



Statement of Accounts

For the Year Ended 31st March, 2013



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1. EXPLANATORY FOREWORD

This Statement of Accounts 2012/13 has been compiled in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom (The Code) and is the third set of accounts to be based on the International Financial Reporting Standards (IFRS). The Code has been developed by the Chartered Institute of Public Finance and Accountancy (CIPFA) and the Local Authority (Scotland) Accounts Advisory Committee (LASAAC) Code Board under the oversight of the Financial Reporting Advisory Board.

The Code specifies the principles and practices of accounting required to give a 'true and fair' view of the financial position of a local authority. It requires the publication of the following statements for Wokingham Borough Council:

- Movement in Reserves Statement
- Comprehensive Income and Expenditure Statement
- Balance Sheet
- Cashflow Statement
- Housing Revenue Account
- Collection Fund
- Group Accounts
- Annual Governance Statement

A brief explanation of each statement, their purpose and the relationship between them is given below:

Movement in Reserves Statement

This statement shows the movement in the year on the different reserves held by the Council, analysed into 'useable reserves' (i.e. those that can be applied to fund expenditure or reduce local taxation) and other reserves. The Surplus or (Deficit) on the Provision of Services line shows the true economic cost of providing the Council's services, more details of which are shown in the Comprehensive Income and Expenditure Statement. These are different from the statutory amounts required to be charged to the General Fund Balance and the Housing Revenue Account for council tax setting and dwelling rent setting purposes. The Net Increase / Decrease before Transfers to Earmarked Reserves line shows the statutory General Fund Balance and Housing Revenue Account Balance before any discretionary transfers to or from earmarked reserves undertaken by the Council.

Comprehensive Income and Expenditure Statement

This statement shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation. Authorities raise taxation to cover expenditure in accordance with regulations; this may be different from the accounting cost. The taxation position is shown in the Movement in Reserves Statement.

Balance Sheet

The Balance Sheet shows the value as at the Balance Sheet date of the assets and liabilities recognised by the Council. The net assets of the Council (assets less liabilities) are matched by the reserves held by the Council.

Reserves are reported in two categories: usable reserves and unusable reserves.

- a) Usable Reserves are those that the Council may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use (for example the Capital Receipts Reserve can only be used to fund capital expenditure or repay debt)
- b) Unusable Reserves cannot be used to provide services. They include
 - reserves that hold unrealised gains and losses (for example the Revaluation Reserve), where amounts would only become available to provide services if the assets were sold;
 - reserves that hold timing differences shown in the Adjustments between accounting basis & funding basis under regulations (Note 5) line in the Movement in Reserves Statement

Cash Flow Statement

The statement shows how the Council generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities. The amount of net cash flows arising from operating activities is a key indicator of the extent to which the operations of the Council are funded by way of taxation and grant income or from the recipients of services provided by the Council. Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute to the Council's future service delivery. Cash flows arising from financing activities are useful in predicting claims on future cash flows by providers of capital (i.e. borrowing) to the Council.

Housing Revenue Account

The Housing Revenue Account (HRA) is a record of revenue expenditure and income relating to the Council's housing stock. 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, ringfenced from the rest of the General Fund so that rents cannot be subsidised from council tax or vice versa.

Collection Fund

The inclusion of a Collection Fund Statement within the Statement of Accounts is required for every council tax billing authority in England. The account reflects the statutory requirement for billing authorities to establish and maintain a separate fund for the collection and distribution of amounts due in respect of council tax and National Non-Domestic Rates (NNDR). The statement also shows the distribution of council tax income that Wokingham Borough Council collects on behalf of the other precepting authorities within the area: Thames Valley Police, Royal Berkshire Fire Authority and the Parish and Town Councils of the borough. However, only Wokingham Borough Council's share of the Collection Fund is accounted for within the Comprehensive Income and Expenditure Statement and Balance Sheet.

Group Accounts

Where an authority has material interests in subsidiaries, associates and / or jointly controlled entities, there is a requirement to prepare group accounts.

Wokingham Enterprises Ltd (WEL) is a company wholly owned and set up by Wokingham Borough Council for the purpose of enabling the regeneration of the town centre of Wokingham. The 2012/13 accounts will be the third to incorporate summary group accounts for WEL which are presented in notes 52 to 59 of the Financial Statements. The main trading activity is that of property investment. The income was derived from the assets acquired in June 2010, which comprised a number of retail units collectively known as Peach Place. These assets were

purchased with the assistance of a loan of approximately £9m from the Council in 2010/11. However, WEL sold all of its trading assets to Wokingham Borough for £9.405m in March 2013, and the £9.405m receipts were used by WEL to largely repay their loan from the Council.

Optalis Ltd is a company wholly owned and set up by Wokingham Borough Council to provide community care services to members of the public on behalf of the Council and to the private sector. The company was established in June 2011 and the 2012/13 accounts will be the second to incorporate summary accounts for Optalis Ltd. The company issued 50,000 £1 shares in 2012/13 which the Council subscribed to in full and paid for in April 2013

Wokingham Housing Ltd is a company wholly owned and set up by Wokingham Borough Council to provide housing services to members of the public on behalf of the Council. The company was established in 2011 but did not trade for most of 2011/12, but it became operational in 2012/13. The company produced its first set of accounts in 2012/13 and the 2012/13 Group Accounts are the first to include Wokingham Housing Ltd accounts. Wokingham Housing issued 1,000,000 £1 shares in 2012/13 which the Council subscribed to, and paid for, in full. The cash received has been used to fund construction works during 2012/13

A summary of the financial performance of each company is set out later in the Explanatory Foreword.

Annual Governance Statement

Local authorities are required to conduct a review at least once a year of the effectiveness of its system of internal control and include a statement reporting on the review with any Statement of Accounts. This provides assurance that the Statement of Accounts gives a true and fair view of the Council's financial position at the reporting date and its financial performance during the year. The Annual Governance Statement sets out the framework within which the control environment is managed and reports on areas of strengths and weaknesses.

Financial Performance

Following the Local Government Finance Settlement in January 2012, Wokingham Borough Council suffered a reduction in formula grant of 10.4% in 2012/13 compared to 2011/12, and this was in addition to the 14.3% reduction in 2011/12, which was the worst funding settlement since it became a Unitary Authority in 1998.

The housing revenue account subsidy system ended in April 2012. Under the Localism Act, the Council took control of its housing rental income thus enabling more effective planning for the long term management of these key assets. In return Wokingham took on its share of the £28bn national housing debt as part of the self financing settlement. The payment made in March 2012 to the Department of Communities and Local Government amounted to £95m, which was funded by additional external loans of £87m which the Council entered into in 2011/12, and internal resources of £8m.

The financial climate remains difficult with returns on investments being low. The Council has used funding to reduce its debt levels rather than investing with minimal returns.

General Fund Service Expenditure 2012/13

The Council approved a revenue budget of £117.2m (£103m net expenditure plus £14.2m depreciation) at its meeting on 23 February 2012. The following table analyses Wokingham Borough Council's outturn (actual) and budgeted net expenditure by service, as at 31 March, 2013, as reported to the Council's Executive on 30 May 2013. The approved budget figures shown below include approved carry forwards from 2011/12, plus supplementary estimates made during 2012/13.

Service	End of Year Position		Net Over / (Under) Spend £,000
	Approved Budget £,000	Outturn Actual £,000	
Business Assurance & Democratic Services	52	0	(52)
Resources	8,631	8,168	(463)
Chief Executive's Office	4,732	4,689	(43)
Children's Services	29,802	29,064	(738)
Health and Wellbeing	38,956	38,953	(3)
Governance Services	518	479	(39)
Neighbourhood Services	29,740	29,657	(83)
Development and Regeneration	5,583	4,873	(710)
Transformation	567	396	(171)
Net Expenditure before Carry Forwards	118,581	116,279	(2,302)
Approved Carry Forwards to 2013/14			1,332
Net Over / (Under) Spend			(970)

To enable a clearer appraisal of the variances, the above table does not include grants and contributions, revenue expenditure funded from capital under statute or International Accounting Standards (IAS) 19 pension adjustments because these are all internal accounting adjustments. The approved budget includes new budget approvals (supplementary estimates) that have been agreed during the year.

The main reasons for the underspend of £2,302m, and the major amounts to be carried forward to 2013/14, are set out below :

- Resources: Staffing underspend £257k, centralised consultancy, advertising and occupational health savings of £154k and £73k to be carried forward to 2013/14.
- Children's Services: Family First and Local Safeguarding Board savings of £500k due to delayed starts, to be carried forward to 2013/14. Miscellaneous savings of £197k on Youth Service and placement budgets.
- Health and Wellbeing: Reduction in client income of £400k, plus added costs in residential and nursing care of £350k, offset by a surplus of £800k in housing general fund services.
- Neighbourhood Services: Higher car parking income £185k offset by £88k delayed leisure savings
- Development and Regeneration: Delays in projects £531k, to be carried forward to 2013/14
- Transformation: Underspends on projects of £171k to be carried forward to 2013/14.

Capital Expenditure in 2012/13

The Council's capital expenditure in the year totalled £41.4m (2011/12 £27.1m) as set out in the following statement.

Service	Actual 2012-13 £'000
Children's Services	11,419
Development and Regeneration	12,856
Health and Wellbeing	6,894
Neighbourhood Services	6,657
Resources	1,333
Transformation	2,213
Grand Total	41,372

The major schemes in 2012/13 over £0.5m were:

Service	Summary Scheme	Actual 2012-13 £'000
Children's services	Basic Needs - Extensions to existing Primary Schools	750
Neighbourhoods	Integrated Transport Schemes - Including improvements to cycle, Footway and Highway facilities.	844
Health and wellbeing	Council housing - Various Refurbishment Programmes	2,574
Neighbourhoods	Various schemes including leisure, safety, and waste.	2,375
Neighbourhoods	Highways -Improvements/ resurfacing of carriageways to improve highway safety and street lighting upgrading / replacement.	3,438
Development and regeneration	Wokingham Town Centre Regeneration	3,093
Children services	St Crispin's School - New science block & Multi use games area	4,517
Development and regeneration	Purchase of Investment Properties at Peach Place from Wokingham Enterprises Ltd	9,405

The Council's capital expenditure was financed through a mixture of grant funding (£16.3m) capital receipts, (£3.5m) revenue contributions (£5.7m), capital contributions (£2.5m) and internal borrowing (£13.4m), as appropriate. See Note 24 for a detailed analysis of capital expenditure.

Financial Issues Affecting 2012/13

Accounting for Pensions

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 £159.6m at 31 March 2013 (£145.7m at 31 March 2012). This represents funded liabilities of £113.9m for the Wokingham Borough Council Pension Fund, and £45.7m for the Council's share of the Royal County of Berkshire's Pension Fund. More information about the costs and accounting treatment for the Council's pension schemes is set out below and in note 19. In addition, one of the Council's group companies, Optalis, had a pension deficit of £3.5m at 31 March 2013 (£3.7m at 31 March 2012) which the Council has guaranteed to fund if necessary. This increases the Council's overall pension deficit as included in the group accounts at 31 March 2013 to £163.1m (£149.4m at 31 March 2012).

The deficit will be reviewed over the long-term as part of the triennial actuarial valuation effective from 31 March 2013 and, if necessary, will be addressed through increased employer and employee contributions to ensure the pension scheme returns to a 100% funding level over an appropriate period of time.

Material amounts affecting the 2012/13 Statement of Accounts

The 2012/13 Statement of Accounts includes the impact of several material amounts in the Council's main financial statements, including the Comprehensive Income and Expenditure Statement and the Balance Sheet as set out below:

Material amounts reflecting a real transfer of assets and changes to expenditure and income

- In 2012/13, no schools transferred to academy status, however, three secondary schools transferred to academy status during 2011/12 (Holt, Pigott, and Maiden Earley). From the point at which schools become academies, they are largely financially independent of the Council. Income and expenditure in respect of these schools is only included in the Council's accounts up to the date on which they entered into Academy status. Schools that have become academies receive Dedicated Schools Grant (DSG) and other funding directly from the Department for Education. In addition, school buildings, together with the relevant school reserves and any other relevant assets or liabilities are transferred to the schools, and are not included in the Council's balance sheet after the date of transfer. The schools which were transferred had a value of £65m, which was written out of the Council's accounts at 31 March 2012.

The financial effect of the transfers of the three schools to academy status is close to nil overall as the schools were largely funded by DSG and other grant, however the Children's Service expenditure and income have each been reduced by approximately £15m in 2012/13 compared to the last financial year prior to the schools entering academy status.

- The Council purchased all of the trading assets of Wokingham Enterprises Limited (WEL) in March 2013 at a cost of £9.405m. WEL used the receipts to repay to the Council most of its loan to WEL, which accounts for a large reduction in the Council's long term investments.

Material amounts in respect of Technical Accounting Adjustments

The 2012/13 Statement of Accounts also includes the impact of several material amounts in the Comprehensive Income and Expenditure Account which relate to the application of accounting practices rather than in year expenditure. These are:

- The overall deficit position on the Council's pension schemes has increased by £13.7m from £145.7m at 31 March 2012 to £159.6m at 31 March 2013. The main causes for this change are an actuarial loss of £5.9m, and a loss of £5.2m due to liabilities increasing faster than the expected return on fund assets.
- Approximately 20% of the Council's non-current assets have been revalued, as part of the 5 year rolling revaluation programme, in accordance with the Council's accounting policies. This has resulted in a revaluation gain of £5.7m partially offset by a loss of £2m largely on impairments of housing properties to be demolished at Eustace Crescent prior to construction of new housing developments. The Council also revalued all of its investment properties, which is required annually under IFRS, which resulted in a loss of £219k.

Treasury management

Loans to Icelandic Banks

Early in October 2008, the Icelandic bank Landsbanki, Kaupthing and Glitnir collapsed and the UK subsidiaries of these banks, Heritable, Kaupthing Singer and Friedlander went into administration. The Council had £3m deposited with Heritable and £2m with Landsbanki, with varying maturity dates and interest rates. In relation to Heritable Bank the council has received information that it will recover a total of 88% by the end of January 2014. The Council has received £2.319m, 77.2% of the total at 31 March 2013, and expects to receive a further 10.8%, £345k, in 2013/14. In relation to Landsbanki the Council now expects to recover 100% of its £2m investment. It has received £946k as at 31 March 2013 and expects to recover the remainder in annual instalments by the end of December 2019. Further information on the Icelandic loans, the repayment schedule, and the impairments made, are set out in Note 32.

Long Term Borrowings, Borrowing Facilities, and Authorised Debt Levels

The outstanding balance of loans to external bodies at 31 March 2013 is £134.8m (£134.8m at 31 March 2012). No additional borrowing was entered into during 2012/13, in comparison with 2011/12, when £87m additional external borrowing was entered into due to the introduction of HRA self-financing. The authorised borrowing limit, which is the maximum amount which the Council can borrow at any time, was £190m, unchanged from 2011/12. The approved operational boundary, which is the expected maximum external debt at any stage in the financial year, was £202m, the same level as in 2011/12.

Investments

The Council has considerable cash reserves arising from grants received in advance, general fund and other reserves, and from cash flow management. The total investments at 31 March 2013 were £60m, £18m of which was invested using in-house management and £42m by professional fund managers. The investment fund managers for 2012/13 were Royal London Asset Management (RLAM) and Scottish Widows Investment Partnership (SWIP), the same managers as for 2011/12. Investment returns for 2012/13 have again been low given the small number of high quality counterparties to which the Council will lend money, and the low level of returns possible. The amounts managed by RLAM and SWIP as at 31 March 2013 were £22.7m and £19.3m respectively. The interest earned on the Council's external investments was £0.5m in 2012/13 (£0.8m in 2011/12) reflecting the lower interest rates achievable in 2012/13.

Group Accounts

The Council's Group Accounts are set out in Section 7 together with the relevant notes 52 to 59.

Wokingham Enterprise Limited (WEL) is a wholly owned subsidiary of Wokingham Borough Council. Incorporated as a trading company in December 2009, the main trading activity is that of property investment. In 2012/13 WEL achieved a surplus of £42k before any revaluations of assets (surplus of £6k in 2011/12), and turnover was £623k (£653k in 2011/12). However fixed assets were nil at 31 March 2013 following the sale of all the trading assets to the Council for £9.4m in March 2013, compared to £9.020m at 31 March 2012

Optalis Ltd achieved an operating surplus of £98k in 2012/13 (£122k deficit in 2011/12). Turnover increased to £10.94m in 2012/13 compared to £7.9m in 2011/12 reflecting the increased level of services provided by the company, mostly to the Council. Optalis does not have any fixed assets as the premises it uses are all leased on operating leases. The Council has undertaken to guarantee to fund any pension deficits for Optalis staff in the Local Government Pension Scheme (LGPS); at 31 March 2013 the deficit was £3.521m (£3.713m deficit at 31 March 2012).

Wokingham Housing's accounts are included in the Council's Group Accounts for the first time in 2012/13, and comprise the period from 8 December 2011 to 31 March 2013. A deficit of £93k was incurred in 2012/13, while expenditure on construction works totalled £609k, for which income is expected to be received in 2013/14.

Outlook for 2013/14 and later years

Overall Financial Position

The overall financial climate continues to be severe and is expected to remain so for a number of years. Wokingham, as the poorest funded English unitary authority, will face a particularly difficult challenge. The 2013/14 local government finance settlement represents the most significant change in local government funding arrangements in some time. In addition to the reduction in government grants, the Council is taking on significant responsibilities in relation to Council tax benefits and business rates (explained below). Both these changes place more resource demands on the Council and increase the Council's overall risk profile. The Business Rates Retention proposals will see local government funding move from Formula Grant to a combination of retained business rates and Revenue Support Grant. In addition, many specific grants will be merged with Formula Grant to provide a 'rolled up' resource position known as 'Start-Up Funding'.

The overall impact on the Council in 2013/14 is a reduction in Council Tax Freeze Grant, Early Intervention Grant, and Formula Grant amounting to approximately £5m compared to 2012/13. The Council was also notified of a further reduction in 2014/15 of £2.3m in overall grant funding. The Council will deal with the pressures arising from reductions in government grant, while at the same time meeting the cost of extra pressures on statutory services such as waste, highways and overall population growth

Business Rates Retention Scheme

From 2013/14 local authorities will retain a proportion of their collected Business Rates, based on Central Shares (a proportion returned to the Government) and Local Shares (retained by the authority). The Government's aim is to incentivise local authorities to encourage economic development by allowing local authorities to retain a proportion of any increase in business rates collected as a result of increased growth. The Council will benefit by up to 25p in the £1 on any net growth but will be liable for up to 50p in the £1 on any net reduction. However, the Council's financial risks profile will be significantly increased in the future by this legislative change, as the Council may also bear a share of any shortfall in business rates. In addition, there is a large backlog of outstanding appeals by businesses against their property valuations, and the Council will have to share the cost of any successful appeals with the Government.

Localisation of Council Tax Benefits

Within the Localism Act, the Government will directly fund local authorities to meet the cost of Council tax benefits, and it required local authorities to establish their own local council tax benefits schemes, subject to protection of certain categories of claimants (e.g. pensioners). The Council will in 2013-14 receive only 89% of current benefit costs. This leaves Wokingham with a significant shortfall, much of which will need to be covered through the revised Council Tax Benefit Scheme which was approved in January 2013. This change also increases the Council's financial risks profile.

Regeneration and Strategic Developments

Although the Council faces significant financial pressures, it will take the lead in developing regeneration projects to ensure that the local community is able to participate in opportunities and help stimulate economic growth. The Council is leading on the development of Wokingham Town Centre 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 where new housing and employment opportunities will be located. The budget submission, contained in the Council's Medium Term financial Plan (MTFP), provides for considerable investment in these areas in 2013/14 and later years.

Transfer of Public Health function

From 1 April 2013 onwards the responsibility for Public Health services transferred from the NHS to the relevant local authorities. The Government's intention was that the financial impact of the transfer should be neutral across all organisations, and made a calculation of the estimated cost of the service for each authority. The cost of the service in Wokingham was estimated at £3.839m in 2013/14 (£4.223m in 2014/15), and the Council has been awarded a grant of the same amount to cover the full cost of the service.

Community Infrastructure levy

The Planning Act 2008 introduced the Community Infrastructure Levy (CIL), a charge on all developments with an area greater than 100m² and all new residential units. The Council has approved a draft charging schedule with the intention of introducing a full scheme by April 2014. The levy will partly replace Section 106 developer contributions.

New Primary Schools

New primary schools are being built during 2013 in response to demographic and other pressures. They are due to open in September 2013 and are an academy in Wokingham based on two sites (Winnersh and Woosehill), and the Piggott Primary Academy at Charvil.

Changes in Accounting Policies - Accounting Standards that have been issued but not yet adopted

The Council is required under IFRS to disclose information relating to the impact of an accounting change on the financial statements as a result of the adoption of a new standard that has been issued, but is not yet required to be adopted by the Council. There are several standards which will be implemented in 2013/14, and which are explained in note 2. The main change which is expected to be material in nature and which will affect future financial statements is in respect of pension scheme accounting under IAS 19, and the impact of the change if it had been adopted in 2012/13 is set out in note 19.





ANNUAL GOVERNANCE STATEMENT 2012/13

1. Scope of Responsibility

- 1.1 Wokingham Borough Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively. The Council also has a duty under the Local Government Act 2000 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.
- 1.2 In discharging this overall responsibility, the Council is responsible for putting in place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions which includes arrangements for the management of risk.
- 1.3 Wokingham Borough Council has a local code of corporate governance (LCCG), which is consistent with the principles of the CIPFA/SOLACE Framework "Delivering Good Governance in Local Government". The LCCG was formally adopted by the Audit Committee on 27 July 2010. This statement explains how Wokingham Borough Council meets the requirements of the Accounts and Audit Regulations.

2. The Purpose of the Governance Framework

- 2.1 The governance framework comprises the systems, processes, procedures, culture and values by which the Council is directed and controlled, and its activities through which it accounts to, engages with and leads the community. It enables the Council to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate and cost effective services.
- 2.2 The system of internal control is a significant part of that framework and is designed to manage risk to an acceptable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives, and can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of the Council's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they not be realised, and to manage them efficiently, effectively and economically. The governance framework has been in place at Wokingham Borough Council for the year ended 31 March 2013 and up to the date of approval of the statement of accounts.

3. The Governance Environment in Place at Wokingham Borough Council

3.1 Establishing and monitoring the achievement of the Council's objectives

The Council's vision, values and priorities were agreed by elected members and officers in 2012. The Council introduced these to staff across the organisation and in 2012/13 these formed the basis for service plans and individual objectives. Furthermore, the Council's new performance management process (introduced in late 2012) uses the vision, values and priorities to prepare dials for the purposes of measuring staff performance. The aim of the dials is to encourage staff engagement and buy-in to the Council's vision.



- 3.2 An interim corporate plan has been operational during 2012/13, following the significant work undertaken in developing a new vision. It has been agreed that the revised plan will be implemented by April 2014.
- 3.3 The 2013/14 service planning process took place in 2012/13. For the first time, the service planning process included budget setting and all service plans were presented to a peer review panel which included the Chief Executive and the Strategic Director Resources. The service plan template contained performance indicators (to address new corporate priorities) and benchmarking (to review our services against others and identify efficiencies). The service planning process is subject to a Council-wide review being undertaken by the Renaissance Working Party in 2013/14.
- 3.4 The Facilitation of Policy and Decision Making
- The Council has a written constitution, as required by the Local Government Act 2000. For the financial year 2012/13 it was based on the Executive – Leader/ Cabinet Model. The Executive acted collectively and as individuals in accordance with the relevant protocol agreed in 2006. In December 2010 the Council agreed to adopt, from May 2011, the new Leader/ Cabinet Executive Model as set out in the Local Government and Public Involvement in Health Act 2007. The constitution is divided into sections which include articles which set out the basic rules governing the Council's business and more detailed procedures, codes of practice, rules of procedure and protocols. These include: Executive Procedures Rules; Overview and Scrutiny Procedures Rules; Members Code of Conduct; Protocol on Member/ Officer Relations, Access to Information Procedure Rules as well as the Scheme of Delegation to Officers and the Council's Financial and Procurement Rules.
- 3.5 Meetings are open to the public except where personal or confidential matters are being disclosed. In addition, senior officers of the Council can make decisions under delegated authority. Even though the meetings and Access to Information Regulations 2012 no longer require Council's to publish a forward programme the Executive agreed to continue to publish a forward plan and a schedule of meetings which provides a programme for Executive decisions. A major review of the constitution was completed and implemented in May 2006 with reviews and updates to the constitution undertaken on an annual basis thereafter. Members and officers can also propose changes throughout the year to the Council's constitution. All proposed changes are considered in advance of Council approval by the Constitution Review Working Group.
- 3.6 The Council has a robust decision making process which provides for both Executive and individual Executive decisions. Individual Executive decisions are taken in accordance with chapter 5.5 of the Council's constitution. All decisions are advertised and are supported by a formal public report which is produced five clear working days in advance of the decision being taken. All decision making meetings are public meetings. Both Executive and individual Executive decisions are subject to documented 'Call-In' arrangements except when exempt information is to be discussed.
- 3.7 Policy is considered and formulated by Executive Members of the Administration, who are advised by senior officers. Supported policies are presented to Executive/ Council for formal approval.



- 3.8 The Council has designated the Director of Legal and Electoral Services as Monitoring Officer. It is the function of the Monitoring Officer to ensure compliance with established policies, procedures, laws and regulations. After consulting with the Head of Paid Service (Chief Executive) and Chief Finance Officer (Strategic Director Resources), the Monitoring Officer will report to Council if it is considered that any proposal, decision or omission would give rise to unlawfulness, or maladministration. Such a report will have the effect of stopping the proposal or decision being implemented until the report has been considered. No such report has been issued during the 2012/13 financial year.
- 3.9 The Chief Executive and Strategic Director Resources are part of the Council's Corporate Leadership Team and have access to all decision making meetings. The Director of Legal and Electoral Services (Monitoring Officer) is not a member of the Corporate Leadership Team but usually attends those meetings when the Executive reports are discussed and cleared, to ensure the legal, financial and policy framework is adhered to.
- 3.10 Through reviews by external auditors, external agencies, internal audit and various working groups, the Council continually seeks ways of ensuring the economical, effective and efficient use of resources, and for securing continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.
- 3.11 The Service and Finance Planning Guidance provide a context of the level of savings and efficiencies required to achieve a politically acceptable level of council tax increase. Considerable focus is given to reducing costs through effective procurement, utilising new technology and alternative cost effective methods of service delivery. Investment to save or contain escalating expenditure is strongly encouraged.
- 3.12 The submission and evaluation of bids for additional resources (capital and revenue) are laid out in the Service and Financial Planning Framework. Bids are scrutinised by senior officers and evaluated against corporate priorities and then used to inform Member decisions.
- 3.13 The Medium Term Financial Plan (MTFP) provides a strategic overview of the Council's financial position over a three year period to provide a longer-term view. It includes the Council's resources requirements and performance targets (outputs) over the medium term. It also includes a service narrative, financial risk analysis, reserve policies and covers both revenue and capital. The MTFP incorporates the financial plans with our key partners over a three year period. This process has been recognised and promoted by CIPFA as best practice and by the Audit Commission across Berkshire.
- 3.14 The Financial Management of the Council and the Reporting of Financial Management
The financial management arrangements of the Council are brought together in the Financial Regulations and Budget Management Protocol which identifies roles, responsibilities, policies, procedures and processes.
- 3.15 The Corporate Leadership Team considers revenue and capital budget monitoring reports on a monthly basis, as do Executive Leads. This is supplemented by an informal Member/Senior Officer group (known as the Special Finance Group) that takes an overview of the Council's finances and directs action as appropriate. Executive formally considers the revenue and capital budget monitoring reports quarterly. The Statement of Accounts produced at financial year-end is approved by the Audit Committee on behalf of the Council.



- 3.16 The financial management of the authority is conducted in accordance with the financial rules set out in Part 4 of the constitution (the Financial Regulations) and the Medium Term Financial plan (Budget Management Protocol). The Council has designated the Strategic Director Resources as Chief Finance Officer in accordance with Section 151 of the Local Government Act 1972. The Council has in place a three year Financial Strategy, updated annually to ensure resources are allocated effectively to best enable the delivery of the corporate priorities.
- 3.17 The Council maintains an Internal Audit function (part of the Business Assurance Section), which operates in accordance with the CIPFA and Chartered Institute of Internal Auditors International Standards. The Business Assurance Section reports quarterly to the Audit Committee on progress against the Internal Audit Plan and highlights any significant governance or internal control issues arising.
- 3.18 The Performance Management System of the Council and the Reporting of Performance Management
Performance management is laid out in the Performance Management Guidance. In 2012/13 performance management was delivered through each service's service plan. The new regime starting in 2012/13 has seen the adoption of the Balance Scorecard methodology.
- 3.19 In 2013 following a review of the most relevant indicators by the Corporate Leadership Team, the Council prepares a series of performance reports on a monthly, quarterly and annual basis to provide a comprehensive picture of achievement. These are reported at Executive Briefing and Scrutiny.
- 3.20 The Risk Management of the authority and the Reporting of Risk Management
A system is in place for the management of service and corporate risks. The process, roles and responsibilities of members, committees and staff are laid out in the Council's Enterprise Risk Management Policy. The Council has continued to embed an Enterprise Risk Management model for managing its risks (and opportunities) as detailed in its Enterprise Risk Management Guidance. A refresh of the Council's Risk Management Policy and Guidance took place in 2012/13.
- 3.21 Members of the Audit Committee have received risk management training in year relevant to their role. Going forwards, refresher training is required for Senior Managers and Members of the Executive.
- 3.22 The Service and Financial Planning Guidance ensures that significant service and financial risks within the annual budget presented to Council for approval, are highlighted in the Chief Finance Officer's statutory report.
- 3.23 The Corporate Leadership Team has responsibility for the Corporate Risk Register and for refreshing this on a regular basis. This has been undertaken quarterly in the year. After each refresh, the Corporate Risk Register is presented to the Audit Committee and forwarded to Executive members for information and reference. All Strategic Directors/ Directors are responsible for monitoring and co-ordinating risks in their service area and for producing a service risk register that is regularly refreshed and reviewed.



3.24 A Risk Management Group consisting of representatives from all service areas continues to meet quarterly. The group helps to facilitate the production and refresh of both service and team risk registers. The group is charged with collating the key and consistent risks from services, teams and projects and then communicating this information to their Service Management Teams and/ or Corporate Leadership Team for possible inclusion in the relevant risk register. This ensures that risks are considered both vertically and horizontally. Going forwards it is planned that risk registers will be aligned to (and embedded within) service plans.

3.25 There has been an historic misalignment between the corporate and service risk registers and the focus of the Internal Audit work plan. This will be addressed during 2013-14 to ensure that the organisation's highest risks are the focus of Internal Audit's work.

4. Review of Effectiveness of Wokingham Borough Council's Governance Framework

4.1 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. The review of effectiveness is informed by:

- the work of the Corporate Leadership Team, who have responsibility for the development and maintenance of the Council's governance environment;
- the Director of Business Assurance and Democratic Services' Annual Internal Audit Report; and
- comments made by the external auditors and other review agencies and inspectorates.

4.2 Responsibility for facilitating the production of the Council's Annual Governance Statement rests with the Director of Business Assurance and Democratic Services in liaison with the Corporate Governance Group. The draft Annual Governance Statement is considered by the Corporate Leadership Team and is subsequently reviewed and endorsed by the Audit Committee prior to presentation at Council as part of the audited financial statements.

4.3 The Internal Audit assurance levels on key areas of the internal control environment demonstrate that for 2012/13 a reasonable internal control framework has been maintained.

4.4 Review of the Effectiveness of the System of Internal Control

The Council has developed an Assurance Framework to maintain and review the system of internal control. Assurances are provided by a number of sources including Business Assurance Internal Audit and Investigations coverage, annual Management Assurance Statements, the Performance Management system, the Risk Management system, External Audit coverage and other external inspections (e.g. Ofsted and the Care Quality Commission).

4.5 The Director of Business Assurance and Democratic Services produces an Annual Internal Audit Report which is submitted to the Audit Committee and includes an opinion on the effectiveness of the system of internal control. The Internal Audit function is subject to review by External Audit (the Audit Commission) who place particular reliance on the Internal Audit work carried out on the Council's key systems.

4.6 Management Assurance Statements have been completed by the Council's 5 Strategic Directors, 3 Directors and 1 Head of Department. This year Assurance Statements have also been received by the Council's major contractors, they include Optalis, WSP, Wokingham



Housing Ltd and Wokingham Enterprises Ltd. All 13 Management Assurance Statements for 2012/13 have been agreed by the relevant Executive Lead Members (where applicable) and returned to the Corporate Governance Group for consideration as part of the process for compiling the Annual Governance Statement.

4.7 Review of the Effectiveness of Internal Audit

The Accounts and Audit (Amendment) Regulations 2011 require relevant bodies to review the effectiveness of their system of internal audit at least annually and to report this to their Audit Committee. A review of the effectiveness of Internal Audit and Counter Fraud Arrangements was conducted in 2012/13 and concludes that Internal Audit and Investigations are effective and complies with the Chartered Institute of Internal Auditors International Standards.

- 4.8 The review found that controls are in place to ensure the delivery of high quality risk-based Internal Audits and resources are used effectively to meet the assurance needs of the Council. The review made some recommendations on areas which can be strengthened, but none of these raised concerns over the effectiveness of Internal Audit. The review was reported to Audit Committee on 28 November 2012.

5. Significant Governance Issues at Wokingham Borough Council

- 5.1 The Council's Corporate Governance Group (tasked with drafting the Annual Governance Statement) has been consulted on the implications of significant issues raised during our review of the effectiveness of the governance framework and system of internal control.

5.2 Corporate Risks and Issues

- 5.2.1 The golden thread which connects SMART objectives with the Council's corporate planning framework to individual objectives and appraisals has been under-developed and is being addressed through the new Performance Improvement programme subsequently introduced. This was raised in the 2012/13 Corporate Governance Internal Audit report and will be developed. This year the Council's service planning process has improved, as has accountability against service plans.
- 5.2.2 In 2012 there was a significant information security breach related to the unauthorised disposal of sensitive data during the office moves in Children's Services. This was in the context of strengthened general controls over the confidentiality and security of data. The incident was reported to the Information Commissioner who concluded that Wokingham Borough Council were not accountable. No further action is required.
- 5.2.3 The Council faces financial pressures which represent a challenge to its operations. To date these pressures have not manifested into weaknesses in the control environment. However there is considerable uncertainty surrounding staff and there are a number of interim appointments/ temporary staff in key areas across the Council.
- 5.2.4 Working relations between officers and members continues to improve and a number of collaborative member/ officer groups have been created to foster effective joint working. Work is on-going to ensure that clarity of roles and responsibilities are clearly understood and maintained.
- 5.2.5 The Council experienced a major IT incident this year which impacted on its performance for a short period. This situation was managed through the business continuity management process. The situation is being monitored on a daily basis, a lessons learnt system is in place and the



incident has been reviewed by Internal Audit. Business continuity has been improved following the experience gained and is assessed on an ongoing basis.

5.3 Internal Service Risks and Issues

- 5.3.1 Resources: Policies and Procedures – improved clarity is required over ‘must do’ issues, particularly in relation to employee matters.
- 5.3.2 Business Assurance & Democratic Services: Scrutiny – The Scrutiny function has expanded and includes scrutiny of partner organisations and the newly formed Health and Wellbeing Board. There is a need to review the capacity and resources to undertake this function effectively. There remains a lack of corporate engagement in the Scrutiny function.
- 5.3.3 Legal and Electoral Services: Shared Legal Solutions – There is lack of adequate support to the Iken case management system. The business impacts include not only the ability to work remotely (upon which the SLS business case depends) but also the operational impacts of being unable to access data in a timely manner to enable proper representation of both WBC and also RBWM under the contract.
- 5.3.4 Legal and Electoral Services: Local Land Charges – The continuing economic problems in the market have a direct impact on the levels of activity and income for this service. The ability to generate external income from this service is prescribed by legislation such as the Environmental Impact Regulations, which requires the local authority to provide some types of information for free. There continues to be pricing pressures with competition from personal search companies who continue to undercut the local authority charges. The predicted budget overspend will be off set against under spends in other parts of the Department’s budget. Group litigation by the main Personal Search companies with respect to previous charges levied on personal searches continues against WBC. Whilst there is there is an expectation that a settlement will be reached for the majority of these claims in the near future, this might increase other potential claims and this situation remains unpredictable. There is some budget provision set aside for this eventuality but the exact numbers of potential claims and claimants remains unknown. The Government has agreed to provide some recompense to local authorities by way of a New Burdens grant; however it is difficult to predict the levels of grant WBC will receive. This situation and litigation are monitored by external solicitors, Bevan Brittan, who manages these cases on behalf of all LGA member authorities.
- 5.3.5 Legal and Electoral Services: Corporate Governance – Due to changes to Members Code of Conduct introduced by the Localism Act, Members of multiple authorities will now be subject to potentially many different Codes, which will introduce additional complexity on complaints handling. Changes also included more responsibility on the Monitoring Officer with regard to the Code of Conduct allegations. This causes additional time constraints on the Monitoring Officer role.
- 5.3.6 Development & Regeneration: Resource issues have impacted on the capacity of the Directorate to respond to the significant workload associated with the SDL’s. This has been addressed through the MTFP and the award of capacity building funding from CLG. However delays in agreeing deployment of this and recruitment have led to a significant build-up of outstanding workload and high demands being placed on staff.
- 5.3.7 Development & Regeneration: The Planning IT system remains weak and impacts on the ability of the team to process and validate applications leading to poor customer outcomes and feedback.



- 5.3.8 Transformation: There are some outstanding audit recommendations to address pertaining to project governance enhancements. These improvements are underway and have been subject to further scrutiny by the Audit Committee.
- 5.3.9 Children's Services: Placement of individual children in specialist establishments outside the borough – Such placements are sometimes on an emergency basis, but always highly specialist. Children's Services do not apply the procedures for tendering for such places as there are time constraints and the establishment which could meet the children's needs are very limited. A review of the relative cost of placements and the market place availability will be undertaken by the People Hub in 2013/14.
- 5.3.10 Children's Services: Approval of invoices –The management approval thresholds in Children's Services mean that Heads of Service have a significant number of invoices to approve. Invoices which have not been approved are referred to the Strategic Director for approval who has less knowledge of the detail. There is a risk that invoices are being approved without the operational knowledge. A review of the approval thresholds in each service has been started by Finance to reduce the burden on the most senior managers and target approval responsibility to staff who know the detail of the services procured and provided.
- 5.3.11 Children's Services: Contract compliance – Some contracts are rolled over without the required tendering arrangements and there is insufficient scrutiny of contract compliance to give assurance on value for money. This will be reviewed by the People Hub in 2013/14.
- 5.3.12 Health and Wellbeing: The Finance and Contract Regulations, as currently drafted, do not appear to reflect operational need and practice in the procurement and commissioning of Adult Social Care Services. There is a requirement to consult with the Head of Procurement and the Head of Legal Services for all contracts with a value exceeding £50k, which would cover the majority of individual arrangements for Adult Social Care clients. The numbers of transactions which are affected by this Regulation are quite high. Discussions are underway to agree a mechanism by which a properly authorised delegation can be agreed to balance probity with operational need.
- 5.3.13 IMT: There are a number of actions under the ICT Management of Starters and Leavers Internal Audit report which will be implemented. These include documenting the Asset Management process, adopting a single "Golden Source" for all asset data (it is planned to interface Agresso & Infra by December 2013), producing monthly management reports and reviews to ensure the accuracy of the database and the reporting and reconciling of Leavers data with the Asset Register at the end of each month.
- 5.4 External Service Risks and Issues
- 5.4.1 Optalis: At 31 March 2013 Internal Audit were performing a Financial Management review, the findings of which have yet to be discussed. Optalis anticipate there will be a number of financial control issues to address, and have agreed to action these over the next quarter.
- 5.4.2 Wokingham Enterprises Ltd: In 2012/13 work has been carried out to improve the processing of invoices. Invoice logging has been established to ensure the correct authorisation procedure is followed; the invoice has not been duplicated and the invoice has not previously been paid.
- 5.5 Overall, internal controls are robust, although given the issues outlined above there is scope to further strengthen the Council's internal control environment and overall assurance framework.



**WOKINGHAM
BOROUGH COUNCIL**

Business Assurance
Successfully Improving Governance

- 5.6 We propose over the coming year to take steps to address the above matters to further develop the Council's governance arrangements. The governance disclosures contained in this Annual Governance Statement will be managed via the appropriate risk register in accordance with the Council's Risk Management Policy. This will provide for more accountability, reduced bureaucracy and further embed enterprise risk management.

Signed:

Leader of the Council:

A handwritten signature in black ink, consisting of a large, stylized 'A' followed by a horizontal line.

Date: 30/7/2013

Chief Executive:

A handwritten signature in black ink, appearing to be 'J. Smith'.

Date: 2/8/2013



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 Strategic Director of Resources.
- 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 Strategic Director of Resources

The Strategic Director of Resources, in his capacity as the S151 Officer, is responsible for the preparation of the Council's Statement of Accounts which, in terms of the Chartered Institute of Public Finance and Accountancy (CIPFA) / Local Authority (Scotland) Accounts Advisory Committee (LASAAC) Code of Practice on Local Authority Accounting in United Kingdom, is required to present a true and fair view of the financial position of the Council at the accounting date and its income and expenditure for the year ended 31 March, 2013.

In preparing this Statement of Accounts, the Strategic Director of Resources has:

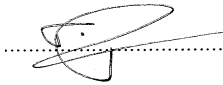
- selected suitable accounting policies and then applied them consistently;
- made judgments and estimates that were reasonable and prudent;
- kept proper accounting records which were up to date;
- taken reasonable steps for the prevention and detection of fraud and other irregularities;
- complied 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, 2013.



Signature: 
Graham Ebers
Strategic Director of Resources
Date: 25th September, 2013



Signature: 
Philip Mirfin
Chairman of the Audit Committee
Date: 25th September, 2013



4. AUDIT OPINION

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

Opinion on the Authority's financial statements

We have audited the financial statements of Wokingham Borough Council for the year ended 31 March 2013 under the Audit Commission Act 1998. The financial statements comprise the Authority and Group Movement in Reserves Statement, the Authority and Group Comprehensive Income and Expenditure Statement, the Authority and Group Balance Sheet, the Authority and Group Cash Flow Statements and related Authority notes 1 to 51 and group notes 52 to 59, the Housing Revenue Account Income and Expenditure Statement, the Movement on the Housing Revenue Account Statement and related Authority notes 1 to 16 in section 10, and Collection Fund and related Authority notes 1 to 3 in section 12. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2012/13.

This report is made solely to the members of Wokingham Borough Council, as a body, in accordance with Part II of the Audit Commission Act 1998 and for no other purpose, as set out in paragraph 48 of the Statement of Responsibilities of Auditors and Audited Bodies published by the Audit Commission in March 2010. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the authority and the authority's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the Strategic Director of Resources and auditor

As explained more fully in the Statement of the Strategic Director of Resources' Responsibilities set out in section 3, the Strategic Director of Resources is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2012/13, and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Authority and Group's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Strategic Director of Resources; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Summary Accounts to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the financial position of Wokingham Borough Council as at 31 March 2013 and of its expenditure and income for the year then ended;
- give a true and fair view of the financial position of the Group as at 31 March 2013 and of its expenditure and income for the year then ended; and,
- have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2012/13.

Opinion on other matters

In our opinion, the information given in Summary Accounts for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we report by exception

We report to you if:

- in our opinion the annual governance statement does not reflect compliance with 'Delivering Good Governance in Local Government: a Framework' published by CIPFA/SOLACE in June 2007;
- we issue a report in the public interest under section 8 of the Audit Commission Act 1998;
- we designate under section 11 of the Audit Commission Act 1998 any recommendation as one that requires the Authority to consider it at a public meeting and to decide what action to take in response; or
- we exercise any other special powers of the auditor under the Audit Commission Act 1998.

We have nothing to report in these respects.

Conclusion on the Authority's arrangements for securing economy, efficiency and effectiveness in the use of resources

Respective responsibilities of the Authority and the auditor

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

We are required under Section 5 of the Audit Commission Act 1998 to satisfy ourselves that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the Audit Commission requires us to report to you our conclusion relating to proper arrangements, having regard to relevant criteria specified by the Audit Commission.

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

arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

Basis of conclusion

We have undertaken our audit in accordance with the Code of Audit Practice, having regard to the guidance on the specified criteria, published by the Audit Commission in November 2012, as to whether the Authority has proper arrangements for:

- securing financial resilience; and
- challenging how it secures economy, efficiency and effectiveness.

The Audit Commission has determined these two criteria as those necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether the Authority put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2013.

We planned our work in accordance with the Code of Audit Practice. Based on our risk assessment, we undertook such work as we considered necessary to form a view on whether, in all significant respects, the Authority had put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

Conclusion

On the basis of our work, having regard to the guidance on the specified criteria published by the Audit Commission in November 2012, we are satisfied that, in all significant respects, Wokingham Borough Council put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2013.

Certificate

We certify that we have completed the audit of the accounts of Wokingham Borough Council in accordance with the requirements of the Audit Commission Act 1998 and the Code of Audit Practice issued by the Audit Commission.

*Maria Grindley
for and on behalf of Ernst & Young LLP, Appointed Auditor
Reading
25 September 2013*

5. STATEMENT OF ACCOUNTING POLICIES

The Statement of Accounts summarises the Council's transactions for the 2012/13 financial year and its position at the year end of 31 March 2013. The Council is required to prepare an annual Statement of Accounts by the Accounts and Audit Regulations 2011. They are required to be prepared in accordance with proper accounting practices.

This Statement of Accounts has been prepared in accordance with the CIPFA Code of Practice on Local Authority Accounting in the United Kingdom (the Code). The statements comply with the CIPFA Service Reporting Code of Practice 2012/13 (SeRCOP), supported by International Financial Reporting Standards (IFRS) and other relevant statutory guidance.

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

- **Accruals Basis** – other than the Cash Flow Statement, 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
- **Understandability** – the 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 disclose items of a certain size and nature such that they provide a fair presentation of the financial position and transactions of the Council
- **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 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.

3.1 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:

- Fees, charges and rents due from customers are accounted for as income at the date the Council provides the relevant goods or services
- 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
- 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

3.2. Acquired Operations

The Council does not have any acquired operations in 2012/13, but will be responsible for the Public Health service from 1 April 2013 onwards.

3.3. Discontinued Operations

The Council does not have any discontinued operations.

3.4. 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 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.

3.5. 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.

3.6. 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 year adjustment.

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

3.7. Charges to Revenue for Non-Current Assets

General Fund service revenue accounts, central support services and trading accounts are charged with the following amounts to record the cost of holding fixed assets during the year:

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

The Council is not required to raise council tax to fund depreciation, revaluation and impairment losses or amortisations. However it is required to make an annual contribution from revenue towards the reduction in its overall borrowing requirement. Depreciation, revaluation and impairment losses and amortisations are therefore replaced by the 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.

3.8. 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 when 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 Non Distributed Costs line in the Comprehensive Income and Expenditure Statement.

Termination benefits involving pension enhancement 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 contributions 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 triennial actuarial valuation. The latest review was undertaken as at 31st March 2013. 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 funds 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 of 4.6% (based on the indicative rate of return on Merrill Lynch Non Gilt Sterling AA over 15 year Corporate Bond Index).

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 seven components:

- current service cost – the increase in liabilities as 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 arising from current year decisions whose effect relates to years of service earned in earlier years – debited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs
- interest cost – the expected increase in the present value of liabilities during the year as they move one year closer to being paid – debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement
- expected return on assets – the annual investment return on the fund assets attributable to the Council, based on an average of the expected long-term return – credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement
- gains or losses on settlements and curtailments – the result of actions to relieve the Council of liabilities or events that reduce the expected future service or accrual of benefits of employees are debited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs
- actuarial gains and losses – changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions – debited to the Pensions Reserve
- contributions paid to the pension fund – cash paid as employer's contributions to the pension fund in settlement of liabilities are 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.

3.9. 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. However, the following 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.

3.10. Financial Instruments

i. Financial Liabilities

Financial liabilities 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 into two types:

- loans and receivables – assets that have fixed or determinable payments but are not quoted in an active market

- available-for-sale assets – assets that have a quoted market price and / or do not have fixed or determinable payment

a. Loans and Receivables

Loans and receivables are initially measured at fair value and are subsequently carried at their amortised cost. Annual credits to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement 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 loans that the Council has made, this means that the amount presented in the Balance Sheet is the outstanding principal receivable (plus accrued interest) and interest credited to the Comprehensive Income and Expenditure Statement is the amount receivable for the year in the loan agreement.

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

Sometimes the Council may make loans at less than market rates. These are called soft loans. Due to the low value of advances made which may be considered as soft loans, the Council applies de minimis principles to soft loans.

b. Available for Sale Assets

Available-for-sale assets are initially measured and carried at fair value. Where the asset has fixed or determinable payments, annual credits to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest receivable are based on the amortised cost of the asset multiplied by the effective rate of interest for the instrument. Where there are no fixed or determinable payments, income (eg, dividends) is credited to the Comprehensive Income and Expenditure Statement when it becomes receivable by the Council.

Assets are maintained in the Balance Sheet at fair value. Values are based on the following principles:

- instruments with quoted market prices – the market price
- other instruments with fixed and determinable payments – discounted cash flow analysis
- equity shares with no quoted market prices – independent appraisal of company valuations.

Changes in fair value are balanced by an entry in the Available-for-Sale Reserve and the gain / loss is recognised in the Surplus or Deficit on Revaluation of Available-for-Sale Financial Assets. The exception is where impairment losses have been incurred – these are debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement, along with any net gain or loss for the asset accumulated in the Available-for-Sale Reserve.

Where assets are identified as impaired because of a likelihood arising from a past event that payments due under the contract will not be made (fixed or determinable payments) or fair value falls below cost, the asset is written down and a charge made to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. If the asset has fixed or determinable payments, the impairment loss is measured as the difference between the carrying amount and the present value of the revised future cash flows discounted at the asset's original effective interest rate. Otherwise the impairment loss is measured as any shortfall of

fair value against the acquisition cost of the instrument (net of any principal repayment and amortisation).

Any gains and losses that arise on the de-recognition of the asset are credited or debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement, along with any accumulated gains or losses previously recognised in the Available-for-Sale Reserve.

Where fair value cannot be measured reliably, the instrument is carried at cost (less any impairment losses).

3.11. Foreign Currency Translation

Income and expenditure arising from a transaction denominated in a foreign currency is translated into £ sterling at the exchange rate in operation on the date on which the transaction occurred. If the rates do not fluctuate significantly, an average rate for a period is used as an approximation. Where the transaction is to be settled at a contracted rate, that rate is used.

At each Balance Sheet date, monetary assets and liabilities denominated in a foreign currency are reconverted at the spot exchange rate at 31st March or, where appropriate, the rates of exchange fixed under the terms of the relevant transactions. Resulting gains or losses are recognised in the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

3.12. 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 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 posted to the Capital Grants Unapplied reserve. When an amount in the Grants Unapplied Reserve is applied to fund capital expenditure, it is posted to the Capital Adjustment Account. 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.

3.13. Intangible Assets

Intangible assets are non-monetary assets without physical substance which are capable of being sold separately from the rest of the Council's business or which arise from contractual or other legal rights. They are recognised where they have a cost in excess of £10,000, where it is probable that future economic benefits will flow to, or service potential be provided to, the Council and where the cost of the asset can be measured reliably. Where internally generated assets are held for service potential, this involves a direct contribution to the delivery of services to the public.

Internally generated assets are capitalised only where all of the following can be demonstrated by the Council:

- technical feasibility of completing the asset so it will be available for use or sale;
- intention to complete the asset;
- ability to use or sell the asset;
- how the asset will generate future economic or service delivery benefits (by demonstrating a market for the asset or the usefulness of the asset);
- availability of adequate resources are to complete the asset; and
- ability to measure reliably the expenses attributable to the asset during the development phase only (research expenditure cannot be capitalised)

Software which is integral to the operation of hardware (e.g. an operating system) is capitalised as part of the relevant item of property, plant and equipment. Software which is not integral to the operation of hardware (e.g. application software licences), is capitalised when it is expected that future economic benefits or service potential will flow from the intangible asset to the Council.

Expenditure on the development of websites is not capitalised if the website is solely or primarily intended to promote or advertise the Council's goods and services and does not assist in the provision of effective services or generate an economic benefit.

Intangible assets are recognised initially at cost, comprising all directly attributable costs needed to create, produce and prepare the asset to the point that it is capable of operating in the manner intended by management. Subsequently intangible assets should be recognised at fair value measured by reference to an active market. However, the types of intangible assets held by the Council are very unlikely to have readily ascertainable active market values so they are carried at amortised cost. The depreciable amount of an intangible asset is amortised over its useful life to the relevant service line(s) in the Comprehensive Income and Expenditure Statement. The useful economic lives of intangible assets disclosed in the Balance Sheet has been determined individually and most typically, 5 years is used as the average life for software. Useful lives are reviewed at the end of each reporting period and revised if necessary.

An asset is tested for impairment whenever there is an indication that the asset might be impaired:

- at the end of the first full financial year following the acquisition, and
- in other periods if events or changes in circumstances indicate that the carrying values may not be recoverable
- Intangible assets that are not amortised over a period are reviewed for impairment at the end of each reporting period

Any losses recognised as a result of impairment are treated as follows:

- Where there is a balance of revaluation gains for 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.

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.

i. Landfill Allowances

Under the Waste and Emissions Trading Act 2003, the Council as a waste disposal authority is issued with landfill allowance permits on an annual basis for the amount of biodegradable waste that it is allowed to landfill. If the amount of biodegradable waste sent to landfill exceeds the allowance in any one year then additional permits are required to be purchased from other authorities or a cash penalty is paid to the government for the shortfall. The scheme is known as a 'cap and trade scheme'.

The fair value of allowances held by the Council (whether issued by the government or purchased from another authority) is recognised as an intangible current asset within the Balance Sheet. The fair value of allowances issued by the government is recognised as a government grant and accounted for in accordance with paragraph 12; (i.e., it is initially recognised as deferred income on the Balance Sheet and subsequently recognised as income on a systematic basis over the compliance year for which the allowances were allocated). The fair value of allowances is taken as the present market value at the Balance Sheet date.

The value of allowances after the initial recognition is measured at the lower of cost and net realisable value.

An estimate of expenditure required to settle the obligation to deliver allowances equal to the biodegradable and municipal waste landfill usage to the government is recognised as a liability (provision) on the Balance Sheet. The value of the provision is measured as the present market value at the Balance Sheet date of the number of allowances required to be delivered to the government and/or the cash penalty required for any shortfall in allowances.

3.14. Interests in Companies and Other Entities

The Council has some small 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.

3.15. Inventories and Long-Term Contracts

Inventories held by the Council will be included in the Balance Sheet at the lower of cost and net realisable value. At present the Council has no holdings of this nature.

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.

3.16. 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.

Investment properties are measured initially at cost and subsequently at fair value, 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 and posted to the Capital Adjustment Account and the Capital Receipts Reserve for sale proceeds above £10,000.

3.17. Jointly Controlled Operations and Jointly Controlled Assets

The Council is involved in arrangements with public sector partners to engage in joint activities that involve the use of the assets and resources of the partners rather than the establishment of a separate entity. Jointly controlled assets are items of property, plant or equipment that are jointly controlled by the Council and its partners, with the assets being used to obtain benefits for the partners. The Council accounts only for its share of the assets, liabilities, income, expenditure and cash flows held within the jointly controlled operations within its financial statements.

3.18. 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 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 expenses in the periods in which they are incurred.

Rentals payable are apportioned between:

- a charge for the acquisition of the interest in the property (recognised as a liability in the Balance Sheet at the start of the lease, at the lower of its fair value at inception or the present value of the minimum lease payment, matched by a liability for the obligation to pay the lessor – the liability is written down as the rent becomes payable), and
- a finance charge (debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement as the rent becomes payable).

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 leasing 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

Where the Council grants a finance lease over a property or an item of plant or equipment, the relevant asset is written out of the Balance Sheet as a disposal. At the commencement of the lease, the carrying amount of the asset in the Balance Sheet (whether Property, Plant and Equipment or Assets Held for Sale) is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. A gain, representing the Authority's net investment in the lease, is credited to the same line in the Comprehensive Income and Expenditure Statement also

as part of the gain or loss on disposal (ie netted off against the carrying value of the asset at the time of disposal), matched by a lease (long-term debtor) asset in the Balance Sheet.

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 Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as income is received.

This policy is a departure from the Code which states that rentals receivable should be charged to revenue on a straight-line basis over the term of the lease, even if this does not match the pattern of the payments. The Council believes that this departure from the Code is not material.

3.19. Overheads and Support Services

The costs of overheads and support service costs (e.g., legal, human resources and finance) are charged to all 'front line' services (i.e., services to the public) in accordance with the costing principles of SeRCOP. 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 with the exception of the following which are not charged to front line services:

- Corporate and Democratic Core which are costs relating to the Council's status as a multi-functional, democratic organisation
- Non-Distributed Costs. These are costs of discretionary benefits awarded to employees retiring early and impairment losses chargeable on Assets Held for Sale

3.20. 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.

iii. Measurement

Assets will be disclosed and valued on the Balance Sheet on the following bases:

Asset Category	Valuation Method
Assets under Construction	Depreciated Historic Cost
Infrastructure Assets	
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	
Surplus Assets	Fair Value (Existing Use Value) EUV
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. A. Spicer, the Council’s Estates Unit Manager 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 were specifically inspected for the purpose of asset valuations. This was 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 for all assets, with the exception of Council Dwellings and Investment properties which will be reviewed on an annual basis as per the Code’s requirements. In addition, all assets with an estimated value of £10m or over will be revalued at least every two years.

Any changes in valuation will be recorded in the balance sheet as per the accounting guidelines outlined in the Code.

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 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 these 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.
- In accordance with CIPFA guidelines, the Notional Major Repairs Allowance has been used as a proxy for depreciation on council dwellings.
- Assets are depreciated 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. From 2012/13 onwards, the method for depreciating vehicles was changed from reducing balance to straight line method as this was seen to be more consistent with other depreciation methods used. The impact of this change is not material and has therefore not been separately identified in the Statement of Accounts.

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 policy will be to componentise part of assets where the part subject to componentisation is more than £200k or 10% or more of the building value of the asset and the value of the

building itself is greater than £1m. 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 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 it is revalued and carried at the lower of this figure and fair value less costs to sell. Where there is a subsequent decrease to fair value less costs to sell, the loss is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Gains in fair value are recognised only up to the amount of any 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.

Amount 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.

3.21. 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 contracts 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 6.9% on the outstanding Balance Sheet liability, debited to Financing and Investment Income 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 – Proportion of the amounts payable is posted to the Balance Sheet as a prepayment and then recognised as additions to Property, Plant and Equipment when the relevant works are eventually carried out.

3.22. 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 taking into account 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 are not recognised in the accounting statements; they are disclosed by way of notes if there is a possible obligation that may require a payment or a transfer of economic benefits. For each class of contingent liability, the nature of the contingency, a brief description, an estimate of its financial effect, an indication of the uncertainties relating to the amount or timing of any outflow and the possibility of any reimbursement will be disclosed.

iii. 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 accounting statements; they are disclosed by way of notes if the inflow of a receipt or economic benefit is probable. The disclosures indicate the nature of the contingent asset and an estimate of its financial effect.

3.23. 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.

3.24. 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.

3.25. 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.

3.26. Group Accounts

The Code requires the Council to consider all their interests and to prepare a full set of group accounting statements where they have 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 three group relationships which qualify for the preparation of group accounts.

Wokingham Enterprises Ltd is a wholly owned subsidiary of Wokingham Borough Council set up for the purposes of enabling the regeneration of the town centre of Wokingham and specifically for the purchase of land and buildings, such as Peach Place, within the town centre for redevelopment. The company operates the same financial year and under the same accounting policies as Wokingham Borough Council.

Optalis Ltd is a wholly owned subsidiary of Wokingham Borough Council set up to provide community care services to members of the public on behalf of the Council and to the private sector. The company was established in June 2011 and became operational during 2011/12.

Wokingham Housing Ltd is a wholly owned subsidiary of Wokingham Borough Council set up for the purposes of increasing the provision of affordable housing within the Wokingham Borough through redevelopment and housing services to the community. The company was established January 2012 but was dormant in 2011/12. It became operational during 2012/13 and therefore the 2012/13 accounts are the first to incorporate summary accounts for Wokingham Housing Ltd.

3.27 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 heritage assets.

6. FINANCIAL STATEMENTS

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 Usable Reserves	Unusable Reserves	Total WBC Reserves
	£,000	£,000	£,000	£,000	£,000	£,000	£,000	£,000	£,000	£,000
Balance at 31st March, 2012 brought forward	(9,243)	(9,475)	(1,273)	(8,255)	(7,362)	(31)	(22,419)	(58,057)	(390,556)	(448,613)
Movement in Reserves during 2012/13:										
(Surplus) or Deficit on the Provision of Services	2,423	0	(1,295)	0	0	0	0	1,128	0	1,128
Other Comprehensive Income and Expenditure	0	0	0	0	0	0	0	0	202	202
Total Comprehensive Income and Expenditure	2,423	0	(1,295)	0	0	0	0	1,128	202	1,330
Adjustments between Accounting Basis & Funding Basis under Regulations (note 5)	(6,981)	0	941	0	2,091	(426)	(6,578)	(10,952)	10,952	0
Net (Increase) / Decrease before Transfers to Earmarked Reserves	(4,558)	0	(354)	0	2,091	(426)	(6,578)	(9,823)	11,154	1,330
Transfers to/from Earmarked Reserves (Note 6)	3,885	(6,317)	0	1,208	(10)	0	1,234	0	0	0
(Increase) / Decrease in 2012/13	(673)	(6,317)	(354)	1,208	2,081	(426)	(5,344)	(9,823)	11,154	1,330
Balance at 31st March 2013 carried forward	(9,916)	(15,792)	(1,627)	(7,047)	(5,280)	(457)	(27,763)	(67,882)	(379,403)	(447,285)

	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 Usable Reserves	Unusable Reserves	Total WBC Reserves
	£,000	£,000	£,000	£,000	£,000	£,000	£,000	£,000	£,000	£,000
Balance at 31st March, 2011 brought forward	(9,322)	(4,137)	(1,316)	(7,351)	(9,721)	(338)	(6,658)	(38,844)	(578,841)	(617,683)
Movement in Reserves during 2011/12:										
(Surplus) or Deficit on the Provision of Services	44,884	0	94,956	0	0	0	0	139,840	0	139,840
Other Comprehensive Income and Expenditure	0	0	0	0	0	0	0	0	29,231	29,231
Total Comprehensive Income and Expenditure	44,884	0	94,956	0	0	0	0	139,840	29,231	169,071
Adjustments between Accounting Basis & Funding Basis under Regulations (note 5)	(51,047)	0	(94,913)	0	2,360	307	(15,760)	(159,053)	159,053	0
Net (Increase) / Decrease before Transfers to Earmarked Reserves	(6,163)	0	43	0	2,360	307	(15,760)	(19,213)	188,285	169,071
Transfers to/from Earmarked Reserves (Note 6)	6,242	(5,338)	0	(903)	0	0	1	0	0	0
(Increase) / Decrease in 2011/12	78	(5,338)	43	(903)	2,360	307	(15,761)	(19,213)	188,285	169,071
Balance at 31st March 2012 carried forward	(9,243)	(9,475)	(1,273)	(8,255)	(7,362)	(31)	(22,419)	(58,057)	(390,556)	(448,613)

COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

2011/12				2012/13		
Gross Expenditure £,000	Gross Income £,000	Net Expenditure £,000		Gross Expenditure £,000	Gross Income £,000	Net Expenditure £,000
3,039	(2,468)	571	Central Services to the Public	3,121	(2,783)	338
6,742	(1,600)	5,142	Cultural and Regulated Services	6,538	(1,515)	5,023
15,545	(1,835)	13,710	Environmental and Regulatory Services	13,808	(2,086)	11,722
5,300	(2,219)	3,081	Planning Services	5,185	(2,458)	2,727
167,214	(139,714)	27,500	Education and Children's Services	157,900	(125,068)	32,832
15,717	(3,347)	12,371	Highways and Transport Services	16,276	(3,618)	12,658
13,149	(13,746)	(597)	Local Authority Housing (HRA)	10,692	(14,507)	(3,814)
29,801	(29,109)	692	Other Housing Services	29,803	(29,768)	34
55,486	(17,163)	38,323	Adult Social Care	57,440	(16,171)	41,269
95,486	(91)	95,395	Exceptional Costs (Note 7b)	0	0	0
4,369	0	4,369	Corporate and Democratic Core	7,403	0	7,403
(2,440)	0	(2,440)	Non-distributed Costs	(97)	0	(97)
409,408	(211,290)	198,117	Cost of Services	308,070	(197,975)	110,095
		0	Acquired Operations			0
		68,734	Other Operating Expenditure (Note 8)			9,542
		2,551	Financing and Investment Income and Expenditure (Note 9)			9,105
		(129,562)	Taxation and Non-specific Grant Income (Note 10)			(127,614)
		139,840	(Surplus) or Deficit on Provision of Services			1,128
		(20,359)	(Surplus) or Deficit on Revaluation of Property, Plant and Equipment Assets			(5,740)
		49,590	Actuarial (Gains) / Losses on Pension Liabilities			5,942
		29,231	Other Comprehensive Income and Expenditure			202
		169,071	Total Comprehensive Income and Expenditure			1,330

BALANCE SHEET

31st March, 2012		Notes	31st March, 2013
£,000			£,000
690,440	Property, Plant & Equipment	24	698,502
28,272	Investment Property	25	30,452
1,476	Intangible Assets	26	1,563
13,592	Long Term Investments	40	2,606
2	Long Term Debtors	34	639
733,782	Long Term Assets		733,762
19,291	Short Term Investments	40	34,057
149	Assets Held for Sale	39	224
0	Inventories		0
0	Intangible Current Assets		0
18,433	Short Term Debtors	34	16,967
21,399	Cash and Cash Equivalents	45	26,574
59,272	Current Assets		77,822
(4,915)	Cash and Cash Equivalents	45	(5,348)
0	Short Term Borrowing	40	(4,700)
(27,269)	Short Term Creditors	35	(29,710)
(3,510)	Provisions	36	(4,618)
(35,694)	Current Liabilities		(44,376)
0	Long Term Creditors	40	0
(134,752)	Long Term Borrowing	40	(132,117)
(9,669)	PFI and Finance Lease Liabilities	40	(9,453)
(145,700)	Pensions Liability	19	(159,620)
0	Other Long Term Liabilities		0
(18,626)	Capital Grants and Contributions	20	(18,733)
	Receipts in Advance		
(308,747)	Long Term Liabilities		(319,923)
448,613	Net Assets		447,285
(58,057)	Usable Reserves	22	(67,882)
(390,556)	Unusable Reserves	23	(379,403)
(448,613)	Total Reserves		(447,285)

CASH FLOW STATEMENT

2011/12		Notes	2012/13
£,000			£,000
139,840	Net (Surplus) or Deficit on the Provision of Services		1,128
(73,297)	Adjustments to Net Surplus or Deficit on the Provision of Services for Non-cash Movements		46,363
10,379	Adjustments for Items Included in the Net Surplus or Deficit on the Provision Of Services that are Investing or Financing Activities		(36,573)
76,922	Net Cash Flows from Operating Activities	42	10,918
29,635	Investing Activities	43	(16,297)
(88,341)	Financing Activities	44	637
18,216	Net (Increase) or Decrease in Cash and Cash Equivalents		(4,742)
(34,700)	Cash and Cash Equivalents at the Beginning of the Reporting Period		(16,484)
(16,484)	Cash and Cash Equivalents at the End of the Reporting Period	45	(21,226)



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7. NOTES TO THE ACCOUNTS

NOTE 1 ACCOUNTING POLICIES

The accounting policies used to complete this Statement of Accounts are produced in full in section 3.

NOTE 2 ACCOUNTING STANDARDS THAT HAVE BEEN ISSUED BUT HAVE NOT YET BEEN ADOPTED

The Council is required under IFRS to disclose information relating to the impact of the accounting change on the financial statements as a result of the adoption of a new standard that has been issued, but is not yet required to be adopted by the Council. There are a number of changes, however, only one is expected to have a material impact on the Statement of Accounts, which is the IAS 19 Employee Benefits change in respect of pensions. The impact is as follows:

- The International Accounting Standards Board has published a final version of the revised IAS 19 standard which affects the accounting treatment of defined benefit pension schemes. The change is effective for accounting periods beginning on or after 1 January 2013, and therefore the first financial year to which it will apply is 2013/14. The impact of the change had it been adopted in 2012/13 is material and is set out in detail in note 19 and also in note 57 of the Group Accounts, since one of the group companies is also affected by this change.

The following changes are not expected to have a significant impact on the Statement of Accounts:

- IAS 1 Presentation of Financial Statements – The changes require authorities to disclose separately the gains or losses reclassifiable into the Surplus or Deficit on the Provision of Services.
- Service Concession Arrangements, clarifications for the recognition criteria for assets under construction or intangible assets – There are no schemes, but it could apply if new PFI contracts are entered into which involve assets under construction. These would be recognised as an asset on the balance sheet, in line with the recognition criteria.
- IAS 12 Income taxes – This change in the accounting policy particularly affects investment properties. It is not considered that this change will affect the Statement of Accounts
- IFRS 7 Financial Instruments: Disclosures – The change in accounting policy is in relation to the offsetting of financial assets and liabilities. Within the cash and cash equivalents line on the balance sheet there is a bank overdraft, note 45 provides a breakdown of this item.

NOTE 3 CRITICAL JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

In applying the accounting policies set out in section 3, 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.

There is a high degree of uncertainty about future levels of funding for local government. However the Council has determined that this uncertainty is not yet sufficient to provide an indication that the assets of the Council might be impaired as a result of a need to close facilities and reduce levels of service provision.

Early in October 2008, the Icelandic banks Landsbanki, Kaupthing and Glitnir collapsed and the UK subsidiaries of these banks, Heritable and Kaupthing Singer and Friedlander went into administration. The Council had £5m deposited across two of these institutions, with varying maturity dates and interest rates.

All monies within these institutions are currently subject to the respective administration and receivership processes. The amounts and timing of payments to depositors such as the Council have been determined by the administrators / receivers. Wokingham Borough Council has estimated an impairment of the investments in line with guidance from the administrators about the timing of recovery of the monies. The assumptions made are detailed in Note 32 of the Financial Statements. In cash terms, the Council has received £2.319m (77.20%) of the investment with Heritable as at 31 March 2013 and expects to receive, in total, up to £2.664m (88.00%) by the end of January 2014. With regards to funds held by Landsbanki, following the Icelandic Supreme Court decision to grant UK local authorities priority status, the winding up board made a distribution to creditors in a basket of currencies in February 2012. The Council received £0.946m (approximately 50%) of the investment by 31 March 2013 and expects to receive 100% by December 2019. In total the Council expects to recover a total of £4.769m of the original £5m invested by December 2019.

The Council has interests in 5 Companies; Trading Standards South East Ltd (TSSEL), Flexible Home Improvements Loans Ltd (FHIL), Wokingham Enterprise Ltd (WEL), Optalis Ltd and Wokingham Housing Ltd. It has been determined that the Council does not have control or significant influence over the activities of TSSEL and FHIL and so they are not classed as subsidiaries, joint entities or associates of the Council. The Council treats these companies as simple investments however, as no share capital is held, no balance is recognised within the balance sheet for them. Details regarding these companies are disclosed in note 51 of the financial statements. The Council has full control over the operating activities of Wokingham Enterprise Ltd, Optalis Ltd and Wokingham Housing Ltd and as such classifies these companies as subsidiaries. Wokingham Housing Ltd was not active for most of 2011/12 but became operational during 2012/13 and details regarding the company are disclosed in note 51. With reference to Wokingham Enterprise Ltd, the Council purchased all of its operational assets in March 2013 for a consideration of £9.4m and as a result the company does not have any trading assets as at 31 March 2013. Notes 52 to 59 of the financial statements show the consolidated accounts for Wokingham Group and its respective notes.

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 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 £10m) 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.

There is uncertainty amongst local authorities and CIPFA regarding the accounting treatment of schools' non-current assets, specifically in relation to foundation, voluntary aided and voluntary controlled schools. The CIPFA/LAASAC Joint Board is reviewing the accounting treatment for school's non-current assets, and may include specific provisions and/or guidance in the 2013/14 Code of Practice (the Code). The current advice from CIPFA/LAASAC is that pending further guidance it is for each local authority to determine its own accounting treatment in relation to these assets and only include the assets in the balance sheet if, in applying the substance over form tests within FRS 5 (Reporting the Substance of Transactions), an authority had control over an asset.

Voluntary Aided and Controlled Schools are endowed by a trust, often religious in character. The Schools Standards and Framework Act determines that the trustees own the school buildings. The Governing Bodies are responsible for the provision of premises and all capital work to school buildings. The Council does not have access to any sale proceeds if the assets were to be disposed of and any decision to dispose of the assets requires the approval of the secretary of state. However, Wokingham Borough Council in many cases owns the land upon which the building is placed. Thus the council believes that in looking at the substance over form of the ownership of the property assets the position does not change from the legal position that the assets are not the property of the Council. Subsequently values for buildings occupied by voluntary aided and controlled and long-term liabilities have not been consolidated in the balance sheet but the value of the land owned by WBC is included. In Wokingham there are 9 Voluntary Aided Schools and also 9 Voluntary Controlled Schools as at 31 March 2013.

Wokingham Borough Council has analysed its leases into finance and operating leases as required by *IAS 17: Leases*. Leases of plant and equipment have been determined by the authority to be operating leases. In relation to leases of property the Council has reviewed all its property leases where the lease term is greater than 15 years. The assumption behind reviewing all leases longer than 15 years is that a property lease less than 15 years is highly likely to be an operating lease due to the economic life of a building being at least 50 years or more. In addition for "leased out" properties we have reviewed leases where the underlying asset values were individually in excess of £1million. The leases were reviewed against the control tests set out in IAS 17 as adapted under the Code. Once the initial assessment had been completed; if there was an indication of a finance lease then the Net Present Value of the minimum lease payments (MLP) was calculated and compared to the asset value to determine whether the lease was a finance or operating lease. Typically if the MLP was 75% or above of the asset value then the Council classifies the lease as a financing lease.

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 2012/13 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 4 ASSUMPTIONS MADE ABOUT THE FUTURE AND OTHER MAJOR SOURCES OF ESTIMATION UNCERTAINTY

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

The items in the Council's Balance Sheet at 31 March, 2013 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
Property, Plant and Equipment	<p>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.</p>	<p>If the useful life of assets is reduced, depreciation increases and the carrying amount of the assets falls.</p> <p>It is estimated that the annual depreciation charge for buildings would increase by £0.5m for every year that useful lives had to be reduced.</p>
Provisions	<p>The Council does not have a provision for the Landfill Allowance Trading Scheme (LATS) as it ended on 31 March 2013 and any unused balances have no value.</p> <p>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 1.5% of payroll costs. For staff based in schools a formula based on CIPFA guidance has been used.</p> <p>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. A general provision has been made this year, with one specific property being taken into account.</p> <p>The council has also made a provision for any costs arising from the reintegration of the former Wokingham Enterprises Ltd properties back into council ownership and operation.</p>	<p>WBC estimates the value to be nil per permit and has therefore determined that the amounts are immaterial and not recognised on the balance sheet. This is because DEFRA has confirmed that the scheme ends in 2012/13.</p> <p>A 1% change in the estimate of accumulating absences would result in approximately a £379,000 increase or decrease in the provision required for accumulating absences in relation to Non-school staff.</p> <p>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.</p> <p>The actual results are unlikely to differ significantly from the provision as all of the potential liabilities have been identified.</p>

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
Pension Liability	Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. Actuaries, Barnett Waddington provide the Council with expert advice about the assumptions to be applied.	<p>The effects on the net pensions liability of changes in individual assumptions can be measured. 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 £7.6m.</p> <p>However, the assumptions interact in complex ways. During 2012/13, the Council's actuaries advised that the net pensions liability had increased by £14m. This was due to actuarial losses of £6m and £8m of extra liabilities.</p>
PFI Liabilities	The value of PFI service charge payable under the contract disclosed in note 30 of the accounts is dependent upon assumptions regarding future inflation and tonnage rates.	A 1% increase in RPI would increase the total contract charge by £32,000 per annum of which Wokingham's share would be £12,000. Similarly a 1% increase in tonnages would increase the service charge by £1,000 per annum of which Wokingham's share would be immaterial.
Arrears	At 31 March 2013, the Council had a balance of total debtors of £17.6m, of which Council tax debt was £2.5m, and government and other public sector debtors were £6.614m. Following an assessment of debtors outstanding, no change to the sundry bad and doubtful debt provision and a £16k increase in council tax bad and doubtful debt provision were deemed appropriate. However, in the current climate it is not certain that such an allowance would be sufficient.	<p>The provision set aside for bad debt increases according to the age of the debt.</p> <p>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 £8k to set aside as an allowance for sundry debts and £15k from council tax from the revenue account and collection fund respectively.</p>

NOTE 5 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 the resources that are specified by statutory provisions as being available to the Council to meet future capital and revenue expenditure.

2012/13	Usable Reserves					Total Movement in Usable Reserves £,000	Movement in Unusable Reserves £,000
	General Fund (GF) Balance £,000	Housing Revenue Account (HRA) £,000	Capital Receipts Reserve £,000	Major Repairs Reserve £,000	Capital Grants Unapplied £,000		
Adjustments primarily involving the Capital Adjustment Account: Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:							
Charges for Depreciation of Non-Current Assets	(14,152)	(3,093)				(17,245)	17,245
Charges for Impairment of Non-Current Assets	(3,126)	(2,353)				(5,479)	5,479
Charges for Amortisation of Intangible Assets	(410)					(410)	410
Revaluation losses on Property, Plant and Equipment	(2,127)					(2,127)	2,127
Movements in the Market Value of Investment properties	(219)					(219)	219
HRA Voluntary Debt Repayment		640				640	(640)
Capital Grants and Contributions Applied	2,878				14,400	17,279	(17,279)
Revenue Expenditure funded from Capital under Statute	(552)		100		848	396	(396)
Amounts of Non-Current Assets Written Off on Disposal or Sale as part of the Gain/ Loss on Disposal to the Comprehensive Income and Expenditure Statement	(6,398)	527	(1,452)			(7,324)	7,324
Use of capital receipts reserve to finance capital expenditure			12,769			12,769	(12,769)
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:							
Statutory Provision for the Financing of Capital Investment	3,416					3,416	(3,416)
Adjustments Primarily Involving the Capital Grants Unapplied Account:							
Capital Grants and Contributions Unapplied credited to the Comprehensive Income and Expenditure Statement	21,451	500	(9,530)		(21,826)	(9,405)	9,405

2012/13	Usable Reserves					Total Movement in Usable Reserves £,000	Movement in Unusable Reserves £,000
	General Fund (GF) Balance £,000	Housing Revenue Account (HRA) £,000	Capital Receipts Reserve £,000	Major Repairs Reserve £,000	Capital Grants Unapplied £,000		
Transfer of sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	0					0	0
Adjustments Primarily Involving the Capital Receipts Reserve:							
Contribution from the Capital Receipts Reserve to Finance the Payments to the Government Capital Receipts Pool		(205)	205			0	0
Adjustment Primarily Involving the Major Repairs Reserve:							
Reversal of Major Repairs Allowance credited to the HRA		0		0		0	0
Use of the Major Repairs Reserve to Finance New Capital Expenditure				4,574		4,574	(4,574)
Transfer (to) or from HRA		5,000		(5,000)		0	0
Adjustment Primarily Involving the Financial Instruments Adjustment Account:							
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	135	1				136	(136)
Adjustments Primarily Involving the Pensions Reserve:							
Reversal of Items Relating to Retirement Benefits debited or credited to the Comprehensive Income and Expenditure Statement (see Note 19)	(13,826)	(76)				(13,903)	13,903
Employer's Pensions Contributions and Direct Payments to Pensioners payable	5,925					5,925	(5,925)

2012/13	Usable Reserves					Total Movement in Usable Reserves £,000	Movement in Unusable Reserves £,000
	General Fund (GF) Balance £,000	Housing Revenue Account (HRA) £,000	Capital Receipts Reserve £,000	Major Repairs Reserve £,000	Capital Grants Unapplied £,000		
in the Year							
Adjustments Primarily Involving the Collection Fund Adjustment Account:							
Amount by which Council Tax Income credited to the Comprehensive Income and Expenditure Statement is Different from Council Tax Income Calculated for the Year in Accordance with Statutory Requirements	(152)					(152)	152
Adjustment Primarily Involving the Accumulated Absences Account:							
Amount by which Officer Remuneration Charged to the Comprehensive Income and Expenditure Statement on an Accruals Basis is Different from Remuneration Chargeable in the Year in Accordance with Statutory Requirements	176	1				176	(176)
Total Adjustments 2012/13	(6,981)	941	2,091	(426)	(6,578)	(10,952)	10,952

2011/12	Usable Reserves					Total Movement in Usable Reserves £,000	Movement in Unusable Reserves £,000
	General Fund (GF) Balance	Housing Revenue Account (HRA)	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied		
	£,000	£,000	£,000	£,000	£,000		
Adjustments primarily involving the Capital Adjustment Account: Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:							
Reclassification of capital grant receipt in advance and capital grant unapplied	(952)				952	0	0
Charges for Depreciation of Non- current Assets	(14,478)	(2,055)				(16,533)	16,533
Charges for Impairment of Non-	(446)					(446)	446

2011/12	Usable Reserves					Total Movement in Usable Reserves £,000	Movement in Unusable Reserves £,000
	General Fund (GF) Balance £,000	Housing Revenue Account (HRA) £,000	Capital Receipts Reserve £,000	Major Repairs Reserve £,000	Capital Grants Unapplied £,000		
current Assets							
Charges for Amortisation of Intangible Assets	(261)					(261)	261
Revaluation losses on Property, Plant and Equipment	(1,752)					(1,752)	1,752
Movements in the Market Value of Investment Properties	396					396	(396)
HRA self-financing Settlement transfer to Capital adjustment Account		(95,468)				(95,468)	95,468
Capital Grants and Contributions Applied	6,614		3,380		4,237	14,231	(14,231)
Revenue Expenditure funded from Capital under Statute	(217)					(217)	217
Amounts of Non-current Assets Written Off on Disposal or Sale as part of the Gain/ Loss on Disposal to the Comprehensive Income and Expenditure Statement	(65,244)	40	(889)			(66,093)	66,093
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:							
Statutory Provision for the Financing of Capital Investment	3,483					3,483	(3,483)
Adjustments Primarily Involving the Capital Grants Unapplied Account:							
Capital Grants and Contributions Unapplied credited to the Comprehensive Income and Expenditure Statement	21,132		(183)		(20,949)	0	0
Transfer of sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	0					0	0
Adjustments Primarily Involving the Capital Receipts Reserve:							
Contribution from the		(51)	51			0	0

2011/12	Usable Reserves					Total Movement in Usable Reserves £,000	Movement in Unusable Reserves £,000
	General Fund (GF) Balance £,000	Housing Revenue Account (HRA) £,000	Capital Receipts Reserve £,000	Major Repairs Reserve £,000	Capital Grants Unapplied £,000		
Capital Receipts Reserve to Finance the Payments to the Government Capital Receipts Pool							
Adjustment Primarily Involving the Major Repairs Reserve:							
Reversal of Major Repairs Allowance credited to the HRA		1,999		(1,999)		0	0
Use of the Major Repairs Reserve to Finance New Capital Expenditure				2,787		2,787	(2,787)
Transfer (to) from HRA		480		(480)		0	0
Adjustment Primarily Involving the Financial Instruments Adjustment Account:							
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	79	164				243	(243)
Adjustments Primarily Involving the Pensions Reserve:							
Reversal of Items Relating to Retirement Benefits debited or credited to the Comprehensive Income and Expenditure Statement (see Note 19)	(8,122)	(29)				(8,151)	8,151
Employer's Pensions Contributions and Direct Payments to Pensioners payable in the Year	5,982					5,982	(5,982)
Adjustments Primarily Involving the Collection Fund Adjustment Account:							
Amount by which Council Tax Income credited to the Comprehensive Income and Expenditure Statement is Different from Council Tax Income Calculated	603					603	(603)

2011/12	Usable Reserves					Total Movement in Usable Reserves £,000	Movement in Unusable Reserves £,000
	General Fund (GF) Balance £,000	Housing Revenue Account (HRA) £,000	Capital Receipts Reserve £,000	Major Repairs Reserve £,000	Capital Grants Unapplied £,000		
for the Year in Accordance with Statutory Requirements							
Adjustment Primarily Involving the Accumulated Absences Account:							
Amount by which Officer Remuneration Charged to the Comprehensive Income and Expenditure Statement on an Accruals Basis is Different from Remuneration Chargeable in the Year in Accordance with Statutory Requirements	2,138	7				2,145	(2,145)
Total Adjustments 2011/12	(51,047)	(94,913)	2,360	307	(15,760)	(159,053)	159,053

NOTE 6 TRANSFERS TO/FROM EARMARKED RESERVES

This note details the amounts set aside from the General Fund 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 2012/13.

	Balance at 31st March, 2011 £,000	Transfers Out 2011/12 £,000	Transfers In 2011/12 £,000	Balance at 31st March, 2012 £,000	Transfers Out 2012/13 £,000	Transfers In 2012/13 £,000	Balance at 31st March, 2013 £,000
General Fund:							
Balances held by Schools under a Scheme of Delegation:	(6,819)	26,521	(26,203)	(6,502)	2,011	(1,081)	(5,572)
Dedicated Schools Grant Reserve	(532)	92,785	(94,006)	(1,754)	1,756	(1,477)	(1,475)
Earmarked General Fund Reserves	(4,137)	596	(5,933)	(9,474)	2,455	(8,773)	(15,792)
Total General Fund:	(11,488)	119,902	(126,142)	(17,730)	6,222	(11,331)	(22,839)

The earmarked general fund reserve movement includes a movement from capital grants unapplied and schools balances for accounts that have been reclassified as general fund earmarked reserves.

There were also movements totalling £16k between the General Fund, the Capital Receipts Reserve and the Capital Grants Unapplied Reserve.

NOTE 7 MATERIAL ITEMS OF INCOME AND EXPENSE

Material Items of Income and Expense during 2012/13 which related to the Council's Non-Current Assets included the following;

- Disposal of Land at the former site of Ryeish Green School as a result of the School becoming a Free School in 2012/13. This resulted in a loss of £6.5m in the Comprehensive Income and Expenditure Statement, which in turn was reversed out of the General Fund as per the statutory arrangements. (See Note 25)
- Impairment for £2.4m was made relating to the buildings which have been made vacant at Eustace Crescent as part of the Eustace Crescent Regeneration. Subsequently, the site was also revalued as development land at a value of £2.7m. The impairment was charged to the Comprehensive Income and Expenditure Statement, which in turn was reversed out of the HRA as per the statutory arrangements.
- Disposal of 7 Council Dwellings resulting in £526k gain in the Comprehensive Income and Expenditure Statement, which in turn was reversed out of the HRA as per the statutory arrangements.
- There were no further transactions relating to HRA Self Financing (In 2011/12 the Council paid £95.468m to Central Government to buy itself out of the housing subsidy system under the transition to Housing Self Financing).
- The Council acquired the assets of Wokingham Enterprises Ltd (WEL) at a cost of £9.4m. WEL then repaid the loan made by the Council to them in 2010/11 for the initial purchase of the assets. The assets comprise shops in Wokingham town centre and they have been included in the Council's Investment Properties (see Note 25).
- The Council purchased £1m of shares in Wokingham Housing Ltd and £50,000 of shares in Optalis Ltd, both of which are group companies fully owned by the Council.
- There were no other materials items of income or expense.

7a. Prior Period Adjustment

The Council did not make any prior period adjustments to the main statements in the 2011/12 accounts, however a prior period adjustment was required to Note 24 Property, Plant and Equipment to correct the accumulated depreciation figure at 31st March 2012 from £95m to £72m to write out depreciation where necessary on assets which had been revalued. The corresponding entry for the cost or valuation of assets at 31st March 2012 has been decreased by £23m from £786m to £763m. There is no impact on the net value of fixed assets.

7b. Exceptional Items

Exceptional Items included are as follows:

2011/12 £'000		2012/13 £,000
18	VAT Claims – Fees	0
(91)	VAT Claims – Income	0
95,468	HRA Self Financing	0
95,395	Total	0

NOTE 8 OTHER OPERATING EXPENDITURE

2011/12 £,000		2012/13 £,000
3,427	Parish Council Precepts	3,473
51	Payments to the Government Housing Capital Receipts Pool	205
0	Unattached Capital Receipts	0
65,256	(Gains) / Losses on the Disposal of Non-current Assets	5,864
68,734	Total	9,542

The loss of £6.069m is largely due to the disposal of former school land for the Ryeish Green free school and represents the estimated value of the land prior to transfer; statutory regulations require council owned former school land used for a free school to be transferred at nil value.

NOTE 9 FINANCING AND INVESTMENT INCOME AND EXPENDITURE

2011/12 £,000		2012/13 £,000
2,106	Interest Payable and Similar Charges on Debt (note 40)	4,490
107	Interest Payable and Similar Charges on Finance Leases (note 40)	107
585	Interest Payable and Similar Charges on Private Finance Initiatives (note 40)	569
(2,088)	Impairment of financial instruments (note 40)	0
3,896	Pensions Interest Cost and Expected Return on Pensions (note 19)	5,292
(1,112)	Interest Receivable and Similar Income	(996)
(943)	Income and Expenditure in Relation to Investment Properties and Changes in their Fair Value (note 25)	(357)
0	Other Investment Income	0
2,551	Total	9,105

NOTE 10 TAXATION AND NON-SPECIFIC GRANT INCOMES

2011/12 £,000		2012/13 £,000
(79,098)	Council Tax Income	(79,466)
(15,850)	Non-domestic Rates	(19,818)
(4,900)	Revenue Support Grant	(384)
(2,592)	Other Non-ringfenced Government Grants	(3,150)
(28,074)	Capital Grants and Contributions	(24,796)
952	Reclassification	0
(129,562)	Total	(127,614)

NOTE 11 AMOUNTS REPORTED FOR RESOURCE ALLOCATION DECISIONS

The analysis of income and expenditure by service on the face of the Comprehensive Income and Expenditure Statement is that specified by the Service Reporting Code of Practice. However, decisions about resource allocation are taken by the Council on the basis of budget reports analysed across directorates. These reports are prepared on a different basis from the accounting policies used in the financial statements. In particular:

- no charges are made in relation to capital expenditure (whereas depreciation, revaluation and impairment losses in excess of the balance on the Revaluation Reserve and amortisations are charged to services in the comprehensive Income and Expenditure Statement)
- the cost of retirement benefits is based on cash flows (payment of employer's pension contributions) rather than current service cost of benefits accrued in the year
- expenditure on some support services is budgeted for centrally and not charged to directorates

Reconciliation of Directorate Income and Expenditure to Cost of Services in the Comprehensive Income and Expenditure Statement

	2011/12 £,000	2012/13 £,000
Net Expenditure in the Analysis	192,582	77,968
Net Expenditure of Services and Support Services not Included in the Analysis	12,812	25,363
Amounts in the Comprehensive Income and Expenditure Statement not Reported to Management in the Analysis	(7,822)	7,271
Amounts Included in the Analysis not Included in the Comprehensive Income and Expenditure Statement	545	(507)
Cost of Services in the Comprehensive Income and Expenditure Statement	198,117	110,095

Service Information for the year ended 31st March 2013	Children's Services £,000	Health & Wellbeing £,000	Neighbourhood Services £,000	Housing Revenue Account £,000	Total £,000
Fees, Charges & Other Service Income	(21,872)	(9,365)	(4,665)	(15,488)	(51,389)
Government Grants and Contributions	(101,228)	(37,731)	(2,831)	0	(141,790)
Total Income	(123,100)	(47,096)	(7,496)	(15,488)	(193,180)
Employee Expenses	89,389	4,437	4,280	1,410	99,516
Other Service Expenses	52,651	73,588	25,480	10,217	161,936
Support Service Recharges	3,917	2,679	2,332	768	9,696
Total Expenditure	145,957	80,704	32,092	12,395	271,148
Net Cost of Services	22,857	33,608	24,596	(3,093)	77,968

Reconciliation to Subjective Analysis	Service Analysis	Services & Support Services not in Analysis	Amounts not Reported to Management for Decision Making	Amounts not Included in Comp Income & Expenditure Statement	Cost of Services	Corporate Amounts	Total
	£,000	£,000	£,000	£,000	£,000	£,000	£,000
Fees, Charges & Other Service Income	(51,389)	(7,582)	0	1,595	(57,376)	0	(57,376)
Surplus or Deficit on Associates and Joint Ventures	0	0	0	0	0	0	0
Interest and Investment Income	0	0	0	0	0	(996)	(996)
Income from Council Tax	0	0	0	0	0	(79,466)	(79,466)
Government Grants and Contributions	(141,791)	(881)	0	0	(142,672)	(48,148)	(190,820)
Total Income	(193,180)	(8,463)	0	1,595	(200,048)	(128,610)	(328,658)
Employee Expenses	99,516	18,572	0	0	118,088	0	118,088
Other Service Expenses	161,936	23,722	(10,383)	(2,102)	173,173	0	173,173
Support Service Recharges	9,696	(8,468)	0	0	1,228	0	1,228
Depreciation, Amortisation and Impairment	0	0	17,654	0	17,654	(357)	17,297
Interest Payments	0	0	0	0	0	10,458	10,458
Precepts & Levies	0	0	0	0	0	3,473	3,473
Payments to Housing Capital Receipts Pool	0	0	0	0	0	205	205
Gain or Loss on Disposal of Fixed Assets	0	0	0	0	0	5,864	5,864
Total Expenditure	271,148	33,826	7,271	(2,102)	310,143	19,644	329,788
(Surplus) or Deficit on the Provision of Services	77,968	25,363	7,271	(507)	110,095	(108,966)	1,128

Service Information for the year ended 31st March 2012	People Based Services £,000	Adult Social Services £,000	Place Based Services £,000	Housing Revenue Account £,000	Total £,000
Fees, Charges & Other Service Income	(22,169)	(10,775)	(5,891)	(13,663)	(52,498)
Government Grants and Contributions	(85,752)	(35,092)	(2,393)	(10)	(123,247)
Total Income	(107,921)	(45,867)	(8,284)	(13,673)	(175,745)
Employee Expenses	88,338	5,667	6,110	1,426	101,541
Other Service Expenses	48,417	75,520	26,653	104,990	255,579
Support Service Recharges	3,833	3,093	3,513	768	11,207
Total Expenditure	140,588	84,280	36,276	107,183	368,327
Net Cost of Services	32,667	38,413	27,992	93,511	192,582

Reconciliation to Subjective Analysis, Comparative Figures for 2011-12	Service Analysis	Services & Support Services not in Analysis	Amounts not Reported to Management for Decision Making	Amounts not Included in Comp Income & Expenditure Statement	Allocation of Recharges	Cost of Services	Corporate Amounts	Total
	£,000	£,000	£,000	£,000	£,000	£,000	£,000	£,000
Fees, Charges & Other Service Income	(52,498)	(6,314)	0	3,329	0	(55,483)	0	(55,483)
Surplus or Deficit on Associates and Joint Ventures	0	0	0	0	0	0	0	0
Interest and Investment Income	0	0	0	0	0	0	(3,199)	(3,199)
Income from Council Tax	0	0	0	0	0	0	(79,098)	(79,098)
Government Grants and Contributions	(123,247)	(337)	284	0	0	(123,300)	(50,464)	(173,764)
Total Income	(175,745)	(6,651)	284	3,329	0	(178,783)	(132,762)	(311,545)
Employee Expenses	101,541	14,852	(3,842)	0	0	112,551	0	112,551
Other Service Expenses	255,579	14,543	(21,840)	(2,784)	0	245,498	0	245,498
Support Service Recharges	11,207	(9,933)	(470)	0	0	804	0	804
Depreciation, Amortisation and Impairment	0	0	18,047	0	0	18,047	(942)	17,105
Interest Payments	0	0	0	0	0	0	6,693	6,693
Precepts & Levies	0	0	0	0	0	0	3,427	3,427
Payments to Housing Capital Receipts Pool	0	0	0	0	0	0	51	51
Gain or Loss on Disposal of Fixed Assets	0	0	0	0	0	0	65,256	65,256
Total Expenditure	368,327	19,462	(8,105)	(2,784)	0	376,900	74,485	451,385
(Surplus) or Deficit on the Provision of Services	192,582	12,812	(7,821)	543	0	198,117	(58,277)	139,840

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 authority 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:

	2011/12 £,000	2012/13 £,000
Building Control Trading Account		
Turnover	(543)	(523)
Expenditure	538	466
(Surplus) / Deficit	(5)	(57)

The chargeable account, in its thirteenth year of operation, made a surplus of £56,854. The account should take one financial year with another, and should achieve break-even over a rolling period of three years. The balance on the account, at 31 March 2013 is a deficit of £26,074. The deficit will be addressed in the next accounting period.

NOTE 13 MEMBERS' ALLOWANCES

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

	2011/12 £,000	2012/13 £,000
Members Remuneration	588	578
	588	578

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

NOTE 14 OFFICERS' REMUNERATION (including exit packages)

The Council paid the following amounts to its senior employees:

Post Title and Name of Holder	Year	Salary, Fees and Allowances £	Performance Related Pay £	Expenses £	Compensation for Loss of Office £	Pension Contribution £	Total £
Chief Executive							
Andy Couldrick	2012/13	128,383	8,295	1,460	0	21,660	159,798
Andy Couldrick	2011/12	29,918	0	138	0	4,664	34,720
Susan Law	2011/12	132,018	0	786	27,500	20,341	180,645
Strategic Director - Health & Wellbeing							
Stuart Rowbotham	2012/13	112,362	6,762	740	0	18,874	138,738
Stuart Rowbotham	2011/12	112,695	0	323	0	17,468	130,486
Strategic Director - Development & Regeneration							
Heather Thwaites	2012/13	102,683	6,203	0	0	17,315	126,201
Heather Thwaites	2011/12	102,683	3,174	0	0	16,516	122,374
Strategic Director – Resources							
Graham Ebers	2012/13	103,383	6,203	385	0	17,315	127,286
Graham Ebers	2011/12	103,383	7,237	289	0	17,146	128,055
Strategic Director - Neighbourhood Services							
Mark Moon	2012/13	102,683	6,203	0	0	17,315	126,201
Mark Moon	2011/12	102,626	7,237	783	0	17,146	127,792
Strategic Director - Children's Services							
Pauline Maddison	2012/13	143,406	0	197	0	0	143,603
Andy Couldrick	2011/12	83,996	7,889	515	0	14,324	106,724
Director of Transformation							
Andrew Moulton	2012/13	89,301	4,229	44	0	14,889	108,463
Andrew Moulton	2011/12	89,301	4,934	6	0	14,715	108,956
Director of Governance							
Susanne Nelson-Wehrmeyer	2012/13	96,034	5,297	387	0	16,010	117,728
Susanne Nelson-Wehrmeyer	2011/12	87,937	7,062	207	0	15,286	110,492
Director of Business Assurance & Democratic							
Muir Laurie	2012/13	71,800	0	569	0	0	72,369
Muir Laurie	2011/12	71,800	0	638	0	0	72,438

The Chief Executive Susan Law resigned from her post and left the council on 31/01/12. The post had been filled in the interim by Andy Couldrick on 02/12/11, who was appointed to the role on a permanent basis with effect from 20/09/12.

The Strategic Director – Children's Services post was vacant for part of 2011/12 therefore the amount above relates to the part of the year the post was filled. The current post holder, Pauline Maddison started on 03/04/12 and is paid through an agency, and is not therefore a council employee as at 31 March 2013.

The 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	2011/12			2012/13		
	No of Employees			No of Employees		
	Council	School	Total	Council	School	Total
£50,000 - £54,999	18	21	39	15	24	39
£55,000 - £59,999	12	13	25	13	13	26
£60,000 - £64,999	4	3	7	6	8	14
£65,000 - £69,999	4	2	6	6	1	7
£70,000 - £74,999	2	1	3	3	3	6
£75,000 - £79,999	5	1	6	2	2	4
£80,000 - £84,999	2	0	2	3	0	3
£85,000 - £89,999	0	2	2	1	1	2
£90,000 - £94,999	1	0	1	0	0	0
	48	43	91	49	52	101

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.

COUNCIL	Number of compulsory redundancies		Number of other departures agreed		Total number of exit packages		Total cost of exit packages in each band	
Exit package cost	2011/12	2012/13	2011/12	2012/13	2011/12	2012/13	2011/12	2012/13
£0 - £20,000	13	6	4	5	17	11	£147,530	£115,403
£20,001 - £40,000	8	1	3	0	11	1	£285,703	£37,332
£40,001 - £60,000	1	0	0	0	1	0	£46,634	£0
SCHOOLS	Number of compulsory redundancies		Number of other departures agreed		Total number of exit packages		Total cost of exit packages in each band	
Exit package cost	2011/12	2012/13	2011/12	2012/13	2011/12	2012/13	2011/12	2012/13
£0 - £20,000	1	12	4	2	5	14	£54,634	£104,322
£20,001 - £40,000	0	0	0	1	0	1	£0	£25,250
£40,001 - £60,000	0	0	0	0	0	0	£0	£0
£60,001 - £80,000	0	0	0	0	0	0	£0	£0
£80,001 - £100,000	0	0	0	1	0	1	£0	£90,971

NOTE 15 TERMINATION BENEFITS

The Council terminated the contracts of a number of employees in 2012/13, incurring liabilities of £177k (£347k in 2011/12). Of this total, £74k was payable to 5 officers across the Council who were made redundant as part of the Transformation project.

No directors were made redundant in 2012/13.

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 on the Corporate Leadership Team, members of the Standards Committee and budget managers 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 2012/13 is shown in Note 13. During 2012/13, works and services to the value of £32.279m (£16.6m in 2011/12) were commissioned from companies in which 14 members had an interest (2 in 2011/12). The large increase is mostly due to a £9.4m payment to Wokingham Enterprises Ltd for purchase of assets in 2012/13. Contracts were entered into in full compliance with the Council's standing orders. In addition, grants and payments totalling £616k (£1.253m in 2011/12) were paid to voluntary organisations and charities in which 17 members declared an interest (12 in 2011/12). Payments of £2.117m (£2.969m in 2011/12) were made to education establishments in which 6 members declared an interest (6 in 2011/12). The Council owed £411 to these organisations at 31 March 2013 (£48k at 31 March 2012), while £276k was owed to Wokingham Borough Council by the relevant organisations at 31/03/13 (nil at 31 March 2012).

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 2012/13, works and services to the value of £18.296m (£16.319m in 2011/12) were commissioned from companies in which 14 officers had an interest (10 in 2011/12). This includes 2 officers interests in wholly owned Council subsidiaries in which they were acting in capacity of their role for the Council (6 in 2011/12), which totalled £9.947m (£8.814m in 2011/12). The Council owed the relevant organisations £455k at 31 March 2013 (£35k at 31 March 2012), while £490k was owed to Wokingham Borough Council at 31 March 2013 (£472k at 31 March 2012). Contracts were entered into in full compliance with the Council's standing orders. In addition, grants and payments totalling £86k (£133k in 2011/12) were paid to voluntary organisations and charities in which 2 officers declared an interest (4 in 2011/12).

The relevant officers did not take part in any discussion or decision relating to the grants and payments.

Parish Councils

Certain Members of Wokingham Borough Council are also councillors of the 17 Parish Councils within the Borough. Each Parish Council has the ability to levy a precept upon Wokingham Borough Council for the collection of council tax on behalf of the Parish Councils. In 2012/13, Wokingham Borough Council collected and paid over £3.473m (£3.427m in 2011/12) in council tax to the Parish Councils.

Other Public Bodies

The Council entered into a PFI contract with Waste Recycling Group (RE3 Ltd) in 2006/07 for the disposal of waste together with Reading and Bracknell Councils, see note 30 for further details. The total outstanding value of the contract is £594m at 31 March 2013 (£616m at 31 March 2012). The Council's contribution for 2012/13 was £7.6m (£8.6m in 2011/12).

The Council also operates a shared legal services function with the Royal Borough of Windsor and Maidenhead, and a Sensory Needs service on behalf of a number of unitary authorities in Berkshire. The details are set out in note 48.

Entities Controlled or Significantly Influenced by the Council

The Council has three subsidiary companies which it owns in full, each of which has a Board of Directors on which council members serve. Their accounts are incorporated in full in the Group Accounts section of the Statement of Accounts, together with the impact of transactions with the Council. The companies are :

- Wokingham Enterprises Ltd (WEL)
- Optalis Ltd
- Wokingham Housing Ltd

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 Audit Commission:

	2011/12 £,000	2012/13 £,000
External Audit Services	214	123
Statutory Inspections	0	0
Certification of Grants and Returns	22	14
	236	137

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 their retirement, and the Council contributes towards the costs by making contributions based on a percentage of members' pensionable salaries.

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

In 2012/13, The Council paid £5,611,866 to the Teachers' Pension Scheme in respect of teachers' retirement benefits, representing 14.1% of pensionable pay. The figures for 2011/12 were £5,800,991 and 14.1%.

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 the authority offers retirement benefits. Although these benefits will not actually be payable until the employees retire, the Council has a commitment to make the payments. This commitment needs to be disclosed at the time that employees earn their future entitlement.

The International Accounting Standards Board (IASB) has considered changes to International Accounting Standard (IAS) 19 for pensions accounting, and they have published a final version of the revised IAS 19 standard which will apply for company accounting periods beginning on or after 1 January 2013. The main changes are set out at the foot of this note, together with a statement of the financial effect if the changes had been implemented in 2012/13 as required under IFRS.

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 scheme, which means 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 Council. Although now closed, a liability remains for the pensioners that were in the scheme when BCC ceased to exist.

Transactions Relating to Post-Employment Benefits

The council recognises the cost of retirement 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 retirement benefits is reversed out of the General Fund via the Movement in Reserves Statement. The transactions for the Berkshire County Council shown below represent only Wokingham's share (19.0561%) of the overall fund, and all of them have been separately identified in the table below in 2012/13. Some items in the 2011/12 figures below have been slightly amended to show the council's share of the Berkshire scheme separately, although the total has not been amended. The following transactions have been made in the Comprehensive Income and Expenditure Statement and the General Fund Balance via the Movement in Reserves Statement during the year:

Local Government Pension Scheme

Comprehensive Income and Expenditure Statement

Cost of Services:

- Current Service Cost
- Past Service Gain
- Settlements and Curtailments WBC scheme
- Unfunded Pension Payments WBC scheme
- Unfunded Pension Payments BCC scheme

Financing and Investment Income and Expenditure:

- Interest Cost WBC scheme
- Interest Cost BCC scheme
- Expected Return on WBC Scheme Assets
- Expected Return on BCC Scheme Assets

Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services

Other Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement:

- Actuarial (Gains) and Losses WBC scheme
- Actuarial (Gains) and Losses BCC scheme

Total Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement

2011/12 £,000	2012/13 £,000
7,476	9,128
0	0
(3,191)	112
0	(175)
(446)	(454)
11,019	11,194
2,475	2,324
(8,245)	(7,532)
(937)	(694)
8,151	13,903
49,590	(570)
	6,512
57,741	19,845

Local Government Pension Scheme

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:

- Employer's Contributions Payable to Scheme

2011/12 £,000	2012/13 £,000
(8,151)	(13,903)
5,982	5,925
(2,169)	(7,978)

A valuation of the Berkshire County Council LGPS was undertaken by the Actuary, Barnett Waddington, who assessed the Net Pension Liability as at 31 March, 2013. The liability was shared between the six Berkshire Councils on the basis of population as at 31 March, 1998. Wokingham Borough Council's percentage share is 19.0561% and amounts to £45.678m at 31 March 2013 (£37.989m at 31 March 2012).

The cumulative amount of actuarial gains and losses for the Wokingham scheme recognised in other comprehensive income and expenditure in the actuarial gains or losses on pension liabilities line was, at 31 March 2013 a loss of £82.399m (At 31 March 2012 a loss of £82.969m). For the Council's share of the Berkshire scheme, at 31 March 2013 there was a loss of £29.755m (At 31 March 2012 a loss of £23,243m).

Assets and Liabilities in Relation to Post-Employment Benefits

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

	Wokingham Borough Council's LGPS		Former Berkshire County Council's LGPS	
	2011/12 £,000	2012/13 £,000	2011/12 £,000	2012/13 £,000
Opening Balance at 1 April	208,686	245,148	244,586	273,986
Current Service Cost	7,476	9,128	0	0
Interest Cost	11,019	11,194	12,989	12,197
Contribution by Scheme Participants	2,601	2,472	0	0
Actuarial (Gains) and Losses	33,804	6,537	33,483	37,616
Benefits Paid	(5,474)	(6,061)	(14,734)	(15,497)
Past Service Costs	0	0	0	0
Curtailments	208	119	0	0
Settlements	(12,996)	(16)	0	0
Unfunded Pension Payments	(176)	(176)	(2,338)	(2,380)
Total Liabilities at 31 March	245,148	268,345	273,986	305,922
WBC share of BCC Liabilities at 19.0561%	52,211	58,297		
Closing Balance at 31 March	297,359	326,642		

Reconciliation of fair value of the scheme assets:

	Wokingham Borough Council's LGPS		Former Berkshire County Council's LGPS	
	2011/12 £,000	2012/13 £,000	2011/12 £,000	2012/13 £,000
Opening Balance at 1 April	144,283	137,437	89,580	74,632
Expected Rate of Return	8,245	7,532	4,919	3,641
Actuarial Gains and (Losses)	(8,603)	7,107	(5,133)	3,445
Employer Contributions	6,158	6,100	2,338	2,380
Contributions by Scheme Participants	2,601	2,472	0	0
Benefits Paid	(5,650)	(6,236)	(17,072)	(17,877)
Settlements	(9,597)	(9)	0	0
Total Fair Value of Scheme Assets at 31 March	137,437	154,403	74,632	66,221
WBC share of BCC Assets at 19.0561%	14,222	12,619		
Closing Balance at 31 March	151,659	167,022		
Net Liability Closing Balance	145,700	159,620		

The expected return on scheme assets is determined by considering the expected returns available on the assets underlying the current investment policy. Expected yields on fixed interest investments are based on gross redemption yields as at the Balance Sheet date.

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

The actual gain on scheme assets in 2012/13 was £14.639m (2011/12 – loss of £359k) for the Wokingham scheme. For Wokingham's share of the Berkshire scheme, the actual gain was £1.35m in 2012/13 (loss of £41k in 2011/12).

Scheme History

Wokingham Borough Council Scheme	2008/09	2009/10	2010/11	2011/12	2012/13
	£,000	£,000	£,000	£,000	£,000
Present Value of Liabilities	(145,086)	(242,042)	(205,803)	(242,856)	(266,084)
Fair Value of Assets	95,642	130,756	144,283	137,437	154,403
Present Value of Unfunded Obligations	(1,831)	(2,844)	(2,883)	(2,292)	(2,261)
Surplus / (Deficit) in the Scheme	(51,275)	(114,130)	(64,403)	(107,711)	(113,942)
Former Berkshire County Council Scheme	2008/09	2009/10	2010/11	2011/12	2012/13
	£,000	£,000	£,000	£,000	£,000
Present Value of Liabilities	(201,450)	(252,811)	(228,814)	(243,963)	(272,682)
Fair Value of Assets	86,354	96,289	89,580	74,632	66,221
Present Value of Unfunded Obligations	(6,780)	(16,025)	(15,772)	(30,023)	(33,240)
Surplus / (Deficit) in the Scheme	(121,876)	(172,547)	(155,006)	(199,354)	(239,701)

The liabilities show the underlying commitments that the Council has in the long term to pay post employment (retirement) benefits. The total net liability of £159.620m at 31 March 2013 (£145.7m at 31 March 2012) has a substantial impact on the net worth of the Council as shown in the Balance Sheet. However, statutory arrangements for funding the deficit mean that the financial position of the authority remains healthy because the deficit on the local government scheme will be made good by increased contributions over the remaining working life of employees (ie before payments fall due), as assessed by the scheme actuary.

The total contributions expected to be made on the Local Government Pension Scheme by the Council in the year to 31st March, 2014 is £5,880,000.

Basis for Estimating Assets and Liabilities

The International Accounting Standards Board have published a final version of the revised IAS 19 standard which will apply for company accounting periods beginning on or after 1 January 2013. The main change affects the expected return on assets and the interest cost, both of which will be replaced with a single net interest cost, which will effectively set the expected return equal to the IAS 19 discount rate. For the year to 31 March 2013, the expected return was 5.4% per annum, which has been used to determine the profit and loss charge for the year ended 31 March 2013. For the 2011/12 financial year liabilities have been assessed on an actuarial basis using the projected unit credit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels etc. Barnett Waddington, an independent firm of actuaries, assessed the liabilities as at 31 March 2013. The principal assumptions used by the actuary are:

	2011/12	2012/13
Long-term Expected Rate of Return on Assets in the Scheme:		
Equity Investments	7.8%	5.4%
Gilts		
Bonds	5.5%	5.4%
Property	5.9%	5.4%
Cash	3.0%	5.4%
Alternative Assets	5.0%	5.4%
Expected Return on Assets	6.0%	5.4%
Mortality Assumptions:		
Longevity at 65 for Current Pensioners:		
• Men	23.0	23.1
• Women	25.6	25.7
Longevity at 65 for Future Pensioners:		
• Men	25.0	25.1
• Women	27.6	27.6
Rate of Inflation-RPI	3.3%	3.4%
Rate of Inflation-CPI	2.5%	2.6%
Rate of Increase in Salaries	4.5%	4.55%
Rate of Increase in Pensions	2.5%	2.6%
Rate for Discounting Scheme Liabilities	4.6%	4.6%
Take-up Option to Convert Annual Pension into Retirement Lump Sum	50.0%	50.0%

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

	2011/12	2012/13
Equity Investments	35%	41%
Gilts	0%	1%
Bonds	25%	21%
Property	10%	10%
Cash	2%	0%
Alternative Assets	28%	27%
Total	100.0%	100.0%

History of Experience Gains and Losses

The actuarial gains and losses identified as movements on the Pensions Reserve can be analysed into the following categories, measured as a percentage of assets or liabilities at 31 March:

	2008/09 %	2009/10 %	2010/11 %	2011/12 %	2012/13 %
Differences Between the Expected and Actual Return on Assets	97.13	(22.69)	(2.09)	7.99	(4.86)
Experience Gains and Losses on Liabilities	0.00	0.63	2.58	(0.72)	(0.21)

Disclosure Note on IAS 19 changes

The main changes that will affect the Profit and Loss charge are:

- Removal of the expected return on assets, to be replaced by a net interest cost comprising interest income on the assets and interest expense on the liabilities, which are both calculated with reference to the discount rate;
- Some labelling changes to the Profit and Loss charge; for example, "Service Cost" now includes what was previously described as the "Current Service Cost" plus the "Past Service Cost" plus any "Curtailments" plus any "Settlements".
- Administration expenses are now accounted for within the Profit and Loss charge; previously a deduction to the actual and expected return on assets was made.

The IAS 19 tables above are not compliant with the revised IAS 19, and are not required to be, however, the impact of the revised IAS 19 standard had it been applied in 2012/13 is shown in the table below, as required by IFRS.

Local Government Pension Scheme	
Wokingham Scheme	WBC share of Berkshire scheme
2012/13	2012/13
£,000	£,000
Amounts recognised in the Comprehensive Income and Expenditure Statement (if the revised IAS 19 standard was adopted)	
• Service Cost	0
• Net Interest on the defined liability (asset)	1,737
• Administration expenses	10
Total	1,747
Actual return on scheme assets	1,360

The comparison between the total cost for 2012/13 under the new standard of £15.910m compared to the cost of £14.532m under the existing standard is set out below. The figures include Wokingham's share of the Berkshire scheme.

Wokingham & BCC share	
2012/13 Actual	2012/13 Under new standard
£000	£000
Amounts included in the Comprehensive Income and Expenditure Statement 2012/13	
• Service Cost	9,239
• Current Service Cost	
• Curtailments and Settlements	
• Interest on Scheme Liabilities	
• Expected return on scheme assets	
• Net interest on the defined liability (asset)	6,557
• Administration expenses	114
Total	15,910

NOTE 20 GRANT INCOME

The Council credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement in 2012/13:

Credited to Taxation and Non-specific Grant Income:

	2011/12 £,000	2012/13 £,000
Revenue Support Grant	(20,750)	(20,202)
New Homes Bonus & Council Tax Freeze	(2,582)	(3,150)
Other Grants	(10)	0
Capital Grants	(26,112)	(21,248)
Capital Contributions	(1,963)	(3,548)
Total	(51,417)	(48,148)

Credited to Services:

	2011/12 £,000	2012/13 £,000
Dedicated Schools Grant	(94,006)	(92,360)
EFA 6 th Form Funding	0	(6,228)
Pupil Premium	0	(1,186)
Mandatory Rent Allowances: subsidy	(15,329)	(16,125)
Young People Learning Agency Grant	(7,048)	0
Standards Fund (excluding elements now in ABG)	(338)	0
Rent Rebates Granted to HRA Tenants: subsidy	(6,797)	(7,340)
Council Tax Benefit: subsidy	(5,123)	(5,057)
Early Intervention Grant	(4,854)	(5,307)
School Standards Grant (including Personalisation)	(29)	0
Private Finance Initiative (PFI)	(1,109)	(1,109)
Pooled Treatment Grant	(439)	(431)
Housing Benefit and Council Tax Benefit Administration	(544)	(475)
Local Services Support Grant	(462)	(456)
Children's Young People & Families Grant	(34)	0
Housing Planning Delivery Grant	(225)	0
Adult and Community Learning from Learning and Skills Council	(274)	(226)
Diploma Specific Formula Grant	(27)	0
Pot Holes Repair Grant	(571)	0
Music Education Grant	(223)	(35)
Social Care Reform	(216)	(90)
Learning Disability & Health Reform	(6,645)	(6,815)
Performance Reward Grant	(212)	(102)
Primary Care Trust	(1,056)	(1,116)
Large Scale Sites Grant	0	(353)
Influencing Travel Behaviour in Wokingham	0	(400)
Other Grants	(735)	(1,202)
Total	(146,296)	(146,413)

The Council has received a number of grants and contributions that have yet to be recognised as income because they have conditions attached to them that will require the monies or property to be returned to the grantor. The balances at year end are as follows:

	31st March, 2012 £,000	31st March, 2013 £,000
Revenue Grants Receipt in Advance:		
Social Care Reform Grant	(328)	(237)
Other Grants	(163)	(72)
Total	(491)	(309)

	31st March, 2012 £,000	31st March, 2013 £,000
Capital Grants Receipt in Advance:		
Devolved Formula Grant	(2,687)	(2,126)
Disabled Facilities Grant	(96)	0
Other Grants	(48)	(9)
Total	(2,831)	(2,135)

	31st March, 2012 £,000	31st March, 2013 £,000
Capital Contributions Receipt in Advance:		
S106 Contributions	(15,795)	(16,599)
Other Contributions	0	0
Total	(15,795)	(16,599)
Total Capital Grants and Contributions Receipts in Advance	(18,626)	(18,733)

In addition to the S106 contributions receipt in advance of £16.599m as at 31 March 2013, the Council have £1.226m S106 contributions in earmarked reserves which relate to S106 commuted sums and SANG (Suitable Alternative Natural Greenspace) contributions to maintain green spaces around developments.

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 ringfenced 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 2012/13 are as follows:

	Central Expenditure £,000	ISB £,000	Total £,000
Final DSG for 2012/13 before Academy Recoupment			107,854
Less Academy figure recouped for 2012/13			(15,494)
Total DSG after Academy recoupment for 2012/13			92,360
Brought forward from 2011/12			1,753
Carry-forward to 2013/14 agreed in advance			0
Agreed initial budget distribution in 2012/13	10,882	81,392	92,274
In year Adjustments	1,233	606	1,839
Final Budgeted distribution for 2012/13	12,115	81,997	94,113
Less Actual central expenditure	(11,207)		(11,207)
Less Actual ISB deployed to schools		(81,434)	(81,434)
Plus Local authority contribution for 2012/13			0
Carry Forward to 2013/14	908	564	1,472

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
- Major Repairs Reserve – controls the application of the Major Repairs Allowance (MRA). The balance shows the MRA that has yet to be applied
- 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, 2012 £,000		31st March, 2013 £,000
(93,983)	Revaluation Reserve	(97,014)
(446,813)	Capital Adjustment Account	(446,388)
2,445	Financial Instruments Adjustment Account	2,309
0	Deferred Capital Receipts Reserve	0
145,700	Pensions Reserve	159,620
(952)	Collection Fund Adjustment Account	(800)
3,047	Accumulated Absences Account	2,870
(390,556)	Total Unusable Reserves	(379,403)

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. 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 Capital Adjustment Account.

31st March, 2012		31st March, 2013	31st March, 2013
£,000		£,000	£,000
(95,759)	Balance at 1st April		(93,983)
(20,903)	Upward Revaluation of Assets	(7,706)	
545	Downward Revaluation of Assets and Impairment Losses not Charged to the Surplus or Deficit on the Provision of Services	1,967	
(20,358)	Surplus or Deficit on Revaluation of Non-current Assets not Posted to the Surplus or Deficit on the Provision of Services		(5,739)
2,805	Difference Between Fair Value Depreciation and Historical Cost Depreciation	2,668	
19,329	Accumulated Gains on Assets Sold or Disposed	40	
22,134	Amount Written Off to the Capital Adjustment Account		2,708
(93,983)	Balance at 31st March		(97,014)

Capital Adjustment Account

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

Note 5 provides details of the source of all the transactions posted to the account, apart from those involving the Revaluation Reserve.

31st March, 2012		31st March, 2013	31st March, 2013
£,000		£,000	£,000
(584,554)	Balance at 1st April		(446,813)
	Reversal of Items Relating to Capital Expenditure Debited or Credited to the Comprehensive Income and Expenditure Statement:		
16,532	• Charges for Depreciation of Non-current Assets	17,244	
7	• Charges for Impairment of Non-current Assets	5,479	
2,192	• Revaluation Losses on Property, Plant and Equipment	2,127	
261	• Amortisations of Intangible Assets	410	
217	• Revenue Expenditure Funded from Capital under Statute	0	
66,093	• 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	7,323	
85,302			32,583
(22,134)	Adjusting Amounts Written Out of the Revaluation Reserve		(2,708)
63,168	Net Written Out Amount of the Cost of Non-current Assets Consumed in the Year		29,875
	Capital Financing Applied in the Year:		
(2,638)	• Use of Capital Receipts Reserve to Finance New Capital Expenditure	(12,770)	
(2,787)	• Use of Major Repairs Reserve to Finance New Capital Expenditure	(4,574)	
(5,737)	• Capital Grants and Contributions Credited to the Comprehensive Income and Expenditure Statement that have been Applied to Capital Financing	(2,787)	
(5,855)	• Application of Grants to Capital Financing from the Capital Grants Unapplied Account	(14,442)	
(3,483)	• Statutory Provision for the Financing of Capital Investment Charged against the General Fund and HRA Balances	(3,416)	
95,469	• Capital Expenditure Charged against the General Fund and HRA Balances	0	
0	• Long Term Debtor recognised through Capital Expenditure	(445)	
0	• Long Term Investment wrote down upon repayment of Investment	9,405	

31st March, 2012		31st March, 2013
£,000		£,000
0	• Voluntary Debt Repayment - HRA	(640)
74,969		(29,669)
(396)	Movements in the Market Value of Investment Properties Debited or Credited to the Comprehensive Income and Expenditure Statement	219
0	Movement in the donated Assets Account Credited to the Comprehensive Income and Expenditure Statement	0
(446,813)	Balance at 31st March	(446,388)

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.

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.

31st March, 2012		31st March, 2013
£,000		£,000
2,688	Balance at 1st April	2,445
0	Premiums Incurred in the Year and Charged to the Comprehensive Income and Expenditure Statement	0
(243)	Proportion of Premiums Incurred in Previous Financial Years to be Charged against the General Fund Balance in Accordance with Statutory Requirements	(136)
0	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	0
2,445	Balance at 31st March	2,309

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 services, 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.

31st March, 2012 £,000		31st March, 2013 £,000
93,941	Balance at 1st April	145,700
49,590	Actuarial Gains or (Losses) on Pensions Assets and Liabilities	5,942
8,151	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	13,903
(5,982)	Employer's Pensions Contributions and Direct Payments to Pensioners Payable in the Year	(5,925)
145,700	Balance at 31st March	159,620

Collection Fund Adjustment Account

The Collection Fund Adjustment Account manages the differences arising from the recognition of council tax income in the Comprehensive Income and Expenditure Statement as it falls due from council tax payers compared with the statutory arrangements for paying across amounts to the General Fund from the Collection Fund.

31st March, 2012 £,000		31st March, 2013 £,000
(349)	Balance at 1st April	(952)
(603)	Amount by which Council Tax Income Credited to the Comprehensive Income and Expenditure Statement is Different from Council Tax Income Calculated for the Year in Accordance with Statutory Requirements	152
(952)	Balance at 31st March	(800)

Accumulated Absences Account

The Accumulated Absences Account absorbs the differences that would otherwise arise on the General Fund Balance from accruing for compensated absences earned but not taken in the year, eg annual leave entitlement carried forward at 31st March. Statutory arrangements require that the impact on the General Fund Balance is neutralised by transfers to or from the account.

31st March, 2012 £,000		31st March, 2013 £,000
5,192	Balance at 1st April	3,047
(5,192)	Settlement or Cancellation of Accrual made at the end of Preceding Year	(3,047)
3,048	Amounts Accrued at the end of the Current Year	2,870
(2,145)	Amount by which Officer Remuneration Charged to the Comprehensive Income and Expenditure Statement on and Accrual Basis is Different from Remuneration Chargeable in the Year in Accordance with Statutory Requirements	(177)
3,047	Balance at 31st March	2,870

NOTE 24 PROPERTY, PLANT AND EQUIPMENT

Movements in 2012/13:	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
Cost or Valuation									
At 1st April, 2012	158,742	493,150	11,721	96,552	2,316	0	3,200	765,681	11,709
Additions	4,574	10,836	2,789	5,462	48	0	3,822	27,531	0
Revaluation Increases / (Decreases) Recognised in the Revaluation Reserve	(116)	5,861	0	0	0	0	0	5,745	0
Revaluation Increases / (Decreases) Recognised in the Surplus / Deficit on the Provision of Services	0	(2,127)	0	0	0	0	0	(2,127)	0
Derecognition - Disposals	(430)	0	(316)	0	0	0	0	(746)	0
Assets reclassified (to) / from Held for Sale	(101)	(128)	0	0	0	0	0	(229)	0
Other Movements in Cost or	(5,417)	15	2,631	0	0	3,851	(2,761)	(1,681)	0



Movements in 2012/13:	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
Valuation									
At 31st March, 2013	157,252	507,607	16,825	102,014	2,364	3,851	4,261	794,174	11,709
Accumulated Depreciation and Impairment									
At 1st April, 2012	10,148	47,294	4,099	13,701	0	0	0	75,242	650
Depreciation Charge	2,871	9,565	1,194	3,220	0	395	0	17,245	468
Impairment Losses / (Reversals) Recognised in the Revaluation Reserve	0	0	0	0	0	5	0	5	0
Impairment Losses / (Reversals) Recognised in the Surplus / Deficit on the Provision of Services	0	2,938	2,381	0	0	160	0	5,479	0
Derecognition – Disposals	0	0	(297)	0	0	0	0	(297)	0
Assets reclassified (to) / from Held for Sale	0	(5)	0	0	0	0	0	(5)	0
Other movements in	(43)	(2,330)	0	0	0	376	0	(1,997)	0

Movements in 2012/13:	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
depreciation and impairment									
At 31st March, 2013	12,976	57,462	7,377	16,921	0	936	0	95,672	1,118
Net Book Value									
At 31st March, 2013	144,276	450,145	9,448	85,093	2,364	2,915	4,261	698,502	10,591
At 31st March, 2012	148,594	445,856	7,622	82,851	2,316	0	3,200	690,439	11,059
Comparative Movements in 2011/12 - Restated:									
Cost/Valuation	£,000	£,000	£,000	£,000	£,000	£,000	£,000	£,000	£,000
At 1st April, 2011	155,336	526,674	11,131	91,554	2,156	0	24,673	811,524	10,864
Additions	2,786	7,936	1,118	4,952	160	0	811	17,763	0
Revaluation Increases / (Decreases) Recognised in the Revaluation Reserve	657	18,603	1,211	0	0	0	0	20,471	1,909
Revaluation	0	(2,192)	0	0	0	0	0	(2,192)	(439)



Comparative Movements in 2011/12 - Restated:	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
Cost/Valuation	£,000	£,000	£,000	£,000	£,000	£,000	£,000	£,000	£,000
Increases / (Decreases) Recognised in the Surplus /Deficit on the provision of Services									
Derecognition - Disposals	(37)	(71,157)	(865)	(52)	0	0	0	(72,111)	0
Assets reclassified (to) / from Held for Sale	0	(153)	0	0	0	0	0	(153)	0
Other Movements in Cost or Valuation	0	13,439	(874)	98	0	0	(22,284)	(9,621)	(625)
At 31st March, 2012	158,742	493,150	11,721	96,552	2,316	0	3,200	765,681	11,709
Accumulated Depreciation and Impairment									
At 1st April, 2011	8,132	52,145	3,424	10,550	0	0	0	74,251	807
Depreciation Charge	2,016	10,158	1,197	3,161	0	0	0	16,532	468
Impairment Losses / (Reversals) Recognised in the	0	114	0	0	0	0	0	114	0

Comparative Movements in 2011/12 - Restated:	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
Cost/Valuation	£,000	£,000	£,000	£,000	£,000	£,000	£,000	£,000	£,000
Revaluation Reserve									
Impairment Losses / (Reversals) Recognised in the Surplus / Deficit on the Provision of Services	0	7	0	0	0	0	0	7	0
Derecognition – Disposals	0	(6,047)	(255)	(10)	0	0	0	(6,312)	0
Assets Reclassified (to) / from Held for Sale	0	(4)	0	0	0	0	0	0	0
Other Movements in depreciation and Impairment	0	(9,079)	(267)	0	0	0	0	(9,346)	(625)
At 31st March, 2012	10,148	47,294	4,099	13,701	0	0	0	75,242	650

The figures included in the comparative movements in 2011/12 have been restated to reflect the correct accounting treatment whereby accumulated balances for depreciation and impairments are cleared to zero upon revaluation of an asset. The impact on the Net Book Value is nil however an adjustment has been made between the cost/valuation balances and the accumulated depreciation/impairment balances. For Other Land and Buildings, the adjustment was £19.746m and for Vehicles, Plant and Equipment £113k.

HRA Assets have also been restated for Note 24. HRA Assets are now being shown against categories such as Other Land and Buildings and Vehicles, Plant and Equipment as opposed to showing all in one column called "Council Dwellings and Other HRA Assets". A breakdown of the HRA Assets can be found in the notes within Section 9 of the Statement of Accounts.

Depreciation

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

• Council Dwellings	Notional MRA Allocation
• Other, Land and Buildings	1-83 years
• Surplus Assets	1-25 years
• Vehicles, Plant, Furniture & Equipment	1-27 years
• Infrastructure, Roads & Highways	1-60 years

Capital Commitments

The estimated commitments for capital expenditure for schemes where orders had been placed, or legal contracts entered into, at 31 March 2013 are listed below:

	2012/13 £,000
• Wokingham Town Centre Regeneration	3,000
• Colleton Primary School - Expansion Enabling Works	2,389
• Two New Primary Schools at Charvil & Wokingham	1,000
• Contribution Towards New Wokingham Station	651
• Business Systems IT Upgrade/Replacement	555
• Eustace Crescent Regeneration	545
• Station Link Road Development, Wokingham	489
• South Wokingham Bypass Feasibility Stage	330
• St Pauls CE Junior School - New Drama / Art Block	282
• Arborfield Bypass Feasibility Stage	282
• St Crispin's Secondary School - New science Labs	257
• Waingels College - ICT Hardware	213
• North Wokingham Transport Feasibility Stage	203
• Other contractual commitments individually under £0.2m	782
Total	10,978

Effects of Changes in Estimates

In 2012/13, the Council reviewed the estimated useful lives of assets and the residual values of those assets within Other, Land and Buildings and Surplus Assets. The overall effect was to reduce the average useful lives of properties subject to depreciation. This change has increased depreciation charges by £524,617 (5.56%) in 2012/13 compared to the amount of depreciation charged if the previous useful lives and residual values were used.

Revaluations

The Council carries out a rolling programme that ensures that all Property, Plant and Equipment required to be measured at fair value is revalued at least every five years. 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.

There were no significant assumptions or changes in estimated market values, applied in estimating the fair values in 2012/2013.

	Council Dwellings	Other, Land and Buildings (Inc. HRA)	Vehicles, Plant, Furniture & Equipment	Infra-structure Assets	Community Assets	Surplus Assets	Total
	£,000	£,000	£,000	£,000	£,000	£,000	£,000
Carried at Historical Cost	0	22,406	6,841	85,093	2,364	2,915	119,619
Valued at Fair Value as at:							
31st March, 2013	144,276	27,143	1	0	0	0	171,420
31st March, 2012	0	197,460	2,594	0	0	0	200,054
31st March, 2011	0	10,370	0	0	0	0	10,370
31st March, 2010	0	186,143	0	0	0	0	186,143
31st March, 2009	0	6,623	12	0	0	0	6,635
Total Cost or Valuation	144,276	450,145	9,448	85,093	2,364	2,915	694,241

NOTE 25 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:

	2011/12	2012/13
	£,000	£,000
Rental Income from Investment Property	925	1,003
Direct Operating Expenses arising from Investment Property	(378)	(427)
Net Gain / (Loss)	548	576

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:

	2011/12 £,000	2012/13 £,000
Balance at the Start of the Year	27,460	28,272
Additions:		
• Purchases	410	9,405
• Construction	0	0
• Subsequent Expenditure	27	34
Disposals	(295)	(6,724)
Net Gains / (Losses) from Fair Value Adjustments	396	(219)
Transfers:		
• (To) / From Inventories	0	0
• (To) / From Property, Plant and Equipment	274	(316)
Other Changes	0	0
Balance at the End of the Year	28,272	30,452

The purchases of £9.405m comprise the cost of the Peach Place trading assets in Wokingham Town Centre which were bought from Wokingham Enterprises Ltd in March 2013. The disposal of £6.724m in 2012/13 represents the market valuation of the land which was transferred under statutory requirements at nil value for the Ryeish Green school.

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 £212k charged to revenue in 2012/13 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 period:

Term	Internally Generated Assets	Other Assets
5 Years	None	Financial Ledger, i-Procurement, Human Resources Management Information Systems, E-mail and Schools e-learning

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

	2011/12			2012/13		
	Internally Generated Assets	Other Assets	Total	Internally Generated Assets	Other Assets	Total
	£,000	£,000	£,000	£,000	£,000	£,000
Opening Balance at 1 April						
• Gross Carrying Amounts	0	4,428	4,428	0	5,505	5,505
• Accumulated Amortisation	0	(3,738)	(3,738)	0	(4,029)	(4,029)
Net Carrying Amount at Start of the Year	0	690	690	0	1,476	1,476
Additions:						
• Purchases	0	1,077	1,077	0	497	497
Amortisation for the Period	0	(291)	(291)	0	(410)	(410)
Net Carrying Amount at 31 March	0	1,476	1,476	0	1,563	1,563
Comprising:						
Gross Carrying Amounts	0	5,505	5,505	0	6,002	6,002
Accumulated Amortisation	0	(4,029)	(4,029)	0	(4,439)	(4,439)
Closing Balance at 31 March	0	1,476	1,476	0	1,563	1,563

Under the Waste and Emissions Trading Act 2003, the Council as a waste disposal authority is issued with Landfill Allowance Trading Scheme (LATS) permits on an annual basis for the amount of biodegradable waste that it is allowed to landfill. The fair value of allowances issued by the government is recognised as a government grant. The fair value of allowances is taken as the present market value at the Balance Sheet date. The value of allowances was nil at 31 March 2013 (nil at 31 March 2012).

NOTE 27 HERITAGE ASSETS

In 2011/12 the council adopted a change in accounting policy under FRS 30 – Heritage Assets. The adoption of this policy has been insignificant for Wokingham Borough Council. A review was carried out in 2011/12 for the identification of Heritage Assets. A small number were identified, however these fall below the Council's materiality level and therefore no assets have been recognised on the Council's balance sheet. No heritage assets were acquired in 2012/13.

NOTE 28 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 / PP contracts), together with the resources that have been used to finance it. Where capital expenditure is to be financed in future years by charges to revenue as assets are used by the Council, the expenditure results in an increase in the Capital Financing Requirement (CFR), a measure of the capital expenditure incurred historically by the Council that has yet to be financed. The CFR is analysed in the second part of this note.

	2011/12 £,000	2012/13 £,000
Opening Capital Financing Requirement	84,871	179,596
Capital Investment:		
Property, Plant and Equipment	17,761	27,531
Investment Properties	437	9,439
Intangible Assets	1,077	497
Revenue Expenditure Funded from Capital under Statute	7,111	2,807
Long Term Investment	0	1,050
Long Term Debtor	283	296
Prior Year Adjustments - Capital Investment	478	9,464
Sources of Finance:		
Capital Receipts**	(3,689)	(12,869)
Government Grants and Other Contributions	(19,937)	(18,811)
Sums Set Aside from Revenue:		
Direct Revenue Contributions	(781)	(5,746)
MRP / Loans Fund Principal	(3,483)	(3,416)
HRA Self Financing Costs	95,468	0
Other Adjustments:		
Voluntary Debt Repayment - HRA	0	(640)
Prior Year Adjustments - Government Grants and Other Contributions	0	(112)
Closing Capital Financing Requirement	179,596	189,086
Explanation of Movements in Year		
Increase / (Decrease) in underlying need for supported borrowing	0	0
Increase / (Decrease) in underlying need for unsupported borrowing	94,725	9,490
Assets Acquired under Finance Leases	0	0
Assets Acquired under PFI / PPP Leases	0	0
Increase / (Decrease) in Capital Financing Requirement	94,727	9,490

** Capital receipts for 12/13 include the repayment of a loan from Wokingham Enterprises Ltd at a value of £9,405,000.

The prior year adjustment of £9.464m in 2012/13 is in respect of loans to Wokingham Enterprise Ltd (WEL), which were not included in the CFR in the financial years when the loans were made.

NOTE 29 LEASES

The Council as Lessee

Finance Leases

The Council has four finance leases. Two were entered into in 1982 and are in respect of investment properties. 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. Two further finance leases are in the Housing Revenue Account which were entered into during 2007/08 in respect of Warden Call and Fire Alarm systems at various Sheltered Housing properties throughout the Borough. The leases are depreciated over their five year life which ended in 2012/13.

The assets acquired under the Housing Revenue Account leases are now carried as Property, Plant and Equipment in the Balance Sheet at nil value having been fully depreciated.

The assets acquired in the leases on the industrial estate are carried as Investment Properties in the Balance Sheet at the following net amounts:

	31st March, 2012 £,000	31st March, 2013 £,000
Investment Properties	165	0
	165	0

The value has been 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:

	31st March, 2012 £,000	31st March, 2013 £,000
Finance Lease Liabilities (Net Present Value of Minimum Lease Payments):		
• Current	0	0
• Non-current	1,067	1,067
Finance Costs Payable in Future Years	9,131	9,024
Minimum Lease Payments	10,198	10,091

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

	Minimum Lease Payments		Finance Lease Liabilities	
	31st March, 2012 £,000	31st March, 2013 £,000	31st March, 2012 £,000	31st March, 2013 £,000
Not Later than One Year	107	107	0	0
Later than One Year and not Later than Five Years	427	427	0	0
Later than Five Years	9,665	9,558	1,067	1,067
	10,198	10,091	1,067	1,067

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 2012/13 £183,810 contingent rents were payable by the Council (2011/12 £183,810).

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, 2012 £,000	31st March, 2013 £,000
Not Later than One Year:		
Land and Buildings	494	237
Vehicles, Plant and Equipment	64	119
Computer Equipment	90	178
Later than One Year and not Later than Five Years:		
Land and Buildings	1,341	206
Vehicles, Plant and Equipment	48	124
Computer Equipment	99	138
Later than Five Years:		
Land and Buildings	489	14
Vehicles, Plant and Equipment	0	13
Computer Equipment	0	0
	2,625	1,029

The reduction in future minimum lease payments of £1.596m from 31 March 2012 to 31 March 2013 is predominately due to the council approving the termination of a lease for a large office block in 2012/13, value of approximately £1.45m, however at 31 March 2012 the lease had been due to end in 2018.

The Council has sub-let some of the land and buildings held under these operating leases. At 31 March, 2013 the minimum payments expected to be received under non-cancellable subleases was £79,566 (£120,488 at 31 March, 2012). These amounts are included in the table of minimum lease payments receivable on the following page. This sub lease will be ending during 2013/14 as it was part of the property referred to in the above paragraph whose lease will be terminated during 2013/14.

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

	2011/12 £,000	2012/13 £,000
Minimum Lease Payments:		
Land and Buildings	525	501
Vehicles, Plant and Equipment	117	126
Computer Equipment	94	248
Contingent Rents:		
Land and Buildings	0	0
	736	875

The Council as Lessor

Finance Leases

The Council has not entered into any financing leases as a 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:

	2011/12 £,000	2012/13 £,000
Rental Income receivable:		
Shops	(69)	(99)
Industrial Premises	(743)	(788)
Offices	(260)	(293)
Other	(601)	(617)
	(1,673)	(1,797)

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

	31st March, 2012	31st March, 2013
	£,000	£,000
Not Later than One Year:		
Shops	(21)	(642)
Industrial Premises	(379)	(388)
Offices	(259)	(191)
Other	(453)	(498)
Later than One Year and not Later than Five Years:		
Shops	(17)	(2,035)
Industrial Premises	(850)	(936)
Offices	(892)	(295)
Other	(1,549)	(1,672)
Later than Five Years:		
Shops	0	(717)
Industrial Premises	0	0
Offices	(159)	(47)
Other	(18,219)	(18,377)
	(22,800)	(25,797)

The minimum lease payments receivable do not include rents that are contingent on events taking place after the lease was entered into, such as adjustments following rent reviews. In 2012/13 £4,541 contingent rents were receivable by the Council (2011/12 £6,092).

The Council purchased a number of assets in Wokingham town centre on 28 March 2013 from Wokingham Enterprises Ltd, which is a company fully owned by the Council. Most of the assets are shops. The above table includes estimated rental income due for these assets of £603k in 2013/14, £1.692m due in later than one year and not later than five years, and £717k due in later than five years.

NOTE 30 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 £594m as at 31st March, 2013, to be shared between the councils based on relative throughput. 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 & offices on land owned by Reading and Bracknell 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 council's 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 31st March, 2013 (excluding any estimation of inflation and availability / performance deductions) are as follows:

	Liability	Interest	Service Charges	Total
	£,000	£,000	£,000	£,000
Payable in 2013/14	230	554	7,932	8,716
Payable within Two to Five Years	1,096	2,043	35,398	38,537
Payable within Six to Ten Years	1,863	2,068	52,984	56,915
Payable within 11 to 15 Years	2,623	1,325	60,198	64,146
Payable within 16 to 20 Years	2,575	333	49,877	52,785
	8,387	6,323	206,389	221,099

The liability outstanding under the waste contract is as follows:

	31st March 2012	31st March 2013
	£,000	£,000
Balance Outstanding at Start of Year	(8,881)	(8,602)
Payments During the Year	279	215
New Liabilities Arising	0	0
Balance Outstanding at End of Year	(8,602)	(8,387)

In addition to the PFI contract, as at 31st March, 2013, the Council is committed to making payments under the following contracts:

- Payments estimated at £1.3m per annum under a contract with WSP UK Ltd for the provision of highways and transportation consultancy. The contract will expire in March 2018.
- Payments estimated at £8m per annum under a contract with Optalis for the provision of adult social care. The contract will expire in June 2014.
- Payments estimated at £2.7m per annum under a contract with Dimensions for the provision of adult residential care. The contract will expire in June 2013.
- Payments estimated at £1.4m per annum under a contract with Voyage for the provision of adult residential care. The contract will expire in June 2013.
- Payments estimated at £1.6m per annum to Reading Borough Council under a partnership contract for responsive maintenance. The contract will expire in March 2014.
- Payments estimated at £2.5m per annum under a contract with Government Procurement Service for the provision of energy. The contract will expire in April 2015.
- Payments estimated at £3.5m per annum under a contract with Balfour Beatty Workplace for highways reactive and planned maintenance. The contract will expire in March 2018.
- Payments estimated at £2.9m per annum under a contract with Veolia for the collection of waste. The contract will expire in March 2019.
- Payments estimated at £8.7m per annum under a PFI contract with the Waste Recycling Group (WRG) for the provision of waste disposal services (see above). The contract will expire in December 2031.
- Payments estimated at £1m per annum to AIG Europe Limited for the provision of insurance services. The contract will expire in June 2013.
- Payments estimated at £1.8m per annum under a contract with Northgate Information Systems for IT services. The contract will expire in December 2015.
- Other various contracts between £0.1m and £1m per annum totalling £40.3m with end dates between August 2013 and March 2018.

NOTE 31 CAPITALISATION OF BORROWING COSTS

The Council did not capitalise any borrowing costs in 2012/13.

NOTE 32 IMPAIRMENT LOSSES

Financial Instruments

Early in October 2008, the Icelandic banks Landsbanki, Kaupthing and Glitnir collapsed and the UK subsidiaries of these banks, Heritable and Kaupthing Singer and Friedlander went into administration. The Council had £5m deposited across two of these institutions, with varying maturity dates and interest rates as follows:

Bank	Date Invested	Maturity Date	Amount Invested £,000	Interest Rate	Carrying Amount £,000	Impairment £,000
Heritable	01/11/2006	03/11/2008	2,000	5.45%	218	232
Heritable	01/09/2008	28/08/2009	1,000	6.20%	105	125
Landsbanki	01/08/2008	27/02/2009	1,000	6.05%	598	(66)
Landsbanki	01/09/2008	28/08/2009	1,000	5.50%	631	(110)
Total			5,000		1,552	181

The carrying amounts of the investments included in the Balance Sheet, have been calculated using the present value of the expected repayments, discounted using the investment's original interest date.

All monies within these institutions are currently subject to the respective administration and receivership processes. The amounts and timing of payments to depositors such as the authority will be determined by the administrators / receivers. The current situation with regards to recovery of the sums deposited varies between each institution. As the available information is not definitive as to the amounts and timings of future payments to be made by the administrators / receivers, it is possible that further adjustments will be made to the accounts in future years. The impairment has been calculated in line with FRS 25 and 26, however, in cash terms the Council currently expects to recover a total of £4.769m of the original £5m invested by December 2019. The Council has followed the advice from the Chartered Institute of Public Finance and Accountancy (CIPFA) in their guidance note LAAP 82 Update No 7 issued in May 2013 on expected payment dates and amounts. The carrying amounts of the investments included in the Balance Sheet, have been calculated using the present value of the expected repayments, discounted using the investment's original interest date.

Heritable Bank

Heritable bank is a UK registered bank under Scottish law. The company was placed in administration on 7 October 2008. The current position on actual payments received and estimated future payouts is as shown in the table below and this council has used these estimates to calculate the impairment based on recovering 88p in the £. Recoveries are expressed as a percentage of the authority's claim in the administration, which includes interest accrued up to 6 October 2008.

The current position on payments received to 31 March 2013 (77.2%), and expected future payments (10.8%), is set out below.

Date	Repayment Amount £'000	Repayment %
Received to 31 st March 2013	2,319	77.20%
July 2013	64	2.00%
January 2014	281	8.80%
TOTAL	2,664	88.00%

Landsbanki

Landsbanki Islands hf is an Icelandic entity. Following steps taken by the Icelandic Government in early October 2008 its domestic assets and liabilities were transferred to a new bank (new Landsbanki) with the management of the affairs of Old Landsbanki being placed in the hands of a resolution committee. Following the Icelandic Supreme Court decision to grant UK local authorities priority status, the winding up board made a distribution to creditors in a basket of currencies in February 2012.

An element of the distribution is in Icelandic Kroner which has been placed in an escrow account in Iceland and is earning interest of 3.35%. This element of the distribution has been retained in Iceland due to currency controls currently operating in Iceland and as a result is subject to exchange rate risk, over which the Council has no control. The current position on payments received to 31st March 2013 and estimated future payouts is as shown in the table below and this council has used these estimates to calculate the impairment based on recovering 100p in the £.

Date	Repayment Amount £'000	Repayment %
Received to 31 st March 2013	946	49.65%
December 2013	173	7.50%
December 2014	173	7.50%
December 2015	173	7.50%
December 2016	173	7.50%
December 2017	173	7.50%
December 2018	173	7.50%
December 2019	121	5.35%
TOTAL	2,105	100.00%

Recovery is subject to the following uncertainties and risks:

- The impact of exchange rate fluctuations on the value of assets recovered by the resolution committee and on the settlement of the authority's claim, which may be denominated wholly or partly in currencies other than sterling.
- Recoveries are expressed as a percentage of the authority's claim in the administration, which it is expected may validly include interest accrued up to 22 April 2009 [or maturity date if earlier].

Accounting for the Impairment

No changes were required in 2012/13 to the impairment balances at 31st March 2012 shown above, however, adjustments may be required in future accounts if the above assumptions for payment dates and levels are amended. The impairment reduction from previous years (principal plus interest not received) recognised in the Income and Expenditure Account in 2011/12, £1.959m, was calculated by discounting the assumed cash flows at the effective interest rate of the original deposits in order to recognise the anticipated loss of interest to the authority until monies are recovered.

NOTE 33 CONSTRUCTION CONTRACTS

The Council does not at present have any construction contracts.

NOTE 34 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:

SHORT TERM DEBTORS	31st March, 2012	31st March, 2013
Repayable within One year	£,000	£,000
Central Government Bodies	4,160	2,384
Other Local Authorities	3,279	2,314
NHS Bodies	2,177	2,969
Public Corporations & Trading Funds	1,766	0
Other Entities and Individuals	7,051	9,300
Total	18,433	16,967

Other Entities and Individuals consists of trade debtors of £3.7m, sundry debtors of £3.6m, and payments in advance of £2m.

A decrease in Central Government debtors is due to a one off £2.2m grant due in 2011/12 but received in 2012/13, and a decrease in Other Local Authorities was due to a one off £1.3m payment in advance for schools in 2011/12. Trading companies classed as Public Corporations & Trading funds in 2011/12 have now been re-classified as Other Entities and Individuals.

LONG TERM DEBTORS	31st March, 2012	31st March, 2013
Repayable after one year	£,000	£,000
Other Entities and Individuals	2	639
Total	2	639

Long term debtors have increased from £2k as at 31 March 2012 to £639k as at 31 March 2013 due largely to the re-classification of an Equity Loan Scheme to a long term debtor within the year.

Following an assessment of debtors outstanding at the year end, no increase or decrease in the bad and doubtful debt provision was made in 2012/13. This was based on a prudent approach given the current economic climate. Provisions for council tax and business rates bad debts are charged to the Collection Fund and those in respect of council house rents are charged to the Housing Revenue Account. The provisions are set on the basis of outstanding debt and are required to safeguard against future under or non-recoveries.

NOTE 35 CREDITORS

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

	31st March, 2012	31st March, 2013
	£,000	£,000
Central Government Bodies	(2,127)	(2,154)
Other Local Authorities	(1,580)	(978)
NHS Bodies	(6)	(115)
Public Corporations & Trading Funds	(253)	0
Other Entities and Individuals	(23,303)	(26,463)
Total	(27,269)	(29,710)

Other Entities and Individuals consist of trade creditors of £8.5m, capital creditors of £2m and sundry creditors of £12.3m, receipts in advance consists of £3.7m sundry receipts in advance (eg, government grants carried forward).

A decrease in Other Local Authorities was due to a one off creditor for Inter-authority Recoupment in 2011/12 not repeated in 2012/13, and an increase in NHS bodies was due to a receipt in advance for PCT funding. Trading companies classed as Public Corporations & Trading funds in 2011/12 have now been re-classified as Other Entities and Individuals.

NOTE 36 PROVISIONS

All of the Council's provisions are short term.

Provisions less than 1 year:	Outstanding Legal Cases £,000	Provision for Accumulating Absences £,000	Other Provisions £,000	Total £,000
Balance at 1 April 2012	(60)	(3,047)	(402)	(3,509)
Additional Provisions made in 2012/13	0	0	(1,499)	(1,499)
Amounts Used in 2012/13	0	0	214	214
Unused amounts reversed in 2012/13	0	177	0	177
Unwinding of discounting in 2012/13	0	0	0	0
Balance at 31 March 2013	(60)	(2,870)	(1,688)	(4,618)

Provision for Legal Cases

The provision for legal cases relates to cases that were brought against the Council in 2012/13 or where the Council is in dispute with its contractors. An assessment of the Council's liability and the likelihood of the claimant's success has been undertaken and a provision has been set up accordingly.

Provision for Accumulating Absences

At the end of the financial year some holiday entitlement and flexi leave remained to be taken by employees. The Council estimated the value of the untaken annual leave to be approximately 1.5% of payroll. Officers are able to carry forward these days into the next financial year, but are not financially compensated where they leave the Council's employment before taking up their entitlement. The Council therefore made an accrual of £ 2.870m at 31 March 2013 (£3.047m at 31 March 2012) for compensated absences.

Other Provisions

Fosters Re-accommodation - Fosters was a Residential Care Home run by WBC. The building is old and now not suitable to for its intended purpose. The residential care home has been closed during 2012/13, however there are still costs associated with this process outstanding, which this provision will support.

Dilapidation – A general provision for dilapidation costs in buildings the Council lease has been made, 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.

Carbon Reduction Commitment - The authority is required to participate in the Carbon Reduction Commitment (CRC) Energy Efficiency Scheme. The authority is required to purchase and

surrender allowances retrospectively, on the basis of emissions i.e. carbon dioxide produced as energy is used. The provision arises at the point the energy is consumed.

A provision of £300k has been made for any costs arising from the reintegration of the former Wokingham Enterprise Ltd assets back into Council management. This is required as the Council purchased these assets in March 2013.

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. On 28th March 2012 the Supreme Court handed down its judgement in the Employers' Liability 'Trigger Litigation' cases relating to mesothelioma claims. The judges ruled that the insurer who was on risk at the time of an employee's exposure to asbestos was liable to pay compensation for the employee's mesothelioma: liability attaches at the time of the initiation or causation of the disease and not its actual manifestation. This has significantly increased the potential liability of insurers, including MMI, in respect of historic mesothelioma claims as well as those claims that may have been incurred but not yet reported (IBNR). The Scheme of Arrangement has now been triggered with the initial levy for members set at 15%. This will also apply to IBNR claims. Further levies may be imposed by the Scheme Administrator on Scheme Members.

NOTE 37 CONTINGENT LIABILITIES

Wokingham Borough Council has three subsidiary companies, Optalis Ltd, Wokingham Enterprise Ltd, and Wokingham Housing Ltd, which are all companies limited by shares in which the Council is the sole shareholder. As sole shareholder of the companies 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 Group Financial Statements, notes 52 to 59). 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 to the company under TUPE arrangements. As sole shareholder and guarantor, 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 2013 is £3.521m. The Council has also guaranteed in full a property lease which Optalis entered into in February 2013. The maximum cost of the lease over its five year life from April 2013 to April 2018 is £387k.

NOTE 38 CONTINGENT ASSETS

Following the House of Lords judgement in the case of HMRC vs. Conde Nast Publications Ltd and HMRC vs. Fleming, Wokingham Borough Council has submitted various voluntary disclosure claims in relation to overpaid tax in the areas of sporting services, excess parking charges, library income and off-street car parking that go back as far as 1973 in some cases. The Council received £450k (including interest) relating to a golf course claim in 2012/13, and £91,000 in relation to various claims in 2011/12.

NOTE 39 ASSETS HELD FOR SALE

	Current		Non-Current	
	2011/12 £,000	2012/13 £,000	2011/12 £,000	2012/13 £,000
Balance Outstanding at Start of the Year	0	149	0	0
Assets newly classified as Held for Sale:				
• Property, Plant and Equipment	149	224	0	0
• Other Assets / Liabilities in Disposal Groups	0	0	0	0
Revaluation Gains	0	0	0	0
Assets Sold	0	(149)	0	0
Balance Outstanding at End of Year	149	224	0	0

As at 31 March 2013 there were 2 properties classified as Assets Held for Sale (one at 31 March 2012).

NOTE 40 FINANCIAL INSTRUMENTS

Categories of Financial Instruments

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

	Long Term		Current	
	31st March, 2012 £,000	31st March, 2013 £,000	31st March, 2012 £,000	31st March, 2013 £,000
Investments				
Loans and Receivables	13,590	1,553	4,991	13,031
Investments in Group companies	0	1,053	0	0
Fair Value through Profit and Loss	0	0	14,300	21,026
Total Investments	13,590	2,606	19,291	34,057
Debtors				
Loans and Receivables	2	639	0	0
Financial Assets Carried at Contract Amounts	0	0	15,300	10,696
Total Debtors	2	639	15,300	10,696
Borrowings				
Financial Liabilities at Amortised Cost	(134,752)	(132,117)	0	(4,700)
Financial Liabilities at Fair Value through Profit and Loss	0	0	0	0
Total Borrowings	(134,752)	(132,117)	0	(4,700)

	Long Term		Current	
	31st March, 2012 £,000	31st March, 2013 £,000	31st March, 2012 £,000	31st March, 2013 £,000
Other Long Term Liabilities				
PFI and Other Finance Lease Liabilities	(9,669)	(9,453)	0	0
Total Other Long Term Liabilities	(9,669)	(9,453)	0	0
Creditors				
Financial Liabilities at amortised cost	0	0	0	0
Financial Liabilities carried at contract amount	0	0	(24,781)	(26,789)
Total Creditors	0	0	(24,781)	(26,789)

Income, Expense, Gains and Losses

	2011/12					2012/13				
	Financial Liabilities	Financial Assets			Total	Financial Liabilities	Financial Assets			Total
	Measured at Amortised Cost	Loans and Receivables	Available for Sale	Assets and Liabilities at Fair Value through Profit and Loss		Measured at Amortised Cost	Loans and Receivables	Available for Sale	Assets and Liabilities at Fair Value through Profit and Loss	
	£,000	£,000	£,000	£,000	£,000	£,000	£,000	£,000	£,000	£,000
Interest Expense on External Borrowing - GF	2,037	0	0	0	2,037	2,036	0	0	0	2,036
Interest Expense on External Borrowing - HRA	69	0	0	0	69	2,454	0	0	0	2,454
Interest Expense on PFI and Finance Lease Liabilities	692	0	0	0	692	676	0	0	0	676
Impairment Losses	(2,088)	0	0	0	(2,088)	0	0	0	0	0
Total Expense in Surplus or Deficit on the Provision of Services	710	0	0	0	710	5,166	0	0	0	5,166
Interest Income	0	(1,112)	0	0	(1,112)	0	(996)	0	0	(996)
Total Income in Surplus or Deficit on the Provision of Services	0	(1,112)	0	0	(1,112)	0	(996)	0	0	(996)
Surplus / Deficit Arising on Revaluation of Financial Assets in the Comprehensive Income and Expenditure	0	0	0	0	0	0	0	0	0	0
Net (Gain) / Loss for the Year	710	(1,112)	0	0	(402)	5,166	(996)	0	0	4,170

Fair Values of Assets and Liabilities

Financial liabilities, financial assets represented by loans and receivables and long-term debtors and creditors are carried in the Balance Sheet at amortised costs. 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

The fair values calculated for financial liabilities are as follows:

	31 March 2012		31 March 2013	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
	£,000	£,000	£,000	£,000
Loans				
PWLB Debt	110,523	119,600	110,548	124,834
Non-PWLB Debt	24,229	24,283	26,269	26,908
Total Debt	134,752	143,883	136,817	151,742
Other Creditors				
Short Term Creditors	24,781	24,781	26,789	26,789
Long-term Finance Lease and PFI Liabilities	9,669	9,669	9,453	9,453
Long-term Creditors	0	0	0	0
Total Financial Liabilities	169,202	178,333	173,059	187,984

The fair value of liabilities as at 31 March, 2013 is greater than the carrying amount because the Council's portfolio of loans 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. This shows a notional future gain (based on economic conditions at 31st March, 2013) arising from a commitment to pay interest to lenders below current market rates.

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.

Unusual Movements

There have been no unusual movements. One HRA loan with a carrying value of £2.7m has been reclassified from long term borrowing at 31 March 2012 to short term borrowing at 31 March 2013 as it is due for repayment during 2013/14 and therefore falls under short term borrowing. In addition, short term borrowing of £2m was incurred in March 2013 for temporary cash flow purposes.

The fair values for financial assets are set out below :

	31 March 2012		31 March 2013	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
	£,000	£,000	£,000	£,000
Money Market Loans < 1 year	4,991	4,989	13,031	13,026
Money Market Loans > 1 year	13,590	13,598	1,553	1,553
Total Loans and Receivables	18,581	18,587	14,584	14,579
Fair Value through the I+E	14,300	14,300	21,026	21,026
Short Term Debtors	15,300	15,300	10,696	10,696
Long-term Debtors	2	2	639	639
Total Financial Assets	48,183	48,189	46,945	46,940

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 2013. This decreases the fair value of loans and receivables.

The fair values for loans and receivables have been determined by reference to similar practices, as 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.

Assets and liabilities at fair value through profit and loss are carried in the Balance Sheet at their fair value. These fair values are based on public price quotations where there is an active market for the instrument. The exceptions to this treatment are that short term debtors and creditors are carried at cost as this is a fair approximation of their value.

NOTE 41 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 23rd February 2012 and is available on the Council website. The key issues within the strategy were:

- The Authorised Limit for 2012/13 was set at £202m (2011/12 £202m) which takes account of the HRA Self Financing requirements. This is the maximum limit of external borrowings or other long term liabilities the council can hold.
- The Operational Boundary for 2012/13 was set at £190m (2011/12 £190m) which also takes account of HRA Self Financing. This is the maximum expected level of debt and other long term liabilities during the year.
- The maximum amounts of fixed and variable interest rate exposure were set based on the Council's net debt.
- The maximum and minimum exposures to the maturity structure of debt are shown below.
- These policies are implemented by the corporate finance team. The Council maintains written principles for overall risk management, as well as written policies (Treasury Management Practices – TMPs) covering specific areas, such as interest rate risk, credit risk, and the investment of surplus cash. These TMPs are a requirement of the Code of Practice and are reviewed periodically.

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 as follows:

- **Sovereign Rating for Foreign Countries –AAA.** This is the credit rating of a country and indicates the risk level of investment in that country. This is for the in-house team only as the fund managers have additional checks in place for selecting counterparties.
- **Banks 1 – Good Credit Quality.** The Council will only use banks which:
 - Are UK banks and/ or
 - Are non-UK and domiciled in a country which has a minimum Sovereign long term rating of AAA (in-house team only)
 And have, as a minimum, the following Fitch, Moody's and Standard and Poors credit rating (LCD approach only for in-house team) where rated.
 - Short Term – F1+ (highest rating)
 - Long Term – AA – (AAA is highest rating)
 - Individual / Financial Strength – B/C (Fitch / Moody's only)
 - Support – 2 (Fitch only)
- **Banks 2 – Guaranteed Banks with Suitable Sovereign Support.** In addition, the Council will use banks whose ratings fall below the criteria specified above if all of the following conditions are met:
 - Wholesale deposits in the bank are covered by a government guarantee
 - The government providing the guarantee is rated AAA by all three major rating agencies (Fitch, Moody's and Standard and Poor's) and
 - The Council's investments with the bank are limited to amounts and maturities within the terms of the stipulated guarantee.

- **Banks 3 – Eligible Institutions.** The organisation is an Eligible Institution for the HM Treasury Credit Guarantee Scheme and meeting a minimum credit rating of A-. This was initially announced on 13th October, 2008. These institutions have been subject to suitability checks before inclusion and have access to HM Treasury liquidity if needed.
- **Banks 4 – The Council's own banker (Nat West).** For transactional purposes if the bank falls below the above criteria, although in this case balances will be minimised in both monetary size and time.
- **Group Limits.** For each banking group the following limits will apply dependent on the rating of the Parent Bank
 - AAA - £7m with a maximum average duration of 1 year
 - AA - £5m with a maximum average duration of 6 months
- **Building Societies.** The Council will only use Societies which are eligible to use the Bank of England's Credit Guarantee Scheme, subject to a minimum asset size of £5bn and meeting a credit rating of A- (where rated)
- **Money Market Funds** – the Council and its Fund Managers will use AAA rated funds. The Strategic Director of Resources will keep under review the Money Market Funds used and will amend as necessary.
- **UK Government** (including gilts and the DMO)
- **Local Authorities, Parish Councils**
- **Supranational institutions** – multilateral investment organisations such as the World Bank or European Investment Bank (sometimes used by the Fund Managers)

Customers for goods and services are assessed, taking into account their financial position, past experience and other factors, with individual credit limits being set in accordance with internal ratings within parameters set by the Council.

The Council's maximum exposure to credit risk in relation to its investments in banks and building societies of £2m cannot be assessed generally because the risk of any institution failing to make interest payments or repay the principal sum will be specific to each individual institution. Recent experience has shown that it is rare for such entities to be unable to meet their commitments. A risk of irrecoverability applies to all of the Council's deposits, but there was no evidence at 31 March 2013 (Or 31 March 2012) that this was likely to happen.

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

	Amount at 31 March, 2013	Historical Experience of Default	Historical Experience Adjusted for Market Conditions at 31 March, 2013	Estimated Maximum Exposure to Default and Uncollectability at 31 March, 2013	Estimated Maximum Exposure at 31 March, 2012
	£,000 (a)	% (b)	% (c)	£,000 (a) x (c)	£,000
Deposits with Banks and Financial Institutions:					
AAA Rated Counterparties	33,752	0.03%	0.00%	0	0
AA Rated Counterparties	22,736	0.03%	0.00%	0	5
A Rated Counterparties	2,002	0.03%	0.00%	0	0
Other Counterparties	1,553	0.23%	0.00%	0	28
Customers	13,804	Local	Local	Local	Local
Total	73,847			0	0

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. In October 2008, the Icelandic banking sector defaulted on its obligations. The Council had £5m invested in this sector at that time. In accordance with accounting practice, the Council has been notified of objective evidence that impairment has occurred and the investments have been impaired according to accounting requirements.

Whilst the current credit crisis in international markets has raised the overall possibility of default, the Council maintains strict credit criteria for investment counterparties.

The Council does not generally allow credit for its customers, but £4.75m of the £5.2m balance is past the due date for payment of 30 days. The past due but not impaired amount can be analysed by age as follows:

	31st March, 2012 £,000	31st March, 2013 £,000
Less than Three Months	3,212	1,593
Three to Six Months	460	542
Six Months to One Year	481	1,013
More than One Year	1,044	1,393
	5,197	4,541

The Council initiates a legal charge on property where, for instance, clients require the assistance of social services but cannot afford to pay immediately. The total collateral at 31 March 2013 was £0.5m.

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, 2012 £,000	31st March, 2013 £,000
Less than One Year	39,077	58,968
Between One and Two Years	2,635	346
Between Three and Ten Years	1,596	729
Between Eleven and Twenty Years	0	0
Between Twenty One and Thirty Years	0	0
Between Thirty One and Forty Years	9,360	0
	52,667	60,043

The table above assumes repayment of Icelandic investments according to the rates and timings shown in note 32 Impairment Losses. There are no financial assets due for repayment between thirty one and forty years as at 31 March 2013 (£9.360m at 31 March 2012) as the loan from the Council to Wokingham Enterprises Ltd for £9.360m was repaid in 2012/13. All trade and other payables are due to be paid in less than one year. The increase in investments under one year at 31 March 2013 compared to 31 March 2012 is due partly to an increase in the Council's reserves in 2012/13.

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:

Long Term Borrowing	31st March, 2012 £,000	31st March, 2013 £,000
Between 2 and 5 Years	7,927	5,227
Between 6 and 10 Years	12,794	17,261
Between 11 and 15 Years	16,301	23,233
Between 16 and 20 Years	31,802	38,201
Between 21 and 25 Years	21,221	3,419
Between 26 and 30 Years	0	0
More than 30 Years	44,706	44,776

Total Long Term	134,752	132,117
Short Term borrowing		
Within 1 Year	0	4,700
Total Borrowing	134,752	136,817

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, 2013, if all interest rates had been 1% higher with all other variables held constant, the financial effect would be:

	£,000
Increase in Interest Payable on Variable Rate Borrowings	0
Increase in Interest Receivable on Variable Rate Investments	(207)
Increase in Government Grant Receivable for Financing Costs	0
Impact on Surplus or Deficit on the Provision of Services	(207)
Share of overall impact debited/(credited) to the HRA	6
Decrease in Fair Value of Fixed Rate Investment Assets	0
Impact on Other Comprehensive Income and Expenditure	(201)
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)	0

There is nil impact on the cost of borrowing of a 1% change in 2013/14 as all the variable rate loans were converted to fixed rates during 2012/13. 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.

Foreign Exchange Risk in Relation to Icelandic Deposits

The Council has foreign exchange exposure resulting from an element of the settlement received from Landsbanki. This is being held in Icelandic kroner in an escrow account due to the current imposition of currency controls.

NOTE 42 CASH FLOW STATEMENT - OPERATING ACTIVITIES

The cash flows for operating activities include the following items:

31st March, 2012 £,000		31st March, 2013 £,000
1,055	Interest Received	587
(1,515)	Interest Paid	(5,101)
0	Dividends Received	0
(460)	Net Cash Flows from Operating Interest	(4,514)

NOTE 43 CASH FLOW STATEMENT - INVESTING ACTIVITIES

31st March, 2012 £,000		31st March, 2013 £,000
(20,039)	Purchase of Property, Plant and Equipment, Investment Property and Intangible Assets	(37,209)
(16,359)	Purchase of Short-term and Long-term Investments	(15,822)
0	Other Payments for Investing Activities	0
1,071	Proceeds from the Sale of Property, Plant and Equipment, Investment Property and Intangible Assets	1,632
0	Proceeds from Short-term and Long-term Investments	0
5,692	Other Receipts from Investing Activities	35,102
(29,635)	Net Cash Flows from Investing Activities	(16,297)

NOTE 44 CASH FLOW STATEMENT - FINANCING ACTIVITIES

31st March, 2012 £,000		31st March, 2012 £,000
86,594	Cash Receipts of Short and Long-term Borrowing	2,000
0	Other Receipts from Financing Activities	(1,148)
2,082	Repayments of Short and Long-term Borrowing	0
(335)	Other Payments for Financing Activities	(215)
88,341	Net Cash Flows from Financing Activities	637

NOTE 45 CASH AND CASH EQUIVALENTS

The following elements comprise Cash and Cash Equivalents:

31st March, 2012 £,000		31st March, 2013 £,000
3,432	Cash held by the Council	7,255
0	Bank Current Assets	0
17,920	Money Market Instruments	16,223
47	Cash Held by Fund Managers	3,096
0	Short-term Deposits with Building Societies	0
21,399	Cash and Cash Equivalents	26,574
(4,915)	Bank Current Liabilities	(5,348)
16,484	Total Cash and Cash Equivalents	21,226

NOTE 46 ACQUIRED AND DISCONTINUED OPERATIONS

There were no acquired or discontinued operations in 2012/13.

NOTE 47 EVENTS AFTER THE BALANCE SHEET DATE

The Statement of Accounts was authorised for issue by the Strategic Director of Resources (S151 Officer) on 28 June 2013. Events taking place after this date are not reflected in the financial statements or notes. Where events taking place before this date provided information about conditions existing at 31st March 2013, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

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

The Council received an offer in March 2013 from Optalis, a company which is 100% owned by the Council and included in the Group accounts, to subscribe for 50,000 redeemable shares of £1. The Council agreed to the purchase of the shares which was completed in May 2013.

New arrangements for the retention of business rates come into effect on 1 April 2013, whereby local authorities will become responsible for the cost of refunding business ratepayers who have successfully appealed against the rateable value of their properties on the rating list. This includes amounts paid over to central government in respect of 2012/13 and earlier years, plus any relevant interest and legal costs. The rateable value of the buildings for which appeals are outstanding at 31 March 2013 totals in the region of £40m. In line with guidance set out in the Code of Practice, the Council has made a provision in the 2013/14 budget for its estimated share of any successful appeals.

NOTE 48 AGENCY SERVICES

The Council performs a Sensory Needs function on behalf of a number of other unitary authorities in Berkshire. The other authorities reimburse the Council for this work, including a contribution towards administrative costs. The Council also operates a shared legal service with the Royal Borough of Windsor and Maidenhead for which the expenditure and income are shown below. 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:

	2011/12 £,000	2012/13 £,000
Expenditure		
Sensory Needs	448	447
Shared Legal Services	784	808
Total Expenditure	1,232	1,255
Income		
Sensory Needs		
Bracknell	(113)	(106)
Reading	(180)	(195)
Windsor	(155)	(146)
Shared Legal Services		
Windsor	(784)	(808)
Total Income	(1,232)	(1,255)
Net Expenditure/Income	0	0

NOTE 49 ROAD CHARGING SCHEMES UNDER THE TRANSPORT ACT 2000

The Council does not operate a road charging or workplace charging scheme under this act.

NOTE 50 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 one pooled budget arrangement.

Joint Equipment Stores Agreement

The Joint Equipment Stores Agreement uses the South Central Ambulance Services NHS Trust as an agent to provide the services. The six Berkshire Unitary Authorities and the Berkshire Primary Care Trusts are members of the agreement with Slough Borough Council as the lead partner. The memorandum account for the fund is as follows:

	2011/12 £,000	2012/13 £,000
Funding Provided to the Pooled Budget:		
Wokingham Borough Council	(281)	(221)
Slough Borough Council	(219)	(263)
Other Berkshire Councils	(975)	(982)
Berkshire Primary Care Trusts	(1,335)	(3,163)
	(2,810)	(4,629)

Expenditure Met from the Pooled
Budget:

Royal Berkshire Ambulance Trust

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

2,991	4,630
181	1

NOTE 51 INVESTMENTS IN COMPANIES

Trading Standards South East Ltd

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 the company. The latest financial statements for the company were prepared at 31 March 2012 and show that turnover for 2011/12 was £2.368m (£2.5m in 2010/11), the company made a profit of £3,050 (£1,303 in 2010/11) and had net assets of £28,050 at 31 March 2012 (£25,000 at 31 March 2011). Wokingham Council does not receive any dividend income from the company. The financial statements for the company for 2012/13 will be available in January 2014. 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, Mid-Surrey Area Office, Bay Tree Avenue, Kingston Road, Leatherhead, Surrey, KT22 7SY.

Flexible Home Improvement Loans Ltd

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 on the board of the company. The draft financial statements for the company were prepared at 31 March 2013 and show that turnover for 2012/13 was nil (£14,885 in 2011/12), the company made a profit of £97,569 (loss of £61,696 in 2010/11). However a prior year adjustment of a charge of £235,954 was made in 2012/13 relating to overstatement of interest earned in previous financial years which gave rise to a loss after the adjustment of £138,385 in 2012/13. The company had net assets of £7,494,064 at 31 March 2013 (£7,386,145 at 31 March 2012). The company receives grant from central government and makes loans to local authority members which are then used to make loans to homeowners as such the grant income and loan investing maintains 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 Andrew Brooker, Head of Finance, Royal Borough of Windsor and Maidenhead, Town Hall, St. Ives Road, Maidenhead, SL6 1RF.

Wokingham Trading Enterprises Ltd

(WEL) is a company wholly owned and set up by Wokingham Borough Council (WBC) for the purposes of enabling the regeneration of the town centre of Wokingham and specifically for the purchase of land and buildings, such as Peach Place, within the town centre for redevelopment. The company was established in 2009 and is limited by guarantee of £1. WBC has 100% of the share capital (valued at £3,000) in the company and is able to control the operating, governance and financial policies of the organisation. WBC is also able to appoint the board of directors of the company. The Company is accounted for as a wholly owned subsidiary of WBC however, as WBC's interest in WEL arose as a result of formation

of the company no goodwill arose as a result of the formation. The company sold all of its assets to Wokingham Council in March 2013 for £9.405m. This sum was used to pay off most of WEL's outstanding loans to the Council.

Optalis Ltd

Optalis Ltd is a company wholly owned and 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. WBC has 100% of the share capital (which has nil value) in the company and is able to control the operating, governance and financial policies of the organisation. WBC is also able to appoint the board of directors of the company. The Company is accounted for as a wholly owned subsidiary of WBC however, as WBC's interest in Optalis arose as a result of formation of the company no goodwill arose as a result of the formation. Optalis made a share issue in 2012/13 and the Council subscribed to 50,000 £1 shares at a cost of £50,000.

Wokingham Housing Ltd

Wokingham Housing Ltd 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 is expected to start trading in 2013. WBC has 100% of the share capital (which has nil value) in the company and is able to control the operating, governance and financial policies of the organisation. The company made a share issue in 2012-13 and the Council subscribed to 1,000,000 ordinary £1 shares in Wokingham Housing Ltd at a cost of £1m. The Council is also able to appoint the board of directors of the company. The Company is accounted for as a wholly owned subsidiary of WBC however and was not consolidated in the 2011/12 accounts due to immateriality, but will be consolidated in the 2012-13 accounts which will comprise the period from December 2011 to March 2013. As WBC's interest in Wokingham Housing Ltd arose as a result of formation of the company no goodwill has arisen as a result of the formation.



8. NOTES AND STATEMENTS TO THE WOKINGHAM GROUP ACCOUNTS

The notes to the Financial Statements that have been disclosed for WBC apply to the Group Financial statements. Specific notes relating to the Group have only been disclosed as part of the Group financial statements where they are materially different to those amounts disclosed in the previous notes.

NOTE 52 GROUP ACCOUNTING POLICIES

The accounting policies applied to Wokingham Group Accounts are the same as those stated in Note 1 to the financial statements.

NOTE 53 ADJUSTMENTS BETWEEN GROUP ACCOUNTS AND AUTHORITY ACCOUNTS

	Woking- ham Authority	Optalis Ltd	Woking- ham Enter- prise Ltd	Woking- ham Housing Ltd
	£,000	£,000	£,000	£,000
Adjustment for Intra-group transactions in Net Cost of Services				
- Other Housing Services	28	0	0	(28)
- Adult Social Care	(9,171)	9,171	0	0
Adjustment for Intra-group transactions on Financing and Investment income within the CI&ES	452	0	(452)	0
Total Adjustment between Group and Authority accounts	(8,691)	9,171	(452)	(28)

NOTE 54 INVESTMENT PROPERTY

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:

	Wokingham Authority £,000	Wokingham Enterprise Ltd £,000	Wokingham Group £,000
Rental	(1,003)	(628)	(1,631)
Direct Operating Expenses	427	169	596
Net (Gain) / Loss	(576)	(459)	(1,035)

Financing and Investment Income and Expenditure

	Wokingham Authority £,000	Wokingham Subsidiaries £,000	Wokingham Group £,000
Interest Payable and Similar Charges on External Borrowing	4,490	0	4,490
Interest Payable and Similar Charges on PFI and Finance Lease Liabilities	676	0	676
Impairment of Financial Instruments	5,166	0	5,166
Pensions Interest Cost and Expected Return on Pensions assets	5,292	82	5,374
Interest Receivable and Investment Income	(584)	0	(584)
Income and expenditure and Changes in Fair Value in Relation to Investment Properties	(357)	(590)	(947)
Financing and Investment Income and Expenditure	9,517	(508)	9,009

There are no restrictions on the Group's ability to realise the value inherent in its investment property or on the Group's right to the remittance of income and the proceeds of disposal. The Group 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:

	Wokingham Authority £,000	Wokingham Enterprise Ltd £,000	Wokingham Group £,000
Balance as at 31 March, 2012	28,272	9,020	37,292
Additions	9,439	254	9,693
Disposals	(6,724)	(9,405)	(16,129)
Gain / (Loss) on from Fair Value Adjustments	(219)	131	(88)
Transfers to/from Plant, Property and Equipment	(316)	0	(316)
Other Changes	0	0	0
Balance as at 31 March, 2013	30,452	0	30,452

The disposal of £9.405m of assets comprises the sale of all Wokingham Enterprises Ltd trading assets to the Council in March 2013.

NOTE 55 FINANCIAL INSTRUMENTS (including DEBTORS AND CREDITORS)

Notes 40, 34, 35 and 41 to the Financial Statements apply to the Group Financial statements. The following categories of financial instrument carried in the Group Balance Sheet are different to those amounts disclosed in the previous notes:

Financial Assets (Investments and Long Term Loans)	Wokingham Group 2011/12 £,000	Wokingham Group 2012/13 £,000
WBC Long Term Loans and Receivables	13,590	639
Removal of Intra Group Balances – Investment in WEL	(9,351)	(193)
Short Term Loans and Receivables	4,991	13,031
Financial assets at Fair Value through Profit and Loss	14,300	21,026
WBC Long Term Investments	0	2,606
Removal of Intra Group balances – Equity investments in Optalis, WEL and Wokingham Housing Ltd	0	(1,053)
Total Investments and Loans	23,530	36,056

Interest income disclosed in note 40 to the single entity financial statements has reduced by £412,000 to £584,000 in the Group Accounts as a result of removing the interest income receivable in 2012/13 on the loan by Wokingham BC from Wokingham Enterprise Ltd on consolidation.

Debtors	Wokingham Group 2011/12 £,000	Wokingham Group 2012/13 £,000
Other Entities and Individuals	6,850	8,745
Other Debtors Disclosed in Note 34	11,382	7,667
Total Debtors in Group Balance Sheet	18,232	16,412

Creditors	Wokingham Group 2011/12 £,000	Wokingham Group 2012/13 £,000
Other Entities and Individuals	(23,677)	(27,079)
Other Creditors disclosed in Note 35	(3,996)	(3,247)
Total Creditors in Group Balance Sheet	(27,673)	(30,326)

NOTE 56 Cash and Cash Equivalents

	Wokingham Group 2011/12 £,000	Wokingham Group 2012/13 £,000
Cash held by the Council	3,432	7,255
Bank Current Assets	226	1,175
Money Market Instruments	17,920	16,223
Cash Held by Fund Managers	47	3,096
Short-term Deposits with Building Societies	0	0
Cash and Cash Equivalents	21,625	27,749
Bank Current Liabilities	(4,915)	(5,348)
Total Cash and Cash Equivalents	16,710	22,401

NOTE 57 Pensions

Note 19 to the Financial Statements apply to the Group Financial statements, particularly in relation to the assumptions and asset returns applied by the actuary in valuing the schemes. Optalis Ltd is an admitted member of the Local Government Pensions Scheme (LGPS). The International Accounting Standards Board (IASB) has confirmed changes which will apply for company accounting periods commencing on or after 1 January 2013. A disclosure note has to be included to show the effect of the change had it been implemented in 2012/13. This disclosure note is shown at the end of this note. The following tables show where amounts at Group level are different to those amounts disclosed in the previous notes for WBC only. In the table below is shown the Council's share of the Berkshire County Council:

	Wokingham & BCC share LGPS 2012/13 £,000	Optalis Ltd LGPS 2012/13 £,000	Wokingham Group LGPS 2012/13 £,000
Comprehensive Income and Expenditure Statement			
Cost of Services:			
• Current Service Cost	9,128	821	9,949
• Past Service Gain	0	0	0
• Settlements and Curtailments WBC	112	5	117
• Unfunded Pension Payments WBC	(629)	0	(629)
Financing and Investment Income and Expenditure:			
• Interest Cost	13,518	562	14,080
• Expected Return on WBC Scheme Assets	(8,226)	(480)	(8,706)
Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services	13,903	908	14,811
Other Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement:			
• Actuarial (Gains) and Losses WBC	5,942	(449)	5,493

Total Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement

19,845

459

20,304

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

	Wokingham	Wokingham Share of BCC scheme	Optalis Ltd	Wokingham Group
	2012/13 £000	2012/13 £,000	2012/13 £,000	2012/13 £,000
Opening Balance at 1st April	245,148	52,211	12,330	309,689
Current Service Cost	9,128	0	821	9,949
Interest Cost	11,194	2,324	562	14,080
Contribution by Scheme Participants	2,472	0	239	2,711
Actuarial (Gains) and Losses	6,537	7,168	4	13,709
Benefits Paid	(6,061)	(2,953)	(465)	(9,479)
Past Service Costs	0	0	0	0
Entity Combinations	0	0	0	0
Curtailments	119	0	5	124
Settlements	(16)	0	0	(16)
Unfunded Pension Payments	(176)	(454)	0	(630)
Closing Balance at 31st March	268,345	58,296	13,496	340,137

Reconciliation of fair value of the scheme assets:

	Wokingham	Wokingham Share of BCC Scheme	Optalis Ltd	Wokingham Group
	2012/13 £,000	2012/13 £,000	2012/13 £,000	2012/13 £,000
Opening Balance at 1st April	137,437	14,222	8,617	160,276
Expected Rate of Return	7,532	694	480	8,706
Actuarial Gains and (Losses)	7,107	656	453	8,216
Employer Contributions	6,100	454	651	7,205
Contributions by Scheme Participants	2,472	0	239	2,711
Benefits Paid	(6,236)	(3,407)	(465)	(10,108)
Entity Combinations	0	0	0	0
Settlements	(9)	0	0	(9)
Total Fair Value of Scheme Assets at 31st March	154,403	12,619	9,975	176,997
Net Liability Closing Balance	113,942	45,677	3,521	163,141

Disclosure Note on IAS 19 changes

The table below reflects the impact of the changes agreed to IAS 19 had they been implemented in 2012/13, as required by IFRS. A more detailed explanation of the changes is included in note 19.

	Wokingham & BCC share LGPS	Optalis Ltd LGPS	Wokingham Group LGPS
	2012/13 £000	2012/13 £000	2012/13 £000
Amounts recognised in the Comprehensive Income and Expenditure Statement (if the revised IAS 19 standard was adopted)			
• Service Cost	9,239	827	10,066
• Net interest on the defined liability (asset)	6,557	156	6,713
• Administration expenses	114	7	121
Total	15,910	990	16,900
Actual return on scheme assets	16,103	939	17,042

The comparison between the total cost for 2012/13 under the new standard of £16.900m compared to the cost of £15.440m under the existing standard is set out below.

	Wokingham Group LGPS	Wokingham Group LGPS
	2012/13 Actual £000	2012/13 Under new standard £000
Amounts included in the Comprehensive Income and Expenditure Statement 2012/13		
• Service Cost		10,066
• Current Service Cost	9,949	
• Curtailments and Settlements	117	
• Interest on Scheme Liabilities	14,080	
• Expected return on scheme assets	(8,706)	
• Net interest on the defined liability (asset)		6,713
• Administration expenses		121
Total	15,440	16,900
Actual return on scheme assets		17,042

NOTE 58 RESERVES

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

NOTE 59 WOKINGHAM GROUP FINANCIAL STATEMENTS

WOKINGHAM GROUP MOVEMENT IN RESERVES STATEMENT

	Group Total 2011/12			Group Total 2012/13		
	Total Usable Reserves £,000	Unusable Reserves £,000	Total Reserves £,000	Total Usable Reserves £,000	Unusable Reserves £,000	Total Reserves £,000
Balance at 31st March 2012	(38,074)	(578,843)	(616,917)	(57,263)	(386,928)	(444,192)
Surplus or (Deficit) on the Provision of Services	139,838	0	139,838	992	217	1,209
Other Comprehensive Income and Expenditure	0	32,861	32,861	0	(247)	(247)
Total Comprehensive Income and Expenditure	139,838	32,861	172,699	992	(30)	962
Adjustments between Group Accounts and Authority Accounts (Note 53)	26	0	26	0	0	(0)
Adjustments between Accounting Basis & Funding Basis under Regulations	(159,053)	159,053	0	(11,078)	11,078	0
Net Increase / Decrease before Transfers to Earmarked Reserves	(19,189)	191,915	172,726	(10,086)	11,046	962
Transfers to/from Earmarked Reserves	0	0	0			
Increase / Decrease in 2012/13	(19,189)	191,915	172,726	(10,086)	11,046	962
Balance at 31 March 2013 carried forward	(57,263)	(386,928)	(444,192)	(67,349)	(375,882)	(443,231)

WOKINGHAM GROUP COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

	Group Total 2011/12			Group Total 2012/13		
	Gross Expenditure £,000	Gross Income £,000	Net Expenditure £,000	Gross Expenditure £,000	Gross Income £,000	Net Expenditure £,000
Central Service to the Public	3,039	(2,468)	571	3,121	(2,783)	338
Cultural and Regulated Services	6,742	(1,600)	5,142	6,538	(1,515)	5,023
Environmental and Regulatory Services	15,545	(1,835)	13,710	13,808	(2,086)	11,722
Planning Services	5,300	(2,219)	3,081	5,185	(2,458)	2,727
Education and Children's Services	167,214	(130,714)	27,500	157,900	(125,068)	32,832
Highways and Transport Services	15,717	(3,347)	12,371	16,276	(3,618)	12,658
Local Authority Housing (HRA)	13,149	(13,746)	(597)	10,692	(14,507)	(3,814)
Other Housing Services	29,801	(29,109)	692	30,479	(29,740)	739
Adult Social Care	54,172	(17,313)	36,859	56,294	(15,552)	40,742
Exceptional Costs	95,486	(91)	95,395	0	0	0
Corporate and Democratic Core	5,953	0	5,953	7,403	0	7,403
Non-distributed Costs	(2,440)	1,874	(566)	(97)	0	(97)
Cost of Services	409,677	(209,566)	200,111	307,599	(197,327)	110,272
Corporate Income and Expenditure			1			
Other Operating Expenditure			68,734			9,542
Financing and Investment Income and Expenditure			2,454			9,009
Surplus or Deficit of Discontinued Operations			0			0
Taxation and Non-specific Grant Income			(129,562)			(127,614)
(Surplus) or Deficit on Provision of Services			141,738			1,209
Tax Expenses			0			0
Group (Surplus) or Deficit			141,738			1,209
Surplus or Deficit on Revaluation of Fixed Assets			(20,359)			(5,740)
Actuarial Gains / Losses on Pension Assets / Liabilities			51,347			5,493
Other Comprehensive Income and Expenditure			30,988			(247)
Total Comprehensive Income and Expenditure			172,726			962

WOKINGHAM GROUP BALANCE SHEET

	Notes	Group Total 31st March 2012 £,000	Group Total 31st March 2013 £,000
Property, Plant & Equipment		690,440	698,602
Investment Property	54	37,292	30,452
Intangible Assets		1,476	1,563
Assets Held for Sale		0	0
Long Term Investments	55	4,241	1,553
Long Term Debtors		2	446
Long Term Assets		733,451	732,616
Short Term Investments	55	19,291	34,057
Assets Held for Sale		149	224
Inventories		0	609
Intangible Current Assets		0	0
Short Term Debtors	55	18,232	16,412
Cash and Cash Equivalents		21,625	27,749
Current Assets		59,297	79,051
Cash and Cash Equivalents		(4,915)	(5,348)
Short Term Borrowing		0	(4,700)
Corporation Tax Liability		(5)	0
Short Term Creditors	55	(27,637)	(30,326)
Provisions		(3,509)	(4,618)
Current Tax Liability		(30)	0
Liabilities in Disposal Groups		0	0
Current Liabilities		(36,096)	(44,992)
Long Term Creditors		0	0
Provisions		0	0
Long Term Borrowing		(134,752)	(132,117)
PFI and Finance Lease Liabilities		(9,669)	(9,453)
Pensions Liability		(149,413)	(163,141)
Other Long Term Liabilities		0	0
Donated Assets Account		0	0
Capital Grants Receipts in Advance		(18,626)	(18,733)
Long Term Liabilities		(312,460)	(323,444)
Net Assets		444,192	443,231
Usable Reserves	58	(57,263)	(67,349)
Unusable Reserves	58	(386,928)	(375,882)
Total Reserves		(444,192)	(443,231)

WOKINGHAM GROUP CASHFLOW STATEMENT

	Group Total 31st March 2012 £,000	Group Total 31st March 2013 £,000
Net (Surplus) or deficit on the Provision of Services	141,738	1,209
Adjustments to Net Surplus or Deficit on the Provision of Services for Non-Cash movements	(75,153)	(49,029)
Adjustments for Items included in the Net Surplus or Deficit on the Provision of Services that are Investing or Financing Activities	9,965	27,168
Net Cash Flow from Operating Activities	76,549	(20,652)
Investing Activities	30,237	15,598
Financing Activities	(88,341)	(637)
Net (Increase) or Decrease in Cash and Cash Equivalents	18,445	(5,691)
Cash and Cash Equivalents at the beginning of the reporting period	(35,155)	(16,710)
Cash and Cash Equivalents at the End of the Reporting Period	(16,710)	(22,401)



9. 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 three 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 construction, 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

2011/12 £,000		Notes	2012/13 £,000
	Income		
(12,785)	Dwelling Rents (gross)		(13,575)
(198)	Non-dwelling Rents (gross)		(208)
(763)	Charges for Services and Facilities		(716)
0	Re-imbursement of costs		(8)
0	HRA Subsidy Receivable (including MRA)		0
0	Contributions Towards Expenditure		0
0	Reduced Provision for Bad or Doubtful Debts		0
0	Sums Directed by the Secretary of State that are Income in Accordance with IFRS		0
(13,746)			(14,507)
	Expenditure		
2,940	Repairs and Maintenance		2,683
2,280	Supervision and Management		2,580
(9)	Rents, Rates, Taxes and Other Charges		23
5,734	Negative Subsidy Payable to the Secretary of State	10	(88)
0	Negative Subsidy Transferable to the General Fund under the Transitional Arrangements		0
95,468	Exceptional Item – Self Finance Settlement	15	0
116	Increased Provision for Bad or Doubtful Debts	13	0
2,055	Depreciation	7	3,093
0	Impairment of Fixed Assets	8	2,353
32	Debt Management Costs		50
0	Sums Directed by the Secretary of State that are Expenditure in Accordance with IFRS		0
108,617			10,693
94,871	Net Cost of Services included in the Whole Authority Comprehensive Income and Expenditure Statement		(3,814)
0	HRA Services Share of Corporate and Democratic Core		0
0	HRA Share of other Amounts Included in the Whole Authority		0
	Net Cost of Services but not Allocated to Specific Services		
94,871	Net Cost of HRA Services		(3,814)
11	(Gain) or Loss on Sale of HRA Non-current Assets		(321)
72	Interest Payable and Similar Charges		2,772
(10)	HRA Interest and Investment Income		(7)
(7)	Accumulated Leave		(1)
29	Pension Interest Cost and Expected Return on Pension Assets		76
(10)	Other Grants and Receivables		0
0	Capital Grants and Contributions Receivable		0
94,956	(Surplus) or Deficit for the Year on HRA Services		(1,295)

Movement on the HRA Statement

2011/12 £,000		Notes	2012/13 £,000
(1,315)	Balance on the HRA at the End of the Previous Year		(1,273)
94,956	(Surplus) or Deficit for the Year on the HRA Income and Expenditure Statement		(1,295)
	Adjustments between Accounting Basis and Funding Basis under Statute		
(1,999)	Depreciation	7	(3,093)
0	Impairment / Revaluation Loss	8	(2,353)
(11)	Gain / Loss on Disposal		321
7	Reversal of Accumulating Absences		1
(95,468)	Self financing settlement transfer to capital adjustment account	15	0
0	MRP		
0	Capital expenditure funded by the HRA (adjusted against the Capital Adjustment Account)		4,574
0	Transfer to the capital adjustment account for voluntary debt repayment		640
(56)	Depreciation of HRA Leases	7	0
(29)	HRA Share of Contributions to or (from) the Pensions Reserve	11	(76)
163	Reversal of Financial Instrument Amortisation		1
(2,437)	Net (Increase) or Decrease in the HRA Balance before Transfers to or from Reserves		(1,280)
1,999	Reversal of MRA Credited to HRA		0
	Transfer to Capital Reserves		500
480	Transfers (to or from) the Major Repairs Reserves	5	426
42	(Increase) or Decrease in Year on the HRA		(354)
(1,273)	Housing Revenue Account Balance Carried Forward		(1,627)

The large increase in interest payable, from £72k in 2011/12 to £2.772m in 2012/13, is due to the extra interest payable on the £95m of debt entered into in March 2012 as a result of HRA Self Financing.



10. 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:

	31 March 2012 Number of Properties	31 March 2013 Number of Properties
Dwellings:		
Low and Medium Rise Flats	672	672
Traditional Houses and Bungalows	1,396	1,389
Non-traditional Houses and Bungalows	355	355
Sheltered Units:		
Low and Medium Rise Flats	198	198
Traditional Houses and Bungalows	98	98
Non-traditional Houses and Bungalows	0	0
Shared Equity Properties:		
Low and Medium Rise Flats	8	8
Traditional Houses and Bungalows	39	39
Non-traditional Houses and Bungalows	0	0
Total HRA Housing Stock	2,766	2,759

NOTE 2 HRA ASSET VALUATION

The value of land, houses and other property held within the HRA is as follows:

	Operational Assets			Total £,000	Non-Operational Assets £,000
	Dwellings £,000	Other Land and Buildings £,000	Plant and Equipment £,000		
Gross Valuation at 31 March, 2012	210,282	5,418	701	216,401	2,000
Accumulated Depreciation and Impairment	(67,062)	(43)	(584)	(67,689)	(2,000)
Net Book Value at 31 March, 2012*	143,220	5,375	117	148,712	0
Additions	4,574	516	31	5,121	0
Disposals	(430)	0	0	(430)	0
Revaluations	(116)	3,073	0	2,957	0
Transfer	(101)	0	0	(101)	0
Depreciation	(2,871)	(207)	(15)	(3,093)	0
Impairments	0	(2,353)	0	(2,353)	0
Net Book Value at 31 March, 2013	144,276	6,404	133	150,813	0

* The Net Book Value at 31 March, 2012 includes amounts transferred between categories in 12/13. Note 12 on the main statements show these transfers as movements in 12/13 rather than impacting the opening balance.

NOTE 3 VACANT POSSESSION

The vacant possession value of dwellings within the Council's HRA at 1 April 2013 was £454,572,109 and on 1 April 2012 £456,511,473.

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 for Social Housing rate. This is an open market rate less a reduction factor that recognises the fact that the dwellings are tenanted properties let at affordable rents without vacant possession. The reduction factor is set by the Government and is currently 32% of open market value (32% in 2011/12).

NOTE 4 MAJOR REPAIRS RESERVE

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

	2011/12 £,000	2012/13 £,000
Balance at 1st April	(338)	(31)
Transfer to the MRR of Major Repairs Allowance	(1,999)	0
Charges for depreciation	0	(3,093)
Revenue contribution to capital expenditure	(480)	(1,907)
Capital expenditure on land, houses and other property within the HRA	2,786	4,574
(Surplus) / Deficit	307	(426)
Balance at 31st March	(31)	(457)

NOTE 5 CAPITAL EXPENDITURE AND FUNDING

	2011/12 £,000	2012/13 £,000
Capital Expenditure within the Year:		
Capital Expenditure on Land, Houses and Other Property within the HRA	2,786	5,121
Funded by:		
Major Repairs Reserve	(2,817)	(5,031)
General Fund Capital Receipts Reserve	0	(406)
S106 Developer Contributions	0	(68)
Capital Grants	0	(73)
(Surplus) / Deficit	(31)	(457)

NOTE 6 CAPITAL RECEIPTS

	2011/12 £,000	2012/13 £,000
Disposal of seven dwellings in 2012/13 (one in 2011/12)	77	635

NOTE 7 DEPRECIATION

	2011/12 £,000	2012/13 £,000
Operational Assets (Property, Plant and Equipment)	56	15
Other, Land and Buildings	0	207
Council Dwellings	1,999	2,871
	2,055	3,093

The increase in depreciation from 2011/12 to 2012/13 is a result of the change to straight line depreciation in 2012/13 required under HRA self-financing, whereas previously depreciation was equal to the Major Repairs Allowance (MRA), which was lower. In addition, garages are subject to depreciation from 2012/13 onwards.

NOTE 8 IMPAIRMENT CHARGES

There have been no impairments on council dwelling houses during 2012/13.

An impairment of £2.353m was made in 2012/13 relating to a number of vacant dwellings which have been identified for disposal as part of the regeneration of Eustace Crescent.

There were no impairments in 2011/12.

NOTE 9 REVENUE EXPENDITURE FUNDED FROM CAPITAL UNDER STATUTE

There was no revenue expenditure funded from capital under statute within the HRA for 2012/13 (nil in 2011/12).

NOTE 10 HOUSING SUBSIDY

The Housing Subsidy system ended when the HRA self-financing system became operational on 1 April 2012. However £88k was payable in 2012/13 in final settlement of the outstanding 2011/12 subsidy claim. The housing subsidy was calculated using a model HRA, which was based on pre-set figures determined by the Government and the number of dwellings owned by the Council. The HRA paid the amounts to the Government as set out below:

	2011/12 £,000	2012/13 £,000
Allowance for Management	1,476	0
Allowance for Maintenance	2,941	0
Allowance for Major Repairs	1,996	0
Charges for Capital	395	0
Guideline Rent Income	(12,484)	0
Adjustment for Final Audited Claim	0	(88)
Housing Subsidy Payable to the Government	(5,676)	(88)

NOTE 11 CONTRIBUTIONS TO THE PENSION RESERVE

Pension costs of £76k in 2012/13 (£29k in 2011/12) are included in the '(Surplus) or Deficit for the Year on HRA Services' section of the Income and Expenditure Statement.

NOTE 12 RENT ARREARS

	2011/12 £,000	2012/13 £,000
Current Tenants	448	663
Former Tenants	171	204
	618	867

NOTE 13 BAD DEBTS PROVISION

	2011/12 £,000	2012/13 £,000
Balance at 1st April	499	615
(Decrease) / Increase in Provision for the Year	116	0
	615	615

NOTE 14 SUMS DIRECTED BY THE SECRETARY OF STATE

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

NOTE 15 EXCEPTIONAL OR PRIOR YEAR ITEMS

There were no exceptional or prior year items in 2012/13. However in 2011/12 the government amended the system of council housing finance as part of the Localism Act 2011. The changes abolished the housing subsidy system and replaced it with a system of self financing. As part of the changes each council was required to make a payment to government as a final settlement in lieu of the amount they would have paid under the subsidy system over the next thirty years. Therefore, the council made a payment of £95,468,000 to central government for the self-financing settlement.

NOTE 16 ASSETS HELD FOR SALE

The HRA currently has one property classed as 'Assets Held for Sale' in the Council's Balance Sheet.

11. 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.

Collection Fund Statement

	2011/12 £,000	2012/13 £,000
Amounts Required by Statute to be Credited to the Collection Fund:		
Income from Council Tax Payers	(91,427)	(92,084)
Transfers from the General Fund:		
• Council Tax Benefits	(5,051)	(4,893)
• Transitional Relief	1,318	306
Income Collectable from Business Rate Payers	(53,302)	(51,417)
Total Income	(148,462)	(148,088)
Amounts Required by Statute to be Debited to the Collection Fund:		
Precepts and Demands:		
• Wokingham Borough Council	78,496	79,023
• Parish Councils	3,427	3,473
• Police Authority	10,100	10,167
• Fire Authority	3,643	3,668
Business Rates:		
• Payment to the National Pool	51,821	50,509
• Costs of Collection	179	180
Impairment of Debts / Appeals:		
• Write-off of Uncollectable Amounts	89	103
• Allowance for Impairment	(1)	446
Contribution Towards Previous Year's Estimated Collection Fund Surplus	0	699
Total Expenditure	147,754	148,268
Movement on Fund Balance	(708)	180
Balance at 1st April	(410)	(1,119)
Balance at 31st March	(1,119)	(939)



12. NOTES TO THE COLLECTION FUND

NOTE 1 INCOME COLLECTABLE FROM BUSINESS RATE PAYERS

The total non-domestic rateable value at 31 March, 2013 was £138,743,317 (At 31 March 2012 £136,021,466).

The national non-domestic rate multiplier for 2012/13 was 45.8p (For 2011/12 43.3p)

NOTE 2 CALCULATION OF THE COUNCIL TAX BASE

Band	Chargeable Dwellings	Ratio	Band D Equivalent Dwellings	
			2011/12	2012/13
A	1424	6/9	908	949
B	2780	7/9	2,130	2,162
C	8154	8/9	7,144	7,248
D	16070	1	16,026	16,070
E	13451	11/9	16,400	16,440
F	8901	13/9	12,785	12,858
G	5593	15/9	9,234	9,321
H	405	18/9	789	810
Total			65,416	65,858
Add:	Adjustment for collection rates and other anticipated changes during the year		39	36
Council Tax Base			65,455	65,894

NOTE 3 PRECEPTS AND DEMANDS ON THE COLLECTION FUND

	2011/12 Total £,000	Precept / Demand £,000	Share of Surplus £,000	2012/13 Total £,000
Wokingham Borough Council	78,496	79,023	595	79,618
Police and Crime Commissioner for Thames Valley	10,100	10,167	77	10,244
Royal Berkshire Fire Authority	3,643	3,668	28	3,696
Total	92,239	92,858	699	93,557



13. 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 Authority 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 and in 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, creditors and depreciation are examples of accruals.

Actuarial Gains/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

The Audit Commission appoints external auditors to every Local Authority, from one of the major firms of registered auditors. From 2012/13, an external audit function is no longer directly undertaken by the Audit Commission due to a change in the Audit Commission roles.

Asset

An asset is a resource controlled by the authority as a result of past events and from which economic benefits or service potential are expected cash flow to the authority 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. A 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

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.

Capital Financing

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

Capital Financing Requirement

It measures the local authorities 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 National Non-Domestic Rates are paid, and from which amounts are paid to the local authority and the precepting body.

Community Assets

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

Comprehensive Income and Expenditure Statement (CIES)

Statement that shows the accounting cost in the year of providing the services in accordance with generally accepted accounting policies.

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 authority'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

Financial Year

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

Finance Lease & Operating Leases

A finance lease is one that transfers a substantial proportion 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.

Fixed Assets

An asset that yields benefits to the local authority 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. Intangible fixed assets do not have a physical form e.g. software licences.

General Fund

The local authorities 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 asset includes designated heritage assets and assets identified by the local planning authority (including local listing).

Historic Cost

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

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 Asset

Fixed assets which have value but do not have physical any substance. They are identified and controlled by the local authority, 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 authority to settle a debt as a result of a past event or transaction such as the purchase of goods or services.

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 local authority 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.

Operational Assets

Fixed assets held and occupied, used or consumed by the local authority 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.

Precept

An amount levied on another public body in respect of the Council Tax. Parish Council's, Royal Berkshire Fire 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 local authority 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 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)

The principle way that Central Government funds local government revenue expenditure. This grant is non-specific and 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.

Unuseable Reserves

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

Useable 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 local authority 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.



This publication is produced by Wokingham Borough Council. If you would like some help understanding it, please call (0118) 974 6000



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BOROUGH COUNCIL

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