the Council Strategy.

2. COVID-19 Pandemic

The Covid pandemic has had a considerable impact on the Council. The Government's lockdown, announced on 23rd March 2020, resulted in many businesses being forced to close – significantly impacting on the local economy. Subsequent regional and national lockdowns over the course of 2020/21 have further impacted on the Council's finances.

During financial year 2020/21, the Council has incurred substantial losses across many of its income streams. These include parking, licensing fees, registrars and planning fees. On the expenditure front, key areas of additional pressure have included accommodation and support for rough sleepers, and additional costs in supporting our most vulnerable adults and children. The Government's emergency Covid funding for local authorities has been substantial. Supported by Central Government grant funding of £113m and £5m of Clinical Commissioning Group (CCG) funding, the Council has undertaken a range of activities within the district and distributed business rate reliefs. £101m of funding received has been spent or distributed, £6m put to a Covid reserve and £10m carried forward to 2021/22 to address future impacts from the pandemic. Without Emergency Grant funding supplied by Government for expenditure and income compensation, and Adult Social Care funding from the CCG, the Council would be facing an over spend of nearly £10m, which would likely have put the Council far below the minimum level of reserves resulting in some significant impacts on service activity.

Moving forward, the Council will continue to develop its Medium Term Financial Strategy (MTFS) in recognition of the impact of the pandemic and the Council's revised strategic objectives, including Recovery work. The Council continues to pride itself on ensuring services deliver high outcomes and offer value for money, sound and prudent financial management supports this objective. The outturn for the financial year 2020/21 will help to support the Council's resilience as well as having continued to deliver a wide range of well received services, whilst continuing to respond to the long term impacts of the Covid pandemic.

3. District of West Berkshire

West Berkshire spans 272 square miles. The district lies at the convergence of two key roads – the M4 and the A34, both providing direct links with key urban centres in the southern region (London, Reading, Southampton, Bristol, Oxford and Swindon). The district has good rail links, with London less than an hour away and further connections, via Reading, to all the mainline routes throughout the country.

The district services an estimated population of 158,450, split between a demographic of 127,882 under 65 year olds and 30,568 residents over 65 years old. District residents predominately reside within Newbury, Thatcham, Hungerford and the urban areas of Tilehurst, Purley on Thames and Calcot, in the East of the district. The average employment rate is 83.0% compared to the Great Britain average of 75.4%. The rate of violent crime per 1,000 population across the district is 17.13 compared to a rate of 22.96 across the Thames Valley Police area.

4. West Berkshire Council

The Council became a single tier (unitary) Authority following the dissolution of Berkshire County Council on 1 April 1998. The Council accumulated increased powers and the surrounding district became West Berkshire District; this boundary formerly belonging to Berkshire County Council (within the district of Newbury District Council). Newbury District Council had been formed on 1 April 1974 following the amalgamation of The Newbury Borough Council, The Rural District Council of Hungerford, The Rural District Council of Newbury, The Rural District Council of Bradfield and The Rural District Council of Wantage.

The Council provides over 700 functions across the district and supports 66,000 households. 95.7% of schools in the area have been judged good or better by Ofsted as at 31st December 2020.

The Council is made up of 43 Councillors who are elected every four years by the people registered to vote in West Berkshire. There are 24 electoral wards, each ward is represented by up to three Councillors. Politically the Council is currently composed of 24 Conservatives, 16 Liberal Democrats and three Green Party Councillors.

5. Council Strategy

The Council Strategy was refreshed in 2020/21 with a renewed focus on six priority areas (as detailed in Figure 1 below). There is an accompanying action plan to deliver the strategy by March 2023. In light of Covid-19, the Council Strategy and a number of supporting strategies have been reviewed to consider the implications of the outbreak on our future work. These are available on the Council's webpages at: https://info.westberks.gov.uk/policies

6. Councils Performance Achievements

The Council has a formal quarterly process for measuring performance against strategic objectives. As at 31 March 2021, a total of 17 key accountable measures formed part of the reporting framework which monitors the Council's progress against the core business areas included in the Council Strategy.

Provisional end of year results (*Figure 2*) show that strong performance has been maintained despite the Covid-19 pandemic. Targets for 10 measures (59%) were achieved and were (RAG) rated 'Green'. Seven measures (41%) were not achieved and were RAG Rated 'Red' (some as a result of conscious decisions of the Council in order to save lives and livelihoods of West Berkshire residents).

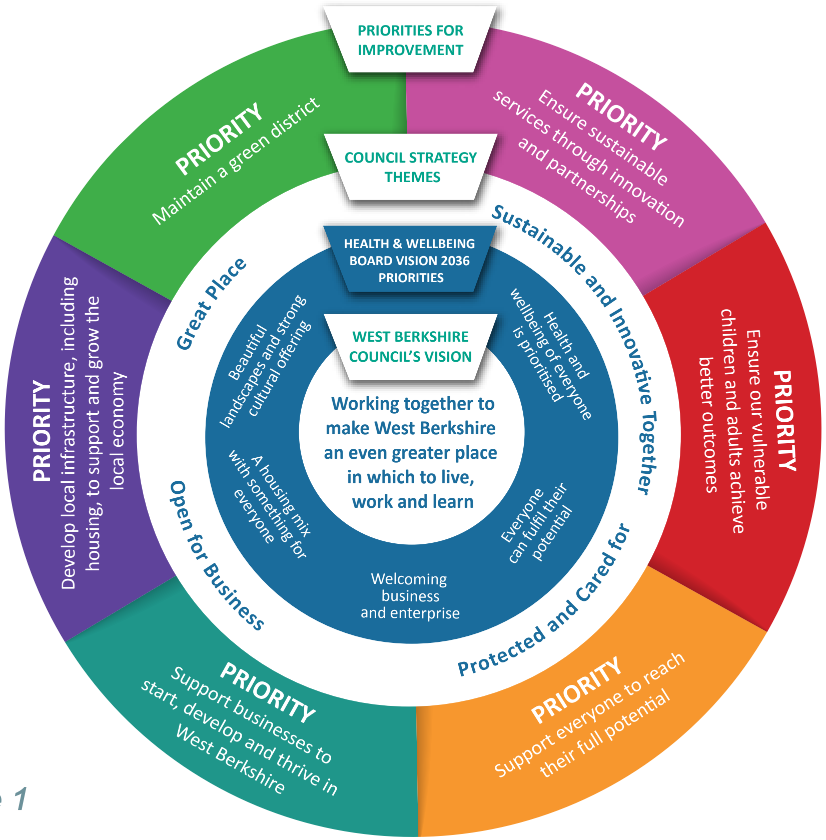

Figure 1

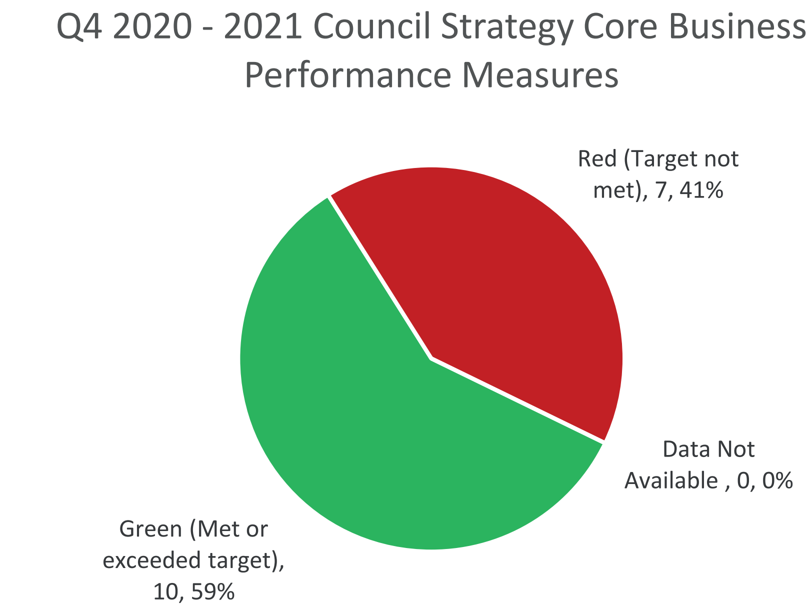

Figure 2

Another component of the performance reporting framework focuses on the progress against delivery of the Council Strategy's Priorities for Improvement. The graphic below (*Figure 3*) illustrates results achieved against each priority for improvement.

Performance information was available for 35 performance measures and an additional 10 were either baselining measures or unable to report (e.g. as a result of school exams not taking place for 2019/20 academic year).

7. Financial Performance: Response to the Covid Pandemic

The 2020/21 financial year presented a significant number of financial challenges for the Council in supporting residents and local businesses. These challenges were addressed via the Council's operation within an emergency planning operating structure, with further details described within the Annual Governance Statement (Section 6.3). The 2020/21 net revenue budget of £131m was set in March 2020, however, before the start of the financial year, the country was in national lockdown due to the Covid pandemic. The Council has played a significant part in responding to the pandemic, supported by Central Government grant funding. Central Government grant funding of £113m and £5m CCG funding, was received, enabling support of a range of activities within the district and distribute business rate reliefs. £101m has been spent or distributed, £6m put to a Covid reserve and £10m carried forward to 2021/22.

Without Emergency Grant funding supplied by Government for expenditure and income compensation, and Adult Social Care funding from the CCG, the Council would be facing a significant over spend, which would likely have put the Council far below the minimum level of reserves resulting in some immediate ceasing of service activity.

Figure 4 (below) notes that revenue outturn of £4.6 million underspend is net of £5 million of transfers to reserves. The under spend will be added to the Council's general reserves, of which over £2m has already been allocated to support the 2021/22 budget, to balance the financial impact of the pandemic on residents with the cost pressures the Council faces.

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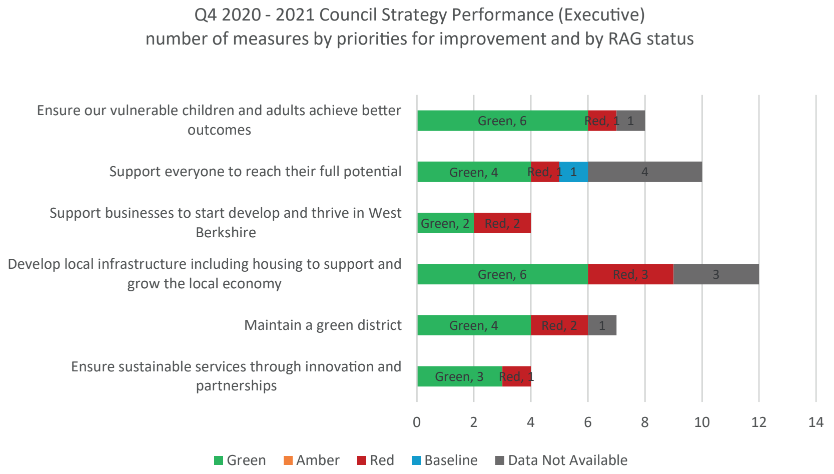

Figure 3

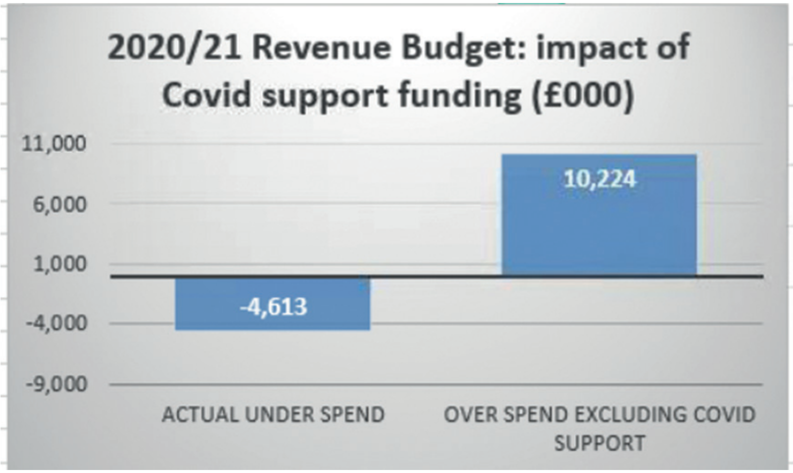

Figure 4

8. Financial Performance – Financial Context of the Council

Figure 5 details that at the Balance Sheet date of 31 March 2021 the Council holds total assets of £703.4 million which include:

- Operational land and buildings of £538.9 million
- Investment property of £66.3 million

Total liabilities of £716.2 million include:

- Long term borrowing of £210.3 million
- The pension scheme potential future liability of £420.4 million

The Council's Balance Sheet includes £98.9 million of usable reserves available to fund future spending plans and £111.7 million (negative) of unusable reserves. The overall Balance Sheet position as at 31.3.2021 is a negative balance of £12.8 million.

The main driver for the negative Balance Sheet position is the pension liability. The pension liability as at 31.3.2021 has grown by £127.3 million to £420.4 million. The pension fund liability is determined by the external actuaries and the performance of The Royal Berkshire Pension Fund. The key contributing factor to the increase between 31.3.2020 and 31.3.2021 is a fall in bond rates between 31.3.2020 and 31.3.2021 (bond rates are used to discount to present value, a lower bond rate results in a higher value placed on the present value, thus increasing the liability).

As the collecting authority the Council's Balance Sheet has been impacted through a substantial increase in the Collection Fund deficit between 31.3.2020 (£7.4 million) and 31.3.2021 (£23.1 million) as a result of extraordinary circumstances relating to the Covid pandemic. *Figure 6* summarises that the financial downturn has caused collection rates to be substantially lower than those estimated, whilst the

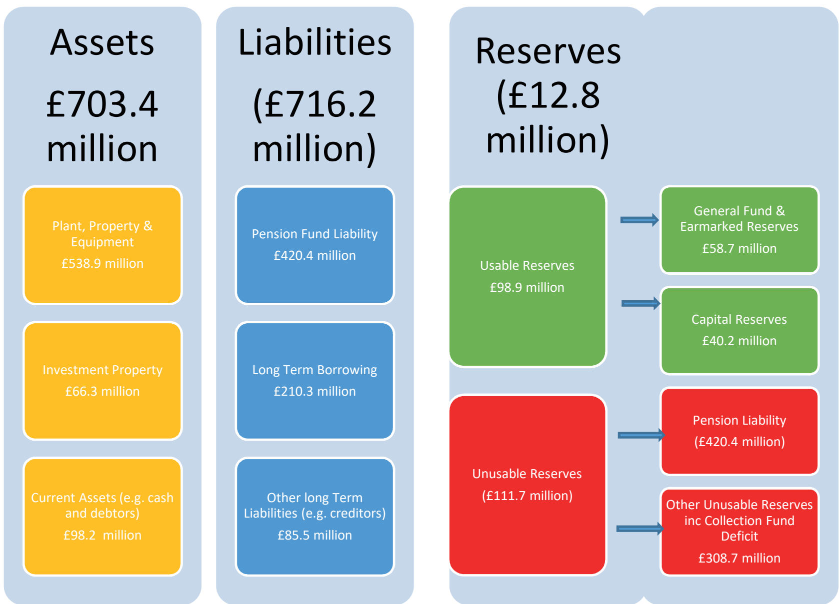

Figure 5 - Summary Balance Sheet as at 31.3.2021

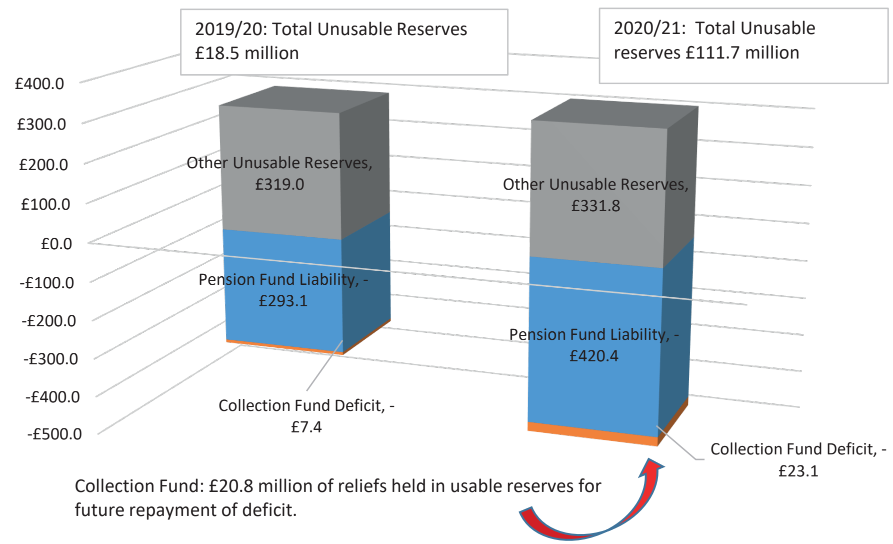

Figure 6 - Comparison of Unusable Reserves 2019/20 and 2020/21 in £ms

Government has introduced emergency rate reliefs for particular business sectors and compensation schemes for Councils. The collective Collection Fund deficit as at 31.3.2021 is broken down into Council Tax (deficit of £1.5 million) and Business Rates (deficit of £21.6 million). Compensatory reliefs totalling £20.8 million (Council tax £1 million and Business Rates £19.8 million) are held within usable reserves to mitigate the impact of the deficit in future years.

9. Total Resources

Council Assets

Figure 7 below shows that the Council's assets have grown by £47.8 million to £703.4 million as at 31.3.2021. Operational assets have increased in value over the period as a result of significant investment by the Council.

During the financial year £37 million was invested on operational assets and community based assets through the Council's approved capital programme. Key projects undertaken include:

- Investing in the Council's corporate estate.
- Improved cycle paths, transport management systems, roads, bridges and footpaths. Including responding to the Active Travel agenda implemented by Central Government as a response to the Covid pandemic.
- Investment into education facilities including development of an additional primary school.
- Investment into green initiatives inclusive of solar photovoltaics.

The Council's investment property portfolio incurred a minor downward revaluation of £255k as a result of market uncertainty in response to the pandemic, as at 31.3.2021 the portfolio held a balance of £66.3 million. The Council incurred success in year by agreeing a tenant for one property which had remained vacant. The portfolio continues to provide additional net income of approximately £500k per annum to the Council to support delivery of core Council services.

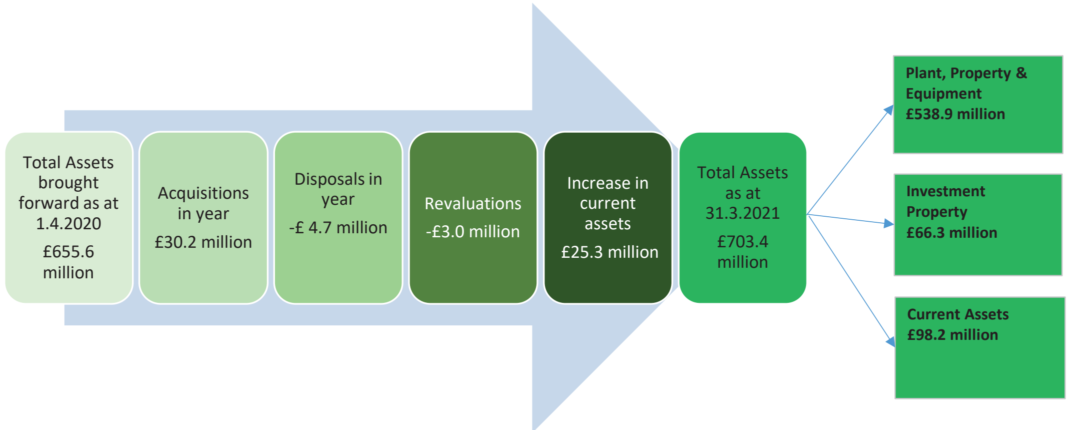

Figure 7 - Assets as at 31.3.2021

Council Reserves

In respect of the overall reserves position (shown in *Figure 8*), usable reserves have increased to £98.9 million as at 31.3.2021. The increased usable reserves balance is inclusive of £20.8 million of section 31 reliefs provided by Government to offset the Collection Fund deficit of £23.1 million held in unusable reserves. A further £5.9 million of funding is earmarked in a ring-fenced reserve to respond to impacts of the pandemic in future financial years. Usable reserves are split between capital reserves of £40.2 million and revenue reserves of £58.7 million. Capital reserves are inclusive of £1 million of capital receipts which will be applied to transformational projects over the course of the approved Council Strategy under the Flexible Use of Capital Receipts Policy.

Unusable reserves have been impacted by the Pension Fund liability of £420.4 million, the Collection Fund Deficit of £23.1 million and the Dedicated Schools Grant deficit of £1.4 million which due to a change of accounting treatment in 2020/21 is now held within unusable reserves. Unusable reserves are amounts set aside that the Council is unable to use to fund expenditure because they are unrealised or notional, i.e. they are not cash backed and relate to accounting adjustments.

The advisory Section 151 General Fund level for financial year 2021/22 is 5 percent of the Council's approved net revenue budget of £137 million, as at 31.3.2021 the General Fund net of earmarked reserve provision is £12.1 million. Overall the Council's usable reserves remain robust to enable the Council to respond to planned and unseen future events.

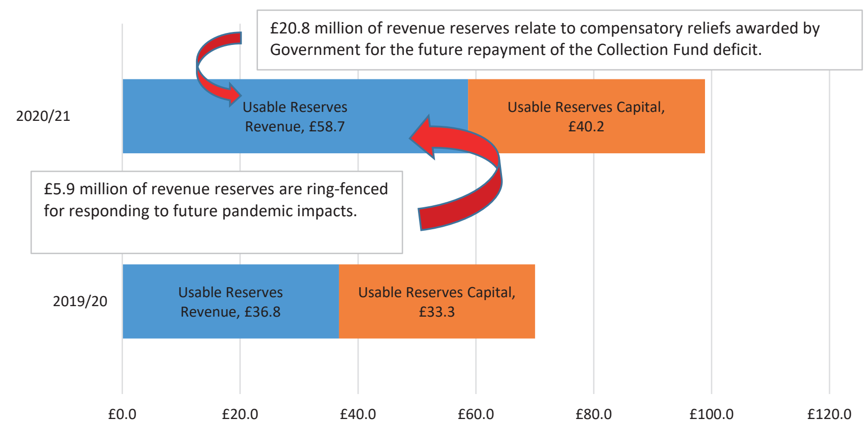

Figure 8 - Comparison of Usable Reserves 2019/20 and 2020/21 in £ms

10. Future Challenges, Medium Term Financial Planning (MTFS)

The Council projects its finances over the medium term to ensure it is in a sustainable position to deliver essential public services and finance the delivery of its corporate plans. The MTFS looks to a four year horizon; enough to provide some stability over an increasingly volatile financial future, but short term enough so that the first year represents the budget proposals for 2021-22, and for the next three years there are a variety of themes included which form the basis of the future savings areas. The MTFS also includes information on financing the capital strategy and how the scale and profile of this strategy has an impact on the overall financial position of the Council. The longer term outlook is dominated by three key factors; firstly, the macro-economic recovery from the Covid-19 pandemic and the impact that this will have on the UK economy; secondly the impact on public finances of future Spending Reviews, and thirdly, the long awaited fair funding review and proposed further business rates retention proposals for 2022-23 and beyond which should have a significant impact on the Council's finances and hopefully provide some longer term financial planning certainty.

The delivery of the MTFS cannot occur through the Council alone. A significant proportion, 50%, of the Council's budget is delivered through partners in the private, public and voluntary sectors. The Council's proposals for future financial stability will involve all of these partners, including where there are proposals to invest in infrastructure, deliver core services and transform how the Council delivers its services in the future.

The delivery of the strategy is also dependent on the Government and most importantly the MHCLG (Ministry of Housing, Communities and Local Government) review of 'fair funding' and further business rates retention.

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This fair funding review was originally due to impact on the 2020-21 budget but is now most likely to come into effect from 2022-23. The Review has not been consulted upon yet, so figures included in the MTFS are indicative, but the working assumption in the MTFS is:

- No new additional monies are provided to the Council
- The notion of no 'negative RSG (Revenue Support Grant) is maintained and incorporated into the new fair funding model
- That there is a hard reset of business rates to a new baseline so growth above the existing baseline is not retained by WBC – at a cost of £4m p.a. – but a transitional funding scheme comes into place to mitigate this impact over a 3 year period
- New Homes Bonus is removed – no assumption has been made on its replacement
- Council Tax referendum levels remain at 2% and ASC Council Tax precept levels revert to 2% from 2023-24
- Inflation remains at 2% in the longer term

The MTFS over the period 2021/22 – 2024/25 includes saving assumptions of £16.8 million alongside investment provision of £5.7 million in support of Council Strategy priorities, post Covid pandemic responses and increases in capital financing to support the Capital Strategy. Over the period 2021/22 to 2023/24 the Council has approved a Capital Strategy and supporting programme of £122.9 million.

11. The Future and COVID 19

The Council holds a variety of statutory and non-statutory receivables including Business Rates (also known as Non Domestic Rates), Council Tax, debtor balances, trade receivables, loans receivable and bank balances. Measures taken nationally to control the pandemic has resulted in significant economic losses (nationally) that have affected collection rates as businesses and individuals experience financial effects of the national lockdown pandemic response.

The uncertainty caused by the pandemic has also significantly increased volatility in markets, impacting on valuations on non-current operational and non-operational assets, but also in investment properties and assets held by pension funds. The impacts of this uncertainty is reflected within disclosure notes supporting the financial statements.

The economic impacts from the Covid pandemic are anticipated to create ongoing future economic challenges and uncertainty. To balance the budget there will be a continuing need for service transformation, efficiencies and other savings initiatives for the foreseeable future.

Statement of Responsibilities

The Council's Responsibilities

The Council is required to:

- Make arrangements for the proper administration of its financial affairs and to secure that one of its officers (the Executive Director for Resources) has responsibility for the administration of those affairs;
- Manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets; and
- Approve the Financial Statements

The Section 151 Officer's responsibilities

The Executive Director for Resources is responsible for the preparation of theFinancial Statements 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 the Financial Statements, the Executive Director for Resources has:

- selected suitable accounting policies and then applied them consistently;
- made judgements and estimates that were reasonable and prudent;
- complied with the Local Authority Code of Practice

The Executive Director for Resources has also:

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

Confirmation of Section 151 Officer

I confirm that the Statement of Accounts presents a true and fair view of the financial position of the Council as at 31 March 2021 and its income and expenditure for the year then ended on that date.

Joseph Holmes
Executive Director for Resources,
s151 Officer

Date: 25 September 2023

Independent Auditors Report:

External Audit report will be added following the completion of the Audit

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Core Financial Statements

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Comprehensive Income and Expenditure Statement:

This Statement 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 taxation (or rents). Authorities raise taxation (and rents) to cover expenditure in accordance with statutory requirements; this may differ from the accounting cost. The taxation position is shown in both the Expenditure and Funding Analysis and the Movement in Reserves Statement.

2019/20 Restated**					2020/21		
Expenditure	**Income**	**Net Expenditure**	**Comprehensive Income and Expenditure Statement**		**Expenditure**	**Income**	**Net Expenditure**
£000	**£000**	**£000**		**Note**	**£000**	**£000**	**£000**
216,330	(129,569)	86,761	People Directorate	7	233,988	(157,292)	76,696
65,922	(21,022)	44,900	Place Directorate	7	57,591	(16,506)	41,085
59,127	(47,482)	11,645	Resources Directorate	7	72,163	(42,579)	29,584
1,241	(105)	1,136	Chief Executive	7	1,133	(820)	313
342,620	**(198,178)**	**144,442**	**Cost of services**		**364,875**	**(217,197)**	**147,678**
7,924	0	7,924	Other operating expenditure	10	9,273	0	9,273
33,579	(16,698)	16,881	Financing and investment income and expenditure	11	15,084	(3,821)	11,263
42,406	(201,849)	(159,443)	Taxation and non-specific grant income and expenditure	12	25,378	(203,837)	(178,459)
426,529	**(416,725)**	**9,804**	**(Surplus)/deficit on the provision of services**	**13**	**414,610**	**(424,855)**	**(10,245)**
53,468	(72,238)	(18,770)	Surplus on the revaluation of property, plant and equipment assets	24.1	1,734	(3,245)	(1,511)
0	(38,542)	(38,542)	Remeasurement of the net defined benefit liability	24.5	113,125	0	113,125
53,468	**(110,780)**	**(57,312)**	**Other Comprehensive Income and Expenditure**		**114,859**	**(3,245)**	**111,614**
479,997	**(527,505)**	**(47,508)**	**Total Comprehensive Income and Expenditure**		**529,469**	**(428,100)**	**101,369**

**For further details, please refer to Note 41 - Prior Period Adjustments

Movement in Reserves Statement:

The Movement in Reserves Statement shows the movement from the start of the year to the end on different reserves held by the Authority, analysed into 'Usable Reserves' (i.e. those that can be applied to fund expenditure or reduce local taxation) and other 'Unusable Reserves'. This Statement shows how the in-year movements of the Authority's reserves are broken down between gains and losses incurred in accordance with generally accepted accounting practices and the statutory adjustments required to return to the amounts chargeable to council tax (or rents) for the year. The net increase/ decrease line shows the statutory General Fund Balance movements in the year following those adjustments.

Movement in Reserves Statement	Note	General Fund	Earmarked General Fund Reserves	Schools Reserves	General Fund Total	Capital Receipts Reserve	Capital Grants Unapplied Account	Total Usable Reserves	Total Unusable Reserves	Total Council Reserves
		£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
2020/21										
Balance at 1 April 2020 brought forward		8,029	23,334	5,409	36,772	5,453	27,822	70,047	18,532	88,579
Reclassifications		0	100	(100)	0	0	0	0	0	0
Movement in reserves during 2020/21										
Surplus on the provision of services	13	10,245	0	0	10,245	0	0	10,245	0	10,245
Other Comprehensive Income and Expenditure		0	0	0	0	0	0	0	(111,614)	(111,614)
Total Comprehensive Income and Expenditure		10,245	0	0	10,245	0	0	10,245	(111,614)	(101,369)
Adjustments between Accounting Basis and Funding Basis under Regulations	8	11,635	0	0	11,635	1,073	5,902	18,610	(18,610)	0
Movement during 2020/21		**21,880**	**0**	**0**	**21,880**	**1,073**	**5,902**	**28,855**	**(130,224)**	**(101,369)**
Transfers to Earmarked Reserves	9	(17,792)	15,081	2,711	0	0	0	0	0	0
Balance at 31 March 2021 carried forward		**12,117**	**38,515**	**8,020**	**58,652**	**6,526**	**33,724**	**98,902**	**(111,692)**	**(12,790)**
2019/20 Restated**										
Balance at 1 April 2019 brought forward		8,221	16,400	5,334	29,955	745	33,033	63,733	(22,662)	41,071
Other adjustments to General Fund		(70)	0	0	(70)	0	0	(70)	70	0
Movement in reserves during 2019/20										
Deficit on the provision of services	13	(9,804)	0	0	(9,804)	0	0	(9,804)	0	(9,804)
Other Comprehensive Income and Expenditure		0	0	0	0	0	0	0	57,312	57,312
Total Comprehensive Income and Expenditure		(9,804)	0	0	(9,804)	0	0	(9,804)	57,312	47,508
Adjustments between Accounting Basis and Funding Basis under Regulations	8	16,691	0	0	16,691	4,708	(5,211)	16,188	(16,188)	0
Movement during 2019/20		**6,887**	**0**	**0**	**6,887**	**4,708**	**(5,211)**	**6,384**	**41,124**	**47,508**
Transfers to Earmarked Reserves	9	(7,009)	6,934	75	0	0	0	0	0	0
Balance at 31 March 2020 carried forward		**8,029**	**23,334**	**5,409**	**36,772**	**5,453**	**27,822**	**70,047**	**18,532**	**88,579**

** For further details, please refer to Note 41 - Prior Period Adjustments

Balance Sheet:

The Balance Sheet shows the value at the Balance Sheet date of the assets and liabilities recognised by the Authority. The net assets of the Authority (assets less liabilities) are matched by the reserves held by the Authority. Reserves are reported in two categories. The first category is usable reserves i.e. those reserves that the Authority 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 may only be used to fund capital expenditure or repay debt). The second category of reserves is unusable reserves, amounts that the Authority is unable to use to fund service delivery. This category includes reserves that hold realised gains and losses (the Revaluation Reserve, for example), 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 line 'Adjustments between Accounting Basis and Funding Basis under Regulations'.

I certify that the Accounts present a true and fair view of the financial position of the Authority and of its income and expenditure for the year ended 31 March 2021.

Joseph Holmes
Executive Director for Resources, s151 Officer

Date: 25 September 2023

1 April 2019 Restated** £'000	31 March 2020 Restated** £'000		Notes	31 March 2021 £'000
		Non-current:		
328,441	347,686	Property, plant and equipment	**14**	349,057
166,135	178,514	Infrastructure Assets	**14.1**	188,461
75,950	66,570	Investment properties	**16**	66,315
0	1,013	Intangible assets	**17**	1,374
1,712	0	Assets held for sale		0
83	75	Long-term debtors	**18**	50
572,321	**593,858**	**Long-term assets**		**605,257**
		Current:		
0	1,822	Assets held for sale		3,458
26,000	16,000	Short-term investments	**18**	14,000
5	9	Inventories		8
29,871	28,109	Short-term debtors	**19**	59,595
8,314	15,898	Cash and cash equivalents	**20**	21,080
64,190	**61,838**	**Current assets**		**98,141**
		Liabilities:		
(14,872)	(10,614)	Short-term borrowings	**18**	(6,388)
(34,949)	(37,445)	Short-term creditors	**21**	(65,816)
(1,566)	(3,094)	Provisions	**22**	(2,444)
(2,610)	(934)	Grant receipts in advance - revenue	**33.2**	(5,651)
(16,788)	(6,144)	Grant receipts in advance - capital	**33.2**	(5,178)
(70,785)	**(58,231)**	**Current liabilities**		**(85,477)**
		Long-term:		
(12,971)	(12,249)	Long-term creditors	**18**	(11,483)
(194)	(75)	Provisions	**22**	(9)
(194,746)	(196,470)	Long-term borrowings	**18**	(191,848)
(316,509)	(293,143)	Other long-term liabilities	**38.1**	(420,381)
(236)	(6,949)	Grant receipts in advance - capital	**33.2**	(6,990)
(524,656)	**(508,886)**	**Long-term liabilities**		**(630,711)**
41,070	**88,579**	**Net (liabilities)/assets**		**(12,790)**
(63,733)	(70,047)	Usable reserves	**23**	(98,902)
22,662	(18,532)	Unusable reserves	**24**	111,692
(41,071)	**(88,579)**	**Total reserves**		**12,790**

** For further details, please refer to Note 41 - Prior Period Adjustments

Cash Flow Statement:

The Cash Flow Statement shows the change in cash and cash equivalents of the Authority during the reporting period. The Statement shows how the Authority 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 Authority are funded by way of taxation and grant income or from the recipients of services provided by the Authority. Investing activities represent the extent to which cash outflows have been made for resources which intended to contribute to 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 Authority.

2019/20 Restated** £'000	Cash Flow Statement	Notes	2020/21 £'000
(9,804)	Net surplus/(deficit) on the provision of services	13	10,245
33,094	Adjustments to net surplus/(deficit) on the provision of services for non - cash movements	25	28,030
23,290	**Net cash flows from operating activities**		**38,275**
(16,826)	Investing activities	26	(23,523)
1,120	Financing activities	27	(9,570)
7,584	**Net increase in cash and cash equivalents**		**5,182**
8,314	Cash and cash equivalents at the beginning of the reporting period		15,898
15,898	**Cash and cash equivalents at the end of the reporting period**	**20**	**21,080**

** For further details, please refer to Note 41 - Prior Period Adjustments

Notes to the Accounts

Note 1: Accounting Policies

1. 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 2020/21, these proper accounting practices principally comprise:

- The Code of Practice on Local Authority Accounting in the United Kingdom 2020/21 (the Code);
- The Service Reporting Code of Practice 2020/21 (SeRCoP);
- The Local Authorities (Capital Finance and Accounting)(England) Regulations 2003 (SI 2003 No 3146, as amended).

The Statement of Accounts has been 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.

Asset class	Accounting basis in the CIES
Property, plant and equipment - dwellings	Existing Use Value (EUV) - social housing
Property, plant and equipment - other land and buildings	Current value, comprising EUV. Where prices for comparable properties are available in an active market, properties are valued at market value taking into account the existing use. Where no market exists or the property is specialised, the current value is measured at depreciated replacement cost
Property, plant and equipment - surplus assets	Fair value
Investment properties	Fair value
Intangible assets	Amortised historical cost
Financial instruments	Fair value
Pension assets	Fair value
Pension liabilities	Measured on an actuarial basis (see Note 38.1)

2. Going Concern Concept

The Local Authority's 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.

3. 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 are recognised where the value exceeds £5k;
- 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 34% of total budgeted income for 2020/21. 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.

4. 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 mature in no more than three days or less and that are readily convertible to known amounts of cash with low risk of change in value.

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

Prior period adjustments may occur as a result of a change in accounting policy or to correct a material error. Changes are accounted for retrospectively. Five prior period adjustments have been reflected in 2020/21; with none arising as a result of changes in accounting policies. Three journal adjustments have an impact upon the Council's Balance Sheet. These concern Section 106 contributions, assets held for sale and short-term investments/ cash and cash equivalents. The fourth journal affects the Comprehensive Income and Expenditure Statement only. These adjustments are detailed in Note 41. A fifth adjustment does not affect the Balance Sheet or Comprehensive Income and Expenditure Statement, and is itemised in Note 36. The Council has not adopted any new accounting standards or amendments that significantly impact the Council's overall financial position.

6. 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. See Accounting Policy 21.5 - Minimum Revenue Provision (MRP).

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

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 30 November 2022 (the date when this Statement of Accounts has been 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; 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 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.

8. 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 2020/21, the Council holds no such interests, and therefore no Group Accounts have been prepared.

9. 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.

10. 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.

11. Revenue Expenditure funded by Capital under Statute

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 within Note 35.

12. 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.

13. 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.

14. 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.

15. 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. 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.

16. Schools

Local authority-maintained schools are considered 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 not included in this Statement of Accounts.

17. Value Added Tax

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

18. Joint Operations

Jointly-controlled operations are where the parties involved have joint control of an arrangement and have rights to the asset and obligation 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.

19. Provisions, Contingent Assets and Liabilities

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, taking into account relevant risks and uncertainties.

Contingent Assets

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

20. 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.

21. 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 £5,000.

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.

21.1 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.

21.2 Depreciation

Depreciation is provided for on all Property, Plant and Equipment assets by the systematic allocation of their depreciable amounts over their useful lives. An exception is made for assets without a determinable finite useful life (eg 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 valuer;
- 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 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.

21.3 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.

21.4 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 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.

21.5 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.

21.6 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 requests that the valuer provides 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 2020/21, a componentisation de minimis of £3million has been implemented. The change in policy will be 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 should be assessed for componentisation where generally treated together elsewhere.

22. Heritage Assets

These assets have historical, artistic or scientific importance and are held primarily for their contribution to art and culture. Heritage assets are deemed to have infinite lives and are not subject to depreciation, but 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.

23. 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.

24. 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.

25. 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 Code's adaption of IFRIC 12 Service Concession Arrangements.

26. 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 cash flows;
- 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 value of assets carried at fair value are debited/credited to the Financing and Investment Income and Expenditure line as they arise.

27. 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 entitlement.

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 additional Employer contribution in the region of £4.8m in 2021/22 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 2021/22 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 assumptions about mortality rates, employee turnover rates and projections 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. 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, these comprising the return on plan assets (excluding amounts included in net interest on the net defined benefit liability/(asset) – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure. 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 or because the actuaries have updated their assumptions – charged to the Pensions 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 the 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.

28. 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 the 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 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 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.

29. 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.

Note 2: Accounting standards issued but not yet adopted

In accordance with the Code, there is a requirement for the Authority to disclose a change in accounting policy to be applied retrospectively unless alternative transitional arrangements are specified in the Code. The Code specifies in paragraph 3.3.4.3 that the Authority should disclose information relating to an impact resulting from those changes to new accounting standards issued but not yet adopted. In 2020/21, there are no such relevant standards.

Note 3: Critical judgements in applying accounting policies

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

The critical judgements made in the Statement of Accounts are:

3.1 Schools

- The Council has assessed the legal framework underlying each type of school and determined the treatment of non-current assets within the Statement of Accounts according to whether it owns or has some responsibility for, control over or benefit from the service potential of the premises and land occupied;

- The Council has considered its accounting classification for each school and accordingly school assets for community schools have been recognised within the Balance Sheet;
- The Council has not recognised assets relating to academies, voluntary aided, voluntary controlled or foundation secondary schools as it is of the opinion that these assets are not controlled by the Council. In the case of voluntary aided and voluntary controlled schools, these assets were deemed to be controlled by the relevant dioceses following consultation and review;
- The transfer of schools to academies is recognised as a disposal from the Council's Balance Sheet on the date that the school converts to academy status. No impairment is recognised by the Council prior to the transfer.

3.2 Pension Fund

The administering authority for the Pension Fund is the Royal Borough of Windsor and Maidenhead. The Pension Fund Committee oversees the management of the fund and day-to-day administration is undertaken by a team within the administering authority.

Some functions are undertaken by the Council's professional advisor - Barnett Waddingham. Further to consultation between the two parties, the administering Authority is responsible, with professional advice from the consultant Actuaries, for preparing and maintaining the Investment and Funding Strategy Statement. Generally a defined benefit pension scheme is exposed to a number of risks including investment, interest rate, inflation and longevity risks. (see Note 38.4).

3.3 Covid-19

The financial impact of the Covid-19 pandemic has affected the whole of local government. The Council's actions (aided by additional funding from Central Government) have attempted to address the significant uncertainties arising. The Council is fortunate that it does not have involvement in the industries primarily affected by the financial impact of Covid-19, these including travel, airlines and other significant commercial ventures. Furthermore, the Council does not place over-reliance on one specific income stream. Management feel that the operational judgements made will protect the Council's future financial position.

3.4 PPE Valuation Uncertainty

The UK's official departure from the European Union (EU) and Covid-19 have both created uncertainty within property markets and the costs associated with these markets during 2020/21. Covid-19 has and continues to impact many aspects of daily life and the global economy – with some real estate markets having experienced lower levels of transactional activity and liquidity. Nevertheless, most property markets are now properly functioning again, with transactional volumes and other relevant evidence at levels where an adequate quantum of market data exists upon which to place judgement and base opinions of value.

3.5 Future funding of Local Government

There is a high degree of uncertainty regarding future levels of funding for local government, including a full review of the Settlement Funding assessment. The proposed structure of the relative needs assessment in context set out the removal of:

- The deprivation top-up;
- The additional population top-up;
- The fixed amount for each Local Authority;
- Density and sparsity assume no changes as the impact of removal cannot be assessed.

The Authority has determined however 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 service levels. The Authority prepares a detailed Medium-Term Financial Strategy 2020 to 2024, which models risks and helps identify the corrective actions required to mitigate those risks. With reduced and/or no levels of Revenue Support Grant, the Authority continues to identify additional income streams, including the potential acquisition of commercial properties and other joint operating ventures.

3.6 Business Rate Retention

The Authority entered into a 75% pilot under a Pooling arrangement with other Berkshire authorities during 2019/20. As a result of the high levels of growth in Business Rate Retention for the Council, the Authority has returned to a 50% scheme for 2020/21. The Authority has a 49% share in the scheme, with Central Government holding 50% and The Royal Berkshire Fire and Rescue Service holding 1%.

Note 4: Assumptions made about the future and other Major Sources of Estimation Uncertainty

The Statement of Accounts contains estimates that are based upon assumptions made by the Authority regarding the future or events 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 full certainty, actual results could be materially different from the original assumptions and estimates. The items in the Authority's Balance Sheet at 31 March 2021 for which where is a significant risk of material adjustment in forthcoming financial years are as follows. Where uncertainties occur within the comparative year this will be stated.

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
Valuations of Property, Plant and Equipment	Land and Property asset valuations have been subject to ongoing market review and these effects may theoretically be variable between valuation methods and assumptions. For specialised assets valued using the Depreciated Replacement Cost (DRC) method, a valuation impairment/increase may be relevant within the financial year to 31 March 2021.	As DRC properties will be based upon the RICS BCIS Cost guides and componentised valuations and based on Gross Value, this could impact a total of £0.46m for assets valued using the DRC methodology. As reported, no relevant impairment factor was identified and therefore no resulting downward valuation (Gross Value) would be realised.
Existing Use Value (EUV)/Fair Value (FV) measurements	Non-specialised assets valued at the EUV or FV bases were subject to increases of between -3% and +5% depending on the sector, with no resulting changes to Development Land and Community Assets.	There were three assets valued as PPE (EUV) and one Investment (FV) asset which were not land assets, and therefore the resulting impact if an impairment of -3% was applied would be £0.156m. All other assets valued were land sites.
Pension Liability	Estimation of the net liability to pay pensions depends upon a number of complex accounting judgements, including the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and unexpected returns on Pension Fund assets. The Authority has engaged Barnett Waddingham as Actuary to provide expert advice regarding the assumptions to be applied.	The effects of the net pension liability of changes to individual assumptions can be measured. The sensitivity analysis from the Actuary has indicated increases of around 0.1% to the discount rates over the triennial period. For example, a +0.1% increase in the discount rate assumption would result in a decrease in projected service cost from £31.205m to £30.336m. An increase in the salary rate of +0.1% would result in an increase in projected service cost from £31.205m to £31.222m.
Business Rate Provision Appeals	As at 31 March 2021, the Council has increased the Appeals provision by £0.8m. This was based upon the use of a 5.7% calculation for appeals in the 2017 list. It was necessary to increase the provision due to the levels of uncertainty surrounding the outcome of Business Rates appeals relating to past financial years and as a result of the potential impact of Covid-19 on the Collection Fund.	If the provision for appeals requirement was increased by 2% above the NNDR3 provision, this would equate to an increase of £1.3m shared across Central Government (25%), The Royal Berkshire Fire and Rescue Service (1%) and West Berkshire Council (74%).

Note 5: Material Items of Income and Expense

The CIPFA Code requires that where items are not disclosed on the face of the Comprehensive Income and Expenditure Statement, the nature and amount of material items should be disclosed in a Note to the Accounts. The following items fall within this category:

- Dedicated Schools Grant (DSG) – 2020/21 expenditure of £96.9m was supported by in-year DSG Grant funding;
- Covid-19 grant funding – the Council received a total of £12.0m in 2020/21 (2019/20: £3.2m). Further details are disclosed within Note 33.1 – Grant Income.

Note 6: Events after the Balance Sheet Date

After preparing the Statement of Accounts for 2020/21, and after the Balance Sheet date of 31 March 2021, the Section 151 office authorised the Statement for Accounts for issue on 30 November 2022. There are no adjusting Post Balance Sheet Events.

Note 7: Expenditure and Funding Analysis:

The Expenditure and Funding Analysis shows how annual expenditure is funded from resources (government grants, rents, council tax and business rates) by local authorities in comparison with the resources earned by authorities 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. The Council's key reportable segments are the individual Directorates as defined within the organisational structure.

2019/20				2020/21		
Net expenditure chargeable to the General Fund	Adjustments (see Note 7A)	Net expenditure in the Comprehensive Income and Expenditure Statement	Expenditure and Funding Analysis	Net expenditure chargeable to the General Fund	Adjustments (see Note 7A)	Net expenditure in the Comprehensive Income and Expenditure Statement
£'000	£'000	£'000		£'000	£'000	£'000
51,797	34,964	86,761	People Directorate	50,994	25,702	76,696
26,835	18,065	44,900	Place Directorate	27,245	13,840	41,085
6,984	4,661	11,645	Resources Directorate	19,699	9,885	29,584
553	583	1,136	Chief Executive	313	0	313
86,169	**58,273**	**144,442**	**Net cost of services**	**98,251**	**49,427**	**147,678**
(93,056)	(41,582)	(134,638)	Other income and expenditure	(120,131)	(37,792)	(157,923)
(6,887)	**16,691**	**9,804**	**(Surplus)/deficit on the provision of services**	**(21,880)**	**11,635**	**(10,245)**
(29,955)			Opening General Fund 1 April	(36,772)		
(16,691)			Plus adjustments between Accounting and Funding Basis	(11,635)		
70			Other adjustments to General Fund	0		
9,804			(Plus)/less (surplus)/deficit on the provision of services	(10,245)		
(36,772)			**Closing General Fund 31 March**	**(58,652)**		

Note: 7A Note to the Expenditure and Funding Analysis

Adjustments between Funding and Accounting Basis

Column 1 - Adjustments for capital purposes – this column adds in depreciation and impairment and revaluation gains and losses in the services line, and for:

- Other operating expenditure – adjusts for capital disposals with a transfer of income on disposal of assets and the amounts written off for those assets.
- Financing and investment income and expenditure – the statutory charges for capital financing ie Minimum Revenue Provision and other revenue contributions are deducted from other income and expenditure as these are not chargeable under generally

accepted accounting practices.

- Taxation and non-specific grant income and expenditure – capital grants are adjusted for income not chargeable under generally accepted accounting practices. Revenue grants are adjusted from those receivable in the year to those receivable without conditions or for which conditions were satisfied throughout the year. The taxation and non-specific grant income and expenditure line is credited with capital grants receivable in the year without conditions or for which conditions were satisfied in the year.

Column 2 - Net Change for Pensions Adjustments Net change for the removal of pension contributions and the addition of IAS 19 Employee Benefits pension-related expenditure and income: For services this represents the removal of the employer pension contributions made by the Authority as allowed by statute and the replacement with current service costs and past service costs. For financing and investment income and expenditure-net interest on the defined benefit liability is charged to the Comprehensive Income and Expenditure Statement.

Column 3 - Other Non-Statutory adjustments Other differences between amounts debited/credited to the Comprehensive Income and Expenditure Statement and amounts payable/receivable to be recognised under statute:

For Financing and investment income and expenditure the other differences column recognises adjustments to the General Fund for the timing differences for premiums and discounts. The charge under Taxation and non-specific grant income and expenditure represents the difference between what is chargeable under Statutory Regulations for Council Tax and NNDR that was projected to be received at the start of the year and the income recognised under generally accepted accounting practices in the Code. This is a timing difference as any difference will be brought forward in future surpluses or deficits on the Collection Fund.

2019/20					2020/21			
Adjustments for capital purposes	Net change for pension adjustments	Statutory adjustments	Total adjustments	Adjustments between Funding and Accounting Basis	Adjustments for capital purposes	Net change for pension adjustments	Statutory adjustments	Total adjustments
£'000	£'000	£'000	£'000		£'000	£'000	£'000	£'000
17,665	17,600	(301)	34,964	People Directorate	9,888	15,011	803	25,702
9,126	9,094	(155)	18,065	Place Directorate	5,324	8,083	433	13,840
2,354	2,347	(40)	4,661	Resources Directorate	3,803	5,773	309	9,885
295	293	(5)	583	Chief Executive	0	0	0	0
29,440	**29,334**	**(501)**	**58,273**	**Net cost of services**	**19,015**	**28,867**	**1,545**	**49,427**
(29,103)	(14,158)	1,679	(41,582)	Other income and expenditure from Expenditure and Funding Analysis	(37,336)	(14,754)	14,298	(37,792)
337	**15,176**	**1,178**	**16,691**	**Difference between General Fund surplus or deficit and Comprehensive Income and Expenditure Statement (surplus)/deficit on the provision of services**	**(18,321)**	**14,113**	**15,843**	**11,635**

Note 7B: Segmental income

Income received according to the Authority's operating segments is analysed as follows:

2019/20 Restated** Income from services £'000	Segmental income	2020/21 Income from services £'000
(129,569)	People Directorate	(157,292)
(21,022)	Place Directorate	(16,506)
(47,482)	Resources Directorate	(42,579)
(105)	Chief Executive	(820)
(198,178)	**Total income analysed on a segmental basis**	**(217,197)**

** For further details, please refer to Note 41 - Prior Period Adjustments

Note 8: Adjustments between accounting basis and funding basis under regulations

The resources available to the Council in any financial year and the expenses that are charged against those resources are specified by statute (the Local Government Act 2003 and the 2003 Regulations). Where the statutory provisions differ from the accruals basis used in the Comprehensive Income and Expenditure Statement, adjustments to the accounting treatment are made in the Movement in Reserves Statement (MiRS) so that usable reserves reflect the funding available at the year-end. Unusable reserves are created to manage the timing differences between the accounting and funding bases. The material adjustments are summarised as follows:

2020/21	Usable Reserves			
	General Fund Total £'000	Capital Receipts Reserve £'000	Capital Grants Unapplied Account £'000	Movement in Unusable Reserves £'000
Adjustments to revenue resources				
Amounts by which income and expenditure included in the comprehensive income and expenditure statement are different from revenue for the year calculated in accordance with statutory requirements				
Accumulated Dedicated Schools Grant (DSG) deficit (transferred to the DSG Adjustment Account)	(1,461)	0	0	1,461
Pension costs (transferred to (or from) the Pension Reserve)	14,113	0	0	(14,113)
Council Tax and NNDR (transferred to (or from) the Collection Fund Adjustment Account)	15,759	0	0	(15,759)
Holiday pay (transferred to the Accumulated Absences Account Reserve)	1,545	0	0	(1,545)
Reversal of entries included in the surplus or deficit on the provision of services in relation to capital expenditure (these items are charged to the Capital Adjustment Account)	25,707	0	0	(25,707)
Total adjustments to revenue resources	**55,663**	**0**	**0**	**(55,663)**
Adjustments between revenue and capital resources				
Statutory provision for the repayment of debt (transfer from the Capital Adjustment Account)	(7,360)	0	0	7,360
Total adjustments between revenue and capital resources	**(7,360)**	**0**	**0**	**7,360**
Adjustments to capital resources				
Use of the Capital Receipts Reserve to finance capital expenditure	(1,073)	1,073	0	0
Application of capital grants to capital financing transferred to the Capital Adjustment Account	(37,336)	0	7,643	29,693
Application of capital expenditure amounts within the Capital Grants Unapplied Account	1,741	0	(1,741)	0
Total adjustments to capital resources	**(36,668)**	**1,073**	**5,902**	**29,693**
Total adjustments	**11,635**	**1,073**	**5,902**	**(18,610)**

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Note 8: Adjustments between accounting basis and funding basis under regulations (continued)

2019/20	Usable Reserves			
	General Fund Total	Capital Receipts Reserve	Capital Grants Unapplied Account	Movement in Unusable Reserves
	£'000	£'000	£'000	£'000
Adjustments to revenue resources				
Amounts by which income and expenditure included in the comprehensive income and expenditure statement are different from revenue for the year calculated in accordance with statutory requirements				
Pension costs (transferred to (or from) the Pension Reserve)	15,176	0	0	(15,176)
Council Tax and NNDR (transferred to (or from) the Collection Fund Adjustment Account)	1,679	0	0	(1,679)
Holiday pay (transferred to the Accumulated Absences Account Reserve)	(501)	0	0	501
Reversal of entries included in the surplus or deficit on the provision of services in relation to capital expenditure (these items are charged to the Capital Adjustment Account)	34,928	0	0	(34,928)
Total adjustments to revenue resources	**51,282**	**0**	**0**	**(51,282)**
Adjustments between revenue and capital resources				
Statutory provision for the repayment of debt (transfer from the Capital Adjustment Account)	(7,429)	0	0	7,429
Total adjustments between revenue and capital resources	**(7,429)**	**0**	**0**	**7,429**
Adjustments to capital resources				
Use of the Capital Receipts Reserve to finance capital expenditure	(114)	4,708	0	(4,594)
Application of capital grants and contributions to finance capital expenditure	(27,048)	0	(5,211)	32,259
Total adjustments to capital resources	**(27,162)**	**4,708**	**(5,211)**	**27,665**
Total adjustments	**16,691**	**4,708**	**(5,211)**	**(16,188)**

Note 9: Movements in Earmarked General Fund Reserves

	Balance at 1 April 2019	Transfers out 2019/20	Transfers in 2019/20	Balance at 31 March 2020	Reclassifications	Transfers out 2020/21	Transfers in 2020/21	Balance at 31 March 2021
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Balances held by schools under a scheme of delegation	5,334	0	75	5,409	(100)	0	2,711	8,020
DSG overspend	(100)	0	0	(100)	100	0	0	0
Special expenses	(20)	0	16	(4)	0	0	10	6
Self-insurance fund	955	0	189	1,144	0	(4)	0	1,140
Long-term commitment	771	(60)	0	711	0	(58)	0	653
Specific earmarked reserves	14,174	0	2,770	16,944	0	0	12,692	29,636
Waste management strategy	620	(470)	0	150	0	(3)	0	147
Covid Reserve	0	0	3,279	3,279	0	0	2,637	5,916
Council Tax Volatility Reserve	0	0	1,210	1,210	0	(193)	0	1,017
Total Earmarked General Fund Reserves	**21,734**	**(530)**	**7,539**	**28,743**	**0**	**(258)**	**18,050**	**46,535**

Note 10: Other Operating Expenditure

Other operating expenditure reported includes Parish Council precepts costs, all levies payable and losses generated from the in-year disposal of non-current assets.

2019/20 Net expenditure £'000	Other operating expenditure	2020/21 Net expenditure £'000
4,210	Parish Council precepts	4,364
155	Levies	158
3,559	Losses on the disposal of non-current assets	4,751
7,924	**Total**	**9,273**

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Note 11: Financing Investment Income and Expenditure

2019/20 Net expenditure £'000	Financing and investment income and expenditure	Note	2020/21 Net expenditure £'000
7,637	Interest payable and similar charges	18.2	7,496
7,577	Net interest on the net defined benefit liability	38	6,776
(895)	Interest receivable and similar income	18.2	(261)
2,562	Income and expenditure in relation to investment properties and changes in their fair value	16.1	(2,748)
16,881	**Total**		**11,263**

Financing and investment income and expenditure includes interest receivable and payable on the Council's investment portfolio. The Council's net rental income on the properties it holds purely for investment purposes is also included. It also includes the interest element of the pension fund liability.

Note 12: Taxation and non specific grant income and expenditure

This note consolidates all non-specific grants and contributions receivable that cannot be identified with individual service expenditure and therefore cannot be credited to the gross income amount relevant to the service area. All capital grants and contributions are credited to non-specific grant income even if service-specific. The note also identifies the Council's proportion of council tax and business rates used to fund in-year service activities.

2019/20 Net income £'000	Taxation and non-specific grant income and expenditure	2020/21 Net income £'000
(100,788)	Council tax income	(105,546)
(26,152)	Business Rate Retention Scheme	2,769
(3,400)	Non-ringfenced government grants	(38,100)
(29,103)	Capital grants and contributions	(37,582)
(159,443)		**(178,459)**

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Note 13: Income and Expenditure analysed by nature

2019/20 Restated**	The Authority's income and expenditure is analysed as follows:	2020/21
£'000		£'000
136,408	Employee benefit expenses	147,887
260,853	Other service expenses	236,229
13,707	Depreciation, amortisation and impairment	13,725
7,637	Interest payments	7,496
4,365	Precepts and levies	4,522
3,559	Losses on disposal of non-current assets	4,751
426,529	**Total expenditure**	**414,610**
(62,413)	Fees, charges and other service income	(57,186)
(895)	Interest and investment income	(261)
(169,346)	Income from Council Tax and NNDR	(128,155)
(184,071)	Government grants and contributions	(239,253)
(416,725)	**Total income**	**(424,855)**
9,804	**(Surplus)/deficit on the provision of services**	**(10,245)**

** For further details, please refer to Note 41 - Prior Period Adjustments

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Note 14: Property, Plant and Equipment

The PPE policies are outlined in the Accounting Policies in Note 1 - section 21

Movements in 2020/21

	Other land and buildings	Vehicles, plant, furniture & equipment	Community assets	Surplus assets	Assets under construction	Total property, plant and equipment
	£'000	£'000	£'000	£'000	£'000	£'000
Cost or valuation 1 April 2020	336,454	25,292	20	0	4,260	366,026
Additions	7,201	2,621	0	11	3,172	13,005
Revaluation decreases recognised in the revaluation reserve	(1,048)	0	0	0	0	(1,048)
Revaluation decreases recognised in the surplus/deficit on the provision of services	(1,588)	0	0	0	0	(1,588)
Derecognition-disposals	(2,341)	(266)	0	0	0	(2,607)
Derecognition-other	(455)	(4,632)	0	0	0	(5,087)
Assets reclassified (to)/from held for sale	(3,547)	0	0	2,969	0	(578)
Other movements in cost or valuation	0	0	0	0	0	0
At 31 March 2021	**334,676**	**23,015**	**20**	**2,980**	**7,432**	**368,123**
Accumulated depreciation and impairment						
As at 1 April 2020	(2,071)	(16,269)	0	0	0	(18,340)
Depreciation charge	(3,795)	(1,939)	0	0	0	(5,734)
Depreciation written out to the revaluation reserve	1,006	0	0	0	0	1,006
Depreciation written out to the surplus/deficit on the provision of services	0	0	0	0	0	0
Impairment losses/(reversals) recognised in the surplus/deficit on the provision of services	168	0	0	0	0	168
Derecognition-disposals	0	188	0	0	0	188
Derecognition-other	20	3,626	0	0	0	3,646
Other movements in depreciation and impairment	0	0	0	0	0	0
At 31 March 2021	**(4,672)**	**(14,394)**	**0**	**0**	**0**	**(19,066)**
Net book value						
At 31 March 2021	**330,004**	**8,621**	**20**	**2,980**	**7,432**	**349,057**
At 31 March 2020	**334,383**	**9,023**	**20**	**0**	**4,260**	**347,686**

Note 14: Property, Plant and Equipment (continued)

Movements in 2019/20	Other land and buildings	Vehicles, plant, furniture & equipment	Community assets	Surplus assets	Assets under construction	Total property, plant and equipment
	£'000	£'000	£'000	£'000	£'000	£'000
Cost or valuation 1 April 2019	321,424	29,292	20	89	2,260	353,085
Additions	4,763	2,497	0	0	2,000	9,260
Donations						
Revaluation increases recognised in the revaluation reserve	14,833	0	0	0	0	14,833
Surplus assets revaluation increases/(decreases) charged to reserves	0	0	0	0	0	0
Revaluation decreases recognised in the surplus/deficit on the provision of services	(2,763)	0	0	0	0	(2,763)
Derecognition-disposals	(4,376)	(844)	0	0	0	(5,220)
Derecognition-other	0	0	0	0	0	0
Assets reclassified (to)/from held for sale	0	0	0	0	0	0
Other movements in cost or valuation	2,573	(5,653)	0	(89)	0	(3,169)
At 31 March 2020	**336,454**	**25,292**	**20**	**0**	**4,260**	**366,026**
Accumulated depreciation and impairment						
At 1 April 2019	(4,957)	(19,687)	0	0	0	(24,644)
Depreciation charge	(5,471)	(1,571)	0	0	0	(7,042)
Depreciation written out to the revaluation reserve	3,936	0	0	0	0	3,936
Depreciation written out to the surplus/deficit on the provision of services	0	0	0	0	0	0
Impairment losses/(reversals) recognised in the surplus/deficit on the provision of services	2,978	0	0	0	0	2,978
Derecognition-disposals	1,443	376	0	0	0	1,819
Derecognition-other	0	0	0	0	0	0
Other movements in depreciation and impairment	0	4,613	0	0	0	4,613
At 31 March 2020	**(2,071)**	**(16,269)**	**0**	**0**	**0**	**(18,340)**
Net book value :						
At 31 March 2020	**334,383**	**9,023**	**20**	**0**	**4,260**	**347,686**
At 31 March 2019	**316,467**	**9,605**	**20**	**89**	**2,260**	**328,441**

Note 14.1: Infrastructure Assets

Movements in 2020/21	Infrastructure assets £'000
Opening Net Book Value 1 April 2020	178,514
Additions	16,563
Revaluation increases / (decreases) recognised in the revaluation reserve	0
Revaluation increases / (decreases) recognised in the surplus / deficit on the provision of services	0
Derecognition - disposals	0
Derecognition - other	(374)
Assets reclassified (to) / from held for sale	0
Other movements in cost or valuation	0
Depreciation charge	(6,242)
Depreciation written out to the revaluation reserve	0
Depreciation written out to the surplus / deficit on the provision of services	0
Impairment losses / (reversals) recognised in the surplus . Deficit on the provision of services	0
Derecognition - disposals	0
Net Book Value 31 March 2021	**188,461**

Comparative movements: Movements in 2019/20	Infrastructure assets £'000
Opening Net Book Value 1 April 2019	166,135
Additions	18,372
Revaluation increases / (decreases) recognised in the revaluation reserve	0
Surplus assets revaluation increases / (decreases) charged to reserves	0
Revaluation increases / (decreases) recognised in the surplus / deficit on the provision of services	0
Derecognition - disposals	0
Derecognition - other	0
Assets reclassified (to) / from held for sale	0
Other movements in cost or valuation	0
Depreciation charge	(5,993)
Depreciation written out to the revaluation reserve	0
Depreciation written out to the surplus / deficit on the provision of services	0
Impairment losses / (reversals) recognised in the surplus . Deficit on the provision of services	0
Derecognition - disposals	0
Derecognition - other	0
Other movements in depreciation and impairment	0
Net Book Value 31 March 2020	**178,514**

In accordance with the Temporary Relief offered by the Update to the Code on infrastructure assets this note does not include disclosure of gross cost and accumulated depreciation for infrastructure assets because historical reporting practices and resultant information deficits mean that this would not faithfully represent the asset position to the users of the financial statements.

Gross cost and accumulated depreciation amounts for infrastructure assets for the 2020/21 and 2019/20 financial years have not been reported as there is currently no established methodology that can be applied to accurately apportion gross book values betwen cost and depreciation. The net book values of infrastructure assets disclosed in the note in respect of both financial years are unaffected, and the Council has concluded that this presentation does not have a materially adverse impact upon the understandability of the financial statements.

Note 14.2: Revaluations

	Other land and buildings	Vehicles, plant, furniture & equipment	Infrastructure assets	Community assets	Surplus assets	Assets under construction	Total property, plant and equipment
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Carried at historical cost	0	8,621	188,461	20	26	7,432	204,560
Valued at current value as at:							
31 March 2021	59,617	0	0	0	2,955	0	62,572
31 March 2020	129,885	0	0	0	0	0	129,885
31 March 2019	127,475	0	0	0	0	0	127,475
31 March 2018	401	0	0	0	0	0	401
31 March 2017	12,625	0	0	0	0	0	12,625
Total cost or valuation	**330,003**	**8,621**	**188,461**	**20**	**2,981**	**7,432**	**537,518**

Note 15: Heritage Assets

The Berkshire Record Office (BRO) holds the historic archives of the Royal County of Berkshire. Located in Reading, the building was built and is owned by West Berkshire Council on land owned by Reading Borough Council. The staff are employed by Reading Borough Council. The purpose of the BRO is to locate and preserve archives and records relating to the Royal County of Berkshire and its people, and make them available for all to research. Established in 1948, the BRO is run as a joint service for the six district Councils that provide local services in Berkshire - www.berkshirerecordoffice.org.uk/.

The West Berkshire Museum is a Council service. It is responsible for the protection and care of approximately 35,000 objects relating to the history of the district from prehistoric times to the present day - www.westberkshireheritage.org/museumcollections.

The collections are not subject to revaluation within an annual revaluation programme. The collection's current insurance value is £219,000. This value is deemed immaterial in the context of the Council's Statement of Accounts. The Council is undertaking a project in 2021/22 to fully value these collections for insurance purposes.

Note 16.1: Investment Properties

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

	2019/20 £'000	2020/21 £'000
Rental income from Investment Properties	4,767	3,529
Downward revaluations	(6,737)	(277)
Direct operating expenses arising from Investment Properties	(592)	(504)
Net gain/(loss)	**(2,562)**	**2,748**

The following table summarises the movement in the fair value of Investment Properties during the year:

Movement in the fair value of Investment Properties	**2019/20 £'000**	**2020/21 £'000**
Balance at the start of the year	75,950	66,570
Additions:		
Purchases	0	22
Construction	0	0
Subsequent expenditure	0	0
Disposals	(158)	0
Net gains/losses from fair value adjustments	(6,737)	(277)
Transfers:		
To Property, Plant and Equipment	(2,484)	0
Other changes	(1)	0
Balance at the end of the year	**66,570**	**66,315**

There have been no changes in the techniques used to value Investment Properties during 2020/21.

Note 16.2: Fair Value Hierarchy of Investment Properties

Details of the authority's investment properties and information about the fair value hierarchy as at 31 March are as follows:

Fair value hierarchy 2020/21				
Recurring fair value measurements using:	Quoted prices in active markets for identical assets (Level 1) £'000	Other significant observable inputs (Level 2) £'000	Significant unobservable inputs (Level 3) £'000	Fair value as at 31 March 2021 £'000
Commercial units	0	66,315	0	**66,315**
Total	**0**	**66,315**	**0**	**66,315**

Fair value hierarchy 2019/20				
Recurring fair value measurements using:	Quoted prices in active markets for identical assets (Level 1) £'000	Other significant observable inputs (Level 2) £'000	Significant unobservable inputs (Level 3) £'000	Fair value as at 31 March 2020 £'000
Commercial units	0	66,570	0	**66,570**
Total	**0**	**66,570**	**0**	**66,570**

Fair value measurement of non-financial assets:

The Authority's accounting policy for fair value measurement of financial assets is disclosed in Note 1.26. The Authority also measures some of its non-financial assets such as surplus assets and investment properties and some of its financial instruments such as equity shareholdings [other financial instruments as applicable] at fair value at each reporting date. Fair value is the price that would be received to sell an asset in an orderly transaction between market participants at the measurement date. The fair value measurement assumes that the transaction to sell the asset takes place either:

a) in the principal market for the asset; or
b) in the absence of a principal market, in the most advantageous market for the asset.

The Authority measures the fair value of an asset using the assumptions that market participants would use when pricing the asset, assuming that market participants act in their economic best interest.

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

The Authority uses valuation techniques that are appropriate in the circumstances and for which sufficient data is available, maximising the use of relevant observable inputs and minimising the use of unobservable inputs. Level 2 assets are financial assets and liabilities that do not have regular market pricing but whose fair values can be determined based upon other data or market prices. Level 2 inputs include quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets which are not active and inputs (other than quoted prices) that are observable for the asset or liability, examples including implied volatilities and credit spreads.

No transfers within the applicable asset categories have occurred during 2020/21.

Note 17: Intangible Assets

The Authority accounts for its software, licences and internally-generated software as intangible assets, to the extent that the software is not part of a particular I.T. system and accounted for as part of the hardware item of Property, Plant and Equipment. All software is given a finite useful life, based on assessments of the period that the software is expected to be of benefit to the Authority.

2019/20				2020/21		
Internally generated assets	Other assets	Total		Internally generated assets	Other assets	Total
£'000	£'000	£'000		£'000	£'000	£'000
0	5,653	5,653	Gross carrying amounts	0	5,942	5,942
0	(4,613)	(4,613)	Accumulated amortisation	0	(4,929)	(4,929)
0	**1,040**	**1,040**	**Net carrying amount at the start of the year**	**0**	**1,013**	**1,013**
			Additions:			
0	289	289	Purchases	0	675	675
0	(316)	(316)	Amortisation for the year	0	(314)	(314)
0	0	0	Disposal-cost	0	(3,478)	(3,478)
0	0	0	Disposal-accumulated amortisation	0	3,478	3,478
0	0	0	Other changes	0	0	0
0	**1,013**	**1,013**	**Net carrying amount at the end of the year**	**0**	**1,374**	**1,374**

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Note 18: Financial Instruments

The Financial Instrument policies are outlined in the Accounting Policies in Note 1 - section 26

Note 18.1: Financial Assets and Liabilities

The following categories of Financial Instruments are carried in the Balance Sheet:

2019/20					2020/21			
Non - current		**Current**			**Non - current**		**Current**	
Investments	**Debtors**	**Investments**	**Debtors**	**Financial Assets**	**Investments**	**Debtors**	**Investments**	**Debtors**
£'000	**£'000**	**£'000**	**£'000**		**£'000**	**£'000**	**£'000**	**£'000**
0	0	0	0	Fair value through profit and loss	0	0	0	0
0	75	0	0	Amortised cost - soft loans	0	50	0	0
0	0	31,898	19,383	Amortised cost - other	0	0	35,080	19,331
0	0	0	0	Fair value through other comprehensive income - designated equity instruments	0	0	0	0
0	0	0	0	Fair value through other comprehensive income - other	0	0	0	0
0	**75**	**31,898**	**19,383**	**Total financial assets**	**0**	**50**	**35,080**	**19,331**

2019/20					2020/21			
Non - current		**Current**			**Non - current**		**Current**	
Borrowings	**Creditors**	**Borrowings**	**Creditors**	**Financial liabilities**	**Borrowings**	**Creditors**	**Borrowings**	**Creditors**
£'000	**£'000**	**£'000**	**£'000**		**£'000**	**£'000**	**£'000**	**£'000**
0	0	0	0	Fair value through profit and loss	0	0	0	0
208,719	0	10,614	25,257	Amortised cost	203,331	0	6,388	27,537
208,719	**0**	**10,614**	**25,257**	**Total financial liabilities**	**203,331**	**0**	**6,388**	**27,537**
0	0	0	0	**Non - financial liabilities**	0	0	0	0
208,719	**0**	**10,614**	**25,257**	**Total**	**203,331**	**0**	**6,388**	**27,537**

Note 18.2: Financial Instruments

Income, Expense, Gains and Losses

2019/20 Surplus or deficit on the provision of services £'000	Income, expense, gains and losses	2020/21 Surplus or deficit on the provision of services £'000
	Net gains/losses on interest revenue/expenditure:	
(895)	Investment income/interest	(261)
7,637	Interest expense	7,496
6,742	**Total net gains/losses**	**7,235**

Note 18.3: Fair Values of Financial Assets and Liabilities

The fair values of financial assets and liabilities held by the Authority are carried in the Balance Sheet at amortised cost. The fair values can be estimated by calculating the present value of cash flows that will be generated during the remaining life of the applicable instrument. The fair values attached to borrowings often differ to their carrying amounts due to interest rate variances, in that average rates of interest on the Council's borrowings are often higher than current rates for new borrowing.

2019/20 Carrying amount £'000	2019/20 Fair value £'000	Financial liabilities	2020/21 Carrying amount £'000	2020/21 Fair value £'000
196,470	237,431	Financial liabilities held at amortised cost - PWLB loans	191,848	232,918
10,614	10,618	Short-term borrowings at amortised cost	6,388	6,388
12,249	15,409	PFI and finance lease liabilities	11,483	15,363
219,333	**263,458**	**Total**	**209,719**	**254,669**

2019/20 Restated** Carrying amount £'000	2019/20 Restated** Fair value £'000	Financial assets	2020/21 Carrying amount £'000	2020/21 Fair value £'000
15,898	15,950	Financial assets held at amortised cost-cash and cash equivalents	21,080	21,084
16,000	15,951	Financial assets held at amortised cost - short-term investments	14,000	14,050
75	75	Long - term debtors	50	50
31,973	**31,976**	**Total**	**35,130**	**35,184**

** For further details, please refer to Note 41 - Prior Period Adjustments

Note 19: Debtors

2019/20	Debtors	2020/21
£'000		£'000
8,292	Trade receivables	10,976
2,113	Prepayments	3,169
0	Council Tax and NNDR receivables	21,242
17,704	Other receivable amounts	24,208
28,109	**Total**	**59,595**

Note 20: Cash and Cash Equivalents

The balance of Cash and Cash equivalents comprises the following elements:

2019/20 Restated**	Cash and cash equivalents	2020/21
£'000		£'000
3	Cash held by the authority	1
15,895	Bank accounts and other cash deposits	21,079
15,898		**21,080**

** For further details, please refer to Note 41 - Prior Period Adjustments

Note 21: Creditors

2019/20	Creditors	2020/21
£'000		£'000
23,291	Trade payables	25,702
6,982	Receipts in advance	9,828
7,172	Other payables	30,286
37,445	**Total**	**65,816**

Note 22: Provisions

Current provisions	Crookham (extraction of minerals) £'000	Business Rates provision for appeals £'000	Other provisions £'000	Total £'000
Balance at 1 April 2020	0	3,094	0	3,094
Additonal provisions made in 2020/21	0	430	0	430
Amounts used in 2020/21	0	(35)	0	(35)
Unused amounts reversed in 2020/21	0	0	0	0
Unwinding of discounting in 2020/21	0	(1,045)	0	(1,045)
Balance at 31 March 2021	**0**	**2,444**	**0**	**2,444**

Business Rates appeals are split between preceptors on a % allocation basis. The Council's precept share of the Collection Fund reduced from 74% to 49% due to the cessation of the Business Rates Pool Pilot on 31 March 2020. The impact upon the Council's Business Rates Appeals Provision was a reduction of £1,045,000.

Non-current provisions	Crookham (extraction of minerals) £'000	Business Rates provision for appeals £'000	Other provisions £'000	Total £'000
Balance at 1 April 2020	9	0	66	75
Additonal provisions made in 2020/21	0	0	0	0
Amounts used in 2020/21	0	0	(66)	(66)
Unused amounts reversed in 2020/21	0	0	0	0
Unwinding of discounting in 2020/21	0	0	0	0
Balance at 31 March 2021	**9**	**0**	**0**	**9**

Note 23: Usable reserves

Movements in the Council's usable reserves are detailed in the Movement in Reserves Statement.

Note 24: Unusable Reserves

2019/20	Unusable Reserves	2020/21
£'000		£'000
182,830	Revaluation Reserve	180,138
139,828	Capital Adjustment Account	155,377
(293,143)	Pension Reserve	(420,381)
(7,363)	Collection Fund Adjustment Account	(23,122)
0	Dedicated Schools Grant (DSG) Adjustment Account	1,461
(3,620)	Accumulated Absences Account	(5,165)
18,532	**Total Unusable Reserves**	**(111,692)**

The Council holds no unusable Financial Instruments Reserves as all applicable balances are short-term in nature, and none meet the definition of a Reserve.

Note 24.1: Revaluation Reserve

The Revaluation Reserve contains the gains made by the Authority arising from increases in the value of its Property, Plant and Equipment (and intangible assets). The balance is reduced when assets with accumulated gains are:

- revalued downwards or impaired and gains are lost
- used in the provision of services and the gains are consumed through depreciation, or
- disposed of and the gains are realised.

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 Sheet on the Capital Adjustment Account.

2019/20	Revaluation Reserve	2020/21
£'000		£'000
167,139	**Balance at 1 April**	**182,830**
72,238	Upward revaluation of assets	3,245
(53,468)	Downward revaluation of assets and impairment losses not charged to the surplus/deficit on the provision of services	(1,734)
18,770	Surplus or deficit on the revaluation of non-current assets not posted to the surplus/deficit on the provision of services	**1,511**
6	Assets held for sale	0
(2,132)	Diffference between fair value depreciation and historical cost depreciation	(1,722)
(953)	Accumulated losses on assets sold or scrapped	(2,481)
(3,079)	Amount written off to the capital account	**(4,203)**
182,830	**Balance at 31 March**	**180,138**

Note 24.2: Capital Adjustment Account

The Capital Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for the consumption of non-current assets and for financing the acquisition, construction or enhancement of those assets under statutory provisions. The account is debited with the cost of acquisition, construction or enhancement as depreciation, impairment losses and amortisations are charged to the Comprehensive Income and Expenditure Statement (with reconciling postings from the Revaluation Reserve to convert fair value figures to a historical cost basis). The account is credited with the amounts set aside by the Authority as finance for the costs of acquisition, construction and enhancement. The account contains accumulated gains and losses on Investment Properties and gains recognised on donated assets that have yet to be consumed by the Authority. 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. Note 8 provides details of the source of all transactions posted to the account, apart from those involving the Revaluation Reserve.

2019/20		2020/21
	Capital Adjustment Account	
£'000		**£'000**
136,495	**Balance at 31 March**	**139,828**
(4,594)	Restatement	0
131,901	**Restated balance as at 1 April**	**0**
	Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:	
(13,037)	Charges for depreciation and impairment of non-current assets	(11,976)
305	Revaluation (gains)/losses on property, plant and equipment	(1,435)
(316)	Amortisation of intangible assets	(314)
(11,585)	Revenue Expenditure Funded from Capital Under Statute (REFCUS)	(6,954)
(2,606)	Non - current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(2,270)
(27,239)		**(22,949)**
2,132	Adjusting amounts written out of the Revaluation Reserve	1,722
2,132	Net written out amount of the cost of non-current assets consumed in the year	**1,722**
	Capital financing applied in the year:	
32,342	Application of grants to capital financing from the Capital Grants Unapplied Account	29,693
7,429	Statutory provision for the financing of capital investment charged against the General Fund	7,360
39,771		**37,053**
(6,737)	Movements in the market value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement	(277)
139,828	**Balance at 31 March**	**155,377**

Note 24.3: 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 rate payers compared with the statutory arrangements for paying across amounts to the General Fund from the Collection Fund.

2019/20	Collection Fund Adjustment Account	2020/21
£'000		£'000
(1,834)	**Council Tax - balance at 1 April**	(2,025)
(191)	Amount by which Council Tax income credited to the Comprehensive Income and Expenditure Statement is different from Council Tax income calculated for the year in accordance with statutory requirements	561
(2,025)	**Council Tax - balance at 31 March**	(1,464)
(3,831)	**Business Rates - balance at 1 April**	(5,338)
(1,507)	Amount by which Business Rates income credited to the Comprehensive Income and Expenditure Statement is different from Business Rates income calculated for the year in accordance with statutory requirements	(16,320)
(5,338)	**Business Rates - balance at 31 March**	(21,658)
(7,363)	**Collection Fund balance at 31 March**	(23,122)

Note 24.4: 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, eg annual leave 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.

2019/20	Accumulated Absences Account	2020/21
£'000		£'000
(4,122)	**Balance at 1 April**	(3,620)
502	Amount by which officers' remuneration charged to the Comprehensive Income and Expenditure Statement on the accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	(1,545)
(3,620)	**Balance at 31 March**	(5,165)

Note 24.5: Pension Reserve

The Pension 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 Authority 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 accounting arrangements require benefits earned to be financed as the Authority makes employer contributions to pension funds or eventually pays any pensions for which it is directly responsible. The debit balance on the Pension Reserve therefore shows a substantial shortfall in the benefits earned by past and current employees and the resources that the Authority 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. An additional Employer contribution of £4.1m was paid to the Pension Fund during the year to reduce the liability.

2019/20	Pension Reserve	2020/21
£'000		£'000
(316,509)	**Balance at 1 April**	**(293,143)**
38,542	Remeasurement of the net defined benefit liability	(113,125)
(29,334)	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	(28,867)
14,158	Employer's pension contributions and direct payments to the pensioners payable in the year	14,754
(293,143)	**Balance at 31 March**	**(420,381)**

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Note 24.6: Dedicated Schools Grant (DSG) Adjustment Account

The Dedicated Schools Grant Adjustment Account houses the accumulated deficit on the Council's deployment of Dedicated Schools Grant as at 31 March 2021, with statutory accounting arrangements requiring an in-year transfer from the General Fund.

2019/20	Dedicated Schools Grant (DSG) Adjustment Account	2020/21
£'000		£'000
0	**Balance at 1 April**	**0**
0	Accumulated deficit arising from the deployment of Dedicated Schools Grant (DSG)	1,461
0	**Balance at 31 March**	**1,461**

Note 25: Cash flow statement - operating activities

The cashflows for operating activities include the following items:

2019/20	Cash flow statement - operating activities	2020/21
£'000		£'000
(895)	Interest received	(261)
7,637	Interest paid	7,496
6,742		**7,235**
	Surplus or deficit on the provision of services for non - cash movements	
13,037	Depreciation	11,976
(305)	Impairment	(152)
316	Amortisation	314
615	Increase in creditors	32,119
(3,388)	Increase in debtors	(31,486)
(4)	Decrease/(increase) in inventories	1
15,176	Movement in pension liability	14,113
7,647	Other non - cash items charged to the net surplus or deficit on the provision of services	1,145
33,094	**Total non-cash movements**	**28,030**

Note 26: Cash flow statement - investing activities

The surplus or deficit on the provision of services has been adjusted for the following items that are investing activities:

2019/20 Restated** £'000	Cash flow statement - investing activities	2020/21 £'000
(26,834)	Purchase of property, plant and equipment, investment properties and intangible assets	(30,265)
(47)	Other payments for investing activities	(18)
0	Proceeds from the sale of property, plant and equipment, investment properties and intangible assets	4,717
10,055	Other receipts from investing activities	2,043
(16,826)	**Net cash flows from investing activities**	**(23,523)**

** For further details, please refer to Note 41 - Prior Period Adjustments

Note 27: Cash flow statement - financing activities

The surplus or deficit on the provision of services has been adjusted for the following items that are financing activities:

2019/20 £'000	Cash flow statement - financing activities	2020/21 £'000
19,230	Cash receipts of short-term borrowings and long-term borrowings	7,388
(682)	Cash payments for the reduction of outstanding liabilities relating to finance leases and on-balance-sheet PFI contracts	(722)
(21,764)	Repayments of short-term borrowings and long-term borrrowings	(16,236)
4,336	Other payments for financing activities	0
1,120	**Net cash flows from financing activities**	**(9,570)**

The primary change within net cash flows from financing activities in 2020/21 relates to the Council's reduction in short-term borrowing and long-term borrowing amounts during the financial year.

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Note 28: Pooled Budgets

The pooled budget for Berkshire Community Equipment was established on 1 April 2012 under Section 31 of the Health Act 1999. A Section 75 agreement exists between the six Unitary Authorities in Berkshire and the two NHS Clinical Commissioning Groups covering the same geographical area. The pooled budget arrangement is administered by the lead authority, West Berkshire Council, on behalf of the partnership. The aim of the partnership is, through their collective purchasing power, to ensure cost-effective service delivery for the population of Berkshire.

The Better Care Fund (BCF) was established in 2015 as a pooled budget under Section 75 of the 2006 National Health Service Act. It is a programme spanning both the NHS and local government which seeks to provide an integrated health and social care service. The Council entered into a Section 75 agreement with NHS Berkshire West Clinical Commissioning Group to comply with the requirements of the Better Care Fund (BCF), the aims and benefits of which include:

1. Improving the quality and efficiency of Health and Social Care Services.
2. Meeting the National Conditions set by NHS England and Local Objectives.
3. Making more effective use of resources through the establishment and maintenance of a pooled fund for revenue expenditure on the services.

2019/20	Berkshire Community Equipment Service	2020/21
£'000		£'000
	Funding provided to the pooled budget:	
(1,032)	West Berkshire	(1,019)
(6,034)	Berkshire Clinical Commissioning Groups	(6,278)
(2,787)	Other unitary authorities	(3,260)
(177)	Other (limited/CIC)	(139)
(10,030)	**Total income**	**(10,696)**
	Expenditure met from the pooled budget:	
1,032	West Berkshire	1,019
6,034	Berkshire Clinical Commissioning Groups	6,278
2,787	Other unitary authorities	3,260
177	Other (limited/CIC)	139
10,030	**Total expenditure**	**10,696**

2019/20	Better Care Fund (Revenue)	2020/21
£'000		£'000
	Funding provided to the pooled budget:	
(5,529)	NHS Berkshire West CCG	(6,150)
(5,529)	**Total income**	(6,150)
	Expenditure met from the pooled budget:	
	West Berkshire:	
637	Physical Support	781
412	Memory & Cognition Support	639
2,116	Learning Disabilities Support	2,059
685	Carers Support	667
1,538	Reablement	1,474
141	Other	530
5,529	**Total expenditure**	**6,150**

Note 29: Members Allowances

The Authority paid the following amounts to Members of the Authority during the year:

Members' Allowances	2019/20	2020/21
	£'000	£'000
Salaries	479	485
Car allowances	16	2
Employees'/members' expenses	1	0
Total	**496**	**487**

Note 30.1: Officer Remuneration

The remuneration paid to the Authority's senior officers was as follows:

Executive Remuneration		Note	Salary, fees and allowances	Bonuses	Benefits in kind	Pension contributions	Total
Chief Executive (Nick Carter)	2019/20		146,599	0	0	31,860	178,459
	2020/21		153,988	0	0	33,522	187,510
Executive Director - People	2019/20	*	110,551	0	374	24,874	135,799
	2020/21		129,465	0	120	29,130	158,715
Executive Director - Place	2019/20		114,841	0	0	24,939	139,780
	2020/21	**	122,529	0	0	27,569	150,098
Executive Director - Resources	2019/20	***	69,017	0	0	15,529	84,546
	2020/21		127,410	0	0	28,667	156,077
Head of Education	2019/20	****	89,591	0	0	19,371	108,962
	2020/21		90,533	0	0	19,582	110,115
Service Director - Strategy and Governance	2019/20		79,951	0	0	17,989	97,940
	2020/21	*****	90,420	0	0	20,345	110,765

Notes:

* employment commenced 13 May 2019
** new postholder commenced employment 1 January 2021, role held by previous occupant to 31 December 2020
*** employment commenced 9 September 2019
**** cessation of temporary acting-up payments on 12 May 2019
***** post re-graded, was formerly Head of Legal and Strategic Support

Note 30.2: Officer Remuneration

The Authority's employees receiving more than £50k remuneration for the year (excluding Employer's pension contributions) were paid the following amounts:

2019/20			2020/21	
Council employees	School employees	Remuneration band £	Council employees	School employees
44	37	50,000 - 54,999	38	46
18	27	55,000 - 59,999	33	26
19	14	60,000 - 64,999	22	19
13	12	65,000 - 69,999	12	12
4	9	70,000 - 74,999	11	11
4	2	75,000 - 79,999	1	4
1	1	80,000 - 84,999	0	1
5	3	85,000 - 89,999	2	2
0	0	90,000 - 94,999	10	3
0	1	95,000 - 99,999	0	0
1	2	100,000 - 104,999	1	2
0	2	105,000 - 109,999	0	1
2	0	110,000 - 114,999	0	2
0	0	115,000 - 119,999	0	0
0	0	120,000 - 124,999	0	0
0	0	125,000 - 129,999	2	0
0	0	130,000 - 134,999	0	0
0	0	135,000 - 139,999	0	0
1	0	140,000 - 144,999	0	0
0	0	145,000 - 149,999	0	0
0	0	150,000 - 154,999	1	0

For completeness, the Council's senior officers (disclosed in Note 30.1) have been included within the employee totals for each financial year.

Note 30.3: Exit Packages

The numbers of exit packages with total cost per band and total cost of the compulsory and other redundancies are set out in the table below:

2019/20					2020/21			
(b) Number of compulsory redundancies	(c) Number of other departures agreed	(d) Total number of exit packages by cost band [(b) + (c)]	(e) Total cost of exit packages in each band	(a) Exit package cost band (including special payments)	(b) Number of compulsory redundancies	(c) Number of other departures agreed	(d) Total number of exit packages by cost band [(b) + (c)]	(e) Total cost of exit packages in each band
			£'000	£				£'000
				Council employees				
4	6	10	79	0 - 20,000	0	3	3	23
3	0	3	75	20,001 - 40,000	0	0	0	0
2	0	2	96	40,001 - 60,000	0	0	0	0
0	0	0	0	60,001 - 80,000	0	0	0	0
0	0	0	0	80,001 - 100,000	0	0	0	0
0	0	0	0	100,001 - 150,000	0	0	0	0
9	**6**	**15**	**250**	**Total**	**0**	**3**	**3**	**23**
				School employees				
3	6	9	69	0 - 20,000	3	3	6	23
0	0	0	0	20,001 - 40,000	0	0	0	0
0	0	0	0	40,001 - 60,000	0	0	0	0
0	0	0	0	60,001 - 80,000	0	0	0	0
0	0	0	0	80,001 - 100,000	0	0	0	0
0	0	0	0	100,001 - 150,000	0	0	0	0
3	**6**	**9**	**69**	**Total**	**3**	**3**	**6**	**23**

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Note 31: External audit costs

The Authority has incurred the following costs in relation to the audit of the Statement of Accounts, certification of grant claims and statutory inspections and non-audit services provided by the Authority's external auditor (Grant Thornton) and KPMG:

External audit costs	2019/20	2020/21
	£'000	£'000
Fees payable to Grant Thornton with regard to external audit services carried out by the appointed auditor for the year	139	147
Fees payable to KPMG in respect of grant claims and returns for the year	10	12
Fees payable to Grant Thornton in respect of teachers' pension for the year	3	7
Refund from Public Sector Audit Appointments	(9)	0
Total	**143**	**166**

Additional charges relating to the 2019/20 audit amounted to £35k, and a provision for the same amount was accounted for in respect of additional 2020/21 audit costs.

Note 32: Disclosure of deployment of Dedicated Schools Grant

The Authority's expenditure on schools is funded primarily by grant monies provided by the Education Funding Agency, the Dedicated Schools Grant (DSG). The DSG allocation is largely based on the number of pupils recorded in the previous October school census. An element of DSG is recouped by the Department to fund academy schools in the Authority's area. DSG is ringfenced and can only be applied to meet expenditure properly included in the Schools Budget, as defined in the School and Early Years Finance (England) Regulations 2018.

The Schools Budget includes elements for a range of educational services provided on an authority-wide basis (mainly for children educated out of maintained school settings including special needs placements) and for the Individual Schools Budget (ISB), which is divided into a budget share for each maintained primary and secondary school.

Details of the deployment of DSG received for 2020/21 is as follows:

	2020/21 Central expenditure £'000	2020/21 Individual Schools Budget £'000	2020/21 Total £'000
Final DSG for 2020/21 before academy and high needs recoupment			138,191
Academy and high needs figure recouped for 2020/21			(41,154)
Total DSG after academy and high needs recoupment for 2020/21			97,037
Plus: Brought forward from 2019/20			(1,691)
Agreed initial budgeted distribution in 2020/21	**16,670**	**78,676**	**95,346**
In-year adjustments	112	0	112
Final budget distribution for 2020/21	**16,782**	**78,676**	**95,458**
Less: Actual central expenditure	(18,511)	0	(18,511)
Less: Actual ISB deployed to schools	0	(78,408)	(78,408)
Carried forward to 2021/22	**(1,729)**	**268**	**(1,461)**

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Note 33.1: Grant Income

The Authority credited the following grants and contributions to the Comprehensive Income and Expenditure Statement:

2019/20	Grants credited to taxation and non-specific grant income	2020/21
£'000		£'000
	Non-ring fenced government grants	
856	Adult Social Care Support grant	2,630
2,395	New Homes Bonus	1,820
71	Community Safety grant	71
0	Collection Fund Section 31 grants	24,352
0	Covid-19 grants	9,133
0	Home to School Transport grant	75
78	Other	19
3,400	**Total non-ringfenced government grants**	**38,100**
	Capital grants	
9,700	Section 106 contributions	964
0	Community Infrastructure Levy (CIL)	7,086
19,403	Capital grants and contributions	29,532
29,103	**Total capital grants**	**37,582**

2019/20	Contributions, reimbursements and donations from government credited to services	2020/21
£'000		£'000
94,041	Dedicated Schools Grant (DSG)	96,919
1,572	Teachers´ Pension Grant	2,787
28,482	Housing Benefit Subsidy	26,621
11,441	Learning Support Council, Skills and Education Funding Agencies	11,760
5,698	Public Health	5,905
3,220	Covid-19 grant funding	11,995
2,312	Private Finance Initiative (PFI)	2,313
69	Improved Better Care Fund*	636
501	Winter Funding*	0
353	Housing Benefit Administration	371
1,601	Unaccompanied Asylum Seekers	729
215	Rough Sleeping Initiative	483
404	Independent Living Fund	404
164	Troubled Families	329
1,495	Other specific government grants	2,319
151,568	**Total government grants credited to services**	**163,571**

*Improved Better Care Fund and Winter Funding were merged in 2020/21

Note 33.2: Grant Income

2019/20 Restated** £'000	Grant receipts in advance - current liabilities	2020/21 £'000
	Grant receipts in advance (capital grants)	
(3,960)	LEP (Local Enterprise Partnership)	(119)
(1,081)	Homes and Communities Agency (HCA)	(1,081)
(666)	Section 106 developer contributions	(666)
(428)	Section 278	(428)
(9)	DEFRA	(2,166)
0	Local Transport Capital Funding	(718)
(6,144)	**Total grant receipts in advance (capital grants)**	**(5,178)**
	Grant receipts in advance (revenue grants)	
0	Covid-19 Local Restrictions grants	(2,716)
(128)	Adult Skills and Community Learning	(176)
0	Better Care Fund	(434)
(213)	Improved Better Care Fund	(360)
0	Public Protection Partnership	(355)
0	National Leisure Recovery Fund	(302)
(87)	Early Years Funding	0
(8)	Universal Infant Free School Meals grant	(20)
(158)	School Improvement (including Phonics)	0
0	Other Covid-19 grants	(491)
(340)	Other non-Covid-19 grants	(797)
(934)	**Total grant receipts in advance (revenue grants)**	**(5,651)**

2019/20 Restated** £'000	Grant receipts in advance - long-term liabilities	2020/21 £'000
	Grant receipts in advance (capital grants)	
(6,823)	Section 106 developer contributions	(6,864)
(126)	Invest to Save	(126)
(6,949)	**Total grant receipts in advance (capital grants)**	**(6,990)**

** For further details, please refer to Note 41 - Prior Period Adjustments

Note 34: Related parties

The Authority is required to disclose material transactions with related parties – bodies or individuals that have the potential to control or influence the Authority or to be controlled or influenced by the Authority. Disclosure of these transactions allows readers to assess the extent to which the Authority 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 Authority.

2019/20		2020/21
	Related parties	
£'000		**£'000**
56	Corn Exchange Theatre Trust	0
0	Mary Hare School	290
400	Parkwood Leisure	1,312
52	ReadiBus	0
144	Volunteer Centre (West Berkshire)	141
0	St Bartholomew's School	77
167	NHS Berkshire West CCG	348
819	**Total**	**2,168**

Note 35: Capital expenditure financing

The total amount of capital expenditure incurred in the year is shown in this table (including the value of assets acquired under finance leases), 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 Authority, this expenditure results in an increase in the Capital Financing Requirement (CFR), a measure of the capital expenditure incurred historically by the Authority that has yet to be financed.

2019/20		2020/21
	Capital expenditure financing	
£'000		**£'000**
240,120	**Opening capital financing requirement**	**239,868**
	Capital investment	
25,450	Property, plant and equipment and Infrastructure Assets	26,396
196	Investment properties	22
289	Intangible assets	675
11,585	Revenue Expenditure Funded from Capital Under Statute (REFCUS)	6,954
2,000	Assets under construction	3,172
	Sources of finance	
(32,269)	Government grants and other contributions	(29,693)
(34)	Sums set aside from revenue	0
(40)	Direct revenue contributions	0
(7,429)	Minimum Revenue Provision (MRP)	(7,360)
239,868	**Closing capital financing requirement**	**240,034**
	Explanation of movements in the year:	
0	Increase in underlying need to borrow (supported by government financial assistance)	0
7,177	Increase in underlying need to borrow (unsupported by government financial assistance)	7,526
(7,429)	Statutory provision for repayment of debt (MRP)	(7,360)
0	Assets acquired under PFI contracts	0
(252)	**Total**	**166**

Note 36.1: Authority as lessor - Operating leases

The Council is a lessor for a number of operating leases, with the majority relating to land and buildings assets.

The following table represents the minimum lease instalments receivable:

Prior Period Adjustment	2019/20 as previously stated £'000	2019/20 Adjustment £'000	2019/20 Restated £'000	2020/21 £'000
Not later than one year	3,283	0	3,283	3,212
Later than one year and not later than five years	11,483	1,115	12,598	12,460
Later than five years	21,752	16,645	38,397	35,298
	36,518	**17,760**	**54,278**	**50,970**

The amounts disclosed for 2019/2020 have been restated to present gross sums in respect of lease instalments receivable within the 'Later than one year and not later than five years' and 'Later than five years' categories. Net amounts (applying a discount rate) had previously been disclosed for these categories. The reporting of gross sums for all amounts in respect of both financial years is consistent with CIPFA Code requirements.

Note 36.2: Authority as a lessee - Operating leases

The Council has a number of operating leases relating to land, buildings, vehicles and office equipment. The land and buildings include social care facilities, schools and playing fields.

The following table represents the minimum lease instalments payable:

2019/20 £'000		2020/21 £'000
477	Not later than one year	520
1,330	Later than one year and not later than five years	1,837
1,866	Later than five years	2,003
3,673		**4,360**

The expenditure charged to the relevant Directorate lines in the Comprehensive Income and Expenditure Statement during the year in relation to these leases was:

2019/20 £'000		2020/21 £'000
1,398	Minimum lease payments	1,589
0	Contingent rents	0
1,398		**1,589**

Note 37.1: Private Finance Initiatives (PFI) and similar contracts - payments

The Council entered into a PFI contract with Veolia ES West Berkshire Ltd in March 2008 for the provision of waste collection and disposal services. The contract included provision of an Integrated Waste Management Facility (IWMF), built on Council owned land at Padworth Sidings. This £25.97m facility opened on 19 October 2011, and is recognised as both an asset and liability in the Balance Sheet. However, whilst capital repayments actually commenced from 1 April 2013 notional capital payments have been spread over the 21 years from the month of opening to the end of the PFI contract on 30 September 2032.

The future payment stream is estimated as follows:

	Payment for services	Reimbursement of capital expenditure	Interest	Total
	£'000	£'000	£'000	£'000
Payable in 2021/22	17,277	766	748	18,791
Payable within two to five years	73,765	3,562	2,494	79,821
Payable within six to ten years	104,277	5,821	1,748	111,846
Payable within eleven to fifteen years	33,400	2,100	171	35,671
Total	**228,719**	**12,249**	**5,161**	**246,129**

Note 37.2: Private Finance Initiatives (PFI) and similar contracts - liability

The payments have been calculated to compensate Veolia for the fair value of the services provided, the capital expenditure incurred and interest payable. The capital asset movement recognised by WBC with and the associated outstanding PFI liability for capital expenditure incurred by Veolia is as follows. At the end of the contract the IWMF will revert, at no residual cost, back to the Council.

The liability outstanding to be paid to the contractor for capital expenditure incurred is as follows:

	2019/20	2020/21
	£'000	£'000
Balance outstanding at start of year	13,651	12,971
Payments made during the year	(680)	(722)
Balance outstanding at end of year	**12,971**	**12,249**

Note 38.1: Pension Fund liability recognised in the Balance Sheet

2019/20 Local Government Pension Scheme £'000	Pension liability recognised in the Balance Sheet	2020/21 Local Government Pension Scheme £'000
554,010	Present value of defined benefit obligation	728,769
(268,419)	Fair value of Fund assets (bid value)	(316,294)
285,591	**Deficit**	**412,475**
7,552	Present value of unfunded obligation	7,906
293,143	**Net defined benefit liability**	**420,381**

2019/20 Local Government Pension Scheme £'000	Reconciliation of opening and closing balances of the fair value of Fund assets	2020/21 Local Government Pension Scheme £'000
289,580	**Opening fair value of Fund assets**	**268,419**
6,948	Interest on assets	6,442
(11,166)	Return on assets less interest	28,222
(16,608)	Other actuarial gains/(losses)	10,754
(172)	Administrative expenses	(163)
14,158	Contributions by employer including unfunded	14,754
3,970	Contributions by scheme participants and other employers	4,148
(17,826)	Estimated benefits paid plus unfunded net of transfers in	(16,282)
(465)	Settlement prices paid	0
268,419	**Closing fair value of Fund assets**	**316,294**

Note 38.2: Asset and benefit obligation reconciliation

2019/20 Funded liabilities: Local Government Pension Scheme £'000	Reconciliation of opening and closing balances of the present value of the defined benefit obligation	2020/21 Funded liabilities: Local Government Pension Scheme £'000
606,089	**Opening defined benefit obligation**	**561,562**
23,361	Current service cost	22,091
14,353	Interest cost	13,055
(58,662)	Change in financial assumptions	165,934
(7,330)	Change in demographic assumptions	(6,269)
(324)	Experience gain on defined benefit obligation	(7,564)
(2,093)	Liabilities extinguished on settlements	0
(17,310)	Estimated benefits paid net of transfers in	(15,784)
24	Past service costs, including curtailments	0
3,970	Contributions by Scheme participants and other employers	4,148
(516)	Unfunded pension payments	(498)
561,562	**Closing defined benefit obligation**	**736,675**

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Note 38.3: Fair Value of Scheme Assets

2019/20 £'000	Asset breakdown	2020/21 £'000
154,041	Equities	192,059
25,394	Other bonds	50,598
37,484	Property	38,360
27,820	Cash	14,133
11,491	Target Return Portfolio	12,734
1,608	Commodities	0
22,365	Infrastructure	25,320
(11,784)	Longevity Insurance	(16,910)
268,419	**Total**	**316,294**

Note 38.4: Defined benefit pension schemes - Key Assumptions

2019/20 Funded liabilities: Local Government Pension Scheme	Assumed life expectancy from age 65 (years)	2020/21 Funded liabilities: Local Government Pension Scheme
	Retiring today:	
21.5	Males	21.2
24.1	Females	23.9
	Retiring in 20 years:	
22.9	Males	22.5
25.5	Females	25.4
	Financial assumptions:	
2.35%	Discount rate	2.00%
1.90%	Pension increases	2.85%
2.90%	Salary increases	3.85%

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Note 38.5: Sensitivity Analysis

Sensitivity analysis	£000s	£000s	£000s
Adjustment to discount rate	**+0.1%**	**0.0%**	**-0.1%**
Present value of total obligation	721,774	736,675	751,900
Projected service cost	30,336	31,205	32,098
Adjustment to long term salary increase	**+0.1%**	**0.0%**	**-0.1%**
Present value of total obligation	737,888	736,675	735,472
Projected service cost	31,222	31,205	31,188
Adjustment to pension increases and deferred revaluation	**+0.1%**	**0.0%**	**-0.1%**
Present value of total obligation	750,545	736,675	723,084
Projected service cost	32,087	31,205	30,344
Adjustment to life expectancy assumptions	**+1 Year**	**None**	**-1 Year**
Present value of total obligation	769,011	736,675	705,747
Projected service cost	32,546	31,205	29,914

Note 39.1: Nature and Extent of Risks arising from Financial Instruments

Risk

The Council's borrowing and investment activities expose it to a variety of financial risks. The key risks are: 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; Market risk - the possibility that financial loss might arise for the Council as a result of changes in financial markets such as interest rates and stock market movements.

The Covid-19 pandemic has continued to impact global financial markets during 2020/21. The Council's basic categories of risk remain unchanged but the significance of these risks has been influenced considerably by the pandemic.

The Council's overall procedures for managing risk

The Council's overall risk procedures focus on the unpredictability of financial markets and implementing restrictions to mitigate those risks. The procedures for managing risk are defined within a legal framework based on the Local Government Act 2003 and associated regulations. These procedures require the Council to comply with the CIPFA Prudential Code (2017), the Treasury Management in the public services Code of Practice and investment guidance issue through the Act. Overall, these procedures require the Council to manage risk in the following ways:

By formally adopting the requirements of CIPFA Treasury Management in the public services Code of Practice;
By the adoption of a treasury policy statement and treasury management clauses within its financial regulations/standing orders/constitution;
By approving annually in advance prudential and treasury indicators for the following 3 years limiting:

The Council's overall borrowing:
The maximum and minimum exposures to fixed and variable rates;
The maximum and minimum exposures to the maturity structure of debt;
The maximum annual exposures to investments maturing beyond a year;
By approving an Investment Strategy for the next year setting out criteria for both investing and selecting investment counterparties in compliance with Government guidance.

Performance against these indicators is forecast at or before the start of the new financial year as part of the Annual Treasury Management Strategy which outlines the detailed approach to managing risk in relation to the Council's financial instrument exposure. The Treasury Management Strategy for 2021/22 was approved by Council on 2 March 2021 and is available on the Council's website.

Actual performance is also reported to the Council Executive in November or December each year (the mid-year position) and in September (the final position at the end of the financial year).

Credit risk

Credit risk arises mainly from the investment of surplus funds with banks, building societies and other local authorities as well as credit exposures to the Council's customers. The Council's investment strategy aims to minimise credit risk by ensuring that funds are only invested with financial institutions which meet minimum criteria for credit worthiness. This is measured either with reference to a recognised national credit rating agency or, in the case of building societies, to the size of their asset base. The strategy also imposes maximum sums which can be invested with financial institutions within each category (a maximum of £5 million with institutions) and states that fixed term deposits should not normally be for longer than one year.

Allowances for impairment losses have been determined for amortised cost assets, applying the expected credit losses model. Changes in loss allowances (including any balances 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.

The Council's treasury management advice specialist is Arlingclose. The Council reviews the established investment strategy on an ongoing basis to reflect advice provided by Arlingclose in relation to the credit risk presented by different types of financial institution and alternative financial instruments. This is a key requirement in light of the continuance of the Covid-19 pandemic which has caused significant drops in interest rates and affected the credit risk of many financial institutions.

Note 39.2: Nature and Extent of Risk - Financial Instruments

Interest rate risk	2020/21 £'000
Increase in interest payable on variable rate borrowings	0
Increase in interest receivable on variable rate investments	329
Increase in government grant receivable for financing costs	0
Impact on surplus or deficit on provision of services	**329**
Decrease in fair value of fixed rate investment assets	0
Impact on other comprehensive income and expenditure	**329**
Decrease in fair value of fixed borrowings liabilities (no impact on the surplus or deficit on the provision of services or other comprehensive income and expenditure)	(37,625)

Credit risk exposure:

Credit risk exposure	Credit risk rating	Gross carrying amount Long-term £'000	Short-term £'000
12 month expected credit losses	AAAmmf	0	8,201
	A+	0	12,879
	AA-	0	0
	Unrated Building Societies	0	0
	Unrated Local Authorities	0	14,000
Total 12 month expected credit losses		**0**	**35,080**
Significant increase in credit risk since initial recognition	N/A	0	0
Credit-impaired at 31 March	N/A	0	0
Simplified approach	N/A	0	0
Total investments		**0**	**35,080**

Liquidity Risk

A detailed cashflow forecast is maintained to ensure that funds are available to meet the Council's outgoings on a day-to-day basis. The Council is also able to borrow funds on a short-term basis from other local authorities to cover any day to day cash flow needs. The Council is also able to borrow on a longer term basis from the Public Works Loans Board (PWLB) for the purpose of financing the construction, acquisition or improvement of capital assets. The timing of long-term borrowing is planned to align with cashflow needs.

Borrowings

Since 2006, the Council's borrowing strategy has been to finance capital expenditure on operational assets through annuity loans over a period which relates to the estimated useful life of the asset. This means that loans should be repaid in full when the assets financed reach the end of their useful life and that a significant proportion of borrowing does not mature for repayment at any one time. This approach has helped to minimise the Council's risk of being unable to raise finance to meets its commitments.

The Council will continue to review the established borrowing strategy during 2021/22, with assistance from Arlingclose, to determine whether it is possible to make savings in borrowing costs by borrowing over different periods and potentially from different lenders without significantly increasing the Council's exposure to liquidity and market risks.

Liquidity risk:

2019/20	Liquidity risk	2020/21
£'000		£'000
10,614	Less than one year	6,388
6,193	Between one and two years	5,770
16,597	Between two and five years	16,908
185,929	More than five years	180,653
219,333	**Total liquidity risk**	**209,719**

Market Risk

The Council's borrowing strategy aims to eliminate the risk of exposure to future increases in interest rates by undertaking most short-term and long-term borrowing at fixed rates of interest. This approach could theoretically prevent the Council from benefitting from future decreases in interest rates. However, this is not a significant risk in the current climate of very low interest rates, and this policy enables the Council to allow for future payments of interest on long-term loans, as outlined within the Medium-Term Financial Strategy (MTFS). The Council also takes into account forecast future changes in interest rates when planning how much it can afford to borrow to fund capital expenditure over the medium term (typically three to five years).

The Council minimises its exposure to market risk in respect of investments by investing at fixed rates for longer periods (of up to one year) when interest rates are expected to remain steady or fall and for shorter periods when interest rates are expected to rise in the short term. The Council has hitherto opted not to take advantage of the potentially higher interest rates which might be available from investing over periods of more than one year in order to minimise its credit and liquidity risk profiles.

During the financial year, and at 31 March 2021, all of the Council's loans and fixed term investments were at fixed rates of interest.

The Council's borrowing strategy:

The Council's Treasury Management Strategy will determine whether it is possible to make savings in borrowing costs by borrowing over different periods and potentially from different lenders without significantly increasing the Council's exposure to liquidity and market risks. Given the significant cuts to public expenditure, and in particular to local Government funding, the Council's borrowing strategy continues to address the key issue of affordability without compromising the longer-term stability of the debt Portfolio. With short-term interest rates continuing to be at much lower levels overall than long-term rates, it is likely to be more cost-effective in the short-term to either use internal funding or source short-term loan financing.

Note 40: Capital commitments

At 31 March 2021, the Council has entered into a number of contracts for the construction or enhancement of property, plant and equipment in 2021/22 and future years budgeted to cost £11m. The major commitments are:

Service	Capital commitments £000's
Adult Social Care	971
Communities and Wellbeing	214
Customer Services and ICT	125
Development and Planning	285
Education	3,067
Finance and Property	143
Strategy and Governance	46
Transport and Countryside	6,161
Total	**11,012**

Note 41: Prior Period Adjustments

A review of the Council's Statement of Accounts identified four accounting treatment issues affecting the Comprehensive Income and Expenditure Statement, Balance Sheet, Cash Flow Statement and selected disclosure notes where indicated. The 2019/20 accounts have been restated to reflect these impacts.

Section 106 developer contributions are now included within grant receipts in advance-capital in current liabilities and long-term liabilities. The capital grants unapplied account has been adjusted to take account of these changes.

Assets held for sale have been transferred from long-term assets to current assets.

Short-term deposits with building societies have been transferred from cash and cash equivalents to short-term investments. The 1 April 2019 Restated Balance Sheet (page 28) and 2019/20 Restated Cash Flow Statement (page 29) both reflect this change.

Selected expenditure and income amounts within the People Directorate have been reclassified to ensure consistency with the 2020/21 Comprehensive Income and Expenditure Statement.

Effect on Movement in Reserves Statement	2019/20 as previously stated	Section 106 developer contributions	2019/20 Restated
	£'000	£'000	£'000
Capital Grants Unapplied Account	35,202	(7,380)	27,822

Effect on Movement in Reserves Statement-Usable Reserves	2019/20 as previously stated	Section 106 developer contributions	2019/20 Restated
	£'000	£'000	£'000
Balance at 1 April 2019	71,113	(7,380)	63,733
Other adjustments to General Fund	(70)	0	(70)
Deficit on the provision of services	(9,804)	0	(9,804)
Adjustments between Accounting Basis and Funding Basis under Regulations	16,188	0	16,188
Balance at 31 March 2020	**77,427**	**(7,380)**	**70,047**

Effect on Balance Sheet	2019/20 as previously stated	Section 106 developer contributions	2019/20 Restated
	£'000	£'000	£'000
Capital Grants Unapplied Account	35,202	(7,380)	27,822
Grant receipts in advance-capital (current liabilities)	5,478	666	6,144
Grant receipts in advance-capital (long-term liabilities)	235	6,714	6,949

Effect on Balance Sheet	2019/20 as previously stated	Assets held for sale	2019/20 Restated
	£'000	£'000	£'000
Assets held for sale	1,822	(1,822)	0
Total long-term assets	**1,822**	**(1,822)**	**0**
Assets held for sale	0	1,822	1,822
Total current assets	**0**	**1,822**	**1,822**

Effect on Balance Sheet	2019/20 as previously stated	Short-term deposits with building societies	2019/20 Restated
	£'000	£'000	£'000
Cash and cash equivalents	21,898	(6,000)	15,898
Short-term investments	10,000	6,000	16,000

Effect on Comprehensive Income and Expenditure Statement	2019/20 as previously stated	Reclassification	2019/20 Restated
	£'000	£'000	£'000
Expenditure - People Directorate	222,216	(5,886)	216,330
Income - People Directorate	(135,492)	5,923	(129,569)
Net Expenditure - People Directorate	**86,724**	**37**	**86,761**

Collection Fund

Note 42.1: Collection Fund Statement

2019/20 Council Tax £'000	2019/20 Business Rates £'000	Collection Fund Income & Expenditure Account	2020/21 Council Tax £'000	2020/21 Business Rates £'000
		Income		
(118,285)	0	Council Tax receivable	(124,022)	0
0	(88,047)	Business Rates receivable	0	(48,889)
(514)	0	MOD contribution in lieu of Council Tax	(539)	0
(118,799)	**(88,047)**	**Total income**	**(124,561)**	**(48,889)**
		Contributions towards previous year's Collection Fund deficit:		
0	(2,620)	Central Government	0	0
(1,135)	0	West Berkshire Council	(1,473)	(3,715)
(136)	0	Thames Valley Police Authority	(194)	0
(48)	(14)	Royal Berkshire Fire Authority	(62)	(33)
(1,319)	**(2,634)**		**(1,729)**	**(3,748)**
		Expenditure		
		Precepts and demands:		
0	21,167	Central Government	0	43,525
102,111	62,653	West Berkshire Council	106,488	42,653
13,413	0	Thames Valley Police Authority	14,103	0
4,310	847	Royal Berkshire Fire Authority	4,408	870
119,834	**84,667**		**124,999**	**87,048**
		Charges to the Collection Fund:		
0	498	Transitional Relief Payment	0	1,208
155	383	Write-offs of uncollectable amounts	15	214
340	13	Increase/(decrease) in allowance for impairment	250	237
0	2,598	Increase/(decrease) in allowance for appeals	0	807
0	259	Charge to the General Fund for allowable collection costs for Business Rates	0	259
0	0	Charge to the General Fund for Section 13A(1)(c) Discretionary Council Tax reliefs	369	0
495	**3,751**		**634**	**2,725**
		Apportionment of previous year's Collection Fund deficit:		
0	0	Central Government	0	456
0	1,230	West Berkshire Council	0	0
0	0	Thames Valley Police Authority	0	0
0	0	Royal Berkshire Fire Authority	0	0
0	**1,230**		**0**	**456**
119,010	**87,014**	**Total expenditure**	**123,904**	**86,481**
		Movements on the Collection Fund:		
211	**(1,033)**	**(Surplus)/deficit arising during the year**	**(657)**	**37,592**
2,163	6,519	Deficit brought forward at 1 April	2,374	5,486
2,374	**5,486**	**Deficit carried forward at 31 March**	**1,717**	**43,078**

Note 42.2: Collection Fund Distribution of Deficit

The increase in the year-on-year Business Rates deficit reported is due to a decrease in collection rates, a contributory factor being the Covid-19 pandemic. This increase is offset by the presence of £20.8m of Section 31 grant reliefs within Earmarked General Fund Reserves. This sum will support the funding of this deficit in future financial years.

2019/20			2020/21	
Council Tax	**Business Rates**	**Collection Fund deficit carried forward-31 March**	**Council Tax**	**Business Rates**
£'000	**£'000**		**£'000**	**£'000**
0	93	Central Government	0	20,990
2,025	5,338	West Berkshire Council	1,465	21,657
265	0	Thames Valley Police Authority	191	0
84	55	Royal Berkshire Fire Authority	61	431
2,374	**5,486**		**1,717**	**43,078**

Note 42.3: Council Tax Bandings

Council Tax base		Band	Net dwellings	Multiplier	Band D equivalent
	Disabled	A	2.00	5/9	1.12
	up to £40,000	A	1,947.07	6/9	1,298.06
over £40,000	up to £52,000	B	4,597.42	7/9	3,575.79
over £52,000	up to £68,000	C	16,558.18	8/9	14,718.34
over £68,000	up to £88,000	D	15,704.69	9/9	15,704.69
over £88,000	up to £120,000	E	9,887.54	11/9	12,084.77
over £120,000	up to £160,000	F	6,475.83	13/9	9,353.98
over £160,000	up to £320,000	G	4,394.68	15/9	7,324.47
over £320,000		H	703.28	18/9	1,406.57
			60,270.68		**65,467.79**
	Adjustment for losses on collection			x	0.996
	Council Tax base				**65,205.90**

Note 42.4: Business Rates Multiplier

2019/20		2020/21
	Rateable value	
£'000		**£'000**
100,480	Business Rates gross rateable value	98,726
50.4p	Standard Business Rate	51.2p
49.1p	Small Business Rate	49.9p
(12,433)	Reliefs and transitions	(49,837)
88,047	**Net Business Rates receivable**	**48,889**

Glossary of Terms

12-month expected credit losses – The expected credit losses for a financial asset that are projected for the possible default events that might happen only in the next financial year.

Academy school – State-funded schools for which the Council has no responsibility but which are often created by being transferred from the Council's control.

Accounting Code of Practice – The Code of Practice on Local Authority Accounting in the United Kingdom, published annually by CIPFA. It contains the provisions that the Council must comply with in preparing the Statement of Accounts.

Accounting standards – The pronouncements of standard setting bodies that local authorities are required to follow (subject to adaptation by the Accounting Code). Primarily the IFRS framework administered by the International Accounting Standards Board.

Accounting policies – The specific principles, bases, conventions, rules and practices the Council applies in preparing and presenting the financial statements.

Accounts and Audit Regulations 2015 – The statutory rules that establish requirements for internal control and financial systems and specify the arrangements for the annual accounts and audit process.

Accruals accounting – A basis of accounting in which the effects of transactions and other events on an authority's resources are accounted for when the effects occur; not when the relevant cash receipts or payments take place. For instance, employee costs are treated as an expense as employees provide services to the authority, not when salaries are paid.

Actuarial gains and losses – Changes in the Council's pension's liabilities calculated at the end of the previous year as a result of actual events being different from those predicted by the actuary or because the actuary has updated their assumptions.

Actuary – The expert engaged by the Council to calculate its pension's liabilities.

Adjustment account – A statutory reserve in the Balance Sheet that allows the General Fund Total to be managed so that expenditure can have an impact on the setting of council tax in a different year from that in which it would be an expense under proper accounting practices.

Administering authority – An authority that is responsible for administering a pension fund under the Local Government Pension Scheme.

Amortisation – The spreading of the cost of an asset over a number of financial years to fairly represent the period over which the Council benefits from the asset.

Amortised cost – A method of measuring financial instruments that ignores changes in fair value but takes into account the spreading of transactional costs over the instrument term and the impact of any concessionary interest rates.

Annual Governance Statement – A statement published with the Statement of Accounts prepared in accordance with the CIPFA/SOLACE publication Delivering Good Governance in Local Government: Framework. It assesses the effectiveness of the arrangements the Council has put in place to govern decision-making and accountability.

Assets – Present economic resources controlled by the Council as a result of past events. Assets include the Council's property, cash and investments and sums owed by other parties.

Asset held for sale – An asset (or group of assets and liabilities) whose value will be recovered principally through sale rather than through its continued use in the provision of services.

Assets under construction – Property, plant and equipment that is being constructed for use by the Council but which is not yet operational.

Billing authority – An authority that is responsible for administering the collection of council tax and business rates, including issuing bills and distributing amounts collected to other authorities.

Business rates – The tax raised on non-domestic properties, based each year on a multiplier set by the Government applied to an assessment of the value of the property.

Business rates retention – The system under which the Council is able to keep a proportion of the business rates raised in any year in excess of a baseline measure.

Capital expenditure – The expenditure incurred by the Council that is intended to provide longer-term benefits and qualifies to be paid for from capital resources, rather than charged to revenue as it is incurred. The definition covers expenditure that results in the recognition of non-current assets in the Balance sheet and other transactions specified within Government regulations.

Capital financing – The Council's arrangements for meeting the cost of capital expenditure, covering capital grants and contributions, capital receipts and charges to revenue over the period that will benefit from the expenditure.

Capital Financing Requirement – The measure of the Council's capital expenditure that has yet to be financed, as defined in the Prudential Code. It increases as capital expenditure is incurred and reduces when resources are set aside as capital finance.

Capital grants – Grants given to meet the cost of capital expenditure.

Capital Grants Unapplied Account – The total in the Balance Sheet of capital grants that have not yet been used and will have to be repaid if conditions for their use are not met.

Capital programme – The Council's plans for capital expenditure, usually detailing the individual projects that are to be carried out, their budgeted cost and the expenditure incurred to date on them.

Capital receipts – Income received from the sale of non-current assets (particularly property) and from other transactions specified in Government regulations. Their use is largely restricted to financing capital expenditure.

Capital Receipts Reserve – The reserve in the Balance Sheet that holds the capital receipts that have yet to be applied to financing capital expenditure.

Cash - Notes and coins held by the Council and money in bank accounts that can be withdrawn on demand.

Cash equivalents – Investments that are comparable to cash, being short-term, highly liquid and readily convertible to known amounts of cash and unlikely to change in value.

CIPFA – The Chartered Institute of Public Finance and Accountancy - the accountancy body primarily concerned with public services that issues guidance on accounts preparation for local authorities.

Collection Fund – The separate accounting arrangements for the collection of council tax and business rates and the sharing of the proceeds between the Council, Government and other public bodies.

Community assets – Property, plant or equipment that the Council intends to hold in perpetuity that has no determinable life (such as open spaces) and which may have restrictions on its disposal (excluding heritage assets).

Community schools - State-funded schools for which the Council is responsible for owning the land and buildings, employing the staff and determining admissions.

Componentisation - The process of splitting an asset into its component parts so that depreciation can be calculated separately for components with different useful lives.

Contingent asset – An asset that the Council might be able to recognise as a result of event that has happened before the year-end, but whose existence will not be confirmed until an uncertain future occurrence (not wholly within the Council's control) either takes place or does not.

Contingent liability – A possible obligation for the Council that arises as a result of an event that has happened before the year-end, but whose existence will not be confirmed until an uncertain future occurrence (not wholly within the Council's control) either takes place or does not.

Cost of services – The line in the Comprehensive Income and Expenditure Statement that summarises the Council's net expenditure on providing services, before considering non-service specific items.

Council tax – The tax raised on households, based each year on the position of the property in eight valuation bands A to H.

Credit risk – The risk that a party that the Council has lent money to or has made an investment with will not repay some or all of the loan or investment.

Creditors – The organisations and individuals that the Council owes money to.

Current asset – An asset that the Council expects to realise or consume in the provision of services within the next twelve months.

Current liability – A liability that the Council expects to settle within the next twelve months.

Debtors – The organisations and individuals that owe the Council money.

Dedicated Schools Grant (DSG) – The Government funding provided to the Council to support the Schools Budget.

Dedicated Schools Grant (DSG) Adjustment Account – An adjustment account that accumulates overspends on the Schools Budget. This is an unusable reserve.

Deficit – An excess of expenditure over income.

Defined benefit scheme – A pension scheme where the future benefits receivable by pensioners are guaranteed and sufficient contributions have to be paid into the fund to ensure that payments will be affordable.

Defined contribution scheme – A pension scheme where the contributions payable into the fund are fixed and the benefits receivable by pensioners will depend upon the assets that the fund has accumulated to pay them.

Depreciated historical cost – A measurement basis for items of property, plant and equipment reflecting the cost of acquiring an asset and any subsequent enhancement less the depreciation charged over the asset's life to date.

Depreciated replacement cost – A valuation method for items of property, plant and equipment based on the current cost of replacing an asset with a modern equivalent, less deductions for the physical deterioration of the asset.

Depreciation – The charge made for the use of an item of property, plant or equipment during the year, based on the systematic allocation of its depreciable amount over its useful life.

Derecognition – The process by which assets and liabilities are removed from the Balance Sheet, as a result of being disposed of, consumed or settled.

Direct revenue financing – Financing capital expenditure from revenue rather than from capital resources.

Earmarked reserves – Amounts of revenue reserves that have been identified as cover for future spending plans or contingencies.

Existing use value (EUV) – A basis for valuing property, plant and equipment that estimates a sale price for an asset disregarding potential alternative uses and any other characteristics of the asset that would make its market value different from the expenditure needed to replace the remaining service potential at least cost.

Fair value – The price that would be received to sell an asset (or paid to transfer a liability) in an orderly transaction between market participants.

Fair value through other comprehensive income financial assets – Investments for which gains and losses in fair value are recognised on the Balance Sheet but do not impact on the Council's income as they arise but only when the investment matures or is sold. Defined as financial assets that are held within a business model whose objective is achieved by both collecting contractual cash flows and selling investments, and which have the form of a basic lending arrangement.

Fair value through profit or loss financial assets – Defined as financial assets that do not qualify for measurement at amortised cost or fair value through other comprehensive income. Movements in their fair value are recognised as income and expenditure when they arise.

Finance lease – A lease whose terms transfer to the lessee substantially all the risks and rewards that an owner of property would have.

Financial instrument – A contract that gives one party a financial asset and the other party a financial liability (or an equity instrument), such as a loan, credit terms for the purchase of goods or services or a share in a company.

Foundation schools – State-funded schools for which the Council has no responsibility for owning the land and buildings, employing the staff or determining admissions.

General Fund – The fund into which the Council pays all its revenue income and from which it incurs all its revenue expenditure, unless specifically mandated by law not to.

Heritage assets – Assets with historical, artistic, scientific, technological, geophysical or environmental qualities that are held and maintained principally for their contribution to knowledge and culture (such as historic buildings, museum collections and public art).

Historical cost – An accounting convention based upon the amounts that items actually cost to acquire or construct and the cost of their subsequent enhancement, rather than the values that they currently have.

IAS – International Accounting Standard - the title for the various standards issued by the IASB before 2003.

IASB – International Accounting Standards Board

IFRIC – The title of interpretations of IFRS issued by the IFRS Interpretations Committee and its predecessors

IFRS – International Financial Reporting Standards - the suite of standards issued by the IASB that form the basis for the Code of Practice on Local Authority Accounting. Also the title for the various individual standards issued by the IASB from 2003 onwards.

Impairment – A fall in the value of an asset to the Council (whether it will be sold or continue in use) below the amount it is recorded in the Balance Sheet.

Intangible assets – Assets that do not have physical substance, such as computer software, licences and websites supporting the Council's services.

Inventories – Assets such as raw materials, building supplies and retail stock that will be used to produce goods or provide services or be sold as part of the Council's normal activities.

Investment property – Land and/or buildings held solely to earn rentals or to benefit from increases in their value (or both), and not for use in the production or supply of goods or services, for administrative purposes or for sale as part of the Council's normal business.

Lease – An arrangement under which a lessor conveys the right to use an asset to a lessee in return for a payment or series of payments. The definition can include arrangements that are not leases in the legal sense.

Lease liabilities – The amounts recognised in the Balance Sheet for the payments the Council is due to make as lessee under finance leases.

Lease receivables – The amounts recognised in the Balance Sheet for the payments the Council is due to receive as lessor under finance leases.

Lease term – The non-cancellable period for which a lessee has contracted to lease an asset, together with periods covered by options for the lessee to extend, where it is reasonably certain when the lease is entered into that the lessee will exercise the options.

Lessee – The party to a lease acquiring the right to use the leased asset.

Lessor – The party to a lease that owns the asset and conveys the right to use it to the lessee.

LGPS – The Local Government Pension Scheme - the scheme that most officers of the Council are members of.

Liabilities – Liabilities are present obligations of the Council to transfer an economic resource as a result of past events. They include borrowings and amounts owed by the Council.

Liquidity risk – The risk that the Council might at any time not have sufficient cash to make payments that are due.

Long term asset – An asset that the Council does not expect to realise or consume in the provision of services within the next twelve months.

Long term liability – A liability that the Council does not expect to settle within the next twelve months.

Market risk – The risk that the Council might make losses on financial instruments from adverse movements in market prices, such as changes in variable interest rates or quoted prices for investments.

MRP (Minimum Revenue Provision) – The method by which capital expenditure is financed by setting aside amounts from revenue over the useful life of the relevant asset (or in accordance with some other methodology that prudently approximates this).

Net assets – The amount by which assets in the Balance Sheet exceed liabilities.

Non-current asset – An asset that the Council does not expect to realise or consume in the provision of services within the next twelve months.

Non-current liability – A liability that the Council does not expect to settle within the next twelve months.

Operating leases – Any lease that does not meet the definition of a finance lease.

Other comprehensive income and expenditure – Items in the Comprehensive Income and Expenditure Statement that do not arise as a result of the provision of services but from revaluations of assets and remeasurements of net pensions liabilities.

Outturn – An actual financial outcome, usually used in relation to expenditure incurred against a budget.

Past service cost – The change in pension's liabilities relating to employee service in previous years as result of changes to the pension scheme or the ending of the Council's responsibility for employees transferred to another organisation.

PFI (Private Finance Initiative) – Contracts under which an operator constructs or enhances an asset and then provides services on behalf of the Council through the use of that asset in return for payment. Payments are normally based on a fixed annual sum but can be reduced if the operator does not achieve targets for availability of the asset or standards of service. The arrangement usually includes transfer of ownership of the asset to the Council at the end of the contract.

Pooled budget – An arrangement where two or more organisations contribute resources and agree how they will be spent so as to meet common objectives.

Precept - A statutory annual demand from another authority for funding which a billing authority will meet by raising council tax.

Prepayments – Payments made by the Council in advance of goods or services being supplied.

Property, plant and equipment – A class of assets with physical substance that are held for use in the production or supply of goods and services, for rental to others, or for administrative purposes (and expected to be used for more than one year).

Provision – A liability of the Council where there is uncertainty about when it will be settled and/ or how much the Council will have to pay. The estimated amount that will be required to settle the liability is charged as an expense when the Council recognises the obligation.

Prudential Code – The Code of Practice for capital financing issued by CIPFA. The Council is required by law to have regard to the Code when taking decisions about incurring capital expenditure and taking out borrowing.

PWLB (Public Works Loan Board) – A lending facility operated on behalf of HM Treasury that provides loans to local authorities and other public bodies.

Related parties – Persons or entities with which the Council has a relationship, such as a company in which the Council has an interest or an organisation that is controlled by a member or chief officer.

Reserves – The balances in the Balance Sheet that show variously the revenue and capital resources available to support the provision of services by the Council, the cumulative effect of statutory adjustments to manage the availability of those resources for particular financial years, and balances of revaluation gains and losses on assets that have yet to be realised.

Residual value – The amount that an item of property, plant or equipment could be sold for (less costs of disposal), if it were in the condition expected at the end of its useful life.

Revenue expenditure – Expenditure on the day-to-day costs of providing services. Defined technically as the expenditure of the Council that does not meet the definition of capital expenditure.

REFCUS (revenue expenditure funded from capital under statute) – Expenditure that would normally be charged to revenue resources but which Government regulations allow to be treated as capital expenditure and funded from capital receipts or MRP.

RICS – Royal Institution of Chartered Surveyors - responsible for the professional standards applied in valuing local government property.

RSG – Revenue Support Grant - Government funding for general revenue expenditure, given to authorities deemed to have insufficient income from other sources.

Section 106 receipts – Monies received from developers and other parties to compensate for the adverse impact of granting planning permission (e.g. building a school to service a new housing development).

SeRCOP – CIPFA's Service Reporting Code of Practice, which provides a standard classification for local government services and guidance on how to assign expenditure to those services.

Specific government grant – Grant that is required to be applied to revenue expenditure meeting criteria specified by the donor.

Surplus – An excess of income over expenditure.

Surplus assets – Property, plant or equipment that is not being used to provide services but that does not meet the criteria for an investment property or an asset held for sale.

Surplus/deficit on the provision of services – The line in the Comprehensive Income and Expenditure Statement that summarises the Council's net expenditure on providing services, after considering non-service specific items.

Unusable reserves – The reserves in the Balance Sheet that are not balances of usable resources, comprising revaluation reserves and adjustment accounts.

Usable reserves – The reserves in the Balance Sheet that are balances of usable resources, both revenue and capital.

Useful life – The period for which an asset is expected to be available for use by the Council.

Voluntary aided schools – Schools for which the Council is responsible for funding their running costs and the majority of capital expenditure but another party (usually a faith-based organisation) is responsible for employing the staff and administering admissions and owns the land and buildings.

Voluntary controlled schools – State-funded schools for which the Council is responsible for employing the staff and administering admissions, but the land and buildings are owned by another party (usually a faith-based organisation).