



Financial Statements

West Berkshire Council 2019/20

Statement of Accounts Year Ending 31 March 2020

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Annual Governance Statement 2019/20 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 has currently undertaken 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

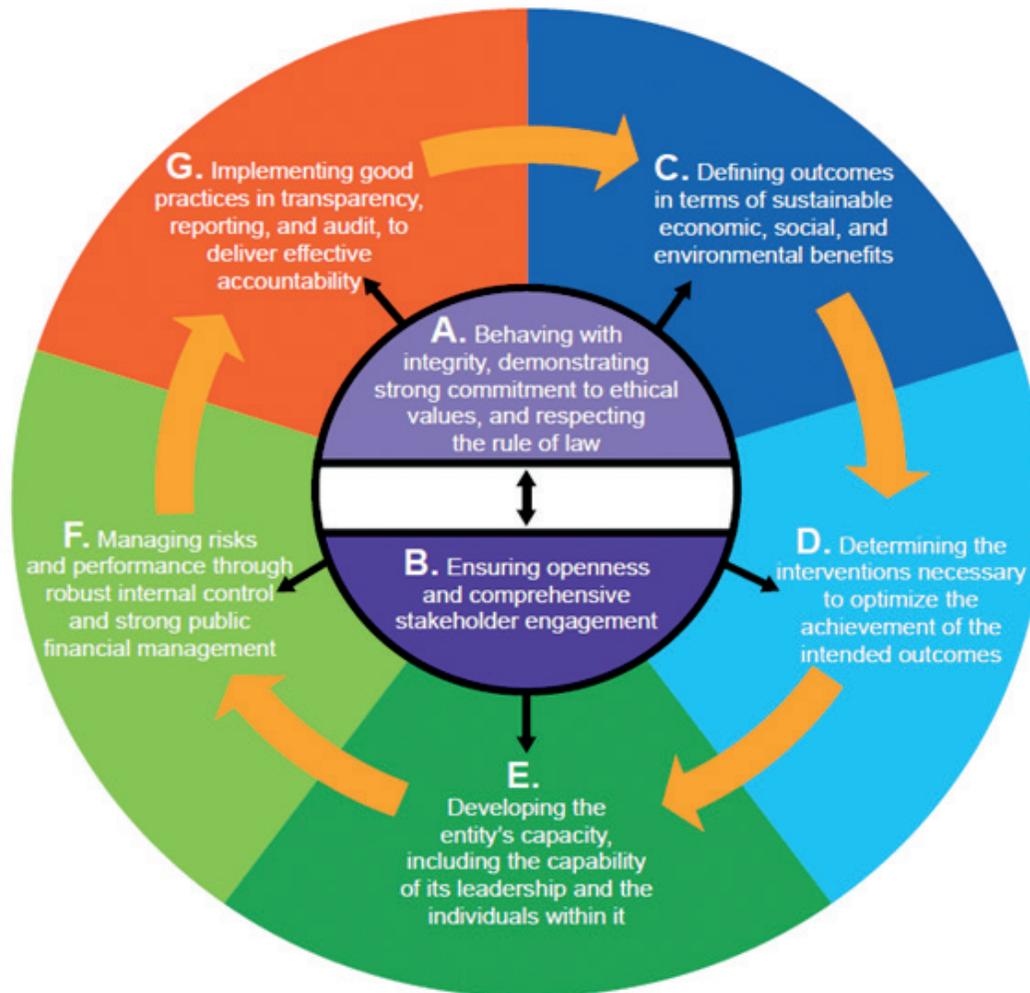
- 2.1 The purpose of the governance framework is to ensure that the authority directs and controls its activities in a way that meets standards of good governance and is accountable to the community. It does this by putting in place an organisational culture and values which drive a responsible approach 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 2020 and up to the date of approval of the Statement of Accounts.

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 previous years, 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 annual basis and referring changes to the Governance and Ethics Committee and Council
- The Audit and Governance 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 & 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's Constitution explains existing policy making and delegation procedures and the matters which must be dealt with by the full Council. It documents the role and responsibilities of the Executive, portfolio holders, each committee and Members and officers. The Council has approved a protocol governing relationships between Members and Officers as part of its Constitution and has adopted codes of conduct for both Officers and Members which facilitate the promotion, communication and embedding of proper standards of behaviour. Officers have job descriptions and there are clearly defined schemes of delegation, all of which are reviewed from time to time.

5.3 The Council's Constitution incorporates clear guidelines to ensure that business is dealt with in an open manner except in circumstances when issues should be kept confidential. Meetings are open to the public except where personal or confidential matters are being discussed. All Executive /committee agendas, minutes and portfolio holder decisions are published promptly on the Council's website. In addition, senior officers of the Council can make decisions under delegated authority. The over-

arching policy of the Council is decided by the full Council.

5.4 The Overview and Scrutiny Management Committee and Governance and Ethics Committee hold Portfolio Holders to account for delivery of the Council's policy framework within the agreed budget, and protocols are in place for any departure from this to be properly examined.

5.5 The Council engages with its communities through a number of channels, including consultation events, surveys and campaigns relating to specific initiatives.

5.6 The Council Strategy is supplemented by more detailed information on the key projects and programmes of work that the authority will be delivering during the year – with actions to achieve priority outcomes set out in service plans. More detailed service plans are drawn up by teams across the Council, with objectives set for individual members of staff through the annual appraisal process. This process also looks at the development and training needs of staff, with a programme of training then put in place to meet these needs.

- 5.7 Progress against the Council Strategy outcomes and budgets is monitored regularly by the Executive Leadership Board and Portfolio Holders. The Scrutiny Committee receives quarterly reports focusing on delivery of key projects and programmes of work and drawing attention to other areas where progress is exceeding, or falling short of targets. Portfolio Holders also monitor progress in delivery.
- 5.8 The Council has an officer Strategic Leadership Team to monitor financial performance, service performance, the progress of key corporate projects and risk management and to oversee the implementation of recommendations from Internal Audit reports.
- 5.9 The Council publishes an Annual Financial Report (incorporating the Statement of Accounts) annually within the statutory timescales. The Annual Financial Report incorporates the full requirements of best practice guidance in relation to corporate governance, risk management and internal control.
- 5.10 The Council is subject to independent audit by Grant Thornton and receives an Annual Audit Letter reporting on findings. The Council supplements this work with its own internal audit function and ad hoc external peer reviews. The Governance & Ethics Committee undertakes the core functions as identified in CIPFA's Audit Committees – Practical Guidance for Local Authorities.
- 5.11 The Council has arrangements for managing risk in its Risk Management Policy.
- 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 Teams who have responsibility for the development and maintenance of a sound governance environment.
- 6.2 Staff awareness training has been undertaken to ensure that the Council complies adequately with the provisions of the General Data Protection Regulation (GDPR) and Freedom of Information Acts, and Equality requirements.
- 6.3 The Council has appointed the Executive Director (Resources) as the Section 151 officer with the statutory responsibility for the proper administration of the Council's financial affairs. CIPFA/SOLACE advises that the S151 officer should report directly to the Chief Executive and be a member of the 'Leadership Team', of equal status to other members. The Executive Director (Resources) is a member of the Executive Leadership Team.
- 6.4 The Council has appointed the Service Director (Strategy & Governance) as the statutory "Monitoring Officer" and has procedures to ensure that the Monitoring Officer is aware of any issues which may have legal implications.
- 6.5 All Executive reports are reviewed by the S151 and Monitoring Officer. All reports to Executive are required to demonstrate how the subject matter links to the Council Strategy and highlight resource implications. Officers are also asked to draw out risk, equality, environmental,

management and legal issues as appropriate. Similar procedures are in place for the other Council Committees.

- 6.6 The Council has whistle-blowing and anti-fraud and corruption policies. It has a formal complaints procedure and seeks to address and learn from complaints. The Council's Governance & Ethics Committee deals with complaints relating to the conduct of Members.
- 6.7 Members' induction training is undertaken after each election. Members also receive regular updates and training on developments in local government.
- 6.8 Key roles in maintaining and reviewing the effectiveness is undertaken by:

The Council collectively responsible for the governance of the Council and the full Council is responsible for agreeing the Constitution, policy framework and budget. Manages risk in making operational and governance decisions together with proposing and implementing the policy framework, budget and key strategies.

The Executive receives regular monitoring reports on revenue and capital expenditure and performance.

Governance and Ethics Committee approves the annual audit plan, monitors the internal control environment through receipt of audit reports and this Statement, and keeps an overview of arrangements for risk management. It also approves this Statement and the Statement of Accounts.

External Audit external audit is provided by Grant Thornton. Whilst the external auditors are not required to form an opinion on the effectiveness of the Council's risk and control procedures, their work does give a degree of assurance following the annual audit of the Council's financial accounts.

Internal Audit The internal audit team provide the Council with an internal audit service which includes the Council's entire control environment. The Internal Audit Manager takes account of the Council's assurance and monitoring mechanisms, including risk management arrangements, for achieving the Council's objectives.

The Internal Audit Plan is based on the Risk Register and identifies Internal Audit's contribution to the review of the effectiveness of the control environment. The process includes reports to the Governance & Ethics committee on progress of audits. Regular summaries are also produced of the outcome of each audit, together with reviews of whether agreed recommendations have been implemented. Internal Audit provides an annual opinion on the internal control environment and issues that should be included in this Statement.

There is a requirement for internal audit to undertake an annual self-assessment and independent external assessment every five year. Any areas of non-conformance must be reported as part of their annual report and opinion. In the light of feedback we have concluded that internal audit is an effective part of the Council's governance arrangements.

Considering all of the arrangements and frameworks, the table below sets out a summary of the review of the Council's effectiveness:

Theme	Comments
Identifying and communicating West Berkshire Council's Strategy that sets out its purpose and intended outcomes for citizens and service users	A new Council Strategy for the period 2019 to 2023 was approved at Council on the 23rd May 2019, following public consultation and engagement.
Measuring the quality of services for users, ensuring they are delivered in accordance with West Berkshire Council's Strategy and ensuring that they represent the best use of resources	Quarterly reports detailing performance against targets, which are linked to the Council Strategy priorities, are considered and reviewed by Executive.
Establishing clear channels of communication with all sections of the community and other stakeholders, ensuring accountability and encouraging open consultation	<p>The Council has a published Consultation Policy, which was last updated in January 2019.</p> <p>The Council also has a Community Panel and consultation exercises are promoted through the usual media channels including the Council's social media accounts. Individual Council Services will send targeted e-mails inviting specific users to respond to specific consultations where it is appropriate to do so.</p> <p>The Local Government Association (LGA) peer review in November 2019 highlighted this a key area to strengthen with the two recommendations below</p> <ul style="list-style-type: none"> • <i>Jointly design with residents the mechanisms through which to hear their voice more</i> • <i>Respond to the desire partners have for the council to lead the setting of a clear direction for West Berkshire into the future and influence the place it should be – raising the ambition, establishing clarity of purpose and sharpening the focus</i>
Consultation on the budget and proposed budget reductions which affect service users are planned in good time and adhere to the Council's own consultation policy. The Council will also continue to ensure that the requirements of an Equality Impact Assessment are met and ask our residents how a proposed reduction in service might impact on them or others, and how any impact arising out of the proposal could be mitigated	During the financial year 2019-20 the budget consultation for 2020-21 did highlight the need for any specific budget consultation. Previous consultations have been undertaken and are accompanied within consultation policy.

Theme	Comments
Defining and documenting the roles and responsibilities of the executive, non-executive, scrutiny and officer functions, with clear delegation arrangements and protocols for effective communication	The Articles of the Constitution summarises the roles and responsibilities of the Executive, Council, OSMC and other committees, together with the role of a number of statutory officers.
Developing, communicating and embedding codes of conduct, defining the standards of behaviour for members and staff	<p>The officers and members codes of conduct, were updated in March and December 2018 respectively, to provide updated guidance on the use of social media.</p> <p>Training on dealing with Code of Conduct Complaints was undertaken by the Governance and Ethics Committee in September 2019.</p> <p>The constitution is currently being reviewed.</p>
Reviewing and updating the Constitution including Contracts Rules of Procedure and Financial Rules of Procedure, The Scheme of Delegation, which clearly define how decisions are taken and the processes and controls required to manage risks	A Task Group has been set up review the Constitution. Work is ongoing.
Ensuring the authority's financial management arrangements conform with the governance requirements of the CIPFA Statement on "The Role of the Chief Financial Officer in Local Government (2016)"	The Council's financial management arrangements are regularly reviewed by the Finance and Governance Group to ensure compliance with this CIPFA Statement.
The Governance and Ethics Committee which performs the core functions of an audit committee, as identified in CIPFA's "Audit Committees – Practical Guidance for Local Authorities"	<p>A review of the effectiveness of the Governance and Ethics Committee was undertaken in 2019. The resulting report was submitted to the Committee in November 2019. The review concluded that the Committee is undertaking most of the responsibilities expected of an audit committee, but not all the key activities recommended in CIPFA's 2018 guidance update.</p> <p>Internal Audit found that there is scope for improvement in the way the Committee understands and reports on its own activity, for example: refreshing its Terms of Reference; understanding members' relevant skills and knowledge; undertaking training to improve the Committee's ability to challenge and assess key assurance reports. The Committee should also be able to assess its own activity and performance, and produce at least an annual report on this.</p>

Theme	Comments
The Finance and Governance Group which helps to ensure compliance with relevant laws and regulations, internal policies and procedures, and that expenditure is lawful	The Finance and Governance Group meets on a monthly basis and is chaired by the Head of Finance and Property and includes the Council's s151 Officer and Monitoring Officer.
Conducting a regular review of the effectiveness of Internal Audit	<p>Internal Audit were subject to an external assessment during 2018 as required by the Public Sector Internal Audit Standards (PSIAS). The conclusion of that review was that Internal Audit 'generally conforms' to the PSIAS requirements, which is the highest compliance category used for this assessment.</p> <p>An update on progress of the review recommendations was provided to G&E in November 2019. From the 4 recommendations made, 3 had been implemented with the remaining one being work in progress. From the 5 suggestions for improvement 4 had been implemented with the remaining one being work in progress.</p>
Whistle blowing procedures for receiving and investigating complaints from staff or the public	<p>The Council has policies in place, which are currently being reviewed by the Council's Audit Manager to ensure that they remain fit for purpose.</p> <p>The Anti-Fraud and Corruption, Money Laundering and Bribery Act policies were approved by G & E in November 2019. These policies have links/make reference to the Whistleblowing Policy.</p>
Identifying the development needs of Members and senior officers in relation to their strategic roles, supported by appropriate training.	<p>The Member Development Programme was approved by Council in March 2020.</p> <p>The training needs and development of senior officers is dealt with via the appraisal system.</p>

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:
- Delivering effective engagement
 - Ensuring effective engagement with stakeholders through which to hear the voice of the resident more
 - 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.
 - 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.
 - Commercial investment – The Council’s significant investment in commercial property, transformation programme and pursuing commercialisation opportunities will continue to require effective governance arrangements around any proposed changes

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 2019/20 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.



Lynne Doherty
Leader
of the Council

Date: 28 May 2021



Nick Carter
Chief Executive

Date: 28 May 2021

Action plan – 2019-20

Item	Action	Responsible officer	Progress
Financial management – Adult Social Care (ASC)	A review of the ASC forecast overspend position was undertaken by the Chief Executive and Audit Manager during 2018/19, and made a number of recommendations to strengthen the financial management arrangements within ASC and across the Council. These recommendations are being implemented according to an agreed plan and will be closely monitored for their effectiveness.	Chief Executive/ Audit Manager	Complete
Financial management – Schools DSG	Regular reporting of School DSG funding performance to be embedded within existing financial performance arrangements.	Head of Finance & Property	
Commercial	The Council's significant investment in commercial property, transformation programme and pursuing commercialisation opportunities will continue to require effective governance arrangements around any proposed changes	Head of Legal services	Carried forward to 2020-21 due to macro-economic position
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	October 2020

Item	Action	Responsible officer	Progress
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 & consultation manager	June 2020
	All new projects to be supported by business case through the project methodology	Performance, Research & consultation manager	Dec 2020
	Regular monitoring and management through corporate project governance	Service Director (Strategy & Governance)	March 2021
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 & property	Dec 2020
	Completion of Asset challenge process through all asset types	Property services manager	Dec 2021
Commercial activity	The Council's significant investment in commercial property, transformation programme and pursuing commercialisation opportunities will continue to require effective governance arrangements around any proposed changes	Service Director (Strategy & Governance)	March 2021



Executive Director's Narrative Statement 2019/20

1. Finance and Resources

The Council has had an ongoing focus on ensuring strong financial management and resilience. The outturn for the Financial Year (FY) 2019-20 with an increase in the general fund of £1.5m will help to support the Council's resilience as well as having continued to deliver a wide range of well received services. A recent peer review through the Local Government Association supported that the Council has:

Sound financial management with a good track record of delivering savings and increasing income, a £131m capital programme, £100m investment fund and a £1m Transformation fund to help deliver change in the organisation.

Local government finances are increasingly stretched and the sector faces significant financial challenges in the coming years. The current national economic outlook is uncertain. The extraordinary events currently experienced in relation to the COVID 19 pandemic followed a decade of financial reductions which already placed considerable strain on local authorities. Increased demand for many public services, directly related to the outbreak of the virus have placed an immediate pressure on local authority cashflows and

expenditure budgets. The longer term local and national consequences of a recession triggered by the pandemic have yet to be fully experienced.

The Council prides itself on ensuring services deliver high outcomes and offer value for money, sound and prudent financial management supports this objective. As demonstrated by the Financial Statements, the Council remains financially resilient, prepared and well placed to meet the future challenges.



Joseph Holmes

Executive Director for Resources,
s151 Officer

Date: 28 May 2021

2. 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 159,000, split between a demographic of 128,000 under 65 year olds and 31,000 residents over 65 years old. District residents predominately reside within the main market towns of Newbury, Thatcham and Hungerford. The average employment rate is 83.1% compared to the national average of 76%. The average crime rate across the district is 51.7% compared to an average rate of 74.3% across the South East region.

3. West Berkshire Council

The Council was created as a single tier (unitary) authority after the dissolution of Berkshire County Council in 1998. The boundary of the Council corresponds with the boundary of the former Newbury District Council.

The Council provides over 700 functions across the district and supports 68,090 properties. 95.7% of schools in the area have been judged good or better by Ofsted as at 31st December 2019.

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 3 Green Party Councillors.

4. Council Strategy

The Council Strategy was refreshed in 2019/20 with a renewed focus on six priority areas. There is an accompanying action

plan to deliver the strategy through from 2019-23. In light of Covid-19, the Strategy will need to be reviewed to consider the implications of the outbreak on our future work.



5. Council's Performance Achievements

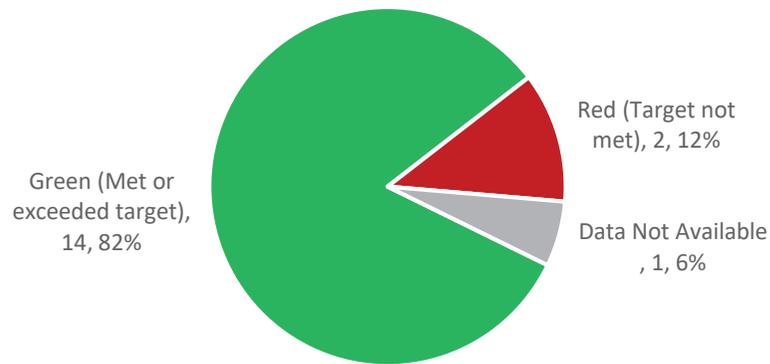
The Council has a formal quarterly process for measuring performance against strategic objectives. As at 31 March 2020, a total of 17 key accountable measures formed part of the reporting framework which monitors the Council's progress against the core business areas included in the Council Strategy.

Provisional end of year results were better than the expected. Targets for 14 measures (82%) and were (RAG) rated 'Green'. Two measures (12%) were not achieved and were RAG Rated 'Red'.

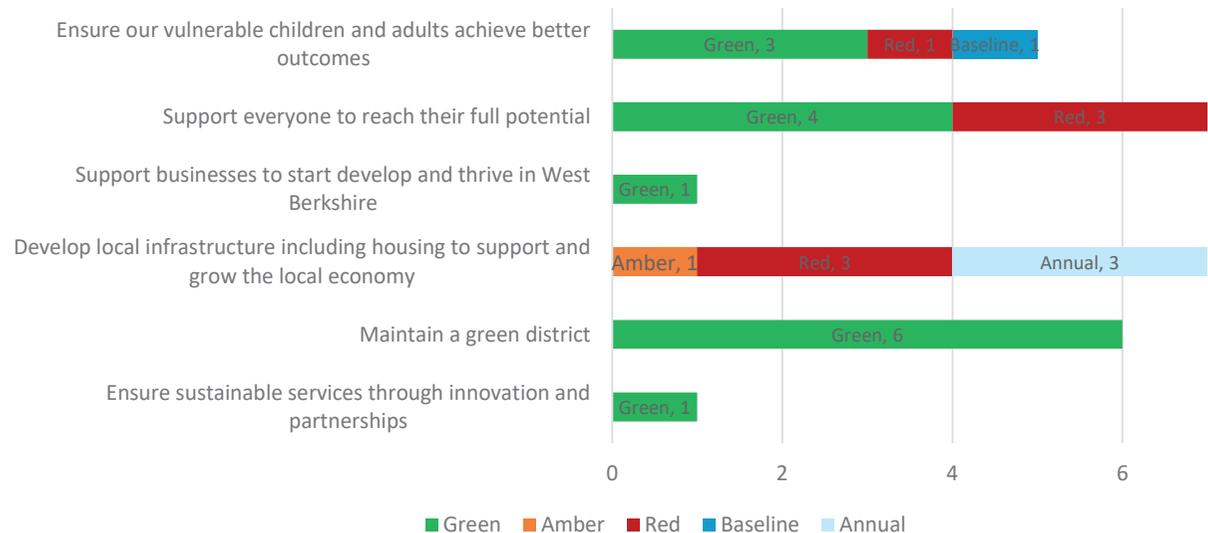
Another component of the performance reporting framework focuses on the progress against delivery of the Council Strategy's Priorities for Improvement. The graphic below illustrates results achieved against each priority for improvement.

Performance information was available for 20 performance measures and an additional four were either annual or baselining measures.

Q4 2019 - 2020 Council Strategy Core Business Performance Measures



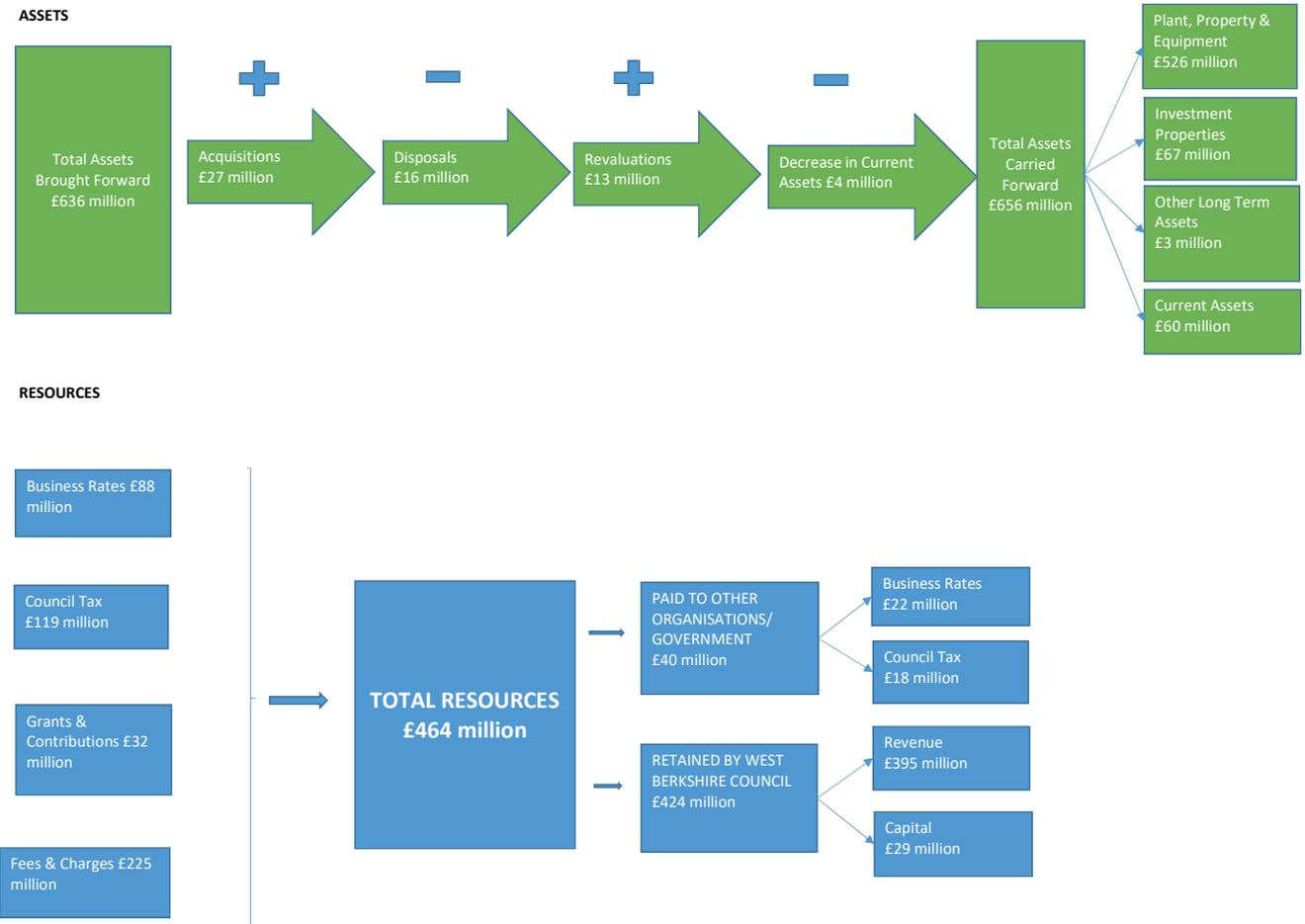
Q4 2019 - 2020 Council Strategy Performance (Executive) number of measures by priorities for improvement and by RAG status



6. Financial Performance – Financial Context of the Council

The Council manages net cashflows and assets of over £95 million through:

1. Collecting over £88 million in Business Rates, a proportion of which is retained.
2. Collecting over £119 million of Council Tax.
3. Managing a portfolio of £596 million of land, buildings and other assets, of which £67 million relates to commercial property investments.
4. Investing cash and investment balances of over £32 million.
5. Accounting for fee and grant income of £257 million to support expenditure on Council services.
6. Incurring net expenditure of £144 million on Council services.



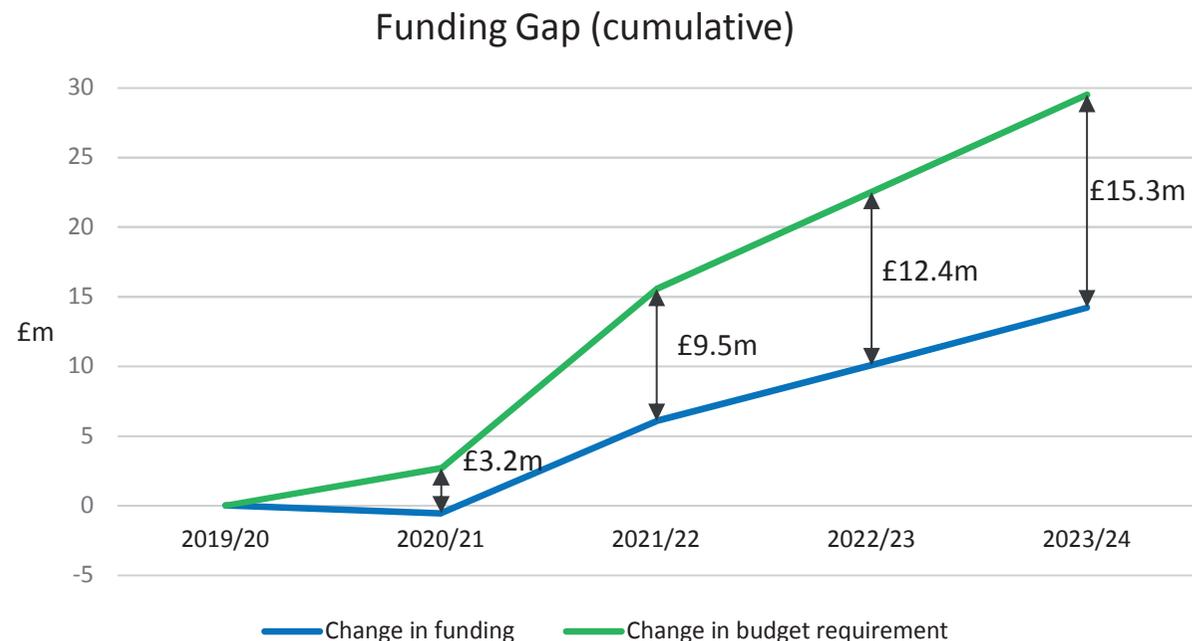
7. Financial Performance - Core Funding

Since 2010, local government has faced an increasingly challenging financial environment. The Council in common with the rest of local government has seen a reduction in grant funding (as part of a strategy to reduce the national deficit) and an increasing dependency on Council tax and Business Rates retention. There has been further uncertainty through the anticipated fair funding review which would set a new baseline funding allocation for local authorities by undertaking updated assessment of relative needs and resources. The outcomes of the government review had been anticipated to be updated in November 2020. However, as a result of the COVID pandemic, and Brexit, there is a level of uncertainty around the review and around the broader economic outlook presenting implications for local government finances. The review and proposed increase in Business Rates Retention plans have been moved back by the Government to 2021-22 at the earliest. The Council was successful in 2019-20 at being included in a Berkshire wide Business Rates pool which has seen additional funds to the Berkshire area and especially funded through to the Local Economic Partnership (LEP). The Council's share in this pool decreased from 99% in 2018/19 to 75% in 2019/20.

8. Future Challenges, Medium Term Financial Planning

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 Medium Term Financial Strategy has been recently updated indicating that there is an expected funding of gap of £15.3million by 2023/24.



9. 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.

In the short-term the Council has received £8.6million of COVID support grant funding from central government and £3.5 million of section 31 Business Rates Relief in advance to support short term cashflows.

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.

In 2020-21, at the time of writing, the Government has provided substantial assistance to the Council's financial response to Covid-19, including:

- Non ring-fenced funding of £8.6m
- High street re-opening = £140k
- Business grants = £29.3m
- Discretionary business grants = £1.2m
- Care home infection grant = £1.4m
- Homeless funds – share of national = £105m
- Further welfare support – share of national = £63m
- CTX welfare support - £585k
- Active travel = £124k + £tbck
- Public Health – outbreak plan - £540k

The economic impacts from the COVID pandemic and Brexit are anticipated to create further 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.

10. Financial Performance - 2019/20 Expenditure

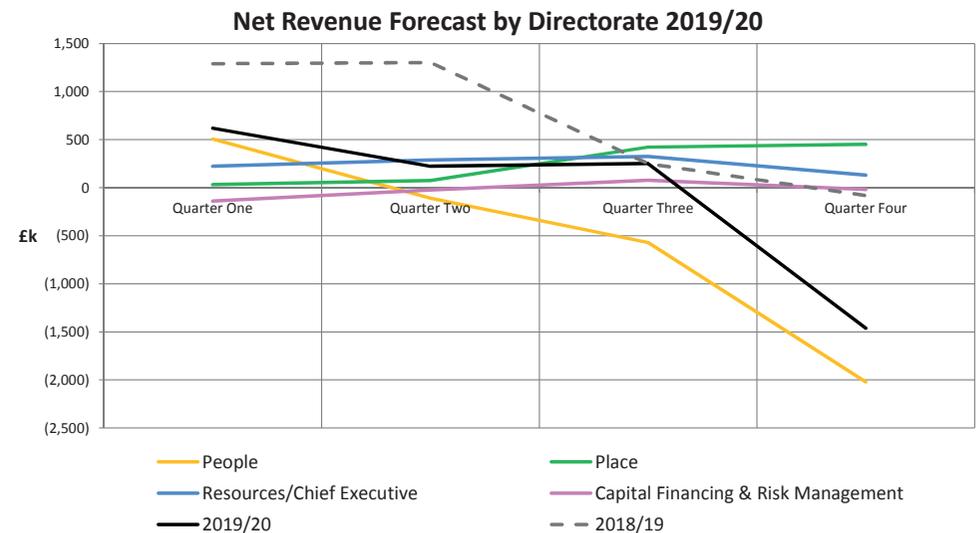
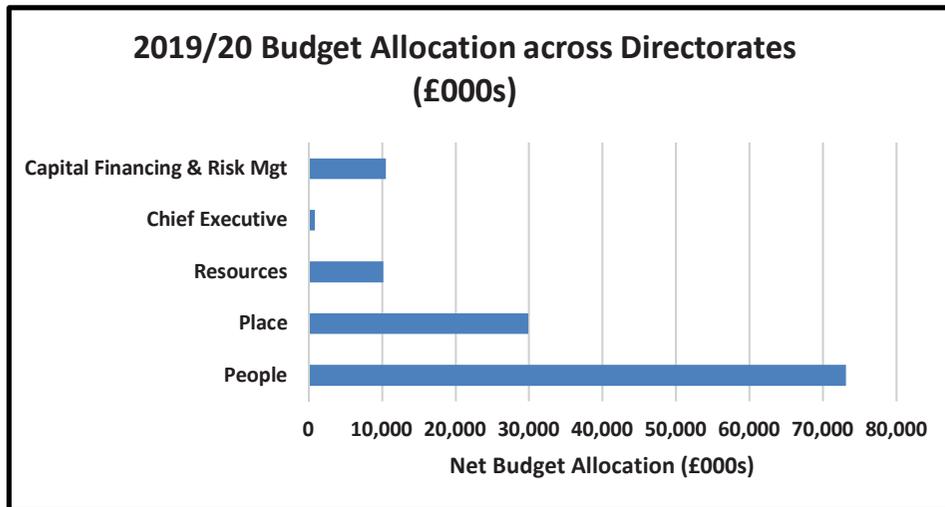
To deliver a balanced budget in 2019/20 the Council undertook a savings programme of £6.2 million. The overarching savings strategy focused on income generation and avoiding service reductions through generation of efficiencies in respect of procurement activities and transformation programmes.

A net revenue budget of £125million was approved by Full Council in March 2019, allocated across services as follows:

Actual expenditure incurred on services during 2019/20 was 99% of the net revenue budget, reflecting robust financial management process of quarterly reporting to senior officers and elected members; there was an overall underspend of £1.5m.

The main areas of underspend were in respect of the People directorate and specifically Adult Social Care of £1.3m. This is positive to see the enhanced financial management arrangements for the year following the review of ASC budget management undertaken due to the

2018-19 FY. This is also reflected in the Annual Governance Statement. Other services were close to break-even with some smaller over and under-spends. The two key areas of note were the underspend in Children's & Families services, in part due to reduced demand, and un-met income from the Council actively not investing further in commercial property.



11. Financial Performance – The Balance Sheet

The Council's balance sheet shows it has a net worth of over £95 million.

Total assets of £596 million at the balance sheet date include:

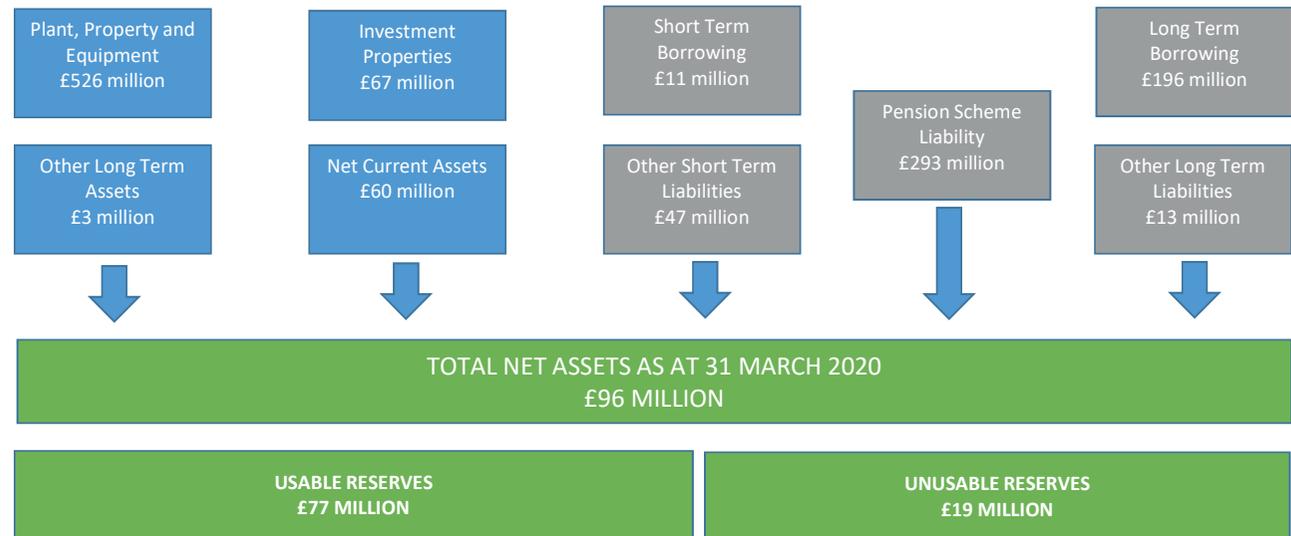
- Operational land and buildings of £526 million
- Investment properties of £67 million

Total liabilities of £560 million include:

- Long term borrowing of £196 million
- The pension scheme potential future liability of £293 million

The Council's balance sheet includes £77 million of usable reserves available to fund future spending plans. Disclosure note 25 within the financial statements shows a breakdown of unusable reserves. The most significant movement within the unusable reserves related to the pension liability which reduced from £316 million in 2018/19 to £293 million in 2019/20.

Overall the Council has maintained a strong year-end Balance Sheet. Sufficient funding is in place to repay both long and short term liabilities as these fall due.

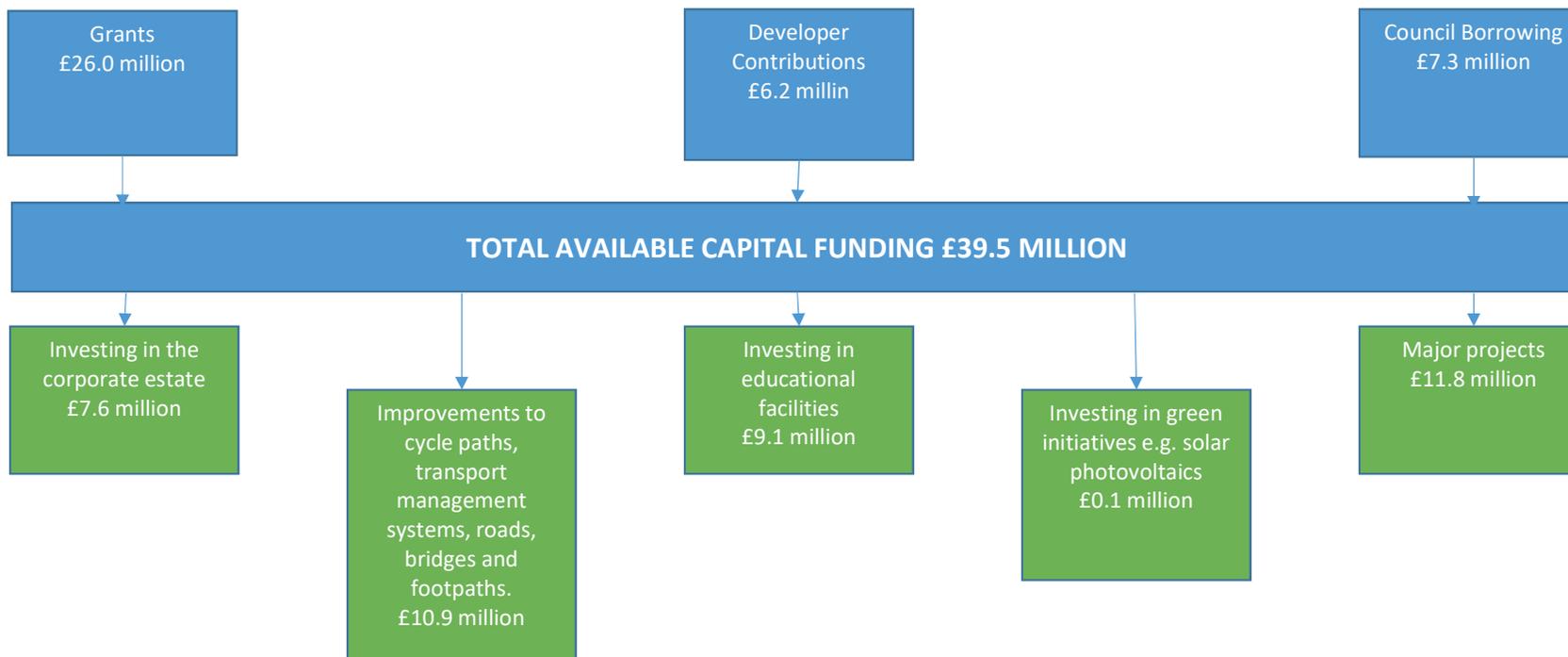


12. Financial Performance - Capital Expenditure

The Council has a three year capital investment programme. The capital programme for 2019/20 was £91.9million. Actual outturn against the programme was £52.4million underspend. The primary reason for the variance was a cessation in Commercial Property Investment during the financial year, reducing the expenditure requirement by £35 million. The balance of the underspend relates to project expenditure which will be re-profiled into future financial years.

- Investing in the Council's corporate estate inclusive of social care settings.
- Improved cycle paths, transport management systems, roads, bridges and footpaths.
- Investment into education facilities
- Investment into green initiatives inclusive of solar photovoltaics.
- Investing in new major projects

Key capital projects undertaken include:



13. Annual Governance Statement

A risk management policy is in place to identify and evaluate risk and to feed into the Annual Governance Statement (AGS). There are clearly defined steps to support better decision making and to facilitate robust understanding of risk, whether a positive opportunity or a threat and the likely impact. The risk management process is subject to regular review and scrutiny. The key actions for the AGS for the year ahead are included in the below in respect of the AGS FY2019-20:



Narrative Statement Conclusion

The FY 2019-20 has continued to see the sound financial management highlighted by the LGA peer review. The additional funding to put into reserves for a variety of known financial pressures, both Covid-19 related and in respect of ongoing financial pressures across the sector is important to protect Council services in the long term and also to allow some investment in the new Council Strategy in 2020-21. Performance continues to be good across the Council; the Council understands where performance is stronger or weaker and regularly monitoring allows management action to improve services. The FY 2019-20 saw the start of the Covid-19 outbreak; there will be a much greater impact on the FY 20-21 (which links to our Going Concern assessment), but the financial position in FY 2019-20 does help support the Council's going concern position as does Government funding provided. The uncertainty provided by Covid-19 will impact these financial statements; risks are changing as is the ability to value assets and the long term position of certain asset classes and the impact on the pension. The Council's continued focus on finance and performance, and use of the LGA peer review to improve, stand the Council in good stead to respond and recover from Covid-19 during the FY 2020-21.

14. Explanation of the Accounting Statements

The statement of accounts sets out the Council's income and expenditure for the financial year and its financial position as at 31 March 2020. The accounts comprise of core and supplementary statements, together with disclosure notes. The format and content of the financial statements are prescribed by the CIPFA Code of Practice on Local Authority Accounting, which in turn is underpinned by International Financial Reporting Standards.

The core statements are:

- The Comprehensive Income and Expenditure Statement – this records all of the Council's income and expenditure for the year. The first half of the statement provides an analysis by service area and the second half focuses on corporate transactions and funding.
- The Movement in Reserves Statement is a summary of the changes to the Council's reserves over the course of the financial year. Reserves are classified as "usable" which can be invested in capital projects or service improvements and "unusable" reserves which must be set aside for specific legal or accounting purposes.

- The Balance Sheet which is a position statement of the Council's assets, liabilities, cash balances and reserves as at the 31 March.
- The Cash Flow Statement which documents the reasons for changes in the Council's cash balances during the financial year, and whether the changes are due to operating activities, new investment or financing activities (e.g. repayment of borrowing or other long term liabilities).

The supplementary Financial Statements are:

- The Annual Governance Statement, which sets out the governance structures of the Council and its key internal controls.
- The Collection Fund, which summarises the collection and redistribution of Council Tax and Business Rates

The notes to these financial statements provide further detail about the Council's accounting policies and individual transactions.

A glossary of key terms is at the end of the Financial Statements.

The Authority's Responsibilities

The Authority is required to:

- Make arrangements for the proper administration of its financial affairs and to secure that one of its officers (the Chief Financial Officer) 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 Chief Financial Officer's responsibilities

The Chief Financial Officer is responsible for the preparation of 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 ('the Code').

In preparing the Financial Statements, the Chief Financial Officer 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 Chief Financial Officer has also:

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

Certification of Section 151 Officer

I certify that the Statement of Accounts present a true and fair view of the financial position of the Authority as at 31 March 2020 and its income and expenditure for the year then ended on that date.

A handwritten signature in black ink, appearing to be 'J Holmes', written over a horizontal line.

Joseph Holmes
Executive Director for Resources,
s151 Officer

Date: 28 May 2021

Independent auditor's report to the members of West Berkshire Council

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of West Berkshire Council (the 'Authority') for the year ended 31 March 2020 which comprise the Comprehensive Income and Expenditure Statement, the Movement in Reserves Statement the Balance Sheet, Cash Flow Statement, the Collection Fund Statement and notes to the financial statements, including a summary of significant accounting policies. The notes to the financial statements include the EFA, Notes to the Core Statements, Policies and Judgements, and Notes to the Collection Fund Statement. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2019/20.

In our opinion, the financial statements:

- give a true and fair view of the financial position of the Authority as at 31 March 2020 and of its expenditure and income for the year then ended;

- have been properly prepared in accordance with the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2019/20; and
- have been prepared in accordance with the requirements of the Local Audit and Accountability Act 2014.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the 'Auditor's responsibilities for the audit of the financial statements' section of our report. We are independent of the Authority in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

The impact of macro-economic uncertainties on our audit

Our audit of the financial statements requires us to obtain an understanding of all relevant uncertainties, including those arising as a consequence of the effects of macro-economic uncertainties such as Covid-19 and Brexit. All audits assess and challenge the reasonableness of estimates made by the Executive Director for Resources and the related disclosures and the appropriateness of the going concern basis of preparation of the financial statements. All of these depend on assessments of the future economic environment and the Authority's future operational arrangements.

Covid-19 and Brexit are amongst the most significant economic events currently faced by the UK, and at the date of this report their effects are subject to unprecedented levels of uncertainty, with the full range of possible outcomes and their impacts unknown. We applied a standardised firm-wide approach in response to these uncertainties when assessing the Authority's future operational arrangements. However, no audit should be expected to predict the unknowable factors or all possible future implications for an authority associated with these particular events.

Conclusions relating to going concern

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

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

In our evaluation of the Executive Director for Resources conclusions, and in accordance with the expectation set out within the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2019/20 that the Authority's financial statements shall be prepared on a going concern basis, we considered the risks associated with the Authority's operating activities, including effects arising from macro-economic uncertainties such as Covid-19 and Brexit. We analysed how those risks might affect the Authority's

financial resources or ability to continue operations over the period of at least twelve months from the date when the financial statements are authorised for issue. In accordance with the above, we have nothing to report in these respects.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of reference to a material uncertainty in this auditor's report is not a guarantee that the Authority will continue in operation.

Emphasis of Matter – effects of Covid-19 on the valuation of land and buildings and property investments

We draw attention to Note 4 of the financial statements, which describes the effects of the Covid-19 pandemic on the valuation of the Authority's land and buildings and the Authority's share of the pension fund's property investments as at 31 March 2020. As, disclosed in note 4 to the financial statements, the outbreak of Covid-19 has impacted global financial markets and market activity has been impacted. A material valuation uncertainty was therefore disclosed in both the Authority's property valuer's report and the pension fund's property valuation reports. Our opinion is not modified in respect of this matter.

Other information

The Executive Director for Resources is responsible for the other information. The other information comprises the information included in the Statement of Accounts, other than the financial statements and, our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

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

We have nothing to report in this regard.

Other information we are required to report on by exception under the Code of Audit Practice

Under the Code of Audit Practice published by the National Audit Office on behalf of the Comptroller and Auditor General (the Code of Audit Practice) we are required to consider whether the Annual Governance Statement does not comply with the 'delivering good governance in Local Government Framework 2016 Edition' published by CIPFA and SOLACE or is misleading or inconsistent with the information of which we are aware from our audit. We are not required to consider whether the Annual Governance Statement addresses all risks and controls or that risks are satisfactorily addressed by internal controls.

We have nothing to report in this regard.

Opinion on other matter required by the Code of Audit Practice

In our opinion, based on the work undertaken in the course of the audit of the financial statements and our knowledge of the Authority gained through our work in relation to the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources, the other information published together with the financial statements in the Statement of Accounts, for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

Under the Code of Audit Practice, we are required to report to you if:

- we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make a written recommendation to the Authority under section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make an application to the court for a declaration that an item of account is contrary to law under Section 28 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or;
- we issue an advisory notice under Section 29 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014, in the course of, or at the conclusion of the audit.

We have nothing to report in respect of the above matters.

Responsibilities of the Authority, the Executive Director for Resources and Those Charged with Governance for the financial statements

As explained more fully in the Statement of Responsibilities set out on page 27, the Authority is required to make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this authority, that officer is the Executive Director for Resources. The Executive Director for Resources is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/ LASAAC code of practice on local authority accounting in the United Kingdom 2019/20, for being satisfied that they give a true and fair view, and for such internal control as the Executive Director for Resources determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Executive Director for Resources is responsible for assessing the Authority's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless there is an intention by government that the

services provided by the Authority will no longer be provided.

The Governance and Ethics Committee is Those Charged with Governance. Those charged with governance are responsible for overseeing the Authority's financial reporting process.

Auditor's responsibilities for the audit of the financial statements

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

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

Report on other legal and regulatory requirements - Conclusion on the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources

Conclusion

On the basis of our work, having regard to the guidance on the specified criterion issued by the Comptroller and Auditor General in April 2020, we are satisfied that the Authority put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2020.

Responsibilities of the Authority

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

Auditor's responsibilities for the review of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources

We are required under Section 20(1)(c) of the Local Audit and Accountability Act 2014 to be satisfied that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We are not required to consider, nor have we considered, whether all aspects of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

We have undertaken our review in accordance with the Code of Audit Practice, having regard to the guidance on the specified criterion issued by the Comptroller and Auditor General in April 2020, as to whether in all significant respects the Authority had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people. The Comptroller and Auditor General determined this criterion as that necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether the Authority put in place proper arrangements for securing

economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2020.

We planned our work in accordance with the Code of Audit Practice. Based on our risk assessment, we undertook such work as we considered necessary to be satisfied that the Authority has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

Report on other legal and regulatory requirements - Certificate

We certify that we have completed the audit of the financial statements of West Berkshire Council in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice.

Use of our report

This report is made solely to the members of the Authority, as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014 and as set out in paragraph 43 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. Our audit work has been undertaken so that we might state to the Authority's members those matters we

are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Authority and the Authority's members as a body, for our audit work, for this report, or for the opinions we have formed.

Barrie Morris

Barrie Morris, Key Audit Partner
for and on behalf of Grant Thornton UK LLP, Local Auditor

Bristol
28 May 2021



Core Financial Statements

Core Financial Statements

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.

2018/19				2019/20			
Expenditure	Income	Net Expenditure	Comprehensive Income & Expenditure Statement		Expenditure	Income	Net Expenditure
£000	£000	£000		Note	£000	£000	£000
217,481	(133,097)	84,384	People Directorate	7	222,216	(135,492)	86,724
60,688	(17,588)	43,100	Place Directorate	7	65,922	(21,022)	44,900
64,134	(43,764)	20,370	Resources Directorate	7	57,667	(46,105)	11,562
0	0	0	Chief Executive*	7	1,241	(105)	1,136
1,796	(1,925)	(129)	Capital Financing and Risk Management	7	13,195	(13,068)	127
344,099	(196,374)	147,725	Cost of services		360,241	(215,792)	144,449
0	0	5,257	Other operating expenditure	10	7,917	0	7,917
0	0	9,199	Financing and investment income and expenditure	11	22,543	(5,662)	16,881
0	0	(157,668)	Taxation and non-specific grant income & expenditure	12	42,406	(201,849)	(159,443)
0	0	4,513	(Surplus) or deficit on provision of services	13	433,107	(423,303)	9,804
0	0	(75,089)	Surplus or deficit on revaluation of property, plant and equipment assets		53,468	(72,238)	(18,770)
0	0	(22,800)	Remeasurement of the net defined benefit liability / (asset)		0	(38,542)	(38,542)
0	0	(97,889)	Other Comprehensive Income & Expenditure		53,468	(110,780)	(57,312)
0	0	(93,376)	Total Comprehensive Income & Expenditure		486,575	(534,083)	(47,508)

* In 2019/20 the Chief Executive Directorate has been extracted from the Resources Directorate in which it was included in prior years.

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 movements in year 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 balance	Capital receipts reserve	Capital grants unapplied account	Total usable reserves	Total unusable reserves	Total authority reserves
		£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
2019/20										
Balance at 31 March 2019		8,221	16,400	5,334	29,955	745	40,413	71,113	(22,662)	48,451
Other adjustments to General Fund		(70)	0	0	(70)	0	0	(70)	70	0
Movement in reserves during 2019/20										
Surplus or deficit on provision of services		(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 and (from) Reserves	9	(7,009)	6,934	75	0	0	0	0	0	0
Balance at 31 March 2019/20 carried forward		8,029	23,334	5,409	36,772	5,453	35,202	77,427	18,532	95,959
Comparative Year										
Balance at 31 March 2018		8,672	7,651	3,706	20,029	3,013	37,448	60,490	(105,415)	(44,925)
Total comprehensive income and expenditure		(4,513)	0	0	(4,513)	0	0	(4,513)	97,889	93,376
Adjustments between accounting basis and funding basis under regulations	8	14,439	0	0	14,439	(2,268)	2,965	15,136	(15,136)	0
Movement during 2018/19		9,926	0	0	9,926	(2,268)	2,965	10,623	82,753	93,376
Transfers to and (from) Reserves	9	(10,377)	8,749	1,628	0	0	0	0	0	0
Balance at 31 March 2019 carried forward		8,221	16,400	5,334	29,955	745	40,413	71,113	(22,662)	48,451

Balance Sheet:

The Balance Sheet shows the value at the Balance Sheet date of the assets and liabilities recognised by the entity. 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 of reserves are 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 Capital Receipts Reserve may only be used to fund Capital Expenditure or repay debt). The second category of reserves is those that the Authority is not able to use to provide services. This category includes reserves that hold realised gains and losses (for example the Revaluation Reserve), where amounts would only become available to provide services if the assets are sold; and reserves that hold timing differences shown in the Movement in Reserves Statement 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 2020.

Joseph Holmes

Executive Director for Resources,
s151 Officer

Date: 28 May 2021

31st March 2018/19	31st March 2018/19 Restated		Notes	31st March 2019/20
£'000	£'000			£'000
Non-current:				
494,577	494,577	Plant, property and equipment	14	526,200
75,950	75,950	Investment Properties	16	66,570
0	0	Intangible assets	17	1,013
1,712	1,712	Assets held for sale	21	1,822
83	83	Long-term debtors	18	75
572,322	572,322	Long-term assets		595,680
Current:				
26,000	18,000	Short-term investments *	18	10,000
5	5	Inventories		9
29,871	29,871	Short-term debtors	19	28,109
8,314	16,314	Cash and cash equivalents *	20	21,898
64,190	64,190	Current assets		60,016
Liabilities:				
(14,872)	(14,872)	Short-term borrowing	18	(10,614)
(46,968)	(34,949)	Short-term creditors	22	(37,445)
0	(1,566)	Provisions	23	(3,094)
0	(2,610)	Grants receipts in advance - revenue	34	(934)
0	(9,408)	Grants receipts in advance - capital	34	(5,478)
(61,840)	(63,405)	Current liabilities		(57,565)
Long term:				
(12,971)	(12,971)	Long-term creditors	18	(12,249)
(1,759)	(194)	Provisions	23	(75)
(194,746)	(194,746)	Long-term borrowing	18	(196,470)
(316,509)	(316,509)	Other long-term liabilities	18	(293,143)
0	0	Grants receipts in advance - revenue	34	0
(236)	(236)	Grants receipts in advance - capital	34	(235)
(526,221)	(524,656)	Long term liabilities		(502,172)
48,451	48,451	Net assets		95,959
(71,113)	(71,113)	Usable reserves	24	(77,427)
22,662	22,662	Unusable reserves	25	(18,532)
(48,451)	(48,451)	Total reserves		(95,959)

* Note - The Cash and cash equivalents for 2018/19 restated in short term investments net nil impact

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 the authority's future service delivery. Cash flows arising from financing activities are useful in predicting claims on future cash flows by providers of capital (i.e. borrowing) to the Authority.

2018/19		2019/20
£'000	Cash Flow Statement	Notes
£'000		£'000
	Net surplus or (deficit) on the provision of services	
(4,513)		(9,804)
	Adjustments to net surplus or deficit on the provision of services for non - cash movements	
48,028		33,094
	Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities	
8,000		0
51,515	Net cash flows from operating activities	26
		23,290
	(91,841) Investing activities	27
	50,446 Financing activities	28
		(18,826)
		1,120
	Net increase or decrease in cash and cash equivalents	
		5,584
	Cash and cash equivalents at the beginning of the reporting period	
6,194		16,314
	Cash and cash equivalents at the end of the reporting period	
16,314		20
		21,898



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 2019/20, these proper accounting practices are the Code of Practice on Local Authority Accounting

in the United Kingdom 2019/20 (the Code) supported by International Financial Reporting Standards (IFRS). The Statement of Accounts has been prepared on a 'going concern' basis. 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 CIES
Property, Plant and Equipment - Dwellings	Current value, comprising existing use value
Property, Plant and Equipment - Other land and buiding	Current value, comprising existing use value. 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, current value is measured at depreciated replacement cost.
Property, Plant and Equipment - surplus assets	Fair Value
Investment Properties	Fair Value
Intangible Assets	Fair Value
Financial Instruments - Fair Value through profit or loss	Fair Value
Pension Assets	Fair Value
Pension Liabilities	Measured on an actuarial basis (see note 39.2)

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, they are carried as inventories on 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.

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 demand 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 arise as a result of a change in Accounting Policies or to correct a material error. Changes are accounted for retrospectively. The Council has not adopted any other new accounting standards or amendments with a significant impact on the Council's 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 fixed 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; and
- Amortisation of intangible fixed assets attributable to the service.

The Council is not required to raise council tax to fund depreciation, revaluation and impairment losses or amortisations. 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 Policy 22.5 Minimum Revenue Provision (MRP)

Depreciation, revaluation and impairment losses and amortisations (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 the date when the Statement of Accounts is authorised for issue. Two types of events can be identified:

- those that provide evidence of conditions that existed at the end of the reporting period – the Statement of Accounts is adjusted to reflect such events; 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, disclosure is made in the notes of the nature of the events and their estimated financial effect.

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

8. Interests in Companies and other entities

Where the Council has material interests in subsidiary and associate companies, these have been consolidated into the Council's Group Accounts on a line by line basis for subsidiaries and the equity method for associates, after first realigning accounting policies with the Council where appropriate and eliminating intra-Group transactions. For 2019-20 there were no transactions meaning that Group Accounts would be required.

In the Council single entity accounts, interests in companies and other entities are classified as long-term investments and measured at cost less provision for any losses.

9. Investment Property

Investment properties are measured initially at cost and subsequently at fair value. Investment properties are not depreciated but are revalued annually according to market conditions at the year-end. Revaluation gains and losses are recognised in the Financing and Investment Income and Expenditure line within the Comprehensive Income and Expenditure Statement. However, regulations do not permit unrealised gains and losses to impact the General Fund balance. Therefore, gains and losses are reversed via the Movement in Reserves Statement and posted to the Capital Adjustment Account. Net rental income together with any revaluation gains and losses or impairments are recognised in the Financing and Investment Income and Expenditure line within the Comprehensive Income and Expenditure Statement.

10. Support Services and Overheads

The costs of support services and overheads are charged to those that benefit from the supply or service in accordance with the absorption costing principle. The full cost of overheads and support services is shared between users in proportion to the benefits received.

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 balance via the Movement in Reserves Statement to the Capital Adjustment Account and is included in the Capital Expenditure and Financing disclosure at Note 36.

12. Grants and Contributions

Government grants, contributions and donations are recognised as due to the Authority when there is reasonable assurance that:

- The Authority will comply with the conditions present
- The grants or contributions will be received

Once conditions attached to the grant or contribution have been satisfied then amounts recognised as due to the Authority will be credited will be to the Comprehensive Income and Expenditure Statement.

Amounts advanced as grants and contributions for which conditions have not been satisfied are carried in the Balance Sheet as Liabilities. When conditions are satisfied, the amounts are credited to the relevant service line or Taxation and Non-Specific Grant Income in the Comprehensive Income and Expenditure Statement.

Where capital grants are credited to the Comprehensive Income and Expenditure Statement, they are reversed out of the General Fund Balance in the Movement in Reserves Statement. Where the grant has yet to finance capital expenditure, it is posted to the Capital Grants Unapplied Account. Where it has been applied to finance capital expenditure, it is posted in the Capital Adjustment Account.

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, which 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 the development in the Comprehensive Income and Expenditure Statement in accordance with the above core accounting policy for Grants and Contributions. CIL charging will be largely to fund capital expenditure with a small proportion used to fund revenue. For large developments there is a stage payment schedule available. An Annual Statement of CIL income and expenditure will be produced. 15% of CIL is available for community use and passported to the relevant parishes or town Council (or 25% for those with a Neighbourhood Plan).

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 the BID Company (Newbury Town Centre Business Improvement District 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 services 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 created by appropriating amounts out of the General Fund Balance 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 within the Surplus or Deficit on the Provision of Services within the Comprehensive Income and Expenditure Statement. An amount is then transferred from the earmarked reserve to the General Fund Balance via an entry in the Movement in Reserves Statement.

16. Schools

Schools within the Council's group fall into the following categories:

- 28 Community Schools
- 16 Voluntary Aided
- 18 Voluntary Controlled
- Two Community Special Schools
- One Pupil Referral Unit
- One Foundation Secondary School

Local authority maintained schools are considered to be under the control of the Council. Consequently the income, expenditure, assets and liabilities of maintained schools is accounted for in the single entity accounts of the Council. Other types of school, such as, academies and free schools are outside of the Council's control and therefore not included in this Statement of Accounts.

17. Inventories

Inventories are included in the Balance Sheet at the lower of cost and net realisable value. The cost of Inventories is assigned using the FIFO/weighted average costing formula. Long-term contracts are accounted for on the basis of charging the Surplus or Deficit on the Provision of Services with the value of works and services received under the contract during the financial year.

18. Value Added Tax

The Comprehensive Income and Expenditure Statement excludes amounts relating to VAT and will be included as an expense only if it is not recoverable from Her Majesty's Revenue and Customs. VAT receivable is excluded from income within the Council's Income and Expenditure account.

19. Joint Operations

Jointly controlled operations are where the parties involved have joint control of the arrangement have rights to the assets and obligations activities undertaken by the Council in conjunction with other joint operators that involve the use 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 it incurs and the share of income it earns 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 benefits 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.

20. Provisions, Contingent Assets and Liabilities

Provisions

Provisions are made where an event has taken place that gives the Authority a legal or constructive obligation that probably requires settlement by a transfer of economic benefits or service potential, and a reliable estimate can be made of the amount of the obligation.

For example, where settlement of a legal case that eventually gives rise to a form of compensation, Provisions are charged as an expense in the appropriate service line in the Comprehensive Income and

Expenditure Statement in the year that the Authority becomes aware of the obligation, and are measured at the best estimate at the balance sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

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

Where some or all of the payment required to settle a provision is expected to be recovered from another party (e.g. from an insurance claim) this is only recognised as income for the relevant service if it is virtually certain that reimbursement will be received if the Authority settles the obligation.

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

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

21. Revenue Recognition

The Council's various income streams have been assessed and classified in line with the CIPFA Code of Practice and revenue has been recognised accordingly, with specific consideration 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.

Government grants and third party contributions are recognised on an accruals basis where there is reasonable assurance that the Council will comply with any conditions attached to the payments, and that grant monies and contributions will be received. Where conditions attached to grants and contributions remain outstanding, monies received to date are carried forward in the Balance Sheet as creditors (receipts in advance) until conditions have been satisfied.

22. 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 benefits 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 (i.e. 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 historic 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.

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.

22.1 Impairment

As Assets are assessed at each year-end as to whether there is any indication that an asset may be impaired. 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, they are accounted for in the same way as revaluation losses. When an asset is disposed of or decommissioned, the carrying amount of the asset in the Balance Sheet (whether Property, Plant and Equipment or Assets Held for Sale) is written off to the Other Operating Expenditure line in the CIES against any receipts arising from the disposal as a gain or loss on disposal.

22.2 Depreciation

Depreciation is charged a year in arrears and 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 (i.e. freehold land and certain Community Assets) and assets that are not yet available for use (i.e. assets under construction).

Depreciation is calculated on the following bases:

- Buildings – reducing balance allocation over the useful life of the property as estimated by a qualified valuer;
- Vehicles, plant, furniture and equipment – reducing balance allocated over the life of the asset, usually 10 years.
- Infrastructure – reducing balance allocated over the life of the asset, usually 10 – 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, the 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.

22.3 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, are accounted for as a gain or loss on disposal and taken to the Other Operating Expenditure line in the CIES. 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 CIES are appropriated to the Capital Adjustment Account via the Movement in Reserves Statement.

22.4 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 and movements between asset classes are usually between PPE and Investment Property. Upon reclassification assets are subsequently valued in line with the relevant class of asset. In certain cases

a property might be used for a combination of investment and operational purposes. In these instances the Council will split the valuation of the property between PPE and Investment and reflect this in the accounts.

22.5 Minimum Revenue Provision

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 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 our adopted MRP Policy.

22.6 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
- Asset classes which are not depreciated – such as land, investment property, heritage assets, community assets, surplus assets and assets held for sale.

The remaining assets, which are contained with the operational portfolio, are often of a specialised nature such as schools and leisure centres. The Council requires the Valuers to provide component information for each asset which is then reviewed to assess if inclusion of different components will have a material impact on depreciation. For 2019/20 a componentisation de-minimis of £3million has been implemented. The change in policy will only be applied to each asset as it comes up for revaluation. Any asset that has had capital expenditure on it in-year (including acquisitions) will also be considered.

Where individual assets are beneath the de minimis threshold but collectively above, they should be considered for componentisation where they are generally treated together elsewhere.

Component accounting criteria

To be separately identified as a component, an element of the asset will:

1. Have a historic cost \geq 20% of the historic cost of the overall asset (if historic cost is not known, current cost will be used as an approximation).
2. Have a materially different useful life (\geq 20% different)

Components of an asset that have a similar useful economic life will be grouped together to minimise the number of components.

Derecognition / replacement

Where a component of an asset is replaced, the carrying amount of that component is derecognised and the new component is capitalised. Such recognition and derecognition takes place regardless of whether the replaced part had been depreciated separately.

Revaluation reserve

Where a balance on the revaluation reserve exists for a building that is split into components, this will be attributed to the structure component. This is on the basis that plant and equipment etc are unlikely to have independently given rise to gains / losses.

Investment property

Investment property, although not depreciated, will be subject to component accounting for the recognition and derecognition of components when enhancement expenditure is incurred.

23. 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.

24. 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 benefits 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 it is incurred.

At recognition, an intangible asset is measured at cost. Expenditure incurred on an intangible asset after it has been recognised will normally be charged

to 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 asset is assessed to determine whether the useful life of an intangible asset is finite or indefinite, and, if finite, the length of that life. The useful life of an intangible asset that arises from contractual or other legal rights shall not exceed the period of these rights (unless they can be renewed, when the useful life shall include the renewal period only if there is evidence to support renewal).

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

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

25. Leases and Lease arrangements

Council as Lessee

Finance Leases

Leases are classified as finance leases where the terms of the agreement transfer substantially all the risks and rewards of ownership of the leased asset. Key factors considered include the length of the lease term in relation to the economic life of the asset, present value of the minimum lease payments in relation to the asset's fair value and whether the Council obtains ownership of the asset at the end of the lease term.

For leases of land and buildings, the land and building elements are considered separately for classification.

Property, plant and equipment held under finance leases are recognised on the Balance Sheet at the commencement of the lease at fair value measured at the lease's inception (or the present value of the minimum lease payments, if lower). The asset recognised is matched by a liability for the obligation to pay the lessor. Initial direct costs of the Council are added to the carrying amount of the asset. Premiums paid on entry into a lease are written off over the initial rental period. Contingent rents are charged as expenses in the periods in which they are incurred.

Property, Plant and Equipment recognised is subject to depreciation which is charged over the lease term.

The interest element of finance leases is charged to Financing and Investment Income and Expenditure within the Comprehensive Income and Expenditure

Operating Leases

All other leases are treated as operating leases.

Rentals paid under operating leases are charged to the Comprehensive Income and Expenditure Statement as an expense of the services benefitting from use of the leased assets. Charges are made on a straight-line basis over the life of the lease; even if this does not match the pattern of payments (e.g. if there is a rent-free period at the commencement of the lease).

Council as Lessor

Where the Council grants an operating lease over a property or an item of plant or equipment, the asset is retained on the Balance Sheet. Rental income is recognised in the Comprehensive Income and Expenditure Statement on a straight line basis over the life of the asset's lease, even if this does not match the exact pattern of payments, (e.g. initial expenditure in negotiation of the lease or premiums paid at commencement of the lease).

26. 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 its 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 its balance sheet as part of property, plant and equipment. The original recognition of these assets at fair value (based on 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 with Veolia ES West Berkshire Ltd.

Non-current assets recognised on the balance sheet are revalued and depreciated in the same way as property, plant and equipment owned by the authority.

The amounts payable to the PFI operators each year are analysed into five elements:

- **fair value of the services received during the year** – debited to the relevant service 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 towards the PFI operator (the profile of write-downs is calculated using the same principles as for a finance lease)
- **lifecycle replacement costs** – proportion of the amounts payable is posted to the balance sheet as a prepayment and then recognised as additions to property, plant and equipment when the relevant works are eventually carried out.

27. Financial Instruments

Financial instruments are recognised on the Balance Sheet when the Council becomes party to the contractual provisions of a financial instrument. They are classified based on the business model for holding the instruments and their expected cash flow characteristics.

Financial Liabilities

Financial liabilities are initially measured at fair value and subsequently measured at amortised cost. For the Council's borrowing this means that the amount presented in the Balance Sheet is the outstanding principal repayable (plus accrued interest).

Annual charges to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement are based on the carrying amount of the liability, multiplied by the effective rate of interest for the instrument.

Financial Assets

To meet new Code requirements, financial assets are now classified into one of three categories:

- Financial assets held at amortised cost. These represent loans and loan-type arrangements where repayments or interest and principal take place on set dates and at

specified amounts. The amount presented in the Balance Sheet represents the outstanding principal received plus accrued interest. Interest credited to the CIES is the amount receivable as per the loan agreement.

- Fair Value through Other Comprehensive Income (FVOCI) – These assets are measured and carried at fair value. All gains and losses due to changes in fair value (both realised and unrealised) are accounted for through a reserve account, with the balance debited or credited to the CIES when the asset is disposed of.
- Fair Value through Profit and Loss (FVTPL). These assets are measured and carried at fair value. All gains and losses due to changes in fair value (both realised and unrealised) are recognised in the CIES as they occur.

The Council's Investment Properties are measured at fair value. The fair value hierarchy used for valuation purposes is disclosed in Note 16.2 to the Accounts.

28. 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.
- The Local Government Pension Scheme, administered by Westminster City Council and the London Pension Fund Authority.
- The NHS Pension Scheme, administered by NHS Pensions.

All of the above schemes provide defined benefits to members e.g. retirement lump sums and pensions, earned as employees working for the Council, or for related parties. Under IAS 19 and Code requirements, the Council recognises the cost of post-employment benefits in the reported cost of services when they are earned by employees rather than when the benefits are eventually paid as pensions.

The Teachers' scheme and NHS Scheme are also accounted for as defined contribution schemes. However, the arrangements for these schemes means the future benefit liabilities cannot be identified to the Council, therefore no liability for future payments of benefits is recognised in the Balance Sheet. Services are charged with employer contributions to Teachers' and NHS pensions in the Comprehensive Income and Expenditure Statement within the financial year.

Defined Benefit Pension Schemes

Local Government Pension Scheme

The liabilities of the 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 - i.e. 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 balance sheet date of high quality corporate bonds.

The assets of the Berkshire Pension Scheme 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 comprising: current service cost – allocated in the Comprehensive Income and Expenditure Statement (CIES) to the services for which the employees worked. Past service cost – debited to the Surplus or Deficit on the Provision of Services in the CIES as part of Non Distributed Costs.
2. Net interest on the net defined benefit liability – charged to the Financing and Investment Income and Expenditure line of the CIES
3. Re-measurements 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 pensions 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 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 vent of early retirements. Any resulting liabilities are accrued in the year of the award and accounted for using the same policies as applied in the Berkshire Pensions Fund.

29. 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 (i.e. major preceptors, the billing authority and the 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 business ratepayers is recognised in full at 1 April i.e. 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 in line with 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 multipliers set 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 regulations.

Balance Sheet

Business Rates income credited to the Collection Fund Adjustment Account (Note 25.3) has increased by £1,698k since 2018/2019. This is the principal reason for the Balance Sheet increase.

Note 2 - Accounting Standards issued but not yet adopted

In accordance with the Code at paragraph 3.3.2.13, 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 standards issued but not yet adopted.

Those standards to be adopted within the 2020/21 Code that are relevant are as follows:

- Annual Improvements to IFRS Standards 2015–2017 Cycle
- Amendments to IAS 19 Employee Benefits: Plan Amendment, Curtailment or Settlement.
- Amendments to IAS 28 Investments in Associates and Joint Ventures: Long-term Interests in Associates and Joint Ventures

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 about 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 financial statements 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 as a result the Council recognises school assets for Community Schools on its Balance Sheet.
- The Council has not recognised assets relating to Academies, Voluntary Aided (VA), Voluntary Controlled (VC) or Foundation schools as it is of the opinion that these assets are not controlled by

the Council. In the case of VA and VC schools these were deemed to be owned by the relevant dioceses after consultation and review.

- The transfer of schools to Academies is recognised as a disposal from the Council's Balance Sheet on the date the school converts to Academy status. No impairment is recognised by the Council prior to the transfer. During the year the Council transferred as disposal one Academy Francis Bailey Primary (Academy) School.

3.2 Pension Fund and IAS 19/FRS102 McCloud/Sargeant judgement

The administering authority for the Pension Fund is the Royal Borough of Windsor and Maidenhead whilst 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 professional advisors '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.

At the last accounting period the Authority elected to make an allowance for the McCloud/Sargeant judgement based on the Actuarial Employers IAS 19/FRS 102 report, therefore no explicit adjustment has been made in the results for this year. This is the preferred default approach as outlined in the Actuarial Accounting report as at 31st March, 2020.

3.3 Pension PPF Uncertainty

Due to the economic uncertainty caused by the restrictions imposed by central governments in response to the pandemic, the independent valuer used by Pooled Property Funds at Berkshire Pension Fund, of which West Berkshire Council is an admitted body, have included a material uncertainty clause in their 31st of March 2020 valuations. Berkshire Pension Fund's property fund valuations are therefore reported on the basis of 'material valuation uncertainty' as per RICS' Red Book Global.

A corresponding material uncertainty is disclosed in the Council's financial statements as the Council's share of these property funds is material at £37.484m.

3.4 PPE Valuation Uncertainty

The outbreak of Covid-19 has impacted global financial markets and as at the valuation date, less weight can be attached to previous market evidence to inform opinions of value. There is an

unprecedented set of circumstances on which to base a judgement.

The Valuation, at the Balance Sheet date, has, therefore, been reported on the basis of "material valuation uncertainty" as it has been prepared under extraordinary circumstances.

At the current time, it is not possible to accurately predict the longevity and severity of the impact of Covid-19 on the economy. Therefore, comparison to historical market data is less reliable.

3.5 Future Funding of local government

There is a high degree of uncertainty about 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 per Local Authority
- Density and sparsity assume no changes as cannot assess impact of removal

However the Authority has determined that this uncertainty is not yet sufficient to provide an indication that the assets of the Council might be impaired as a result of a need to close facilities and reduce

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

3.6 Business Rate Retention

The Authority entered into the 75% pilot under a Pooling arrangement with other Berkshire authorities during the year, however due to the high levels of growth in Business Rate Retention for the Council the Authority will return to the 50% scheme during 2020/21. The Government will also be resetting the Baseline Business Rates and this may impact on future levels of growth. Assumptions surrounding NNDR Valuation and appeals provision will have

an impact on critical judgements made surrounding the 2010 and 2017 (Check Challenge and Appeal) valuation list.

3.7 Going Concern

The Statements have been prepared on a going concern basis in that the Accounts are prepared on the assumption that the functions of the Authority will continue in operational existence for the foreseeable future. Policy number 2.

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

The Statement of Accounts contains estimated figures that are based on assumptions made by the authority about

the future or that are otherwise uncertain. Estimates are made taking into account historical experience, current trends and other relevant factors. However, because balances cannot be determined with certainty, actual results could be materially different from the assumptions

and estimates. The items in the Authority's Balance Sheet at 31 March 2020 for which there is a significant risk of material adjustment in the 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 & 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 properties using the Depreciated Replacement Cost (DRC) method a valuation impairment / increase may be relevant between the accounting period to 31 March 2020. The market review as at 31 March 2020 which reported valuation tolerance parameters (-7%). Increases in BCIS factors of 3% are expected Q4 2019/20.	As DRC properties will be based on the BCIS cost index and componentised valuations and based on Gross Value this could impact a total of +£2.8m for assets valued using DRC methodology. If an impairment factor was applied at -7% this could result and impact on a downward valuation Gross Value of -£6.5m.
Existing use Value (EUV)/Fair Value Measurements	Non specialised assets valued at EUV or FV basis were subject to increases of between 2% and 3% with no changes to development land and Community Assets.	There was only 1 asset within PPE valued at EUV therefore the impacting result if increased by 3% would be +£0.169m.

<p>Pension Liability</p>	<p>Estimation of the net liability to pay pensions depends on a number of complex judgements relating to 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, the Consulting Actuaries to provide the Authority with expert advice about assumptions to be applied.</p>	<p>The effects of the net pension liability of changes to individual assumptions can be measured. The sensitivity analysis from the Actuaries have 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 an increase in the pension fund of £21.1m. An increase in the salary rate of +0.1% would result in an increase of £21.5m. However the assumptions interact in other complex ways.</p>
<p>Business Rate Provision - Appeals</p>	<p>As at 31 March 2020, the Council has increased the Appeals provision by £1.5m. This was based on use of 4.7% calculation for appeals in the 2017 list. It was necessary to increase the provision as it was significantly lower than that of the national average and there is significant uncertainty over the outcome of business rates appeals dating back over a number of financial years.</p>	<p>If the provision for appeals was increased by 2% in line with the NNDR 1 estimate, the resulting increase would be £2.3m shared across Central Government (25%), Fire (1%) and West Berkshire Council (74%)</p>

Note 5 – Material Items of Income and Expense

The Code of Practice 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 set out in a note. The following items fall within this category:

- Dedicated Schools Grant (DSG) expenditure of £95.9m supported by DSG Grant of approximately 98%
- Housing Benefit Rent Allowances and Non-HRA rent rebate expenditure totalling £28.4m supported by approximately 99% of Government grants by way of Housing Benefit Subsidy.

Note 6 – Events after the Balance Sheet Date

After preparing the Statement of Accounts for 2019/20, and after the Balance Sheet date of 31st March 2020, the section 151 office authorised the Statement for Accounts for issue on 28 May 2021. There are no adjusting Post Balance Sheet Events. Covid-19 will have an impact on the financial statements for FY 2020-21, though this is addressed in the Going Concern Statement to the Governance and Ethics committee on the 24th August 2020. The impact on the FY 2019-20 has not been material, though there has been an impact on the valuations of assets that is reflected and highlights in the Statement of Accounts.

Note 7 - Expenditure and Funding Analysis:

The Expenditure and Funding Analysis shows how annual expenditure is used and funded from resources (government grants, rents, council tax and business

rates) by local authorities in comparison with those resources consumed or earned 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/services/

departments. Income and expenditure accounted for under generally accepted accounting practices is presented more fully in the Comprehensive Income and Expenditure Statement.

2018/19			2019/20			
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
67,900	16,484	84,384	People Directorate	51,761	34,963	86,724
29,644	13,456	43,100	Place Directorate	26,834	18,066	44,900
9,985	10,385	20,370	Resources Directorate	6,900	4,662	11,562
0	0	0	Chief Executive*	553	583	1,136
11,817	(11,946)	(129)	Capital Financing and Risk Management	127	0	127
119,346	28,379	147,725	Net cost of services	86,175	58,274	144,449
(129,272)	(13,940)	(143,212)	Other income and expenditure	(93,062)	(41,583)	(134,645)
(9,926)	14,439	4,513	Surplus or deficit	(6,887)	16,691	9,804
(20,029)			Opening general fund	(29,955)		
(14,439)			Less Adjustments between accounting & funding basis	(16,691)		
			Other Adjustments General Fund	70		
4,513			Less / plus surplus or (deficit) on general fund	9,804		
(29,955)			Closing general fund 31 March	(36,772)		

* In 2019/20 the Chief Executive Directorate has been extracted from the Resources Directorate in which it was included in prior years.

Note: 7A Note to the expenditure and funding analysis

Adjustments between Funding and Accounting Basis

Adjustments for capital purposes	2018/19				Adjustments between funding and accounting basis	2019/20			
	Net change for pensions adjustment	Other (non-statutory) adjustments	Total adjustments	Adjustments for capital purposes		Net change for pensions adjustment	Other (non-statutory) adjustments	Total adjustments	
£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	
13,590	4,568	(1,674)	16,484	People Directorate	17,664	17,600	(301)	34,963	
12,283	2,651	(1,478)	13,456	Place Directorate	9,127	9,094	(155)	18,066	
1,482	6,624	2,279	10,385	Resources Directorate	2,355	2,347	(40)	4,662	
0	0	0	0	Chief Executive*	295	293	(5)	583	
0		(11,946)	(11,946)	Capital financing and risk management	0	0	0	0	
27,355	13,843	(12,819)	28,379	Net cost of services	29,441	29,334	(501)	58,274	
(31,061)	7,873	9,248	(13,940)	Other income and expenditure from expenditure and funding analysis	(29,104)	(14,158)	1,679	(41,583)	
(3,706)	21,716	(3,571)	14,439	Difference between general fund surplus or deficit and comprehensive income and expenditure statement surplus or deficit on the provision of services	337	15,176	1,178	16,691	

* In 2019/20 the Chief Executive Directorate has been extracted from the Resources Directorate in which it was included in prior years.

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

Column 2 - Net Change for the 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

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 NDR that was projected to be received at the start of the year and the income recognised under generally accepted accounting

Note 7B: Segmental income

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

2018/19		2019/20
Income from services	Segmental income	Income from services
£'000		£'000
(133,097)	People Directorate	(135,492)
(17,588)	Place Directorate	(21,022)
(43,764)	Resources Directorate	(46,105)
0	Chief Executive*	(105)
(1,925)	Capital financing and risk management	(13,068)
(196,374)	Total income analysed on a segmental basis	(215,792)

*In 2019/20 the Chief Executive Directorate has been extracted from the Resources Directorate in which it was included in prior years.

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 in the table below, with details in the note following.

2019/20	Usable Reserves			
	General fund balance	Capital receipts reserve	Capital grants unapplied account	Movement in Unusable Reserves
	£'000	£'000	£'000	£'000
Adjustments to the 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				
Pensions costs (transferred to (or from) the pensions reserve)	15,176	0	0	(15,176)
Council Tax and NDR (transfers to or from collection fund adjustment account)	1,679	0	0	(1,679)
Holiday pay (transferred to the accumulated absences 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
Capital expenditure financed from revenue balances (transfer to the capital adjustment account)	0	0	0	0
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 to finance capital expenditure	(27,048)	0	(5,211)	32,259
Cash payments in relation to deferred capital receipts	0	0	0	0
Total adjustments to capital resources	(27,162)	4,708	(5,211)	27,665
Total adjustments	16,691	4,708	(5,211)	(16,188)

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

2018/19	Usable Reserves			
	General fund balance £'000	Capital receipts reserve £'000	Capital grants unapplied account £'000	Movement in Unusable Reserves £'000
Adjustments to the 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				
Pensions costs (transferred to (or from) the pensions reserve)	22,017	0	0	(22,017)
Council Tax and NDR (transfers to or from collection fund adjustment account)	1,671	0	0	(1,671)
Holiday pay (transferred to the accumulated absences reserve)	(40)	0	0	40
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)	(4,848)	0	28,392	(23,544)
Total adjustments to revenue resources	18,800	0	28,392	(47,192)
Adjustments between revenue and capital resources				
Transfer of non-current asset sale proceeds from revenue to the capital receipts reserve	(361)	361	0	0
Administrative costs of non-current asset disposals (funded by a contribution from capital receipts reserve)	7	(7)	0	0
Statutory provision for the repayment of debt (transfer from the capital adjustment account)	(6,629)	0	0	6,629
Capital expenditure financed from revenue balances (transfer to the capital adjustment account)	2,622	(2,622)	0	0
Total adjustments between revenue and capital resources	(4,361)	(2,268)	0	6,629
Adjustments to capital resources				
Application of capital grants to finance capital expenditure	0	0	(25,427)	25,427
Total adjustments to capital resources	0	0	(25,427)	25,427
Total adjustments	14,439	(2,268)	2,965	(15,136)

Note 9: Movements in earmarked reserves

	Balance at 1 April 2018	Transfers out 2018/19	Transfers in 2018/19	Balance at 31 March 2019	Transfers out 2019/20	Transfers in 2019/20	Balance at 31 March 2020
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Balances held by schools under a scheme of delegation	3,706	5,334	(3,706)	5,334	0	75	5,409
DSG overspend	0	(100)	0	(100)	0	0	(100)
Special expenses	1	0	(21)	(20)	0	16	(4)
Self insurance fund	922	183	(150)	955	0	189	1,144
Long-term commitment	832	0	(61)	771	(60)	0	711
Specific earmarked reserves	5,136	14,351	(5,313)	14,174	0	2,770	16,944
Waste management strategy	760	185	(325)	620	(470)	0	150
Covid Reserve	0	0	0	0	0	3,279	3,279
Council Tax Volatility Reserve	0	0	0	0	0	1,210	1,210
Total earmarked reserves	11,357	19,953	(9,576)	21,734	(530)	7,539	28,743

Note 10: Other Operating Expenditure

The Council's various income streams have been assessed and classified in line with Chapter 2 of the 2019/20 Code of Practice and revenue has been recognised accordingly, with specific consideration 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.
- the significance of the income stream to the Council.

Government grants and third party contributions are recognised when there is reasonable assurance that the Council will comply with any conditions attached to the payments, and that grant monies and contributions will be received. Where conditions attached to grants and contributions remain outstanding, monies received to date are carried forward in the Balance Sheet as creditors (receipts in advance) until the conditions have been satisfied.

2018/19	2019/20
Net Expenditure	Other Operating Income and Expenditure
£'000	Net Expenditure
	£'000
4,150 Parish Council precepts	4,210
147 Levies	148
529 (Gains) / losses on the disposal of non-current assets	3,559
431 (Surplus) / deficit on trading undertakings	0
5,257 Total	7,917

Note 11 Financing Investment Income and Expenditure

2018/19		Notes	2019/20
Net Expenditure	Financing and Investment Income and Expenditure		Net Expenditure
£'000			£'000
	6,827 Interest payable and similar charges	26	7,637
	7,873 Net interest on the net defined benefit liability (asset)	39	7,577
(700)	Interest receivable and similar income	26	(895)
(4,801)	Income and expenditure in relation to investment properties and changes in their fair value	16	2,562
9,199	Total		16,881

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.

2018/19		2019/20
Net Expenditure	Taxation and Non-Specific Grant Income and Expenditure	Net Expenditure
£'000		£'000
(97,606)	Council tax income	(100,789)
(25,307)	Business Rate Retention Scheme	(26,152)
(3,165)	Non-ringfenced government grants	(3,400)
(31,590)	Capital grants and contributions	(29,102)
(157,668)		(159,443)

Note 13 Income and Expenditure analysed by nature

2018/19	The Authority's Income & Expenditure is analysed as follows:	2019/20
£'000		£'000
144,572	Employee Benefit Expenses	142,985
188,365	Other Service Expenses	260,861
15,777	Depreciation, amortisation and Impairment	13,707
6,827	Interest Payments	7,637
4,297	Precepts and Levies	4,358
7,873	Revaluation losses	3,559
367,711	Total Expenditure	433,107
(196,374)	Fees, Charges and other Service Income	(215,792)
(700)	Interest and Investment Income	(895)
(122,913)	Income from Council Tax and NNDR	(169,346)
(34,755)	Government Grants and Contributions	(32,503)
(8,456)	Other Income	(4,767)
(363,198)	Total Income	(423,303)
4,513	Surplus or Deficit on Provision of Services	9,804

Note 14: Property, Plant and Equipment

The PPE policies are outlined in the Accounting Policies in Note 1 - section 22

Movements in year 2019/20							
	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
Cost or valuation 1st April 2019	321,424	29,292	249,830	20	89	2,260	602,915
Additions	4,763	2,497	18,372	0	0	2,000	27,632
Revaluation increases / (decreases) recognised in the revaluation reserve	14,833	0	0	0	0	0	14,833
Revaluation increases / (decreases) recognised in the surplus / deficit on the provision of services	(2,763)	0	0	0	0	0	(2,763)
Derecognition - disposals	(4,376)	(844)	0	0	0	0	(5,220)
Derecognition - other	0	0	0	0	0	0	0
Assets reclassified (to) / from held for sale	0	0	0	0	0	0	0
Other movements in cost or valuation	2,573	(5,653)	0	0	(89)	0	(3,169)
At 31 March 2020	336,454	25,292	268,202	20	0	4,260	634,228
As at 1st April 2019							
Accumulated depreciation and impairment	(4,957)	(19,687)	(83,695)	0	0	0	(108,339)
Depreciation charge	(5,471)	(1,571)	(5,993)	0	0	0	(13,035)
Depreciation written out to the revaluation reserve	3,936	0	0	0	0	0	3,936
Depreciation written out to the surplus / deficit on the provision of services	0	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	0	2,978
Derecognition - disposals	1,443	376	0	0	0	0	1,819
Derecognition - other	0	0	0	0	0	0	0
Other movements in depreciation and impairment	0	4,613	0	0	0	0	4,613
At 31 March 2020	(2,071)	(16,269)	(89,688)	0	0	0	(108,028)
Net book value							
At 31 March 2020	334,383	9,023	178,514	20	0	4,260	526,200
At 31 March 2019	316,467	9,605	166,135	20	89	2,260	494,576

Note 14: Property, Plant and Equipment (continued)

Comparative movements: Movements in 2018/19							
	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
Cost or valuation							
At 1 April 2018	293,310	27,140	234,320	18	774	111	555,673
Additions	7,165	2,906	14,809	0	0	2,149	27,029
Donations	0	0	0	0	0	0	0
Revaluation increases / (decreases) recognised in the revaluation reserve	50,871	0	0	0	83	0	50,954
Surplus assets revaluation increases / (decreases) charged to reserves	(90)	0	0	0	0	0	(90)
Revaluation increases / (decreases) recognised in the surplus / deficit on the provision of services	(27,473)	0	0	0	0	0	(27,473)
Derecognition - disposals	(517)	0	0	0	0	0	(517)
Derecognition - other	0	0	0	0	0	0	0
Assets reclassified (to) / from held for sale	0	0	0	0	0	0	0
Other movements in cost or valuation	(1,842)	(754)	701	2	(768)	0	(2,661)
At 31 March 2019	321,424	29,292	249,830	20	89	2,260	602,915
Accumulated depreciation and impairment							
At 1 April 2018	(47,832)	(18,467)	(77,184)	0	(151)	0	(143,634)
Depreciation charge	(8,825)	(1,973)	(5,812)	0	(55)	0	(16,665)
Depreciation written out to the revaluation reserve	24,197	0	0	0	1	0	24,198
Depreciation written out to the surplus / deficit on the provision of services	27,145	0	0	0	0	0	27,145
Impairment losses / (reversals) recognised in the surplus .	0	0	0	0	0	0	0
Deficit on the provision of services	0	0	0	0	0	0	0
Derecognition - disposals	0	0	0	0	0	0	0
Derecognition - other	0	0	0	0	0	0	0
Other movements in depreciation and impairment	358	753	(699)	0	205	0	617
At 31 March 2019	(4,957)	(19,687)	(83,695)	0	0	0	(108,339)
Net book value :							
At 31 March 2019	316,467	9,605	166,135	20	89	2,260	494,576
At 31 March 2018	245,478	8,673	157,136	18	623	111	412,039

Note 14.2 Revaluations

The Council complies with the CIPFA Code of Practice which specifies that all assets carried at Current Value i.e. PPE (Property, Plant and Equipment) that is operational must be revalued with sufficient regularity to ensure that the carrying amount does not significantly differ from that of the current value at the end of reporting period. Those assets that are significantly volatile to changes in current value or fair value (non-operational/Surplus Assets) should be valued more frequently in accordance with IAS 16 (PPE). The Code accepts as a minimum that the assets should be revalued every five years. IAS 16 adapts the Code in the definition of 'current value' in so far that PPE that is operational will continue to be measured for their service potential and not Fair Value, either at Existing use Value (EUV) or Depreciated Replacement Cost (DRC) for assets where there is no market value and/or the asset is specialised. All non-operational assets such as Surplus Assets are measured at fair value.

	Other land and buildings	Vehicles, plant, furniture & equipment	Surplus assets	Total property, plant and equipment
	£'000	£'000	£'000	£'000
Carried at historical cost	0	9,023	0	9,023
Valued at current value as at:				0
31st March 2020	166,859	0	0	166,859
31st March 2019	154,579	0	0	154,579
31st March 2018	1,142	0	0	1,142
31st March 2017	11,495	0	0	11,495
31st March 2016	308	0	0	308
Total cost or valuation	334,383	9,023	0	343,406

Note 15 Heritage Assets

The Council held two Heritage Assets during 2018/19, the Berkshire Record Office Archive (Record Office of the Royal County of Berkshire) and the West Berkshire Museum collections.

Both of these properties no longer fit into the category of Heritage Assets during 2019/20 financial year and have now been reclassified and included within Property, Plant and Equipment.

The Council does hold a number of museum collections that are not subject to revaluation as part of annual revaluation programme. The collections current insurance value is £211k, this is deemed immaterial for the purposes of the annual financial statements.

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.

Income and expense have been accounted for in the financing and investment income and expenditure line in the comprehensive income and expenditure statement	2018/19	2019/20
	£'000	£'000
Rental income from investment properties	3,138	4,767
(Upward) / downward revaluations	1,914	(6,737)
Direct operating expenses arising from investment property	(251)	(592)
Net gain / (loss)	4,801	(2,562)

The following table summarises the movement in fair value of investment properties over the year.

Movement in the fair value of investment properties over	2018/19	2019/20
	£'000	£'000
Balance at start of the year	26,023	75,950
Additions:		
Purchases	47,205	0
Construction	0	0
Subsequent expenditure	0	0
Disposals		(158)
Net gains / losses from fair value adjustments	1,914	(6,737)
Transfers:		
to / from inventories	0	0
to / from property, plant and equipment	808	(2,484)
Other changes	0	(1)
	75,950	66,570

There have been no changes in the techniques used to value Investment Properties during 2019/20.

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 2019 and 2020 are as follows:

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 Current Year £'000
Commercial units	0	66,570	0	66,570
Total	0	66,570	0	66,570

Fair Value Hierarchy - Comparative figures 2018/19				
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 Previous year £'000
Commercial units	0	75,950	0	75,950
Total	0	75,950	0	75,950

Fair value measurement of non-financial assets:

The authority's accounting policy for fair value measurement of financial assets is set out in note 1.27. 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.

No transfers within the applicable asset categories have occurred during 2019/20.

Note 18: Financial Instruments

The Financial Instrument policies are outlined in the Accounting Policies in Note 1 - section 27

Note 18.1 Financial Assets and Liabilities

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

2018/19				2019/20			
Non - current		Current		Non - current		Current	
Investments	Debtors	Investments	Debtors	Investments	Debtors	Investments	Debtors
£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
0	0	0	0	0	0	0	0
0	83	0	0	0	75	0	0
0	0	34,314	14,924	0	0	31,898	15,489
0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0
0	83	34,314	14,924	0	75	31,898	15,489

2018/19				2019/20			
Non - current		Current		Non - current		Current	
Borrowings	Creditors	Borrowings	Creditors	Borrowings	Creditors	Borrowings	Creditors
£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
0	0	0	0	0	0	0	0
207,717	0	14,872	23,207	208,719	0	10,614	25,257
207,717	0	14,872	23,207	208,719	0	10,614	25,257
Non - financial liabilities							
207,717	0	14,872	23,207	208,719	0	10,614	25,257

Note 18.2 : Financial Instruments

Income, Expense, Gains and Losses

2018/19		2019/20	
Surplus or deficit on the provision of services £'000	Income, expense, gains and losses	Surplus or deficit on the provision of services £'000	
Net gains / losses on:			
Interest revenue:			
	(700) Investment Income/Interest	(895)	
	6,827 Interest Expense	7,637	
6,127 Total net gains / losses		6,742	

Note 18.3 Fair Values of Financial Assets and Liabilities

The fair value of all financial liabilities and assets held by the Authority are carried in the Balance Sheet at amortised cost and are as follows.

2018/19		2019/20		
Carrying amount £'000	Fair value £'000	Financial liabilities	Carrying amount £'000	Fair value £'000
194,746	273,256	Financial liabilities held at amortised cost - PWLB loans	196,470	237,431
14,872	14,878	Short term Borrowing at Amortised Cost	10,614	10,618
12,971	17,363	PFI and finance lease liabilities	12,249	15,409
222,589	305,497 Total		219,333	263,458

2018/19 Restated *		2019/20		
Carrying amount £'000	Fair value £'000	Financial assets	Carrying amount £'000	Fair value £'000
8,314	16,314	Financial assets held at amortised cost -Cash and Cash Equivalents	21,898	21,950
26,000	18,000	Financial assets held at amortised cost - Short Term investments	10,000	9,951
83	83	Long - term debtors	75	75
34,397	34,397 Total		31,973	31,976

* Note : The Cash and Cash equivalents for 2018/19 has been restated between Short Term Investments

Note 19 : Debtors

2018/19		2019/20
*Reclassified	Debtors	
£'000		£'000
8,853	Trade receivables	8,292
2,229	Prepayments	2,113
18,789	Other receivable amounts	17,704
29,871	Total	28,109

Note 20 : Cash and Cash Equivalents

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

2018/19		2019/20
Restated *	Cash and cash equivalents	
		£'000
3	Cash held by the authority	3
8,311	Bank Accounts and Other Cash Deposits	15,895
8,000	Short - term deposits with building societies	6,000
16,314		21,898

* Please note that the Cash and Cash equivalents have been restated between Short term investments

Note 21: Assets held for sale

2018/19 £'000	Assets Held for Sale	2019/20 £'000
	2,500 Balance outstanding at start of year	1,712
	Assets newly classified for sale:	
1,243	Property, plant and equipment	0
0	Intangible assets	0
0	Other assets / liabilities in disposal groups	0
(225)	Revaluation losses	0
71	Revaluation gains	0
(99)	Impairment losses	90
	Assets declassified as held for sale:	
0	Property, plant and equipment	0
0	Intangible assets	0
0	Other asset / liabilities in disposal groups	0
(1,791)	Assets sold	0
0	Transfers from non - current to current	0
13	Other movements	20
	1,712 Balance outstanding at year-end	1,822

Note 22: Creditors

2018/19 £'000	Creditors	2019/20 £'000
21,367	Trade payables	23,291
4,497	Receipts in advance	6,982
9,085	Other payables	7,172
34,949	Total	37,445

Note 23: Provisions

Current Provisions	Crookham (extraction of minerals) £'000	Business Rates provision for appeals £'000	Other provisions £'000	Total £'000
Balance at 1 April 2019	0	1,565	0	1,565
Additional provisions made in 2019/20	0	1,529	0	1,529
Amounts used in 2019/20	0	0	0	0
Unused amounts reversed in 2019/20	0	0	0	0
Unwinding of discounting in 2019/20	0	0	0	0
Balance at 31 March 2020	0	3,094	0	3,094

Non-Current Provisions	Crookham (extraction of minerals) £'000	Business Rates provision for appeals £'000	Other provisions £'000	Total £'000
Balance at 1 April 2019	9	0	185	194
Additional provisions made in 2019/20	0	0	67	67
Amounts used in 2019/20	0	0	(39)	(39)
Unused amounts reversed in 2019/20	0	0	(147)	(147)
Unwinding of discounting in 2019/20	0	0	0	0
Balance at 31 March 2020	9	0	66	75

Note 24: Usable reserves

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

Note 25: Unusable Reserves

2018/19	2019/20
Unusable reserves	
£'000	£'000
167,139	182,830
136,495	139,828
(316,509)	(293,143)
(5,665)	(7,363)
(4,122)	(3,620)
(22,662)	18,532
Total unusable reserves 31st March	

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 25.1 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.

2018/19	2019/20
Revaluation reserve	
£'000	£'000
96,391	167,139
Balance at 1st April 2019	
89,849	72,238
Upward revaluation of assets	
Downward revaluation of assets and impairment losses not charged to the surplus / deficit on the provision of services	
(14,760)	(53,468)
Surplus or deficit on revaluation of non - current assets not posted to the surplus or deficit on the provision of services	
75,089	18,770
Balance at 31st March	
Assets held for sale	
	6
Difference between fair value depreciation and historical cost depreciation	
(2,748)	(2,132)
(1,593)	(953)
Accumulated gains on assets sold or scrapped	
(4,341)	(3,079)
Amount written off to the capital account	
167,139	182,830
Balance at 31st March	

Note 25.2 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 7 provides details of the source of all transactions posted to the account, apart from those involving the Revaluation Reserve.

2018/19	2019/20
Capital adjustment account	
£'000	£'000
123,642	136,495
4,338	(4,594)
127,980	Restated Balance as at 1st April 2019
Reversal of items relating to capital expenditure debited or credited to the comprehensive income and expenditure statement:	
(17,275)	(13,037)
(471)	305
0	(316)
(7,013)	(11,585)
(4,580)	(2,606)
(29,339)	(27,239)
2,748	2,132
2,748	2,132
Capital financing applied in the year:	
1,000	0
2,710	0
22,845	32,342
6,629	7,429
0	0
33,184	39,771
1,922	(6,737)
136,495	139,828

Note 25.3 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.

2018/19		2019/20
£'000	Collection Fund Adjustment Account	£'000
1,178	Council Tax - Balance at 1 April	1,834
	Amount by which Council Tax income credited to the comprehensive income and expenditure statement is different from Council Tax income calculated for the 656 year in accordance with statutory requirements	191
1,834	Council Tax - Balance at 31 March	2,025
2,815	Business Rates - Balance at 1 April	3,831
	Amount by which Business Rates income credited to the comprehensive income and expenditure statement is different from and Business Rates income 1,016 calculated for the year in accordance with statutory requirements	1,507
3,831	Business Rates - Balance at 31 March	5,338
5,665	Collection fund balance at 31 March	7,363

Note 25.4 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.

2018/19		2019/20
£'000	Accumulated absences account	£'000
(4,162)	Balance at 1st April	(4,122)
	Amount by which officer remuneration charged to the comprehensive income and expenditure statement on the accruals basis is different from remuneration 40 chargeable in the year in accordance with statutory requirements	502
(4,122)	Balance at 31st March	(3,620)

Note 25.5 Pension Reserve

The Pensions Reserve absorbs the timing differences arising from the different arrangements for accounting for post-employment benefits and for funding benefits in accordance with statutory provisions. The 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 arrangements require benefits earned to be financed as the Authority makes employer's contributions to pension funds or eventually pays any pensions for which it is directly responsible. The debit balance on the Pensions Reserve therefore shows a substantial shortfall in the benefits earned by past and current employees and the resources the 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 Employers contribution of £4m was provided to the Pension Fund during the year to reduce the liability.

2018/19		2019/20
£'000	Pension reserve	£'000
317,292	Balance at 1 April 2019	316,509
(22,800)	Remeasurements of the net defined benefit liability / (asset)	(38,542)
	Reversal of items relating to retirement benefits debited or credited to the surplus or deficit on the provision of services in the	
34,792	Comprehensive Income and Expenditure Statement	29,334
	Employer's pension contributions and direct payments to the	
(12,775)	pensioners payable in the year	(14,158)
316,509	Balance at 31 March 2020	293,143

Note 26: Cash flow statement - operating activities

The cashflows for operating activities include the following items:

2018/19		2019/20
£'000	Cash flow statement - operating activities	£'000
(700)	Interest received	(895)
6,827	Interest paid	7,637
0	Dividends received	0
6,127		6,742
	Surplus or deficit on the provision of services for non - cash movements	
17,091	Depreciation	13,037
600	Impairment and downward valuations	(305)
0	Amortisation	316
0	Increase / (decrease) in impairment for bad debts	0
2,906	Increase / (decrease) in creditors	615
(8,506)	Increase / (decrease) in debtors	(3,388)
4	Increase / (decrease) in inventories	(4)
22,017	Movement in pension liability	15,176
	Carrying amount of non-cash assets and non-current assets held for sale, sold or de-recognised	0
13,916	Other non - cash items charged to the net surplus or deficit on the provision of services	7,647
48,028	Sub-total for non-cash movements	33,094
	Adjustment for items included in the net surplus or deficit on the provision of services that are investing or financing activities:	
	Proceeds from short-term (not considered to be cash equivalents) and long-term investments (includes investments in associates, joint ventures and subsidiaries)	0
	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	0
	Any other items for which the cash effects are investing or financing cash flows	0
	Sub-total of adjustments included in the net surplus or deficit on the provision of services that are investing or financing activities	0
48,028	Total	33,094

Note 27: 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

2018/19		2019/20
£'000	Cash flow statement - investing activities	£'000
	Purchase of property, plant and equipment, investment property and intangible assets	(26,834)
(74,247)		
(39,000)	Purchase of short-term and long-term investments	(10,000)
	Other payments for investing activities	(47)
	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	0
1,379		
	Proceeds from short-term and long-term investments	18,000
18,000		
2,027	Other receipts from investing activities	55
	Net cash flows from investing activities	(18,826)
(91,841)		

Note 28: 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

2018/19		2019/20
£'000	Cash flow statement - financing activities	£'000
54,630	Cash receipts of short and long-term borrowing	19,230
	Other receipts from financing activities	0
	Cash payments for the reduction of the outstanding liabilities relating to the finance leases and on-balance-sheet PFI contracts	(682)
(642)		
(5,385)	Repayments of short and long-term borrowing	(21,764)
1,843	Other payments for financing activities	4,336
	Net cash flows from financing activities	1,120
50,446		

Note 29: Pooled Budgets

The pooled budget for Community Equipment was established 1 April 2004 under Section 31 of the Health Act 1999. The agreement exists between the six Unitary Authorities in Berkshire and the Primary Care Trusts covering the same geographical area. The pooled budget is administered by the lead authority, West Berkshire Council. The aim of the partnership is to improve the integration of health and social care community equipment services to meet user need.

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 (CCG) to comply with the requirements of the Better Care Fund (BCF) which aims and benefits 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.

2018/19		2019/20
Berkshire Community Equipment Service		
£'000		£'000
Funding provided to the pooled budget:		
(1,103)	West Berkshire	(1,032)
(5,380)	Berkshire Clinical Commissioning Groups	(6,034)
(2,569)	Other unitary authorities	(2,787)
0	Other (Ltd / CIC)	(177)
(9,052)	Total income	(10,030)
Expenditure met from pooled budget:		
1,103	West Berkshire	1,032
5,380	Berkshire Clinical Commissioning Groups	6,034
2,569	Other unitary authorities	2,787
0	Other (Ltd / CIC)	177
9,052	Total Expenditure	10,030

2018/19		2019/20
Better Care Fund (Revenue)		
£'000		£'000
Funding provided to the pooled budget:		
(5,294)	NHS Berkshire West CCG	(5,529)
(5,294)	Total income	(5,529)
Expenditure met from the pooled budget:		
West Berkshire:		
609	Physical Support	637
394	Memory & Cognition Support	412
2,023	Learning Disabilities Support	2,116
655	Carers Support	685
873	Reablement	1,538
601	Projects	0
139	Other	141
5,294	Total expenditure	5,529

Note 30 Members Allowances

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

Members' Allowances	2018/19	2019/20
	£'000	£'000
Salaries		539
Car Allowance		14
Employees'/Members' Expenses		1
Total		554

Note 31.1 Officer Remuneration

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

Executive Remuneration	Note	Salary, fees and allowances	Bonuses	Benefits in Kind	Pension contribution	Total
Chief Executive	2018/19	143,823			28,875	172,698
	2019/20	146,599			31,860	178,459
Executive Director - People	2018/19 *	11,393			2,370	13,763
	2019/20 **	110,551		374	24,874	135,800
Executive Director - Place	2018/19	112,668			22,603	135,271
	2019/20	114,841			24,939	139,780
Executive Director - Resources	2018/19	0			0	0
	2019/20 ***	69,017			15,529	84,545
Head of Education	2018/19	97,317			19,514	116,831
	2019/20 ****	89,591			19,371	108,962
Service Director Strategy and Governance	2018/19	75,027			15,060	90,087
	2019/20	79,951			17,989	97,940
Head of Human Resources	2018/19	83,043		5,705	17,273	106,021
	2019/20 *****	45,971		3,171	10,302	59,444
Head of Finance and Property	2018/19	83,043		3,159	17,273	103,475
	2019/20	84,707		3,696	19,058	107,462

Notes:

- * left 8/5/18
- ** started 13/5/19
- *** started 9/9/19
- **** acting up payment ended 12/5/19
- ***** retired 30/11/19

Note 31.3 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:

2018/19					2019/20				
(b) Number of compulsory redundancies	(c) Number of other departures agreed	(d) Total number of exit packages by cost band	(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									
8	3	11	89	0 - 20,000	4	6	10	79	
2	0	2	53	20,001 - 40,000	3	0	3	75	
2	0	2	92	40,001 - 60,000	2	0	2	96	
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	
12	3	15	234	Total	9	6	15	250	
School Employees									
10	7	17	95	0 - 20,000	3	6	9	69	
0	0	0	0	20,001 - 40,000	0	0	0	0	
2	0	2	51	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	
12	7	19	146	Total	3	6	9	69	

Note 32: 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 to non-audit services, provided by the Authority's external auditors - Grant Thornton and KPMG.

The additional charges relating to the 18-19 have still not been agreed, therefore a provision of £36k was included in the 19-20 accounts alongside a further provision of £20k for 19-20 additional charges

	2018/19	2019/20
External Audit Costs	£'000	£'000
Fees payable to Grant Thornton with regard to external audit services carried out by the appointed auditor for the year	74	139
Fees payable to KPMG in respect of grant claims and returns for the year	10	10
Fees payable to Grant Thornton in respect of teachers pension for the year	3	3
Refund from Public Sector Audit Appointments	0	(9)
Total	87	143

Note 33: 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 ring fenced and can only be applied to meet expenditure properly included in the Schools Budget, as defined in the School 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, which is divided into a budget share for each maintained primary and secondary school.

Details of the deployment of DSG received for 2019/20 are as follows:

	2019/20		Total £'000
	Central expenditure £'000	Individual schools budget £'000	
Final DSG for 2019/20 before academy and high needs recoupment			130,576
Academy and high needs figure recouped for 2019/20			(38,142)
Total DSG after academy and high needs recoupment for 2019/20			92,434
Plus: Brought forward from 2018/19			(100)
Agreed initial budgeted distribution in 2019/20	17,455	74,879	92,334
In year adjustments	16	0	16
Final budget distribution for 2019/20	17,471	74,879	92,350
Less: Actual central expenditure	(17,607)		(17,607)
Less: Actual ISB deployed to schools		(76,434)	(76,434)
Carry-forward to 2020/21	(136)	(1,555)	(1,691)

Note 34.1: Grant Income

The Authority credited the following grants and contributions to the Comprehensive Income and Expenditure Statement in 2019/20:

2018/19		2019/20
£'000		£'000
Grants credited to taxation and non-specific grant income		
Non ring fenced government grants		
313	Adult Social Care Support Grant	856
2,691	New Homes Bonus	2,395
71	Community Safety Grant	71
90	Other	78
3,165	Total non ring fenced government grants	3,400
Capital Grants		
8,449	Section 106 Contributions	9,700
23,141	Capital Grants	19,403
31,590	Total capital government grants	29,103

2018/19		2019/20
£'000		£'000
Contributions, Reimbursements & Donations from Government credited to services		
92,257	Dedicated Schools Grant	94,041
0	Teachers' Pension Grant	1,572
32,413	Housing Benefit Subsidy	28,482
	Learning Support Council, Skills & Education Funding	
11,742	Agencies	11,441
5,853	Public Health	5,698
0	COVID-19	3,220
2,312	Private Finance Initiative	2,312
584	Improved Better Care Fund	69
390	Housing Benefit Administration	353
533	Unaccompanied Asylum Seekers	1,601
969	Family Safeguard Innovation Prog project fund	0
501	Winter Funding	501
2,643	Other Specific Government Grants	2,278
150,197	Total government grants credited to services	151,568

Note 34.2 Grant Income Current Liabilities

2018/19		2019/20
£'000	Grant Income current liabilities	£'000
	Grant receipts in advance (capital grants)	
(9,006)	LEP (Local Enterprise Partnership)	(3,960)
0	Homes and Communities Agency (HCA)	(1,081)
0	Section 278	(428)
(402)	DEFRA	(9)
(9,408)	Total grant receipts in advance (capital grants)	(5,478)
	Grants receipts in advance (revenue grants)	
(82)	Adult Skills Contracts	(29)
(99)	Adult and Community Learning	(99)
(1,870)	Discretionary Housing Payment	0
(396)	Early Years Funding	(87)
(63)	Universal Infant Free School Meals Grant	(8)
(100)	School Improvement - incl re Phonics	(158)
0	other	(553)
(2,610)	Total grants receipts in advance (revenue grants)	(934)

Note 35: 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.

2018/19		2019/20
£'000	Related parties	£'000
178	Corn Exchange Theatre Trust	56
316	Mare Hare School	0
0	Parkwood leisure	400
126	Readibus	52
147	Volunteer Centre West Berkshire	144
630	Gigaclear PLC	0
110	Citizens Advice West Berkshire	0
415	Kennet School - Academy	0
0	NHS Berkshire West CCG	167
1,922	Total	819

Note 36: Capital expenditure financing

The total amount of capital expenditure incurred in the year is shown in the following 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, the 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. The CFR is analysed in the second part of this note

2018/19	2019/20
£'000	£'000
Capital expenditure financing	
192,045	240,120
Opening capital financing requirement	
Capital investment	
24,893	25,450
47,205	196
0	289
7,013	11,585
2,149	2,000
Revenue expenditure funded from capital under statute	
Sources of finance	
(1,000)	0
(22,684)	(32,269)
(2,858)	(34)
(14)	(40)
(6,629)	(7,429)
[MRP / the statutory repayment of loans fund advances]	
240,120	239,868
Closing capital financing requirement	
Explanation of movements in year	
Increase in underlying need to borrowing (supported by government financial	
0	0
assistance)	
Increase/(Decrease) in underlying need to borrowing (unsupported by government	
48,075	(252)
financial assistance)	
0	0
Assets acquired under finance leases	
0	0
Assets acquired under PFI contracts	
48,075	(252)
Increase / (decrease) in capital financing requirement	

Note 37.1: Authority as lessor - Operating leases

2018/19	2019/20
£'000	£'000
3,541 Not later than one year	3,283
9,721 Later than one year and not later than five years	11,483
23,185 Later than five years	21,752
36,447	36,518

Note 37.2: 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 :

2018/19	2019/20
£'000	£'000
529 Not later than one year	477
1,042 Later than one year and not later than five years	1,330
2,676 Later than five years	1,866
4,247	3,673

2018/19	2019/20
£'000	£'000
4,247 Minimum lease payments	3,673
0 Contingent rents	0
4,247	3,673

Note 38.1: Private Finance Initiatives (PFI) and similar contracts

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 £'000	Reimbursement of capital expenditure £'000	Interest £'000	Total £'000
Payable in 2021/22	17,056	722	792	18,570
Payable within 2 to 5 years	73,243	3,357	2,699	79,299
Payable within 6 to 10 years	103,845	5,486	2,083	111,414
Payable within 11 to 15 years	56,689	3,406	379	60,474
Total	250,833	12,971	5,953	269,757

Note 38.2: Private Finance Initiatives (PFI) and similar contracts

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:

	2018/19 £'000	2019/20 £'000
Balance outstanding at start of year	14,293	13,651
Payments during the year	(642)	(680)
Balance outstanding at year-end	13,651	12,971

Note 39.1 Pension Fund Comprehensive Income and Expenditure Statement

2018/19		2019/20
Local Government Pension Scheme £'000	Comprehensive Income and Expenditure Statement	Local Government Pension Scheme £'000
Cost of services:		
Service cost comprising:		
21,892	Current service cost	23,361
5,026	Past service cost	24
	(Gain) / loss from settlements	(1,628)
	Financing and investment income and expenditure	
7,873	Net interest expense	7,577
34,791	Total post-employment benefits charged to the surplus or deficit on the provision of services	29,334
Other post-employment benefits charged to the Comprehensive Income and Expenditure Statement		
Remeasurement of the net defined benefit liability comprising:		
(16,885)	Return on plan assets (excluding the amount included in the net interest expense)	11,166
(34,453)	Actuarial gains and losses arising on changes in demographic assumptions	(7,330)
29,034	Actuarial gains and losses arising on changes in financial assumptions	(58,662)
(496)	Other (if applicable)	16,284
(22,800)	Total post-employment benefits charged to the comprehensive income and expenditure statement	(38,542)
Movement in Reserves statement		
(11,992)	Reversal of net charges made to the surplus or deficit on the provision of services for post-employment benefits in accordance with the code	9,208
12,775	Actual amount charged to the general fund balance for pensions in the year	14,158
783	Net Liability arising from the defined benefit obligation	23,366

Note 39.2 Pension Fund Assets and Liabilities recognised in the Balance Sheet

2018/19		2019/20
Local Government Pension Scheme	Pensions assets and liabilities recognised in the balance sheet	Local Government Pension Scheme
£'000		£'000
599,383	Present value of the defined benefit obligation	554,010
(289,580)	Fair value of plan assets	(268,419)
309,803	Sub-total	285,591
6,706	Other movements in the liability (asset)	7,552
316,509	Net liability arising from defined benefit obligation	293,143

2018/19		2019/20
Local Government Pension Scheme	Reconciliation of the movements in fair value of scheme (plan) assets	Local Government Pension Scheme
£'000		£'000
263,032	Opening fair value of scheme assets	289,580
6,747	Interest income	6,948
	Remeasurement gain / (loss):	
	The return on plan assets, excluding the amount included in the net interest	
16,885	expense	(11,166)
(164)	Other Actuarial gains and (losses) Including admin expenses	(16,780)
0	The effect of changes in foreign exchange rates	0
12,775	Contributions from employer	14,158
3,795	Contribution from employees into the scheme	3,970
(13,348)	Benefits paid	(17,826)
(142)	Other *	(465)
289,580	Closing fair value of scheme assets	268,419

* Settlement paid - Francis Bailey Academy

Note 39.3 Reconciliation of present value of scheme liabilities (Defined Benefit Obligation)

2018/19	2019/20
Funded liabilities: Local Government Pension Scheme £'000	Funded liabilities: Local Government Pension Scheme £'000
Reconciliation of present value of the scheme (defined benefit obligation)	
580,324	606,089
21,892	23,361
14,620	14,353
3,795	3,970
Remeasurement (gains) and losses:	
(34,453)	(7,330)
29,034	(58,662)
(514)	(516)
5,026	24
	(324)
0	0
(12,834)	(17,310)
(802)	(2,093)
606,088	561,562
Closing balance at 31 March	

* Liability extinguished on Settlement in respect of Francis Bailey Academy

Note 39.4: Fair Value of Scheme (Plan) Assets

2018/19		2019/20
Local Government Pension Scheme assets comprised		
£'000		£'000
22,989	Cash and cash equivalents	27,820
2,213	Commodities	1,608
25,202	Sub-total equity	29,428
Investment funds and unit:		
43,463	Corporate Bonds	25,394
146,954	Equities	154,041
15,064	Target Return Portfolio	11,491
205,481	Sub-total Investment Funds and Unit	190,926
40,207	Property	37,484
0	Commercial	0
0	Residential	0
40,207	Sub-total property	37,484
Other investment funds:		
27,281	Infrastructure	22,365
27,281	Sub-total other investment funds	22,365
(8,591)	Other investment funds:	(11,784)
289,580	Total assets	268,419

Note 39.5: Defined benefit pension schemes - Mortality Assumptions

2018/19		2019/20
Funded liabilities:		Funded liabilities:
Local Government Pension Scheme	Basis for estimating assets and liabilities	Local Government Pension Scheme
Long-term expected rate of return on assets in the scheme:		
146,954	Equity investments	154,041
43,463	Bonds	25,394
99,163	Other	93,381
Mortality assumptions:		
Longevity at 65 for current pensioners:		
22.0	Men	21.5
24.0	Women	24.1
Longevity at 65 for future pensioners:		
23.7	Men	22.9
25.8	Women	25.5
2.9%	Rate of inflation	2.0%
3.9%	Rate of increase in salaries	2.9%
2.4%	Rate of increase in pensions	1.9%
2.4%	Rate for discounting scheme liabilities	2.4%

Note 39.6 Sensitivity Analysis

Impact on the defined benefit obligation in the scheme	Increase in assumption £'000
Longevity (increase or decrease in 1 year)	21,555
Rate of increase in salaries (increase by +0.1%)	894
Rate of increase in pensions (increase by +0.1%)	11,010
Rate for discounting scheme liabilities (increase by 0.1%)	11,021

Note 40.1 - 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. Other risks such as the COVID-19 pandemic, which had first appeared in China in December 2019, started spreading across the globe causing falls in financial markets not seen since the Global Financial Crisis.

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 set out through a legal framework based on the Local Government Act 2003 and associated regulations. These 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 the 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;

Its maximum and minimum exposures to fixed and variable rates

Its maximum and minimum exposures to the maturity structure of its debt

Its 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 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 2020/21 was approved by Council on the 3/3/2020 and is available on the Council's website.

Actual performance is also reported at to the Council Executive in November or December each year (the mid year position) 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 a 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.

The Council engaged Arling Close as external treasury management advisors for the first time in March 2020. The Council's investment strategy will be reviewed during 2020/21 to take account of advice provided by Arling Close about the credit risk presented by different types of financial institution and different forms of financial instrument. This is particularly necessary in the light of the Covid-19 pandemic which has caused significant drops in interest rates and affected the credit risk of many financial institutions.

Note 40.2 - Nature and Extent of Risk - Financial Instruments

	2019/20
Interest rate risk	£'000
Increase in interest payable on variable rate borrowings	0
Increase in interest receivable on variable rate investments	231
Increase in government grant receivable for financing costs	0
Impact on surplus or deficit on the provision of services	231
Decrease in fair value of fixed rate investment assets	0
Impact on other comprehensive income and expenditure	231
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)	(36,511)

Credit risk exposure:

Credit risk exposure	Credit risk rating	Gross carrying amount	
		Long Term £'000	Short Term £'000
12 month expected credit losses	AAmmf	0	4,997
	AA	0	8,950
	AA-	0	1,948
	Unrated Building Societies	0	15,000
	Unrated Local Authorities	0	1,000
Total 12 month expected credit losses		0	31,895
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	31,895

Liquidity Risk

A detailed cash flow 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 fit in with cashflow needs.

Investments

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 its borrowing does not mature for repayment at any one time. This approach has helped to minimise the Council's being unable to raise finance to meet its commitments.

It is also proposed to review the Council's borrowing strategy during 2020/21 with assistance from Arling Close, 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:

2018/19		2019/20
£'000	Liquidity Risk	£'000
14,872	Less than one year	10,614
6,451	Between one and two years	6,193
16,839	Between two and five years	16,597
184,427	More than five years	185,929
222,589	Total liquidity risk	219,333

Market Risk

The Council's borrowing strategy aims to eliminate the risk of exposure to future increases in interest rates by undertaking most short 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 in its Medium Term Financial Strategy. 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 (3-5 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 credit and liquidity risk.

During the Financial Year and at 31 March 2019, all of the Council's loans and fixed term investments were at fixed rates of interest.

Proposed Review of 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 currently much lower than long-term rates, it is likely to be more cost effective in the short-term to either use internal resources, or to borrow short-term loans instead. The Authority is reviewing the arrangement of forward starting loans during 2019/20 where the interest rate is fixed in advance and cash received in future years. This would enable cost certainty to be achieved foregoing additional cost in the intervening period or alternatively short term borrowing to cover unplanned cash flow shortages.



Collection Fund

Note 41.1 : Collection Fund Statement

2018/19		Collection Fund Income & Expenditure Account	2019/20	
Council Tax £'000	Business Rates £'000		Council Tax £'000	Business Rates £'000
Income				
(113,010)		0 Council Tax receivable	(118,285)	0
0	(84,231)	Business Rates receivable	0	(88,047)
(500)		0 MOD contribution in lieu of Council Tax	(514)	0
(113,510)	(84,231)	Total income	(118,799)	(88,047)
Contributions towards previous year's Collection Fund deficit:				
0	(253)	Central Government	0	(2,620)
(727)	(247)	West Berkshire Council	(1,135)	0
(86)		0 Thames Valley Police Authority	(136)	0
(31)	(5)	Royal Berkshire Fire Authority	(48)	(14)
(844)	(505)		(1,319)	(2,634)
Expenditure				
0	0	Precepts & Demands:		
0	0	Central Government	0	21,167
99,025	85,516	West Berkshire Council	102,111	62,653
11,828		0 Thames Valley Police Authority	13,413	0
4,176	864	Royal Berkshire Fire Authority	4,310	847
115,029	86,380		119,834	84,667
Charges to the Collection Fund:				
0	1,145	Transitional Relief Payment	0	498
119	339	Write-offs of uncollectable amounts	155	383
0	309	Increase / (decrease) in allowance for impairment	340	13
0	(2,917)	Increase / (decrease) in allowance for appeals	0	2,598
0	254	Charge to the General Fund for allowable collection costs for Business Rates	0	259
119	(870)		495	3,751
Apportionment of previous year's Collection Fund surplus:				
0	0	Central Government	0	0
0	0	West Berkshire Council	0	1,230
0	0	Thames Valley Police Authority	0	0
0	0	Royal Berkshire Fire Authority	0	0
0	0		0	1,230
114,304	85,005	Total expenditure	119,010	87,014
Movements on the Collection Fund:				
794	774	(Surplus) / deficit arising during the year	211	(1,033)
1,369	5,745	Surplus / deficit brought forward at 1 April	2,163	6,519
2,163	6,519	(Surplus) / deficit carried forward at 31 March	2,374	5,486

Note 41.2 - Collection Fund Distribution of Deficit

2018/19			2019/20	
Council Tax	Business Rates	Collection Fund (Surplus) / deficit carried forward at 31 March	Council Tax	Business Rates
£'000	£'000		£'000	£'000
0	2,620	Central Government	0	93
1,850	3,834	West Berkshire Council	2,025	5,338
231	0	Thames Valley Police Authority	265	0
82	65	Royal Berkshire Fire Authority	84	55
2,163	6,519		2,374	5,486

Note 41.3 - Council Tax Bandings

Council Tax Base	Band	Net Dwellings	Multiplier	Band D Equivalent
Disabled	A	1.00	5/9	0.56
up to £40,000	A	2,005.26	6/9	1,336.69
over £40,000	B	4,602.56	7/9	3,580.02
over £52,000	C	16,505.46	8/9	14,671.36
over £68,000	D	15,697.36	9/9	15,697.75
over £88,000	E	9,836.33	11/9	12,022.37
over £120,000	F	6,466.27	13/9	9,340.36
over £160,000	G	4,350.66	15/9	7,251.09
over £320,000	H	691.22	18/9	1,382.40
				65,282.60
Adjustment for losses on collection			x	0.996
Council Tax Base				65,021.47

Note 41.4 Business Rates Multiplier

2018/19	2019/20
Rateable Value	
£'000	£'000
94,144 Business Rates gross rateable value	100,480
49.3p Standard Business Rate	50.4p
48.0p Small Business Rate	49.1p
(9,912) Reliefs & Transitions	(12,433)
84,232 Net Business Rates receivable	88,047

Glossary of Terms

Academy (School) - A school that is independent of Local Education Authority control but remains publicly funded.

Accounting Policies - The rules and practices adopted by the Council that determine how the transactions and events are reflected in the accounts.

Accounting Standards – Accounting Standards is a set of rules explaining how accounts are to be prepared. By law, local authorities must follow 'proper accounting practices', which are set out in the Act of Parliament and in professional codes and statements of recommended practices. These standards make comparability, among other things possible.

Accruals - Accounting for income and expenditure during the financial year in which they are earned or incurred, not when money is received or paid.

Actuarial Gains and losses – These arise where actual events have not coincided with the actuarial assumptions made for the last valuations or the actuarial assumptions have been changed.

Actuary - A person or firm who analyses the assets and future liabilities of a pension fund and calculates the level of employers' contributions needed to keep it solvent.

Amortisation - A measure of the cost of economic benefits derived from intangible fixed assets that are consumed during the period.

Amortised Cost – This is how Financial Assets are measured and classified within Financial Instruments in accordance with International Financial Reporting standard 9 that are held solely for principal and interest and formerly known as Loans and Receivables. (IFRS 9)

Annual Governance Statement - The annual governance statement is a statutory document that explains the processes and procedures in place to enable the Council to carry out its functions effectively.

Assets – These can either be:

- Non-current assets, tangible assets that give benefits to the Authority for more than one year
- Community assets, assets that the local authority intends to hold in perpetuity, that have no determinable useful life and that may have restrictions on their disposal. For example, Parks and open space.
- Vehicles, Plant and equipment – these assets are used by the Authority for the direct delivery of services etc. Refuse vehicles and equipment held by the local authority in the delivery of those services for which it either has a statutory or discretionary responsibility or for the service or strategic objective of the Authority
- Infrastructure assets – non-current assets that are alienable, expenditure on which is recoverable only by continued use of the asset created. Examples are highways and footpaths that cannot be transferred to another owner.
- Investment Property includes land and buildings held by the authority that are solely held for capital appreciation.
- Intangible assets, these are usually intellectual property (IP) rights such as software licences that although have no physical substance are

right to be held on the Balance Sheet where they have been capitalised as a benefit for longer than one year. Where software is integral to the running of hardware it is properly included in the hardware. Development of a piece of software that brings benefit to the Authority is also an Intangible asset.

Business Rate Retention Scheme (BRRS) – A scheme issued by statute (Local Government Finance Act 2012 and Non-Domestic Rates Retention 2013) to calculate retained business rate earnings after calculation of levies, tariffs and top-ups and after sharing out the retained income amongst preceptors.

Capital expenditure - Expenditure on the acquisition or creation of a fixed asset or expenditure that adds to and does not merely maintain the value of an existing fixed asset

Capital programme - A list of capital projects approved to start in a specified financial year.

Capital receipt - Proceeds from the sale of capital assets (e.g. land, buildings and equipment).

CIPFA - Chartered Institute of Public Finance and Accountancy

Clinical Commissioning Group (CCG) - A clinically-led statutory NHS body responsible for the planning and commissioning of health care services for their local area.

Collection fund - An account maintained by a council recording the amounts collected in Council tax and Business Rates (National Non Domestic Rates).

Community asset - An asset that the Council intends to hold forever, that has no determinable useful life, and that may have restrictions on its disposal. Examples of community assets are parks and historic buildings.

Contingent liabilities - A potential liability that is uncertain because it depends on the outcome of a future event.

Council tax - A domestic property tax based on capital values with a personal element (a 25% discount for single-adult households). Each property is allocated to one of eight tax bands according to its capital value.

Creditor - An individual or body to which the Council owes money at the Balance Sheet date.

Current asset - An asset that is realisable in less than one year.

Current liability - A liability that is due to be settled within one year.

Debtor - An individual or body that owes money to the Council at the Balance Sheet date.

Dedicated Schools Grant (DSG) - A Government grant that can only be used to fund expenditure within the schools' budget.

Defined benefit pension scheme - A pension or other retirement scheme into which an employer pays regular contributions fixed amounts or percentage of pay and will have no legal or constructive obligation to pay further contributions if the scheme does not have sufficient assets to pay all employees benefits relating to their length of service in current year and prior periods.

Depreciated replacement cost - Relating to fixed assets, the current replacement costs adjusted for depreciation. This method of valuation is used when it is not practical to estimate the open market value for the existing use of a specialised property.

Depreciation - The measure of the wearing out, consumption, or other reduction in the useful economic life of a fixed asset, whether arising from use, the passage of time or obsolescence through technological or other changes.

Developers' contribution - If a development derives special benefit from highway works, developers can be required to contribute towards the costs. They arise mainly as a result of agreements under section 278 of the Highways Act 1980. They can also be Section 106 developer's contributions in accordance with the Town and Country Planning Act of 1990.

Direct Revenue financing - The use of revenue funds to finance capital expenditure.

Existing use Value - Assets that are valued in their existing use known as EUV assets.

Fair value - Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Finance lease - Under this type of lease, the risks and rewards of ownership of the leased goods transfer to the lessee (the organisation paying the lease).

Financial instruments - Any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another.

Foundation Schools - A category of school that receives funding from the council but owns its land and buildings and employs its own staff.

FVPL - Fair Value Profit and Loss is a measurement base and classification for financial assets taken direct to Income and Expenditure in accordance with IFRS 9 (International Financial Reporting standard 9 relating to Financial Instruments).

FVOCI - Fair Value Other Comprehensive Income - a measurement and classification of Financial Instrument in accordance with IFRS 9, taken to an unusable reserve.

General Fund - The General Fund is the principal fund of the Authority. The balance on the General Fund compares the Authority's spending against the Council Tax that it raised for the year but also takes into account the use of reserves built up in the past and contributions to reserves earmarked for future expenditure.

Government grants - The amount of money the authority receives from the Government and inter-government agencies to help fund both general and specific activities.

Historic cost - The actual cost of an asset in terms of past consideration as opposed to its current value.

Impairment - A reduction in the value of a non-current asset, greater than normal depreciation, below its carrying amount in the Balance Sheet.

Internal trading account - A service within the council that operates on a trading basis with other parts of the council.

International Accounting Standards (IAS) - Approved accounting standards issued by the IAS Board (IASB).

International Financial Reporting Standards (IFRS) - (International) financial reporting standards issued by the Accounting Standards Board requiring information to be shown in the Accounts and adopted by the CIPFA combined Code of Practice effective from 1 April 2010.

Inventories - Goods that are acquired in advance of their use in providing services or their resale.

Local Government Pension Scheme (LGPS) - The LGPS is a nationwide scheme for employees working in local government or working for other employers participating in the Scheme and for councillors.

Long-term borrowing - A loan repayable in more than one year from the Balance Sheet date.

Long-term debtor - An individual or body that owes money to the council that is not due for payment within one year from the Balance Sheet date.

Minimum Revenue Provision (MRP) - Statutory amounts that are set aside to repay loan Principal.

National Non-Domestic Rates (NNDR) - Charges collected by district councils from non-domestic properties, at a national rate in the assets set by the Government.

Net assets - The amount by which assets exceed liabilities (same as net worth).

Net book value - The original cost of the item less accumulated depreciation for the item.

Non-current assets - See Assets above.

Non-distributed costs - Overheads for which no user directly benefits and which are therefore not split between services.

Outturn - Actual income and expenditure in a financial year.

Past service cost - For a defined benefit pension scheme, the increase in the present value of the scheme's liabilities related to employee service prior periods arising in the current period as a result of the introduction of, or improvement to, retirement benefits.

Pooled budgets - Partners contribute a set amount of money to form a separate budget. The purpose and scope of the budget is agreed at the outset and then used to pay for relevant services and activities.

Post Balance Sheet event - Events that occur between the Balance Sheet date and the date when the financial statements are authorised for issue.

Precept - The demand made by the preceptor on the Collection fund maintained by the billing authority for council taxpayers' contribution to its services.

Private Finance Initiative (PFI) - Contracts typically involving a private sector entity (the operator) constructing or enhancing property used in the provision of a public service, and operating and maintaining that property for a specified period of time. The operator is paid for its services over the period of the arrangement.

Provisions - An estimated figure within the accounts for liabilities that are known to exist but cannot be measured accurately.

Prudential Code - the CIPFA Prudential Code (2017) underpins the system of capital finance. It supports local authorities in making strategic investments decisions.

REFCUS - Revenue expenditure funded from capital under statute - assets that are not owned by the authority but are charged to revenue and funded as capital by statute and in line with Capital Regulations. Those assets are not held on the Balance Sheet but funded from revenue resources. Examples may be disabled adaptations for properties owned by others.

Related parties during the financial period - Two or more parties are related when:

- One party has direct or indirect control over the other party
- The parties are subject to common control from the same source
- One party has influence over the financial and operational policies of the other party to the extent that the other party may not be able to pursue its own interests at all times
- Influence from the same source results in one of the parties entering into a transaction that is against its own separate interests.

Reserves - The Council's reserves fall into two categories - 'usable' reserves and 'unusable' reserves. These amounts are held to cover potential liabilities. Payments to reserves are not counted as service expenditure. Payments from reserves are passed through service revenue accounts, as against provisions, where it is not. Earmarked reserves are allocated for a specific purpose.

Residual life - The assumed remaining life of a fixed asset used in calculating depreciation.

Revaluation reserve - Records unrealised net gains from asset revaluations after 1 April 2007.

Revenue expenditure - The operating costs incurred by the council during the financial year in providing its day-to-day services. It is distinct from capital expenditure on projects that benefit the Council over a period of more than one financial year.

Revenue Support Grant (RSG) - Government financial support that does not have to be spent on a particular service. It is based on the Government's settlement funding assessment. Revenue support grant is declining and councils are encouraged to be more self-financing with such schemes as the Business Rate Retention scheme (BRRS).

RICS Red Book - Contains the valuation standards, mandatory rules, best practice guidance and related commentary for all RICS members undertaking asset valuations.

Scheme for Financing Schools – Sets out the financial relationship between the Authority and the maintained schools which it funds.

Service Reporting Code of Practice for Local Authorities (SeRCOP) - The code of practice containing a standard definition of services and total cost so that spending comparisons can be consistent between local authorities; was formally known as the Best Value Accounting Code of Practice (BVACOP).

Short-term investments - An investment that is readily realisable.

SOLACE – Society of Local Authority Chief Executives

Straight-line basis – A method of depreciation calculated by dividing a sum equally between several years.

Useful life - Period over which the Council will benefit from the use of a fixed asset.