



Medium term financial plan 2008/2009

Including Revenue Budget Forecast and
Capital Budget Forecast to 2009/10



WOKINGHAM BOROUGH COUNCIL

STATEMENT OF ACCOUNTS

FOR THE YEAR ENDED 31ST MARCH 2008

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EXPLANATORY FOREWORD

This forward provides a brief explanation of the financial aspects of the Council's activities and draws attention to the main characteristics of the Council's financial position.

The Council's accounts for the year 2007/2008 are set out on pages 2 to 95 and each statement is followed by explanatory notes.

1. Statement of Accounts

The Code of Practice on Local Authority Accounting in Great Britain requires publication of the following statements:

- (i) The **Annual Governance Statement** sets out the framework within which the control environment is managed and reports on areas of strengths and weaknesses.
- (ii) The **Income and Expenditure Account** reports expenditure and income for each of the services provided by the Council and the surplus or deficit incurred. This statement also includes the Housing Revenue Account income and expenditure.
- (iii) The **Statement of Movement on the General Fund Balance** shows how the surplus or deficit on the income and expenditure account for the year relates to the movement in the general fund balance.
- (iv) The **Balance Sheet** shows the assets, liabilities, balances and reserves held by the Council at the financial year end (31st March). This statement includes the Collection Fund Balance Sheet.
- (v) The **Cash Flow Statement** summarises the inflows and outflows of cash arising from revenue and capital transactions with third parties.
- (vi) The **Housing Revenue Account** summarises the income and expenditure relating to the local authority provision of social housing within the district where the Council is the landlord.
- (vii) The **Collection Fund** Revenue Account records the Council tax and business rate transactions in the financial year. The statement also shows the distribution of the Council tax income to Thames Valley Police Authority, Royal Berkshire Fire Authority and to the Parish and Town Councils of the Borough.

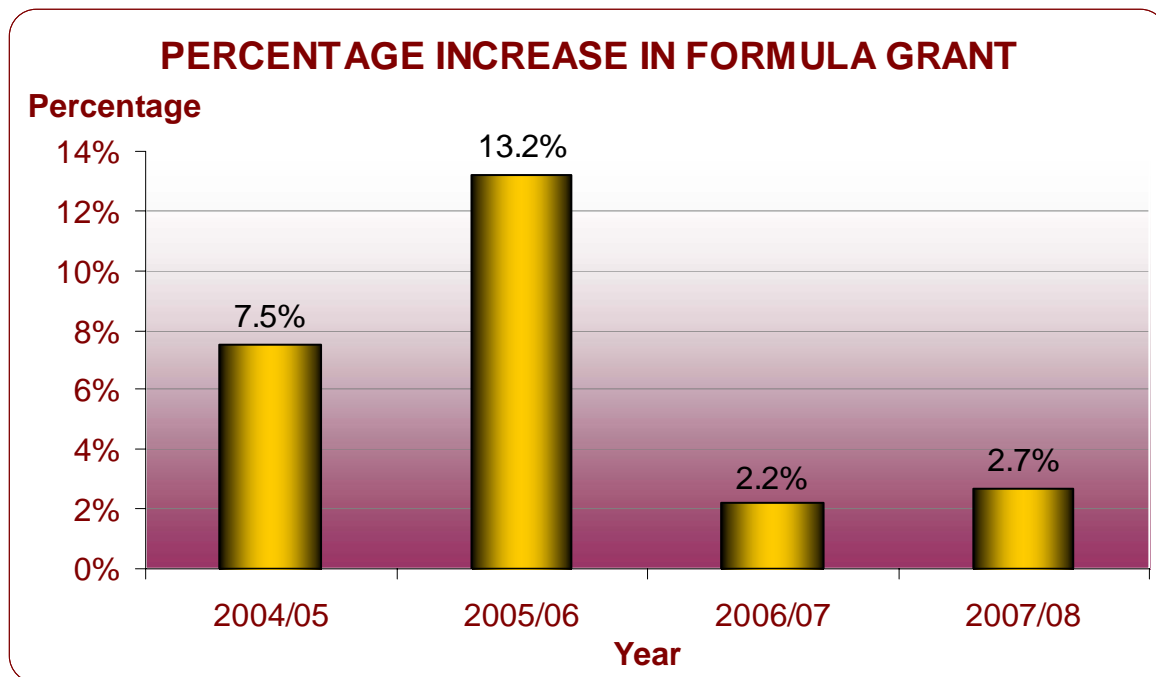
These accounts have been compiled in accordance with the Code of Practice. The Code was developed by the Chartered Institute of Public Finance and Accountancy (CIPFA) and Local Authority (Scotland) Accounts Advisory Committee (LASAAC) Joint Committee.

2. The Code of Practice on Local Authority Accounting in the United Kingdom: A Statement of Recommended Practice 2007 (SORP)

These accounts have been compiled in accordance with the 2007 SORP, which defines proper accounting practices for local authorities. The 2007 SORP changed a number of accounting policies, particularly relating to capital accounting, from the previous year and introduced new requirements in relation to loans and investments arising from the incorporation of FRS 25 and 26 "Financial Instruments" into the SoRP. Further details regarding these changes have been provided in the accounting policies and the core financial statements.

3. Financial Performance

The Council's increase in Revenue Support Grant has varied considerably over the past few years. Significant changes to the formula grant calculation in 2006/07 coupled with a low two-year national grant settlement left Wokingham with a grant entitlement £5m below the "floor" and an increase of only 2.7% in 2007/08.



Wokingham suffered badly under the new methodology to calculate its relative grant entitlement for two reasons; more weighting was given to authorities with higher levels of deprivation and more resources were diverted to authorities with a relatively low tax base. In addition, in 2006/07 the Government created the Dedicated Schools Grant (DSG), which is a specific grant to the Council that must be passed on in full to the schools. Prior to 2006/07 the Council was only required to pass on the annual increase in the schools block of the Formula Spending Share (FSS) within the Formula Grant. The increase in schools funding for 2007/08 was 6.6%, this was significantly higher than the increase awarded to the Council through the RSG.

The minimum revenue support grant increase left the Council facing significant cost pressures at the start of the year, particularly in social care as a result of an ageing population, new statutory requirements (e.g. recycling), unavoidable expenditure increases above inflation (e.g. maintenance contracts, landfill tax) and pressure to improve services from both the public and the Government. The 2007/08 budget contained £4.3m cost containment measures and efficiencies to set a low council tax.

During 2007/08 the Council faced pressure on the Revenue Budget, with large overspends occurring in Childrens social care, a statutory service. The overspend was identified at an early stage and as a result, implemented an in-year action plan to contain expenditure across all services. As a result the Council was able to report an underspend of £1.3m at 31st March 2008 against its budget. The General Fund reserves at 31st March 2008 stand at £8.6m. The Housing Revenue Account also experienced significant pressure on its repairs and maintenance service during the year and as a result overspent by £176k, leaving balances of £664k as at 31st March 2008. Despite the pressures, the balances on both funds are healthy and in excess of the recommended levels.

Capital balances are under pressure due to the high level of capital investment required to improve services. The current capital programme is based on the estimated capital resources available and take account of anticipated capital receipts through a disposals programme.

The Council is working towards a “10 year Capital Vision” to ensure that the council’s vision is agreed and realised in terms of capital and assets. A key feature of this is to make the most effective use of our resources, including maximising external resources and ensuring that we achieve value for money in the use of these resources.

The 2008/09 Medium Term Financial Plan produced a three year revenue and capital indicative budget. The budget addressed all major potential financial risks, known growth pressures and identified a number of efficiency savings. The 2009/10 budget setting process aims to build on these achievements by further improving service and financial planning and further improving the links between the capital and revenue financial strategies.

The Statement of Accounts has been prepared in accordance with FRS 17 – Retirement Benefits. Although FRS 17 has not directly affected the net outturn position in 2007/08, the accounts show a net pension liability of £38.6m, this has increased from the 2006/07 liability of £36.4m mainly due to the recent full actuarial valuation of the fund and a downturn in market returns on the investment of pension fund assets. The deficit is being addressed through increased employer and employee contributions which will be reviewed at the next triennial actuarial valuation to ensure the pension scheme returns to a 100% funding level over an appropriate period of time.

4. General Fund

The General Fund is the main revenue account and includes all the Council's services with the exception of Council housing. The Council has a policy of maintaining a prudent General Fund balance to provide for unforeseen requirements and to aid longer term planning. In setting the 2007/08 budget the Council reviewed the level of balances that should be maintained, the recommended level was agreed at £8.0m based on a risk assessment. The fund balance as at 31 March 2008 is shown below:-

	Revised Estimate	Actual	Variance
	£'000	£'000	£'000
Balance Brought Forward	8,589	8,589	0
Surplus / (Deficit) in year	(1,321)	23	(1,344)
Total	7,268	8,612	(1,344)

The following table shows the actual and budgeted net expenditure by Service.

Service	End of Year Position		
	Approved Budget	Outturn Actual	Net over/(under) spend
	£'000	£'000	£'000
Community Care	30,870	30,344	(526)
Strategy & Partnerships inc. Housing	3,404	2,698	(706)
Children Services – Non Dedicated Schools Grant	24,856	25,580	724
Knowledge Development	2,981	3,061	80
Environment	19,651	19,632	(19)
Planning, Regulation & Enforcement	3,139	3,148	9
Communications	70	0	(70)
Property	(369)	(503)	(134)
Finance	6,971	6,745	(226)
IT	258	106	(152)
Human Resources	505	(1)	(506)
Legal & Democratic	36	118	82
Chief Executive	5,017	5,117	100
Net Expenditure before Carry Forwards	97,389	96,045	(1,344)
Carry Forwards	0	649	649
Total Net Expenditure	97,389	96,694	(695)

The above figures do not include deferred charges, grants and contributions and FRS 17 pension adjustments as these are internal accounting charges and their removal allows for a clearer appraisal of the variances. The approved budget includes new budget approvals during the year.

The major variations in respect of the underspend of £1,344,000 on the revised estimate are shown below:

Service Unit	(Under) / Over Spend
	£'000
Childrens specialist services – increased Children’s residential and foster agency placements	1,238
Physical Disabilities – additional domiciliary care and sensory needs costs	482
Childrens Neighbourhood Services – increased staffing and agency costs	370
Concessionary Travel – increased travel arising from free national bus pass	268
Local Land Charges – income reduction due to depressed market	192
Procurement Management – underachievement of savings target	187
Other travel – income reduction following flooding in July	150
Waste Services – increased cost of waste collection	148
Interest on Balances – higher reserves and balances	(754)
Learning Disabilities – reduction in supported housing schemes	(466)
Human Resources - central expenses and training	(414)
Housing Benefits – increased grant income and prior year adjustment	(403)
Mental Health – restructured residential care packages to supported living	(377)
Integrated childrens services– project delay	(276)
Community Care Support Services – staffing variances and associated running expenses	(232)
Childrens finance and commissioning – reduced staffing	(205)
Integrated youth services – miscellaneous variances	(158)
Universal services for children – increased grant income	(120)
Community Safety – scheme slippage	(118)
Homelessness – reduced bed and breakfast placements	(114)
Highways – increased income from footway licences	(109)
Childrens operational services – various underspends on childrens activities	(108)
Human Resources – staffing vacancies and advertising	(92)
Reprographics – printer project delay	(89)
Property Services Management – feasibility study delay and increased fee income	(83)
Communications – consultation delays and publicity material carry forward	(70)
Miscellaneous variances	(191)
Total Over / (Under) Spend	(1,344)

5. Housing Revenue Account

The Housing Revenue Account shows the income and expenditure on Council housing. The Council budgeted to breakeven in 2007/08, however an additional budget of £31,000 was approved during the year. At the end of 2007/08 the HRA incurred an overspend of £176,000. Therefore, the combined reduction in the HRA balance was £207,000. A comparison of actual income and expenditure (excluding capital charges) against the revised budget is detailed below:-

	Revised Estimate	Actual	Net (under) / over-spend
	£'000	£'000	£'000
Gross Expenditure on Housing	7,657	8,143	486
Income			
Gross Rents	(10,693)	(10,863)	(170)
Fees, Charges and contributions	(729)	(875)	(146)
Housing Subsidy Repayment	3,798	3,797	(1)
Housing Repurchase grant	(2)	5	7
Net (Surplus) / deficit for the Year	31	207	176
Balance Brought Forward	(847)	(847)	0
Financial instruments adjustment	0	(24)	(24)
Balance Carried Forward	(816)	(664)	152

The overspend mainly relates to repairs on council dwellings which significantly increased above expectations.

Major Repairs Reserve

On 1st April 2001 the Government introduced the Major Repairs Allowance (MRA) as part of the housing subsidy grant payment which is for investment in the housing stock. Any surplus/deficit is ring-fenced and carried forward.

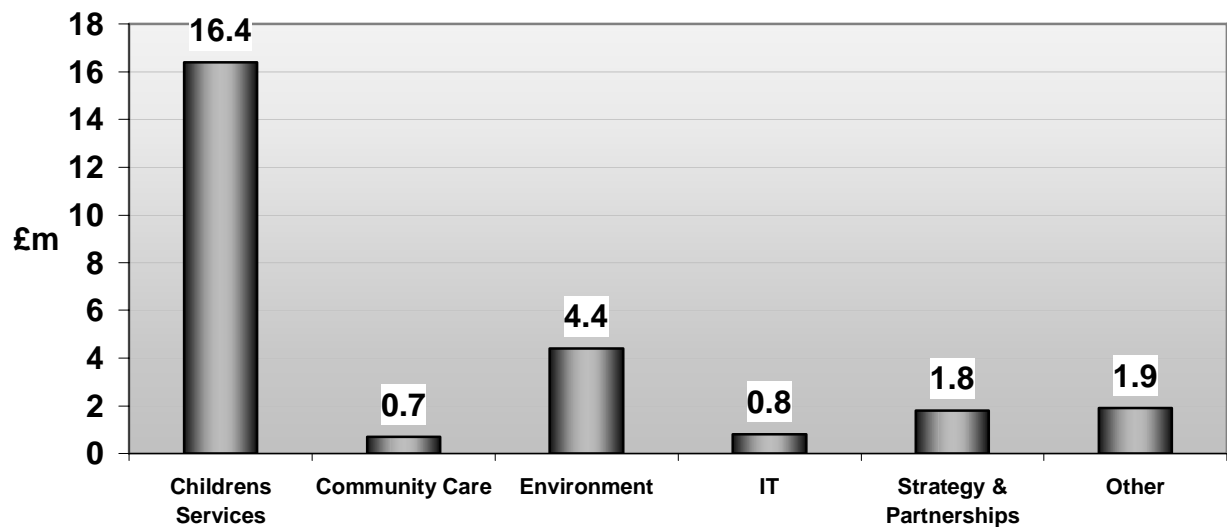
	Revised Estimate	Actual	Net (under) / over-spend
	£'000	£'000	£'000
Gross Capital Expenditure	1,868	1,453	(415)
Allocation	(1,868)	(1,868)	0
Net (Surplus) / Deficit for the Year	0	(415)	(415)
MRA Balance Brought Forward	0	0	0
MRA Balance Carried Forward	0	(415)	(415)
HRA Balance Carried Forward	(847)	(847)	0
Overall Balance Carried Forward (HRA / MRA)	(816)	(1,079)	(263)

The housing capital programme underspent due to reduced costs of refurbishment of Council dwellings under the decent homes project.

6. Capital Expenditure

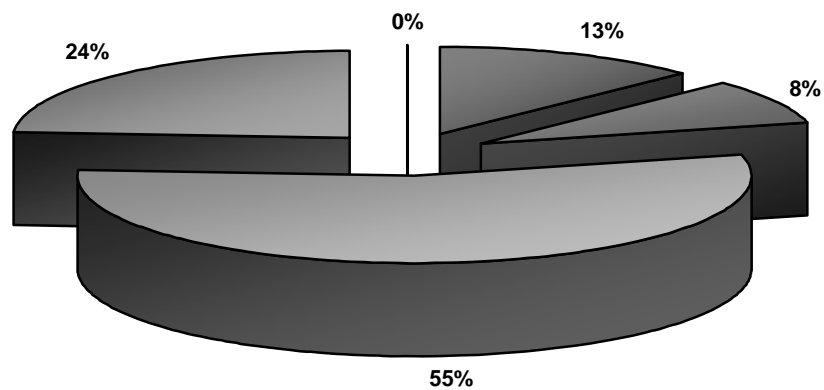
The Council spent £26 million in 2007/2008 on capital schemes analysed below:

CAPITAL EXPENDITURE BY SERVICE 2007/08



This was funded from the following sources:

CAPITAL FUNDING 2007/08



■ Borrowing £3.3m	■ Capital Contributions £2.3m	■ Capital Grants £14.3m
■ Capital Receipts £6.1m	■ Revenue Contributions £0.0m	

7. Collection Fund

The Council is required to maintain a Collection Fund for the collection and disbursement of local taxes. This fund has its own separate income and expenditure account but the Collection Fund balances are consolidated in the Council's balance sheet.

The collection fund surplus as at 31st March was £450,824, this represents a significant improvement from 2006/07 when the deficit was £202,000. The deficit has been significantly reduced due to high performance in Council tax collection. The surplus on the collection fund will be distributed between the precepting authorities, according to their precept value in January 2009.

8. Introduction of the Euro

The Council is monitoring the position concerning the introduction of the Euro and any future government decisions on the United Kingdom's entry into the European Monetary Union. The implications will be assessed when the situation becomes clearer. The Council has procured a new financial information system, which is fully Euro compliant.

9. Corporate Plan

The Council is currently in the process of updating its Corporate Plan covering the financial years 2009/10 – 2011/12. The Corporate Plan is a high level document covering the headings within the Community Strategy, it takes a medium to long term view and will culminate in the setting of the Council Tax and Capital Programme for 2009/10 in February 2009. Each service unit produces a Service Plan that links in with the Corporate Plan by setting out in detail how the high level objectives will be translated into actions.

10. Internal Control

The Accounts and Audit Regulations 2003, require English authorities to “conduct a review at least once a year of the effectiveness of its system of internal control”. The statement sets out the framework within which the control environment is managed and reports on areas of strengths and weaknesses

11. Further Information

Additional information about the accounts is available from the General Manager of Business Services, Business Services, Shute End Offices, Wokingham.



G.M.Ebers,
General Manager, Business Services



P. Helliard Symons
Chairman of the Council



STATEMENT OF RESPONSIBILITIES

This Statement sets out the respective responsibilities of the authority and the General Manager, Business Services for the accounts.

The Authority's Responsibilities

The authority 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 General Manager, Business Services.
- To manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets.
- To approve the Statement of Accounts by 30th June 2008

The Responsibilities of the General Manager, Business Services

The General Manager, Business Services, in his capacity as the S151 Officer, is responsible for the preparation of the authority's statement of accounts which, in terms of the CIPFA/LASAAC Code of Practice on Local Authority Accounting in United Kingdom, is required to present fairly the financial position of the authority at the accounting date and its income and expenditure for the year ended 31st March, 2008.

In preparing this statement of accounts, the General Manager, Business Services has:

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

The General Manager, Business Services has also:

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

I hereby certify that the Statement of Accounts on pages 2 to 95 presents fairly the financial position of the authority at the accounting date and its income and expenditure for the year ended 31 March 2008.



G.M.Ebers,
General Manager, Business Services



P. Helliard Symons
Chairman of the Council

STATEMENT OF ACCOUNTING POLICIES

This statement details the accounting policies that have been observed in compiling the Statement of Accounts.

The Statement of Accounts has been prepared in accordance with The Code of Practice on Local Authority Accounting in the United Kingdom 2007: A Statement of Recommended Practice (SORP), unless where stated. The statements comply with the Best Value Accounting Code of Practice.

The Statements reflect the requirements of Financial Reporting Standard (FRS) 18 by adopting the core accounting principals and concepts of:

- **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, 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
- **Understandability** – the statements have been prepared to ensure they are as easy to understand as possible
- **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
- **Accruals** – other than the cashflow statement, the financial statements 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
- **Legality** – where the accounting principles and specific legislation requirements are in conflict, the financial statements have been prepared to reflect legislative requirements

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
- Employee costs are charged to the accounts of the period within which the employees worked.
- 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

Interest

The CIPFA SoRP states that interest payable on external borrowings and interest income should be accrued and accounted for in the year to which they relate on a basis that reflects the overall economic effect of the borrowings.

Interest is credited to the Housing Revenue Account (HRA) and other reserves based on the level of their fund balances using the average quarterly 7-day money market rates. The annual averaged quarterly 7-day rate was 5.7 % in 2007/2008 (2006/2007 – 4.84%).

The interest credited to Net Operating Expenditure in the Income and Expenditure Account relates to external interest received.

2. Acquired Operations

The council doesn't have any acquired operations.

3. Business Improvement District (BID) Schemes

BID projects are projects for the benefit of a particular area that are financed (in whole or in part) by a BID levy paid by the non-domestic ratepayers, or a class of such ratepayers, in the BID area. The Council is not involved in a BID scheme.

4. Contingent Assets

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.

5. Contingent Liabilities

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.

6. Deferred Charges

Deferred charges represent expenditure that may be capitalised but does not result in the creation of tangible fixed assets. Deferred charges are amortised to revenue over an appropriate period consistent with the consumption of the economic benefits controlled by the council. Because of the types of expenditure to which deferred charges usually apply, e.g. improvement grants, the Council seldom controls the economic benefits arising from the expenditure and therefore amortises 100 per cent of the deferred charge to revenue in the year the deferred charge is recognised.

7. Discontinued Operations

The council doesn't have any discontinued operations.

8. Events After the Balance Sheet Date

Where an event after the balance sheet date, favourable or unfavourable, which provides evidence of conditions that existed at the balance sheet date has occurred (adjusting event), the amounts recognised in the Statement of Accounts are adjusted. Any disclosures affected by the new information about the adjusting event will be updated in the light of the new information.

Where an event that occurs after the balance sheet date is indicative of conditions that arose after the balance sheet date (non-adjusting event) the amounts recognised in the Statement of Accounts are not adjusted.

The following will be disclosed for each material category of non-adjusting event after the balance sheet date:

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

Events after the balance sheet date are reflected up to the date when the Statement of Accounts is authorised for issue. The date when the statement of accounts was authorised for issue and who gave the authorisation is disclosed in the notes to the accounts.

9. Exceptional Items, Extraordinary Items and Prior Period Adjustments

Exceptional items are included in the cost of the service to which they relate or on the face of the income and expenditure account if that degree of prominence is necessary in order to give a fair presentation of the accounts. A description of each exceptional item is given within the notes to the accounts.

Extraordinary items will be disclosed and described on the face of the income and expenditure account after dealing with all items within the ordinary activities of the authority and will be explained fully in a note to the accounting statements.

The majority of prior period items arise from corrections and adjustments that are the natural result of estimates inherent in the accounting process. Such adjustments constitute normal transactions for the year in which they are identified, and are accounted for accordingly.

Material adjustments applicable to prior years arising from changes in accounting policies or from the correction of fundamental errors are accounted for by restating the comparative figures for the preceding period in the Statement of Account and notes and adjusting the opening balance of reserves for the cumulative effect. The cumulative effect of the

adjustments are noted at the foot of the Statement of Total Recognised Gains and Losses of the current period. The effect of prior period adjustments on the outturn for the preceding period will be disclosed where practicable.

10. 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 is translated by using the closing rate or, where appropriate, the rates of exchange fixed under the terms of the relevant transactions.

11. Government Grants

Whatever their basis of payment, revenue grants are matched with the expenditure to which they relate in accordance with SSAP 4 (Accounting for Government Grants). Grants made to finance the general activities of the Council or to compensate for a loss of income are credited to the income and expenditure account of the period in respect of which they are payable.

Where the acquisition of a fixed asset is financed either wholly or in part by a government grant or other contribution, the amount of the grant or contribution is credited to the government grants-deferred account and written off to the service revenue account over the useful life of the asset to match the depreciation of the asset to which it relates.

Government grants or other contributions are accounted for on an accruals basis and recognised in the accounting statements when the conditions for their receipt have been complied with and there is reasonable assurance that the grant or contribution will be received.

12. Intangible Assets (Excluding Goodwill and Development Expenditure)

An intangible item may meet the definition of an asset when access to the future economic benefits that it represents is controlled by the Council, through either custody or legal protection. The Council does not carry out research and development of the type envisaged by SSAP 13 (Accounting for Research and Development) and does not acquire or hold goodwill.

Recognition

Purchased intangible assets (e.g. software licences) are capitalised as assets. Internally developed intangible assets are only capitalised where there is a readily ascertainable market value (which is unlikely to be the case).

Measurement

A purchased intangible asset is capitalised at its cost. FRS 10 (Goodwill and Intangible Assets) permits but does not require revaluation. An intangible asset may only be revalued where it has a readily ascertainable market value. The types of intangible assets held by the Council are very unlikely to have readily ascertainable market values therefore the Council does not revalue intangible fixed assets.

Amortisation

Intangible assets are amortised on a straight-line basis over their economic lives. Where access to the economic benefits associated with an intangible asset is achieved through legal rights that have been granted for a finite period the economic life is not extended beyond that period unless the legal rights are renewable and renewal is assured. The useful economic lives of intangible assets disclosed in the balance sheet have been determined individually and

range between 2 and 20 years. Useful lives are reviewed at the end of each reporting period and revised if necessary.

Disposals

The proceeds of disposals of intangible fixed assets are debited to cash / debtors and credited to the income and expenditure account. The carrying value of the asset is then debited to the income and expenditure account and credited to the intangible fixed asset account. Therefore, any gain or loss arising from the disposal is recognised in the income and expenditure account for the period.

In order to comply with statute and restrictions on the use of capital receipts in local government; the gain or loss on disposal of an intangible asset charged to the Income and Expenditure account is reversed out of the General Fund balance as a reconciling entry in the Statement of Movement on the General Fund Balance. A credit to the Usable Capital Receipts Reserve is made for an amount equal to the disposal proceeds and a debit to the Fixed Asset Restatement Account is made for an amount equal to the carrying value of the intangible asset.

Impairment

Intangible assets that are amortised over a finite period not exceeding 20 years from the date of acquisition are reviewed for impairment:

- 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.

Charges to Revenue

Service revenue accounts, as defined in CIPFA's Best Value Accounting Code of Practice, central support services and trading accounts are charged with a provision for amortisation and where required, any related impairment loss (due to a clear consumption of economic benefits), for all intangible assets used in the provision of the service. The HRA Income and Expenditure account is charged with amortisation and any related impairment loss (due to clear consumption of economic benefits). The reversal of an impairment loss is only recognised in the income and expenditure account if the value is directly attributable to the reversal of the event which caused the original impairment loss.

13. Leases

Finance Leases

The rental payments under finance leases is apportioned between the finance charge and the reduction of the outstanding obligation, with the finance charge being allocated and charged to revenue over the term of the lease. Any hire purchase contracts that have similar characteristics to a finance lease and are of a financing nature are accounted for as a finance lease and appropriate balance sheet notes are disclosed.

Operating Leases

Where assets are acquired 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.

An asset held for use in operating leases by the authority is recorded as a fixed asset and depreciated over its useful life. Rental income from operating leases, excluding charges, are recognised as income is received.

This policy is a departure from the SoRP which states that rentals receivable, net of benefits received or receivable under operating leases should be charged to revenue on a straight-line basis over the term of the lease, even if the payments are not made on such a basis, unless another systematic and rational basis is more appropriate. The Council believes that this departure from the SoRP is not material.

14. Overheads

Charges or apportionments covering all support service costs (e.g., legal, human resources and finance) are made to all “front line” services (i.e., services to the public). The cost of service management is also apportioned to the accounts representing the activities managed. The bases of apportionment adopted are used consistently for all the heads to which apportionments are made.

The costs of the corporate and democratic core and of non-distributed costs are allocated to a separate objective expenditure head and are not apportioned to other services.

15. Pension Costs

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

- The Teacher's Pension Scheme, administered by the Department for Education and Science (DfES)
- The Local Government Pension Scheme, administered by the Royal Borough of Windsor and Maidenhead Council

Both schemes provide defined benefits to members (i.e., retirement lump sums and pensions), earned as employees worked for the council.

The arrangements for the teacher's scheme mean that liabilities for these benefits cannot be identified to the council. The scheme is therefore accounted for as if it were a defined contributions scheme – no liability for future payments of benefits is recognised in the balance sheet and revenue accounts are charged with the employer's contributions payable to the DfES in the year.

Local Government Pension Scheme

The Local Government Pension Scheme provides members of the pension 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 2007. Under Superannuation Regulations, the contribution rates are set to meet all the liabilities of the fund.

The superannuation costs charged to the Net Cost of Services in the Income and Expenditure account of both the General Fund and the HRA have been made in accordance with accounting standard FRS17 Retirement Benefits. The charge is based on when the retirement benefits that the Council has committed to pay are earned, even though the actual payments may be many years into the future. The difference between the amounts charged under FRS17 and the actual payments made to the pension scheme during the year are adjusted for as a reconciling item in the Statement of Movement in the General Fund (or HRA) Balance.

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 attributable assets to the scheme are measured at their fair value at the balance sheet date. Scheme assets include current assets as well as investments. Liabilities such as accrued expenses are deducted. The attributable scheme liabilities are measured on an actuarial basis using the projected unit method. The scheme liabilities comprise:

- (i) any benefits promised under the formal terms of the scheme, and
- (ii) any constructive obligations for further benefits where a public statement or past practice by the Council has created a valid expectation in the employees that such benefits will be granted.

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

The surplus/deficit in the scheme is the excess/shortfall of the value of the assets in the scheme over/below the present value of the scheme liabilities. The Councils recognises the liability that reflects its legal or constructive obligation. Details of the methods adopted in calculating the asset or liability recognised are set out in the notes to the balance sheet. Any unpaid contributions to the scheme are presented in the balance sheet as a creditor due within one year.

The change in the defined benefit asset or liability (other than that arising from contributions to the scheme) is analysed into the following components:

- Periodic costs:
 - current service cost
 - interest cost
 - expected return on assets, and
 - actuarial gains and losses, and
- Non-periodic costs:
 - past service costs, and
 - gains and losses on settlements and curtailments.

The current service cost is included within Net Cost of Services. The net of the interest cost and the expected return on assets is included within Net Operating Expenditure. Actuarial gains and losses arising from any new valuation and from updating the latest actuarial valuation to reflect conditions at the balance sheet date are recognised in the Statement of Total Recognised Gains and Losses for the period.

Past service costs are recognised in Net Cost of Services on a straight-line basis over the period in which the increases in benefit vest. To the extent that the benefits vest immediately, the past service cost is recognised immediately.

Losses arising on a settlement or curtailment not allowed for in the actuarial assumptions are measured at the date on which the authority becomes demonstrably committed to the transaction and is recognised in Net Cost of Services at that date. Gains arising on a settlement or curtailment not allowed for in the actuarial assumptions are measured at the date on which all parties whose consent is required are irrevocably committed to the transaction and recognised in Net Cost of Services at that date.

16. Provisions

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

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

A transfer of economic benefits or other event is regarded as probable if the event is more likely than not to occur. Provisions are charged to the appropriate revenue account; when payments for expenditure are incurred to which the provision relates they are charged direct to the provision. The amount recognised as a provision is the best estimate taking into account the risks and uncertainties surrounding the events. 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, the provision is reversed.

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement is recognised only when it is virtually certain that reimbursement will be received if the obligation is settled. The reimbursement is treated as a separate asset. The appropriate revenue account the expense relating to a provision is presented net of the amount recognised for a reimbursement.

17. Provisions for Bad and Doubtful Debts

The carrying amount of debtors is adjusted for doubtful debts, which are provided for, and known uncollectable debts are written off.

18. Research and Development

Expenditure on research and development is regarded as part of the continuing operations of the authority and is written off as it is incurred.

19. 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.

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 usable 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.

20. Stocks and Long-Term Contracts

Stocks

Stocks are included in the balance sheet at the total of the lower of cost and net realisable value of the separate items of stock or of groups of similar items.

Long-term Contracts

A long-term contract is 'A contract entered into for the design, manufacture or construction of a single substantial asset or the provision of a service (or of a combination of assets or services which together constitute a single project) where the time taken substantially to complete the contract is such that the contract activity falls into different accounting periods'. Revenue contracts are charged to revenue as payments are made and capital contracts are charged on the basis of the valuation certificate.

21. Tangible Fixed Assets

Recognition

All expenditure on the acquisition, creation or enhancement of tangible fixed assets is capitalised on an accruals basis. Expenditure on the acquisition of a tangible asset, or expenditure which adds to, and not merely maintains, the value of an existing asset, is capitalised and classified as a tangible fixed asset, provided that it yields benefits to the Council and the services it provides are for a period of more than one year.

Expenditure that is capitalised will include expenditure on the:

- acquisition, reclamation, enhancement or laying out of land
- acquisition, construction, preparation, enhancement or replacement of roads, buildings and other structures
- acquisition, installation or replacement of movable or immovable plant, machinery, apparatus, vehicles and vessels.

Enhancement means the carrying out of works that are intended to:

- lengthen substantially the useful life of the asset, or
- increase substantially the market value of the asset, or
- increase substantially the extent to which the asset can or will be used for the purposes of or in conjunction with the functions of the Council.

Improvement works and structural repairs are capitalised, whereas expenditure to ensure that the fixed asset maintains its previously assessed standard of performance is recognised in the revenue account as it is incurred. Expenditure on existing fixed assets is capitalised in three circumstances:

- enhancement
- where a component of the fixed asset that has been treated separately for depreciation purposes and depreciated over its individual useful life, is replaced or restored
- where the subsequent expenditure relates to a major inspection or overhaul of a fixed asset that restores the benefits of the asset that have been consumed by the Council and have already been reflected in depreciation.

Assets acquired on terms meeting the definition of a finance lease are capitalised and included together with a liability to pay future rentals.

Where a fixed asset is acquired for other than a cash consideration or where payment is deferred, the asset should be recognised and included in the balance sheet at fair value.

Measurement

A fixed asset is initially measured at its cost. Costs, but only those costs, that are directly attributable to bringing the asset into working condition for its intended use are included in its measurement.

When substantially all the activities that are necessary to get the fixed asset ready for use are complete, the asset is categorised and included in the balance sheet. Assets are classified as either operational or non-operational as follows:

- (a) Operational assets are assets held or occupied, used or consumed by the Council in the direct delivery of those services for which it has either statutory or discretionary responsibility, or for the service or strategic objectives of the authority.
- (b) Non-operational assets are assets held by the Council but not directly occupied, used or consumed in the delivery of services, or for the service or strategic objectives of the authority. They may comprise:
 - Assets held for the primary purpose of investment from which a commercial rental income is obtained
 - Vacant property or property temporarily occupied for another purpose but awaiting redevelopment or disposal
 - Land and buildings currently in the course of development but not yet completed and occupied for the proposed service

Fixed assets are valued on a five-year rolling programme. This is the basis recommended by the Chartered Institute of Public Finance and Accountability (CIPFA) and is in accordance with the Statements of Asset Valuation Principles. Fixed assets are valued on the following bases:

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Asset Category	Valuation Method
Operational Assets	
Non Specialised Properties	Existing Use Value (Current Cost)
Specialised Properties	Depreciated Replacement Cost (Current Cost)
Council Dwellings	Existing Use Value for Social Housing
Community Assets	Not valued – stated at Historic Cost net of depreciation, where appropriate
Infrastructure Assets	Not valued – stated at Historic Cost net of depreciation, where appropriate
Non Operational Assets	
Investment	Open Market Value (Current Cost)
Surplus	Open Market Value (Current Cost)
In Construction	Value of Work Done (Historical Cost)

A full valuation of a property is conducted by the Council's internal valuer, Mr. A. Spicer, a Professional Member of the Royal Institution of Chartered Surveyors and the Authority's Estates Unit Manager. The valuations have been prepared in accordance with the Practice Statements and UK Practice Statements contained in the RICS Appraisal and Valuation Standards.

The Council's housing stock has been valued as an operational asset.

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

- (a) the Council has good title free from encumbrances;

- (b) there are no hazardous substances or latent defects in the properties and there is no contamination present;
- (c) the properties have permanent planning permission and any other necessary statutory consent for their current use;
- (d) plant and machinery is included in the valuation of the property, where applicable;
- (e) no special circumstances beyond those likely to be considered by a prospective purchaser in the open market have been taken into account;
- (f) no allowance has been made for any liability to taxation, which may arise on disposal, nor for costs of acquisition or realisation.
- (g) the Council operates a de-minimis level of £10,000 below which items will not be charged to capital on the grounds of materiality, with the exception of capital works for schools where the deminimis level is £1,000.

Not all properties were specifically inspected for the purposes 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 members of the Property Section of all the Council's property assets. The inspections and report do not purport to be a building survey.

Where a fixed asset is included in the balance sheet at current value, the increase over the previous carrying amount at which that asset was included in the balance sheet immediately prior to the latest (re-)valuation is credited to a fixed asset restatement account, except to the extent that it reverses a revaluation loss on the same asset previously recognised in the Income and Expenditure account, when the revaluation gain is recognised in the Income and Expenditure account also.

Where a fixed asset is acquired under a finance lease, at the inception of the lease the amount to be recorded both as an asset and as a liability would be the present value of the minimum lease payments derived by discounting them at the interest rate implicit in the lease.

Impairment

The value at which each category of assets is included in the balance sheet is reviewed at the end of each reporting period and where there is reason to believe that its value has changed materially in the period, the valuation is adjusted accordingly. Events and changes in circumstances that indicate a reduction in value may have incurred include:

- a significant decline in a fixed asset's market value during the period
- evidence of obsolescence or physical damage to the fixed 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.

Fixed assets, other than non-depreciable land, are reviewed for impairment, at the end of each reporting period when either:

- no depreciation charge is made on the grounds that it would be immaterial (either because of the length of the estimated remaining useful life or because the estimated residual value of the fixed asset is not materially different from the carrying amount of the asset), or
- the estimated remaining useful life of the fixed asset exceeds 50 years.

Where, on revaluation of an asset, there has been a decrease over the previous carrying amount, an impairment loss is recognised. If the loss has been caused by the clear consumption of economic benefits then it will be recognised in the Income and Expenditure Account. If the amount of the decrease in value is not associated with a clear consumption of

economic benefit the loss is recognised in the Statement of Total Recognised Gains and Losses (until the asset's carrying amount reaches its depreciated historical cost) and taken to the Revaluation Reserve. A fall in value below the assets depreciated historic cost is recognised in the Income and Expenditure Account. Where an impairment loss occurs on a tangible fixed asset carried at historical cost and is caused by a clear consumption of economic benefit the value of the asset is written down for the impairment and the impairment loss is recognised in the Income and Expenditure Account.

Disposals

The gain or loss on the disposal of a tangible fixed asset is the amount by which the disposal proceeds are more or less than the carrying value of the fixed asset. The gain or loss on disposal is recognised in the Income and Expenditure account by debiting cash or debtors with the disposal proceeds and crediting the Income and Expenditure account. The carrying value of the asset is then debited to the Income and Expenditure account and credited to the Fixed Asset Account on the balance sheet.

In order to comply with statute and restrictions on the use of capital receipts; the gain or loss on disposal is reversed out of the General Fund balance as a reconciling entry in the Statement of Movement on the General Fund Balance. An amount equal to the proceeds of disposal is credited to the Useable Capital Receipts Reserve and the carrying value of the asset is debited to the Capital Adjustment Account. Any balance on the revaluation reserve relating to the fixed asset is also written off to the capital adjustment account on disposal.

The proportion that is required to be paid over to Central Government as a 'housing pooled capital receipt' is charged in the Net Operating Expenditure section of the Income and Expenditure account and the same amount appropriated from Usable Capital Receipts Reserve and credited to the General Fund balance in the Statement of Movement on the General Fund Balance.

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.

Depreciation

Depreciation is provided for on all fixed assets with a finite useful life, which can be determined at the time of acquisition or revaluation. For fixed assets other than non-depreciable land and non-operational investment properties, depreciation is only not charged if the depreciation charge is immaterial. Provision for depreciation is made by allocating the cost (or revalued amount) less estimated residual value of the assets as fairly as possible to the periods expected to benefit from their use.

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.

The useful lives of assets are estimated on a realistic basis and are reviewed regularly 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.

Where the fixed asset comprises two or more major components with substantially different useful economic lives, each component is accounted for separately for depreciation purposes and depreciated over its individual useful life.

Depreciation is based 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:

Asset Category	Depreciation Method
Council Dwellings	Charged at the rate equivalent to the major repairs allowance for the year
Other Land & Buildings	Charged on the net value of buildings only, after deducting residual values on a straight line basis over the useful life of the buildings which varies between 2 and 50 years
Plant & Equipment	Straight line basis over periods between 5 and 10 years
Community Assets	No requirement to depreciate these assets
Infrastructure Assets	The level of annual expenditure required to maintain the operating capacity of the infrastructure (renewals accounting)
Non Operational Assets	No requirement to depreciate these assets

Depreciation is not provided for freehold land (whether operational or non-operational). However, freehold land would be depreciated where it is subject to depletion by, for example, the extraction of minerals.

Charges to Revenue

General Fund service revenue accounts, as defined in CIPFA's Best Value Accounting Code of Practice, central support services and trading accounts are charged with depreciation and where required, any related impairment loss (if due to a clear consumption of economic benefits or in excess of any balance on the revaluation reserve), for all fixed assets used in the provision of the service.

All expenditure on repairs and maintenance relating to fixed assets are charged to the appropriate service revenue account.

Finance costs (including interest payable and interest payable under finance leases) are charged to the net operating costs section of the Income and Expenditure account.

Gains resulting from revaluations which reverse a previous revaluation loss on the same asset that was charged to the income and expenditure account are credited to the Income and Expenditure account.

The amounts set aside from revenue for the repayment of external loans and to finance capital expenditure are disclosed separately on the face of the Income and Expenditure account, below net operating expenditure.

22. Value Added Tax

VAT is included in income and expenditure accounts, whether of a capital or revenue nature, only to the extent that it is irrecoverable.

23. Group Accounts

The SORP requires an authority 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 not identified any relationship that require their preparation.

24. 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 a 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 11; (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.

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.

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

25. Pooled Budgets

The Council is involved in arrangements with public sector partners to engage in joint activities where the arrangements themselves do not deliver services of its own. Such arrangements are known as pooled budgets and are not classed as separate entities. The council accounts directly for its share of the assets, liabilities, income, expenditure and cashflows held within the pooled budget arrangements within its financial statements.

26. Local Area Agreement

The Council is the accountable body for the Wokingham Local Strategic Partnership (LSP) which is the governing body for the Local Area Agreement (LAA). The allocation of the grant to priorities and public bodies is controlled by the LSP therefore, Wokingham Borough Council only accounts directly for its share of the assets, liabilities, income, expenditure and cashflows that go through the LAA within its financial statements.

27. 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
- Fair Value through profit and loss

Loans and Receivables

Loans and receivables are initially measured at fair value and carried at their amortised cost. Annual credits to the Income and Expenditure Account 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 and interest credited to the Income and Expenditure Account is the amount receivable for the year in the loan agreement.

Any gains and losses that arise on the derecognition of the asset are credited/debited to the Income and Expenditure Account.

Fair Value through Profit and Loss

This category is used for assets which are held for trading. Gains and Losses arising from changes in fair value are posted to the Income and Expenditure Account as they arise.

28. Financial Liabilities

Financial liabilities are initially measured at fair value and carried at their amortised cost. Annual charges to the Income and Expenditure Account for interest payable are based on the carrying amount of the liability, multiplied by the effective rate of interest for the instrument. For most of the borrowings that the council has, this means that the amount presented in the Balance Sheet is the outstanding principal repayable and interest charged to the Income and Expenditure Account is the amount payable for the year in the loan agreement.

Gains and losses on the repurchase or early settlement of borrowing are credited and debited to Net Operating Expenditure in the Income and Expenditure Account 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 Income and Expenditure Account 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 Income and Expenditure Account, regulations allow the impact on the General Fund Balance to be spread over future years. The council has a policy of spreading the gain/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 Income and Expenditure Account 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 Statement of Movement on the General Fund Balance.

29. Private Finance Initiative

PFI contracts are agreements to receive services, where the responsibility for making available the fixed assets needed to provide the services passes to the PFI contractor. Payments made by the council under a contract are generally charged to revenue to reflect the value of services received in each financial year.

Prepayments

A prepayment for services receivable under the contract arises when assets are transferred to the control of the PFI contractor, usually at the start of the scheme. The difference between the value of the asset at the date of transfer and any residual value that might accrue to the authority at the end of the contract is treated as a contribution made to the contractor and is accounted for as a prepayment. The prepayment is written down (charged) to the respective revenue account over the life of the contract to show the full value of services received in each year. However, as the charge is a notional one, it is reversed out in the Statement of Movement on the General Fund Balance to remove any impact on council tax or rents.

Dowry payments, made at the start of the contract, which result in lower unitary payments over the life of the contract are accounted for by setting up the contribution (dowry) as a

prepayment for services receivable and writing the balance down to revenue over the life of the contract as services are received to reflect their real cost.

Reversionary Interests

Where the council has passed control of certain land and buildings over to the PFI contractor, but this property will return to the council at the end of the scheme (reversionary interests). An assessment is made of the net present value that these assets will have at the end of the scheme (unenhanced) and a reversionary interest asset has been created in the council's Balance Sheet.

The asset is stated initially at net present value, over the life of the scheme, the discount will be unwound by earmarking (decreasing) part of the unitary payment to ensure the reversionary interest is recorded at current prices when the interests revert to the council.

Residual Interests

Where assets created or enhanced under the PFI scheme are to pass to the council at the end of the scheme at a cost less than fair value (including nil) (residual interests), an amount equal to the difference between the fair value and the payment to be made at the end of the contract is built up as a long-term debtor over the contract life by reducing the amount of the unitary payment charged to revenue.

PFI Credits

Government grants received for PFI schemes, in excess of current levels of expenditure, are carried forward as an earmarked reserve to fund future contract expenditure.

30. Investments in Companies

The council has some small interests in companies and other entities that do not require the Council to prepare group accounts. The interests in companies and other entities are recorded as investments ie, at cost. The Council must record 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.

ANNUAL GOVERNANCE STATEMENT 2007/08

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 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.
- 1.2 In discharging this overall responsibility, the Council is responsible for putting in place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions and which includes arrangements for the management of risk.
- 1.3 Wokingham Borough Council has approved and adopted a local code of corporate governance, which is consistent with the principles of the CIPFA/SOLACE Framework Delivering Good Governance in Local Government. A copy of the code is on our website at www.wokingham.gov.uk or can be obtained from the Council Offices. This statement explains how Wokingham Borough Council has complied with the code and also 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, cost effective services.
- 2.2 The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives, and can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of the Council's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically. The governance framework has been in place at Wokingham Borough Council for the year ended 31 March 2008 and up to the date of approval of the annual report and statement of accounts.

3. The Governance Environment in Place at Wokingham Borough Council

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

The vision of the Community and the Council's role in it is laid out in the Community Strategy which in turn is considered to reflect changes in priorities as part of the process for producing and updating the Council's Corporate Plan. Detailed plans and targets to achieve the Council's corporate priorities are included in the annual service plans produced by Service Managers. These plans are produced in accordance with the Service and Financial Planning Framework and are considered by Executive.

- 3.2 An appraisal process is in place which includes staff appraisals and target setting in the context of service plans on at least an annual basis.
- 3.3 The Performance Management Framework details the Council's performance management process. This covers the ongoing target setting and performance monitoring at staff supervision meetings through to reporting to Members.
- 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 2007/08 it was based on the Executive – Leader/Cabinet model and the executive body acted collectively with limited individual delegated powers (since May 2006). The Constitution is divided into articles which set out the basic rules governing the Council's business. More detailed procedures and codes of practice are provided in separate rules and protocols at the end of the Constitution. These include; Cabinet Procedures Rules, Overview and Scrutiny Procedures Rules, Members Code of Conduct, Protocol on Member/Officer Relations and Access to Information Procedure Rules. 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. The Council publishes a Forward Plan and schedule of meetings that 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.
- 3.5 Policy is considered and formulated by Executive Members of the Administration, which are advised by senior officers. Supported policies are presented to Executive/Council for formal approval.
- 3.6 The Council has designated the Head of Governance and Democratic 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 (General Manager Business Services), the Monitoring Officer will report to the full 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.
- 3.7 The Chief Executive, Deputy Chief Executive, and General Manager Business Services are part of the Council's Strategic Leadership Board and have access to all decision making meetings. Although not part of the Strategic Leadership Board, the Head of Governance and Democratic Services attends the Board if the business being considered requires her attendance. In addition the Head of Governance and Democratic Services is kept informed of all key Council decisions through regular one to one meetings with the Chief Executive. All Executive reports are cleared by the Chief Executive, Deputy Chief Executive, Head of Governance and Democratic Services and General Manager Business Services, to ensure the legal, financial and policy framework is adhered to.
- 3.8 The Council has a local code of corporate governance, in accordance with the CIPFA/SOLACE Framework for Corporate Governance. The local code contains appropriate monitoring and reporting procedures, and can be found on the Council's website.
- 3.9 Through reviews by external auditors, external agencies, Internal Audit and various working groups, the Council constantly 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.

- 3.10 The Council has a Value for Money (VfM) framework that lays out where it pursues VfM and records key achievements. This is maintained by the Strategic Leadership Board and cascaded to staff to encourage best practice. An efficiencies return is made to the Government twice a year detailing the efficiencies the Council has secured and is measured against the efficiency target for the Council. The Council was in excess of its efficiency target for this year.
- 3.11 The Service and Finance Planning framework provides a context of the level of savings/efficiencies required to achieve a politically acceptable level of Council Tax increase. Considerable focus is given to reducing costs through effective Procurement, reducing staffing through process re-engineering and 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) is 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 summary of the budget setting process and identifies bids over a three year period to provide a longer-term view of the financial position. It includes the Council's resources requirements and performance targets (outputs) over the medium term. The MTFP also includes the financial plans with our key partners over a three year period.
- 3.14 The Council scored 3 out of 4 under the Audit Commission's Value for Money (VfM) Assessment (referred to later). This included an in depth analysis of the Council's arrangements for and achievements in securing value and reflects positively on the Council's ability to deliver VfM.
- 3.15 The Financial Management of the Authority and the Reporting of Financial Management
The Financial Management arrangements of the Council are brought together in the finance section of the Risk Management Strategy. It identifies roles, responsibilities, policies, procedures and processes.
- 3.16 The Council's Strategic Leadership Board consider revenue and capital budget monitoring reports on a monthly basis, as does the Strategic Finance Board. This is supplemented by a 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 consider the revenue and capital budget monitoring reports quarterly. The Statement of Accounts produced at financial year-end is approved by Council following consideration and endorsement at Audit Committee.
- 3.17 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 a Budget Management Protocol). The Council has designated the General Manager Business Services 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.

3.18 The Council maintains an Internal Audit function (part of the Business Assurance Section) which operates to the standards set out in the 'CIPFA Code of Practice for Internal Audit in Local Government in the UK 2006'. 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.

3.19 The Performance Management of the Authority and the Reporting of Performance Management

Performance Management is laid out in the Performance Management Framework. This identifies what management information is reported to who and when. It covers performance indicators, financial reporting and statutory reports. The process focuses attention on corporate priorities and is an integral part of the Service and Financial Planning Framework. It is cascaded through service plans, individual employee appraisals and action plans. Strategic Leadership Board, Executive, Scrutiny Committee and Member Policy Teams monitor and review progress against targets and performance and are responsible for ensuring that corrective action is undertaken where appropriate.

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 financial risks and the process, roles and responsibilities are laid out in the Council's Risk Management Strategy. The Council's risk management process includes a Lead Member and Lead Officer for risk management. The Risk Management Strategy is reviewed and updated annually for Council approval.

3.21 Service Managers are responsible for monitoring and co-ordinating risks in their service area and for producing a service risk register that is formally updated on an annual basis with service plans. Strategic Leadership Board has responsibility for the Corporate Risk Register (the most significant residual risks) and for reviewing and updating (as required) the Corporate Risk Register on a quarterly basis.

3.22 Progress against the Corporate Risk Register is reported to the Audit Committee on a quarterly basis and is informally monitored by Executive. Executive Members review service risks through the Service Risk Registers which include those operational risks that have been identified.

3.23 The Service and Financial planning guidance ensures that risks are a key consideration in this process. Significant financial and service risks within each annual budget presented to Council for approval, are highlighted in the Chief Finance Officers statutory report.

3.24 An internal audit review of the Council's Risk Management procedures is conducted annually.

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 Strategic Leadership Board who have responsibility for the development and maintenance of the Council's governance environment;
- the Business Assurance Manager's annual report; and
- comments made by the external auditors and other review agencies and inspectorates.

- 4.2 The Council's Annual Governance Statement is drafted by the Business Assurance Manager in liaison with the Corporate Governance Group. It is considered and endorsed by the Strategic Leadership Board and the Audit Committee prior to presentation at Council.
- 4.3 The Internal Audit assurance levels on key areas of the internal control environment demonstrate that for 2007/08 generally a robust internal control framework has been maintained.
- 4.4 An extensive assessment of the Council's Use of Resources was undertaken in 2007/8 (to 31 December 2007). It assessed the Council's arrangements for Use of Resources in five areas: Financial Reporting, Financial Management, Financial Standing, Internal Control and Value for Money. In Financial Standing, Financial Management and Internal Control the Council were considered to be performing very well and scored top marks (4 out of 4). In both other areas the Council were considered to be performing well and consistently above minimum requirements (performing well - 3 out of 4). An overall score of 4 (out of 4) was consistent with the previous year, keeping the Council's rating as one of the top Unitary Authorities in the country. This rating is considered to reflect very well on the Council's arrangements to secure efficiency, economy and effectiveness in the use of its resources.
- 4.5 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 Internal Audit coverage, annual Management Assurance Statements, the Performance Management system, the Risk Management system, External Audit coverage and other external inspections (e.g. OFSTED, Benefit Fraud Inspectorate, etc).
- 4.6 The Business Assurance Manager produces an annual report which is submitted to the Audit Committee and includes an opinion on effectiveness on the system of internal control. The Internal Audit function is subject to annual review by the Audit Commission who place particular reliance on the internal audit work carried out on the Council's material financial systems.
- 4.7 Management Assurance Statements are completed by the Council's senior managers on an annual basis. All Management Assurance Statements for 2007/08 have been completed, signed and returned to the Corporate Governance Group for consideration as part of the process for compiling the Annual Governance Statement.
- 4.8 Review of the Effectiveness of the System of Internal Audit
The Accounts and Audit (Amendment) Regulations 2006 requires bodies to review the effectiveness of their system of internal audit at least annually and to report this to their Audit Committee.
- 4.9 The review of the effectiveness of the system of internal audit for the year ended 31 March 2008 has been carried out by the Business Assurance Manager and subject to scrutiny by the Council's Corporate Governance Group. A few significant weaknesses have been identified during the review (see Section 5) but overall the system of internal audit is considered to be effective. Other minor areas for development have been identified in the system of internal audit and these will be reported to Audit Committee as part of the Business Assurance Manager's Annual Report 2007/08.

- 4.10 In undertaking this review of effectiveness, consideration is given to the Audit Commission's view of the Council's internal audit function under their Use of Resources assessment. Their opinion is that the Council's internal audit function operates in accordance with the 'CIPFA Code of Practice for Internal Audit in Local Government in the UK 2006'.

5. Significant Governance Issues at Wokingham Borough Council

- 5.1 We have been advised on the implications of the result of the review of the effectiveness of the governance framework and system of internal control by the Corporate Governance Group, and can confirm that a plan to address weaknesses and ensure continuous improvement of the system is in place. Significant governance issues identified are listed below.

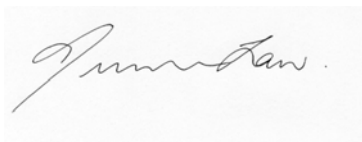
5.2 Corporate Issues:

- I. There has been an organisational restructure including considerable changes in the management structure of the Council;
- II. The lack of a formally adopted corporate plan during 2007/08 has been recognised by the Council as a significant governance issue;
- III. Lack of Member training and development sessions during 2007/08, particularly in relation to the Scrutiny function, has weakened the effectiveness of the Council's governance arrangements. This matter is already being progressed and the Council has also recognised that in future Member training and development sessions need to be more carefully aligned with the decision making processes to ensure greater clarity about Member roles.
- IV. There was reduced staff capacity across the Council during 2007/08, including vacancies in some key posts that had a negative impact on the system of internal control;
- V. Although Service Risk Registers are in place throughout the Council, there is a significant gap across the Council in the process for identifying and assessing team risks that feed into the Service Risk Registers;
- VI. Procedures and practices in relation to several key projects in different service areas of the Council have highlighted that the Council's Project Management governance arrangements need to be strengthened;
- VII. Throughout 2007/08 a number of special investigations revealed in some cases, significant breaches (by officers) to agreed policies and procedures. This has been and is being addressed through strong communication, strengthening policies and procedures (where appropriate) and in disciplinary action (where appropriate); and
- VIII. The Council recognises that there is still further work to do in terms of strengthening its' governance arrangements in response to the Corporate Manslaughter and Corporate Homicide Act 2007.

5.3 Service Issues:

- I. The Council has a number of corporate governance concerns relating to the internal control system of Children's Services Financial Management;
- II. Compliance by schools with respect to pre-employment checks including the obtaining of criminal records bureau checks for staff working with children; and
- III. A number of governance concerns have arisen during the year in relation to some aspects of the Housing Tenant Services.

- 5.4 Internal controls are generally well progressed, although given the issues outlined above there is clearly scope to further strengthen the Council's internal control environment and overall assurance framework.
- 5.5 We propose over the coming year to take steps to address the above matters to further develop the Council's governance arrangements. An action plan will be produced by the Corporate Governance Group and updates will be presented to the Strategic Leadership Board and Audit Committee on a quarterly basis. We are satisfied that these steps will address the need for improvements that were identified in our review of effectiveness and we will monitor their implementation and operation as part of the quarterly reporting arrangements.



Susan Law

Chief Executive



David Lee

Leader of the Council

CORE FINANCIAL STATEMENTS

The **Income and Expenditure Account** brings together the income and expenditure of all the authority's functions into one statement. The statement shows the expenditure incurred during the year classified according to the Best Value Accounting Code of Practice and the income generated to fund the services provided by the Council.

The statement measures the financial performance of the authority, in terms of the resources consumed and generated over the last twelve months. However, the authority is required to raise council tax on a different accounting basis, the main differences being:

- Capital investment is accounted for in the income and expenditure account when the assets are consumed rather than as they are financed as required by council tax legislation
- Retirement benefits are charged to the income and expenditure account as future benefits are earned rather than when amounts become payable to pension funds and pensioners as required by council tax legislation

As such the Income and Expenditure Account shows a deficit of £9.6m however, this does not mean that the authority needs to cut expenditure or raise council tax to balance the books. The differences outlined above are adjusted for in the Statement of Movement on the General Fund Balance.

Statement of Movement on the General Fund Balance - The General Fund balance shows whether the Council has over or under-spent against the council tax that it raised for the year, taking into account the use of reserves built up in the past and contributions to reserves earmarked for future expenditure. This reconciliation statement summarises the differences between the outturn on the Income and Expenditure account and the General Fund balance. The total movement on the general fund for 2007/08 was £23,000 and at 31/3/08 the authority has £8.6m in its General Fund reserves.

The **Statement of Total Recognised Gains and Losses (STRGL)** shows the gains and losses experienced by the authority that are not reflected in the Income and Expenditure Account.

The **Balance Sheet** includes all the assets and liabilities of all the activities of the authority as at 31st March 2008.

The **Cashflow Statement** summarises the inflows and outflows of cash arising from transactions with third parties for revenue and capital purposes.

INCOME AND EXPENDITURE ACCOUNT

Service Area	2007/08			Notes	2006/07
	Gross Expenditure	(Gross Income)	Net Expenditure		Net Expenditure
	£'000	£'000	£'000		£'000
Continuing Operations					
Central Services to the Public	4,751	(2,479)	2,272		1,967
Cultural, Environmental and Planning Services	32,675	(14,270)	18,405	1	15,938
Childrens and Education Services	143,867	(117,824)	26,043	1, 4	30,882
Highways, Roads and Transport Services	12,627	(2,479)	10,148		10,763
Housing Services	33,114	(31,348)	1,766		2,352
Adult Social Services	50,500	(19,406)	31,094	4	31,307
Corporate and Democratic Core	9,178	(4,270)	4,908		5,944
Non-Distributed Costs	764	0	764		676
Net Cost of Services	287,476	(192,076)	95,400	1	99,829
Exceptional Items					
Net Cost of Continuing Operations	287,476	(192,076)	95,400		99,829
Gain or loss on disposal of fixed assets			0		0
Parish council precepts			3,105	15	2,973
Surplus / deficit on trading undertakings			0		0
Unattached capital receipts			(253)		0
Contribution of Housing capital receipts to the Government Pool			1,264	13	617
Interest payable and similar charges			3,357	42	3,135
Interest and investment income			(3,767)	42	(2,722)
Pensions interest cost and return on assets			(769)	46	(562)
Net Operating Expenditure			98,337		103,270
General Government grants			(3,124)	16	(2,903)
Non-domestic rates redistribution			(14,538)		(13,690)
Income from the Collection Fund			(71,060)	15	(68,030)
Net (Surplus) / Deficit for the Year			9,615		18,647

STATEMENT OF MOVEMENT ON THE GENERAL FUND BALANCE

Amounts included in the Income and Expenditure Account but required by statute to be excluded when determining the Movement on the General Fund Balance for the year:	2007/08		2006/07
	Net Expenditure	Notes	Net Expenditure
	£'000		£'000
Depreciation of Fixed Assets	(9,538)	22	(10,515)
Impairment of Fixed Assets	(1,938)	1, 22	(5,379)
Amortisation on Intangible Fixed Assets	(174)	26	(106)
Government Grants Deferred Amortisation	2,125	40	1,526
Deferred Charges and other amounts classified as capital expenditure by statute	(2,708)	23	(2,566)
Net gain or loss on sale of Fixed Assets	0		0
Amortisation of Premiums and Discounts	91		0
Re-measurement of loans	105		0
De-recognition and re-measurement of premiums and discounts	2,322		0
Transfer to the financial instruments adjustment account	(2,461)		0
Net charges made for retirement benefits in accordance with FRS 17	(858)	46	(3,000)
Sub-Total	(13,034)		(20,040)
Amounts not included in the Income and Expenditure Account but required to be included by statute when determining the Movement on the General Fund Balance for the year:			
Minimum Revenue Provision for capital financing	2,788	12	2,665
Revenue contribution to capital expenditure	30		248
Transfer from Usable Capital receipts equal to the amount payable into the Housing Capital Receipts Pool	(1,264)	13	(617)
Sub-Total	1,554		2,296
Transfers to or from the General Fund Balance that are required to be taken into account when determining the Movement on the General Fund Balance for the year:			
Transfer of the surplus or (deficit) on the Housing Revenue Account to reserves	(207)	14	(393)
Voluntary provision for the repayment of debt	0		0
Transfer to capital receipts reserve	253		0
Transfer to or (from) the Dedicated Schools Grant Reserve	(231)	45	(81)
Net transfer to or (from) earmarked reserves	209		364
Net transfer to or (from) school reserves	1,818		806
Sub-Total	1,842		696
Increase or Decrease in the General Fund Balance:	(9,638)		(17,048)

STATEMENT OF MOVEMENT ON THE GENERAL FUND BALANCE

	2007/08	Notes	2006/07
	Net Expenditure		Net Expenditure
	£'000		£'000
Surplus or deficit for the year on the Income and Expenditure Account	9,615		18,647
Net additional amount required by statute and non-statutory proper practices to be charged to the General Fund Balance for the year	(9,638)		(17,048)
Total (Increase) or Decrease in the General Fund Balance	(23)		1,599
General Fund Balance brought forward	(8,589)		(10,188)
General Fund Balance carried forward	(8,612)		(8,589)

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

		2007/08		2006/07
	Notes	£'000	£'000	£'000
Surplus / (Deficit) on the Income and Expenditure Account		(9,615)		(18,647)
Surplus or deficit on the revaluation of fixed assets	22	15,153		27,208
Actuarial gains and losses on pension fund assets and liabilities	46	(1,449)		12,851
Unfunded pensions liabilities	46	140		137
Surplus / (Deficit) on the Collection fund		653		469
Amortisation of premiums and discounts		91		0
Other gains and losses		(49)		2,661
Total recognised gains and losses for the year		4,924		24,679
De-recognition and re-measurement of premiums, discounts and loans		(4,357)		0
Prior period adjustments		0		0
Total gains and losses		567		24,679
Net Worth on Balance Sheet Brought Forward		640,551		615,872
Net Worth on Balance Sheet Carried Forward		641,118		640,551

BALANCE SHEET

	Notes	2007/08		2006/07
		£'000	£'000	£'000
Fixed Assets				
Intangible Assets	26	986		1,346
Operational Assets:				
Council dwellings	22	202,250		199,732
Other land and buildings	22	445,769		442,926
Vehicles, plant and equipment	22	3,790		2,784
Community assets	22	3,151		3,113
Infrastructure assets	22	74,710		72,357
Non Operational Assets:				
Investment properties	22	10,947		8,954
Assets under construction	22	10,993		6,547
Surplus assets held for disposal	22	12,016		9,817
Total Fixed Assets			764,612	747,576
Long-term investments	42	4,000		
Deferred Premiums		0		4,131
Long-term debtors	28	17	4,017	29
Total Long-Term Assets			768,629	751,736
Current Assets				
Landfill allowances	34	0		850
Stocks and work in progress		0		0
Debtors	30	24,308		24,911
Short-term investments	29, 42	54,099		47,277
Cash and bank	31	2,726	81,133	2,034
Total Assets			849,762	826,808
Current Liabilities				
Cash overdrawn	31	(9,346)		(3,117)
Short-term borrowing		0		0
Creditors	32	(28,701)	(38,047)	(31,928)
Total Assets less Current Liabilities			811,715	791,764
Long-Term Liabilities				
Grants and contributions deferred	41	(36,064)		(20,152)
Unapplied Grants and Contributions	4, 41	(22,780)		(21,094)
Deferred Discounts		0		(485)
Long-term borrowing	42	(72,528)		(72,390)
Provisions	34	(649)		(682)
Pensions liability	46	(38,576)	(170,597)	(36,409)
Total Assets less Liabilities			641,118	640,552

BALANCE SHEET

	Notes	2007/08		2006/07
		£'000	£'000	£'000
Represented by:				
Revaluation Reserve	39	(12,880)		0
Capital Adjustment Account	39	(644,903)		(656,587)
Usable Capital Receipts Reserve	39	(6,555)		(3,574)
Financial Instruments Adjustment Account	39	3,853		0
Pensions Reserve	46	38,576		36,409
Major Repairs Reserve	39	(415)		0
Earmarked Reserves	39	(4,645)		(4,524)
General Fund Balance	39	(8,612)		(8,589)
School Revenue Balances	42, 45	(4,734)		(3,122)
Dedicated Schools Grant Reserve	45	312		81
Collection Fund		(451)		202
Housing Revenue Account Balance		(664)		(847)
Total Reserves and Balances			(641,118)	(640,551)



CASHFLOW STATEMENT

Revenue Activities	Note	2007/08		2006/07
		£'000	£'000	£'000
Cash Outflows				
Cash paid to and on behalf of employees		120,902		103,811
Other operating cash payments		135,797		121,243
Housing Benefit paid out		13,932		13,423
National non-domestic rate payments to national pool		43,367		52,594
Precepts Paid		15,132		14,311
Payments to the Capital Receipts Pool		1,264		617
			330,394	305,999
Cash Inflows				
Rents (after rebates)		(6,685)		(6,369)
Council Tax Receipts		(79,047)		(76,197)
Non-domestic Rates Receipts		(45,136)		(43,470)
National non-domestic rate receipts from the national pool		(14,538)		(13,690)
Revenue Support Grant		(2,440)		(2,903)
DWP Grants for Benefits		(8,774)		(8,551)
Housing Benefit Administration Grants		(537)		(469)
Other Government Grants	52	(140,668)		(135,791)
Receipts for goods and services		(9,926)		(7,828)
Other operating cash receipts		(28,207)		(8,903)
			(335,958)	(304,171)
Net Cash from Revenue Activities	48		(5,564)	1,828
Returns on Investments and Servicing of Finance				
Cash Outflows:				
Interest paid		3,747		2,798
			3,747	2,798
Cash Inflows:				
Interest received		(3,845)		(2,855)
			(3,845)	(2,855)
Capital Activities				
Cash Outflows:				
Purchase of Fixed Assets		23,288		17,014
Purchase of long-term investments		4,000		0
Other capital cash payments		2,708		2,566
			29,996	19,580
Cash Inflows:				
Sale of Fixed Assets		(4,563)		(2,119)
Capital grants received		(18,344)		(9,764)
Other capital cash receipts		(2,574)		(3,702)
			(25,481)	(15,585)
Net Cash Inflow before Financing cfwd			(1,147)	5,766



CASHFLOW STATEMENT

		2007/08		2006/07
		£'000	£'000	£'000
Net Cash Inflow before Financing bfwd			(1,147)	5,766
Management of Liquid Resources				
Net increase / (decrease) in short-term deposits	49	6,822		(5,624)
Net increase / (decrease) in other liquid resources		0		0
			6,822	(5,624)
Financing				
Cash Outflows				
Repayments of amounts borrowed	49	14,862		43,990
Capital element of finance lease rental payments				0
			14,862	43,990
Cash Inflows				
New loans raised	49	(15,000)		(45,990)
New short-term loans		0		0
			(15,000)	(45,990)
Net (Increase) / Decrease in Cash			5,537	(1,858)



NOTES TO THE CORE FINANCIAL STATEMENTS

NOTES TO THE CORE FINANCIAL STATEMENTS

1. Net Cost of Services

The following expenditure levied on the Council has been included in the Net Cost Of Services:

Levy	Expenditure Block on I & EA	2007/08	2006/07
		£'000	£'000
Land Drainage Precept	Cultural, Environment and Planning	118	73
Coroners Court	Central Services to the Public	129	114
Net Expenditure		247	187

The net cost of services for the council has decreased from 2006/07 due to a reduction in impairment charge for fixed assets. In 2006/07 a £4.4m impairment charge was made to the income and expenditure account for Addington School which has not been charged in 2007/08. The current service cost of Pensions has also decreased by £700k between years. The increase in net expenditure for Cultural, Environment and Planning is due to the first full year of operation for the Council's Waste PFI project to provide waste disposal services and a contracted increase in the cost of the project.

2. Housing Benefits

The Housing Benefits scheme provides assistance with private sector rent and council tax payments for those with low incomes. The scheme is largely funded by government grant but is administered by the Council.

Rebates Granted	2007/08	2006/07
	£'000	£'000
Housing Benefit	14,114	13,423
Council Tax Benefit	3,742	3,686
Audit Fees	17	35
Total Rebates Granted	17,873	17,144
Government Reimbursement	(18,163)	(17,250)
HRA Contribution	0	0
Rebates Cost to the Council	(290)	(106)
Administration Costs	1,197	958
Government Reimbursement	(532)	(469)
Total Cost to Council	375	383

3. Exceptional and Extraordinary Items

There have been no exceptional or extraordinary items in 2007/08.

NOTES TO THE CORE FINANCIAL STATEMENTS

4. Prior Period Adjustments

In 2007/08 CIPFA changed the Best Value Accounting Code of Practice (BVACOP) service expenditure analysis so that Childrens Social Care services expenditure is included within the category "Childrens and Education Services", removing the expenditure from Social Services which has been renamed "Adult Social Services". The changes resulted in the new format of the Income and Expenditure Account, Net Cost of Services and a restatement of the 2006/07 comparative figures as follows:

Service	2006/07 Net Expenditure £000	Re- categorised Expenditure £000	Revised 2006/07 Net Expenditure £000
Childrens and Education Services	21,169	9,713	30,882
Adult Social Services	41,020	(9,713)	31,307

In addition, an adjustment has been made to the 2006/07 comparative balance sheet to move the Unapplied Grants and Contributions balance of £10,804 from reserves to long-term liabilities and Earmarked Capital Contributions balance of £10,290 from Earmarked reserves to long-term liabilities. This change was required by SoRP 2006. As a consequence the 2006/07 comparative balances on the Statement of Total Recognised Gains and Losses have also been re-stated.

No prior period adjustment has been made for the introduction of FRS 25 and 26, Financial Instruments, into the SoRP 2007 as this is not treated as a change of accounting policy. All changes on transition to the new requirements have been made in 2007/08.

5. Finance Leases

The authority entered into two finance leases within the Housing Revenue Account during the year in respect of Warden Call & Fire Alarm systems at various Residential Care Homes throughout the District. The gross value of these is £244,000, which are categorised as part of the Council Dwellings within the Balance Sheet. The leases are depreciated over their 5-year life and to date £50,000 has been charged to the Housing Revenue Account. Finance charges allocated to the HRA in respect of the leases for 2007/08 were £7,909.

The authority is committed to making payments of £68,372 per annum for five years until 2011/2012.

NOTES TO THE CORE FINANCIAL STATEMENTS

6. Amounts of Outstanding Undischarged Obligations arising from Long-Term Contracts and PFI Transactions

As at 31st March 2008 the authority is committed to making payments under the following contracts:

- Payments estimated at £1.2m per annum under a contract with WSP Civils Ltd for the provision of highways and transportation consultancy. The contract will expire in March 2018.
- Payments estimated at £5.6m per annum under a contract with Balfour Beatty Infrastructure Services Ltd for highways reactive and planned maintenance. The contract will expire in March 2018.
- Payments estimated at £3m per annum under a contract with SITA for the collection of waste. The contract will expire in March 2012.
- Payments estimated at £1m per annum to Zurich Municipal for the provision of insurance services. The contract will expire in June 2011.
- Payments estimated at £2.5m per annum under a contract with Digica for IT services. The contract will expire in December 2010.
- Other various contracts between £0.1m and £1m per annum totalling £24.6m with end dates between March 2009 and 2015.

In 2006/7 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 value of the contract was modelled at £611m at financial close, 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. The contracted payment for 2008/09 is £6m per annum. As part of the contract, the contractor will build a transfer station, materials recycling facility, civic amenity site & offices on land owned by Reading and Bracknell Councils. It is the Wokingham Council's judgment that the balance of risk exposure indicates in favour of an off-balance sheet accounting treatment for the assets that will be created under the contract. Reversionary interests in any residual value of the assets have not been accounted for at this stage as the asset values in 2032 cannot easily be valued and are considered immaterial at this point.

7. Section 137 Expenditure

The Local Government Act 2000, granted new powers for authorities to promote well-being in their area, as a result, Section 137 of the Local Government Act 1972 was repealed except for Section 137(3), this requires the disclosure of donations made to charities. In 2007/08 donations of £336,648 (£319,158 in 2006/07) were made. The donations were made as part of the Voluntary Sector Grants process; all payments were based on assessment criterion, which focuses on the nature and level of tangible benefit to the Borough, evidence of financial need, and the organisation's existing relationship with the Council.

NOTES TO THE CORE FINANCIAL STATEMENTS

8. Publicity

Under section 5(1) of the Local Government Act 1986, expenditure on publicity was as follows:

Area	2007/08	2006/07
	£'000	£'000
Public Relations	73	76
Employee Advertising	389	261
Other Advertising	66	67
Other Publicity	114	103
Total	642	507

9. Building Control Trading Account

The Building (Local Authority Charges) Regulations 1998 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 statement below shows the total cost of operating the building control unit divided between the chargeable and non-chargeable activities.

Building Regulations Charging Account	Chargeable	Non-Chargeable	Total
	2007/08	2007/08	2007/08
	£'000	£'000	£'000
Expenditure			
Employee Expenses	434	33	467
Premises	0	0	0
Transport	17	1	18
Supplies and Services	67	6	73
Central Support Service Charges	124	9	133
Total Expenditure	642	49	691
Income			
Building Regulation Charges	(638)	0	(638)
Miscellaneous Income	(5)	(9)	(14)
Total Income	(643)	(9)	(652)
(Surplus) / Deficit for the Year	(1)	40	39

The Chargeable Account, in its eighth year of operation, made a surplus of £1,233 which will be used to invest in new i-mobile technology to bring about efficiencies in service delivery to accommodate growth in the work required from the service due to increased breadth and complexity of the Building Regulations. The Account has a three year rolling accounting period. At the end of each cycle its income received must not be less than expenditure incurred. The account, at the end of its current three year period, has generated a surplus of £22,292.

NOTES TO THE CORE FINANCIAL STATEMENTS

10. Agency Arrangements

The Council performs a few activities on behalf of the other unitary authorities in Berkshire. The other authorities reimburse the Council for this work, including a contribution towards administrative costs. A summary of expenditure incurred in respect of the activities, which is not included within the Income & Expenditure Account is as follows:

Area	2007/08	2006/07
	£'000	£'000
Sensory Needs	664	624
Travellers	351	360
Total	1,015	984

11. Pooled Budgets

Section 31 of the Health Act 1999 and the NHS Bodies and Local Authorities Partnership Regulations 2000 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 has three pooled budget arrangements.

Children and Adolescent Mental Health Services (CAMHS) S31 Agreement

The arrangement is for the provision of integrated services for children and young people with emotional, behavioural and mental health needs in the West of Berkshire. The arrangement started on 1 March 2004 and there are five members: Wokingham, Reading and West Berkshire councils, the West Berkshire Primary Care Trust and Berkshire Health Care Trust. Wokingham Borough Council is the lead partner ("host") for the pooled fund. The memorandum account for the fund is as follows:

CAMHS Memorandum Account	2007/08	2006/07
	£'000	£'000
Income		
Primary Care Trusts	(1,631)	(1,661)
Local Authority CAMHS Grant	(410)	(533)
Other Local Authority Contributions	0	(249)
NSF Grant	0	(174)
Other Grant	0	(33)
Previous Year Carry Forward	0	(271)
Total Income	(2,041)	(2,921)
Expenditure		
Berkshire Health Care Trust	1,902	2,045
Local Authorities	113	787
Total Expenditure	2,015	2,833
(Surplus) / Deficit	(26)	(89)

NOTES TO THE CORE FINANCIAL STATEMENTS

Wokingham Borough Council's share of the assets and liabilities of the pooled fund is as follows:

WDC Share of Assets	£'000
Cash	(33)
Debtors	33
Creditors	0
Net Assets	0

Joint Equipment Stores Agreement

The agreement is for the provision of joint store and equipment services using the Royal Berkshire Ambulance NHS Trust (RBAT) as an agent to provide the services. The six Berkshire Unitary Authorities and the Berkshire Primary Care Trust are members with Slough Borough Council as lead partner. The memorandum account for the fund is as follows:

Joint Equipment Stores Memorandum Account	2007/08	2006/07
	£'000	£'000
Income		
Slough Borough Council	(231)	(186)
Other Berkshire Councils	(1,137)	(1,091)
Slough Primary Care Trust	(1,244)	(1,189)
Total Income	(2,612)	(2,466)
Expenditure		
Royal Berkshire Ambulance Trust	2,612	2,466
Original allocation - Pool	0	0
Additional expenditure - Pool	0	0
Total Expenditure	2,612	2,466
Surplus / (Deficit)	0	0

NOTES TO THE CORE FINANCIAL STATEMENTS

Local Strategic Partnership (Local Area Agreement Grant)

Since 1st April 2006, the Council has been the body accountable for the Wokingham Local Strategic Partnership (LSP), which is the governing body for the Local Area Agreement (LAA).

The purpose of the LAA is

- to form an agreement between the Wokingham Local Strategic Partnership, Government (represented by Government Office South East), and other external agencies, to ensure that together we achieve the vision in the Wokingham Community Strategy
- to agree specific outcomes and targets that will be achieved each year for the three years of the agreement
- to improve the effectiveness and efficiency of public services in Wokingham by pooling and aligning funding streams.

The partners within the LSP are WBC, West of Berkshire PCT, Thames Valley Police Authority, Royal Berks Fire and Rescue Service, the various organisations from the Voluntary and Community Sector (town and parish council's, Community Voluntary Action, BME Forum and other voluntary groups)

The LSP received the grant for the first time in 2006/07. The allocation of the grant to priorities and public bodies is controlled by the LSP, therefore Wokingham Borough Council only accounts directly for its share of the assets, liabilities, income, expenditure and cashflows that go through the LAA within its financial statements. The income and expenditure account for the LSP and WBC's share of the assets and liabilities are as follows:

Local Area Agreement Memorandum Account	2007/08 £'000	2006/07 £'000
Income		
Local Area Agreement Grant	0	(902)
Interest	(26)	0
Total Income	(26)	(902)
Expenditure		
Wokingham BC	198	99
Wokingham PCT	0	12
Thames Valley Police	0	82
Berkshire Fire Authority	40	40
CVA	26	25
Volunteer Centre	21	20
Total Expenditure	285	278
(Surplus) / Deficit	259	(624)
Balance Brought Forward	(624)	0
Balance Carried Forward	(365)	(624)
WDC Share of Assets		
Cash	259	196
Creditors	(259)	(196)
Net Assets	0	0

NOTES TO THE CORE FINANCIAL STATEMENTS

12. Minimum Revenue Provision

	2007/08	2006/07
	£'000	£'000
Non-Housing amount - 4% of capital financing requirement	2,788	2,665
Minimum Revenue Provision	2,788	2,665

13. Contribution of Housing Receipts to Government Pool

Local Authorities have to pay a proportion (75%) of specified housing capital receipts into a Government pool for redistribution. The payment in 2007/08 is £1,263,691 (£616,951 in 2006/07) and has been reversed in the Statement of Movement on General Fund Balance by an appropriation from Usable Capital Receipts.

14. HRA Surplus / Deficit

Details on the HRA Deficit can be found in the Housing Revenue Account.

15. Precept

This represents the demand of the Borough Council and its Parishes upon the Collection Fund.

	2007/08	2006/07
	£'000	£'000
Wokingham Borough Council	67,955	65,057
Parishes	3,105	2,973
Total	71,060	68,030

16. General Government Grants

The Revenue Support Grant (RSG) of £2,439,748 is a Government grant received to support the Council's activities as a whole and is not linked to any one service. In addition to the RSG, the council also received a Public Sector Agreement (PSA) reward grant of £376,429 for meeting its PSA targets and a Business Support (LABGI) grant of £307,520. These grants are on-off grants for general purposes. Therefore total general government grants received was £3,123,697.

17. Members Allowances

The total amount of Members' allowances paid during 2007/2008 was £505,744 (2006/2007 £496,831).

NOTES TO THE CORE FINANCIAL STATEMENTS

18. Officer's Emoluments

The number of employees (including those employed in schools) paid remuneration of £50,000 or more, including all taxable benefits and redundancy costs, were as follows: -

	2007/08			2006/07
Remuneration Range	Number of Council Staff	Number of Staff in Schools	2007/08 Total Number of Staff	Total Number of Staff
£50,000 - £59,999	17	43	60	49
£60,000 - £69,999	14	11	25	12
£70,000 - £79,999	1	4	5	9
£80,000 - £89,999	4	2	6	10
£90,000 - £99,999	2	1	3	3
£100,000 - £109,999	3	1	4	0
£110,000 - £119,999	2	0	2	1
£120,000 - £129,999	1	0	1	1
£130,000 - £139,999	0	0	0	0
£140,000 - £149,999	0	0	0	1
Total	44	62	106	86

The main reason for the increase in the total number of staff earning over £50,000 is due to an increase of 19 staff employed directly by schools. The salaries of staff employed within schools are funded from the Dedicated Schools Grant and not by Council Tax.

19. Renewals Fund Expenditure

The net cost of each service includes any expenditure from repairs and renewals funds related to that service. The financing of this expenditure from the fund is reflected in the contributions from Reserves shown on the Income and Expenditure Account.

NOTES TO THE CORE FINANCIAL STATEMENTS

20. Related Party Transactions

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.

Transactions with precepting authorities and levies to other bodies are shown in the Collection Fund and the Income and Expenditure Account respectively.

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. Details of transactions with government departments are set out in Note 53.

All Councillors, officers on the Corporate Management Team, members of the standards committee and managing budgets were asked to complete a disclosure statement in respect of themselves and their family members/close relatives, detailing any material transactions with related parties.

Members of the Council have direct control over the council's financial and operating policies. *Officers of the Council* have an ability to influence the council's financial and operating policies. During the year 2007/08 the following amounts were transacted with related parties:

- Grants totalling £238,913 were paid to voluntary organisations in which nine members and one member of the standards committee declared an interest. Payments of £661,091 were made to voluntary organisations in which two members and one officer declared an interest
- Payments of £320,588 were paid to companies in which four members declared an interest, and £2,390,304 to companies and LLP's in which two officers had an interest
- Payments of £6,232,374 were paid to a social care provider in which one officer declared holding a small number of shares
- Grants of £11,374 were made to charities in which one member declared an interest and payments of £3,333 were made to charities in which one member of the standards committee declared an interest. £72,205 of grants were paid to charities where two officers declared an interest
- Payments of £364,163 were made to education establishments in which two members declared an interest
- Payments of £1,394,358 were made to Berkshire Connexions in which one officer declared an interest
- Payments of £1,244,959 were paid to local council bodies (including parish precepts) in which seven members declared an interest

The payments were made with proper consideration of declarations of interest. The relevant members and officers did not take part in any discussion or decision relating to the payments.

NOTES TO THE CORE FINANCIAL STATEMENTS

21. Audit Fees

In 2007/08 the following fees relating to external audit and inspection were payable to the Audit Commission:

Area	2007/2008	2006/2007
	£'000	£'000
External Audit Services	213	179
Statutory Inspection	24	50
Certification of Grant Claims and Returns	35	41
Total	272	270

22. Fixed Assets

The changes in fixed assets during the year are shown below:

Operational Assets	Council Dwellings	Other Land and Buildings	Vehicles, Plant etc	Community Assets	Infrastructure	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Gross Valuation at 31/3/07	199,732	442,926	2,784	3,113	72,357	720,912
Accumulated depreciation and impairment	0	0	0	0	0	0
Net book value at 31/3/07	199,732	442,926	2,784	3,113	72,357	720,912
Movement in 2007/08						
Assets Reclassified	(2,340)	3,853	0	0	0	1,513
Additions	1,492	6,482	1,467	38	4,057	13,536
Disposals	(1,711)	(460)	0	0	0	(2,171)
Revaluations	6,995	2,251	28	0	0	9,274
Depreciation	(1,918)	(7,345)	(489)	0	(1,704)	(11,456)
Impairments	0	(1,938)	0	0	0	(1,938)
Net book value at 31/3/08	202,250	445,769	3,790	3,151	74,710	729,670
Historic Cost Information						
Historic Cost at 31/3/07	199,732	442,926	2,784	3,113	72,357	720,912
Accumulated Historic Cost Depreciation	0	0	0	0	0	0
Historic Cost Depreciation in Year	(1,918)	(7,306)	(476)	0	(1,704)	(11,404)
Other Historic Cost Movement*	(1,833)	8,207	1,467	38	4,057	11,936
Historic Cost of Assets at 31/3/08	195,981	443,827	3,775	3,151	74,710	721,444

* Other historic cost movement includes value of the historic cost additions, disposals and impairments

NOTES TO THE CORE FINANCIAL STATEMENTS

Non- Operational Assets	Surplus Properties	Assets Under Construction	Investment Properties	Total
	£'000	£'000	£'000	£'000
Valuation at 31/3/07	9,818	6,547	8,954	25,319
Accumulated depreciation and impairment	0	0	0	0
Net book value at 31/3/07	9,818	6,547	8,954	25,319
Movement in 2007/08				
Assets Reclassified	2,340	(3,853)	0	(1,513)
Additions	3	8,299	0	8,302
Disposals	(140)	0	(3,551)	(3,691)
Revaluations	335	0	5,544	5,879
Depreciation	0	0	0	0
Impairments	(340)	0	0	(340)
Net book value at 31/3/08	12,016	10,993	10,947	33,956
Historic Cost Information				
Historic Cost at 31/3/07	9,818	6,547	8,954	25,319
Accumulated Historic Cost Depreciation	0	0	0	0
Historic Cost Depreciation in Year	0	0	0	0
Other Historic Cost Movement*	1,913	4,446	(2,375)	3,984
Historic Cost of Assets at 31/3/08	11,731	10,993	6,579	29,303

The main movements during the year relate to the new capital accounting regulations introduced by SoRP 2007 which required the establishment of a Fixed Asset Revaluation Account with a nil balance as at the 1st April 2007. As a result the gross value of all fixed assets was amended at 1st April 2007 to reflect the net book value as at 31st March 2007. Other movements relate to the council's on-going five year revaluation and capital programme.

The Resource Accounting legislation in respect of the HRA was introduced on 1st April 2000. Under this legislation the Council housing stock must be valued at net realisable value (ignoring tenancy). This has had the effect of significantly increasing the value of the Housing Stock.

The authority's property portfolio has been valued as at 31st March 2008 by the Council's Valuer. Details of the valuation methodologies are outlined in Accounting Policies.

Depreciation has been charged on the net value of assets as at 1st April 2007 (see Accounting Policies for further information).

NOTES TO THE CORE FINANCIAL STATEMENTS

The authority's asset portfolio is analysed as follows:

	Number		Number
Council Dwellings	2,771	Caravan Sites	1
Administrative Offices	5	Traveller Sites	2
Nursery and Primary Schools	52	Cemeteries	2
Secondary Schools	9	Public Conveniences	5
Special Schools and Units	3	Public Car Parks	19
Children's Centres	2	Commercial & Industrial Properties	
Education Houses	13	(Leased out)	18
Detached Playing Fields	9	Properties Leased to Community /	
Public Libraries	9	Voluntary Bodies	22
Youth & Community Centres	6	Ground Leased Sites	
Sports Centres and Pools	5	Tenanted Farms and Smallholdings	10
Other Leisure Centres	13	Depots (Leased out)	2
Golf Courses	1	Surplus Assets	14
Residential Homes/Day Centres	11	Parks, Recreation Grounds and	
Other Residential Properties	1	Open Spaces (Hectares)	551

Valuation Information

The following statement shows the progress of the Council's rolling programme for the revaluation of fixed assets. The basis of valuations and the details of the valuer are set out in the accounting policies.

Operational Assets	Council Dwellings	Other Land and Buildings	Vehicles, Plant etc	Infrastructure	Community Assets	Total
	£'000	£'000	£'000	£'000	£'000	£'000
At historical cost			3,790	74,710	3,151	81,651
At current value in:						
2002/03						
2003/04		3,897				3,898
2004/05		393,336				393,336
2005/06		6,925				6,925
2006/07		38,677				38,677
2007/08	202,250	2,934				205,184
Total	202,250	445,769	3,790	74,710	3,151	729,671

23. Movement on Deferred Charges

Capital expenditure was incurred on providing grants and other contributions where no asset was created. This expenditure has been written off in the year in which the expenditure was incurred and is included in the net cost of the relevant services and subsequently reversed in the Statement of Movement on the General Fund Balance.

NOTES TO THE CORE FINANCIAL STATEMENTS

	2007/08	2006/07
	£'000	£'000
Disabled Facilities Grants	775	777
Other (Capital Expenditure)	1,933	1,789
Total	2,708	2,566

24. Capital Expenditure and Financing

	2007/08	2006/07
	£'000	£'000
Opening Capital Financing Requirement	72,150	71,466
Adjustment made - Regulation changes	0	(2,616)
Capital Investment		
Operational Assets	13,876	13,005
Non-Operational Assets	8,302	6,448
Deferred Charges	2,708	2,566
Sources of Finance		
Capital Receipts	(5,101)	(5,254)
Government Grants and other Contributions	(16,515)	(10,334)
Sums set aside from revenue (NB includes direct revenue financing, MRP and voluntary set aside)	(2,817)	(3,131)
Closing Capital Financing Requirement	72,603	72,150
Explanation of Movements in Year		
Increase in underlying need to borrow - Supported Borrowing	453	684
Increase in underlying need to borrow - Unsupported Borrowing	0	0
Increase / (decrease) in capital Financing Requirement	453	684

The increase in governments grants is due to the council receiving a significant number of education grants to spend on projects such as the rebuilding of Addington Special School.

NOTES TO THE CORE FINANCIAL STATEMENTS

Breakdown of Capital Receipts received during the year.

	2007/08
	£'000
Disposal of 27/29 Barrett Crescent	(401)
Disposal of 12-20 Denmark Street, Wokingham	(1,210)
Sale of 22 Ausyin Road	(233)
Disposal of 5 Oakdale Walk, Woodley	(228)
Disposal of Crockenwell Road Surgery	(581)
Disposal of Ashridge Surgery	(145)
Disposal of Ashridge Road Shops	(1,215)
Total	(4,013)

25. Capital Commitments

The estimated commitments for capital expenditure for schemes that had started, or legal contracts entered into, by 31st March 2007 are listed below:

	2007/08
	£'000
Addington Special School of the Future	2,526
Waingels College	1,056
A4 Shepherds House East Railway Bridge	611
Loddon Primary School	442
Earley Station Footbridge	286
Gypsy Site – Extra plots at Carters Hill	193
Gypsy Site – Extra plots at Twyford	188
Electronic Document and Records Management System	179
Old Whitley Wood Lane Noise Barrier	165
Station Link Road	135
Winnersh Study / A329 to King Street Lane (part WRR)	124
Other Commitments Individually Under £0.1m	9,675
Total	15,580

26. Intangible Fixed Assets

Transition costs arising from the Local Government Review in 1998 are being written off to revenue over a period of 11 years. This charge is a real charge on Council tax payers and is therefore not reversed in the statement of movement in the general fund balance. Software licenses are held for the Council's General Ledger, I-Procurement and human resources management information systems, Email and Schools E-Learning. The cost is written off over 5 years.

NOTES TO THE CORE FINANCIAL STATEMENTS

	Local Government Review	IT Software Licences	Total
	£'000	£'000	£'000
Original Cost	3,672	531	4,203
Amortisations to 01/04/07	(2,628)	(229)	(2,857)
Balance at 1/4/07	1044	302	1,346
Movement in 2007/08			
Expenditure	0	339	339
Written off to revenue	(525)	(174)	(699)
Balance at 31/3/08	519	467	986

27. Analysis of Net Assets

	2007/08	2006/07
	£'000	£'000
General Fund	8,612	8,589
Housing Revenue Account	664	847
Trading Operations	0	0
Total	9,276	9,436

28. Long Term Debtors, Deferred Premiums and Discounts

The long-term debtors represent amounts due to be paid to the Council after more than one year. Deferred Premiums and Discounts were premiums and discounts paid or received on debt restructures that were being written off to revenue over a period of time. Following implementation of changes relating to financial instruments within the CIPFA SoRP 2007, the balance of loan premia and discounts has been written off to the financial instruments adjustment account. The Balance Sheet figure consists of the following:

	Balance as at 31/3/08	Balance as at 31/3/07
	£'000	£'000
Loan Premia	0	4,131
Officer Car Loans	17	29
Total	17	4,160
Loan Discounts	0	(485)

NOTES TO THE CORE FINANCIAL STATEMENTS

29. Investments

An analysis of financial assets including investments held by the authority is shown in note 43.

Investments in Companies

Trading Standards South East Ltd is a company set up by 19 local authority trading standards departments in the South East of England to provide a consumer helpline on Trading Standards' functions and training to the member authorities. It was established in 2004/05 and is limited by guarantee. 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 31st March 2007 and show that turnover for 2006/07 was £1.8 million (£1.6 m in 2005/06), the company made a profit of £4,789 (£623 in 2005/06) and had net assets of £5,412 (£623 in 2005/06). The financial statements for the company for 2007/08 will be available in January 2009.

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

30. Debtors and Payments in Advance

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:

	Balance as at 31/3/07	Debtors	Bad Debt Provision	Balance as at 31/3/08
	£'000	£'000	£'000	£'000
Local Tax Payers	2,301	5,489	(1,840)	3,649
Central Government	10,391	9,830	0	9,830
Rents	198	514	(329)	185
Other	9,294	7,559	(266)	7,293
Payments in Advance	2,727	3,351	0	3,351
Total	24,911	26,743	(2,435)	24,308

Central government debtors includes a £8.3million debtor for the Department of Communities and Local Government arising as a result of the end of year National Non-Domestic Rates (NNDR) grant claim.

Following an assessment of debtors outstanding at the year end, a £9,176 decrease in the bad and doubtful debt provision was effected in 2007/2008 through the General Fund. This follows an increase in the level of provision of £141,966 in 2006/07. Provisions for council tax, community charge 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. The movement in the bad debt provision has been charged to the net cost of the individual service areas within the Income & Expenditure Account.

NOTES TO THE CORE FINANCIAL STATEMENTS

31. Cash in Hand / Overdrawn

The Council's cash overdrawn figure has decreased during the year. An analysis of the cash movements and the movement in net debt is provided in the Cashflow Statement and its notes 49 to 53.

32. Creditors and Receipts in Advance

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

	Balance as at 31/3/08	Balance as at 31/3/07
	£'000	£'000
Interest Due	0	0
Central Government	(553)	(651)
Rents	(210)	(168)
Other	(18,033)	(25,049)
Receipts in Advance	(9,905)	(6,060)
Total	(28,701)	(31,928)

Other creditors consist of trade / sundry creditors of £14.9m, capital creditors of £1.7m and miscellaneous creditors of £1.4m. Receipts in advance consist of £2.9m prepayments by business rate payers and £5.9m sundry receipts in advance (eg, government grants carried forward).

33. Operating Leases

Authority as the lessee

The council has a number of operating leases relating to buildings and vehicles. Payments for these leases have been included the net cost of services as follows:

Type of Asset	2007/08		2006/07	
	Rental Payable in Year	Amount Charged to Revenue	Rental Payable in Year	Amount Charged to Revenue
	£'000	£'000	£'000	£'000
Land and Buildings	766	756	750	740
Vehicles, Plant and Equipment	110	110	112	112
Computer Equipment	395	395	578	578
Total	1,271	1,261	1,440	1,430

The outstanding commitments as at 31st March 2008 for operating leases is £847,000 as follows:

NOTES TO THE CORE FINANCIAL STATEMENTS

Type of Asset	Leases expiring in less than 1 year	Leases expiring between 2 and 5 years	Leases expiring after 5 years
	£'000	£'000	£'000
Land and Buildings	243	45	304
Vehicles, Plant and Equipment	62	28	0
Computer Equipment	88	74	3
Total	393	147	307

Authority as the lessor

The Council as lessor has a number of premises, which it makes available on an operating lease basis. Rent income receivable during the year has been included within the net cost of services as follows:

Type of Asset	2007/08		2006/07	
	Rental Receivable in Year	Amount Recognised to Revenue	Rental Receivable in Year	Amount Recognised to Revenue
	£'000	£'000	£'000	£'000
Shops	113	117	185	178
Industrial Premises	928	932	872	863
Offices	31	35	81	81
Other	609	572	469	446
Total	1,681	1,656	1,607	1,568

With regard to the authority's activity as a lessor, the gross value of assets held for use in operating leases was as follows:

Type of Asset	Gross Value	Accumulated Depreciation	Net Book Value
	£'000	£'000	£'000
Shops	1,465	0	1,465
Industrial Premises	7,614	(113)	7,501
Offices	0	0	0
Other	9,732	(19)	9,713
Total	18,811	(132)	18,679

NOTES TO THE CORE FINANCIAL STATEMENTS

34. Provisions

The Landfill Allowance Trading Scheme (LATS) is a scheme whereby Waste Disposal Authorities (WDAs) are allocated allowances for how much biodegradable waste can be landfilled within a 12 month period. WDAs are required to repay allowances to the value of actual biodegradable landfill usage to the government once the actual usage is determined at the end of September following the year end. At the 31/3/08 the authority estimates that it will have to surrender 32,127 LATS permits to DEFRA out of an allocation of 36,181, leaving the authority with a surplus that can be carried forward into 2008/09. At 31st March 2008 there has not been sufficient trading of LATS permits between authorities for WBC to estimate a fair value for the permits carried forward or to attribute a value to the provision to surrender permits to DEFRA for 2007/08.

The provision for Ex-Berkshire CC liabilities relates to dilapidation costs and specific insurance claims arising from properties held jointly by the six authorities in Berkshire that were inherited from the former Berkshire County Council. The costs are shared between the authorities.

The provision for legal cases relates to cases that were brought against the Council in 2007/08, an assessment of the council's liability and the likelihood of the claimant's success has been undertaken by the Council's Chief Legal Officer for each case and a provision has been set up accordingly.

Provision	Balance as at 1/4/07	(Receipts)	Expenditure	Balance as at 31/3/08
	£'000	£'000	£'000	£'000
Ex-Berkshire CC Liabilities	0	(525)	0	(525)
LATS	(682)	0	682	0
Legal Cases	0	(124)	0	(124)
Total	(682)	(649)	682	(649)

35. Contingent Assets and Liabilities

There were no contingent assets or liabilities in 2007/08.

36. Authorisation of the Accounts for Issue

Under FRS 21 Events after the balance sheet date, the Authority is required to disclose the date that the accounts are authorised for issue.

The Financial Statements were authorised for issue by the General Manager for Business Services, Mr G Ebers, on Monday 23rd June, the date that the statements were formally tabled to the Audit Committee for approval and from which the accounts were publicly available. Events after this date will not be recognised in the statement of accounts.

37. Post Balance Sheet Events

Events may occur between the balance sheet date and the date the accounts are authorised for issue, which might have a bearing upon the financial statements.

There have been no events since the date the balance sheet was produced that would require adjustment of the financial statements or disclosure in the notes to the accounts.

NOTES TO THE CORE FINANCIAL STATEMENTS

38. Trust Funds

The Council acts as sole trustee for two trust funds. The total value of the funds at 31st March 2008 was £20,083 (31st March 2007 - £16,717).

Fund	Opening Balance	Receipts	Expenditure	Closing Balance
	£'000	£'000	£'000	£'000
Sports Sponsorship	5	2	0	7
Chairman's Appeal	12	1	0	13
Total	17	3	0	20

39. Reserves

The Council keeps a number of reserves in the balance sheet. Some are required to be held for statutory reasons, some are needed to comply with proper accounting practice, and others have been set up voluntarily to earmark resources for future spending plans. The statutory reserves are shown below:

Reserve	Purpose of the reserve	Balance at 1/4/07	(Gain) / Loss	Net transfer to or from Reserve	Balance at 31/3/08
		£'000	£'000	£'000	£'000
Revaluation Reserve	Store of gains on revaluation of fixed assets	0	(15,101)	2,221	(12,880)
Capital Adjustment Account	Reflects the difference between the cost of fixed assets consumed and the capital financing set aside to pay for them	(656,587)	0	11,684	(644,903)
Usable Capital Receipts	Proceeds of fixed asset sales available to meet future capital investment	(3,574)	0	(2,981)	(6,555)
Financial Instruments Adjustment Account	Reflects the difference between the financing costs included in the Income and Expenditure Account and the accumulated financing costs charged to the General Fund Balance.	4,389	0	(536)	3,853
Pensions Reserve	Balancing account to allow inclusion of pensions liability in the balance sheet	36,409	1,449	718	38,576

NOTES TO THE CORE FINANCIAL STATEMENTS

Reserve	Purpose of the reserve	Balance at 1/4/07	Gain / Loss	Net transfer to or from Reserve	Balance at 31/3/08
		£'000	£'000	£'000	£'000
Housing Revenue Account	Resources available to meet future running costs for council houses	(847)	(24)	207	(664)
Major Repairs Reserve	Resources available to meet capital investment in council housing	0	0	(415)	(415)
General Fund	Resources available to meet future running costs for non-housing services	(8,589)	0	(23)	(8,612)

The Balance Sheet figures for 31 March 2007 have been adjusted from those included in the Statement of Accounts for 2006/07 to accommodate the implementation of the Revaluation Reserve (see accounting policies). The Revaluation Reserve replaces the Fixed Asset Restatement Account (FARA). The credit balance of £624.8m on the FARA at 31 March 2007 has been written off to the Capital Financing Account (£31.8 credit balance) to form the new Capital Adjustment Account with a balance of £656.5m. The Revaluation Reserve has then been included in the Balance Sheet with a zero opening balance. The closing position on the Reserve at 31 March 2008 therefore only shows revaluation gains accumulated since 1 April 2007.

The Council's earmarked reserves and their movement in the year are detailed below:

	Balance at 1/4/07	(Contribution to Reserve)	Contribution from Reserve	Balance at 31/3/08
	£'000	£'000	£'000	£'000
Waste Equalisation Fund	(730)	(45)	192	(583)
Renewals Funds	(630)	(92)	28	(694)
Commuted Sums	(583)	0	1	(582)
Section 38/18 Fund	(101)	(16)	10	(107)
Insurance Fund	(980)	(702)	819	(863)
Housing Association Reserve	(125)	(7)	0	(132)
Other Funds	(404)	(314)	107	(611)
Interest Equalisation Fund	(1,000)	(73)	0	(1,073)
Total	(4,553)	(1,249)	1,157	(4,645)

(i) Waste Equalisation Fund

This reserve is held to even out the cost of the Waste PFI contract over the life of the contract.

(ii) Renewals Funds

These are reserves held in order to finance the renewal or maintenance of specific items of equipment or furnishings. Contributions are made on the basis of the anticipated replacement cost of the items over their expected useful life.

NOTES TO THE CORE FINANCIAL STATEMENTS

(iii) **Commuted Sums**

This represents amounts received from developers for the maintenance of open spaces.

(iv) **Section 38/18 Equalisation Fund**

This is used to match the cost of supervising development, covered by the Highways Act 1980, with the contributions received from developers.

(v) **Insurance Fund**

This is used to fund part of each insurance claim, up to losses of £325,000 in a year. Contributions are received through internal premiums. The Authority's external insurers are Zurich Municipal.

(vi) **Housing Association Reserve**

This is money earmarked to fund a project with James Butcher Housing Association.

(vii) **Other Funds**

This includes the balances of the Building Control Equalisation fund, Hackney Carriage equalisation fund, the Energy Contract reserve, Library Stock reserve, Car Parking VAT reserve, and the Sold Council Houses repairs fund.

(Viii) **Interest Equalisation Fund**

This reserve was established to reflect that the investments are held at the lower of market value and purchase price.

40. Government Grants Deferred

Deferred capital receipts represent income of a capital nature, that have been used to finance assets and are due to be amortised to the Income and Expenditure Account over a number of years.

	Balance as at 31/3/07	Amount Amortised to Revenue	Amount deferred	Balance as at 31/3/08
	£'000			£'000
Capital Contributions Deferred	(6,488)	477	(2,235)	(8,246)
Capital Grants Deferred	(13,664)	1,648	(15,802)	(27,818)
Total Capital Deferred Contributions and Grants	(20,152)	2,125	(18,037)	(36,064)

NOTES TO THE CORE FINANCIAL STATEMENTS

41. Unapplied Capital Grants and Contributions

Unapplied capital grants and contributions represent income that has been received but has not yet been used to finance specific capital schemes

	Balance as at 31/3/07	New Grants and Contributions	Amount applied to fund capital expenditure	Balance as at 31/3/08
	£'000			£'000
DEFRA LATS Grant	(168)	168	0	0
Capital Grants Unapplied	(10,636)	(18,106)	15,967	(12,775)
Developers Contributions	(10,153)	(1,948)	2,232	(9,869)
Earmarked Capital Contributions	(136)	0	0	(136)
Total Unapplied Grants and Contributions	(21,093)	(19,886)	18,199	(22,780)

42. Financial Instruments

Financial Instruments Balances

The borrowings and investments disclosed in the Balance Sheet are made up of the following categories of financial instruments:

	Long-term		Current	
	31/03/08	31/03/07	31/03/08	31/03/07
Financial Liabilities at amortised cost	(72,528)	(72,495)	0	0
Financial liabilities at fair value through profit and loss	0	0	0	0
Total Borrowings	(72,528)	(72,495)	0	0
Loans and Receivables	4,000	4,000	35,307	9,850
Financial liabilities at fair value through profit and loss	0	0	18,791	33,427
Total Investments	4,000	4,000	54,099	43,277

The carrying value of financial liabilities as at 31/3/07 on the 2006/07 balance sheet was £72,390k. The difference between the value reported and the carrying value shown above is £105k and relates to the revaluation of the Council's LOBO loans to amortised cost as required by SoRP 2007.

NOTES TO THE CORE FINANCIAL STATEMENTS

Financial Instruments Gains/Losses

The gains and losses recognised in the Income and Expenditure Account and STRGL in relation to financial instruments are made up as follows:

	Financial Liabilities	Financial Assets		Total £000
	Liabilities measured at cost £000	Loans and Receivables £000	Available for sale assets £000	
Interest Expense	(3,357)	0	0	(3,357)
Loss on derecognition	0	0	0	0
Impairment losses	0	0	0	0
Interest Payable and similar charges	(3,357)	0	0	(3,357)
Interest Income	0	2,267	1,500	3,767
Gains on derecognition	0	0	0	0
Interest and Investment Income	0	2,267	1,500	3,767
Gains on revaluation	0	0	0	0
Loss on revaluation	0	0	0	0
Surplus arising on revaluation of financial assets	0	0	0	0
Net Gain / Loss for the year	(3,357)	2,267	1,500	410

Fair Value of Assets and Liabilities carried at Amortised Cost

Financial liabilities and financial assets represented by loans and receivables are carried on the balance sheet at amortised cost. Their fair values can be assessed by calculating the present value of the cash flows that take place over the remaining life of the instruments, using the following assumptions:

- For loans from the 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.

NOTES TO THE CORE FINANCIAL STATEMENTS

The fair values calculated are as follows:

	31/03/08		31/03/07	
	Carrying Amount £000	Fair Value £000	Carrying Amount £000	Fair Value £000
PWLB debt	48,390	51,653	48,390	47,868
Non-PWLB debt	24,138	26,114	24,105	21,277
Total Debt	72,528	77,767	72,495	69,145
Trade Creditors	18,033	18,033	25,049	25,049
Total Financial Liabilities	90,561	95,800	97,544	94,194

The fair value as at 31/03/08 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.

The fair values for financial liabilities have been determined by reference to the Public Works Loans Board (PWLB) redemption rules and prevailing PWLB redemption rates as at each balance sheet date, and include accrued interest. The fair values for non-PWLB debt have also been calculated using the same procedures and interest rates and this provides a sound approximation for fair value for these instruments. It should be noted that the redemption rules applying to PWLB debt changed on 1st November 2007, and are less favourable than the previous procedures. As a result the fair value figures for 31 March 2008 are relatively higher (more costly to redeem) than the 31 March 2007 comparators.

	31/03/08		31/03/07	
	Carrying Amount £000	Fair Value £000	Carrying Amount £000	Fair Value £000
Money Market Loans < 1 year	35,307	35,307	9,850	9,850
Money Market Loans > 1 year	4,000	4,257	4,000	4,114
Trade debtors	7,293	7,293	9,294	9,294
Total Loans and Receivables	46,600	46,857	23,144	23,258

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

The fair values for loans and receivables have been determined by reference to the Public Works Loan Board (PWLB) redemption rules which provide a good 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.

NOTES TO THE CORE FINANCIAL STATEMENTS

Nature and Extent of Risks Arising from Financial Instruments and How the Council Manages those Risks

Key Risks

The authority'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 requiring 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.

Overall Procedures for Managing Risk

The Council's overall risk management procedures focus on the unpredictability of financial markets, and implementing restrictions to minimise these risks. The procedures for risk management are set out through a legal framework set out in the *Local Government Act 2003* and the associated regulations. These require the Council to comply with the CIPFA Prudential Code, the CIPFA Treasury Management in the Public Services Code of Practice and Investment Guidance issued through the Act. Overall these procedures require the Council to manage risk in the following ways:

- by formally adopting the requirements of the Code of Practice;
- by approving annually in advance prudential indicators for the following three years limiting:
 - the Council's overall borrowing;
 - its maximum and minimum exposures to fixed and variable rates;
 - its maximum and minimum exposures the maturity structure of its debt;
 - its maximum annual exposures to investments maturing beyond a year.
- by approving an investment strategy for the forthcoming year setting out its criteria for both investing and selecting investment counterparties in compliance with the Government Guidance;

These are required to be reported and approved at or before the Council's annual Council Tax setting budget. These items are reported with the annual Treasury Management Strategy which outlines the detailed approach to managing risk in relation to the Council's financial instrument exposure. Actual performance is also reported annually to Members.

These policies are implemented by a central treasury team. The Council maintains written principles for overall risk management, as well as written policies covering specific areas, such as interest rate risk, credit risk, and the investment of surplus cash through Treasury Management Practices (TMPs). These TMPs are a requirement of the Code of Practice and are reviewed regularly.

Credit risk

Credit risk arises from deposits with banks and financial institutions, as well as credit exposures to the Council's customers. Deposits are not made with banks and financial institutions unless they meet the minimum requirements of the investment criteria outlined above.

The following analysis summarises the Authority's potential maximum exposure to credit risk, based on experience of default assessed by the ratings agencies and the Council's experience

NOTES TO THE CORE FINANCIAL STATEMENTS

of its customer collection levels over the last five financial years, adjusted to reflect current market conditions.

The historical experience has been taken from Moody's, a credit rating agency used by the Council and applies to the period 1982 – 2005.

Whilst the current credit crisis in international markets has raised the overall possibility of default, the Council maintains strict credit criteria for investment counterparties. As a result of this high credit criteria, we have maintained historical default rates as a good indicator under these current conditions.

The Council also uses non credit rated institutions (for instance smaller building societies or bank subsidiaries where the parent has a satisfactory rating). In these circumstances these investments have been classified as other counterparties.

	Amount at 31 March 2008 £000s	Historical experience of default Year 1 %	Adjustment for market conditions at 31 March 2008 %	Estimated maximum exposure to default £000s
	(a)	(b)	©	(a * c)
Deposits with banks and financial institutions				
AAA rated counterparties	16,307	0.000%	0.000%	0
AA rated counterparties	22,707	0.000%	0.000%	0
A rated counterparties	13,000	0.007%	0.007%	1
Other counterparties	6,085	0.041%	0.041%	2
Trade debtors	7,293	5.000%	5.000%	365
TOTAL	65,392			368

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.

The Council does not generally allow credit for its trade debtors, but £1m of the £7.2m balance is past its due date for payment. The past due amount can be analysed by age as follows:

	£000s
Less than three months	291
Three to six months	174
Six months to one year	207
More than one year	364
	1,036

Collateral – During the reporting period the council held no collateral as security.

Liquidity risk

The Council has ready access to borrowings from the Money Markets to cover any day to day cash flow need, and whilst the PWLB provides access to longer term funds, it also acts as a lender of last resort to councils (although it will not provide funding to a council whose actions are unlawful). 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

NOTES TO THE CORE FINANCIAL STATEMENTS

expenditure. There is therefore no significant risk that it will be unable to raise finance to meet its commitments under financial instruments.

The Council manages its liquidity position through the risk management procedures above (the setting and approval of prudential indicators and the approval of the treasury and investment strategy reports), as well through cash flow management procedures required by the Code of Practice.

Refinancing and Maturity Risk

The Council maintains a significant debt and investment portfolio. Whilst the cash flow procedures above are considered against 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 prudential 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 and investment strategies address the main risks and the central treasury team address 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; and
- 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 provide stability of maturities and returns in relation to the longer term cash flow needs.

The maturity analysis of financial liabilities is as follows:

	£000s
Less than fifteen years	0
Between fifteen and twenty years	1,000
Between twenty-one and twenty-five years	0
Between twenty-six and thirty years	5,400
More than thirty years	66,128
	72,528

The maturity analysis of financial assets is as follows:

	£000s
Less than one year	54,099
Between one and two years	4,000
Between two and three years	0
More than three years	0
	58,099

All trade and other payables are due to be paid in less than one year and trade debtors of £7.2m are not shown in the table above.

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, depending on how variable and fixed interest rates move across differing financial instrument periods. 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 Income and Expenditure Account will rise;

NOTES TO THE CORE FINANCIAL STATEMENTS

- borrowings at fixed rates – the fair value of the borrowing liability will fall;
- investments at variable rates – the interest income credited to the Income and Expenditure Account will rise; and
- 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 Income and Expenditure Account or STRGL. However, changes in interest payable and receivable on variable rate borrowings and investments will be posted to the Income and Expenditure Account and effect the General Fund Balance, subject to influences from Government grants. Movements in the fair value of fixed rate investments will be reflected in the STRGL, unless the investments have been designated as Fair Value through the Income and Expenditure Account.

The Council has a number of strategies for managing interest rate risk. The Annual Treasury Management Strategy draws together 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 central treasury 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.

If all interest rates had been 1% higher with all other variables held constant) the financial effect would be:

	£000s
Increase in interest payable on variable rate borrowings	0
Increase in interest receivable on variable rate investments	(584)
Impact on Income and Expenditure Account	(584)
Increase in Government grant receivable for financing costs	0
Share of overall impact debited to the HRA	9
Decrease in fair value of fixed rate investment assets	10
Impact on STRGL	10
Decrease in fair value of fixed rate borrowings liabilities (no impact on I+E Account or STRGL)	13,539

The approximate impact of a 1% fall in interest rates would be as above but with the movements being reversed. These assumptions are based on the same methodology as used in the Note – Fair value of Assets and Liabilities carried at Amortised Cost

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

Foreign exchange risk - The Council has no financial assets or liabilities denominated in foreign currencies. It therefore has no exposure to loss arising from movements in exchange rates.

NOTES TO THE CORE FINANCIAL STATEMENTS

43. School Revenue Balances

The Schools hold balances of £4,734,248 under delegated schemes (£3,122,202 in 2006/07). These sums are currently earmarked for educational purposes. The movements on the School Revenue Balances can be seen in note 46.

44. Foundation Schools

The School Standards and Framework Act 1998 changed the status of Grant-maintained schools to Foundation schools maintained by the local education authority. The change for funding purposes took effect from 1st April 1999. This change has resulted in the inclusion of closing balances for current assets and liabilities controlled by Foundation schools in the balance sheet. Fixed assets and long term liabilities remain vested in the Governing Bodies of individual Foundation schools and, therefore, values and amounts have not been consolidated in the balance sheet. In this authority area there is only one Foundation school.

45. Dedicated Schools Grant (DSG)

Grant monies provided by the Department for Education and Science, the Dedicated Schools Grant (DSG), fund the Council's expenditure on schools. DSG is ring-fenced and can only be applied to meet expenditure properly included in the Schools Budget. The Schools Budget includes elements for central administration and a restricted range of services provided on an authority-wide basis and for the Individual Schools Budget, which is divided into a budget share for each school. Over and underspends on the two elements are required to be accounted for separately.

Details of the deployment of DSG receivable for 2007/08 are as follows:

	Central Expenditure £'000	Individual Schools Budget £'000	Total £'000
Grant allocated to Schools Budget for the current year	9,254	71,748	81,002
Actual expenditure for the year	(9,485)	(70,136)	(79,620)
(Over) / underspend for the year	(231)	1,612	1,382
Use of schools balances brought forward	(81)	3,122	3,041
(Over)/ underspend	(231)	1,612	1,382
(Over) / underspend carried forward to 2007/08	(312)	4,734	4,423

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46. Pensions

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 Council participates in two schemes:

- The Local Government Pension Scheme, administered by the Royal Borough of Windsor & 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.
- The teachers' scheme of the Department for Education and Skills, which is a defined contribution scheme as it does not allow for the identification of liabilities consistently and reliability between participating authorities.

The different accounting treatments of the schemes will be described below:

Local Government Scheme (LGPS)

The cost of retirement benefits in the Net Cost of Services are recognised when employees earn them, rather than when the benefits are actually paid as pensions. However, the charge made against the Council Tax is based on the cash payable in the year, with the remainder (making up the full cost of retirement benefits) being reversed out through the Statement of Movement on the General Fund Balance. The following transactions have been made in the Income and Expenditure Account during the year:

	2007/08	% of Payroll	2006/07	% of Payroll
	£'000		£'000	
Net Cost of Service				
Current Service Cost	7,028	18.6%	7,780	20.9%
Past Service Costs	-	-	65	0.2%
Settlements & Curtailments	178	0.5%	163	0.4%
Net Operating Expenditure	7,207	19.1%	8,008	21.5%
Expected Return on Employer Assets	(10,076)	(26.7%)	(8,501)	(22.8%)
Interest on Pension Scheme Liabilities	9,011	23.8%	7,841	21.1%
Expected return on BCC Assets	296		98	
Net Return	(769)		(562)	
Amounts to be met from Government Grants and Local Taxation	6,438	16.2%	7,446	19.7%
Movement on Pension Reserve	(859)		(3,000)	
Actual amount charged against Council Tax for LGPS Contributions in the Year	5,579		4,446	

An amount of £295,877 was charged to the Income and Expenditure Account as WBC's share of the interest charge on the liabilities of the Berkshire County Council Local Government Pension Scheme which has since closed, the notes below provide more details in relation to this scheme.

NOTES TO THE CORE FINANCIAL STATEMENTS

The level of employer's contribution is determined by actuarial valuation and was increased in 2007/08. The contribution level is set to ensure 100% of the overall liabilities of the scheme are fully funded. The last review was undertaken as at 31st March 2007. The fund is valued triennially and will be next valued as at 31st March 2010. Whilst the FRS 17 statements are a guide to the expectations of an actuarial valuation, the basis of calculation is not the same. The actuarial valuation takes a longer term view of the relationship between assets and liabilities and the expected future returns on asset and liability changes, rather than being based on a snapshot position at a given date. It is a statutory requirement for the Fund to set down the longer term policy for returning the fund to a 100% funding level.

A copy of the Royal County of Berkshire Pension Fund's Annual Report is available on request from the Head of Finance, Royal Borough of Windsor & Maidenhead, Town Hall, St Ives Road, Maidenhead, SL6 1RF.

The underlying assets and liabilities for retirement benefits attributable to the authority as at 31 March are as follows:

Net Pension Asset as at	31/3/08	31/3/07
	£'000	£'000
Estimated Employer Assets (A)	133,605	136,742
Present Value of Scheme Liabilities	(153,660)	(158,808)
Present Value of Unfunded Liabilities	(1,996)	(2,148)
Total Value of Liabilities (B)	(155,656)	(160,956)
Net Pension Asset/ (Liability) (A)-(B)	(22,050)	(24,214)
WDC Share of Berkshire County Council Liability	(16,425)	(12,070)
Net Pension Asset / (Liability)	(38,475)	(36,284)
Adjustment for actual rather than estimated contributions	(101)	(125)
Net Pension Asset / (Liability)	(38,576)	(36,409)

The liabilities show the underlying commitments that the authority has in the long term to pay retirement benefits. The net liability has an impact on the net worth of the authority as shown on the balance sheet. However, the liability on the scheme will be made good by increased contributions over the remaining working life of employees, as assessed by the scheme actuary.

The value of liabilities has risen due to both the increase in current pensions in line with the RPI and the additional year of service that has been accrued by the active members in the scheme.

Liabilities have been assessed on an actuarial basis using the projected unit 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, has assessed the liabilities. The main assumptions in their calculations are:

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Assumptions as at	31/3/08	31/3/07
	% per annum	% per annum
Price Increases	3.7%	3.2%
Salary Increases	5.2%	4.7%
Pension Increases	3.7%	3.2%
Discount Rate	6.6%	5.4%

In assessing liabilities for retirement benefits at 31st March 2008 for the 2007/08 Statement of Accounts, the actuary was required by the SORP to use a discount rate based on the yield available on long-dated, high quality corporate bonds at the FRS 17 valuation date 2.8% real (6.6% actual).

The expected return on assets is based on the long-term future expected investment return for each asset class:

Assets (Whole Fund)	Long term Return 31/3/08 %pa	Assets at 31/3/08 £'000	Long term Return 31/3/07 %pa	Assets at 31/3/07 £'000
Equities	7.9%	93,975	7.8%	98,674
Gilts	4.5%	10,524	4.9%	17,822
Other Bonds	6.6%	10,733	-	-
Property	5.9%	13,943	5.8%	13,013
Cash	5.0%	4,430	4.9%	7,233
Total	7.2%	133,605	7.1%	136,742

The movement in the net pension liability for the year to 31st March 2008 is as follows:

	Year to 31/3/08 £'000	Year to 31/3/07 £'000
Surplus / (deficit) at beginning of the year	(36,409)	(46,397)
Current Service Cost	(7,028)	(7,780)
Employer Contributions	5,579	4,446
Contributions in respect of Unfunded Benefits	140	137
Other Income	0	0
Other Outgoings (e.g. Expenses, etc)	0	0
Past Service Costs	0	(65)
Impact of Settlements and Curtailments	(178)	(163)
Net Return on Assets	1,065	660
Actuarial Gains/(Losses)	2,610	10,782
Surplus / (Deficit) at end of Year	(34,221)	(38,380)
Movement in WBC share of BCC Liability	(4,355)	1,971
Combined Surplus / (Deficit) at end of Year	(38,576)	(36,409)

NOTES TO THE CORE FINANCIAL STATEMENTS

History of Experience Gains and Losses

	Year to 31/3/08 £'000	Year to 31/3/07 £'000
Difference Between the Expected and Actual Return on Assets	(20,960)	114
Value of Assets	133,605	136,742
Percentage of Assets	(15.7%)	0.1%
Experience Gains / (Losses) on Liabilities	350	277
Present Value of Liabilities	155,656	160,956
Percentage of the Present Value of Liabilities	0	0.2%
Actuarial Gains / (Losses) Recognised in STRGL	2,610	10,782
Present Value of Liabilities	155,656	160,956
Percentage of the Present Value of Liabilities	1.7%	6.7%

Wokingham Borough Council is also responsible for a share of the former Berkshire County Council LGPS. The scheme is administered by the Royal Borough of Windsor and Maidenhead Council. Although it is now closed, a liability remains for the pensioners that were in the scheme when BCC ceased to exist. A valuation of the scheme has been undertaken by the Actuary, Barnett Waddington, who assessed the Net Pension Liability as at 31st March 2008. The liability has been shared between the Berkshire Councils on the basis of population as follows:

	% Share	2007/08 £'000	2006/07 £'000	2005/06 £'000
Bracknell	13.6779%	(11,835)	(8,698)	(10,118)
West Berkshire	17.9267%	(15,696)	(11,586)	(13,477)
Reading	17.9813%	(14,697)	(10,574)	(12,300)
Slough	14.5762%	(11,598)	(8,256)	(9,604)
Windsor	16.8471%	(16,021)	(12,158)	(14,143)
Wokingham	18.9908%	(16,425)	(12,070)	(14,041)
Net Pension Asset / (Liability)	100.0000%	(86,272)	(63,342)	(73,683)

The movement in the net pension liability for the year to 31st March 2008 for the former Berkshire County Council Pension Scheme is as follows:

	Year to 31/3/08 £'000	Year to 31/3/07 £'000
Surplus / (deficit) at beginning of the year	(63,341)	(73,683)
Current Service Cost	0	0
Employer Contributions	0	0
Contributions in respect of Unfunded Benefits	0	0
Other Income	0	0
Other Outgoings (e.g. Expenses, etc)	0	0
Past Service Costs	0	0
Impact of Settlements and Curtailments	0	0
Net Return on Assets	(1,558)	(514)
Actuarial Gains/(Losses)	(21,373)	10,855
Surplus / (Deficit) at end of Year	(86,272)	(63,342)

NOTES TO THE CORE FINANCIAL STATEMENTS

Actuarial Gains and Losses relating to Pensions

The actuarial gains identified as movements on the pension reserve in 2007/08 can be analysed into the following categories, measured as absolute amounts at 31st March 2008.

	2007/08	2006/07	2005/06	2004/05
	£'000	£'000	£'000	£'000
Actual Return less Expected Return on Pension Scheme Assets	(20,960)	114	17,193	3,130
Experience Gains and Losses arising on the Scheme Liabilities	350	277	(2,114)	4,570
Changes in Financial Assumptions Underlying the Present Value of Scheme Liabilities	23,220	10,391	(19,423)	(18,520)
Actuarial Gain/ (Loss) in Pension Plan	2,610	10,782	(4,344)	(10,820)
Actuarial Gain/ (Loss) in BCC Pension Plan	(4,059)	2,069		
Total Actuarial Gain/ (Loss) in Pension Plan	(1,449)	12,851		

Teachers Scheme

Teachers employed by the authority are members of the Teachers' Pension Scheme, administered by the Teachers' Pensions Agency. It provides teachers with defined benefits upon their retirement, and the authority contributes towards the costs by making contributions based on a percentage of members' pensionable salaries.

In 2007/08 the Council paid £6,298,799 to the Pensions Agency in respect of teachers' retirement benefits, representing 14.1% of pensionable pay. The figures for 2006/07 were £5,929,181 and 14.1%.

In addition, an amount of £80,858 has been paid in respect of added years pension payments to retired teachers (2006/07 - £74,271).

With regards to the Teachers' Pension Scheme, the scheme is a defined benefit scheme, administered by the Teachers Pension Agency. Although the scheme is unfunded, the TPA uses a notional fund as the basis for calculating the employers' contribution rate by local education authorities. However, it is not possible for the authority to identify a share of the underlying liabilities in the scheme attributable to its own employees. For the purposes of this statement of accounts it is therefore accounted for on the same basis as a defined contribution scheme.

The Council is responsible for the costs of any additional benefits awarded upon early retirement outside the terms of the Teachers' scheme. These benefits are fully accrued in the pensions liability described above.

NOTES TO THE CORE FINANCIAL STATEMENTS

47. Euro Costs

The Council has not incurred any costs in relation to adapting its operations and information systems to accommodate the single currency.

48. Reconciliation of Net Surplus / Deficit on the Income and Expenditure Account to the Cashflow from Revenue Activities

	2007/08		2006/07
	£'000	£'000	£'000
General fund surplus	(23)		1,599
Collection fund cash contribution	(653)		(469)
Cash settlement with Berkshire County Council	0		0
		(676)	1,130
Non-Cash Transactions:			
Capital Financing Costs	(6,487)		(6,277)
Increase / (Decrease) in Provision for Bad Debts	(233)		(170)
Increase / Decrease in Provision	(33)		(492)
Contribution to / from Reserves	(1,170)		(346)
		(7,923)	(7,285)
Increase / (Decrease) in Stock	0		0
Increase / (Decrease) in Debtors	(603)		8,138
(Increase) / Decrease in Creditors	3,228		(2,645)
External Interest Received	3,767		2,489
External Interest Paid	(3,357)		0
		3,035	7,982
Net cashflow from revenue activities		(5,564)	1,828

49. Reconciliation of the Movement in Net Debt

Analysis of Movement in Liquid Resources	2007/08	2006/07
	£'000	£'000
Net Debt at 1st April	26,196	20,430
Movement in Net Debt:		
(Increase) / Decrease in Cash in the period	5,537	(1,858)
(Inflow)/ Outflow from (Increase) / Decrease in Debt Financing	138	2,000
(Inflow) /Outflow from movement in liquid resources	(6,822)	5,624
Net Debt as at 31st March	25,049	26,196

NOTES TO THE CORE FINANCIAL STATEMENTS

50. Reconciliation of Financing and Management of Liquid Resources

Analysis of Movement in Liquid Resources	Balance at 1/4/07 £'000	Cash Movement £'000	Balance at 31/3/08 £'000
Cash in Hand	(2,034)	(692)	(2,726)
Cash in Overdrawn	3,117	6,229	9,346
Net Debt:			
Due within 1 year	0	0	0
Due After 1 year	72,390	138	72,528
Short Term Investments	(47,277)	(6,822)	(54,099)
Total Net Debt	26,196	(1,147)	25,049

51. Explanation of the Authority's Liquid Resources

Liquid resources have been defined as short-term deposits and other current asset investments that can be readily converted into cash at or close to the carrying amount.

52. Analysis of Government Grants

	2007/08 £'000	2006/07 £'000
Dedicated Schools Grant	81,022	75,960
Standards Fund Grant	19,983	17,752
Housing Benefit Grants	18,163	17,179
Health Authority Income	9,894	10,675
Learning and Skills Council	10,068	9,875
Other Specific Government Grants	1,538	4,350
Total	140,668	135,791



SUPPLEMENTARY FINANCIAL STATEMENTS

HOUSING REVENUE ACCOUNT

The Housing Revenue Account (HRA) reflects a statutory obligation to account separately for local authority housing provision, as defined in particular in Schedule 4 of the Local Government and Housing Act 1989. It shows the major elements of housing revenue expenditure and how these are met by rents and other income.

During 2007/08 the Housing Revenue Account budgeted to use £31,000 of reserves however it overspent by £176,000, in addition it received a £24,000 credit due to a late financial instrument adjustment, which was not included in the outturn generating a final HRA balance of £664,000. The Major Repairs Reserve, which is the capital element of the HRA, underspent by £415,000 and now has a balance of £415,000. The HRA reserve is ring-fenced and will therefore be carried forward for future projects.



HOUSING REVENUE ACCOUNT

	Notes	2007/08		2006/07
		£'000	£'000	£'000
Income				
Rent (gross):				
Dwelling	1	(10,657)		(10,061)
Non-Dwelling		(206)		(215)
Charges for facilities and services		(833)		(764)
Contributions towards expenditure		0		(3)
Total Income			(11,696)	(11,043)
Expenditure (including FRS 17 Pensions Costs)				
Repairs and maintenance		3,280		2,629
Supervision and management	7	2,383		2,494
Rents, rates, taxes and other charges		0		0
Negative HRA subsidy payable	3	3,798		3,554
Depreciation and impairments of fixed assets	5	1,868		1,849
Amortisation of HRA Leases	6	50		0
Impairment of Crescent House	6	340		0
Debt management costs		1		1
Total Expenditure			11,720	10,527
Net Cost of services in the Income and Expenditure account			24	(516)
Gain or loss on sale of fixed assets			0	0
Interest payable and similar charges			98	110
Amortisation of premiums and discounts			0	547
Interest and investment income			(48)	(64)
Pensions interest cost and expected return on assets			0	0
Total: (Surplus) / Deficit for the year on HRA Services			74	77

STATEMENT OF THE MOVEMENT ON THE HRA BALANCE

Statement of Movement on the Housing Revenue Account Balance	2007/08	2006/07
	£'000	£'000
Surplus / Deficit on the HRA Income and Expenditure Account	74	77
Additional items required by statute and non-statutory proper practice to be taken into account in the HRA Balance:		
Difference between interest payable and similar charges and those determined by statute and the SoRP – <i>Note 11</i>	51	51
Impairment of HRA fixed assets	(340)	0
Amortisation of premiums and discounts	477	0
Amortisation of HRA Leases	(50)	0
Transfer to Financial Instruments Account	(1,483)	0
Derecognition & remeasurement (premiums & discounts)	1,483	0
HRA share of contributions to or from the pensions reserve	(29)	(74)
Capital expenditure funded by the HRA	0	339
Transfer to / from other reserves	0	(155)
Transfer to/from Major Repairs Reserve	(415)	203
Sub-Total	(232)	441
HRA Balance Brought Forward	(847)	(1,288)
HRA Balance Carried Forward	(1,079)	(847)

Statement of Movement on the Housing Revenue Account Balance (Excluding Major Repairs Reserve)	2007/08	2006/07
	£'000	£'000
Balance at the beginning of the year	(847)	(1,240)
Gain on remeasurement of financial instruments	(24)	0
(Surplus) / Deficit	207	393
Balance at the end of the year	(664)	(847)

NOTES TO THE HOUSING REVENUE ACCOUNT

1. Dwelling Rents

This is the total rent income due for the year after allowance for void properties. In 2007/08 rents increased by an average of 5%, except for certain rents which were capped as follows:-

£102.32	1 Bedroom and Bedsitter
£108.33	2 Bedroom
£114.36	3 Bedroom
£120.37	4 Bedroom
£126.39	5 Bedroom

2. Housing Stock

The Council was responsible for the following dwellings, made up as follows:

HRA Dwellings	2007/08 Number of Properties	2006/07 Number of Properties
Low & Medium Rise Flats	881	938
Traditional Houses and Bungalows	1,568	1,574
Non-Traditional Houses and Bungalows	324	326
Total	2,773	2,838

Changes in the housing stock are detailed below:

	2007/08 Number of Properties	2006/07 Number of Properties
Stock at 1st April 2007 (Opening Stock)	2,839	2,845
Less: Sales 7-8	(14)	(7)
Decommissioning of Crescent House (Sheltered)	(52)	0
Stock at 31st March (Closing Stock)	2,773	2,838

NOTES TO THE HOUSING REVENUE ACCOUNT

A summary of valuation movements on dwelling stock is shown below:

HRA Operational Assets	Council Dwellings	Vehicles, Plant and Equipment	Total
	£'000	£'000	£'000
Gross Valuation at 31/3/08	199,732	0	199,732
Accumulated depreciation and impairment	0	0	
Net book value at 31/3/07	199,732	0	199,732
Movement in 2007/08			
Assets Reclassified	(2,340)	0	(2,340)
Additions	1,492	0	1,492
Disposals	(1,711)	0	(1,711)
Revaluations	6,751	244	6,995
Depreciation	(1,868)	(50)	(1,918)
Impairments	0	0	0
Net book value at 31/3/08	202,056	194	202,250

The balance sheet value of dwellings within the HRA shown above demonstrates the economic cost to the Government of providing council housing at less than open market rents. The dwellings are valued at Existing Use Value for Social Housing – this is effectively open market less a reduction factor that recognises the fact that they are tenanted properties and not available with vacant possession. The reduction factor is set by the government and is currently 45% of open market value. The vacant possession value of the dwellings as at 31st March 2008 was £444,085,775.

HRA Non Operational Assets	Council Dwellings for Re- Development
	£'000
Gross Valuation at 31/3/08	0
Accumulated depreciation and impairment	0
Net book value at 31/3/07	0
Movement in 2007/08	
Assets Reclassified	2,340
Additions	0
Disposals	0
Revaluations	0
Depreciation	0
Impairments	(340)
Net book value at 31/3/08	2,000

During the year Crescent House, Woodley was vacated in preparation for re-development of the site. The impairment reflects the reduction in value as an operational social housing complex to the market value of the site.

Non-Dwelling Rents

This includes rent of garages, land and wayleaves. The increase for 2007/08 was 5% to Tenants (2006/07 5%). Garage rent to non-tenants increased by 25%.

NOTES TO THE HOUSING REVENUE ACCOUNT

3. Housing Subsidy

The Housing Subsidy is calculated using a model (Housing Revenue Account), which is based on pre-set figures determined by the government and the number of dwellings owned by an authority. This resulted in a payment to the government from the HRA as follows:

	2007/08	2006/07
	£'000	£'000
Allowance for Management	1,277	1,228
Allowance for Maintenance	2,725	2,651
Allowance for Major Repairs	1,868	1,835
Charges for Capital	900	886
Interest on Receipts	0	0
Admissible Allowance	0	4
Rental Constraint Allowance	780	208
Guideline Rent Income	(11,221)	(10,401)
Adjustment for final audited claim	(127)	35
Housing Subsidy (Repayable) / Payable	(3,798)	(3,554)

4. Major Repairs Reserve

The total capital expenditure on housing and other property within the HRA was £1,452,672 and was financed through the Major Repairs.

Movement on Major Repairs Reserve Balances:

	2007/08	2006/07
	£'000	£'000
Income		
Major Repairs Allowance	(1,868)	(1,849)
Transfer from HRA	0	(340)
Transfer from other reserves	0	(155)
Total Income	(1,868)	(2,344)
Capital Expenditure	1,453	2,392
(Surplus) / Deficit	(415)	48
Balance at 1st April	0	(48)
Balance at 31st March	(415)	0

5. Depreciation

The Government's Major Repair Allowance (£1,867,760) has been accepted as a reasonable estimate of the measure of depreciation on operational assets comprising HRA dwellings.

6. Impairments and Deferred Charges

There was an impairment charge of £340,000 relating to the demolition of Crescent House. Also included is a £50,000 amortisation charge relating to HRA leases. Both these amounts were charged to the HRA in 2007/08.

7. Contributions to the Pensions Reserve

NOTES TO THE HOUSING REVENUE ACCOUNT

The Housing Revenue Account has been charged £29,000 pension costs in accordance with FRS 17. These costs are included in the Supervision & Management heading. To ensure that the closing balance on the account only reflects the actual pension payments made in the year, the effect of the FRS 17 adjustment is reversed out by a contra entry.

8. Rent Arrears

Cumulative rent arrears were £498,000 at 31st March 2008, representing an increase of £51,000 on the position at 31st March 2007. The arrears were made up as follows:

	2007/08	2006/07
	£'000	£'000
Current Tenants	333	288
Former Tenants	165	159
Total	498	447

9. Bad Debts Provision

The dwelling rents are shown before deduction of the bad debts provision for the year. The provision for bad debts has reduced slightly due to write-offs in 2007/08, as detailed below:

	2007/08	2006/07
	£'000	£'000
Balance at 1st April	329	342
(Surplus) / Deficit for the Year	0	0
Balance at 31st March	329	342

10. Exceptional or Prior Year Items

There were no exceptional or prior year adjustments to the HRA in 2007/08.

11. Interest Charge

Interest paid over a given period for the repayment of a debt.



THE COLLECTION FUND

The account reflects the statutory requirement for billing authorities to maintain a separate fund for the collection and distribution of amounts in respect of Council Tax and National Non-Domestic Rates.

COLLECTION FUND

	Notes	2007/08		2006/07
		£'000	£'000	£'000
Income from Council Tax Payers	2	(79,983)		(75,915)
Transfers from General Fund				
Council Tax Benefits	2	(3,742)		(3,686)
Transitional Relief		6,623		1,879
Income collectable from Business Ratepayers		(51,205)		(45,835)
Contributions towards previous years' Collection Fund Deficit	4	(379)		(472)
Total Income			(128,686)	(124,029)
Precepts and Demands:				
Wokingham Borough Council		68,280		65,463
Parish Councils		3,105		2,973
Police Authority		8,884		8,376
Fire Authority		3,197		3,029
Business Rates:				
Payment to National Pool	3	43,815		43,501
Costs of Collection	3	188		190
Bad / Doubtful debts		564		28
Total Expenditure			128,033	123,560
Movement in Collection Fund in Year			(653)	(469)
Balance at 1st April			202	671
Balance at 31st March	4		(451)	202

COLLECTION FUND

1. General

This account is required to be maintained separately from the General Fund by Section 89 of the Local Government Finance Act 1988. This Fund is included in the Consolidated Balance Sheet.

2. Council Tax

The Council is required to set the Council Tax for Wokingham Borough. The level of Council Tax is calculated by dividing the net revenue requirement less the Revenue Support Grant and the contribution from the NNDR pool.

The Council's tax base is made up of the number of chargeable dwellings in each valuation band (after adjustment for discounts where applicable). These are converted to an equivalent number of band D dwellings.

Band	Estimated Number of Taxable Properties after discounts		Band D Equivalent	
		Ratio	Dwellings 2007/08	Dwellings 2006/07
A	1,287	6/9	858	850
B	2,592	7/9	2,016	2,000
C	7,453	8/9	6,625	6,477
D	15,535	1	15,535	15,396
E	13,123	11/9	16,039	15,939
F	8,735	13/9	12,617	12,603
G	5,269	15/9	8,782	8,659
H	354	18/9	708	697
Total			63,180	62,622
Add:	Adjustment for collection rates and for anticipated changes during the year for successful appeals against valuation banding, new properties, demolitions, disabled persons relief and exempt properties.		645	552
Council Tax Base			63,825	63,174

The average Council Tax for a Band D property in Wokingham Borough in 2007/2008 was £1,307.73. This average B and D Council Tax is distributed as follows:

	2007/08 £	2006/07 £
Wokingham Borough Council	1,069.81	1,036.23
Thames Valley Police Authority	139.19	132.58
Parish Councils (Average)	48.64	47.06
Fire Authority	50.09	47.94
Average Band D Council Tax	1,307.73	1,263.81

COLLECTION FUND

Income from Council Tax can be analysed as follows:

	2007/08	2006/07
	£'000	£'000
Council Tax Base	63,825	63,174
Average Band D	1,307.73	1,263.81
Notional Yield	83,466	79,840
Income from Council Tax Payers	79,983	75,915
Council Tax Benefits	3,742	3,686
Changes in Yield	(259)	239
Notional Yield	83,466	79,840

3. Income from Business Rates

The Council collects business rates for its area based on local rateable values multiplied by a uniform rate. The total amount less allowable deductions is paid to a pool managed by Central Government. The Government pays back to authorities their share of the pool based on a standard amount per head of resident population.

The total business rateable value at 31st March 2008 was £122,591,649 (£131,231,915 at 31st March 2007). The business rate multiplier set by Central Government for the year was 44.4p (2006/07 – 43.3p).

	2007/08	2006/07
	£'000	£'000
Total Rateable Value as at 31st March	122,592	131,232
NNDR Multiplier	44.4p	43.3p
Notional Yield	54,431	56,823
Allowances / Rateable Value Changes / Occupation Changes	(18,033)	(15,287)
Notional Income from Business Rates	36,398	41,536
Transitional Relief	6,623	1,879
Cost of Collection Allowance	188	(190)
Bad and Doubtful Debt	593	270
Discretionary Relief Adjustment	13	6
Payment to National Pool	43,815	43,501

4. Contributions from Collection Fund Surplus / Deficit

Any surplus or deficit made by the Collection Fund is required to be distributed to the Authorities which precept or demand on the fund in the same ratio as the respective precepts and demands made by the Councils on the Collection Fund.

On the 15th January each year a calculation is made to determine the likely closing balance on the Collection Fund as at 31st March. Any expected surplus/deficit is then distributed between Wokingham Borough Council, Royal Berkshire Fire Authority and Thames Valley Police in proportion to their precepts. This should ensure that the balance on the fund is kept to a minimum. The actual surplus of £450,823 will be accounted for in the distribution calculation on 15th January 2009.

SUBJECTIVE INCOME AND EXPENDITURE ACCOUNT

The Council is required to produce a subjective income and expenditure account for the Government as part of the Whole of Government Accounts Return. This statement is not part of the CIPFA SoRP's requirements for the statement of accounts but is shown here for information.

SUBJECTIVE INCOME AND EXPENDITURE ACCOUNT

The following income and expenditure account shows a subjective analysis as reported to the Government and included in the Whole of Government Accounts (WGA) return. It is included here for information only the amounts it covers are already covered by the core and supplementary statements and notes.

		2007/08 £'000	2006/07 £'000
Employees	Direct employee expenses		
	Salaries and wages	98,126	87,228
	Employer's NICs	7,418	6,475
	FRS17 Defined benefit costs	7,206	8,008
	Contributions to centrally administered unfunded pension schemes	6,466	5,066
	Agency staff	3,548	2,354
	Employee expenses	1,977	1,978
	Indirect employee expenses	4,029	4,315
	Contributions to employee related provisions	0	0
Premises	Total premises costs	28,042	44,857
Transport	Total Transport costs	3,307	3,102
Supplies and services	Total purchase of supplies and services	31,215	29,491
Third party payments	Independent units within the council	0	0
	Joint Authorities	0	0
	Other local Authorities	7,116	4,905
	Health authorities	8,152	7,881
	Government departments	3,904	882
	All other bodies	16,976	14,851
Transfer payments	Total transfer payments	41,879	41,512
Support services	Total recharges from support services	28,506	27,028
Capital charges	Depreciation on assets	14,693	18,659
Total Expenditure		312,561	308,592

SUBJECTIVE INCOME AND EXPENDITURE ACCOUNT

		2007/08 £'000	2006/07 £'000
Income	Specific Government Grants	(136,425)	(124,451)
	Other grants, reimbursements and contributions	(17,945)	(27,675)
	Customer and client receipts		
	Recharge receipts	(31,282)	(28,240)
	External Receipts	(29,523)	(27,662)
	Other operating income	(1,986)	(1,221)
Net Cost of Services		95,400	99,343
Levies			
	Local precepts	3,105	2,973
	Other interest receivable and similar income	(3,767)	(2,722)
	Pensions Interest Costs	9,307	7,939
	Expected Return on Pension Assets	(10,077)	(8,501)
	Premiums & Discounts Written-off		637
	Amortisation of deferred premiums and discounts		
	Interest Payable	3,357	2,984
	Amounts Payable to Housing Capital Receipts Pool	1,264	617
	Other Corporate Income	(253)	
Net Operating Expenditure		98,336	103,270

	2007/08 £'000	2006/07 £'000
Distributed Surplus / Deficit on the collection fund	325	407
Council Tax Precepts/Demands on Collection Fund	(71,384)	(68,436)
LA Levy Income		
Redistributed Non-Domestic Rates	(14,538)	(13,690)
Revenue Support Grant	(2,440)	(2,903)
Police Grant		
General GLA Grant		
Other General Grant	(684)	0
Surplus / Deficit	9,615	18,648



AUDITORS REPORT

Auditor's report to the Members of Wokingham Borough Council

Opinion on the financial statements

I have audited the Authority accounting statements and related notes of Wokingham Borough Council for the year ended 31 March 2008 under the Audit Commission Act 1998. The Authority accounting statements comprise the Income and Expenditure Account, the Statement of the Movement on the General Fund Balance, the Balance Sheet, the Statement of Total Recognised Gains and Losses, the Cash Flow Statement, the Housing Revenue Account, the Collection Fund and the related notes. These accounting statements have been prepared under the accounting policies set out in the Statement of Accounting Policies.

This report is made solely to the members of Wokingham Borough Council in accordance with Part II of the Audit Commission Act 1998 and for no other purpose, as set out in paragraph 36 of the Statement of Responsibilities of Auditors and of Audited Bodies prepared by the Audit Commission.

Respective responsibilities of the Chief Finance Officer and Auditor

The Responsible Financial Officer's responsibilities for preparing the financial statements in accordance with relevant legal and regulatory requirements and the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2007 are set out in the Statement of Responsibilities for the Statement of Accounts.

My responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

I report to you my opinion as to whether the Authority accounting statements present fairly, in accordance with relevant legal and regulatory requirements and the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2007 the financial position of the Authority and its income and expenditure for the year.

I review whether the governance statement reflects compliance with 'Delivering Good Governance in Local Government: A Framework' published by CIPFA/SOLACE in June 2007. I report if it does not comply with proper practices specified by CIPFA/SOLACE or if the statement is misleading or inconsistent with other information I am aware of from my audit of the financial statements. I am not required to consider, nor have I considered, whether the governance statement covers all risks and controls. Neither am I required to form an opinion on the effectiveness of the Authority's corporate governance procedures or its risk and control procedures

I read other information published with the Authority accounting statements, and consider whether it is consistent with the audited Authority accounting statements. This other information comprises the Explanatory Foreword only. I consider the implications for my report if I become aware of any apparent misstatements or material inconsistencies with the Authority accounting statements. My responsibilities do not extend to any other information.

Basis of audit opinion

I conducted my audit in accordance with the Audit Commission Act 1998, the Code of Audit Practice issued by the Audit Commission and International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the Authority accounting statements and related notes. It also includes an assessment of the significant estimates and judgments made by the Authority in the preparation of the accounting statements and related notes, and of whether the accounting policies are appropriate to the Council's circumstances, consistently applied and adequately disclosed.

I planned and performed my audit so as to obtain all the information and explanations which I considered necessary in order to provide me with sufficient evidence to give reasonable assurance that the Authority accounting statements and related notes are free from material misstatement, whether caused by fraud or other irregularity or error. In forming my opinion I also evaluated the overall adequacy of the presentation of information in the accounting statements and related notes.

Opinion

In my opinion the financial statements present fairly, in accordance with relevant legal and regulatory requirements and the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2007, the financial position of the Council as at 31 March 2008 and its income and expenditure for the year then ended.

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

Authority's Responsibilities

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

Auditor's Responsibilities

I am required by the Audit Commission Act 1998 to be satisfied that proper arrangements have been made by the Council for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the Audit Commission requires me to report to you my conclusion in relation to proper arrangements, having regard to relevant criteria specified by the Audit Commission for principal local authorities. I report if significant matters have come to my attention which prevent me from concluding that the Council has made such proper arrangements. I am not required to consider, nor have I considered, whether all aspects of the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

Conclusion

I have undertaken my audit in accordance with the Code of Audit Practice and having regard to the criteria for principal local authorities specified by the Audit Commission

and published in December 2006, I am satisfied that, in all significant respects, Wokingham Borough Council made proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2008.

Certificate

I certify that I have completed the audit of the accounts in accordance with the requirements of the Audit Commission Act 1998 and the Code of Audit Practice issued by the Audit Commission.

Signature: ...P. Sharman.....

Date:29 September 2008...

Phil Sharman CPFA CANZ
District Auditor
Audit Commission
Unit 5, ISIS Business Centre
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Cowley
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Glossary of Terms

Accounting Code of Practice

The CIPFA Code of Practice on Local Authority Accounting: A Statement of Recommended Practice (SORP) aims to achieve consistent financial reporting between all English local authorities. It is based on generally accepted accounting standards and practices, known as UK GAAP but applies UK GAAP specifically to local authorities.

The CIPFA Best Value Accounting Code of Practice (BVACOP) aims to achieve consistency and comparability in the presentation of local authority service expenditure.

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.

Asset

An asset is a item of economic value that can be converted to cash or is a possession of the authority eg, cash, stock, buildings etc.

Assets Awaiting Disposal

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.

Audit Commission

The Audit Commission is an independent watchdog responsible for ensuring that public money is used economically, efficiently and effectively. The Commission's auditors are the Council's current external auditors.

Balances and Reserves

Balances and reserves are maintained for future years' budgets 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.

Capital Expenditure

Expenditure used for the purchase or enhancement of a fixed asset. The cost of repairs and maintenance of a fixed asset is revenue expenditure.

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 Requirement

This represents the Council's underlying need to borrow for capital purposes. The year on year change will be influenced by capital expenditure in each 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. CIPFA publishes the Accounting Codes of Practice for local government.

Community Assets

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

Contingent Liabilities

A contingent liability is a possible loss or charge, which may arise in the future if certain events take place. These events may not be wholly within the control of the authority.

Corporate and Democratic Core

The corporate and democratic core comprises all activities that local authorities engage in specifically because they are elected, multipurpose authorities. It has two elements; corporate management and democratic representation and management. The activities within the corporate and democratic core are in addition to those, which would be incurred by a series of independent, single purpose bodies managing the same services. There is, therefore, no logical basis for apportioning these costs to services.

Creditors

Money owed by the Council 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.

Curtailed 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

Money that is due to the Council but which has not yet been received. Debtors are an example of the concept of accruals.

Deferred Charges

Capital expenditure, which does not give rise to an asset owned by the Council. Examples include expenditure incurred on disabled facility grants; where capital grant expenditure is incurred on the renovation of individuals' properties to make them fit for disability purposes.

Defined Benefit Scheme (Pensions)

A pension or other retirement benefit scheme that defines the employees benefits and is independent of contributions and investment performance.

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.

Financial Year

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

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 eg, buildings or land. Intangible fixed assets do not have a physical form eg, software licences.

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.

Government Grants

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

Historic Cost

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

Infrastructure Assets

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

Investment Properties

An interest in land and/or buildings, which are held solely for their investment potential/rental income and do not support the strategy or service obligations of the Local Authority.

Leasing

This facility is a means to obtain the use of buildings, vehicles, plant and computer equipment without physically owning these items.

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 Current Replacement Cost

A method of valuation that estimates the cost of replacing or recreating an asset in its existing condition and in its existing use, i.e. the cost of its replacement or of the nearest equivalent asset, adjusted to reflect the current condition of the existing asset.

Net Realisable Value

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

Non-Distributable Costs

Non Distributed Costs are costs relating to retirement and unused and unusable shares of assets. These cannot be charged to services.

Non-Domestic Rate (NDR) Income

A levy on businesses based on national 'rateable value' of the premises occupied. NDR is collected by the district councils in line with national criteria, paid into a national pool and then redistributed to all local and police authorities on the basis of population.

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.

Precepts

An amount levied on another public body in respect of the Council Tax. Parish Council's and the Police Authority levy precepts on Wokingham Borough Council to collect council tax on their behalf.

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.

Revenue Expenditure

Expenditure incurred on day to day running costs and confined to accounts within one financial year.

Revenue Support Grant

The principal 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 should spend to provide a common level of service.



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