

# **WOKINGHAM**

## **Borough Council**

# **DRAFT**

## **Statement of Accounts**

**For the Year Ended 31 March 2022**

## TABLE OF CONTENTS

<b>Chapter</b>	<b>Contents</b>	<b>Page</b>
1	Narrative report	3
2	Annual governance statement	10
3	Statement of responsibilities	19
4	Audit opinion	20
5	Financial statements:	
	Comprehensive Income and Expenditure Statement (CIES)	22
	Movement in Reserves Statement (MIRS)	24
	Balance Sheet (BS)	28
	Cash Flow Statement (CFS)	29
6	Notes to the accounts	30
7	Housing revenue account (HRA)	112
8	Notes to the housing revenue account	115
9	Collection fund	119
10	Notes to the collection fund	120
11	Statement of accounting policies	122
12	Glossary of terms	144

# 1. NARRATIVE REPORT

## Organisational Structure

Wokingham Borough Council delivers a wide range of services for the residents and businesses in Wokingham including education, environmental health, highways, housing, leisure, libraries, planning, social care, transport and waste collection and disposal. The Council is made up of 54 elected Councillors representing 25 wards across the borough, one of whom is elected as Leader. The Leader appoints up to 10 Councillors who make up the Executive which is responsible for the development and implementation of policy on behalf of the Council. Decisions made by the Executive are scrutinised by a number of Overview and Scrutiny Committees.

Officers are employees of the Council, and give advice to elected Councillors, implement decisions and manage the day-to-day delivery of services. The Corporate Leadership Team is made up of the Chief Executive, and other senior employees, as shown in note 14. The Directors report to the Chief Executive and have responsibility for delivering services.

## Financial Context

Heading into the 2022/23 financial year, the financial standing of the Council remains robust. This has been achieved through good financial management, through which the Council has built up financial resilience and sustainability, despite years of austerity resulting in reductions in Central Government funding.

Although the impacts Covid-19 pandemic are not as prevalent as the previous years, the impacts of Covid-19, both short term and longer term have now become part of business as usual for the Council from a financing monitoring view.

Work is underway to understand the longer-term financial implications beyond the 22/23 financial year. Where known, implications were considered as part of budget setting for the 23/24 financial year and will also be considered in future budget setting rounds.

Further information regarding the financial impact for 22/23 can be found in the quarter one Executive monitoring reports available on the Council's website, [Quarter 1 Executive Monitoring Report](#)

## General Fund Service Expenditure 2021/22

The Council approved a revenue budget of £148m (£133m expenditure plus £15m depreciation) at its meeting on 18 February 2021. The approved budget figures shown below include agreed supplementary estimates totalling c£2m approved during 2021/22. The following table analyses Wokingham Borough Council's actual outturn compared to its budgeted net expenditure by directorate, at 31 March 2022, and reported to the Council's Executive on 30 June 2022 (see link below). The actual spend for 2021/22 was £49,000 favourable variance to budget.

For more information, see the Council's revenue monitoring outturn report: [Revenue Monitoring Outturn Report](#)

Directorate	End of year position		
	Approved budget	Actual spend	(Favourable) / adverse variance
	£,000	£,000	£,000
Adult Social Care	56,322	56,205	(117)
Chief Executive	11,632	11,720	88
Children's Services	37,044	37,543	499
Place & Growth	43,349	44,881	1,532
Resources & Assets	1,643	3,068	1,425
COVID – Other	-	(289)	(289)
COVID - Grant funding from Government	-	(3,187)	(3,187)
<b>Net Expenditure Total</b>	<b>149,990</b>	<b>149,941</b>	<b>(49)</b>

Material areas of favourable / adverse variances include:

- Adult Social Care – BAU Underspend of £0.12m. Continued work within the service has led to a small overachievement of savings from embedding demand management practices and continuing healthcare claims. The previously reported covid costs relating to the impact of increasing demand from the hospital discharge programme have been removed as the service has managed within the agreed budget.
- Chief Executive - The £0.09m covid pressure relates to the additional costs relating to communications in responding to pandemic.
- Children's Services – BAU Overspend of £0.02m for the year. This is largely driven by an increase in the number of looked after children and pupils statutorily entitled to home to school transport, offset against cost savings in other areas as the Directorate drives forward the transformation programme. The £0.5m covid pressure reflects the ongoing financial impact on the service of supporting and safeguarding vulnerable children and families during the pandemic.
- Place and Growth - Overspend of £1.5m relating to covid pressures on the service. This mainly relates to c£0.9m of lost income across car parking which has been compensated for in some part from income claims to government shown on the "other" line in table 1 and £0.47m of additional costs for emergency accommodation and homelessness bed & breakfast costs
- Resources and Assets - BAU Underspend of £0.28m mainly consists of reduced debt charges due to efficient treasury planning, partially offset by additional audit fees. £1.7m covid pressures of c£0.51m Leisure Contract Impact; c£0.75m relating to our property portfolio, primarily operational property; c£.029m lost income from Leisure activity and prevention programmes and c£0.14m lost income from our digital solutions service

- Covid – Other - This represents the income the Council has received relating to our Sales, Fees and Charges claim for Quarter 1 which was the only period we were able to claim for in the 2021/22 financial year.
- Covid - Grant funding from Government - This includes emergency government grant received to support all covid costs incurred within each directorate.

### Capital Expenditure in 2021/22

The Council continues to invest in its asset base in order to improve services to residents and to support the financial sustainability of the organisation. Capital expenditure in the year totalled £119m (2020/21 £123.5m) as set out in report to the Council's Executive on 30 June 2022.

See the capital programme outturn report for more information:

[Capital Programme Outturn Report](#)

During 2021/22 the Council has invested in the following key areas.

MTFP category	Expenditure 2021/22 £m
Roads & Transport	£48.8m
Investment and Regeneration	£45.7m
Children Services and Schools	£9.3m
Climate Emergency	£7.0m
Environment	£4.8m
Internal Services	£2.4m
Adult Social Care	£1.3m
<b>Total</b>	<b>£119.3m</b>

The Council's capital expenditure was financed through a mixture of capital receipts, developer contributions, third party contributions and grant income, contributions from revenue, a mix of internal and external borrowing. In addition, the Council also financed previous year's capital expenditure through minimum revenue provision and HRA debt repayment. See Note 27 for further analysis of capital expenditure.

## Wider Council Performance

The Council's wider performance can be read about in the quarterly performance management report. A selection of information from the report is provided below.

- Only 1.7% of 16-17 year old young adults are not in education, employment or training.
- The percentage of housing stock that meets the decent homes standard remains is 100%.
- 189 affordable dwellings completed in 2021/22.
- The council tax collection rate was 99.0%.
- Zero data breach incidents reported to the Information Commissioner's Office (ICO).
- 38,852 tonnes of household waste reused, recycled and composted.
- 93% of highways infrastructure schemes on track for delivery.

Further information can be found on the Council's website.

[Quarterly Performance Management Report](#)

## Pension Fund

The Council records costs related to its pension schemes when they are earned by employees. However, the charge that the Council is required to make to the General Fund is based on the cash payable in the year. In accordance with International Accounting Standard (IAS) 19, the Council's balance sheet recognises a liability of £322m at 31 March 2022 (£357m at 31 March 2021). More information about the costs and accounting treatment for the Council's pension schemes is set out below and in Note 19.

## Treasury Management

Long term borrowing reduced from £192m to £142m during the year (this borrowing has moved to short term) and short term borrowing reduced from £339m to £122m.

The Council maintains cash reserves arising from grants received in advance, general fund and other reserves, and from cash flow management. Short term investments at 31 March 2022 were £80m (£195m at 31 March 2021). Cash and Cash Equivalents were £45m (£130m at 31 March 2021).

Further information regarding treasury management can be found in the Treasury Management outturn report: [Treasury Management Outturn Report](#)

## **Balance sheet**

The Council's balance sheet at 31 March 2022 had long term assets of £1.203b, current assets (including cash and short term investments) of £185m, current liabilities of £221m, long-term liabilities of £570m (which includes net pension liabilities of £322m and the Council's long-term borrowing of £142m). In addition, the Council had usable reserves of £186m.

The net assets of the Council have increased slightly from £474m at 31 March 2021 to £597m at 31 March 2022.

## **Housing Revenue Account (HRA)**

The Council's Housing Revenue Account (HRA) achieved an operating surplus of £1.3m compared to a surplus of £2.0m in 2020/21. There was a reduction in the surplus in 2022/23 due an increase in depreciation charge. Rental income was higher than last year as expected with inflation, these increases were offset by inflationary increases in day to day spending on staffing, repairs and maintenance. The surplus was used to fund capital expenditure and to repay debt, and after removing statutory accounting adjustments resulted in an overall increase in the HRA balance of £0.05m.

HRA rental income was £15.4m in 2021/22, an increase on the £15.2m achieved in 2020/21. Expenditure on repairs and maintenance and housing management totalled £7.2m compared to £6.4m in 2020/21. Capital expenditure totalled £7m in 2021/22, largely on new purchases, planned & cyclical works and improvement works, compared to £3.0m in 2020/21.

## **Group Accounts**

The Council are in the fifth year of joint working with the Royal Borough of Windsor and Maidenhead (RBWM) through our company, Optalis. Jointly with the Royal Borough, WBC is able to control the operating, governance and financial policies of the organisation, and also able to appoint the board of directors of the company.

The Council's housing companies have continued to grow, with further development work increasing their net assets. Berry Brook Homes Ltd provides affordable, subsidised housing to rent in Wokingham Borough and it has grown substantially this year. Loddon Homes Ltd also provides social and affordable housing and is a for-profit registered provider. Wokingham Housing Limited is a housing developer providing high quality affordable, social and market homes for local people in Wokingham.

## **Key risks and opportunities**

The Council's corporate leadership team (CLT) is responsible for identifying and managing the Council's risks and opportunities. CLT is also responsible for identifying, analysing and profiling high-level strategic and cross-cutting risks on a regular basis. The Council's corporate risk register is considered by the audit committee. A wide range of policies, procedures, training and governance help control this risk, with further detail available in the documentation discussed at that meeting ([link below](#)). The other key risk is that the Council fails to deliver key investment priorities.

The risks are reviewed and quantified as part of the financial planning processes. This analysis is available within the Council's medium term financial plan (MTFP) approved at annual budget-setting Council in February each year and is available at:

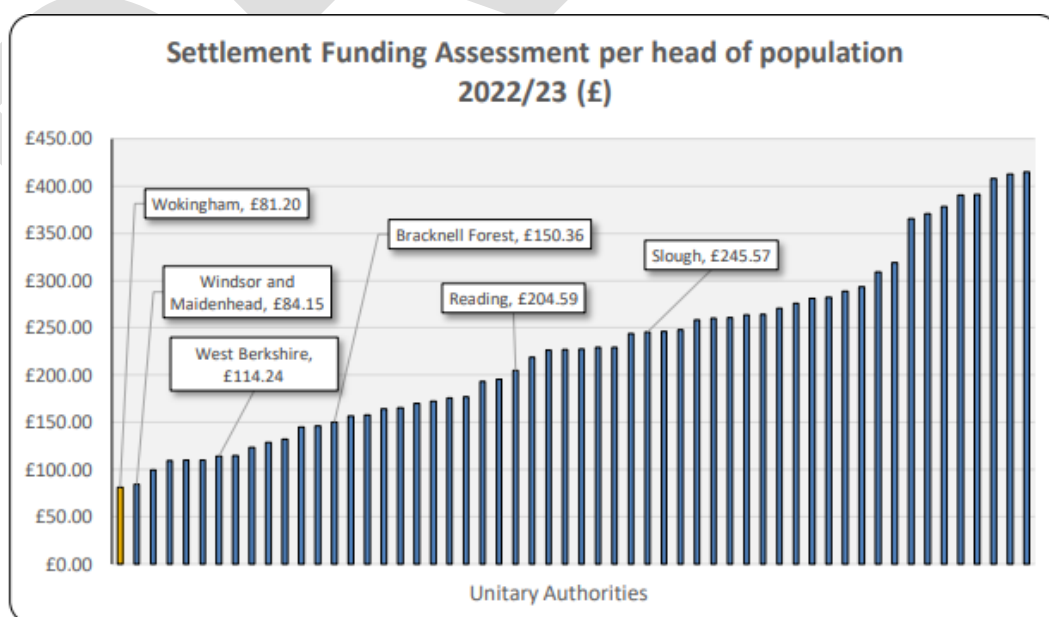
### [Medium Term Financial Plan](#)

The Council continues to review opportunities for improvement and service development, most recently including the continuous improvement programme, looking to transform the way the Council operates and improve the availability of Council services through digital channels, enable residents to track the progress of their issue as it is resolved more efficiently by the Council, a greater focus on problem-solving and customer responsiveness, and a leaner, more effective and efficient Council costing significantly less to run.

### Future Financial Outlook

The overall financial climate continues to be uncertain and is expected to remain so for a number of years. Wokingham, as one of the lowest funded English unitary authorities, will face a particularly difficult challenge. The Council still await certainty of government funding through a multi-year local government funding settlement which has been delayed for the past two years. This means that there is much uncertainty around future settlements in terms of duration and the actual amount of funding Wokingham will receive. This uncertainty in funding comes at the same time as needing to meet the financial pressures from increased inflation costs and extra pressures on statutory services such as the adult social care reforms, waste collection and disposal, highways and overall population and demographic growth.

The Council also receives business rates income, which together forms the settlement funding assessment. The chart below compares Wokingham's settlement funding assessment per head of population in 2022/23 to all other unitary authorities, illustrating the low level of funding received by Wokingham. More detailed analysis of the financial context is available in the latest medium term financial plan (MTFP) which is available on the Council's website.





## **Regeneration, Investment, and Strategic developments**

Although the Council faces significant financial pressures, it is continuing with the final phases of Wokingham Town Centre regeneration to ensure that it remains an attractive location for businesses to locate, and for people to live in and visit for shopping and recreational purposes. In addition, the Council has identified four Strategic Development Locations (SDLs) where new housing and employment opportunities will be located. More recently, the Council has invested in commercial assets which generate much needed revenue income for the Council. The Council have also agreed to the regeneration of Gorse Ride, providing much needed additional affordable housing in the borough. The Council's Medium Term Financial Plan (MTFP) provides for considerable investment in these areas in 2022/23 and beyond.

## **Accounting Developments for 2021/22**

The most significant accounting developments for 2021/22 were expected to be IFRS 16 Leases. The implementation of the new standard has been delayed a further year and therefore does not impact on the 2021/22 financial accounts.

There are no other significant accounting developments for 2021/22. A full list of the Council's accounting policies is at chapter 11 of these accounts.

## 2. ANNUAL GOVERNANCE STATEMENT 2021/22

### Executive Summary

Wokingham Borough Council is committed to playing its role in making Wokingham borough a great place to live, learn, work, and grow, and a great place to do business. This commitment is set out in the Council Plan and describes how the Council will meet the challenges ahead and achieve its priorities.

To be successful, the Council must have a solid foundation of good governance and sound financial management. The Council's Local Code of Corporate Governance ensures that we are doing the right things, in the right way, in line with our values. The Local Code includes the assurance framework that sets out how and what the Council will seek to obtain assurance on.

A copy of the Council's Local Code and Assurance Framework is available on our website at [Council's Local Code and Assurance Framework](#).

Each year, the Council is required to produce an Annual Governance Statement (AGS) which describes how its corporate governance arrangements set out in the Local Code have been working. This AGS gives assurances on compliance for the year ending 31 March 2022 and up to the date of approval of the Statement of Accounts.

During 2021/22, the Council welcomed a corporate peer challenge undertaken by the Local Government Association. The insights and recommendations arising have been built into the production of this year's AGS.

The Leader of the Council and Chief Executive both recognise the vital importance of having a solid foundation of good governance and sound financial management. They pledge their commitment to address the matters highlighted in this Statement, and to further enhance our governance arrangements to enable delivery of the Council Plan.

The Leader and Chief Executive confirm they have been advised of the implications of the review by Senior Management and are satisfied that the steps outlined in this document will ensure that our governance arrangements remain fit for the future.

Signed on behalf of Wokingham Borough Council

Clive Jones  
Leader of the Council

Susan Parsonage  
Chief Executive

## 1. Introduction and acknowledgement of responsibility

1.1 Wokingham Borough Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards. It needs to ensure that public money is safeguarded, properly accounted for and used economically, efficiently and effectively. The Accounts and Audit Regulations (2015), as amended by the Accounts and Audit (Coronavirus) (Amendment) Regulations 2020, require the council to conduct a review, at least once a year, on the effectiveness of its system of internal control and include an Annual Governance Statement reporting on the review with the Statement of Accounts.

1.2 The principles of good governance The CIPFA/SOLACE Delivering Good Governance in Local Government publication (2016) defines the various principles of good governance in the public sector. The document sets out seven core principles that underpin the governance framework and these are set out in Table 1 below.

Table 1 – Core principles of the CIPFA/SOLACE framework.



## 2. Key elements of the Council's governance arrangements

2.1 The governance framework at Wokingham Borough Council comprises the systems and processes, culture, and values which the Council has adopted in order to deliver on the above principles. The Council has a local code of corporate governance, which is consistent with the principles of the CIPFA/SOLACE framework (2016). This is regularly reviewed and assessed for compliance. The CIPFA Financial Management Code 2019 (FM Code) was introduced during 2020-21, to improve the financial resilience of organisations by embedding enhanced standards of financial management. The implementation of the FM Code is mandatory from 2021-22, and the Council is assessing compliance with the Code to ensure that financial outcomes are sustainable.

**Table 2 – Overview of the council’s governance framework**



2.2 Full Council is responsible for approving the budget, developing policies, making constitutional decisions, and deciding local legislation. Council elects the Leader for a term of four years, and the Leader appoints an Executive of up to ten councillors (including him/herself), each holding a special portfolio of responsibility. The Council’s constitution is updated throughout the year and sets out how the Council operates. It states what matters are reserved for decision by full Council, the responsibilities of the Executive, and the matters reserved for collective and individual decision, and the powers delegated to Committees.

2.3 Decision-making powers not reserved for councillors are delegated to the Chief Executive, Directors, and Assistant Directors. The Monitoring Officer ensures that all decisions made are legal and supports the Audit Committee and Standards Committee in promoting high standards of conduct amongst members.

2.4 The Overview and Scrutiny Committee and its scrutiny sub-Committees scrutinise decisions made by the Executive, and those delegated to officers, and review services provided by the Council and its partners. The scrutiny officer promotes and supports the Council's scrutiny functions.

2.5 The Executive has developed a Community Vision (2020-2024) for Wokingham borough, and a Council Plan (2020-2024) which is published on the Council's website. It is reviewed and updated according to changing statutory requirements, the evolving social and economic situation, analyses of needs and the performance of the Council against its priorities. The Council Plan was reviewed and refreshed by the Executive in March 2022. The Council welcomes views from the public and community as part of the constitutional process. These views are considered through formal and informal consultation processes, attendance at meetings of the Council and its Committees, or contact with a local ward councillor. Trades unions are consulted on issues that affect Council staff.

2.6 The overall budget and policy framework of the Council is set by full Council and all decisions are made within this framework. The Council's overall policy is represented through the Council Plan which is developed alongside the budget through consultation with residents and other stakeholders in the borough, and which sets out how the Council's priorities will be delivered. Performance against the Council Plan is monitored throughout the year. Progress is reviewed quarterly by the Leader and respective Executive members and is reported through an annual performance report at the end of each financial year. The Council also monitors its performance through feedback from its residents and service users.

2.7 The performance management process helps to identify learning and development needs, which are translated into personal development plans for staff. Members are also offered development and training opportunities. The Council provides a programme of learning and development to officers and members.

2.8 The Council also has a whistleblowing policy, which encourages staff and other concerned parties to report any instances of suspected unlawful conduct, financial malpractice, or actions that are dangerous to the public or environment. The Council has appropriate arrangements in place to deal with fraud and corruption risks and is committed to maintaining its vigilance to tackle fraud.

2.9 The Council expects the highest standards of conduct and personal behaviour from members and staff; and promotes and maintains high standards of conduct by both elected and co-opted members of the authority. These standards are defined and communicated through codes of conduct, protocols and other documents.

2.10 The Council's financial management arrangements conform to the governance requirements of the CIPFA "Statement on the Role of the Chief Financial Officer in Local Government" (2016). The Chief Financial Officer (CFO) is the Deputy Chief Executive & Director of Resources and Assets, who has statutory responsibility for the proper management of the Council's finances and is a key member of the Corporate Leadership Team. He formally devolves the management of the Council's finances within directorates to directors through Financial Regulations (section 12 of Constitution). The Local Government Act 2003 requires the CFO to report to Members, when setting the level of Council Tax, on the robustness of the budget presented and adequacy of reserves. The CFO report highlights the strong financial management of the Council. It also outlines the major financial issues facing the Council in the medium-term period.

2.11 The Council's assurance arrangements conform to the governance requirements of the CIPFA "Statement on the Role of the Head of Internal Audit in Public Service Organisations" (2019). The Chief Audit Executive (Head of Internal Audit & Investigations) reports functionally to the Audit Committee, which approves the audit plan and strategy and receives reports throughout the year on audit and anti-fraud activity, as well as the annual report and opinion on the internal control framework. The internal audit service complies with the Public Sector Internal Auditing Standards (PSIAS) which promote professionalism, quality, consistency and effectiveness of internal audit across the public sector.

2.12 The Council's risk management strategy ensures proper management of the risks to the achievement of the council's priorities and helps decision making. In the Council's day-to-day operations, a framework of internal controls (e.g. authorisation, reconciliations, separation of duties, etc.) manages the risks of fraud or error, and this framework is reviewed by internal audit.

2.13 Partnership working is governed by agreements, protocols or memoranda of understanding relevant to the type of work or relationship involved. The Council's legal services and procurement teams ensure that all are fit for purpose and the Council's interests are protected.

2.14 The Audit Committee is responsible for monitoring the effective development and operation of corporate governance in the council. It provides independent assurance of the adequacy of the Council's governance arrangements, including the risk management framework and the associated control environment, the authority's financial and non-financial performance to the extent that it affects the authority's exposure to risk and weakens the control environment, oversight of the financial reporting process and scrutiny of the treasury management strategy and policies.

### **3. Review of effectiveness**

3.1 Wokingham Borough Council has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control.

3.2 The system of internal control is a significant part of the framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness.

3.3 The review of effectiveness is informed by the work of the senior managers within the council who have responsibility for the development and maintenance of the governance environment, the chief audit executive's annual report, and by comments made by the external auditors and other review agencies and inspectorates. The key elements of the review of effectiveness are:-

- the Council's internal management processes, such as performance monitoring and reporting; the staff performance review framework; internal staff surveys of awareness of and views on corporate policies; monitoring of policies, such as the corporate complaints and health and safety policies; and the corporate budget setting process.
- an annual self-assessment and management assurance statement signed by Directors and Assistant Directors, confirming adherence to the seven principles of the local Code of Corporate Governance and other corporate governance processes have operated as intended within their directorates throughout the year.
- the assessment of compliance against the Council's Local Code of Corporate Governance (see appendix 1).
- the annual report of the Chief Audit Executive (Head of Internal Audit & Investigations) which provides an opinion to members on the adequacy and effectiveness of the internal control system, the council's



risk management and governance process. The overall assurance was, “substantially complete and generally effective but with some improvements required,” which denotes that the overall audit work conducted significantly meets expectations and provides assurance that the arrangements should deliver the objectives and risk management aims of the organisation in the areas under review.

- the work of the Audit Committee and Standards Committee which includes responsibility for monitoring the development and operation of corporate governance in the Council.
- the Council reviewed sustainability against the CIPFA financial resilience index over 2 years scoring as ‘low risk’ on the reserve sustainability measure and ‘extremely low risk’ regarding the change in reserves year on year.
- the Council welcomed a Corporate Peer Challenge in November 2021 undertaken by the Local Government Association (LGA). The review highlighted areas of good practice as well as identifying recommendations for further consideration which have been considered as part of the AGS effectiveness review.

#### **4. Assurance statement**

The review, as detailed above, provides good overall assurance of the Council’s system of internal control and that the arrangements are fit for purpose in accordance with the governance framework. Issues of assurance are raised in the “Governance issues” section and have been highlighted in the “Areas of Significant Change.”

#### **5. Governance issues and improvements**

Specific opportunities for improvement in governance and internal controls identified as part of the assurance processes have been addressed, or are included, in action plans for the relevant managers as well as the Council’s response to the LGA Corporate Peer Challenge. There was a continued focus on the following governance issues last year:

- Covid-19 Response and Recovery – during 2021/22, significant capacity continued to be allocated to responding to the Covid-19 emergency. During the year, the gold level strategic group (CLT) and/or the tactical silver level group led decisions on the organisational response based on national guidance and local circumstances. The Coronavirus Act (2020) allowed authorities to conduct virtual decision-making meetings in 2020/21. Despite councils wishing to continue these in 2021-22, emergency legislation was not extended beyond 7 May 2021. As a result the Council held meetings in person albeit with careful management given the health restrictions in place at different times through the year. Additional demands were made on IT systems and staff with most office based staff continuing to work remotely throughout 2021-22. Changes to ways of working are being carefully managed as restrictions have been largely removed.
- Financial capacity and capability – the finance team has been strengthened with additional capacity and a new operating model with clear roles and responsibilities and a renewed focus on budget management, benefits realisation and finance training.
- Risk management - a cross-council risk management group was formed to regularly review directorate and corporate risks leading to a revised corporate risk register template that improves visibility of accountability for mitigating actions.
- Member Code of Conduct – Council agreed in July 2021 to adopt a revised Code based on the LGA model code of practice. Processes for dealing with complaints were reviewed by an independent expert against best practice and changes agreed by Council in February 2022.
- Equalities, Diversity & Inclusion – following the Executive’s agreement of the Equality Strategy in March 2021, the past year has focused on implementation of the year 1 foundation actions. In addition, the Council’s approach to Tackling Poverty was developed to provide focus in addressing the cost of living crisis and rising inflation and this continues into 2022/23 and beyond.

- Cyber Security - Strengthened the Council's cyber security approach in response to heightened risks through further investment and implementation of further controls.
- Chief Audit Executive (Head of Internal Audit & Investigations) – reporting lines have been clarified to ensure direct access to the Chief Executive and Chair of Audit Committee. In addition, the internal audit function is implementing a transformation strategy to further enhance the effectiveness of the service.
- Procurement and contract management – a new Procurement Strategy based on CIPFA best practice was agreed in July 2021 to strengthen governance in this area including the establishment of a Strategic Procurement Board.
- Statutory Officers Group – meetings of this group (Chief Executive, s151 Officer, and Monitoring Officer) were formalised and increased in frequency to add focus and promote governance across the Council.
- Governance Dashboard – the internal audit of corporate governance introduced a dashboard approach to evaluating the effectiveness of arrangements using the Local Code of Corporate Governance as its framework. This is reviewed quarterly by the Statutory Officers Group.
- Customer, Insight, Change – these important corporate functions were moved during the year to the Chief Executive's Office.

Despite the challenges and adaptations in 2021-22, the Council has maintained consistent essential services for residents, whilst adapting to provide alternative virtual services wherever possible. The Council's strong collaborative approach has continued to be effective at achieving a unified response, working with key partners in the NHS, police and voluntary and community sectors. In fact, the response to the crisis has added assurance to the effectiveness of the council's business continuity plans, communications strategy and governance arrangements. The risks moving forward have been detailed in the Areas of Significant Change.

## **6. Areas of significant change**

The Council also faces a number of areas of significant change that will require consideration and action as appropriate in 2022-23 and the medium-term. Significant issues identified include:

### *Changes to the political balance of the Council*

The Council moved to a position of no overall control following the May 2022 elections. At Annual Council on 19 May 2022, a minority Liberal Democrat administration was agreed. This is the first time in 20 years that the Council has not had a majority administration and, as such, will require careful consideration of the impact on governance arrangements including, for example, updating the Member/Officer Protocol.

### *Electoral arrangements*

Local elections are scheduled for May 2023 (18 seats) following which there will be whole Council elections in May 2024 as a result of the Boundary Commission for England's Electoral Review.

The Council has recently consulted with residents on whether to change its current electoral arrangements of electing in thirds and held an Extraordinary Council meeting in June 2022 to decide on this question which was highlighted in the LGA Corporate Peer Challenge. Council agreed to maintain the current cycle of electing in thirds.



### *Overview and Scrutiny*

The effectiveness of the scrutiny function was highlighted in the LGA Corporate Peer Challenge as an area for further consideration. The Council partnered with the Centre for Governance and Scrutiny to provide an independent, objective assessment of its current arrangements and recommend areas for improvement.

### *Corporate risks*

There are a small number of significant high impact risks monitored quarterly by Audit Committee through the corporate risk register process that will require ongoing consideration. These are:-

- Budget and financial resilience - the Council faces significant financial pressures as the lowest funded unitary authority in England. Although this is mitigated by its strong reserve position, the Council is developing financial scenario planning to test and flex wide-scale savings plans.
- Health & Social Care Reform (including supplier sufficiency and sustainability) – the impact of the Government's reforms is being evaluated in terms of finance, workforce, the supplier market, and IT systems required.
- Children's Services – education. Demand for school places has increased significantly and is impacting on the capacity of the Council to deliver the outcomes for children and young people.

### *Workforce*

Last year's AGS identified the requirement to develop and enhance the HR function including HR policies and procedures. A new operating model for HR was developed in 2021/22 and is in the process of being implemented. In recognition of the importance of a robust HR service and an engaged workforce, this is a priority for the year ahead with a dedicated programme sponsored by CLT.

### *Member Development and Training*

The Council is keen to introduce a more strategic approach in this area using the LGA's Member Development Charter and associated resources.

### *Risk Management*

Building on the improvements already made in this area, further enhancements include embedding the value of good risk management more widely across the organisation through further training etc.

### *Equality, Diversity & Inclusion (EDI)*

The March 2021 Equality Strategy affirmed the Council's commitment and pledge as a Council to tackle inequality in its workforce and communities. During 2021/22, the year 1 implementation programme has commenced the embedding of EDI good practice to ensure this is treated as a business critical issue. In 2022/23, the year 2 programme will focus on further embedding of the LGA's Equality Framework for Local Government to meet its EDI objectives and obligations under the Equality Act 2010.

### *CIPFA Code of Financial Management 2019*

During 2022/23, an assurance review will be undertaken to check compliance against the code. Whilst many of the best practice features of the Code are already in place, this review will provide further assurance of the Council financial governance arrangements.

## **7. Conclusion**

7.1 The Council continued to be significantly impacted by the Covid-19 pandemic in 2021/22. Governance arrangements have been tested but have found to be robust and resilient in 2021-22, whilst recognising that recovery from the pandemic, the worsening economic situation, and responding to the refugee crisis will continue to bring substantial risks to the council in 2022-23. There will be an ongoing review of the financial impact with a mid-year budget review planned for later in 2022.

7.2 The Council is satisfied that appropriate governance arrangements are in place. We propose over the coming year to take steps to address the matters identified above to further enhance our governance arrangements in these challenging times.

DRAFT

## 3. STATEMENT OF RESPONSIBILITIES

### The Council's responsibilities

The Council is required:

- To make arrangements for the proper administration of its financial affairs and to ensure that one of its officers has the responsibility for the administration of those affairs. In this authority, that officer is the Deputy Chief Executive.
- To manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets.
- To approve the statement of accounts.

### The Responsibilities of the Deputy Chief Executive

The Deputy Chief Executive, in his capacity as the S151 Officer, is responsible for the preparation of the Council's Statement of Accounts for the year ended 31 March 2022 in accordance with proper practices as set out in the Chartered Institute of Public Finance and Accountancy (CIPFA) 2021/22 Code of Practice on Local Authority Accounting in United Kingdom (the Code).

In preparing this Statement of Accounts, the Deputy Chief Executive has:

- selected suitable accounting policies and then applied them consistently;
- made judgments and estimates that were reasonable and prudent;
- kept proper accounting records which were up to date;
- taken reasonable steps for the prevention and detection of fraud and other irregularities;
- complied with the Code of Practice.

I hereby certify that the Statement of Accounts presents a true and fair view of the financial position of Wokingham Borough Council at the accounting date and its income and expenditure for the year ended 31 March 2022.

**Signature:**

**Signature:**

**Graham Ebers**  
**Deputy Chief Executive**  
**(s.151 officer)**

**Chairman of the Audit Committee**

**Date:**

**Date:**

## 4. DRAFT AUDIT OPINION

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF WOKINGHAM BOROUGH COUNCIL

To be added once the audit has been completed.

DRAFT

## 5. FINANCIAL STATEMENTS

The following financial statements include the Comprehensive Income and Expenditure Statement (CIES), the Movement in Reserves Statement (MiRS), the Balance Sheet (BS) and the Cash Flow Statement (CFS).

Note – all consolidation group statements and notes are currently being worked on as at 31st July and will be made available once complete by the end of September.

DRAFT

# COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

2020/21				2021/22		
Gross Expenditure £,000	Gross Income £,000	Net Expenditure £,000		Gross Expenditure £,000	Gross Income £,000	Net Expenditure £,000
1,477	(5)	1,471	Chief Executive	11,536	(1,010)	10,526
64,972	(37,167)	27,806	Resources and Assets	56,442	(32,706)	23,736
50,505	(12,337)	38,168	Place and Growth	68,924	(23,606)	45,318
11,172	(15,764)	(4,592)	Housing Revenue Account	12,501	(15,959)	(3,458)
83,810	(31,846)	51,964	Adult Social Care	87,206	(32,065)	55,141
18,568	(2,627)	15,941	Communities, Insight and Change	-	-	-
36,364	(4,493)	31,871	Children's Services	45,628	(5,672)	39,956
105,652	(101,938)	3,714	Children's Services - Schools Block	101,828	(96,637)	5,191
<b>372,520</b>	<b>(206,177)</b>	<b>166,343</b>	<b>Cost of Services</b>	<b>384,065</b>	<b>(207,655)</b>	<b>176,410</b>
		22,310	Other Operating Expenditure (Note 8)			29,025
		6,599	Financing and Investment Income and Expenditure (Note 9)			8,314
		(215,001)	Taxation and Non-specific Grant Income (Note 10)			(243,188)
		<b>(19,750)</b>	<b>(Surplus) or Deficit on Provision of Services</b>			<b>(29,439)</b>
		(37,853)	(Surplus) or Deficit on Revaluation of Property, Plant and Equipment Assets charged to the revaluation reserve			(40,134)
		82,457	Actuarial (Gains) / Losses on Pension Assets / Liabilities			(53,623)
		<b>44,604</b>	<b>Other Comprehensive Income and Expenditure</b>			<b>(93,757)</b>
		<b>24,854</b>	<b>Total Comprehensive Income and Expenditure</b>			<b>(123,196)</b>

23

# MOVEMENT IN RESERVES STATEMENT

	General Fund (GF) Balance	Earmarked GF Reserves	Housing Revenue Account (HRA)	Schools & Dedicated Schools Grant Reserves	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	Total WBC Usable Reserves	WBC Unusable Reserves	Total WBC Reserves
	£,000	£,000	£,000	£,000	£,000	£,000	£,000	£,000	£,000	£,000
<b>Balance at 31st March, 2021 brought forward</b> As previously reported	(11,712)	(118,327)	(1,268)	(5,347)	(5,162)	(2,898)	(18,606)	(163,321)	(310,430)	(473,751)
<b>Movement in Reserves during 2021/22:</b>										
(Surplus) or Deficit on the Provision of Services	(28,093)	-	(1,346)	-	-	-	-	(29,439)	-	(29,439)
Other Comprehensive Income and Expenditure	-	-	-	-	-	-	-	-	(93,757)	(93,757)
<b>Total Comprehensive Income and Expenditure</b>	<b>(28,093)</b>	<b>-</b>	<b>(1,346)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(29,439)</b>	<b>(93,757)</b>	<b>(123,196)</b>
Adjustments between Accounting Basis & Funding Basis under Regulations (note 5)	13,962	-	1,434	-	(3,374)	2,005	(9,952)	4,075	(4,075)	-
<b>Net (Increase) / Decrease before Transfers to Earmarked Reserves</b>	<b>(14,131)</b>	<b>-</b>	<b>88</b>	<b>-</b>	<b>(3,374)</b>	<b>2,005</b>	<b>(9,952)</b>	<b>(25,364)</b>	<b>(97,832)</b>	<b>(123,195)</b>
Transfers to/from Earmarked Reserves (Note 6)	16,816	(12,775)	(131)	(1,607)	-	-	-	2,303	(2,303)	-
<b>(Increase) / Decrease in 2021/22</b>	<b>2,685</b>	<b>(12,775)</b>	<b>(43)</b>	<b>(1,607)</b>	<b>(3,374)</b>	<b>2,005</b>	<b>(9,952)</b>	<b>(23,060)</b>	<b>(100,135)</b>	<b>(123,195)</b>
<b>Balance at 31st March 2022 carried forward</b>	<b>(9,026)</b>	<b>(131,102)</b>	<b>(1,311)</b>	<b>(6,954)</b>	<b>(8,537)</b>	<b>(895)</b>	<b>(28,558)</b>	<b>(186,382)</b>	<b>(410,563)</b>	<b>(596,945)</b>



# MOVEMENT IN RESERVES STATEMENT

	General Fund (GF) Balance £,000	Earmarked GF Reserves £,000	Housing Revenue Account (HRA) £,000	Schools & Dedicated Schools Grant Reserves £,000	Capital Receipts Reserve £,000	Major Repairs Reserve £,000	Capital Grants Unapplied £,000	Total WBC Usable Reserves £,000	WBC Unusable Reserves £,000	Total WBC Reserves £,000
<b>Balance at 31st March, 2020 brought forward</b>										
As previously reported	(12,240)	(91,523)	(2,091)	(381)	(2,386)	(1,558)	(22,254)	(132,433)	(366,178)	(498,611)
Reporting of Schools Budget Deficit to new Adjustment Account at 1 April 2020	-	-	-	(2,993)	-	-	-	(2,993)	2,993	0
<b>Restated Balance at 1 April 2020</b>	<b>(12,240)</b>	<b>(91,523)</b>	<b>(2,091)</b>	<b>(3,374)</b>	<b>(2,386)</b>	<b>(1,558)</b>	<b>(22,254)</b>	<b>(135,426)</b>	<b>(363,185)</b>	<b>(498,611)</b>
<b>Movement in Reserves during 2020/21:</b>										
(Surplus) or Deficit on the Provision of Services	(17,715)	0	(2,035)	0	0	0	0	(19,750)	0	(19,750)
Other Comprehensive Income and Expenditure	0	0	0	0	0	0	0	0	44,604	44,604
<b>Total Comprehensive Income and Expenditure</b>	<b>(17,715)</b>	<b>0</b>	<b>(2,035)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(19,750)</b>	<b>44,604</b>	<b>24,854</b>
Adjustments between Accounting Basis & Funding Basis under Regulations (note 5)	(12,474)	0	2,858	0	(2,777)	(1,340)	3,647	(10,086)	10,086	0
<b>Net (Increase) / Decrease before Transfers to Earmarked Reserves</b>	<b>(30,717)</b>	<b>0</b>	<b>823</b>	<b>0</b>	<b>(2,777)</b>	<b>(1,340)</b>	<b>3,647</b>	<b>(29,836)</b>	<b>54,689</b>	<b>24,854</b>
Transfers to/from Earmarked Reserves (Note 6)	30,717	(26,803)	0	(1,974)	0	0	0	1,940	(1,940)	0
<b>(Increase) / Decrease in 2020/21</b>	<b>528</b>	<b>(26,803)</b>	<b>823</b>	<b>(1,974)</b>	<b>(2,777)</b>	<b>(1,340)</b>	<b>3,647</b>	<b>(27,895)</b>	<b>52,749</b>	<b>24,854</b>
<b>Balance at 31st March 2021 carried forward</b>	<b>(11,712)</b>	<b>(118,327)</b>	<b>(1,268)</b>	<b>(5,347)</b>	<b>(5,162)</b>	<b>(2,898)</b>	<b>(18,606)</b>	<b>(163,321)</b>	<b>(310,430)</b>	<b>(473,751)</b>

# GROUP MOVEMENT IN RESERVES STATEMENT – to be updated by 30<sup>th</sup> September 2022

	General Fund (GF) Balance	Earmarked GF Reserves	Housing Revenue Account (HRA)	Schools & DSG Reserves	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	Total Usable Reserves	Unusable Reserves	Total Authority Reserves	Authority's Share of Reserves of Subsidiary, Associates and Joint Ventures	Total Reserve
	£,000	£,000	£,000	£,000	£,000	£,000	£,000	£,000	£,000	£,000	£,000	£,000
Balance at 31st March, 2021 brought forward	(11,712)	(118,326)	(1,268)	(5,348)	(5,163)	(2,898)	(18,607)	(163,322)	(310,435)	(473,757)	(11,483)	(485,240)
<b>Movement in reserves during 2021/22</b>												
Surplus or (Deficit) on the Provision of Services												
Other Comprehensive Income and Expenditure												
<b>Total Comprehensive Income and Expenditure</b>												
Adjustments between group accounts and authority accounts												
Adjustments between accounting basis and funding basis under regulations												
<b>Net Increase/Decrease before Transfers to Earmarked Reserves</b>												
Transfers to/from Earmarked Reserves												
<b>Balance at 31st March 2022 carried forward</b>												

# GROUP MOVEMENT IN RESERVES STATEMENT

	General Fund (GF) Balance	Earmarked GF Reserves	Housing Revenue Account (HRA)	Schools & DSG Reserves	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	Total Usable Reserves	Unusable Reserves	Total Authority Reserves	Authority's Share of Reserves of Subsidiaries, Associates and Joint Ventures	Total Reserves
	£,000	£,000	£,000	£,000	£,000	£,000	£,000	£,000	£,000	£,000	£,000	£,000
Balance at 31st March, 2020 brought forward	(12,240)	(91,523)	(2,091)	(381)	(2,386)	(1,558)	(22,254)	(132,433)	(366,178)	(498,611)	(11,649)	(510,260)
<i>Reporting of Schools Budget Deficit to new Adjustment Account at 1 April 2020</i>	-	-	-	(2,993)	-	-	-	(2,993)	2,993	-	-	-
<b>Restated Balance at 1 April 2020</b>		(12,240)	(91,523)	(2,091)	(3,374)	(2,386)	(1,558)	(22,254)	(135,426)	(363,185)	(498,611)	-
<b>Movement in reserves during 2020/21</b>												
Surplus or (Deficit) on the Provision of Services	(32,154)	-	(2,035)	-	-	-	-	(34,189)	-	(34,189)	11,249	(22,940)
Other Comprehensive Income and Expenditure	-	-	-	-	-	-	-	-	44,604	44,604	3,358	47,962
<b>Total Comprehensive Income and Expenditure</b>	<b>(32,154)</b>	<b>-</b>	<b>(2,035)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(34,189)</b>	<b>44,604</b>	<b>10,415</b>	<b>14,608</b>	<b>25,022</b>
Adjustments between group accounts and authority accounts	14,439	-	0	-	-	-	-	14,439	-	14,439	(14,439)	-
Adjustments between accounting basis and funding basis under regulations	(12,474)	-	2,859	-	(2,777)	(1,340)	3,647	(10,085)	10,085	-	-	-
<b>Net Increase/Decrease before Transfers to Earmarked Reserves</b>	<b>(30,189)</b>	<b>-</b>	<b>824</b>	<b>-</b>	<b>(2,777)</b>	<b>(1,340)</b>	<b>3,647</b>	<b>(29,836)</b>	<b>54,689</b>	<b>24,854</b>	<b>169</b>	<b>25,022</b>
Transfers to/from Earmarked Reserves	30,717	(26,803)	-	(1,974)	-	-	-	1,940	(1,940)	-	-	-
<b>Balance at 31st March 2021 carried forward</b>	<b>(11,712)</b>	<b>(118,326)</b>	<b>(1,268)</b>	<b>(5,348)</b>	<b>(5,163)</b>	<b>(2,898)</b>	<b>(18,607)</b>	<b>(163,322)</b>	<b>(310,435)</b>	<b>(473,757)</b>	<b>(11,483)</b>	<b>(485,240)</b>

# BALANCE SHEET – Group to be updated by 30<sup>th</sup> September 2022

WBC 31st March, 2021 £,000	Group 31st March, 2021 £,000		Notes	WBC 31st March, 2022 £,000	Group 31st March, 2022 £,000
1,061,341	1,093,496	Property, Plant & Equipment	24	1,134,311	
36,074	36,074	Investment Property	25	38,850	
6,148	6,148	Intangible Assets	26	5,476	
30,104	30,104	Long Term Investments	36	(0)	
26,225	1,164	Long Term Debtors	30	24,486	
<b>1,159,891</b>	<b>1,166,986</b>	<b>Long Term Assets</b>		<b>1,203,123</b>	<b>0</b>
195,336	195,336	Short Term Investments	36	80,077	
9,457	3,260	Inventories	49	7,690	
692	11,645	Assets Held for Sale	35	505	
52,066	58,574	Short Term Debtors	30	48,812	
131,555	134,381	Cash and Cash Equivalents	41	47,635	
<b>389,106</b>	<b>403,196</b>	<b>Current Assets</b>		<b>184,719</b>	<b>0</b>
(1,651)	(1,651)	Cash and Cash Equivalents	41	(3,047)	
(338,711)	(338,711)	Short Term Borrowing	36	(121,718)	
(65,907)	(71,501)	Short Term Creditors	31	(88,685)	
(8,929)	(8,929)	Provisions	32	(7,422)	
<b>(415,198)</b>	<b>(420,792)</b>	<b>Current Liabilities</b>		<b>(220,872)</b>	<b>0</b>
(191,890)	(191,718)	Long Term Borrowing	36	(142,405)	
(5,431)	(404)	Long Term Creditors	31	(4,692)	
(7,604)	(7,604)	PFI and Finance Lease Liabilities	36	(7,046)	
(357,174)	(366,330)	Pensions Liability	19	(322,396)	
(97,950)	(97,950)	Capital Grants Receipts in Advance	20	(93,484)	
<b>(660,049)</b>	<b>(664,006)</b>	<b>Long Term Liabilities</b>		<b>(570,023)</b>	<b>0</b>
<b>473,751</b>	<b>485,386</b>	<b>Net Assets</b>		<b>596,947</b>	<b>0</b>
(163,321)	(169,505)	Usable Reserves	22	(186,383)	
(310,430)	(315,734)	Unusable Reserves	23	(410,564)	
<b>(473,751)</b>	<b>(485,239)</b>	<b>Total Reserves</b>		<b>(596,947)</b>	<b>0</b>
0	(147)	Minority interest		0	
<b>(473,751)</b>	<b>(485,386)</b>	<b>Total Reserves excluding minority interest</b>		<b>(596,947)</b>	<b>0</b>

# CASH FLOW STATEMENT – Group to be updated by 30<sup>th</sup> September 2022

	Notes	WBC 2020/21 £,000	Group 2020/21 £,000	WBC 2021/22 £,000	Group 2021/22 £,000
Net Surplus or (Deficit) on the Provision of Services		19,750	22,940	29,439	
Adjustments to Net Surplus or Deficit on the Provision of Services for Non-cash Movements	38	58,640	54,592	117,896	
Adjustments for Items Included in the Net Surplus or Deficit on the Provision of Services that are Investing or Financing Activities					
• Proceeds from disposal of property, plant and equipment, investment property and intangible assets and other capital receipts		(7,349)	(7,349)	(16,677)	
• Capital grants and contributions		(67,061)	(67,808)	(81,546)	
<b>Net Cash Flows from Operating Activities</b>		<b>3,980</b>	<b>2,375</b>	<b>49,112</b>	
Investing Activities	39	(185,986)	(182,193)	134,616	
Financing Activities	40	253,302	251,916	(269,044)	
<b>Net Increase or (Decrease) in Cash and Cash Equivalents</b>		<b>71,296</b>	<b>72,098</b>	<b>(85,316)</b>	
Cash and Cash Equivalents at the Beginning of the Reporting Period		58,608	60,632	129,904	
<b>Cash and Cash Equivalents at the End of the Reporting Period</b>	<b>41</b>	<b>129,904</b>	<b>132,730</b>	<b>44,588</b>	

## 6. NOTES TO THE ACCOUNTS

### CONTENTS

NOTE 01	EXPENDITURE AND FUNDING ANALYSIS.....	32
NOTE 02	ACCOUNTING STANDARDS THAT HAVE BEEN ISSUED BUT HAVE NOT YET BEEN ADOPTED, AND DISCLOSURE OF A CHANGE IN ACCOUNTING POLICY.....	34
NOTE 03	CRITICAL JUDGEMENTS IN APPLYING ACCOUNTING POLICIES .....	34
NOTE 04	ASSUMPTIONS MADE ABOUT THE FUTURE AND OTHER MAJOR SOURCES OF ESTIMATION UNCERTAINTY .....	36
NOTE 05	ADJUSTMENTS BETWEEN ACCOUNTING BASIS AND FUNDING BASIS UNDER REGULATIONS .....	38
NOTE 06	TRANSFERS TO/FROM EARMARKED RESERVES .....	41
NOTE 07	MATERIAL ITEMS OF INCOME AND EXPENSES AND PRIOR YEAR ADJUSTMENTS .....	41
NOTE 08	OTHER OPERATING EXPENDITURE .....	42
NOTE 09	FINANCING AND INVESTMENT INCOME AND EXPENDITURE .....	42
NOTE 10	TAXATION AND NON-SPECIFIC GRANT INCOME .....	43
NOTE 11	EXPENDITURE AND INCOME ANALYSED BY NATURE .....	43
NOTE 12	TRADING OPERATIONS .....	44
NOTE 13	MEMBERS' ALLOWANCES .....	45
NOTE 14	OFFICERS' REMUNERATION .....	46
NOTE 15	TERMINATION BENEFITS .....	48
NOTE 16	RELATED PARTIES .....	49
NOTE 17	EXTERNAL AUDIT COSTS .....	50
NOTE 18	PENSION SCHEMES ACCOUNTED FOR AS DEFINED CONTRIBUTION SCHEMES .....	51
NOTE 19	DEFINED BENEFIT PENSION SCHEMES .....	51
NOTE 20	GRANT INCOME .....	60
NOTE 21	DEDICATED SCHOOLS GRANT .....	63
NOTE 22	USABLE RESERVES .....	64
NOTE 23	UNUSABLE RESERVES .....	64
NOTE 24	PROPERTY, PLANT AND EQUIPMENT .....	70
NOTE 25	OTHER NON CURRENT ASSETS .....	778
NOTE 26	INTANGIBLE ASSETS .....	81
NOTE 27	CAPITAL EXPENDITURE AND CAPITAL FINANCING.....	81
2		
NOTE 28	LEASES .....	83
NOTE 29	PRIVATE FINANCE INITIATIVES AND SIMILAR CONTRACTS.....	86
NOTE 30	DEBTORS.....	87
NOTE 31	CREDITORS.....	88
NOTE 32	PROVISIONS .....	89
NOTE 33	CONTINGENT LIABILITIES .....	90
NOTE 34	CONTINGENT ASSETS .....	90
NOTE 35	ASSETS HELD FOR SALE .....	90
NOTE 36	FINANCIAL INSTRUMENTS.....	91
NOTE 37	NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS..	96
NOTE 38	OPERATING ACTIVITIES .....	101



NOTE 39	INVESTING ACTIVITIES .....	102
NOTE 40	FINANCING ACTIVITIES .....	102
NOTE 41	CASH AND CASH EQUIVALENTS .....	103
NOTE 42	ACQUIRED AND DISCONTINUED OPERATIONS.....	103
NOTE 43	EVENTS AFTER THE BALANCE SHEET DATE .....	103
NOTE 44	AGENCY SERVICES .....	104
NOTE 45	POOLED BUDGETS .....	105
NOTE 46	INVESTMENTS IN COMPANIES .....	107
NOTE 47	ADJUSTMENTS BETWEEN GROUP ACCOUNTS AND AUTHORITY ACCOUNTS .....	109
NOTE 48	PRIOR PERIOD ADJUSTMENTS.....	111
NOTE 49	INVENTORIES.....	111

DRAFT

## NOTE 01 EXPENDITURE AND FUNDING ANALYSIS

This note shows the link between the net expenditure chargeable to the general fund and HRA balances and the net expenditure in the comprehensive income and expenditure statement.

2020/21				2021/22		
Net Expenditure Chargeable to the General Fund and HRA Balances	Adjustments between Funding and Accounting Basis	Net Expenditure in the Comprehensive Income and Expenditure Statement		Net Expenditure Chargeable to the General Fund and HRA Balances	Adjustments between Funding and Accounting Basis	Net Expenditure in the Comprehensive Income and Expenditure Statement
£,000	£,000	£,000		£,000	£,000	£,000
639	832	1,471	Chief Executive	8,924	1,602	10,526
7,181	20,625	27,806	Resources and Assets	21,855	1,881	23,736
32,284	5,884	38,168	Place and Growth	47,128	(1,810)	45,318
(1,827)	(2,765)	(4,592)	Housing Revenue Account	(2,635)	(823)	(3,458)
52,218	(254)	51,964	Adult Social Care	53,770	1,371	55,141
14,670	1,271	15,941	Communities, Insight and Change	-	-	-
29,054	2,817	31,871	Children's Services	28,327	11,629	39,956
364	3,350	3,714	Children's Services - Schools Block	1	5,190	5,191
<b>134,584</b>	<b>31,759</b>	<b>166,343</b>	<b>Net Cost of Services</b>	<b>157,370</b>	<b>19,040</b>	<b>176,410</b>
(133,233)	(52,859)	(186,092)	Other Income & Expenditure	(154,727)	(51,122)	(205,849)
<b>1,350</b>	<b>(21,100)</b>	<b>(19,750)</b>	<b>Surplus/Deficit on provision of services</b>	<b>2,642</b>	<b>(32,081)</b>	<b>(29,439)</b>
(14,331)			Opening General Fund and HRA balance	(12,980)		
1,350			Less/Plus (Surplus) or Deficit on General Fund and HRA Balance in Year	2,642		
(12,980)			Closing General Fund and HRA balance at 31 March*	(10,337)		

\* A breakdown between the general fund and HRA balance is available in the movement in reserves statement.



The adjustments between accounting and funding basis column in the table above is analysed further on the table below.

2020/21				<u><b>Expenditure and Funding Analysis Detail</b></u>	2021/22			
Adjustment for Capital Purposes	Net Change for Pensions Adjustments	Other Differences	Total Adjustments		Adjustment for Capital Purposes	Net Change for Pensions Adjustments	Other Differences	Total Adjustments
£,000	£,000	£,000	£,000		£,000	£,000	£,000	£,000
818	25	(11)	832	Chief Executive	1,350	1,091	(839)	1,602
22,410	1,156	(2,941)	20,625	Resources and Assets	(1,729)	1,527	2,082	1,881
7,166	1,035	(2,317)	5884	Place and Growth	3,334	1,771	(6,915)	(1,810)
(3,028)	205	57	(2,765)	Housing Revenue Account	(1,258)	296	140	(823)
1,613	1,178	(3,044)	(254)	Adult Social Care	1,400	1,691	(1,720)	1,371
1,565	1,353	(1,647)	1,271	Communities, Insight and Change	-	-	-	-
2,981	1,561	(1,725)	2,817	Children's Services	9,837	2,047	(255)	11,629
				Children's Services - Schools Block	12	3,288	1,890	5,190
7	2,940	402	3,350					
<b>33,532</b>	<b>9,453</b>	<b>(11,226)</b>	<b>31,759</b>	<b>Net Cost of Services</b>	<b>12,946</b>	<b>11,711</b>	<b>(5,617)</b>	<b>19,040</b>
18,234	-	-	18,234	Other Operating Expenditure	39,714	-	-	39,714
-	5,663	-	5663	Financing and Investment Income and Expenditure	-	7,136	-	7,136
(66,845)	-	(9,911)	(76,756)	Taxation and Non-specific Grant Income	(83,377)	-	(14,595)	(97,972)
<b>(48,611)</b>	<b>5,663</b>	<b>(9,911)</b>	<b>(52,859)</b>	<b>Other Income &amp; Expenditure</b>	<b>(43,663)</b>	<b>7,136</b>	<b>(14,595)</b>	<b>(51,122)</b>
(15,079)	15,116	(21,137)	(21,100)	Difference between General Fund surplus and deficit and Comprehensive Income and Expenditure Statement Surplus or deficit on the Provision of services	<b>(30,717)</b>	<b>18,847</b>	<b>(20,211)</b>	<b>(32,081)</b>

## **NOTE 02 ACCOUNTING STANDARDS THAT HAVE BEEN ISSUED BUT HAVE NOT YET BEEN ADOPTED, AND DISCLOSURE OF A CHANGE IN ACCOUNTING POLICY**

The Council should apply changes in accounting policy retrospectively unless transitional arrangements allow for alternative treatments, as well as disclosing accounting standards which have been issued, but not yet adopted in this year's accounts.

At the balance sheet date, the following amendments to existing accounting standards have been published but not included in the 2021/22 Code of Practice of Local Accounting in the United Kingdom:

- IFRS 16 Leases (but only for those local authorities that have decided to adopt IFRS 16 in the 2022/23 year).
- Annual Improvements to IFRS Standards 2018–2020. The annual IFRS improvement programme notes 4 changed standards:
  - IFRS 1 (First-time adoption) – amendment relates to foreign operations of acquired subsidiaries transitioning to IFRS
  - IAS 37 (Onerous contracts) – clarifies the intention of the standard
  - IFRS 16 (Leases) – amendment removes a misleading example that is not referenced in the Code material
  - IAS 41 (Agriculture) – one of a small number of IFRSs that are only expected to apply to local authorities in limited circumstances.

All of these amendments to existing standards are unlikely to have a material impact on the Council's 2022/23 financial statements.

## **NOTE 03 CRITICAL JUDGEMENTS IN APPLYING ACCOUNTING POLICIES**

In applying the accounting policies set out in chapter 11, the Council has had to make certain judgements about complex transactions or those involving uncertainty about future events. The critical judgements made in the Statement of Accounts are set out in the following paragraphs.

### **Future Funding**

There is a high degree of uncertainty about future levels of funding for local government. The Council are awaiting a multi-year funding settlement in December 2022. This will provide some certainty around funding streams however there still remains some uncertainty on the long-term impact on the Council's financial position as a result of the Corona Virus (Covid-19), the war in Ukraine and the global economy. The Council has determined that this uncertainty is not yet sufficient to provide an indication that the assets of the Council might be impaired as a result of a need to close facilities and reduce levels of service provision.

### **Group Boundaries**

The Council had interests in seven companies at 31 March 2022. Depending on the Council's ability to influence control different accounting treatments are applied. Details regarding these companies and their assessments are disclosed in note 46 to the financial statements.

### **Private Finance Initiative (PFI)**

The Council is deemed to jointly control the services provided under the Private Finance Initiative (PFI) contract with WRG (RE3 Ltd) for the disposal of waste. Control of the services is shared with Reading and Bracknell Forest Borough Councils. Wokingham Borough Council has reviewed the application of the control tests within IFRIC 12 to determine whether the assets within the contract should be on-balance sheet. The accounting policies for PFI schemes and similar contracts have been applied to the arrangement and the assets (valued at approximately £6m at 31 March 2022) are recognised as Property, Plant and Equipment in the Council's Balance Sheet which amounts to a 37.2% share of the total value of the assets that will revert to the ownership of the RE3 partnership between the three council's at the end of the contract.

### **Investment Properties**

Properties that are held for solely to earn rental income and/or capital appreciation are, in terms of the Code of Practice, to be classified as investment properties. If such properties are used in any way for the provision of services as well as earning rental and/or capital appreciation they do not meet the criteria for classification for investment property and are, accordingly, classified as property, plant and equipment. Properties owned by the Council that are located within the Borough of Wokingham that earn rental income are classified as property, plant and equipment as these properties have an element of economic development or regeneration. Properties owned by the Council that meet the criteria and are located outside the Borough of Wokingham are classified as investment properties.

### **Schools Non-Current Assets**

The Council recognises Schools non-current assets in line with the appropriate accounting standards, and they are recognised on the Balance Sheet only if the future economic benefits or service potential associated with the schools will flow to the Council. The Council considers that the economic benefits or service potential of a school's assets normally flows to the Council where it has the ability to employ the staff and is able to set the admission criteria. There are currently five types of school within the Council as follows:

- Community Schools - The Council both appoints the staff and sets the admission criteria. The assets of these schools are, therefore, recognised on the Council's Balance Sheet.
- Voluntary controlled (VC) and Voluntary aided (VA) Schools - The Council both appoints the staff and sets the admissions criteria, however, the legal ownership of the school land and buildings belong to a charity, normally a religious body. The Council considers that it does not receive the economic benefit/service potential of the school and the assets are not recognised on the Council's Balance Sheet.
- Academy Schools - The staff are appointed by the schools governing body, which also sets the admission criteria, therefore, the Council does not receive the economic benefit or service potential of these schools and does not recognise them on the Council's Balance Sheet. The transfer of school assets are 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.
- Foundation Trust Schools - Referred to as either a Foundation Trust School or a Foundation School. The ownership of schools in this category are held within a charitable trust, and the assets are not recognised on the Council's Balance Sheet.

In producing the financial statements, the Council makes an assessment of the materiality of transactions and balances when applying its accounting policies. For the purposes of the 2021/22 financial statements the Council has applied a materiality level of £200,000 when recognising assets and liabilities to be disclosed within the financial statements.

## **NOTE 04      ASSUMPTIONS MADE ABOUT THE FUTURE AND OTHER MAJOR SOURCES OF ESTIMATION UNCERTAINTY**

The Statement of Accounts contains estimated figures that are based on assumptions made by the Council about the future or that are otherwise uncertain. Estimates are made considering historical experience, current trends and other relevant factors. However, because balances cannot be determined with certainty, actual results could be different from the assumptions and estimates.

The items in the Council's Balance Sheet at 31 March 2022 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
<b>Property, Plant and Equipment</b>	Assets are depreciated over useful lives that are dependent on assumptions about the level of repairs and maintenance that will be incurred in relation to individual assets. The current economic climate makes it uncertain that the Council will be able to sustain its current spending on repairs and maintenance, bringing into doubt the useful lives assigned to assets.	If the useful life of assets is reduced, depreciation increases and the carrying amount of the assets falls.  It is estimated that the annual depreciation charge for buildings would increase by approximately £0.6m for every year that useful lives had to be reduced.
	Investment properties are subject to changing market conditions, which can lead to some uncertainties within their valuations. These market conditions are monitored closely on a regular basis.	Any changes in valuation will impact on the value of the Council assets held on balance sheet. Increases in asset value will lead to an increase in the revaluation reserve and future depreciation charges. Reductions in value will reduce the revaluation reserves and may result in losses posted to the income and expenditure statement.
<b>Provisions</b>	The Council has made provision for holiday and flexi leave entitlement owing to staff at the end of the financial year. The estimate within the accounts has been based on an assumption of approximately 4.1% of payroll costs. For staff based in schools a formula based on CIPFA guidance has been used.	A 1% change (i.e., using 3.1% or 5.1%) in the estimate of accumulating absences would result in an increase or decrease of approximately £0.6m in the provision required for accumulating absences in relation to non-school staff.
	The Council has made a provision for dilapidation costs for buildings the Council lease, to return them to their original condition at the end of the lease, and to fund any outstanding leasing costs.	There may be other buildings which the Council lease that have been altered, needing significant work to return them to their original condition, which are not presently known.



Item	Uncertainties	Effect if Actual Results Differ from Assumptions
	The Collection Fund includes provisions of £5m for appeals against business rates valuations as advised by DCLG guidance.	The provision at 31 March 2022 has been calculated using information provided by a company specialising in business rate calculations including provisions for appeals. Their calculation has been reviewed and is estimated to be reasonable. The Council's share of this provision is £2.4m.
<b>Pension Liability</b>	Estimation of the net liability to pay pensions depends on several complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. The actuaries Barnett Waddingham LLP provide the Council with expert advice about the assumptions to be applied.	The effects on the net pension's liability of changes in individual assumptions can be measured and seen in note 19. For example, a 0.1% decrease or increase in the discount rate assumption would result in an increase or decrease in the pension liability of £12.1m.
<b>PFI Liabilities</b>	The value of PFI service charge payable under the contract disclosed in note 29 of the accounts is dependent upon assumptions regarding future inflation and tonnage rates.	A 1% increase in RPI would increase Wokingham's contract charge by £0.9m. Similarly, a 1% increase in tonnages would increase the service charge by £0.2m per annum.
<b>Arrears</b>	At 31 March 2022, the Council had a balance of total short term debtors of £48.8m, of which Council tax debt was £3.1m, and Government and other public sector debtors were £3.9m.	The provision set aside for bad debt increases according to the age of the debt. If collection rates for debtors (excluding public sector debtors) were to deteriorate, a 1% increase in the amount of the impairment of doubtful debts would require an additional allowance for sundry debts from the revenue account of £19k and from the Collection Fund, for council tax, of £49k.

## **NOTE 05 ADJUSTMENTS BETWEEN ACCOUNTING BASIS AND FUNDING BASIS UNDER REGULATIONS**

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

Please see the tables on the following pages

2021-22	General Fund (GF) Balance £,000	Earmarked Reserves £,000	Housing Revenue Account (HRA) £,000	Capital Receipts Reserve £,000	Major Repairs Reserve £,000	Capital Grants Unapplied £,000	Total Movement in Usable Reserves £,000	Movement in Unusable Reserves £,000
<b>Adjustment to Revenue Resources</b>								
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)	(18,366)	-	(479)	-	-	-	(18,845)	18,845
-Financial instruments (Transferred to the financial instruments adjustments account)	134	-	1	-	-	-	135	(135)
-Council Tax and NDR (Transferred (to) or from the Collection Fund Adjustment Account)	7,177	-	-	-	-	-	7,177	(7,177)
-Accumulated Absences (Transferred (to) or from the Accumulated Absences Account)	435	-	(9)	-	-	-	426	(426)
- Transfers (to) or from the Dedicated Schools Grant Adjustment Account	(4,215)	-	-	-	-	-	(4,215)	4,215
-Reversal of entries included in the surplus or deficit on the provision of services in relation to capital expenditure (Charged to the Capital Adjustment Account)	(76,269)	-	(6,043)	-	-	-	(82,312)	82,312
<b>Total Adjustment to Revenue Resources</b>	(91,104)	-	(6,530)	-	-	-	(97,634)	97,634
<b>Adjustments between Revenue and Capital Resources</b>								
Transfer of non-current asset sale proceeds from revenue to the capital receipts reserve	13,897	-	2,285	(16,182)	-	-	-	-
Payments to the government housing receipts pool (funded by a transfer from the capital receipts reserve)	-	-	(584)	584	-	-	-	-
Posting of HRA resources from revenue to the major repairs reserve	-	-	5,005	-	(5,005)	-	-	-
Statutory provision for the repayment of debt (transfer from the capital adjustment account)	7,792	-	1,258	-	-	-	9,050	(9,050)
<b>Total adjustments between revenue and capital</b>	21,689	-	7,964	(15,598)	(5,005)	-	9,050	(9,050)
<b>Adjustments to Capital Resources</b>								
Use of the capital receipts reserve to finance capital expenditure	-	-	-	17,991	-	-	17,991	(17,991)
Use of the major repairs reserve to finance capital expenditure	-	-	-	-	7,010	-	7,010	(7,010)
Repayment of long-term loans	-	-	-	(5,767)	-	-	(5,767)	5,767
Application of capital grants to finance capital expenditure	83,377	-	-	-	-	(9,952)	73,425	(73,425)
<b>Total Adjustments to Resources</b>	83,377	-	-	12,224	7,010	(9,952)	92,659	(92,659)
<b>Total Adjustments 2021-22</b>	13,963	-	1,433	(3,374)	2,005	(9,952)	4,075	(4,075)



2020-21	General Fund (GF) Balance £,000	Earmarked Reserves £,000	Housing Revenue Account (HRA) £,000	Capital Receipts Reserve £,000	Major Repairs Reserve £,000	Capital Grants Unapplied £,000	Total Movement in Usable Reserves £,000	Movement in Unusable Reserves £,000
<b>Adjustment to Revenue Resources</b>								
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)	(14,787)	-	(329)	-	-	-	(15,116)	15,116
-Financial instruments (Transferred to the financial instruments adjustments account)	135	-	(1)	-	-	-	134	(134)
-Council Tax and NDR (Transferred (to) or from the Collection Fund Adjustment Account)	(5,169)	-	-	-	-	-	(5,169)	5,169
-Accumulated Absences (Transferred (to) or from the Accumulated Absences Account)	(1,656)	-	(56)	-	-	-	(1,712)	1,712
- Transfers (to) or from the Dedicated Schools Grant Adjustment Account	(2,833)	-	-	-	-	-	(2,833)	2,833
-Reversal of entries included in the surplus or deficit on the provision of services in relation to capital expenditure (Charged to the Capital Adjustment Account)	(65,240)	-	(4,464)	-	-	-	(69,704)	69,704
<b>Total Adjustment to Revenue Resources</b>	<b>(89,550)</b>	<b>-</b>	<b>(4,850)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(94,400)</b>	<b>94,400</b>
<b>Adjustments between Revenue and Capital Resources</b>								
Transfer of non-current asset sale proceeds from revenue to the capital receipts reserve	6,330	-	349	(6,679)	-	-	-	-
Payments to the government housing receipts pool (funded by a transfer from the capital receipts reserve)	-	-	-	-	-	-	-	-
Posting of HRA resources from revenue to the major repairs reserve	-	-	4,332	-	(4,332)	-	-	-
Statutory provision for the repayment of debt (transfer from the capital adjustment account)	3,900	-	3,028	-	-	-	6,928	(6,928)
<b>Total adjustments between revenue and capital</b>	<b>10,230</b>	<b>-</b>	<b>7,709</b>	<b>(6,679)</b>	<b>(4,332)</b>	<b>-</b>	<b>6,928</b>	<b>(6,928)</b>
<b>Adjustments to Capital Resources</b>								
Use of the capital receipts reserve to finance capital expenditure	-	-	-	4,912	-	-	4,912	(4,912)
Use of the major repairs reserve to finance capital expenditure	-	-	-	-	2,992	-	2,992	(2,992)
Repayment of long-term loans	-	-	-	(360)	-	-	(360)	360
Application of capital grants to finance capital expenditure	66,845	-	-	(650)	-	3,647	69,842	(69,842)
<b>Total Adjustments to Resources</b>	<b>66,845</b>	<b>-</b>	<b>-</b>	<b>3,902</b>	<b>2,992</b>	<b>3,647</b>	<b>77,386</b>	<b>(77,386)</b>
<b>Total Adjustments 2020-21</b>	<b>(12,474)</b>	<b>-</b>	<b>2,858</b>	<b>(2,777)</b>	<b>(1,340)</b>	<b>3,647</b>	<b>(10,086)</b>	<b>10,086</b>



## NOTE 06 TRANSFERS TO / FROM EARMARKED RESERVES

This note details the amounts set aside from the General Fund, Schools and HRA balances in earmarked reserves to provide financing for future expenditure plans and the amounts posted back from earmarked reserves to meet General Fund and HRA expenditure in 2021/22

	Transfers Out 2020/21	Transfers In 2020/21	Balance on 31st March, 2021	Transfers Out 2021/22	Transfers In 2021/22	Balance on 31st March, 2022
				£,000	£,000	£,000
Balances held by Schools under a Scheme of Delegation	717	(2,691)	(5,347)	817	(2,424)	(6,954)
Earmarked General Fund Reserves	11,518	(38,321)	(118,327)	17,565	(30,340)	(131,102)
<b>Total</b>	<b>12,235</b>	<b>(41,012)</b>	<b>(123,674)</b>	<b>18,382</b>	<b>(32,764)</b>	<b>(138,056)</b>

## NOTE 07 MATERIAL ITEMS OF INCOME AND EXPENSES AND PRIOR YEAR ADJUSTMENTS

Material items of income and expenditure during 2021/22, which are outside of the normal Council's business are as follows:

- The Council paid £5.7m in Section 106 receipts to our housing companies in 2021/22, on completion of the affordable housing development at Arnatt Avenue (Gorse Ride Phase 1) (£1.7m in 2020/21).
- The Council advanced loans to its subsidiaries WBC Holdings Ltd and Loddon Homes Ltd totalling £4.1m in 2021/22 (in 2020/21 the advance was £6.5m). The loans are to be used to fund housing developments
- Capital expenditure in the capital programme in 2021/22 was £102.3m (compared to £123.5m in 2020/21).

No prior year adjustments have been identified.

## NOTE 08 OTHER OPERATING EXPENDITURE

This table sets out the breakdown of the other operating expenditure shown in the comprehensive income and expenditure statement (CIES).

	2020/21 £,000	2021/22 £,000
Parish Council Precepts	4,746	5,018
Payments to the Government Housing Capital Receipts Pool	-	584
(Gains) / Losses on the Disposal of Non-current Assets	17,563	23,423
<b>Total</b>	<b>22,310</b>	<b>29,025</b>

In 2020/21, there were no right to buy sales in the HRA resulting in zero payments to government for their share of these receipts.

## NOTE 09 FINANCING AND INVESTMENT INCOME AND EXPENDITURE

This table sets out the breakdown of the financing and investment shown in the comprehensive income and expenditure statement (CIES). Further information available in the notes referenced.

	2020/21 £,000	2021/22 £,000
Interest Payable and Similar Charges on Debt (note 36)	7,719	6,685
Interest Payable and Similar Charges on Finance Leases (note 36)	107	107
Interest Payable and Similar Charges on Private Finance Initiatives (note 36)	531	521
Pensions Interest Cost and Expected Return on Pensions (note 19)	5,663	7,136
Interest Receivable and Similar Income (note 36)	(2,122)	(1,727)
Income and Expenditure in Relation to Investment Properties and Changes in their Fair Value (note 25)	(5,297)	(4,408)
<b>Total</b>	<b>6,599</b>	<b>8,314</b>

## NOTE 10 TAXATION AND NON-SPECIFIC GRANT INCOME

This table sets out the breakdown of the taxation and non-specific grant income shown in the comprehensive income and expenditure statement (CIES).

	2020/21 £,000	2021/22 £,000
Council Tax Income	(117,080)	(125,500)
Retained Business Rates	(22,260)	(30,668)
Retained Business Rates tariff	20,242	19,462
Business Rates Levy	1,249	1,294
Revenue Support Grant	-	-
Other Non-ringfenced Government Grants	(30,091)	(26,230)
Capital Grants and Contributions	(67,061)	(81,546)
<b>Total</b>	<b>(215,001)</b>	<b>(243,188)</b>

Other non-ringfenced government grants include new home bonus, adult social care grant and business rates reliefs.

## NOTE 11 EXPENDITURE AND INCOME ANALYSED BY NATURE

This note provides a subjective analysis of the Council's main income and expenditure statement.

	2020/21 £,000	2021/22 £,000
<b>Expenditure</b>		
Employee benefits expenses	129,342	136,582
Other service expenses	195,042	223,317
Support service recharges	1,756	(216)
Depreciation, amortisation, impairment	41,084	19,976
Interest payments (includes FRS17 Pension Fund Interest)	14,019	14,448
Precepts & Levies	4,746	5,017
Payments to Housing Capital Receipts Pool	-	584
Gain or Loss on Disposal of Non-Current Assets	17,563	23,423
<b>Total Expenditure</b>	<b>403,551</b>	<b>423,131</b>
<b>Income</b>		
Fees, charges & other service income	(56,124)	(93,825)
Interest and investment income	(2,122)	(1,727)
Income from council tax, NDR, district rate income	(117,849)	(135,412)
Government grants and contributions	(247,204)	(221,606)
<b>Total Income</b>	<b>(423,301)</b>	<b>(452,570)</b>
<b>(Surplus) or Deficit on the Provision of Services</b>	<b>(19,750)</b>	<b>(29,439)</b>

## NOTE 11B REVENUE FROM CONTRACTS WITH SERVICE RECIPIENTS

The table below provides amounts of income recognised in the Comprehensive Income and Expenditure Statement that relate to fees, charges and other service income.

	2020/21 £,000	2021/22 £,000
Fees, charges, and other service income includes the following revenues from contracts with service recipients;		
Rents	(23,495)	(24,054)
Fees	(6,124)	(5,925)
Charges	(2,300)	(3,695)
Customer / Client	(6,095)	(7,606)
Car Parking	(1,219)	(1,818)
Sales	(2,757)	(3,516)
Other	(2,386)	(2,739)
<b>Total included in Fees, Charges and Other Service Income</b>	<b>(44,376)</b>	<b>(49,353)</b>

## NOTE 12 TRADING OPERATIONS

The Council has established one trading unit where the service manager is required to operate in a commercial environment and balance their budget by generating income from other parts of the Council or other organisations. Details of this unit are as follows:

### Building Control Trading Account

The Building (Local Authority Charges) Regulations 2010 require the disclosure of information regarding the setting of charges for the administration of the building control function. Wokingham Borough Council sets charges for work carried out in relation to building regulations with the aim of covering all costs incurred. However, certain activities performed by the Building Control Unit cannot be charged for, such as providing general advice and liaising with other statutory authorities. The chargeable activities are summarised below:

	2020/21 £,000	2021/22 £,000
<b>Building Control Trading Account</b>		
Turnover	(460)	(498)
Expenditure	483	491
<b>(Surplus) / Deficit on Trading Account</b>	<b>23</b>	<b>(7)</b>

The chargeable account made a surplus of £7k in 2021/22 compared to a £23k deficit in 2020/21. The account should take one financial year with another and should achieve break-even over a rolling period of three years ending March 2025. The reserves will be used to replace funding gaps over the 3 year period. The balance on the reserve at 31 March 2022 is a surplus of £72k.

## NOTE 13 MEMBERS' ALLOWANCES

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

	2020/21 £,000	2021/22 £,000
Members Remuneration	581	582
	<b>581</b>	<b>582</b>

The amount paid to Members includes allowances, expenses and other remuneration.

DRAFT

## NOTE 14 OFFICERS' REMUNERATION

The Council paid the following amounts to its senior employees:

Post Title	Year	Salary, Fees and Allowances	Performance Related Pay	Expenses	Compensation for Loss of Office	Pension Contribution	Total
		£	£	£	£	£	£
Chief Executive Susan Parsonage	2021/22	160,562		2,328		37,711	200,601
Chief Executive Susan Parsonage	2020/21	150,000		478		34,500	184,978
Interim Director, Place & Growth	2021/22	228,150		2,085			230,235
Director, Place & Growth (from 01 Jun 20 to 12 Mar 21)	2020/21	88,349			16,000	20,276	124,625
Director, Place & Growth (to 30 June 20)	2020/21	28,174	8,452			8,424	45,050
Director, Communities, Insight & Change - (to 1st November 2021) <sup>1</sup>	2021/22	94,226	9,016		10,000	15,522	128,763
Director, Communities, Insight & Change (from 26 May 20) <sup>a</sup>	2020/21	95,730				22,018	117,748
Director, Resources & Assets and Deputy Chief Executive	2021/22	137,291	12,000	305		34,612	184,209
Director, Resources & Assets and Deputy Chief Executive	2020/21	120,000	9,000	297		29,670	158,967
Assistant Director, Governance	2021/22	109,378		663		23,447	133,488
Assistant Director, Governance	2020/21	98,386		263		22,629	121,278
Director of Adult Social Care & Health	2021/22	120,630	11,270			30,981	162,880
Director of Adult Social Care & Health	2020/21	112,695	7,804			27,715	148,213
Director, Children's Services (From 13th December 2021)	2021/22	38,538				9,056	47,594
Director, Children's Services (to 5th December 2021)	2021/22	76,645	11,270			20,660	108,574
Director, Children's Services	2020/21	112,695	8,452	90		27,864	149,101

**2021/22**

<sup>1</sup> Position no longer active

**2020/21**

<sup>a</sup> New post from 26 May 2020

Council's other employees (including those employed in schools) receiving more than £50,000 remuneration for the year (excluding employer's pension contributions) were paid the following amounts:

Remuneration Band	2020/21 No of Employees				2021/22 No of Employees			
	Council	School	VA School	Total	Council	School	VA School	Total
£50,000 - £54,999	40	21	1	62	63	18	2	83
£55,000 - £59,999	34	14	3	51	41	10	1	52
£60,000 - £64,999	21	8	1	30	20	8	3	31
£65,000 - £69,999	11	10	1	22	11	8	2	21
£70,000 - £74,999	8	8	0	16	14	12	0	26
£75,000 - £79,999	7	5	1	13	6	4	0	10
£80,000 - £84,999	5	1	0	6	3	1	0	4
£85,000 - £89,999	3	2	0	5	4	1	0	5
£90,000 - £94,999	0	0	0	0	3	0	0	3
£95,000 - £99,999	1	2	0	3	1	0	0	1
Over £100,000	2	0	0	2	0	2	0	2
	<b>132</b>	<b>71</b>	<b>7</b>	<b>210</b>	<b>166</b>	<b>64</b>	<b>8</b>	<b>238</b>

## NOTE 15                      TERMINATION BENEFITS

The Council terminated the contracts of a number of employees in 2021/22. These were mainly due to officers who were made redundant as part of the reorganisation of services at the Council.

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

<b>COUNCIL</b>	<b>Number of compulsory redundancies</b>		<b>Number of other departures agreed</b>		<b>Total number of exit packages</b>		<b>Total cost of exit packages in each band</b>	
	<b>2020/21</b>	<b>2021/22</b>	<b>2020/21</b>	<b>2021/22</b>	<b>2020/21</b>	<b>2021/22</b>	<b>2020/21 (£)</b>	<b>2021/22 (£)</b>
<b>Exit package cost</b>								
£0 - £20,000	1	2	8	2	9	4	74,350	11,680
£20,001 - £40,000	0	0	0	1	0	1	0	38,174
£40,001 - £60,000	0	0	0	0	0	0	0	0
£60,001 - £80,000	0	1	0	0	0	1	0	71,465
£80,001 - £100,000	0	0	0	0	0	0	0	0
£100,001 - £150,000	0	0	0	1	0	1	0	148,052
<b>SCHOOLS</b>	<b>Number of Compulsory redundancies</b>		<b>Number of other departures agreed</b>		<b>Total number of exit packages</b>		<b>Total cost of exit packages in each band</b>	
	<b>2020/21</b>	<b>2021/22</b>	<b>2020/21</b>	<b>2021/22</b>	<b>2020/21</b>	<b>2021/22</b>	<b>2020/21 (£)</b>	<b>2021/22 (£)</b>
<b>Exit package cost</b>								
£0 - £20,000	5	0	0	2	5	2	5,844	7,504
£20,001 - £40,000	0	0	0	0	0	0	0	0



## **NOTE 16            RELATED PARTIES**

The Council is required to disclose material transactions with related parties – bodies or individuals that have the potential to control or influence or to be controlled or influenced by the Council. Disclosure of these transactions allows readers to assess the extent to which the Council might have been constrained in its ability to operate independently or might have secured the ability to limit another party's ability to bargain freely with the Council.

All Councillors, officers in the Corporate Leadership Team, Directors, Assistant Directors, Monitoring and Deputy Monitoring Officers, Borough Solicitor and all employees Tier 4 and above were asked to complete a disclosure statement in respect of themselves and their family members / close relatives, detailing any material transactions with related parties.

### **Central Government**

Central government has a direct influence over the general operations of the Council – it is responsible for providing the statutory framework within which the Council operates, provides a large amount of its funding in the form of grants and prescribes the terms of many of the transactions that the Council has with other parties (e.g. council tax bills, housing benefits). Grants received from government departments are set out in note 20.

### **Members**

Members of the Council have direct control over the Council's financial and operating policies. The total of member's allowances paid in 2021/22 is shown in Note 13. During 2021/22, works and services to the value of £13.8m (£8.8m in 2020/21) were commissioned from companies in which 10 members had an interest (5 in 2020/21). Contracts were entered into in full compliance with the Council's standing orders. In addition, grants and payments totalling £79k (£3.4m in 2020/21) were paid to voluntary organisations and charities in which 3 members declared an interest (6 in 2020/21). Payments of £411k (£474k in 2020/21) were made to education establishments in which 6 members declared an interest (2 in 2020/21). The payment to the Berkshire pension fund is in respect of pensions as outlined in note 19; the Council appoints a Councillor as a representative on the Berkshire Pension Fund Advisory Panel. The Council owed £90k to these organisations at 31 March 2022 (£151k at 31 March 2021), while £410k was owed to Wokingham Borough Council by the relevant organisations at 31 March 2022 (£1.2m at 31 March 2021).

The relevant members did not take part in any discussion or decision relating to the grants and payments. Details of all these transactions are recorded in the Register of Members Interest, open to public inspection at the Council Offices during office hours.

### **Officers**

During 2021/22, works and services to the value of £87k (£12.7k in 2020/21) were commissioned from companies in which 3 officer had an interest (1 in 2020/21). The Council owed £28k to the relevant organisations at 31 March 2022 (£0 at 31 March 2021), while none of these organisations owed monies to the Council at 31 March 2022 (£76k at 31 March 2021). No payments were made to education establishments or Local Council Bodies 2021/22 or 2020/21, and no officers declared an interest in either year. Contracts were entered into in full compliance with the Council's standing orders. The relevant officers did not take part in any discussion or decision relating to the grants and payments.

### **Town and Parish Councils**

Certain Members of Wokingham Borough Council are also councillors of the 17 Town and Parish Councils within the Borough. Each Town or Parish Council has the ability to levy a precept upon Wokingham Borough Council for the collection of council tax on behalf of the

Town or Parish Councils. In 2021/22 Wokingham Borough Council collected and paid over £5m (£4.7m in 2020/21) in precepts and grants to the Town or Parish Councils.

#### **Other Public Bodies**

The Council entered a PFI contract with Waste Recycling Group (re3 Ltd) in 2006/07 for the disposal of waste together with Reading and Bracknell Forest Borough Councils, see note 29 for further details. The Council's contribution for 2021/22 was £10.2m (£10.9m in 2020/21). The Council also operates several shared services with other local authorities details of which are set out in note 44.

#### **Local Enterprise Partnership**

No long-term loans were raised from the Local Enterprise Partnership (LEP) in 2021/22 or 2020/21.

#### **Entities Controlled or Significantly Influenced by the Council**

The Council had seven subsidiary companies at 31 March 2022 (seven at 31 March 2021), which are owned in full either directly or through existing subsidiaries apart from Optalis which has a shared ownership with the Royal Borough of Windsor and Maidenhead (see note 46 for more details), and each had a Board of Directors on which Council members serve. Their accounts are incorporated in the main body of the Council's accounts with separate disclosures where material differences occur. See note 46 for more information on the Council's companies.

As at 31<sup>st</sup> March 2022, the Council had a long term debtor with WBC Holdings Ltd of £19.2m (£21.4m in 2020/21). The Council also held long term debtors with Loddon Homes Ltd of £1.6m (£1.1m in 2020/21) and Wokingham Housing Ltd of £3.6m (£3.6m in 2020/21).

Additional information to be added regarding group transactions once group consolidation complete.

## **NOTE 17      EXTERNAL AUDIT COSTS**

The Council has incurred the following costs in relation to the audit of the Statement of Accounts, certification of grant claims and statutory inspections provided by the Council's auditors, Ernst & Young LLP:

External Audit Services  
 Certification of Grants and Returns

2020/21 £,000	2021/22 £,000
98	162
26	51
<b>124</b>	<b>213</b>

## **NOTE 18 PENSION SCHEMES ACCOUNTED FOR AS DEFINED CONTRIBUTION SCHEMES**

Teachers employed by the Council are members of the Teachers' Pension Scheme, administered by Capita Teachers' Pensions on behalf of the Department for Education. The scheme provides teachers with specified benefits upon retirement, and the Council contributes towards the costs by making contributions based on a percentage of members' pensionable salaries.

The scheme is a multi-employer defined benefit scheme however, the scheme is unfunded, and the Department for Education uses a notional fund as the basis for calculating the employers' contribution rate paid by local authorities. The Council is not able to identify its share of the underlying financial position and the performance of the scheme with sufficient reliability for accounting purposes. For the purposes of the Statement of Accounts it is, therefore, accounted for on the same basis as a defined contribution scheme.

In 2021/22, the Council paid £5.857m to the Teachers' Pension Scheme in respect of teachers' retirement benefits representing 23.68% of pensionable pay. The figures for 2020/21 were £6.404m and 23.68% respectively.

The Council is responsible for the costs of any additional benefits awarded upon early retirement outside of the terms of the teachers' scheme. These costs are accounted for on a defined benefit basis and detailed in Note 19.

## **NOTE 19 DEFINED BENEFIT PENSION SCHEMES**

### **Participation in Pension Schemes**

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 the employees retire, the Council has a commitment to make the payments (for those benefits) and to disclose them at the time the employees earn their future entitlement.

The Council participates in two schemes:

- The Local Government Pension Scheme (LGPS), administered by the Royal Borough of Windsor and Maidenhead – this is a funded defined benefit final salary scheme, meaning that the Council and employees pay contributions into the fund, calculated at a level intended to balance the pensions liabilities with investment assets.
- Wokingham Borough Council is also responsible for a share (19.0561%) of the former Berkshire County Council (BCC) Local Government Pension Scheme. The scheme is also administered by the Royal Borough of Windsor and Maidenhead. Although now closed, a liability remains amongst the six Berkshire Councils for the pensioners that were in the scheme when BCC ceased to exist. In prior years a separate valuation report was produced annually for this fund and the Council's share of 19.0561% disclosed separately in the tables below. In the year ended 31 March 2020 a single valuation report was produced incorporating the Council's figures and its share of the BCC fund. Accordingly, only the combined amounts are reflected in the tables below for both the 2020/21 and 2021/22 years.

- Optalis Ltd (a Group company) is an admitted member of the Local Government Pensions Scheme (LGPS).

The principal risks to the Council of the schemes are the longevity assumptions, statutory changes to the scheme and structural changes to the scheme (i.e. large scale withdrawals from the scheme), changes to inflation, bond yields and the performance of the equity investments held by the scheme. These are mitigated to a certain extent by the statutory requirements to charge to the General Fund and the Housing Revenue Account the amounts required by statute as described in the accounting policies note.

### **Transactions Relating to Post-Employment Benefits**

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. However, the charge the Council is required to make against council tax is based on the cash payable in the year, so the real cost of post-employment/retirement benefits is reversed out of the General Fund via the Movement in Reserves Statement. During the year the following transactions for the Wokingham scheme (WBC) including WBC's share of those for Berkshire County Council (BCC), have been made in the Comprehensive Income and Expenditure Statement and the General Fund Balance via the Movement in Reserves Statement. The Optalis Ltd figures which related to Wokingham Borough Council have been added to the total of Wokingham to give the overall Group figures.

Comprehensive Income and Expenditure Statement	2020/21			2021/22		
	WBC & BCC £,000	Optalis £,000	Total Group £,000	WBC & BCC £,000	Optalis £,000	Total Group £,000
<b>Service cost comprising:</b>						
Current service costs	22,759	268	23,027	25,865	320	26,185
Administration costs	130	8	138	240	14	254
<b>Financing and investment income and expenditure:</b>						
Net interest on the defined liability	5,663	129	5,792	7,136	185	7,321
<b>Total post-employment benefit charged to the surplus or deficit on the provision of services</b>	<b>28,552</b>	<b>405</b>	<b>28,957</b>	<b>33,241</b>	<b>519</b>	<b>33,760</b>
Return on fund assets in excess of interest	(37,107)	(1,208)	(38,315)	(24,368)	(1,741)	(26,109)
Other actuarial gains/(losses) on assets	-	-	-	-	-	-
Change in financial assumptions	131,453	5,242	136,695	(30,597)	(1,005)	(31,602)
Change in demographic assumptions	(5,253)	(417)	(5,670)	-	-	-
Experience gain/(loss) on defined benefit obligation	(6,636)	(259)	(6,895)	1,342	-	1,342
<b>Re-measurements on scheme assets</b>	<b>82,457</b>	<b>3,358</b>	<b>85,815</b>	<b>(53,623)</b>	<b>(2,746)</b>	<b>(56,369)</b>
<b>Total post-employment benefits charged to the Comprehensive Income and Expenditure statement</b>	<b>111,009</b>	<b>3,763</b>	<b>114,772</b>	<b>(20,382)</b>	<b>(2,227)</b>	<b>(22,609)</b>

Current service costs represent the cost to the employer of benefits earned by active members in the accounting year and added to the liabilities. It is calculated using assumptions at the start of the year which is not a fixed percentage of payroll and is expected to vary from year to year as assumptions change.

### Movement in Reserves Statement

Reversal of net charges made to the surplus or deficit for the provision of services for post-employment benefits in accordance with the Code Actual amount charged against the general fund balance for pensions in the year for the employer's contributions payable to scheme

2020/21			2021/22		
WBC & BCC	Optalis	Total Group	WBC Inc BCC	Optalis	Total Group
£,000	£,000	£,000	£,000	£,000	£,000
(28,552)	(405)	(28,957)	(33,241)	(519)	(33,760)
13,436	149	13,585	14,396	120	14,516
<b>(15,116)</b>	<b>(256)</b>	<b>(15,372)</b>	<b>(18,845)</b>	<b>(399)</b>	<b>(19,244)</b>

The amount included in the balance sheet arising from the Council's obligation in respect of its defined benefit scheme is as follows:

### Pension assets and liabilities recognised in the balance sheet

Present value of the defined benefit obligation

Fair value of plan assets

#### Sub-total

Present value of unfunded obligation

### Net liability arising from defined benefit obligations

2020/21			2021/22		
WBC & BCC	Optalis	Total Group	WBC Inc BCC	Optalis	Total Group
£,000	£,000	£,000	£,000	£,000	£,000
(605,916)	(23,877)	(629,793)	(603,125)	(23,603)	(626,728)
253,124	14,721	267,845	284,625	16,684	301,309
<b>(352,792)</b>	<b>(9,156)</b>	<b>(361,948)</b>	<b>(318,500)</b>	<b>(6,919)</b>	<b>(325,419)</b>
(4,382)	-	(4,382)	(3,896)	-	(3,896)
<b>(357,174)</b>	<b>(9,156)</b>	<b>(366,330)</b>	<b>(322,396)</b>	<b>(6,919)</b>	<b>(329,315)</b>

Reconciliation of Opening and Closing Balances of the Fair Value of Scheme assets	2020/21			2021/22		
	WBC & BCC £,000	Optalis £,000	Total Group £,000	WBC Inc BCC £,000	Optalis £,000	Total Group £,000
<b>Opening Fair Value of Scheme Assets</b>	210,086	13,349	223,435	<b>253,124</b>	<b>14,882</b>	<b>268,006</b>
Interest on Assets	3,462	312	3,774	4,882	295	5,177
Return on Assets less Interest	37,107	1,208	38,515	24,368	1,741	26,109
Other actuarial gains(losses)	-	-	-	-	-	-
Administration Expenses	(130)	(8)	(138)	(240)	(14)	(254)
Contributions by Employer including Unfunded	13,436	149	13,585	14,396	120	14,516
Contributions by Scheme Participants and other Employers	3,765	44	3,809	4,040	35	4,075
Estimated Benefits Paid plus Unfunded Net of Transfers	(14,363)	(333)	(14,696)	(15,611)	(375)	(15,986)
Settlement prices received / (paid)	(239)	-	(239)	(334)	-	(334)
<b>Closing Fair Value of Scheme Assets</b>	<b>253,124</b>	<b>14,721</b>	<b>267,845</b>	<b>284,625</b>	<b>16,684</b>	<b>301,309</b>

	2020/21			2021/22		
	WBC & BCC	Optalis	Total Group	WBC Inc BCC	Optalis	Total Group
	£,000	£,000	£,000	£,000	£,000	£,000
<b>Opening balance at 1 April</b>	469,688	18,891	488,579	<b>610,298</b>	24,148	<b>634,446</b>
Current service cost	26,911	268	27,179	31,743	320	32,063
Interest cost	9,125	441	9,566	12,018	480	12,498
Change in financial assumptions	131,453	5,242	136,695	(30,597)	(1,005)	(31,602)
Change in demographic assumptions	(5,253)	(417)	(5,670)	-	-	-
Experience gain/(loss) on defined benefit obligation	(6,636)	(259)	(6,895)	1,342	-	1,342
Liabilities assumed/(extinguished) on settlements	(4,391)	-	(4,391)	(6,307)	-	(6,307)
Estimated benefits paid net of transfers in	(13,835)	(333)	(14,168)	(15,119)	(375)	(15,494)
Past service costs including curtailments	-	-	-	95	-	95
Contribution by scheme participants and other employers	3,765	44	3,809	4,040	35	4,075
Unfunded pension payments	(528)	-	(528)	(492)	-	(492)
<b>Closing balance at 31 March</b>	<b>610,299</b>	<b>23,877</b>	<b>634,176</b>	<b>607,021</b>	<b>23,603</b>	<b>630,624</b>



	WBC & BCC £,000	2020/21 Optalis £,000	Total Group £,000	WBC Inc BCC £,000	2021/22 Optalis £,000	Total Group £,000
Equities	152,156	8,588	160,744	176,626	10,353	186,979
Other Bonds	41,339	2,484	43,823	46,029	2,698	48,727
Property	31,029	1,893	32,922	34,050	1,996	36,046
Cash and Cash Equivalents	11,310	835	12,145	5,945	348	6,293
Target Return Portfolio	10,224	622	10,846	848	50	898
Commodities	-	-	-	-	-	-
Infrastructure	20,599	1,181	21,780	34,829	2,042	36,871
Longevity Insurance	(13,533)	(882)	(14,415)	(13,702)	(803)	(14,505)
<b>Total Assets</b>	<b>253,124</b>	<b>14,721</b>	<b>267,845</b>	<b>284,625</b>	<b>16,684</b>	<b>301,309</b>

All scheme assets have quoted prices in active markets.

Expected returns on equity investments reflect long-term real rates of return experienced in the respective markets.

### Basis for Estimating Assets and Liabilities

For the year to 31 March 2022, the expected return is based on the discount rate, which was 2.6% and this rate has been used to determine the profit and loss charge for the year ended 31 March 2022, compared to a rate of 2% in the year 31 March 2021. The discount rate was the same for Optalis Ltd for both years. The discount rate is the annualised yield at the 20-year point. The 12-year point is used for Berkshire scheme due to shorter estimated scheme duration and for Optalis Ltd the annualised yield used is 21 years. The Merrill Lynch AA rated corporate bond yield curve has been chosen to meet the requirements of IAS 19 and with consideration of the duration of the employer's liabilities.

Barnett Waddingham LLP, an independent firm of actuaries, assessed the liabilities as at 31 March 2022. The principal assumptions used by the actuary for the Wokingham scheme are:

	2020/21	2021/22
Expected Return on Assets (Equal to the discount rate)	2%	2.6%
<b>Life Expectancy from age 65 if retiring now:</b>		
Men	21.2	21.3
Women	23.9	24.0
<b>Life expectancy at age 65 retiring in 20 years:</b>		
Men	22.5	22.6
Women	25.4	25.4
Rate of Inflation-RPI	3.20%	
Rate of Inflation-CPI	2.85%	3.25%
Rate of Increase in Salaries	3.85%	4.25%
Rate of Increase in Pensions	2.85%	3.25%
Rate for Discounting Scheme Liabilities	2.00%	2.6%
Take-up Option to Convert Annual Pension into Retirement Lump Sum	50%	
Take-up Option to pay 50% contributions for 50% of benefits	10%	

The Local Government Pension Scheme's assets consist of the following categories, by proportion of the total assets held:

	2020/21	2021/22
Equity Investments	60%	62%
Other Bonds	17%	4%
Property	12%	12%
Cash	4%	1%
Target Return	4%	0%
Commodities	0%	0%
Infrastructure	8%	12%
Longevity Insurance	-5%	-5%
Debtors	0%	1%
Private Fixed Interest	0%	13%
<b>Total</b>	<b>100%</b>	<b>100%</b>

The estimation of the defined benefit obligation is sensitive to the actuarial assumptions set out in the table above. The sensitivity analysis below has been determined based on reasonably possible changes of the assumptions occurring at the end of the reporting period and assumes for each change that the assumption analysed changes while all the other assumptions remain constant. The assumptions in longevity, for example, assume that life expectancy increases or decreases for men and women. In practice, this is unlikely to occur, and changes in some of the assumptions may be interrelated. The estimations in the sensitivity analysis have followed the accounting policies for the scheme, i.e. on an actuarial basis using the projected unit credit method. The methods and types of assumptions used in preparing the sensitivity analysis below for the Wokingham scheme did not change from those used in the previous period. The figures include the Berkshire scheme share of 19.0561%.

## Impact on the Defined Benefit Obligation in the Scheme

	Increase £,000	Current £,000	Decrease £,000
Adjustment to discount rate	0.10%	0.00%	(0.10%)
Present value of total obligation	595,014	607,021	619,283
Projected service cost	26,780	27,571	28,383
Adjustment to long term salary increase	0.10%	0.00%	(0.10%)
Present value of total obligation	607,722	607,021	606,325
Projected service cost	27,586	27,571	27,555
Adjustment to pension increases and deferred revaluation	0.10%	0.00%	(0.10%)
Present value of total obligation	618,491	607,021	595,773
Projected service cost	28,376	27,571	26,786
Adjustment to life expectancy assumption	+ 1 Year	None	-1 Year
Present value of total obligation	633,083	607,021	582,074
Projected service cost	28,732	27,571	26,450

## Impact on the Council's Cash Flows

The objectives of the scheme are to keep employers' contributions at as constant a rate as possible. Funding levels are monitored on an annual basis. A fund valuation was carried out on the 31 March 2019 to set contributions for the period 1 April 2020 to 31 March 2023, and is a triennial event, the next valuation being due to be completed on 31 March 2022.

The total contributions expected to be made on the Local Government Pension Scheme by the Council in the year to 31 March 2023 is £12.826m (£11.855m to 31 March 2022).

The estimated employer's past service duration for Wokingham Borough Council is 21 years at 31 March 2022 (21 years 31 March 2021). In Optalis Ltd the estimated employer's past service duration is 21 years at 31 March 2022 (21 years at 31 March 2021).

## NOTE 20 GRANT INCOME

The Council credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement:

	2020/21 £,000	2021/22 £,000
<b>Credited to Taxation and Non-specific Grant Income:</b>		
New Homes Bonus	(7,461)	(5,595)
Emergency Covid 19 Support Grant	(6,782)	(3,187)
Covid 19 Contain Outbreak Management Fund	(4,095)	(822)
Adult Social Care Grant	(1,708)	(2,209)
Covid 19 Clinically Extremely Vulnerable	(379)	-
Council Tax Hardship Fund	(416)	-
Capital Grants	(32,057)	(20,567)
Capital Contributions	(35,003)	(60,979)
<b>Sub Total</b>	<b>(87,901)</b>	<b>(93,359)</b>

	2020/21 £,000	2021/22 £,000
<b>Credited to Directorates:</b>		
Dedicated Schools Grant	(82,272)	(82,934)
Mandatory Rent Allowances: Subsidy	(11,023)	(9,884)
Public Health	(5,481)	(5,534)
Rent Rebates Granted to HRA Tenants: Subsidy	(5,404)	(5,374)
Covid 19 Infection Control Grant	(3,535)	(2,096)
Pupil Premium	(1,995)	(1,658)
Covid 19 Business Support Grants	(4,915)	-
LFT - Community Testing	(389)	(1,412)
Universal Infant Free School Meals (UIFSM)	(1,620)	(1,342)
The Private Finance Initiative (PFI)	(1,109)	(1,109)
Adult Social Care Infection Control and Testing Fund	-	(1,101)
EFA 6 <sup>th</sup> Form Funding	(1,559)	(966)
Workforce Recruitment & Retention Fund	-	(774)
UASC UK Border Agency	(394)	(762)
Additional Grant for Schools	(936)	(744)
Local Council Tax Support Schemes (LCTS)	-	(700)
Covid 19 Bus Service Support Grant	-	(514)
Test and Trace Grant	(253)	(490)
Flexible Homelessness Support Grant	(449)	(464)
Improved Better Care Fund	(458)	(458)
Families First	(375)	(379)
Rough Sleeping Initiative	(298)	(378)
Bus Services Operators Grant	(584)	(363)
Lower Tier Services Grant	-	(314)
Domestic Abuse Support in Safe Accommodation	-	(297)
Covid 19 Compensation for lost sales, fees, and charges	(1,849)	(289)
Holiday Activities and Food Programme Grant	-	(230)

LA Framework / Practical Support for those self-isolating	-	(275)
Independent Living Fund	(265)	(265)
Adult and Community Learning from Learning and Skills	(260)	(253)
COVID 19 Winter Grant Scheme	(281)	(246)
Universal Drug Treatment Grant	-	(236)
Election Grants	-	(217)
Discretionary Housing Payment	(206)	(201)
Dedicated Home to School and College Transport Grant	(220)	(183)
Teachers' Pension Grant	(2,315)	(135)
COVID 19 New burden Admin Costs	(376)	(131)
COVID 19 Catch up grant	(350)	(11)
Sport England Compensation Claim for Covid Losses	(332)	(23)
Adult Social Care Grant	(400)	-
Workforce Fund	(201)	-
Other Grants	(2,321)	(2,689)
<b>Sub total</b>	<b>(132,821)</b>	<b>(125,431)</b>
<b>Total</b>	<b>(220,722)</b>	<b>(218,790)</b>

The Council received some grants and contributions that have yet to be recognised as income because they have conditions attached to them that may require the monies or property to be returned to the grantor. These are treated as receipts in advance. The balances are shown below.

<b>Revenue Receipts in Advance:</b>	<b>31st March, 2021 £,000</b>	<b>31st March, 2022 £,000</b>
Covid 19 Business Support Grants	(5,214)	(5,451)
Energy Rebate Scheme	-	(206)
Covid 19 Test and Trace Grant	(368)	-
Other Grants	(581)	(594)
<b>Total</b>	<b>(6,163)</b>	<b>(6,251)</b>

The Council received £5.451m in 2021/22 relating to the Covid Additional Relief Fund (CARF). This money will be paid out in 2022/23 along with the energy rebate scheme, £0.206m.

In addition to the S106 contributions receipts in advance of £89.3m, as at 31 March 2022, the Council have £15.9m S106 contributions in earmarked reserves, which relate to S106 commuted sums and SANG (Suitable Alternative Natural Greenspace) contributions to maintain green spaces around developments.

	31st March, 2021 £,000	31st March, 2022 £,000
<b>Capital Grants and Contributions Receipts in Advance:</b>		
Thames Valley Berkshire Growth Deal – Wokingham Arborfield Cross Relief Road	(1,129)	(1,182)
Devolved Formula Grant	(994)	(980)
Land Release Fund – Capital Grant	-	(600)
Brownfield Land Release Fund: Self Build – Toutley East	-	(494)
Thames Valley Berkshire Growth Deal – Sustainable Transport National Cycle Network	(1,699)	(232)
Other Grants	(1,595)	(698)
S106 Contributions	(92,532)	(89,298)
<b>Total</b>	<b>(97,949)</b>	<b>(93,484)</b>

## NOTE 21 DEDICATED SCHOOLS GRANT

The Council's expenditure on schools is funded primarily by grant monies provided by the Department for Education, the Dedicated Schools Grant (DSG). An element of DSG is recouped by the Department to fund academy schools in the Council's area. DSG is ring-fenced and can only be applied to meet expenditure properly included in the schools' budget, as defined in the School Finance (England) Regulations 2008. The schools' budget includes elements for a range of educational services provided on an authority-wide basis and for the Individual Schools Budget (ISB), which is divided into a budget share for each maintained school.

Details of the deployment of the DSG receivable for 2021/22 are as follows and comprise the DSG figure as issued by the Department for Education:

	Central Expenditure £,000	ISB £,000	Total £,000
Final DSG for 2021/22 before Academy Recoupment			(157,719)
Less Academy figure recouped for 2021/22			74,785
<b>Total DSG after Academy recoupment for 2021/22</b>			<b>(82,934)</b>
Brought forward from 2020/21			-
Carry-forward to 2022/23 agreed in advance			-
<b>Agreed initial budget distribution in 2021/22</b>	<b>(26,847)</b>	<b>(56,185)</b>	<b>(83,031)</b>
In year Adjustments	98		98
<b>Final Budgeted distribution for 2021/22</b>	<b>(26,749)</b>	<b>(56,185)</b>	<b>(82,934)</b>
Less actual central expenditure	31,149		31,149
Less actual ISB deployed to schools		55,999	55,999
Plus Local authority contribution for 2021/22			-
Carry Forward to 2022/23	<b>4,400</b>	<b>(185)</b>	<b>4,215</b>
Plus/Minus: Carry-forward to 2022/23 agreed in advance			-
Carry-forward to 2022/23			-
DSG unusable reserve at the end of 2020/21			5,826
Addition to DSG unusable reserve at the end of 2021/22			4,215
<b>Total of DSG unusable reserve at the end of 2021/22</b>			<b>10,041</b>

The £10.041m deficit is mainly due to the growth in demand for children with special needs in addition to the brought forward deficit. The deficit is being addressed with our DSG Deficit Recovery Plan.

## NOTE 22      USABLE RESERVES

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

- General Fund Balance – the general reserves of the Council can be used to finance the day to day operations of the Council and its capital activities
- Earmarked Reserves – held for specific accounting / policy purposes and are ring fenced funds that cannot be used for other purposes
- Housing Revenue Account (HRA) – resources available to meet future running costs for council houses
- Schools & Dedicated Schools Grant – to resource expenditure directly/ not directly delegated to schools
- Capital Receipts – proceeds of asset sales available to meet future capital requirements and to act as a contingency
- Capital Grants Unapplied – holds the grants and contributions received towards capital projects which have not yet been used to finance specific capital schemes

## NOTE 23      UNUSABLE RESERVES

	31st March, 2021 £,000	31st March, 2022 £,000
Revaluation reserve	(237,586)	(263,104)
Capital adjustment account	(449,904)	(486,220)
Financial instruments adjustment account	1,223	1,087
Pensions reserve	357,174	322,396
Collection fund adjustment account	8,042	865
Accumulated absences account	4,797	4,372
Dedicated Schools Grant Adjustment Account	5,826	10,041
<b>Total unusable reserves</b>	<b>(310,430)</b>	<b>(410,563)</b>
Group unusable reserves	(5,304)	
Minority interest	(147)	
<b>Total group unusable reserves</b>	<b>(315,881)</b>	

Group numbers to be added once group consolidation is completed.



## Revaluation reserve

The revaluation reserve contains the gains made by the Council arising from increases in the value of its property, plant, equipment and intangible assets since 1 April 2007, the date that the reserve was created. Accumulated gains arising before that date are consolidated into the balance on the capital adjustment account.

	2020/21 £,000	2021/22 £,000
<b>Balance at 1st April</b>	<b>(206,803)</b>	<b>(237,586)</b>
Upward revaluation of assets	(52,956)	(46,472)
Downward revaluation of assets and impairment losses not charged to the surplus or deficit on the provision of services	15,105	6,338
Surplus or deficit on revaluation of non-current assets not posted to the surplus or deficit on the provision of services	(37,852)	(40,134)
Difference between fair value depreciation and historical cost depreciation	973	1,388
Accumulated gains on assets sold or disposed	6,096	13,228
Amount written off to the capital adjustment account	7,069	14,616
<b>Balance at 31st March</b>	<b>(237,586)</b>	<b>(263,104)</b>

## 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 also contains revaluation gains accumulated on property, plant and equipment before 1 April 2007, the date the revaluation reserve was created to hold such gains. Note 5 provides details of the source of all the transactions posted to the account, apart from those involving the revaluation reserve.

	2020/21 £,000	2021/22 £,000
<b>Balance at 1st April</b>	<b>(426,289)</b>	<b>(449,904)</b>
Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:		
· Charges for depreciation of non-current assets	18,866	21,462
· Charges for impairment of non-current assets	293	0
· Charges for impairment of inventories	1,814	499
· Revaluation losses on property, plant and equipment	24,263	(127)
· Amortisations of intangible assets	1,164	1,225
· Revenue expenditure funded from capital under statute	4,338	6,526



· Amounts of non-current assets to be written off on disposal or sale as part of the gain / loss on disposal to the Comprehensive Income and Expenditure Statement

19,678

47,531

Amounts of inventories to be written off on disposal or sale as part of the gain / loss on disposal to the Comprehensive Income and Expenditure Statement

5,235

7,780

**75,652**

**84,896**

(7,069)

(14,616)

Adjusting amounts written out of the revaluation reserve

**Net written out amount of the cost of non-current assets consumed in the year**

**68,583**

**70,280**

Capital financing applied in the year:

· Use of capital receipts reserve to finance new capital expenditure

(4,912)

(17,991)

· Use of major repairs reserve to finance new capital expenditure

(2,992)

(7,010)

· Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing

(49,524)

(56,151)

· Application of grants to capital financing from the capital grants unapplied account

(22,762)

(17,274)

· Statutory provision for the financing of capital investment charged against the general fund and HRA balances

(3,900)

(7,792)

Capital expenditure charged against the general fund and HRA Balances

(1,939)

(2,303)

· Increase in fair value of investment property

(3,503)

(2,584)

Transfer of shares at nil value to WBC (Holdings) Ltd

Voluntary debt repayment - HRA

(3,028)

(1,258)

· Equity loan redemption

0

0

· Wokingham Housing Ltd loan repayment

360

5,768

Movements in the market value of investment properties debited or credited to the Comprehensive Income and Expenditure Statement

(92,198)

(106,596)

**Balance at 31st March**

**(449,904)**

**(486,220)**

## Financial instruments adjustment account

The financial instruments adjustment account absorbs the timing differences arising from the different arrangements for accounting for income and expenses relating to certain financial instruments and for bearing losses or benefiting from gains per statutory provisions.

	2020/21 £,000	2021/22 £,000
<b>Balance at 1st April</b>	<b>1,357</b>	<b>1,223</b>
Premiums incurred in the year and charged to the Comprehensive Income and Expenditure Statement	-	-
Proportion of premiums incurred in previous financial years to be charged against the general fund balance in accordance with statutory requirements	(134)	(136)
Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	-	-
<b>Balance at 31st March</b>	<b>1,223</b>	<b>1,087</b>

## Pensions reserve

The pensions reserve absorbs the timing differences arising from the different arrangements for accounting for post-employment benefits and for funding benefits in accordance with statutory provisions. The debit balance on the pensions reserve shows a substantial shortfall in the benefits earned by past and current employees and the resources the Council has set aside to meet them. The statutory arrangements will ensure that funding will have been set aside by the time the benefits come to be paid.

	2020/21 £,000	2021/22 £,000
<b>Balance at 1st April</b>	<b>259,601</b>	<b>357,174</b>
Actuarial (gains) or losses on pensions assets and liabilities	82,457	(53,623)
Reversal of items relating to retirement benefits debited or credited to the surplus or deficit on the provision of services in the Comprehensive Income and Expenditure Statement	28,552	33,241
Employer's pensions contributions and direct payments to pensioners payable in the Year	(13,436)	(14,396)
<b>Balance at 31st March</b>	<b>357,174</b>	<b>322,396</b>

### Collection fund adjustment account

The collection fund adjustment account manages the differences arising from the recognition of council tax income and retained business rates income in the Comprehensive Income and Expenditure Statement as it falls due from council tax and business rate payers compared with the statutory arrangements for paying across amounts to the general fund from the collection fund.

	2020/21 £,000	2021/22 £,000
<b>Balance at 1st April</b>	<b>2,872</b>	<b>8,042</b>
Amount by which council tax and retained business rates income Credited to the Comprehensive Income and Expenditure Statement is different from council tax and retained business rates income calculated for the year in accordance with statutory requirements	5,170	(7,177)
<b>Balance at 31st March</b>	<b>8,042</b>	<b>865</b>

### 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, e.g. annual leave entitlement carried forward at 31st March. Statutory arrangements require that the impact on the General Fund Balance is neutralised by transfers to or from the account.

	2020/21 £,000	2021/22 £,000
<b>Balance at 1st April</b>	<b>3,085</b>	<b>4,796</b>
Settlement or cancellation of accrual made at the end of preceding year.	(3,085)	(4,796)
Amounts accrued at the end of the current year	4,796	4,372
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accrual basis is different from remuneration chargeable in the year in accordance with statutory requirements	1,712	(425)
<b>Balance at 31st March</b>	<b>4,796</b>	<b>4,372</b>

## Dedicated Schools Grant Adjustment Account

The dedicated schools grant adjustment account has been created to provide a statutory basis for the separation of the deficits arising due to the DSG from the general fund, the Department for Education (DfE) established through the 2020 Regulations that a local authority must either deduct the deficit from its school budget or carry forward the deficit to future financial years rather than fund it from other sources.

	2020/21 £,000	2021/22 £,000
<b>Balance at 1st April</b>	-	5,826
<i>Reporting of Schools Budget Deficit to new Adjustment Account at 1 April 2020</i>	2,993	-
<b>Restated Balance at 1<sup>st</sup> April</b>	<b>2,993</b>	<b>5,826</b>
Deficit in year (expenditure greater than income)	2,833	4,215
<b>Balance at 31st March</b>	<b>5,826</b>	<b>10,041</b>
<i>Balances at 31<sup>st</sup> March made up of;</i>		
New/expanding schools: start-up/diseconomies funding	(475)	(406)
Balance held centrally on behalf of primary & secondary schools	(55)	(55)
Schools Block	(116)	(298)
High Needs Block	6,472	10,800
<b>Balance at 31st March</b>	<b>5,826</b>	<b>10,041</b>

Prior to 2020/21, the DSG deficit was held in a separate reserve and reported under usable reserves. Changes to the accounting arrangements now require these reserves to be shown as unusable reserves.

### Group unusable reserves

The group unusable reserves are calculated based on the consolidation of the subsidiary accounts on a consistent financial reporting basis to the main accounts.

### Minority interest

Under IFRS the Council is required to consolidate certain companies at 100% and declare a minority interest where they are not the sole shareholder. This represents the share of Optalis owned by RBWM. See also note 46.

## NOTE 24 PROPERTY, PLANT AND EQUIPMENT

Movements in 2021/22:	Council Dwellings	Other Land and Buildings (Inc. HRA)	Vehicles, Plant, Furniture & Equipment	Infrastructure Assets	Community Assets	Surplus Assets	Assets under Construction	Total Property, Plant and Equipment	PFI Assets Included in Property, Plant and Equipment
	£,000	£,000	£,000	£,000	£,000	£,000	£,000	£,000	£,000
<b>Cost or Valuation</b>									
At 1st April, 2021	234,751	510,838	24,941	217,739	6,050	3,073	145,878	1,143,270	7,230
Additions	8,157	2,949	980	8,963	12	0	80,660	101,720	0
Revaluation Increases / (Decreases) Recognised in the Revaluation Reserve	31,590	2,453	0	0	0	(1)	0	34,042	0
Revaluation Increases / (Decreases) Recognised in the Surplus / Deficit on the Provision of Services	0	(3,533)	0	0	0	1	0	(3,532)	0
Impairment	0	0	0	0	0	0	0	0	0
De-recognition - Disposals	(353)	(32,780)	(381)	0	0	0	(14,793)	(48,307)	0
Assets reclassified (to) / from Held for Sale	(505)	0	0	0	0	0	0	(505)	0
Other movements in cost or valuation	0	0	0	0	0	0	0	0	0
Other asset reclassified and transferred in Cost or Valuation	0	14,471	700	29,664	0	0	(45,040)	(206)	0
<b>At 31st March, 2022</b>	<b>273,640</b>	<b>494,398</b>	<b>26,239</b>	<b>256,366</b>	<b>6,062</b>	<b>3,073</b>	<b>166,704</b>	<b>1,226,482</b>	<b>7,230</b>
<b>Accumulated Depreciation and Impairment</b>									
At 1st April, 2021	(0)	16,826	14,896	50,206	0	0	0	81,928	834
Depreciation Charge	4,681	7,389	1,452	7,940	0	1	0	21,462	355



Depreciation written out to the Revaluation Reserve	(4,674)	(1,418)	0	0	0	0	0	(6,092)	0
Depreciation written out to the Surplus/Deficit on the Provision of Services	0	(3,659)	0	0	0	(1)	0	(3,659)	0
Impairment Losses / (Reversals) Recognised in the Revaluation Reserve	0	0	0	0	0	0	0	0	0
Impairment Losses / (Reversals) Recognised in the Surplus / Deficit on the Provision of Services	0	0	0	0	0	0	0	0	0
Derecognition – Disposals	(7)	(1,128)	(334)	0	0	0	0	(1,468)	0
Assets reclassified (to) / from Held for Sale	0	0	0	0	0	0	0	0	0
Other movements in accumulated depreciation and impairments	0	696	0	(696)	0	0	0	0	0
	(0)	18,706	16,014	57,450	0	0	0	92,170	1,189
<b>Net Book Value</b>									
<b>At 31st March, 2022</b>	<b>273,640</b>	<b>475,691</b>	<b>10,225</b>	<b>198,917</b>	<b>6,062</b>	<b>3,073</b>	<b>166,704</b>	<b>1,134,312</b>	<b>6,041</b>
<b>At 31<sup>st</sup> March, 2021</b>	<b>234,752</b>	<b>494,011</b>	<b>10,045</b>	<b>167,532</b>	<b>6,050</b>	<b>3,073</b>	<b>145,878</b>	<b>1,061,341</b>	<b>6,396</b>

<b>Movements in 2020/21:</b>	<b>Council Dwellings</b>	<b>Other Land and Buildings (Inc. HRA)</b>	<b>Vehicles, Plant, Furniture &amp; Equipment</b>	<b>Infrastructure Assets</b>	<b>Community Assets</b>	<b>Surplus Assets</b>	<b>Assets under Construction</b>	<b>Total Property, Plant and Equipment</b>	<b>PFI Assets Included in Property, Plant and Equipment</b>
	<b>£,000</b>	<b>£,000</b>	<b>£,000</b>	<b>£,000</b>	<b>£,000</b>	<b>£,000</b>	<b>£,000</b>	<b>£,000</b>	<b>£,000</b>
<b>Cost or Valuation</b>									
Restated as at 1st April 2020	<b>223,294</b>	<b>505,180</b>	<b>24,227</b>	<b>173,765</b>	<b>3,150</b>	<b>4,249</b>	<b>134,138</b>	<b>1,068,003</b>	<b>10,190</b>
Additions	4,422	19,435	1,366	23,057	2	46	63,750	112,079	0
Revaluation Increases / (Decreases) Recognised in the Revaluation Reserve	16,938	13,680	(397)	0	0	(763)	0	29,458	(397)
Revaluation Increases / (Decreases) Recognised in the Surplus / Deficit on the Provision of Services	0	(32,103)	(669)	0	0	(81)	0	(32,854)	(2,563)
Impairment	(9,837)	(293)	0	0	0	0	0	(10,130)	0
De-recognition - Disposals	(118)	(19,512)	(162)	0	0	(378)	0	(20,170)	0
Assets reclassified (to) / from Held for Sale	(702)	0	0	0	0	0	0	(702)	0
Other asset reclassified and transferred in Cost or Valuation	754	24,451	575	20,917	2,897	0	(52,010)	(2,415)	0
<b>At 31st March, 2021</b>	<b>234,751</b>	<b>510,838</b>	<b>24,941</b>	<b>217,739</b>	<b>6,050</b>	<b>3,073</b>	<b>145,878</b>	<b>1,143,270</b>	<b>7,230</b>
<b>Accumulated Depreciation and Impairment</b>									
Restated as at 1st April 2020	<b>10,265</b>	<b>21,991</b>	<b>13,887</b>	<b>44,222</b>	<b>0</b>	<b>11</b>	<b>0</b>	<b>90,376</b>	<b>2,094</b>
Depreciation Charge	4,008	7,007	1,792	5,984	0	12	0	18,804	426
Depreciation written out to the Revaluation Reserve	(7,412)	(3,885)	(59)	0	0	0	0	(11,355)	(59)
Depreciation written out to the Surplus/Deficit on the Provision of Services	0	(7,849)	(669)	0	0	(11)	0	(8,529)	(1,627)
Impairment Losses / (Reversals) Recognised in the Revaluation Reserve	(6,875)	0	0	0	0	0	0	(6,875)	0
Impairment Losses / (Reversals) Recognised in the Surplus / Deficit on the Provision of Services	0	0	0	0	0	0	0	0	0
Derecognition – Disposals	14	(440)	(55)	0	0	(12)	0	(493)	0
Assets reclassified (to) / from Held for Sale	0	0	0	0	0	0	0	0	0
Other movements in accumulated depreciation and impairments	0	0	0	0	0	0	0	0	0
<b>At 31st March, 2021</b>	<b>0</b>	<b>16,826</b>	<b>14,896</b>	<b>50,206</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>81,929</b>	<b>834</b>



## GROUP PROPERTY, PLANT AND EQUIPMENT – to be updated once group consolidation complete

Movements in 2021/22:	Council Dwellings	Other Land and Buildings (Inc. HRA)	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	£,000
<b>Cost or Valuation</b>								
<b>At 1st April, 2021</b>	234,751	539,235	25,112	217,739	6,050	3,073	149,844	1,175,804
Additions								
Revaluation Increases / (Decreases) recognised in the Revaluation Reserve								
Revaluation Increases / (Decreases) recognised in the Surplus / Deficit on the Provision of Services								
Impairment								
De-recognition - Disposals								
Assets reclassified (to) / from Assets under Construction								
Other movements in Cost or Valuation								
Other asset reclassified and transferred in Cost or Valuation								
<b>At 31st March, 2022</b>								
<b>Accumulated Depreciation and Impairment</b>								
<b>At 1st April, 2021</b>	0	17,067	15,036	50,206	0	0	0	82,308
Depreciation Charge								
Depreciation written out to the Revaluation Reserve								
Depreciation written out to the Surplus/Deficit on the Provision of Services								
Impairment Losses / (Reversals) Recognised in the Revaluation Reserve								
De-recognition – Disposals								
Assets reclassified (to) / from Assets under Construction								
Other movements in accumulated depreciation and impairment								
<b>At 31st March, 2022</b>								

Movements in 2021/22:	Council Dwellings	Other Land and Buildings (Inc. HRA)	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	£,000
<b>Net Book Value</b>								
<b>At 31<sup>st</sup> March, 2022</b>								
<b>At 31<sup>st</sup> March, 2021</b>	<b>234,752</b>	<b>522,168</b>	<b>10,077</b>	<b>167,533</b>	<b>6,050</b>	<b>3,073</b>	<b>149,844</b>	<b>1,093,496</b>
<b>At 1<sup>st</sup> April, 2020</b>	<b>223,294</b>	<b>527,321</b>	<b>24,396</b>	<b>173,765</b>	<b>3,150</b>	<b>4,249</b>	<b>138,268</b>	<b>1,094,444</b>
Additions	4,422	19,435	1,369	23,057	2	46	69,420	117,752
Revaluation Increases / (Decreases) recognised in the Revaluation Reserve	16,938	13,680	(397)	0	0	(763)	0	29,458
Revaluation Increases / (Decreases) recognised in Impairment	0	(29,726)	(669)	0	0	(81)	0	(30,476)
De-recognition - Disposals	(9,837)	(293)	0	0	0	0	0	(10,130)
Assets reclassified (to) / from Assets under Construction	(118)	(19,512)	(162)	0	0	(378)	(427)	(20,597)
Other movements in Cost or Valuation	(702)	0	0	0	0	0	0	(702)
Other asset reclassified and transferred in Cost or Valuation	0	0	0	0	0	0	(1,530)	(1,530)
Other asset reclassified and transferred in Cost or Valuation	754	28,329	575	20,917	2,897	0	(55,888)	(2,415)
<b>At 31<sup>st</sup> March, 2021</b>	<b>234,751</b>	<b>539,235</b>	<b>25,112</b>	<b>217,739</b>	<b>6,050</b>	<b>3,073</b>	<b>149,844</b>	<b>1,175,804</b>
<b>Accumulated Depreciation and Impairment</b>								
<b>At 1<sup>st</sup> April, 2020</b>	<b>10,265</b>	<b>22,230</b>	<b>14,019</b>	<b>44,222</b>	<b>0</b>	<b>11</b>	<b>0</b>	<b>90,747</b>
Depreciation Charge	4,008	7,001	1,799	5,984	0	12	0	18,805
Depreciation written out to the Revaluation Reserve	(7,412)	(3,885)	(59)	0	0	0	0	(11,356)
Depreciation written out to the Surplus/Deficit on the Provision of Services	0	(7,840)	(669)	0	0	(11)	0	(8,520)
Impairment Losses / (Reversals) Recognised in the Revaluation Reserve	(6,875)	0	0	0	0	0	0	(6,875)
De-recognition – Disposals	14	(440)	(55)	0	0	(12)	0	(493)
Assets reclassified (to) / from Assets under Construction	0	0	0	0	0	0	0	0



Other movements in accumulated depreciation and impairment	0	0	0	0	0	0	0	0
<b>At 31st March, 2021</b>	<b>0</b>	<b>17,067</b>	<b>15,036</b>	<b>50,206</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>82,308</b>

DRAFT

## Depreciation

The following useful lives and depreciation rates have been used in the calculation of depreciation:

- Council Dwellings 40 years
  - Other, Land and Buildings 1-79 years
  - Surplus Assets 1-26 years
  - Vehicles, Plant, Furniture & Equipment 1-20 years
  - Infrastructure, Roads & Highways 1-56 years
- Land assets have an indefinite life, and are not depreciated, so have been excluded from the useful life analysis.

## Capital Commitments

The estimated commitments for capital expenditure for schemes that had started, or legal contracts entered, by 31st March 2022 are listed below:

	2021/22 £,000
• Carnival pool area redevelopment	8,427
• Major road schemes - strategic infrastructure (SCAPE)	7,829
• Winnersh triangle parkway	2,900
• Highways carriageways structural maintenance	1,050
• Nine mile ride extension	1,007
• Improvement works at Grovelands Park (HRA)	956
• Land acquisition for major road schemes	844
• Toutley highways depot modernisation	587
• Gorse ride (phase 2) construction	577
• Greenways	512
• Managing congestion	310
• Support services energy reduction schemes	240
• Purchase of council houses HRA	207
• Matthews green school / community centre	185
• Older people's dementia home - Suffolk Lodge	93
• Property portfolio improvements	90
• Gray's Farm sports hub	42
• Earley station footbridge	35
	<b>25,891</b>

## Revaluations

The Council carries out a rolling programme which ensures that all Property, Plant and Equipment required to be measured at fair value is revalued at least every five years. Also, each year a 'basket' of assets is selected for valuation, of sub-categories that would not otherwise be valued, to assess for any material variations. All valuations were carried out internally. Valuations of land and buildings were carried out in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors. Valuations of vehicles, plant, furniture, and equipment are based on depreciated historic cost.

The table below shows the value of assets against the year they were revalued. The difference between years is due to the number and types of assets revalued as per the rolling programme i.e., at 31 March 2021 libraries and waste PFI assets were revalued, while in other years there are larger material assets revalued.

	<b>Council Dwellings</b>	<b>Other, Land and Buildings (Inc. HRA)</b>	<b>Vehicles, Plant, Furniture &amp; Equipment</b>	<b>Infra-structure Assets</b>	<b>Community Assets</b>	<b>Surplus Assets</b>	<b>Total</b>
	<b>£,000</b>	<b>£,000</b>	<b>£,000</b>	<b>£,000</b>	<b>£,000</b>	<b>£,000</b>	<b>£,000</b>
Carried at Historical Cost	0	0	10,225	198,916	6,062	0	215,203
Valued at Fair Value as at:							
31 <sup>st</sup> March 2022	273,640	176,714	0	0	0	3,073	453,427
31 <sup>st</sup> March 2021	0	174,905	0	0	0	0	174,905
31 <sup>st</sup> March 2020	0	98,807	0	0	0	0	98,807
31 <sup>st</sup> March 2019	0	18,211	0	0	0	0	18,211
31 <sup>st</sup> March 2018	0	7,055	0	0	0	0	7,055
<b>Total Cost or Valuation</b>	<b>273,640</b>	<b>475,691</b>	<b>10,225</b>	<b>198,917</b>	<b>6,062</b>	<b>3,073</b>	<b>967,608</b>

## NOTE 25 OTHER NON CURRENT ASSETS

### Investment Properties

The following items of income and expenditure have been accounted for in the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement:

	2020/21	2021/22
	£,000	£,000
Rental Income from Investment Property	1,803	1,828
Direct Operating Expenses arising from Investment Property	(9)	(4)
<b>Net Gain / (Loss)</b>	<b>1,794</b>	<b>1,824</b>

There are no restrictions on the Council's ability to realise the value inherent in its investment property or on the Council's right to the remittance of income and the proceeds of disposal. The Council has no contractual obligations to purchase, construct or develop investment property or repairs, maintenance, or enhancement.

The following table summarises the movement in the fair value of investment properties over the year: Not including Surplus Assets

	2020/21	2021/22
	£,000	£,000
Balance at the Start of the Year	32,571	36,074
Additions:		
Purchases	0	0
Disposals	0	0
Net Gains / (Losses) from Fair Value Adjustments	3,503	2,584
Transfers:		
(To) / From Inventories	0	0
(To) / from Property, Plant and Equipment	0	192
Balance at the End of the Year	<b>36,074</b>	<b>38,850</b>

## Fair value hierarchy

Details of the authority's investment properties and information about fair value hierarchy as at 31/03/2022 are as follow: - Includes Surplus assets

2021/22

	Quoted prices in Active markets for identical Assets (Level 1)	Other significant Observable inputs (Level 2)	Significant Unobservable inputs (Level 3)	Fair value as at 31 March 2022
	£000	£000	£000	£000
Recurring fair value				
Measurements using:				
Investment Properties	-	-	38,850	38,850
Surplus Assets	-	-	3,071	3,071
<b>Total</b>	<b>-</b>	<b>-</b>	<b>41,921</b>	<b>41,921</b>

2020/21

	Quoted prices in Active markets for identical Assets (Level 1)	Other significant Observable inputs (Level 2)	Significant Unobservable inputs (Level 3)	Fair value as at 31 March 2021
	£,000	£,000	£,000	£,000
Recurring fair value				
Measurements using:				
Investment Properties	-	-	36,074	36,074
Surplus Assets	-	-	3,072	3,072
<b>Total</b>	<b>-</b>	<b>-</b>	<b>39,146</b>	<b>39,146</b>

## Transfers between Levels of the Fair Value Hierarchy

There were no transfers between Levels 1, 2 and 3 during the year.

## Valuation Techniques used to Determine Level 3 Fair Values for Investment Properties

### Significant Unobservable Inputs – Level 3

The office and commercial units and Investment Properties located in the local authority area are measured using the income approach, by means of the discounted cash flow method, where the expected cash flows from the properties are discounted (using a market-derived discount rate) to establish the present value of the net income stream. The approach has been developed using the authority's own data requiring it to factor assumptions, such as the duration and timing of cash inflows and outflows, rent growth, occupancy levels, bad debt levels, maintenance costs, etc.

The authority's office and commercial units are therefore categorised as Level 3 in the fair value hierarchy as the measurement technique uses significant unobservable inputs to determine the fair value measurements (and there is no reasonably available information that indicated that market participants would use different assumptions).

## Highest and Best Use of Investment Properties

In estimation the fair value of the authority's investment properties, the highest and best use of the properties is their current use.

### Reconciliation of Fair Value Measurements (using Significant Unobservable Inputs) Categorised within Level 3 of Fair Value Hierarchy

#### Office buildings categorised within Level 3

	2020/21 £,000	2021/22 £000
<b>Opening balance</b>	<b>36,809</b>	<b>39,146</b>
Transfers into Level 3	0	0
Transfers out of Level 3	0	0
 Total gains (or losses) for the period included in Surplus or Deficit on the Provision of Services resulting from changes in the fair value	 2,668	 2,583
 Additions	 46	 0
Disposals	(365)	0
Other Charges	(12)	192
<b>Closing Balance</b>	<b>39,146</b>	<b>41,921</b>

Gains or Losses arising from changes in the fair value of the investment property are recognised in Surplus or Deficit in the Provision of Services – Financing and Investment Income and Expenditure line.



## NOTE 26 INTANGIBLE ASSETS

The carrying amount of intangible assets is amortised on a straight-line basis.

The Council accounts for its software as intangible assets to the extent that the software is not an integral part of a particular IT system and accounted for as part of the hardware item of Property, Plant and Equipment. Amortisation of £1,225k charged to revenue in 2021/22 was charged to the IT Administration cost centre and then absorbed as an overhead across all the service headings in the Net Expenditure of Services. It is not possible to quantify exactly how much of the amortisation is attributable to each service heading. The remaining amortisation was charged directly to the service using the asset.

The costs of the Council's major software suites are written off over the following periods:

Term	Internally Generated Assets	Other Assets
5 Years	None	I-Procurement, Human Resources Management Information Systems, E-mail and Schools e-learning, GIS Mapping Software, Wokingham Strategic Transport Model (WSTM) 2015 Base Update, Planning System, 21st Century Implementation.
15 Years	None	Housing Management System
20 Years	None	Enterprise Resource Planning (ERP) System
25 Years	None	Transition of WBC's ICT to a mixed economy model (migration to cloud), Customer Service System and self- service technology

The movement on Intangible Asset balances during the year is as follows:

	2020/21 £,000	2021/22 £,000
<b>Balance at the Start of the Year</b>		
Gross Carrying Amount	10,940	11,906
Accumulated Amortisation	(4,595)	(5,759)
<b>Adjusted Gross Carrying amounts</b>	<b>6,345</b>	<b>6,147</b>
<b>Net Carrying Amount at Start of the Year</b>		
Additions:		
Purchases	507	553
Other Changes	459	0
Amortisation for the Period	(1,164)	(1,225)
<b>Net Carrying Amount at End of the Year</b>	<b>6,147</b>	<b>5,475</b>

**Comprising:**

Gross Carrying Amounts

11,906

12,459

Accumulated Amortisation

(5,759)

(6,984)

**Closing Balance at 31 March**
**6,147**
**5,475**

## NOTE 27 CAPITAL EXPENDITURE AND CAPITAL FINANCING

The total amount of capital expenditure incurred in the year is shown in the table below (including the value of assets acquired under finance leases and PFI), together with the resources that have been used to finance it. Where capital expenditure is to be financed in future years by charges to revenue as assets are used by the Council, the expenditure results in an increase in the Capital Financing Requirement (CFR), a measure of the capital expenditure incurred historically by the Council that has yet to be financed.

	2020/21	2021/22
	£,000	£,000
<b>Opening Capital Financing Requirement</b>	<b>418,431</b>	<b>452,583</b>
<b>Capital Investment:</b>		
Property, Plant and Equipment	110,113	102,422
Investment Properties	0	0
Intangible Assets	507	553
Inventories	1,709	5,809
Revenue Expenditure Funded from Capital under Statute	4,338	6,526
Long Term Debtor	6,540	4,029
<b>Sources of Finance:</b>		
Capital Receipts	(4,912)	(17,991)
Government Grants and Other Contributions	(72,581)	(73,424)
Sums Set Aside from Revenue:		
Direct Revenue Contributions	(4,634)	(9,313)
MRP / Loans Fund Principal	(3,900)	(7,792)
<b>Other Adjustments:</b>		
Voluntary Debt Repayment - HRA	(3,028)	(1,258)
<b>Closing Capital Financing Requirement</b>	<b>452,583</b>	<b>462,144</b>

### Explanation of Movements in Year

Increase / (Decrease) in underlying need for supported borrowing

-
| Increase / (Decrease) in underlying need for unsupported borrowing | 34,152 | 9,561 |
| **Increase / (Decrease) in Capital Financing Requirement** | **34,152** | **9,561** |

## NOTE 28 LEASES

### The Council as Lessee

#### Finance Leases

The Council has two finance leases which were entered into in 1982. They relate to property at 1-14 and 1a-9a Weller Drive on the Hogwood Lane industrial estate, and the original length of the leases is 125 years.

The assets acquired in the leases on the industrial estate are carried as Investment Properties in the Balance Sheet at nil value as the value was written down to nil during 2012/13 following a review as the initial lease terms on the property are onerous and at present the units are not trading at a surplus taking into account total management and running costs. In the event the properties trade at a surplus at a future date, the assets will be revalued and the impairment reversed as appropriate.

The Council is committed to making the minimum payments under these leases comprising settlement of the long-term liability for the interest in the property acquired by the Council and finance costs that will be payable by the Council in future years while the liability remains outstanding. The minimum lease payments comprise the following amounts:

#### Finance Lease Liabilities (Net Present Value of Minimum Lease Payments):

- Current
- Non-current

Finance Costs Payable in Future Years

#### Minimum Lease Payments

31st March, 2021 £,000	31st March, 2022 £,000
-	-
1,067	1,067
8,171	8,064
<b>9,238</b>	<b>9,131</b>

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

	Minimum Lease Payments		Finance Lease Liabilities	
	31st March, 2021 £,000	31st March, 2022 £,000	31st March, 2021 £,000	31st March, 2022 £,000
- Not Later than One Year	107	107	-	0
- Later than One Year and not Later than Five Years	427	427	-	0
- Later than Five Years	8,704	8,598	1,066	1,067
	<b>9,238</b>	<b>9,132</b>	<b>1,066</b>	<b>1,067</b>

The minimum lease payments do not include rents that are contingent on events taking place after the lease was entered into, such as adjustments following rent reviews. In 2021/22 £186k contingent rents were payable by the Council (2020/21 £186k).

## Operating Leases

The Council has a number of operating leases relating to buildings, vehicles and computer equipment. The items are used for the following purposes:

- buildings include office accommodation, industrial premises and social housing
- vehicles include animal warden, portorage and social services fleet vehicles

The future minimum lease payments due under non-cancellable leases in future years are:

	31st March, 2021 £,000	31st March, 2022 £,000
<b>Not later than one year:</b>		
Land and buildings	151	142
Vehicles, plant and equipment	21	40
Computer equipment	32	51
<b>Later than one year and not later than five years:</b>		
Land and buildings	206	194
Vehicles, plant and equipment	19	52
Computer equipment	16	80
<b>Later than five years:</b>		
Land and buildings	394	345

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

	2020/21 £,000	2021/22 £,000
<b>Minimum lease payments:</b>		
Land and buildings	185	373
Vehicles, plant and equipment	45	43
Computer equipment	59	65
<b>Contingent rents:</b>		
Land and buildings	0	0
	<b>289</b>	<b>481</b>

## The Council as Lessor

### Finance Leases

The Council did not enter into any finance leases in 2021/22 as a lessor.

## The Council as Lessor

### Operating Leases

The Council has a number of premises which it leases out on an operating lease basis for the following purposes:

- for the provision of community services such as sports facilities, community centres and leisure facilities
- for economic development purposes to provide suitable affordable accommodation for local businesses
- for the provision of service tenancy accommodation such as school caretakers.

The income receivable credited to the relevant service line in the Comprehensive Income and Expenditure Statement during the year in relation to these leases was:

#### Rental Income receivable:

	2020/21 £,000	2021/22 £,000
Shops	(3,328)	(4,375)
Industrial Premises	(1,875)	(1,676)
Offices	(538)	(285)
Other	(1,390)	(1,282)
<b>Total</b>	<b>(7,131)</b>	<b>(7,618)</b>

The increase rental income from £7,131k in 2020/21 to £7,618 in 2021/22 is largely due to the full year effect of regeneration works taking place in Wokingham Town Centre. There have also been some reclassifications between categories as more information has become available.

The future minimum lease payments receivable under non-cancellable leases in future years are:

	31st March, 2021 £,000	31st March, 2022 £,000
<b>Not later than one year:</b>		
Shops	(4,266)	(4,208)
Industrial premises	(1,582)	(1,507)
Offices	(342)	(343)
Other	(1,321)	(1,259)
<b>Later than one year and not later than five years:</b>		
Shops	(15,806)	(15,415)
Industrial premises	(5,305)	(4,945)
Offices	(1,053)	(965)
Other	(7,074)	(4,642)
<b>Later than five years:</b>		
Shops	(26,357)	(27,342)
Industrial premises	(13,155)	(11,969)
Offices	(171)	(12)
Other	(24,153)	(22,550)
<b>Total</b>	<b>(100,585)</b>	<b>(95,157)</b>

## NOTE 29 PRIVATE FINANCE INITIATIVES AND SIMILAR CONTRACTS

### Waste Disposal PFI Scheme

In 2006/07 the Council, together with Reading and Bracknell Forest Borough Councils, entered into a PFI contract with WRG (RE3 Ltd) for the disposal of waste. The total outstanding value of the contract is estimated to be £94.124m as at 31 March, 2022, to be shared between the councils based on usage. Actual payments will depend upon the contractor's performance as well as that of the individual councils in waste collection and recycling. As part of the contract, the contractor has built a transfer station, materials recycling facility, civic amenity site and offices on land owned by Reading and Bracknell Forest Borough Councils. The contract will expire in December 2031.

The Council acquired a 37.2% share of assets that will revert to the ownership of the RE3 partnership between the three councils at the end of the contract.

The Council's share of the assets used to provide the waste disposal contract is recognised in the Council's Balance Sheet. Movements in their value over the year are detailed in the analysis of the movement on Property, Plant and Equipment in Note 24.

Payments remaining to be made by Wokingham Borough Council under the PFI contract at 31 March, 2022 (excluding any estimation of inflation and availability / performance deductions) are as follows:

	Income Amortisation	Liability	Interest	Service Charges	Total
	£,000	£,000	£,000	£,000	£,000
Payable in 2021/22	118	226	358	2,936	3,519
Payable within 2 to 5 Years	472	2,003	1,133	11,568	14,705
Payable within 6 to 10 Years	503	2,658	504	13,628	16,790
<b>Total</b>	<b>1,093</b>	<b>4,887</b>	<b>1,995</b>	<b>28,133</b>	<b>35,014</b>

The liability outstanding under the waste contract is as follows:

	Deferred Income		Lease Liability	
	31st March, 2021 £,000	31st March, 2022 £,000	31st March, 2021 £,000	31st March, 2022 £,000
Balance Outstanding at Start of Year	(1,329)	(1,211)	(5,754)	(5,326)
Amortisation/Payments During the Year	118	118	428	439
<b>Balance Outstanding at End of Year</b>	<b>(1,211)</b>	<b>(1,093)</b>	<b>(5,326)</b>	<b>(4,887)</b>

## NOTE 30 DEBTORS

Debtors are amounts that were due to the Council in full at the end of the accounting year and are net of bad debt provisions. They can be analysed as follows:

Group position to be added once group consolidation complete

<b>SHORT TERM DEBTORS</b>	<b>WBC 31st March, 2021 £,000</b>	<b>Group 31st March, 2021 £,000</b>	<b>WBC 31st March, 2022 £,000</b>	<b>Group 31st March, 2022 £,000</b>
<b>Repayable within One year</b>				
Central Government Bodies	2,801	2,802	1,267	
Other Local Authorities	6,644	12,827	2,656	
NHS Bodies	2,106	2,114	1,663	
Other Entities and Individuals	40,515	41,831	43,225	
<b>Total</b>	<b>52,066</b>	<b>58,574</b>	<b>48,812</b>	

### DEBTORS FOR LOCAL TAXATION

The debtors which were due to the Council in full at the end of the accounting year, net of bad debt provision, for local taxation (council tax and non-domestic rates (business rates)) can be analysed by age as follows:

	<b>Council Tax £,000</b>	<b>Business Rates £,000</b>	<b>31st March, 2021 £,000</b>	<b>Council Tax £,000</b>	<b>Business Rates £,000</b>	<b>31<sup>st</sup> March, 2022 £,000</b>
Less than 1 year	1,951	1,115	3,066	1,676	933	2,609
Between 1 and 2 years	803	250	1,053	898	163	1,061
More than 2 years	423	219	642	513	152	665
<b>Total</b>	<b>3,177</b>	<b>1,584</b>	<b>4,761</b>	<b>3,087</b>	<b>1,248</b>	<b>4,335</b>

### LONG TERM DEBTORS

	<b>31st March 2021 £,000</b>	<b>31<sup>st</sup> March 2022 £,000</b>
<b>Repayable after one year</b>		
Other entities and individuals	26,225	24,486
<b>Total</b>	<b>26,225</b>	<b>24,486</b>

Long term debtors have decreased from £26.2m at 31 March 2021 to £24.5m at 31 March 2022. This is due to repayment of £5.7m loans to Wokingham Housing Ltd and WBC Holdings Ltd in 2021/22 this has partly been offset by additional loans advance of £4m to the above companies



## NOTE 31 CREDITORS

Creditors are amounts due to be paid by the Council at the end of the accounting year and include:

Group position to be added once group consolidation complete

	WBC	Group	WBC	Group
	31st March, 2021 £,000	31st March, 2021 £,000	31st March, 2022 £,000	31st March, 2022 £,000
Central Government Bodies	(10,308)	(13,491)	(29,139)	
Other Local Authorities	(2,371)	(1,129)	(3,102)	
NHS Bodies	(468)	(468)	(409)	
Charities	0	0	0	
Other Entities and Individuals	(52,760)	(56,412)	(56,035)	
<b>Total</b>	<b>(65,907)</b>	<b>(71,501)</b>	<b>(88,685)</b>	

The increase in Central Government Bodies from £10.3m in 2020/21 to £29.1m in 2021/22 is primarily due to Covid related grants received in advance which are due to be spent in 2022/23.

### LONG TERM CREDITORS

#### Repayable after one year

Lease premium received in advance  
Other Entities and Individuals

#### Total

31st March, 2021 £,000	31st March, 2022 £,000
(5,360)	(4,690)
(71)	(2)
<b>(5,431)</b>	<b>(4,692)</b>

The long-term creditor of £71k in 20/21, in respect of funds received from a developer for a deposit relating to a section 38 agreement, has been largely returned to the developer in 21/22.

The Council leases out a number of residential properties in respect of the Peach Place regeneration project to a subsidiary company, Berry Brook Homes Limited. There are 3 leases each of which has a 30 year term with a break clause after 10 years and lease premiums totalling £6.7m were received by the Council at the inception of the lease. The leases do not transfer all the risks and rewards of ownership to the lessee and, accordingly, these leases have been classified as operating leases. The lease premium is to be recognised in income over the initial lease term of 10 years as follows:

#### Short-term

Within one year

#### Long-term

Between one and two years

Between two and five years

Between five and ten years

#### Total Long-term

31 <sup>st</sup> March, 2021 £,000	31 <sup>st</sup> March, 2022 £,000
(670)	(670)
(670)	(670)
(2,680)	(2,680)
(2,010)	(1,340)
<b>(5,360)</b>	<b>(4,690)</b>



## NOTE 32 PROVISIONS

All the Council's provisions are short term.

Provisions than 1 year:	less	2020/21			2021/22		
		Provision for Accumulated Absences	Other Provisions	Total	Provision for Accumulated Absences	Other Provisions	Total
		£,000	£,000	£,000	£,000	£,000	£,000
<b>Balance brought forward</b>		<b>(3,085)</b>	<b>(4,773)</b>	<b>(7,858)</b>	<b>(4,797)</b>	<b>(4,132)</b>	<b>(8,929)</b>
Additional provisions made in year		(4,797)	(3,208)	<b>(8,005)</b>	(4,371)	1,081	<b>(3,291)</b>
Amounts used in year		3,085	3,849	<b>6,934</b>	4,797	-	<b>4,797</b>
Unused amounts reversed in year		-	-	-	-	-	-
<b>Balance carried forward</b>		<b>(4,797)</b>	<b>(4,132)</b>	<b>(8,929)</b>	<b>(4,371)</b>	<b>(3,051)</b>	<b>(7,422)</b>

### Provision for Accumulating Absences

Officers can carry forward holiday and flexi leave entitlement at the end of the financial year; however, they are not financially compensated if they leave the Council's employment before taking up their entitlement. The Council made a provision of £4.371m at 31 March 2022 (£4.797m at 31 March 2021) for compensated absences.

### Other Provisions

Provision for Non-Domestic Rates successful appeals against valuations - Following guidance from the Department for Levelling Up, Housing and Communities (DLUHC), and in line with proper accounting practice, the Collection Fund has made a provision of £4.988m (£5.334m as at 31 March 2021) for successful appeals against business rates valuations, of which Wokingham's share is £2.444m (£3.506m as at 31 March 2021).

Dilapidation – A provision for dilapidation costs on buildings for Council lease of £0.217m (£0.217m as at 31 March 2021). As contracts may specify the building must be returned to their original condition at the end of the lease. This also includes terminating leases where necessary.

Wokingham Borough Council is a Member of the MMI (Municipal Mutual Insurance) Scheme of Arrangement, which was put in place following MMI's insolvency in 1992. It relates to historic insurance claims for mesothelioma caused by asbestos and those claims that may have been incurred but not yet reported. A provision at 31 March 2022 of £0.390m (31 March 2021 £0.409m) is held for this purpose.

## NOTE 33 CONTINGENT LIABILITIES

Wokingham Borough Council has a number of subsidiary companies, which were operational during 2021/22. The Council funds any operating losses reported by the companies from its working balances as loans to the companies. The losses are carried forward in the profit and loss reserves of the companies (see the main financial statements and note 46 for more information). In addition, it acts as guarantor for any losses or liabilities incurred by the companies, particularly any residual losses that may be incurred by the companies if they were to cease trading and were wound up.

In relation to Optalis Ltd, the Council has an additional contingent liability in relation to staff transferred from the Council to the company under TUPE arrangements. The Council remains liable for the pension liabilities of the staff transferred, for costs associated with future redundancies and for pension strain costs arising from service closures and future modernisations if they were to occur. The Optalis pension deficit at 31 March 2022 is £6.919m (£9.266m at 31 March 2021), as can be seen in note 19.

In August 2019 the Employee Appeal Tribunal made a judgement that holiday pay for permanent employees whose work patterns are varied across the year should be calculated based on the average earnings for the 12 weeks prior to the holiday as opposed to the average earnings on an annual basis. There is a possibility that an appeal may be made against this ruling although this would appear unlikely and there is a lack of clarity with regard to the basis of any potential claims and the period, if any, to be backdated. In view of this and the lack of current data available the Council is unable to estimate the likely financial impact of any claims that may arise.

## NOTE 34 CONTINGENT ASSETS

The Council does not currently have any contingent assets.

## NOTE 35 ASSETS HELD FOR SALE

	Current	
	2020/21 £,000	2021/22 £,000
<b>Balance outstanding at start of the year</b>	0	692
Assets newly classified as held for sale:		
Property, plant, and equipment	692	0
Assets sold	0	(692)
Transfers to Operational Assets - Not sold	0	505
<b>Balance outstanding at end of year</b>	692	505

As at 31 March 2022 there were 5 properties classified as assets held for sale (6 at 31 March 2021)

## NOTE 36 FINANCIAL INSTRUMENTS

### Categories of Financial Instruments

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

	<u>Current</u>						<u>Non-Current</u>			
	Investments		Debtors		Cash and Cash Equivalents		Investments		Debtors	
	31st March, 2021 £,000	31st March, 2022 £,000	31st March, 2021 £,000	31st March, 2022 £,000	31st March, 2021 £,000	31st March, 2022 £,000	31st March, 2021 £,000	31st March, 2022 £,000	31st March, 2021 £,000	31st March, 2022 £,000
<b>Financial Assets</b>										
At amortised cost	195,336	80,077	38,987	27,097	131,296	47,635	30,104	-	26,225	24,486
<b>Total Financial Assets</b>	195,336	80,077	38,987	27,097	131,296	47,635	30,104	-	26,225	24,486
<b>Non-financial Assets</b>										
Other	-	-	15,534	21,715	-	-	-	-	-	-
<b>Total Non-financial Assets</b>	-	-	15,534	21,715	-	-	-	-	-	-
<b>Per Balance Sheet</b>	<b>195,336</b>	<b>80,077</b>	<b>54,520</b>	<b>48,812</b>	<b>131,296</b>	<b>47,635</b>	<b>30,104</b>	<b>-</b>	<b>26,225</b>	<b>24,486</b>

## Categories of Financial Instruments

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

	<u>Current</u>						<u>Non-Current</u>			
	Borrowings		Creditors		Cash and Cash Equivalents		Borrowings		Creditors	
	31st March, 2021 £,000	31st March, 2022 £,000	31st March, 2021 £,000	31st March, 2022 £,000	31st March, 2021 £,000	31st March, 2022 £,000	31st March, 2021 £,000	31st March, 2022 £,000	31st March, 2021 £,000	31st March, 2022 £,000
<b>Financial Liabilities</b>										
At amortised cost	(338,711)	(121,718)	(44,260)	(46,335)	(1,651)	(3,047)	(191,890)	(142,405)	(71)	(2)
<b>Total Financial Liabilities</b>	(338,711)	(121,718)	(44,260)	(46,335)	(1,651)	(3,047)	(191,890)	(142,405)	(71)	(2)
<b>Non-financial Assets</b>										
Other	-	-	(23,841)	(42,350)	-	-	-	-	(5,360)	(4,690)
<b>Per Balance Sheet</b>	<b>(338,711)</b>	<b>(121,718)</b>	<b>(68,101)</b>	<b>(88,685)</b>	<b>(1,651)</b>	<b>(3,047)</b>	<b>(191,890)</b>	<b>(142,405)</b>	<b>(5,431)</b>	<b>(4,692)</b>

## Income, Expense, Gains and Losses

	2020/21			2021/22		
	Financial Liabilities Measured at Amortised Cost £,000	Financial Assets Measured at Amortised Cost £,000	Total £,000	Financial Liabilities Measured at Amortised Cost £,000	Financial Assets Measured at Amortised Cost £,000	Total £,000
Interest expense on external borrowing	7,719	-	7,719	6,685	-	6,685
Interest expense on PFI and finance lease liabilities	637	-	637	627	-	627
Impairment losses	-	-	-	-	-	-
<b>Total expense in surplus or deficit on the provision of services</b>	<b>8,356</b>	<b>-</b>	<b>8,356</b>	<b>7,312</b>	<b>-</b>	<b>7,312</b>
Interest income	-	(2,122)	(2,122)	-	(1,727)	(1,727)
<b>Total income in surplus or deficit on the provision of services</b>	<b>8,356</b>	<b>(2,122)</b>	<b>6,234</b>	<b>7,312</b>	<b>(1,727)</b>	<b>5,586</b>
Surplus / deficit arising on revaluation of financial assets in the comprehensive income and expenditure statement	-	-	-	-	-	-
<b>Net (gain) / loss for the year</b>	<b>8,356</b>	<b>(2,122)</b>	<b>6,234</b>	<b>7,312</b>	<b>(1,727)</b>	<b>5,586</b>

## Fair Values of Financial Assets and Financial Liabilities

All financial assets and financial liabilities of the Council are carried in the Balance Sheet at amortised cost. The fair values calculated for financial assets and liabilities are as follows:

Financial liabilities, financial assets represented by loans and receivables and long-term debtors and creditors are carried in the Balance Sheet at amortised cost. Their fair value can be assessed by calculating the present value of the cash flows that will take place over the remaining term of the instruments, using the following assumptions:

- for loans from the Public Works Loans Board (PWLB) and other loans payable, premature repayment rates from the PWLB have been applied to provide the fair value under PWLB debt redemption procedures.
- for loans receivable prevailing benchmark market rates have been used to provide the fair value.
- no early repayment or impairment is recognised.
- where an instrument has a maturity of less than 12 months or is a trade or other receivable the fair value is taken to be the principal outstanding or the billed amount.
- the fair value of trade and other receivables is taken to be the invoiced or billed amount.

	31 March 2021		31 March 2022	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
	£,000	£,000	£,000	£,000
<b>Financial Assets Held at Amortised Cost</b>				
Short-term Investments	195,336	195,336	80,077	80,077
Long-term Investments	30,104	30,491	-	-
Short-term Debtors	38,987	38,987	27,097	27,097
Long-term Debtors	26,225	26,225	24,486	24,486
Cash and Cash Equivalents	131,296	131,296	47,635	47,635
<b>Total Financial Assets</b>	<b>421,947</b>	<b>422,335</b>	<b>179,295</b>	<b>179,295</b>
<b>Financial Liabilities Held at Amortised Cost</b>				
Borrowings	(530,601)	(596,109)	(264,123)	(320,636)
Cash and Cash Equivalents	(1,651)	(1,651)	(3,047)	(3,047)
Other liabilities and creditors	(44,331)	(44,331)	(46,337)	(46,337)
	<b>(576,583)</b>	<b>(642,091)</b>	<b>(313,507)</b>	<b>(370,020)</b>
<b>Other</b>				
PFI and other Finance Lease Liabilities	(7,604)	(7,604)	(7,046)	(7,046)
	<b>(7,604)</b>	<b>(7,604)</b>	<b>(7,046)</b>	<b>(7,046)</b>
<b>Total Financial Liabilities</b>	<b>(584,187)</b>	<b>(649,695)</b>	<b>(320,553)</b>	<b>(377,066)</b>

The fair value of liabilities as at 31 March 2022 is greater than the overall carrying amount because the Council's portfolio of loans from the Government's Public Works Loans Board (PWLb) and other sources includes a number of fixed rate loans where the interest payable is higher than the rates available for similar loans in the market at the Balance Sheet date.

The fair values for financial liabilities have been determined by reference to the PWLB redemption rules and prevailing PWLB redemption rates as at each balance sheet date and include accrued interest. The fair value for non-PWLB debt has also been calculated using the same procedures and interest rates and this provides a sound approximation for fair value of these instruments.

The differences are attributable to fixed interest instruments payable being held by the Council whose interest rate is slightly lower than the prevailing rate estimated to be available at 31 March 2022. This increases the fair value of loans and receivables.

The fair values for investments have been determined by reference to similar practices, as detailed above, which provide a reasonable approximation for the fair value of a financial instrument and includes accrued interest. The comparator market rates prevailing have been taken from indicative investment rates at each balance sheet date. In practice, rates will be determined by the size of the transaction and the counterparty, but it is impractical to use these figures and the difference is likely to be immaterial.

## Fair Value Hierarchy for Financial Assets and Financial Liabilities that are not measured at Fair Value

### Financial Liabilities

PWLB and LOBO loans  
Borrowings with other local authorities  
Other loans  
PFI and finance lease liabilities

### Financial Assets

Short-term investments with other local authorities  
Investments with banks and other financial institutions  
Other investments

31st March, 2021 Other Significant Observable Inputs (Level 2) £,000	31st March, 2022 Other Significant Observable Inputs (Level 2) £,000
(136,014)	(131,718)
(394,512)	(132,234)
(75)	(75)
(7,604)	(7,046)
<b>(538,205)</b>	<b>(271,073)</b>
195,335	80,077
22,721	31,925
26,225	24,486
<b>244,281</b>	<b>136,488</b>

## **NOTE 37                      NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS**

The Council's activities expose it to a variety of financial risks:

- 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;
- re-financing risk – the possibility that the Council might be required to renew a financial instrument on maturity at disadvantageous interest rates or terms;
- market risk – the possibility that financial loss might arise for the Council as a result of changes in such measures as interest rates and stock market movements.

The Council's overall risk management procedures focus on the unpredictability of financial markets, and are structured to implement suitable controls to minimise these risks. The procedures for risk management are set out through a legal framework. These require the Council to comply with the CIPFA Prudential Code, the CIPFA Code of Practice on Treasury Management in the Public Services and investment guidance issued through the Local Government Act 2003. Overall, these procedures require the Council to manage risk, which it does through the following means.

The Annual Treasury Management and Investment strategy which incorporates the prudential indicators was approved by Council on 18th February 2021 and is available on the Council website.

### **Credit risk**

Credit risk arises from deposits with banks and financial institutions, as well as credit exposures to the Council's customers.

This risk is minimised through the Annual Treasury Management and Investment Strategy, which requires that deposits are not made with financial institutions unless they meet identified minimum credit criteria, as laid down by Fitch, Moody's and Standard and Poor's Ratings Services. The Treasury Management Strategy also imposes a maximum sum to be invested and time limits with a financial institution located within each category. Deposits are not made with banks and financial institutions unless they meet the minimum requirements of the investment criteria. The credit criteria in respect of financial assets held by the Council are detailed in the annual treasury management and investment strategy.

The following analysis summarises the Council's potential maximum exposure to credit risk on financial assets, based on experience of default, and ability to collect, over the last six financial years, adjusted to reflect current market conditions:



## Amounts Arising from Expected Credit Losses

The changes in the loss allowance for financial assets at amortised cost are as follows:

	Lifetime Expected Credit Losses- Credit Impaired Simplified Approach £,000
<b>2021-22 Movement</b>	
Opening balance at 1 April 2021	(2,399)
Amounts written-off	76
Increase in allowance for credit losses	(316)
Other changes	
<b>Closing balance at 31 March 2022</b>	<b>(2,639)</b>
<b>2020-21 Movement</b>	
Opening balance at 1 April 2020	(2,393)
Amounts written-off	546
Increase in allowance for credit losses	(553)
Other changes	0
<b>Closing balance at 31 March 2021</b>	<b>(2,400)</b>

The Council has the following exposure to credit risk at 31 March 2022:

	Gross Carrying Amount at 31 March, 2022 £,000
<b>Deposits with banks and financial institutions:</b>	
AAA Rated Counterparties	34,717
<b>Deposits with banks and financial institutions:</b>	
AA Rated Counterparties	95,000
<b>Simplified Approach</b>	
Customers	21,974
<b>Total</b>	<b>151,779</b>

No breaches of the Council's counterparty criteria occurred during the reporting period and the Council does not expect any losses from non-performance by any of its counterparties in relation to deposits and bonds.

## Liquidity risk

The Council manages its liquidity position through the risk management procedures above (the setting and approval of prudential indicators and the approval of the annual treasury and investment strategy), as well as through a comprehensive cash flow management system, as required by the CIPFA Code of Practice. This seeks to ensure that cash is available when needed. The Council has ready access to borrowings from the money markets to cover any day to day cash flow need, and the PWLB and money markets for access to longer term funds. The Council is also required to provide a balanced budget through the Local Government Finance Act 1992, which ensures sufficient monies are raised to cover annual expenditure. There is therefore no significant risk that it will be unable to raise finance to meet its commitments under financial instruments.

Instead, the risk is that the Council is exposed to replacing financial instruments as they mature. This risk relates to both the maturing of longer term financial liabilities and longer term financial assets.

The maturity analysis of financial assets is as follows:

	31st March, 2021 £,000	31st March, 2022 £,000
Within one year	326,632	127,713
Between one and two years	30,104	0
	<b>356,736</b>	<b>127,713</b>

## Maturity and refinancing risk

The Council maintains a significant debt and investment portfolio. Whilst the cash flow procedures above are considered together with the refinancing risk procedures, longer-term risk to the Council relates to managing the exposure to replacing financial instruments as they mature. This risk relates to both the maturing of longer term financial liabilities and longer term financial assets. The approved treasury indicator limits for the maturity structure of debt and the limits placed on investments placed for greater than one year in duration are the key parameters used to address this risk. The Council approved Treasury Management and Investment Strategy address the main risks and the corporate finance team addresses the operational risks within the approved parameters. This includes:

- monitoring the maturity profile of financial liabilities and amending the profile through either new borrowing or the rescheduling of the existing debt;
- monitoring the maturity profile of investments to ensure sufficient liquidity is available for the Council's day to day cash flow needs, and the spread of longer term investments to provide stability of maturities and returns in relation to the longer term cash flow needs.

The maturity analysis of financial liabilities is as follows:

	31st March 2021 £,000	31st March 2022 £,000
<b>Short term borrowing</b>		
Within one year	(338,711)	121,484
<b>Long term borrowing</b>		
Between 1 and 2 years	(49,493)	(19,191)
Between 2 and 5 years	(26,908)	(13,130)
Between 5 and 10 years	(31,799)	(26,379)
Between 10 and 15 years	(35,215)	(39,192)
Between 15 and 20 years	(4,000)	(0)
Between 20 and 25 years	(0)	(1,465)
Between 25 and 30 years	(1,465)	(3,000)
More than 30 years	(43,010)	(39,723)
<b>Total Long Term</b>	<b>(191,890)</b>	<b>(263,564)</b>
<b>Total Borrowing</b>	<b>(530,601)</b>	<b>(263,564)</b>

## Market risk

### Interest rate risk

The Council is exposed to interest rate movements on its borrowings and investments. Movements in interest rates have a complex impact on the Council. For instance, a rise in variable and fixed interest rates would have the following effects:

- borrowings at variable rates – the interest expense charged to the Surplus or Deficit on the Provision of Services will rise;
- borrowings at fixed rates – the fair value of the borrowing liability will fall;
- investments at variable rates – the interest income credited to the Surplus or Deficit on the Provision of Services will rise;
- investments at fixed rates – the fair value of the assets will fall.

Borrowings are not carried at fair value on the Balance Sheet, so nominal gains and losses on fixed rate borrowings would not impact on the surplus or deficit on the provision of services or other comprehensive income and expenditure. However, changes in interest payable and receivable on variable rate borrowings and investments will be posted to the surplus or deficit on the provision of services and affect the general fund balance. Movements in the fair value of fixed rate investments that have a quoted market price will be reflected in other comprehensive income and expenditure.

The Council has a number of strategies for managing interest rate risk. The annual Treasury Management Strategy draws together the Council's prudential indicators and its expected treasury operations, including an expectation of interest rate movements. From this strategy a prudential indicator is set which provides maximum and minimum limits for fixed and variable interest rate exposure. The corporate finance team will monitor market and forecast interest rates within the year to adjust exposures appropriately. For instance during periods of falling

interest rates, and where economic circumstances make it favourable, fixed rate investments may be taken for longer periods to secure better long term returns.

At 31 March, if all interest rates had been 1% higher with all other variables held constant, the financial effect would be:

	31st March, 2021 £,000	31st March, 2022 £,000
Increase in interest payable on variable rate borrowings	-	-
Increase in interest receivable on variable rate investments	(308)	(932)
<b>Impact on Surplus or Deficit on the Provision of Services</b>	<b>(308)</b>	<b>(932)</b>
Share of overall impact debited/(credited) to the HRA	-	-
Decrease in Fair Value of Fixed Rate Investment Assets	-	-
<b>Impact on Other Comprehensive Income and Expenditure</b>	<b>(308)</b>	<b>(932)</b>
Decrease in Fair Value of Fixed Rate Borrowings Liabilities (no impact on the Surplus or Deficit on the Provision of Services or Other Comprehensive Income and Expenditure)	-	-

There is nil impact on the cost of borrowing of a 1% change as all the loans are at fixed rates. The impact of a 1% fall in interest rates would be as above but with the movements being reversed. Fund Managers investments are not considered as variable rate investments.

#### **Price risk**

The Council does not generally invest in instruments with this type of risk.

## NOTE 38 OPERATING ACTIVITIES

Group position to be added once group consolidation complete

The cash flows for operating activities include the following items:

	<b>WBC 31st March 2021 £,000</b>	<b>Group 31st March 2021 £,000</b>	<b>WBC 31st March 2022 £,000</b>	<b>Group 31st March 2022 £,000</b>
- Interest Received	(2,122)	(2,122)	(1,727)	
- Interest Paid	8,356	8,356	7,312	
	<b>6,234</b>	<b>6,234</b>	<b>5,585</b>	

The surplus or deficit on the provision of services has been adjusted for the following non-cash movements

	<b>WBC 31st March 2021 £,000</b>	<b>Group 31st March 2021 £,000</b>	<b>WBC 31st March 2022 £,000</b>	<b>Group 31st March 2022 £,000</b>
- Depreciation of property, plant and Equipment	18,804	18,814	21,462	
- Impairment and downward valuations	24,618	22,241	(127)	
- Amortisation of intangible assets	1,164	1,164	1,225	
- (Increase) / decrease in inventories	1,814	4,929	499	
- Increase / (decrease) in impairment allowance for bad or doubtful debts	1,253	1,253	(1,172)	
- Increase / (decrease) in creditors	(2,358)	(2,544)	25,626	
- (Increase) / decrease in debtors	(22,073)	(22,100)	10,482	
- Movement in pension liability	15,116	15,372	18,845	
- Carrying amount of non-current assets, and non – current assets held for sale, sold or derecognised	26,880	22,071	55,326	
- Other non-cash items charged to the net surplus or deficit on the provision of services	(6,579)	(6,608)	(14,270)	
<b>Total Non-Cash Movements</b>	<b>58,640</b>	<b>54,592</b>	<b>117,896</b>	

## NOTE 39 INVESTING ACTIVITIES

Group position to be added once group consolidation complete

	WBC 31st March 2021 £,000	Group 31st March 2021 £,000	WBC 31st March 2022 £,000	Group 31st March 2022 £,000
- Purchase of Property, Plant and Equipment, Investment Property and Intangible Assets	(106,809)	(109,079)	(115,962)	
- Purchase of Short-term and Long-term Investments	(780,197)	(780,197)	(384,707)	
- Other Payments for Investing Activities	(6,540)	(117)	(4,029)	
- Proceeds from the Sale of Property, Plant and Equipment, Investment Property and Intangible Assets	7,349	7,349	16,677	
- Proceeds from Short-term and Long-term Investments	630,623	630,263	535,378	
- Other Receipts from Investing Activities	69,587	69,587	87,259	
<b>Net Cash Flows from Investing Activities</b>	<b>(185,986)</b>	<b>(182,194)</b>	<b>134,616</b>	

## NOTE 40 FINANCING ACTIVITIES

Group position to be added once group consolidation complete

	WBC 31st March 2021 £,000	Group 31st March 2021 £,000	WBC 31st March 2022 £,000	Group 31st March 2022 £,000
- Cash Receipts of Short and Long-term Borrowing	433,871	432,485	99,000	
- Other Receipts or Payments for Financing Activities	3,057	3,057	309	
- Cash Payments for the reduction of outstanding liabilities relating to Finance leases and on balance sheet PFI contracts	(545)	(545)	(557)	
- Repayments of short and long-term borrowing	(183,080)	(183,080)	(365,005)	
- Other Payments for Financing Activities	0	0	(2,791)	
<b>Net Cash Flows from Financing Activities</b>	<b>253,302</b>	<b>251,917</b>	<b>(269,044)</b>	

## NOTE 41 CASH AND CASH EQUIVALENTS

Group position to be added once group consolidation complete

	WBC 31st March, 2021 £,000	Group 31st March, 2021 £,000	WBC 31st March, 2022 £,000	Group 31st March, 2022 £,000
Cash held by the Council	1,650	1,650	3,046	
Bank Current Assets	17,033	19,860	516	
Money Market Instruments	112,218	112,218	43,418	
Cash Held by Fund Managers	654	654	655	
<b>Cash and Cash Equivalents</b>	<b>131,555</b>	<b>134,382</b>	<b>47,635</b>	
Bank Current Liabilities	(1,651)	(1,651)	(3,047)	
<b>Total Cash and Cash Equivalents</b>	<b>129,904</b>	<b>132,731</b>	<b>44,588</b>	

## NOTE 42 ACQUIRED AND DISCONTINUED OPERATIONS

There were no acquired or discontinued operations in 2021/22 or 2020/21.

## NOTE 43 EVENTS AFTER THE BALANCE SHEET DATE

The financial statements have not been adjusted for any post balance sheet events which took place after 31 March 2022.

## NOTE 44 AGENCY SERVICES

The shared legal service and internal audit & investigations service that the Council ran with the Royal Borough of Windsor and Maidenhead, both ceased to operate during 2021/22. The building control service was run with the Royal Borough Windsor and Maidenhead and West Berkshire, however during 2021/22 Royal Borough Windsor and Maidenhead left the service. A reprographics service with Bracknell Forest Council continues to operate. The operational property service was operated with the Royal Borough of Windsor and Maidenhead until 31 March 2020. Some services already engaged were utilised during 2020/21. A summary of expenditure incurred, and income received, in respect of agency services, which is not included within the Comprehensive Income and Expenditure Statement, is as follows:

	Shared Legal Services	Internal Audit and Investigation	Building Control	Operational Property	Reprographics	Total
	£,000	£,000	£,000	£,000	£,000	£,000
<b>2021-22</b>						
<b>Income</b>						
Bracknell Forest	-	-	-	-	(82)	(82)
Windsor & Maidenhead	(170)	(408)	(108)	(41)	-	(726)
West Berkshire	-	-	(592)	-	-	(592)
<b>Total Income</b>	<b>(170)</b>	<b>(408)</b>	<b>(699)</b>	<b>(41)</b>	<b>(82)</b>	<b>(1,399)</b>
<b>Expenditure</b>	<b>170</b>	<b>408</b>	<b>699</b>	<b>41</b>	<b>82</b>	<b>1,399</b>
<b>Net Expenditure/(Income)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>2020-21</b>						
<b>Income</b>						
Bracknell Forest	-	-	-	-	(71)	(71)
Windsor & Maidenhead	(582)	(378)	(567)	(169)	-	(1,696)
West Berkshire	-	-	(567)	-	-	(567)
<b>Total Income</b>	<b>(582)</b>	<b>(378)</b>	<b>(1,134)</b>	<b>(169)</b>	<b>(71)</b>	<b>(2,334)</b>
<b>Expenditure</b>	<b>582</b>	<b>378</b>	<b>1,134</b>	<b>169</b>	<b>71</b>	<b>2,334</b>
<b>Net Expenditure/(Income)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>



## NOTE 45 POOLED BUDGETS

Section 75 of the National Health Service Act 2006 and the Community Care and Health (Scotland) Act 2002 enable the establishment of joint working arrangements between NHS bodies and local authorities to enable them to work collaboratively to provide services to address local health issues. Wokingham currently has two pooled budget arrangements.

### Joint Equipment Stores Agreement

The Joint Equipment Stores Agreement uses NRS Healthcare as an agent to provide the services. The six Berkshire Unitary Authorities and the Berkshire Clinical Commissioning Groups are members of the agreement with West Berkshire Council as the lead partner. The memorandum account for the fund is as follows:

	2020/21 £,000	2021/22 £,000
<b>Funding Provided to the Pooled Budget:</b>		
Wokingham Borough Council	(679)	(819)
West Berkshire Council	(1,019)	(1,162)
Other Berkshire Councils	(2,581)	(2,706)
Berkshire Clinical Commissioning Groups	(6,278)	(6,659)
Other (Reading and Slough Children's Companies)	(139)	(217)
	<b>(10,696)</b>	<b>(11,563)</b>
<b>Expenditure Met from the Pooled Budget:</b>		
Management Fund Costs	121	132
Nottingham Rehab Supplies	10,575	11,431
<b>Net (Surplus) / Deficit Arising on the Pooled Budget During the Year</b>	<b>-</b>	<b>-</b>

### Better Care Fund (BCF)

Wokingham Borough Council and Wokingham Clinical Commissioning Group (Wokingham CCG) are partners in the provision of services to support the following aims and benefits:

- improve the quality and efficiency of Health and Social Care Services.
- meet the National Conditions set by NHS England and Local Objectives set.
- make more effective use of resources through the establishment and maintenance of an aligned fund for revenue expenditure on the Services.
- ensure that people in Wokingham will remain independent, avoid hospital admission or are discharged quickly with a joined-up package of care and support, and,
- for those that need it, to develop an integrated health and care system that enables people to proactively manage their own care with the support of their family, community, and the right professionals at the right time in a properly joined up system.

The BCF provides various services to residents of Wokingham who benefit from specific targeted interventions,

The services provided include:

- Support for carers.
- Extended social care provision hours.
- Re-ablement services, and
- Intermediate care and support.

**Funding Provided to the Pooled Budget:**

Wokingham Borough Council  
 Wokingham CCG

2020/21 £,000	2021/22 £,000
2,646	2,646
8,711	9,158
<b>11,357</b>	<b>11,804</b>

**Expenditure Met from the Pooled Budget:**

Wokingham Borough Council  
 Wokingham CCG

7,248	7,942
4,108	3,862
<b>11,357</b>	<b>11,804</b>

**Net (Surplus) / Deficit Arising on the Pooled Budget During the Year**

-	-
---	---

DRAFT

## **NOTE 46 INVESTMENTS IN COMPANIES**

### **Trading Standards South East Ltd (TSSEL)**

This is a company set up by 19 local authority trading standards departments in the South East of England to provide a consumer helpline and regional intelligence unit for Trading Standards' functions, training to the member authorities and other joined up trading standards services. It was established in 2004/05 and is limited by guarantee of £1. Wokingham Borough Council has an equal 1/19th share in the company and is able to nominate one director on the Board of Directors of the company. It has been determined that the Council does not have control or significant influence over the activities of TSSEL and, accordingly, the company has not been treated as a subsidiary, joint entity or associate of the Council. The latest financial statements available for the company were prepared for the year ended 31 March 2021 and show net assets of £0.372m at 31 March 2021 (£0.484m at 31 March 2020). Wokingham Council does not receive any dividend income from the company. The financial statements for the company for the year ended 31 March 2022 will be available later in 2022. A full set of financial statements for the company can be obtained from the Company Secretary at the registered office: Surrey County Council, Trading Standards, Fairmount House, Bull Hill, Leatherhead, Surrey, KT22 7AY.

### **Flexible Home Improvement Loans Ltd (FHILL)**

This is a company set up by 17 local authorities across the South East of England to deliver small loans to homeowners to improve their property. The loans are targeted at vulnerable households to ensure they are in decent accommodation and therefore can remain in their own home rather than go into residential care. The company was established in March 2008 and is limited by guarantee of £10. Wokingham Borough Council has an equal 1/17th share in the company and is able to nominate one director to the Board of Directors. It has been determined that the Council does not have control or significant influence over the activities of FHILL and, accordingly, the company has not been treated as a subsidiary, joint entity or associate of the Council. The latest financial statements prepared for the company were for the year ended 31 March 2021 and reflect Nil turnover and investment income of £0.259m (£0.270m 2019/20) with a net profit after tax of £0.229m (2019/20: Profit after tax £0.215m). The company had net assets of £8.821m at 31 March 2021 (£8.592m at 31 March 2020). The purpose of the company is to receive grants from Central Government and make loans to local authority members which, when repaid, are then also used to make loans to homeowners. Any grant income and investment income, therefore, maintain the company as a going concern. Wokingham Council does not receive any dividend income from the company. A full set of financial statements for the company can be obtained from Head of Finance, Royal Borough of Windsor and Maidenhead, Town Hall, St. Ives Road, Maidenhead, SL6 1RF.

### **Optalis Ltd**

Optalis Ltd (OL) is a company set up by Wokingham Borough Council (WBC) for the purposes of providing Adult Social Care Services. The company was established in 2011 and is limited by shares. On 01 April 2014 Optalis Holdings Ltd (OHL) was set up and 100% of the shareholding in OL was transferred by WBC to OHL. On the same date OHL issued 50,000 preference shares of £1 and 1 ordinary share of £1 to which WBC (Holdings) Ltd subscribed 100%. Also on 01 April 2014, Optalis Wokingham Ltd (OWL) was set up as a wholly owned subsidiary of OHL. Its purpose is to assist service delivery and tax management. In preparation for the commencement of a new arrangement with the Royal Borough of Windsor and Maidenhead (RBWM), 100% of WBC (Holdings) Ltd shareholding in OHL was transferred back to WBC. At the same time the 50,000 preference shares were re-designated as ordinary shares and 99 additional ordinary shares were issued. A share sale took place on 31 March

2017 with RBWM purchasing 22,545 shares in OHL for £771k, representing a 45% interest, with new services starting and the TUPE of staff into Optalis Ltd on 03 April 2017. Jointly with RBWM, WBC is able to control the operating, governance and financial policies of the organisation, and also able to appoint the Board of Directors of the company. The Company is accounted for as a partially owned subsidiary of WBC however, as WBC's interest in Optalis arose as a result of the formation of the company no goodwill arose. Optalis Ltd had a turnover of £47.3m in 2021/22 (£45.6m in 2020/21), a net loss after tax of £Nil (£493 in 2020/21) and had net assets of £0.3m at 31 March 2022 (£0.3m net assets at 31 March 2021).

On the 28 June 2022, Optalis Holdings Ltd was dissolved. The status of Optalis Ltd was unchanged.

### **WBC (Holdings) Ltd (WBCH)**

#### [Information to be updated once Holdings accounts are completed](#)

WBCH is a company wholly owned and set up by Wokingham Borough Council (WBC) for the purposes of providing housing services. The company was established in January 2012 and is limited by shares and started trading during 2012-13. The company has issued a total of 1.9m ordinary £1 shares and the Council subscribed to all of them at a cost of £1.9m, however, the ownership of these shares was transferred to the Council's holding company, WBC (Holdings) Ltd, in 2014/15 in line with Council policy. During 2020/21, WBC (Holdings) Ltd impaired the investment of £1.9m share capital in Wokingham Housing Ltd by £246k. The Council is able to control the operating, governance and financial policies of the company as well as the ability to appoint the Board of Directors of the company. The Company is accounted for as a wholly owned subsidiary of WBC. As WBC's interest in WBCH arose as a result of the formation of the company no goodwill has arisen.

### **Wokingham Housing Ltd (WHL)**

Wokingham Housing Ltd (WHL) is accounted for as a wholly owned subsidiary of WBC providing high quality affordable housing and market housing. In 2021-22 WHL had a turnover of £4.0m (£5.9m in 2020/21) and the company had net assets of £1.6m at 31 March 2022 comprising £1.9m share capital and accumulated losses of £0.3m (accumulated losses were £0.2m at 31 March 2021).

### **Loddon Homes Ltd (LHL)**

Loddon Homes Ltd (LHL) is accounted for as a wholly owned subsidiary of WBC. Loddon Homes Ltd is a provider of social and affordable housing, accredited with Homes England as a for-profit registered provider. In 2021-22 LHL had a turnover of £4.6m (£1.4m in 2020/21) and the company had net liabilities of £0.9m at 31 March 2022 comprising £1 share capital and accumulated losses of £0.9m (net liabilities were £0.7m at 31 March 2021).

### **Berry Brook Homes Ltd (BBHL) (formerly known as Wokingham Enterprises Ltd (WEL))**

Berry Brook Homes Ltd (BBHL) is accounted for as a wholly owned subsidiary of WBC. The company was formerly known as Wokingham Enterprises Ltd (WEL), which had not undertaken any trading activity since March 2013. WEL was renamed BBHL in 2017/18 and the shareholding transferred to WBC Holdings Ltd to be used within the portfolio of housing companies. In 2021-22 BBHL had turnover of £0.9m (£0.9m in 2020/21) and the company had net liabilities of £0.5m at 31 March 2022 comprising £3k share capital and accumulated losses of £0.5m (net liabilities were £0.3m at 31 March 2021).

## NOTE 47      ADJUSTMENTS BETWEEN GROUP ACCOUNTS AND AUTHORITY ACCOUNTS

To be updated once group consolidation completed

Details of intra group transactions between entities within the Group, eliminated out of the consolidation of the group accounts.

Adjustment for Intra - group transactions in Net Cost of Sales	Wokingham Authority	Optalis Ltd	Wokingham Housing Ltd	WBC (Holdings) Ltd	Loddon Homes Ltd	Berry Brook Homes Ltd	Total
	£,000	£,000	£,000	£,000	£,000	£,000	£,000
<b>2021/22</b>							
Expenditure							
Income							
- CIES - Cost of Services							
<b>2020/21</b>							
Expenditure	(7,590)	(518)	(48)	0	(6,072)	(211)	(14,439)
Income	957	7,536	5,894	0	44	8	14,439
- CIES - Cost of Services	<b>(6,633)</b>	<b>7,018</b>	<b>5,846</b>	<b>0</b>	<b>(6,028)</b>	<b>(203)</b>	<b>0</b>

2019/20 included c£6.7m of transactions between Berry Brook Homes Ltd and Wokingham Authority in relation to transfer of commuted sums.

Details of all Financing and Investment Income and Expenditure transactions put through the Comprehensive Income and Expenditure Account on consolidation

**Financing and Investment Income and Expenditure**

**2021/22**

Net Interest on Pension Fund Defined Liability (assets)

**2020/21**

Net Interest on Pension Fund Defined Liability (assets)

Wokingham Authority £,000	Wokingham Subsidiaries £,000	Wokingham Group £,000
5,663	129	5,792

## NOTE 48 PRIOR PERIOD ADJUSTMENTS

There have been no prior period adjustments identified.

## NOTE 49 INVENTORIES

The Council have the following inventories included under current assets in the balance sheet. Inventories relate to costs incurred developing assets to sell on the open market. The Councils current inventories are in relation to the residential properties in the town centre regeneration development (Elms Field and Rose Street).

These balances are restated in relation to prior year adjustments which are explained further in note 48.

	2020/21 £,000	2021/22 £,000
<b>Balance at 1st April</b>	<b>14,797</b>	<b>9,457</b>
Additions	1,709	6,512
Impairment	(1,814)	(499)
Disposals	(5,235)	(7,780)
<b>Balance at 31st March</b>	<b>9,457</b>	<b>7,690</b>

Impairments are required under the accounting code to ensure the value of inventories is the lower of cost vs net realisable value.

## 7. HOUSING REVENUE ACCOUNT

### Introduction

The Housing Revenue Account (HRA) reflects a statutory obligation to maintain a revenue account for the Council's housing provision, in accordance with Schedule 4 of the Local Government and Housing Act 1989 (England and Wales). Its primary purpose is to ensure that expenditure on managing tenancies and maintaining dwellings is balanced by rents charged to tenants. Consequently, the HRA is a statutory account, ring-fenced from the rest of the General Fund so that rents cannot be subsidised from council tax and vice versa.

Transactions relating to the HRA have been separated into two statements:

- HRA Income and Expenditure Statement
- Movement on the HRA Statement

### HRA Income and Expenditure Statement

The HRA Income and Expenditure Statement shows the economic cost in the year of providing housing services in accordance with generally accepted accounting practices, rather than the amount to be funded from rents and government grants. The Council charges rents to cover expenditure in accordance with regulations; this may be different from the accounting cost. The increase or decrease in the year, on the basis of which rents are raised, is shown in the Movement on the HRA Statement.

### Movement on the HRA Statement

The overall objectives for the Movement on the HRA Statement, and the general principles for its completion, are the same as those generally for the Movement in Reserves Statement into which it is consolidated. The statement takes the outturn on the HRA Income and Expenditure Statement and reconciles it to the surplus or deficit for the year on the HRA Balance, calculated in accordance with the requirements of the Local Government and Housing Act 1989.





# Housing Revenue Account Income and Expenditure Statement

	Notes	2020/21 £,000	2021/22 £,000
<b>Income</b>			
Dwelling rents (gross)		(14,994)	(15,189)
Non-dwelling rents (gross)		(166)	(169)
Charges for services and facilities		(604)	(592)
Re-imbursement of costs		-	(9)
		<b>(15,764)</b>	<b>(15,959)</b>
<b>Expenditure</b>			
Repairs and maintenance		3,286	3,778
Supervision and management		3,092	3,451
Rents, rates, taxes and other charges		139	140
Increased impairment allowance for bad or doubtful debts	11	150	-
Depreciation	7	4,332	5,005
Accumulated absences leave		56	9
Debt management costs		117	117
		<b>11,172</b>	<b>12,501</b>
<b>Net Cost of HRA Services</b>		<b>(4,592)</b>	<b>(3,458)</b>
(Gain) or loss on sale of HRA non-current assets (Inc. Pooling Payment)		(217)	(663)
Interest payable and similar charges		2,660	2,621
HRA interest and investment income		(13)	(30)
Pension interest cost and expected return on pension assets	9	124	184
<b>(Surplus) or Deficit for the Year on HRA Services</b>		<b>(2,038)</b>	<b>(1,346)</b>

# Movement on the HRA Statement

	Notes	2020/21 £,000	2021/22 £,000
<b>Balance on the HRA at the End of the Previous Year</b>		<b>(2,090)</b>	<b>(1,268)</b>
(Surplus) or deficit for the year on the HRA income and expenditure statement		(2,038)	(1,346)
<b>Adjustments between Accounting Basis and Funding Basis under Statute</b>			
Depreciation	7	(4,332)	(5,005)
Impairment / revaluation loss		-	-
(Gain) / loss on disposal		217	663
Reversal of accumulating absences		(56)	(9)
Capital expenditure funded by the HRA (adjusted against the capital adjustment account)	5	2,992	7,010
Transfer to the capital adjustment account for voluntary debt repayment		3,028	1,258
HRA share of contributions (to) or from the pensions reserve	9	(329)	(479)
Financial instrument amortisation		(1)	-
<b>Net (Increase) or Decrease in the HRA Balance before Transfers to or from Reserves</b>		<b>(519)</b>	<b>2,092</b>
Transfer to capital reserves		-	-
Transfers to or (from) the major repairs reserve	4	1,341	(2,005)
Transfer to earmarked reserves		-	(131)
<b>(Increase) or Decrease in Year on the HRA</b>		<b>822</b>	<b>(45)</b>
<b>Housing Revenue Account Balance Carried Forward</b>		<b>(1,268)</b>	<b>(1,313)</b>

## 8. NOTES TO THE HOUSING REVENUE ACCOUNT

### NOTE 1 HOUSING STOCK -

The number and types of dwellings in the Council's housing stock are as follows:

	Number of Properties	
	31-Mar-21 Number of Properties	31-Mar-22 Number of Properties
<b>Dwellings:</b>		
Low and Medium Rise Flats	593	594
Traditional Houses and Bungalows	1,385	1,334
Non-traditional Houses and Bungalows	328	325
<b>Sheltered Units:</b>		
Low and Medium Rise Flats	175	174
Traditional Houses and Bungalows	110	113
Non-traditional Houses and Bungalows	0	0
<b>Shared Equity Properties:</b>		
Low and Medium Rise Flats	6	6
Traditional Houses and Bungalows	35	35
Non-traditional Houses and Bungalows	0	0
<b>Total HRA Housing Stock</b>	<b>2,632</b>	<b>2,581</b>

### NOTE 2 HRA ASSET VALUATION

	Operational Assets				Total
	Dwellings	Other Land and Buildings	Plant and Equipment	Assets Under Construction	
	£,000	£,000	£,000	£,000	£,000
Gross Valuation at 31 March, 2021	302,214	3,867	858	-	306,939
Accumulated Depreciation and Impairment	(67,462)	(1,223)	(754)	-	(69,439)
<b>Net Book Value at 31 March, 2021</b>	<b>234,751</b>	<b>2,644</b>	<b>105</b>	<b>-</b>	<b>237,500</b>
Additions	8,157			8,735	16,892
Disposals	(347)				(347)
Revaluations	36,264				36,264

Assets reclassified (to) / from Held for Sale	(505)				(505)
Other movements					-
Depreciation	(4,681)	(305)	(19)		(5,005)
Impairments					-
<b>Net Book Value at 31 March, 2022</b>	<b>273,640</b>	<b>2,339</b>	<b>86</b>	<b>8,735</b>	<b>284,799</b>

Two capital schemes were added to the HRA in 2021/22, these being Gorse Ride Regeneration (Phase 2) and Groveland's Park expansion. During the year both schemes incurred construction costs and were classified as Assets Under Construction. These have been included in the table above.

## NOTE 3 VACANT POSSESSION

The vacant possession value of dwellings within the Council's HRA as at 31 March 2022 was £832.3m and as at 31 March 2021 was £726.7m.

The vacant possession value and the balance sheet value of dwellings within the HRA show the economic cost to the Government of providing council housing at less than open market rents. The dwellings in the balance sheet are valued using the existing use value (EUV) for social housing rate. This is an open market rate with an adjustment factor that recognises the fact that the dwellings are tenanted properties let at affordable rents without vacant possession. The adjustment factor is set by the Government and is currently 33% of open market value (33% in 2020/21).

## NOTE 4 MAJOR REPAIRS RESERVE

Movement on the Major Repairs Reserve (MRR) was as follows:

	2020/21 £,000	2021/22 £,000
<b>Balance at 1st April</b>	<b>(1,558)</b>	<b>(2,899)</b>
Charges for depreciation	(4,332)	(5,005)
Capital expenditure on land, houses and other property within the HRA	2,991	7,010
Transfers (to) or from major repairs reserve	<b>(1,340)</b>	<b>2,005</b>
Revenue contribution to capital expenditure	0	0
<b>Balance at 31st March</b>	<b>(2,899)</b>	<b>(894)</b>

## NOTE 5 CAPITAL EXPENDITURE AND FUNDING

### Capital Expenditure within the Year:

Capital expenditure on land, houses and other property within the HRA

### Funded by:

Major repairs reserve

Capital receipts reserve

S106 developer contributions

HRA revenue

HRA Borrowing

**(Surplus) / Deficit**

2020/21 £,000	2021/22 £,000
4,422	16,892
(2,983)	(7,010)
(229)	(1,440)
0	(8,442)
0	0
(1,210)	0
<b>0</b>	<b>0</b>

## NOTE 6 CAPITAL RECEIPTS

Disposal receipts for nine dwellings (one in 2020/21)

2020/21 £,000	2021/22 £,000
349	2,312

In 2021/22 two new properties were purchased for £0.412m.

Improvement works started at Grovelands Park £1.921m and continued at 75 London Road £0.489m. In 2020/21 one property was purchased for £0.7m.

## NOTE 7 DEPRECIATIONS

Operational Assets (Property, Plant and Equipment)

Other, Land and Buildings

Council Dwellings

2020/21 £,000	2021/22 £,000
19	19
305	305
4,008	4,681
<b>4,332</b>	<b>5,005</b>

## NOTE 8 IMPAIRMENT CHARGES

There have been no impairments on council dwellings available for letting and other non-current HRA Assets during 2021/22. (In 2020/21 the impairment charge was £2.962m).

## NOTE 9 CONTRIBUTIONS TO THE PENSION RESERVE

Pension costs of £296k (£205k in 2020/21) and interest of £184k (£124k in 2020/21) are included in the '(surplus) or deficit for the year on HRA services' section of the income and expenditure statement.

## NOTE 10 RENT ARREARS

	2020/21 £,000	2021/22 £,000
Current Tenants	366	423
Former Tenants	444	318
	<b>810</b>	<b>741</b>

## NOTE 11 IMPAIRMENT ALLOWANCE FOR BAD DEBTS

	2020/21 £,000	2021/22 £,000
Balance at 1st April	683	706
Drawdown of Provision	(127)	(18)
(Decrease) / Increase in Provision for the Year	150	(67)
	<b>706</b>	<b>622</b>

## NOTE 12 SUMS DIRECTED BY THE SECRETARY OF STATE

No items have been directed to be debited or credited to the HRA.

## NOTE 13 ASSETS HELD FOR SALE

The HRA has five properties classified as Assets Held for Sale in the Council's Balance Sheet at as 31st March 2022 (there were six properties at 31 March 2021).

## 9. COLLECTION FUND

### Introduction

The Collection Fund (England) is an agent's statement that reflects the statutory obligation for billing authorities to maintain a separate Collection Fund. The statement shows the transactions of the billing authority in relation to the collection from taxpayers and distribution to local authorities and the Government of council tax and non-domestic rates and its distribution to local government bodies and the Government.

	2020/21			2021/22		
	Business rates	Council tax	Total	Business rates	Council tax	Total
	£,000	£,000	£,000	£,000	£,000	£,000
<b>INCOME</b>	(49,990)	(138,567)	(188,557)	(64,440)	(148,699)	(213,139)
<b>Total income</b>	<b>(49,990)</b>	<b>(138,567)</b>	<b>(188,557)</b>	<b>(64,440)</b>	<b>(148,699)</b>	<b>(213,139)</b>
<b>EXPENDITURE</b>						
<b>Prescribed amounts</b>						
Wokingham Borough Council	28,130	111,162	139,292	24,238	118,752	142,990
Payments to Government	36,130	0	36,130	25,013	0	25,013
Parish Councils	0	4,746	4,746	0	5,017	5,017
Police and Crime Commissioner for Thames Valley	0	15,580	15,580	0	16,952	16,952
Royal Berkshire Fire and Rescue Authority	649	4,870	5,519	497	5,054	5,551
Cost of collection	201	0	201	205	0	205
<b>Bad and doubtful debts</b>						
Provisions	2,805	451	3,256	0	7	7
Write offs	0	219	219	0	530	530
Provisions for appeals	1,822	0	1,822	2,168	0	2,168
<b>Transfer of collection fund surplus</b>	0	592	592	0	1,181	1,181
<b>Total expenditure</b>	<b>69,737</b>	<b>137,620</b>	<b>207,357</b>	<b>52,121</b>	<b>147,493</b>	<b>199,614</b>
<b>Deficit/(surplus) for the year</b>	<b>19,747</b>	<b>(947)</b>	<b>18,800</b>	<b>(12,319)</b>	<b>(1,206)</b>	<b>(13,525)</b>
<b>Balance at 1 April</b>	<b>9,723</b>	<b>(6,757)</b>	<b>2,966</b>	<b>29,470</b>	<b>(7,704)</b>	<b>21,766</b>
Opening Balance Adjustment	0	0	0	0	0	0
<b>Adjusted Balance at 1 April</b>	<b>9,723</b>	<b>(6,757)</b>	<b>2,966</b>	<b>29,470</b>	<b>(7,704)</b>	<b>21,766</b>
<b>Balance at 31 March</b>	<b>29,470</b>	<b>(7,704)</b>	<b>21,766</b>	<b>17,151</b>	<b>(8,910)</b>	<b>8,241</b>

See note 3 to the collection fund to see Wokingham Borough Council's share of the deficit / (surplus) on the collection fund.

## 10. NOTES TO THE COLLECTION FUND

### General

The Council has a statutory requirement as a billing authority to operate a collection fund as a separate account from the general fund. The purpose of the collection fund is to separately identify the income and expenditure relating to council tax and business rates.

Collection fund surpluses or deficits are declared by the billing authority in relation to council tax and are apportioned to the relevant precepting bodies in the subsequent financial year. Wokingham's precepting bodies for council tax are the Police and Crime Commissioner for Thames Valley and the Royal Berkshire Fire and Rescue Authority.

Business rates surpluses or deficits declared by the billing authority in relation to the Collection Fund are apportioned to the relevant precepting bodies in the subsequent financial year in their respective proportions.

The code of practice requires the collection fund income and expenditure account to be included in the Council's accounts, and the collection fund balance sheet is incorporated into the Council's consolidated balance sheet.

### NOTE 1 INCOME COLLECTABLE FROM BUSINESS RATE PAYERS

Each Council which is a billing authority collects Non-Domestic Rates (NDR) for its area based on local rateable values provided by the Valuation Office Agency (VOA) multiplied by the business rates multiplier set nationally by Central Government.

The total business (non-domestic) rateable value at 31 March 2022 was £175,093,296 (at 31 March 2021 £175,367,091). The national non-domestic rate multiplier for 2021/22 was 51.2p (for 2020/21 51.2p).

### NOTE 2 CALCULATION OF THE COUNCIL TAX BASE

Council tax is charged according to the value of residential properties, which are classified into 8 valuation bands (A to H) for this specific purpose. Individual charges are calculated by estimating the amount of income required to be taken from the collection fund by the Council for the forthcoming year and dividing this by the council tax base (i.e. the equivalent numbers of Band D dwellings).

The council tax base for 2021/22 was 73,297.1 band D equivalent properties (72,036.5 in 2020/21). The tax base for 2021/22 was approved at an Extraordinary Council meeting on 21 January 2021 and was calculated as set out in the table below. The council tax reduction scheme which must be approved each year, was approved by Council on 21 January 2021.





2020/21			2021/22			
Band	Chargeable Dwellings	Ratio	Band D Equivalent Dwellings	Chargeable Dwellings	Ratio	Band D Equivalent Dwellings
A	1,578	6/9	1,052	1,580	6/9	1,053
B	3,122	7/9	2,428	3,227	7/9	2,510
C	9,768	8/9	8,682	10,096	8/9	8,974
D	18,012	1	18,012	18,241	1	18,241
E	14,872	11/9	18,177	15,089	11/9	18,442
F	9,872	13/9	14,260	10,020	13/9	14,473
G	6,174	15/9	10,290	6,243	15/9	10,405
H	489	18/9	978	492	18/9	983
Total			73,879	75,080		
Net effect of premiums and discounts			(1,842)	(1,783)		
Council Tax Base			72,037	73,297		

### NOTE 3 COLLECTION FUND (SURPLUS) / DEFICIT

	Council Tax	Business Rates	2020/21	Council Tax	Business Rates	2021/22
	£,000	£,000	£,000	£,000	£,000	£,000
Wokingham Borough Council	(6,538)	14,579	8,041	(7,542)	8,404	862
Central Government	0	14,596	14,596	0	8,575	8,575
Police and Crime Commissioner for Thames Valley	(902)	0	(902)	(1,049)	0	(1,049)
Royal Berkshire Fire Authority	(264)	295	31	(319)	172	(147)
<b>Total</b>	<b>(7,704)</b>	<b>29,470</b>	<b>21,766</b>	<b>(8,910)</b>	<b>17,151</b>	<b>8,241</b>

During 2021/22, as part of COVID measures introduced by the Government, the Council were required to increase the amount of reliefs given to businesses which had the effect of reducing the income received into the collection fund. Under the statutory accounting arrangements, the amount of income withdrawn from the collection fund is based on an estimated amount at the start of the year rather than actual income, the impact of the extra reliefs has therefore created a significant increase in the business rates deficit position. However, the Government have compensated the Council in full for the extra reliefs granted during COVID in the form of a grant. This grant does not form part of the collection fund and is held in earmarked reserves (WBC share) to offset the deficit above in 2022/23.

## 11. STATEMENT OF ACCOUNTING POLICIES

The Statement of Accounts summarises the Council's and Group transactions for the 2020/21 financial year and its position at 31 March 2022. The Council is required to prepare an annual Statement of Accounts by the Accounts and Audit Regulations 2015, which require them to be prepared in accordance with proper accounting practices.

The Statement of Accounts have been prepared in accordance with the CIPFA Code of Practice on Local Authority Accounting in the United Kingdom (the Code) 2021/22 supported by International Financial Reporting Standards (IFRS) and have been produced in accordance with the statutory framework established by sections 3 and 20 of the Local Audit and Accountability Act 2014.

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.

The accounts have been prepared on a going concern basis, under the assumption that the Council will continue in existence for the foreseeable future.

The single entity financial statements are also defined as including the income, expenditure, assets, liabilities, reserves and cash flows of the local authority maintained schools within the control of the Council. Local authority maintained schools are those schools categorised in the School Standards and Framework Act 1998, i.e. community, voluntary controlled, voluntary aided, foundation, community special, foundation special and nursery schools.

The Statement of Accounts reflect the requirements of International Financial Reporting Standards (IFRS) by adopting the core accounting principles and concepts of:

- **Accruals Basis** – the financial statements have been prepared on an accruals basis and report transactions that have been recorded in the accounting period for which the goods and services were received or supplied rather than in which the cash was received or paid.
- **Going Concern** – the financial statements have been prepared on the assumption that the Council will continue in operational existence for the foreseeable future. This is explained in more detail on the next page.
- **Understandability** – the financial statements have been prepared to ensure they are as easy to understand as possible.
- **Relevance** – the financial statements provide information about the Council's performance and position that is useful to the users of the accounts to assess the stewardship of public funds and for making economic decisions.
- **Reliability** – the financial information faithfully represents the substance of the transactions, the activities underlying them and other events that have taken place, are free from deliberate or systematic bias and material error, are complete within the bounds of materiality and cost and have been prudently prepared.
- **Comparability** – the information has been prepared consistently and with adequate disclosures so that it can be compared with prior years and other local authorities.
- **Materiality** – the statements only disclose items of a certain value and nature such that they provide a fair presentation of the financial position and transactions of the Council. Where

there are items below this threshold or are considered to have no impact on fair presentation in the accounts they are not included.

- **Legality** – where the accounting principles and specific legislation requirements are in conflict, the financial statements have been prepared to reflect legislative requirements.

Where the Council is acting as an agent for another party (e.g. in the collection of business rates and council tax), income and expenditure items are recognised only to the extent that commission is receivable by the Council for the agency services or the Council incurs expenses directly on its own behalf in rendering the services.

## **1. Statement on Wokingham Borough as a ‘Going Concern’**

The annual accounts for 2021/22 (up to 31 March 2022) have been prepared on a ‘going concern’ basis in that the authority will continue in operational existence for the foreseeable future.

The provisions in the Code of Audit Practice in respect of ‘going concern’ reporting requirements reflect the economic and statutory environment in which local authorities operate. These provisions confirm that, as authorities cannot be created or dissolved without statutory prescription, they must prepare their financial statements on a going concern basis of accounting. Local authorities carry out functions essential to the local community and are themselves revenue-raising bodies (with limits on their revenue-raising powers arising only at the discretion of central government). If an authority were in financial difficulty, the prospects are thus that alternative arrangements might be made by central government either for the continuation of the services it provides or for assistance with the recovery of a deficit over more than one financial year (eg: as with Northamptonshire County Council in 2018). It would not therefore be appropriate for local authority financial statements to be provided on anything other than a ‘going concern’ basis. Accounts drawn up under the CIPFA Code therefore assume that a local authority’s services will continue to operate for the foreseeable future.

The Council recognises that its financial position deteriorated in the early months of 2020/21, having reported in quarter one a £5.7m forecast deficit for the financial period ending 31 March 2021. The initial deterioration was only due to the impact of Covid-19 and as more government support has become apparent through the year, the assessment of the financial impact of the pandemic on the Council reduced. The outturn for financial year 2020/21 showed a favourable variance to budget of £0.8m. For 2021/22, although the impact of COVID is present in areas such as car parking income, leisure services and temporary accommodation, the Council are forecasting a small adverse variance to budget of £0.5m as part of the quarter three revenue monitoring.

At its Budget Council meeting on 18 February 2022, the Council has set its budget for the forthcoming financial year (22/23) and indicative budgets for a further two years. The budget set is balanced and includes some budgeted transfers to earmarked reserves for key risk areas.

As part of the normal revenue budget setting, all service areas are reviewing their budgets during the current year to identify options for delivering efficiency savings or generating increased income; a balanced budget will be set for 2023/24. The budget setting process is complete with budget bids being presented to overview and scrutiny committee during November and December with the final budget presented to Council in February 2023. The future challenge is the longer term impact of the pandemic and potential recession on Council balances, but it is considered that Wokingham Borough Council has sufficient general fund reserves over the next MTFP to cover this. The estimated impact for our reserves is therefore:

- General fund balance as per the 2021/22 accounts - £9.0m
- General fund balance as at 31 March 2023 - £8.2m
- General fund balance as at 31 March 2024 - £9.0m

- General fund balance as at 31 March 2025 - £9.0m
- General fund balance as at 31 March 2026 - £9.0m

The Council had a cash balance of £58m at the end of January 2023, compared to the 31 March 2022 year-end figure of £58m. The figures previously mentioned include money market funds. The Council has a further £225m in short and long term non-property investments. Whilst there is uncertainty on income, the Council remains confident in its ability to maintain sufficient cash for its services throughout the medium term. A detailed assessment of the Council's ongoing cashflow has been undertaken up to 31 March 2024 with sufficient levels of cash reserves being available through this period. The Council is of course also able to borrow short term for revenue purposes if ever needed.

The Council has a number of subsidiary companies. The main subsidiary is a 'Teckal' company providing adult social care services to both this Council and the neighbouring Royal Borough of Windsor and Maidenhead (RBWM). This company has not been adversely impacted during the pandemic and has seen demand for its services increase. The other companies are solely owned housing delivery companies whose primary aim is to support the Council in the delivery of its housing strategies and providing social and affordable housing. These companies are underwritten by the Council and as such have a guarantee of support from the Council.

These accounts have been prepared on a going concern basis, following the projection of a largely break-even outcome in 2021/22 and the production of a balanced budget in 2022/23 which maintains a prudent level of general fund balances over the three-year projection of the Medium-Term Financial Plan to be agreed at Council on 17 February 2022.

## **2. Accruals of Income and Expenditure**

Activity is accounted for in the year that it takes place and when a right to consideration exists, not simply when cash payments are made or received. In particular:

- Revenue from contracts with service recipients, whether for services or the provision of goods, is recognised when the goods or services are transferred to the service recipient in accordance with the performance obligations in the contract.
- Supplies and services 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 stocks on the Balance Sheet
- Works are charged as expenditure when they are completed, before which they are carried as works in progress 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 payable on borrowings and receivable on investments 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 income and expenditure has 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 it is doubtful that debts will be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected
- Where payments are made or received in advance of a service being provided or received a payment or receipt in advance is recognised as a debtor or creditor in the Balance Sheet

- Income and expenditure are credited and debited to the relevant revenue account, unless they properly represent capital receipts or capital expenditure

### **3. Cash and Cash Equivalents**

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of less than 24 hours.

Cash equivalents are highly liquid investments that mature in 3 months or less from the date of acquisition and that are readily convertible to known amounts of cash with little risk of change in value.

### **4. Exceptional Items**

When items of income and expense are material, their nature and amount is disclosed separately, either on the face of the Comprehensive Income and Expenditure Statement or in the notes to the accounts, depending on how significant the items are to an understanding of the Council's financial performance.

### **5. Prior Period Adjustments, Changes in Accounting Policies and Estimates and Errors**

Adjustments applicable to prior years arising from changes in accounting policies are accounted for by restating the comparative figures for the preceding period and by adjusting opening balances as if the new policy had always been applied.

Changes in accounting estimates are accounted for in the current and future years affected by the change but do not give rise to a prior period adjustment.

Material errors are corrected retrospectively by restating the comparative figures for the preceding period and by adjusting the opening balances.

### **6. Charges to Revenue for Non-Current Assets**

Service accounts, support services and trading accounts are charged with the following amounts to record the cost of holding non-current assets during the year:

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

The Council is not required to raise council tax to fund depreciation, revaluation and impairment losses or amortisation. It is required, however, to make an annual contribution from revenue towards the reduction in its overall borrowing requirement equal to an amount calculated on a prudent basis by the Council in accordance with the approved Minimum Revenue Provision policy. Depreciation, revaluation and impairment losses and amortisations are, therefore, replaced by the Minimum Revenue Provision (MRP). This adjusting transaction is included in the Movement in Reserves Statement with the Capital Adjustment Account being charged with the difference between the two.



## **7. Employee Benefits**

### **i. Benefits Payable During Employment**

Short term employee benefits are those to be settled within 12 months of the year end, for example wages and salaries, paid annual and sick leave, bonuses and non-monetary benefits such as cars. They are charged to the accounts in the period within which the employees worked. An accrual is made for the cost of any leave earned but not taken before the year end and which can be carried forward by the employee into the next financial year. The accrual is made at the wages and salaries rate in the new financial year as that will be when the employee will benefit. The charge is made to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement and then reversed out by a credit to the Accumulating Compensated Absences Adjustment Account through the Movement in Reserves Statement, allowing the benefit to be charged to revenue in the period in which the leave occurs.

### **ii. Termination Benefits**

Amounts payable as a result of a decision by the Council to terminate an officer's employment before the normal retirement date or an officer's decision to accept voluntary redundancy are charged on an accruals basis to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement at the earlier of when the Council can no longer withdraw the offer of those benefits or when the Council recognises costs for a restructuring.

Termination benefits involving pension enhancements are required by statutory provisions to be charged to the General Fund balance on the basis of the amount payable by the Council to the pension fund or the pensioner in the year not the amount calculated according to relevant accounting standards.

Appropriations are required to and from the Pensions Reserve in the Movement in Reserves Statement to remove the notional debits and credits for pension enhancement termination benefits and to replace them with debits for the cash paid to the pension fund, the pensioners and any amounts payable but unpaid at the year end.

### **iii. Post-Employment Benefits**

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

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

Both schemes provide defined benefits to members (retirement lump sums and pensions), earned as employees work for the Council.

The arrangements for the teacher's scheme mean that liabilities for these benefits cannot be specifically identified to the Council. The scheme is therefore accounted for as if it were a defined contribution scheme with no liability for future payments of benefits recognised in the Balance Sheet. The Children's and Education Services line in the Comprehensive Income and Expenditure Statement is charged with the employer's contributions payable to Teachers Pensions in the year.

## Local Government Pension Scheme

The Local Government Pension Scheme provides members of the scheme with defined benefits related to pay and service. The level of the employer's contribution is determined by a triennial actuarial valuation. The latest review was undertaken as at 31 March 2019. Under Superannuation Regulations, the contribution rates are set to meet all the liabilities of the fund.

The Balance Sheet includes a Pension Reserve which includes the attributable share of the fund's assets and liabilities that relate to the Council. Employer contributions will be adjusted in future years to account for any projected deficit.

The liabilities of the pension scheme attributable to the Council are included in the Balance Sheet on an actuarial basis using the projected unit method – i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, etc., and projections of projected earnings for current employees.

Liabilities are discounted to their value at current prices, using a discount rate determined by the actuary, which has been chosen to meet the requirements of IAS 19 and with consideration of the duration of the employer's liabilities. This is consistent with the approach used at the previous accounting date.

The assets of the pension fund attributable to the Council are included in the Balance Sheet at their fair value:

- quoted securities – current bid price
- unquoted securities – professional estimate
- unitised securities – current bid price
- property – market value

The valuation of quoted securities for the pension scheme is based on bid price rather than mid-market value.

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

Service cost comprising:

- current service cost – the increase in liabilities as a result of years of service earned this year is allocated in the Comprehensive Income and Expenditure Statement to the revenue accounts of the services for which the employees worked.
- past service cost – the increase in liabilities as a result of a scheme amendment or curtailment whose effect relates to years of service earned in earlier years – charged to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement.
- net interest on the net defined liability i.e. net interest expense for the Council-the change during the period in the net defined liability that arises from the passage of time charged to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. This is calculated by applying the discount rate used to measure the defined benefit obligation at the beginning of the period to the net defined liability at the beginning of the period, taking into account any changes in the net defined liability during the period as a result of contribution and benefit payments.

Re-measurement comprising:

- the return on plan assets – excluding amounts included in net interest on the net defined liability – 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 in the last actuarial valuation or because the actuaries have updated their assumptions – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure.

Contributions paid to the Berkshire County Council Pension Scheme – cash paid as employer's contributions to the pension fund in settlement of liabilities is not accounted for as an expense.

In relation to retirement benefits, statutory provisions require the General Fund Balance to be charged with the amount payable by the Council to the pension fund or directly to pensioners in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, this means that there are appropriations to and from the Pensions Reserve to remove the notional debits and credits for retirement benefits and replace them with debits for the cash paid to the pension fund, pensioners and any amounts payable to the fund but unpaid at the year-end. The negative balance that arises on the Pension Reserve thereby measures the beneficial impact to the General Fund of being required to account for retirement benefits on the basis of cash flows rather than as benefits are earned by employees.

#### **Discretionary Benefits**

The Council has restricted powers to make discretionary awards of retirement benefits in the event of early retirements. Any liabilities estimated to arise as a result of an award to any member of staff (including teachers) are accrued in the year of the decision to make the award and accounted for using the same policies as are applied to the Local Government Pension Scheme.

Details of the methods adopted in the valuation of scheme assets and liabilities are set out in the notes to the Balance Sheet.

## **8. Events after the Balance Sheet Date**

These are events both favourable and unfavourable, which occur between the end of the Balance Sheet date and the date when the Statement of Accounts is authorised for issue:

#### **Adjusting Event**

The Statement of Accounts is adjusted to reflect events where there is evidence that conditions existed at the Balance Sheet date

#### **Non-Adjusting Event**

Where an event is indicative of conditions that arose after the Balance Sheet date, the Statement of Accounts are not adjusted. The following, however, will be disclosed for each material category of non-adjusting event:

- the nature of the event, and
- an estimate of the financial effect, or a statement that such an estimate cannot be made reliably.

The date when the Statement of Accounts was authorised for issue and who gave the authorisation is disclosed in the notes to the accounts.



## 9. Financial Instruments

### i. Financial Liabilities

Financial liabilities are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value and carried at their amortised cost. Annual charges to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest payable are based on the carrying amount of the liability, multiplied by the effective rate of interest for the instrument. The effective interest rate is the rate that exactly discounts estimated future cash payments over the life of the instrument to the amount at which it was originally recognised.

For most of the borrowings that the Council has, this means that the amount presented in the Balance Sheet is the outstanding principal repayable (plus accrued interest) and interest charged to the Comprehensive Income and Expenditure Statement is the amount payable for the year according to the loan agreement.

The Council does not issue bonds.

Gains and losses on the repurchase or early settlement of borrowing are credited and debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement in the year of repurchase / settlement. However, where repurchase has taken place as part of a restructuring of the loan portfolio that involves the modification or exchange of existing instruments, the premium or discount is respectively deducted from or added to the amortised cost of the new or modified loan and the write-down to the Comprehensive Income and Expenditure Statement is spread over the life of the loan by an adjustment to the effective interest rate.

Where premiums and discounts have been charged to the Comprehensive Income and Expenditure Statement, regulations allow the impact on the General Fund Balance to be spread over future years. The Council has a policy of spreading the gain or loss over the term that was remaining on the loan against which the premium was payable or discount receivable when it was repaid. The reconciliation of amounts charged to the Comprehensive Income and Expenditure Statement to the net charge required against the General Fund Balance is managed by a transfer to or from the Financial Instruments Adjustment Account in the Movement in Reserves Statement.

### ii. Financial Assets

Financial assets are classified based on a classification and measurement approach that reflects the business model for holding the financial assets and their cash flow characteristics. There are three main classes of financial assets measured at:

- amortised cost;
- fair value through profit or loss (FVPL), and
- fair value through other comprehensive income (FVOCI)

The Council's business model is to hold investments to collect contractual cash flows. Financial assets are therefore classified as amortised cost, except for those whose contractual payments are not solely payment of principal and interest (i.e. where the cash flows do not take the form of a basic debt instrument). The Council does not hold any financial assets that are measured at FVPL and FVOCI.

### **Financial Assets Measured at Amortised Cost**

Financial assets measured at amortised cost are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value. They are subsequently measured at their amortised cost. Annual credits to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement (CIES) for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument. For most of the financial assets held by the Council, this means that the amount presented in the Balance Sheet is the outstanding principal receivable (plus accrued interest) and interest credited to the CIES is the amount receivable for the year in the loan agreement.

Any gains and losses that arise on the de-recognition of an asset are credited or debited to the Financing and Investment Income and Expenditure line in the CIES.

### **Expected Credit Loss Model**

The Council recognises expected credit losses on all of its financial assets held at amortised cost, either on a 12-month or lifetime basis. The expected credit loss model also applies to lease receivables and contract assets. Only lifetime losses are recognised for trade receivables (debtors) held by the Council.

Impairment losses are calculated to reflect the expectation that the future cash flows might not take place because the borrower could default on their obligations. Credit risk plays a crucial part in assessing losses. Where risk has increased significantly since an instrument was initially recognised, losses are assessed on a lifetime basis. Where risk has not increased significantly or remains low, losses are assessed on the basis of 12-month expected losses.

### **Financial Assets Measured at Fair Value through Profit or Loss**

Financial assets that are measured at FVPL are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured and carried at fair value. Fair value gains and losses are recognised as they arise in the Surplus or Deficit on the Provision of Services.

The fair value measurements of the financial assets are based on the following techniques:

- instruments with quoted market prices – the market price
- other instruments with fixed and determinable payments – discounted cash flow analysis.

The inputs to the measurement techniques are categorised in accordance with the accounting policy set out in section 1.27 Fair Value Measurement.

Any gains and losses that arise on the derecognition of a financial asset are credited or debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

## **10. Government Grants and Contributions**

Whatever their basis of payment, Government grants and other contributions or donations are accounted for on an accruals basis. They are recognised on the relevant service line or the Taxation and Non-Specific Grant Income line in the Comprehensive Income and Expenditure

Statement if there are no conditions or once the conditions for their receipt have been complied with and there is reasonable assurance that the grant or contribution will be received. Where conditions have not been satisfied, the grant or contribution is carried in the Balance Sheet as a creditor.

Capital grants credited to the Comprehensive Income and Expenditure Statement are reversed out of the General Fund Balance in the Movement in Reserves Statement. Grants which have not yet been used to finance capital expenditure are transferred to the Capital Grants Unapplied reserve. When an amount in the Grants Unapplied Reserve is applied to fund capital expenditure, it is transferred to the Capital Adjustment Account through the Movement in Reserves Statement. There is no deferral of grant expenditure to match against the depreciation of the underlying asset the grant was used for.

Donated assets transferred to the Council for nil consideration are recognised at fair value in the Comprehensive Income and Expenditure Statement once any conditions attaching to them have been met.

#### Community infrastructure levy

The Council has elected to charge a community infrastructure levy (CIL). The levy will be charged on new builds (chargeable developments for the Council) with appropriate planning consent. The Council charges for and collects the levy, which is a planning charge. The income from the levy will be used to fund a number of infrastructure projects (these include transport, flood defences and schools) to support the development of the area. The CIL is received without outstanding conditions; it is therefore recognised at the commencement date of the chargeable development in the Comprehensive Income and Expenditure Statement in accordance with the accounting policy for government grants and contributions set out above. CIL charges will be largely used to fund capital expenditure, however, a proportion of the charges may be used to fund administration expenditure.

## 11. Intangible Assets

The Council accounts for its software as intangible assets, to the extent that the software is not an integral part of a particular IT system and accounted for as part of the hardware item in Property, Plant and Equipment. Expenditure on the development of websites is not capitalised if the enhancement is primarily intended to promote or advertise the Council's goods or services. Intangible assets include purchased licenses. Expenditure on application software is capitalised as an intangible asset when it will bring benefits to the Council for more than one reporting period. Intangible assets are recognised where they have a cost in excess of £10,000.

The intangible assets held by the Council are measured at depreciated historical cost as readily ascertainable market values are not available. Intangible assets are amortised on a straight-line basis over their remaining useful lives varying between 5 years and 25 years and charged to the relevant service lines in the Comprehensive Income and Expenditure Statement.

An asset is tested for impairment whenever there is an indication that the asset might be impaired. Any losses recognised as a result of impairment are treated 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
- If there is insufficient or no balance in the Revaluation Reserve, the carrying amount of the asset is written down against the relevant service lines in the Comprehensive Income and Expenditure Statement.

The reversal of an impairment loss is only recognised in the Comprehensive Income and Expenditure Statement if the value is directly attributable to the reversal of the event which caused the original impairment loss. Any gain or loss arising on the disposal or abandonment of an intangible asset is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement.

Where expenditure on intangible assets qualifies as capital expenditure for statutory purposes, amortisation, impairment losses and disposal gains and losses are not permitted to have an impact on the General Fund Balance. The gains and losses are therefore reversed out of the General Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account and the Capital Receipts Reserve for any sale proceeds greater than £10,000.

## **12. Interests in Companies and Other Entities**

The Council has interests in companies and other entities that have the nature of subsidiaries, associates and jointly controlled entities and require it to prepare group accounts. In the Council's own single-entity accounts, the interests in companies and other entities are recorded in the Balance Sheet if the company has share capital, as financial assets at cost less any provision for losses. The Council records the name, business, shareholding, net assets and results of operations and other financial transactions of any related companies including cross-reference to where the accounts of the related companies may be acquired.

## **13. Long-Term Contracts**

A long-term contract is 'A contract entered into for the design, manufacture or construction of a single substantial asset or the provision of a service (or of a combination of assets or services which together constitute a single project) where the time taken substantially to complete the contract is such that the contract activity falls into different accounting periods'. Long-term revenue contracts are charged to services in the Surplus or Deficit on the Provision of Services with the value of works and services received under the contract during the financial year and long-term capital contracts are charged to capital on the basis of the valuation certificate.

## **14. Investment Property**

Investment properties are those that are used solely to earn rentals and / or capital appreciation. The definition is not met if the property is used in any way to facilitate the delivery of services or production of goods or is held for sale. Where the Council acquires properties for rental income but have an element of economic development and/or regeneration these are classified as operational land and buildings as such properties are not solely used for investment purposes.

Refer to Note 25 in the Statement of Accounts for explanations of the basis of the valuation of properties, and the categorisation required under IFRS 13.

Investment properties are measured initially at cost and subsequently at fair value (Highest and Best Use), based on the amount at which the asset could be exchanged between knowledgeable parties at arm's-length. Properties are not depreciated but are revalued annually, according to market conditions at the year end. Gains and losses on revaluation or disposal are posted to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

Rentals received in relation to investment properties are credited to the Financing and Investment Income line and result in a gain for the General Fund Balance. However,

revaluation and disposal gains and losses are not permitted by statutory arrangements to have an impact on the General Fund Balance. The gains and losses are therefore reversed out of the General Fund Balance in the Movement in Reserves Statement with the carrying value of the asset transferred to the Capital Adjustment Account and the sale proceeds above £10,000 transferred to the Capital Receipts Reserve.

## **15. Leases**

Leases are classified as finance leases where the terms of the lease transfer substantially all the risks and rewards incidental to ownership of the property, plant or equipment from the lessor to the lessee. All other leases are classified as operating leases. Where a lease covers both land and buildings, they are considered separately for classification.

Arrangements that do not have the legal status of a lease but convey a right to use an asset in return for payment are accounted for under this policy where fulfilment of the arrangement is dependent on the use of specific assets.

### **i. The Council as Lessee**

#### **Finance Leases**

Property, plant and equipment held under finance leases is recognised on the Balance Sheet at the commencement of the lease at the lower of its 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 applied to writing down the lease liability. Contingent rents are charged as an expense in the periods in which they are incurred.

Rentals payable are apportioned between:

- a charge for the acquisition of the interest in the asset-applied to write-down the lease liability, and
- a finance charge (debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement).

Assets recognised under finance leases are accounted for using the policies applied generally to Property, Plant and Equipment, subject to depreciation being charged over the lease term if this is shorter than the asset's estimated useful life.

The Council is not required to raise council tax to cover depreciation, revaluation or impairment losses arising on leased assets. Instead, a prudent annual contribution is made from revenue funds towards the deemed capital investment in accordance with statutory requirements. Depreciation, revaluation and impairment losses are therefore substituted by a revenue contribution in the General Fund Balance, by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

#### **Operating Leases**

Where assets are acquired by the Council (as a lessee) under operating leases, the lease rentals payable are charged to the revenue accounts of those services that use the assets as they are made.

Any hire purchase contracts that have similar characteristics to an operating lease are accounted for as an operating lease and disclosed in a note to the Balance Sheet.



## **ii. The Council as Lessor**

### **Finance Leases**

The Council has not entered into any finance leases as lessor.

### **Operating Leases**

An asset held by the Council for use in operating leases by a lessor is retained in the Balance Sheet and depreciated over its useful life. Rental income from operating leases, excluding charges, is recognised in the Comprehensive Income and Expenditure Statement on a straight-line basis over the term of the lease even if this does not match the pattern of payments (e.g. there is a premium paid at the commencement of the lease).

This is a change in accounting policy from the previous years where rental income was recognised as the income was received. This is as a result of leases entered into in the current year where material lease premiums were received. There is no material impact as a result of this change on existing leases accordingly the prior year accounts have not been restated.

## **16.Overheads and Support Services**

The costs of overheads and support service costs (e.g., legal, human resources and finance) are charged to the relevant teams and departments (i.e., the front line service departments) in accordance with the Council's arrangements for accountability and financial performance. The total absorption costing principle is used in that the full cost of overheads and support services are shared between users in proportion to the benefit received.

## **17.Property, Plant and Equipment (PPE)**

Assets that have physical substance and are held for use in the production or supply of goods or services, for rental to others, or for administrative purposes and that are expected to be used during more than one financial year are classified as Property, Plant and Equipment (PPE).

### **i. Recognition**

Items of PPE that qualify for recognition will be measured at cost and capitalised on an accruals basis. Cost is defined as either purchase price, costs attributable to bringing the asset to location and condition necessary for it to be capable of operating in the manner intended by management or the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located.

### **ii. De-Minimis**

Capitalisation of expenditure on PPE is not necessary where the amounts involved are not material to the true and fair presentation of the financial position and transactions of the authority and to an understanding of the Statement of Accounts by a reader. The Council has agreed a de-minimis level of £10,000 for expenditure to be capitalised, with the exception of capital works for schools where the de-minimis level is £1,000, and in order to utilise ring-fenced funding no de-minimis is applied.

### iii. Measurement

Assets are disclosed and valued on the Balance Sheet using the following bases:

Asset Category	Valuation Method
Assets under Construction	Historic Cost
Infrastructure Assets	Depreciated Historic Cost
Council Dwellings	Fair Value (Existing Use Value – Social Housing) EUV-SH
Community Assets	Depreciated Historic Cost or Valuation in accordance with section 4.10 of the Code
Other Land and Buildings	Fair Value (Existing Use Value) EUV or DRC*
Vehicles, Plant and Equipment	Depreciated Historic Cost
Surplus Assets	Fair Value (Highest and Best Use)
Heritage Assets	Individual Asset Valuation

\* Depreciated Replacement Cost (DRC) using the ‘instant build’ will be used if Existing Use Value (EUV) cannot be determined.

A full valuation of a property is conducted by the Council’s internal valuer, Mr C Hoggeth, the Council’s Head of Estates and also a Professional Member of the Royal Institution of Chartered Surveyors (RICS). The valuations have been prepared in accordance with the Practice Statements and UK Practice Statements contained in the RICS Appraisal and Valuation Standards.

The asset valuations have been prepared using the following assumptions:-

- The Council has good title free from encumbrances;
- There are no hazardous substances or latent defects in the properties and there is no contamination present;
- The properties have permanent planning permission and any other necessary statutory consent for their current use;
- Plant and machinery is included in the valuation of the property, where applicable;
- No special circumstances beyond those likely to be considered by a prospective purchaser in the open market have been taken into account;
- No allowance has been made for any liability to taxation, which may arise on disposal, nor for costs of acquisition or realisation.
- All transactions agree with the Council’s de-minimis level

Not all properties are specifically inspected for the purpose of asset valuations. This is neither practicable, nor considered by the valuer to be necessary, for the purpose of the valuation. However, regular inspections are made by the Council’s Property Section of all the Council’s property assets. The inspections and report do not purport to be a building survey.

The Council operates a 5 yearly revaluation cycle for all assets, with the exception of Council Dwellings, Investment Properties and Economic Regeneration (PPE) assets which are reviewed on an annual basis as per the Code’s requirements. Additionally each year a

basket of assets is also selected for valuation from sub-category's not otherwise valued, to assess for material variances (should an asset sub-category be identified as requiring a change in value an indexation calculation is applied to all assets in the category).

Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains. Exceptionally, gains might be credited to the Surplus or Deficit on the Provision of Services where they arise from the reversal of a loss previously charged to a service.

Where decreases in value are identified, they are accounted for by:

- 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.

#### **iv. Depreciation**

Depreciation is provided for on all Property Plant and Equipment by the allocation of their depreciable amounts over their useful lives, in line with IAS 16. An exception is made for assets without a determinable useful life (e.g. freehold land and some community assets) and assets not yet available for use (e.g. assets under construction). The useful lives of assets are estimated on a realistic basis and are reviewed on a regular basis and, where necessary, revised. Where the useful life of a fixed asset is revised, the carrying amount of the fixed asset is depreciated over the revised remaining useful life. 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 charged based on their historical cost being transferred from the Revaluation Reserve to the Capital Adjustment Account.

Depreciation is calculated on the amount at which the asset is included in the Balance Sheet, whether current cost or historical cost. Depreciation has been calculated as follows:

- All assets are depreciated on the straight line basis over the useful life of the asset taking into account land value and residual value. The range of estimated lives of each asset is set out in note 24.
- Investment Properties are not depreciated as per the Code's guidance; instead they are revalued on an annual basis.
- Newly acquired assets are not depreciated in the year of acquisition, while assets under construction are only depreciated once the asset becomes operational.
- Community assets are also exempt from depreciation requirements as a determinable finite useful life cannot be obtained.
- Assets are depreciated for a full year in the year of disposal.

A change from one method of providing depreciation to another is only made where the new method will give a fairer presentation of the results and of the financial position. Such a change does not, however, constitute a change of accounting policy; the carrying amount



of the fixed asset is depreciated using the revised method over the remaining useful life, beginning in the period in which the change is made.

### **Componentisation**

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 should be depreciated separately. Where there is more than one significant part of the same asset which has the same useful life and depreciation method, such parts may be grouped in determining the depreciation charge. In practice this can be achieved by only separately accounting for significant components that have different useful lives and/or depreciation methods.

The Council's policy is to componentise part of assets where the part subject to componentisation is more than £500k or 10% or more of the building value of the asset and the value of the building itself is greater than £5m. Any amounts below these levels would not be considered material enough for componentisation purposes.

### **v. Impairment**

The value at which each category of assets is included in the Balance Sheet is reviewed at each year-end. Where there is reason to believe that its value has changed materially in the period, the recoverable amount of the asset is estimated and where this is less than the carrying amount, an impairment loss is recognised for the shortfall.

Events and changes in circumstances that indicate a reduction in value may have incurred include:

- a significant decline in an asset's market value during the period
- evidence of obsolescence or physical damage to the asset
- a significant adverse change in the statutory or other regulatory environment in which the Council operates
- a commitment by the Council to undertake a significant reorganisation.

Where impairment losses 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
- If there is insufficient or no balance in the Revaluation Reserve, the carrying amount of the asset is written down against the relevant service line(s) in the Comprehensive Income and Expenditure Statement

Where an impairment loss is subsequently reversed, the reversal is credited to the relevant service line(s) in the Comprehensive Income and Expenditure Statement, up to the amount of the original loss, adjusted for depreciation that would have been charged if the loss had not been recognised.

### **vi. Disposals and Non-Current Assets Held for Sale**

When it becomes probable that the carrying amount of an asset will be recovered through a sale rather than continuing use, it is reclassified as an Asset Held for Sale, but only if the following criteria are met:

- a) The asset must be available for sale in its present condition subject to terms that are usual and customary for sales of such assets.
- b) The sale must be highly probable, the appropriate level of management must be committed to a plan to sell the asset and an active programme to locate a buyer and complete the plan must have been initiated.
- c) The asset must be actively marketed for a sale at a price that is reasonable in relation to the current value.
- d) The sale should be expected to qualify for recognition as a completed sale within one year of the date of classification and action required to complete the plan should indicate that it is unlikely that significant changes to the plan will be made or that the plan will be withdrawn.

Immediately before reclassification the asset is revalued and carried at the lower of this figure and fair value (Highest and Best Use) less costs to sell. Where there is a subsequent decrease to fair value less costs to sell, the loss is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Gains in fair value are recognised only up to the amount of any losses previously recognised in the Surplus or Deficit on Provision of Services. Assets Held for Sale are not depreciated.

If an asset no longer meets the criteria to be classified as Assets Held for Sale, they are classified back to non-current assets at the lower of their carrying amount before they were classified as held for sale (adjusted for depreciation, amortisation or revaluations that would have been recognised if they had not been classified as Held for Sale) and their recoverable amount at the date of the decision not to sell. Assets that are abandoned or scrapped are not reclassified as Assets Held for Sale.

When an item of Property, Plant, Equipment or Asset Held for Sale is disposed of or decommissioned, the carrying amount of the asset in the Balance Sheet is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. Receipts from disposals are credited to the same line in the Comprehensive Income and Expenditure Statement also as part of the gain or loss on disposal.

Amounts received in excess of £10,000 are categorised as capital receipts. The proportion that is required to be paid over to Central Government for housing disposals is appropriated to the Capital Receipts Reserve from the General Fund Balance in the Movement in Reserves Statement.

Where a fixed asset is disposed of for other than a cash consideration, or payment is deferred, an equivalent asset is recognised and included in the balance sheet at its fair value.

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

## **18. Private Finance Initiative (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. The Council has one PFI contract with Reading and Bracknell Councils for waste disposal under the RE3 Partnership. The Council receives the benefit of the services that are provided under its PFI scheme and ownership of the property, plant and equipment

will pass to the partnership at the end of the contract for no additional charge. The Council carries its share of the property, plant and equipment used under the contract on the Balance Sheet.

The original recognition of these assets was balanced by the recognition of a liability for amounts due to the scheme operator to pay for the assets. Non-current assets recognised on the Balance Sheet are revalued and depreciated in the same way as property, plant and equipment owned by the Council.

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 7.5% on the outstanding Balance Sheet liability, debited to Financing and Investment Income 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
- lifecycle replacement costs – these are included within the fair value of services and not recognised as additions to Property, Plant and Equipment as the amounts involved are not material and details of the actual spend is not readily available.

## **19. Provisions, Contingent Liabilities and Contingent Assets**

### **i. Provisions**

Provisions are made for any liabilities of uncertain timing or amount that have been incurred. Provisions are recognised when:

- the Council has a legal or constructive obligation as a result of a past event
- it is probable that a transfer of economic benefits or service potential will be required to settle the obligation, and
- a reliable estimate can be made of the amount of the obligation.

Provisions are charged to the appropriate service line in the Comprehensive Income and Expenditure Statement in the year that the Council becomes aware of the obligation. The amount recognised as a provision is the best estimate considering the risks and uncertainties surrounding the events. When payments for expenditure are incurred to which the provision relates, they are charged direct to the provision carried in the Balance Sheet. Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate. If it is no longer probable that a transfer of economic benefits will be required to settle the obligation (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 expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement is recognised as income for the relevant service only when it is virtually certain that reimbursement will be received if the obligation is settled.

In the case of a provision for bad or doubtful debts, the carrying amount of debtors is adjusted and known uncollectable debts are written off.

## **ii. 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 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 the notes to the accounts.

## **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 of uncertain future events not wholly within the control of the Council. Contingent assets are not recognised in the Balance Sheet but disclosed in the notes to the accounts.

## **20. Reserves**

Transfers to and from reserves are distinguished from service expenditure. The movements in reserves available to this Council are detailed in a note to the financial statements. Reserves include earmarked reserves set aside for specific policy purposes and balances which represent resources set aside for purposes such as general contingencies and cash flow management.

When expenditure to be financed from a reserve is incurred, it is charged to the appropriate service in the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement. The reserve is then appropriated back into the General Fund Balance in the Movement in Reserves Statement so there is no net charge against council tax for the expenditure.

Most capital reserves are not available for revenue purposes and some of them can only be used for specific statutory purposes. The Revaluation Reserve and Capital Adjustment Account are non-distributable reserves. The Capital Receipts Reserve is a reserve established for specific statutory purposes.

The Major Repairs Reserve is required by statutory provision to be established in relation to the HRA in England.

## **21. Revenue Expenditure Funded from Capital under Statute**

Revenue expenditure classified as capital under statute, formerly known as deferred charges, represents expenditure that may be capitalised but does not result in the creation of non-current assets. The expenditure has been charged to the relevant service in the Comprehensive Income and Expenditure Statement in the year. Where the Council has determined to meet the cost of this expenditure from existing capital resources or by borrowing, a transfer in the Movement in Reserves Statement from the General Fund Balance to the Capital Adjustment Account then reverses out the amounts charged so there is no impact on the level of council tax.

## **22. VAT**

VAT payable is included as an expense, whether of a capital or revenue nature, only to the extent that it is irrecoverable. VAT receivable is excluded from income.

## **23. Group Accounts**

The Code requires the Council to consider all of its interests and to prepare a full set of group accounting statements where there are material interests in subsidiaries, associates and joint ventures. The Council has investigated all potential interests that could qualify for group accounts and has determined it has five group relationships which qualify for the preparation of, and inclusion in, group accounts. The companies all operate the same financial year and follow the same accounting policies as Wokingham Borough Council.

The Council has a holding company, WBC (Holdings) Ltd, whose main purpose is to enable group tax relief to be claimed, and in addition to coordinate the management of the Council's interests in the companies included in the group accounts, which are summarised below. The company is 100% owned by the Council. WBC (Holdings) Ltd wholly owns three housing companies: Wokingham Housing Ltd, Loddon Homes Ltd and Berry Brook Homes Ltd. All of these companies' accounts are consolidated into the group accounts.

Optalis Ltd is a partially owned subsidiary of Wokingham Borough Council with the other 45% owned by the Royal Borough of Windsor and Maidenhead. The company was established in June 2011 and became operational during 2011/12. 2017/18 has been the first year of joint operation with the Royal Borough of Windsor and Maidenhead. Optalis Ltd is consolidated on a subsidiary basis at 100%, with RBWM's 45% share disclosed as a minority interest on the group balance sheet.

## **24. Heritage Assets**

Heritage assets are assets that are held by the Council principally for their contribution to knowledge and culture. The Code of Practice on Local Authority Accounting in the United Kingdom 2011/12 introduced a change to the treatment in accounting for heritage assets held by the Council so that heritage assets must be shown separately on the balance sheet. The Council undertook a detailed review and at present does not have any material heritage assets.

## **25. Tax Income (Council Tax, and Non-Domestic Rates)**

The Council acts as agents, collecting council tax and non-domestic rates (NDR) on behalf of the major preceptors (including Central Government for NDR) and, as principals, collecting council tax and NDR for themselves. The Council is required by statute to maintain a separate fund (i.e. the Collection Fund) for the collection and distribution of amounts due in respect of council tax and NDR. Under the legislative framework for the Collection Fund, billing authorities, major preceptors and Central Government share proportionately the risks and rewards that the amount of council tax and NDR collected could be less or more than predicted.

### **Non-Domestic rates (NDR)**

- Retained Business Rates income included in the Comprehensive Income and Expenditure Statement for the year is treated as accrued income.
- Levy expenditure included in the Comprehensive Income and Expenditure Statement for the year is treated as accrued expenditure



### **Council Tax**

- Council Tax income included in the Comprehensive Income and Expenditure Statement for the year is treated as accrued income

Both NDR income, less tariff and levy expenditure, and Council tax are recognised in the Comprehensive Income and Expenditure Statement in the line Taxation and Non-Specific Grant Income. As a billing authority the difference between the NDR and Council Tax included in the Comprehensive Income and Expenditure Statement and the amount required by regulation to be credited to the General Fund is transferred to the Collection Fund Adjustment Account through the Movement in Reserves Statement. Each preceptor's share of the accrued NDR and Council Tax income will be available from the information that is required to be produced in order to prepare the Collection Fund Statement.

The income for Council Tax, and NDR, is recognised when it is probable that the economic benefits or service potential associated with the transaction will flow to the Council and the amount of the revenue can be measured reliably. Revenue relating to such things as council tax, business rates, etc., shall be measured at the full amount receivable (net of any impairment losses) as they are non-contractual, non-exchange transactions and there can be no difference between the delivery and payment dates.

## **26. Fair Value Measurement**

The Council measures some of its non-financial assets such as surplus assets and investment properties and some of its financial instruments such as equity shareholdings at fair value at each reporting date. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement assumes that the transaction to sell the asset or transfer the liability takes place either:

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

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

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

The Council uses 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.

Inputs to the valuation techniques in respect of assets and liabilities for which fair value is measured or disclosed in the Council's financial statements are categorised within the fair value hierarchy, as follows:

- Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities that the Council can access at the measurement date
- Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly
- Level 3 – Unobservable inputs for the asset or liability.



DRAFT

## 12. GLOSSARY OF TERMS

### **Accounting Code of Practice**

The CIPFA Code of Practice on Local Authority Accounting: Specifies the principles and practices of accounting required to give a 'true' and 'fair' view of the financial position and transactions of a local authority, including group financial statements. The code prescribes the accounting treatment and disclosures for all normal transactions of a local authority based on a hierarchy of standards including International Financial Reporting Standards (IFRS)

### **Accounting policies**

The rules and practices adopted by the Council that dictate how transactions and events are treated in its financial records.

### **Accounting standards**

A set of rules explaining how accounts are to be kept. By law, local authorities must follow 'proper accounting practices', which are set out in Acts of Parliament, professional codes and statements of recommended practice.

### **Accruals**

This is an accounting concept that recognises income and expenditure when goods or services are provided, and not when cash is transferred. The inclusion of debtors and creditors are examples of accruals.

### **Actuarial gain/losses**

The profits and losses on the pension scheme as calculated by the actuary because the assumptions made were not the same as the actual performance (e.g. if interest rates were less than anticipated).

### **Acquisitions**

The Council spends funds from the capital programme to buy assets such as land and buildings.

### **Amortisation**

The equivalent of depreciation for intangible assets.

### **Appointed auditors**

Public Sector Audit Appointments appoints external auditors to local authorities, from one of the major firms of registered auditors.

### **Asset**

An asset is a resource controlled by the Council as a result of past events and from which economic benefits or service potential are expected to flow to the Council e.g. cash, stock, buildings etc.

### **Assets held for sale**

Properties or equipment that have been taken out of use for service delivery and are awaiting sale.

### **Assets under construction**

Assets not yet ready for use. This could be new building work in schools or road construction.



### **Balances and reserves**

Balances and reserves are maintained to fund future years' expenditure, or specific projects, and to provide a cushion against expenditure being higher or income lower than expected. Contributions to balances and reserves can be either a planned contribution from the revenue budget to set aside monies for a specific purpose or a transfer of any revenue surplus at the year-end. The maintenance of an appropriate level of general balances is a fundamental part of prudent financial management.

### **Budget**

A planned expenditure forecast. Budgets are reviewed during the course of the financial year to take account of pay and price changes and other factors affecting the level or cost of services.

### **Capital expenditure**

Capital expenditure is expenditure that creates future benefits. Capital expenditure is incurred either when buying or, adding to the value of an existing fixed asset with a useful life extending beyond the current financial year.

### **Capital adjustment account (CAA)**

A Balance Sheet reserve that is unique to the local authority accounting capital accounting regime. The balance on the account cannot be used, but reflects how the Council's assets have been financed. It contains the balance of depreciation against the minimum revenue provision (MRP), additional debt repayments over the MRP, reserved capital receipts and usable capital receipts/ grants/ planning gains applied to meet capital expenditure.

The account is debited with the cost of acquisition, construction or enhancement of assets, as depreciation, impairment losses and amortisation 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 Council 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 Council. The account also contains revaluation gains accumulated on property, plant and equipment before 1 April 2007, the date the revaluation reserve was created to hold such gains.

### **Capital financing**

This term describes the method of financing capital expenditure, the principal methods being loan financing, leasing, capital receipts and developer contributions.

### **Capital financing requirement**

This measures the Council's underlying need to borrow or finance by other long-term liabilities for capital purposes. It represents the amount of capital expenditure that has not yet been resourced absolutely.

### **Capitalisation**

Costs are capitalised to the extent that they create or improve any fixed asset with a useful economic life greater than one year.

### **Capital receipts**

Proceeds from the sale of fixed assets. The Council earmarks capital receipts to finance future capital expenditure.

### **Chartered Institute of Public Finance and Accountancy (CIPFA)**

CIPFA is the professional accountancy institute that sets the standards for the public sector. The institute produces advice, codes of practice and guidance to local Authorities on best practice.

**Collection fund**

A statutory account into which council tax and non-domestic rates are paid, and from which amounts are paid to the local authority and the precepting bodies.

**Community assets**

Assets that the Council intends to hold in perpetuity, that have no determinable useful life and that may have restrictions on their disposal. Examples include the Countryside estate and historic assets that are not used in service delivery.

**Community infrastructure levy (CIL)**

CIL is a statutory charge on proposals for buildings based upon the type, size and location of development. As a charging Authority for the purposes of Part 11 of the Planning Act 2008 the Council may therefore charge the Community Infrastructure Levy (CIL) in respect of development in its administrative area.

**Comprehensive Income and Expenditure Statement (CIES)**

As statement that shows the accounting cost in the year of providing the services in accordance with generally accepted accounting practices.

**Contingent assets**

Potential assets whose outcome depends on future events.

**Contingent liabilities**

A contingent liability is either: a possible obligation arising from past events whose existence will be confirmed only by the occurrence of one or more uncertain future events not wholly within the Council's control (e.g. the outcome of a court case).

**Creditors**

Financial liabilities for future goods or services that have been received or supplied by the end of the accounting period, that is due immediately or in the short term. Creditors are an example of the concept of accruals.

**Current service cost (pensions)**

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

**Curtailment costs (pensions)**

For a defined benefit scheme (such as LGPS) an event that reduces the expected years of future service of present employees or reduces for a number of employees, the accrual of defined benefits for some or all of their future service.

**Debtors**

Financial assets, with fixed or determinable payments, when goods or services have been delivered or rendered. Debtors are an example of the concept of accruals.

**Depreciation**

A charge to the revenue account to reflect the consumption or use of a fixed asset in service delivery. There is a corresponding reduction in the value of the fixed asset.

**Earmarked reserves**

These are reserves set aside for a specific purpose or a particular service, or type of expenditure.

**Exceptional item**

An item identified separately in the accounts because of its exceptional nature to ensure the presentation of the accounts is fair, and comparable year on year.

**Fair value**

The amount for which an asset could be exchanged, or liability settled at arm's length, between knowledgeable and willing parties.

**Fair value hierarchy**

IFRS 13 requires investment properties, assets held for sale and surplus assets to be valued at fair value. A hierarchy has been established that categorises into three levels the inputs to valuation techniques used to measure fair value. The levels of inputs are as follows:-

Level 1 inputs – observable, unadjusted quoted prices in active markets

Level 2 inputs – observable, other than quoted prices in active markets

Level 3 inputs – unobservable inputs

Valuation techniques shall aim to maximise the use of observable inputs and minimise the use of unobservable inputs.

**Finance lease & operating leases**

A finance lease is one that transfers substantially all of the risks and rewards of a fixed asset to the lessee. With a finance lease the present value of the lease payments equates to substantially all of the value placed on the leased asset. For an operating lease a rental payment is payable to the lessor for the use of the asset and the ownership reverts to the owner when the lease is terminated.

**Financial instrument**

A contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. Financial instruments can be classified generally as equity based, representing ownership of the asset, or debt based, representing a loan made by an investor to the owner of the asset.

**Financial instrument adjustment account**

The financial instruments adjustment account absorbs the timing differences arising from the different arrangements for accounting for income and expenses relating to certain financial instruments and for bearing losses or benefiting from gains per statutory provisions.

The Council uses the account to manage premiums paid on the early redemption of loans. Premiums are debited to the Comprehensive Income and Expenditure Statement when they are incurred, but reversed out of the general fund balance to the account in the Movement in Reserves Statement. Over time, the expense is posted back to the general fund balance in accordance with statutory arrangements for spreading the burden on council tax. In the Council's case, this period is the unexpired term that was outstanding on the loans when they were redeemed.

**Financial year**

The year of account, which runs from the 1<sup>st</sup> April to the following 31<sup>st</sup> March.

**Fixed assets**

An asset that yields benefits to the Council and the services it provides for a period of more than one year. Tangible fixed assets have a physical form e.g. buildings or land.

**General fund**

The Council's main revenue account that covers the net cost of all services other than the provision of council housing for rent.

**Government grants**

Financial assistance from Central Government, or its agents, usually for a specific purpose, in the form of cash transfers in return for compliance with certain conditions. These grants may be capital or revenue in nature.

**Heritage assets**

A building, monument, site, place, area or landscape identified as having a degree of significance meriting consideration in planning decisions, because of its heritage interest. Heritage assets include designated heritage assets and assets identified by the local planning authority (including local listing).

**Historic cost**

The value of an asset on the balance sheet based upon its original purchase cost, less depreciation to date.

**Housing revenue account (HRA)**

The Housing Revenue Account Balance reflects the statutory obligation to maintain a revenue account for local authority council housing. It contains the balance of income and expenditure that is available to fund future expenditure in connection with the Council's landlord function or (where in deficit) that is required to be recovered from tenants in future years.

**Impairment**

A reduction in the value of a fixed asset, below its carrying amount on the Balance Sheet.

**Infrastructure assets**

Fixed assets, such as highways and footpaths, that is inalienable and has no resale value.

**Intangible assets**

Fixed assets which have value but do not have physical any substance. They are identified and controlled by the Council for example, purchased software licences.

**Investment properties**

An interest in land and, or buildings, which are held solely for their investment potential/rental income and are not required for delivery of local authority service.

**Lessee**

The party that leases an asset that is owned by another party.

**Lessor**

The owner of an asset that is leased by another party.

**Liability**

An obligation that binds the Council to settle a debt as a result of a past event or transaction such as the purchase of goods or services.

**Major repairs reserve**

Contains an element of the capital resources limited being used on capital expenditure by the HRA. The balance shows the capital resources that have yet to be applied at the year-end.

**Minimum revenue provision**

The way in which capital expenditure which is financed by borrowing or credit arrangements is paid for by council tax payers. Local authorities must set aside some of their revenue each year as provision for this debt.

**Net book value**

The amount at which fixed assets are included in the balance sheet, i.e. their historical cost or current value less the cumulative amounts provided for depreciation.

**Net realisable value**

A method of valuation that estimates the open market value of an asset, less the expenses required to sell it.

**Non-domestic rate (NDR) income**

A levy on businesses based on national 'rateable value' of the premises occupied. NDR is paid into a national pool and then redistributed to all local and police authorities on the basis of assessed needs.

**Non-operational assets**

Fixed assets held by a Council but not directly occupied, used or consumed in the delivery of services. Examples of these assets are investment properties and assets that are surplus to requirements, pending sale or redevelopment.

**Observable inputs**

See 'fair value hierarchy'. Inputs that are developed using market data, such as publicly available information about actual events or transactions, and reflect the assumptions that market participants would use when pricing the asset or liability.

**Operational assets**

Fixed assets held and occupied, used or consumed by the Council in the direct delivery of those services for which it has either a statutory or discretionary responsibility.

**Past service cost (pensions)**

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

**Pensions reserve**

The pensions reserve absorbs the timing differences arising from the different arrangements for accounting for post-employment benefits and for funding benefits in accordance with statutory provisions. The Council accounts for post-employment benefits in the Comprehensive Income and Expenditure Statement as the benefits are earned by employees accruing years of service, updating the liabilities recognised to reflect inflation, changing assumptions and investment returns on any resources set aside to meet the costs. However, statutory arrangements require benefits earned to be financed as the Council makes employer's contributions to pension funds, or eventually pays any pensions for which it is directly responsible. The debit balance on the Pensions Reserve therefore shows a substantial shortfall in the benefits earned by past and current employees and the resources the Council has set aside to meet them. The statutory arrangements will ensure that funding will have been set aside by the time the benefits come to be paid.

**Precept**

An amount levied on another public body in respect of council tax. Parish Councils, Royal Berkshire Fire and Rescue Authority and the Police and Crime Commissioner for Thames Valley levy precepts on the Council to collect council tax on their behalf.

**Prior period adjustments**

Material adjustments applicable in prior years, arising from changes in accounting policies or from correction of fundamental errors.

**Private finance initiative (PFI)**

A contract between the Council and a private company. The private company makes a capital investment in the assets required to deliver improved services, and the Council pays a unitary charge to cover the cost of services and financing requirements. In the case of Wokingham the PFI contract is for the disposal of waste.

**Provisions**

Amounts set aside for any liabilities or losses that are likely to be incurred, but which are uncertain as to the amounts or the dates on which they will arise.

**Public Works Loans Board (PWLB)**

A Central Government agency which provides long and medium-term loans to local authorities at interest rates only slightly higher than those at which the Government itself can borrow. Local authorities are able to borrow a proportion of their requirements to finance capital spending from this source.

**Revaluation reserve**

This account contains the balance on the revaluation of fixed assets previously shown in the accounts arising from revaluations or disposals of those assets. The balance is reduced when assets with accumulated gains are:

- Revalued downwards or impaired and the 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 revaluation gains accumulated since 1 April, 2007, the date that the reserve was created. Accumulated gains arising before that date are consolidated into the balance on the capital adjustment account. The balance on the account cannot be used.

**Revenue expenditure**

Expenditure incurred on day to day running costs e.g. running costs, salaries, and is confined to accounts within one financial year.

**Revenue expenditure funded from capital under statute (REFCUS)**

Expenditure that is treated under the Local Government Act 2003, as capital expenditure but which does not meet the definition of capital expenditure in the statement of recommended practice. Therefore the expenditure is not carried on the Balance Sheet as a fixed asset.

**Revenue support grant (RSG)**

This grant is non-specific and funds local government revenue expenditure. It is based upon the Government's assessment of how much a local authority needs to spend to provide a common level of service.

**Surplus assets**

Surplus assets are those assets that are no longer essential for the operation of services.

**Unobservable inputs**

See 'fair value hierarchy'. Inputs for which market data are not available and that are developed using the best information available about the assumptions that market participants would use when pricing the asset or liability.

**Unusable reserves**

Unusable reserves are reserves that in simple terms enable the Council's balance sheet to reconcile and cannot be released to spend on services.

**Usable reserves**

Usable reserves are those reserves that can be released to spend on services or added to for future spending on services.

**Useful life (of assets)**

The period over which the Council can derive benefits from the use of a fixed asset.

**Write-offs**

Elimination of an asset or liability within the financial year, for example, uncollectable debts.

DRAFT