



Statement of Accounts 2008/09





WOKINGHAM BOROUGH COUNCIL

STATEMENT OF ACCOUNTS

FOR THE YEAR ENDED 31ST MARCH 2009

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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 2008/2009 are set out on pages 2 to 100 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 borough 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.

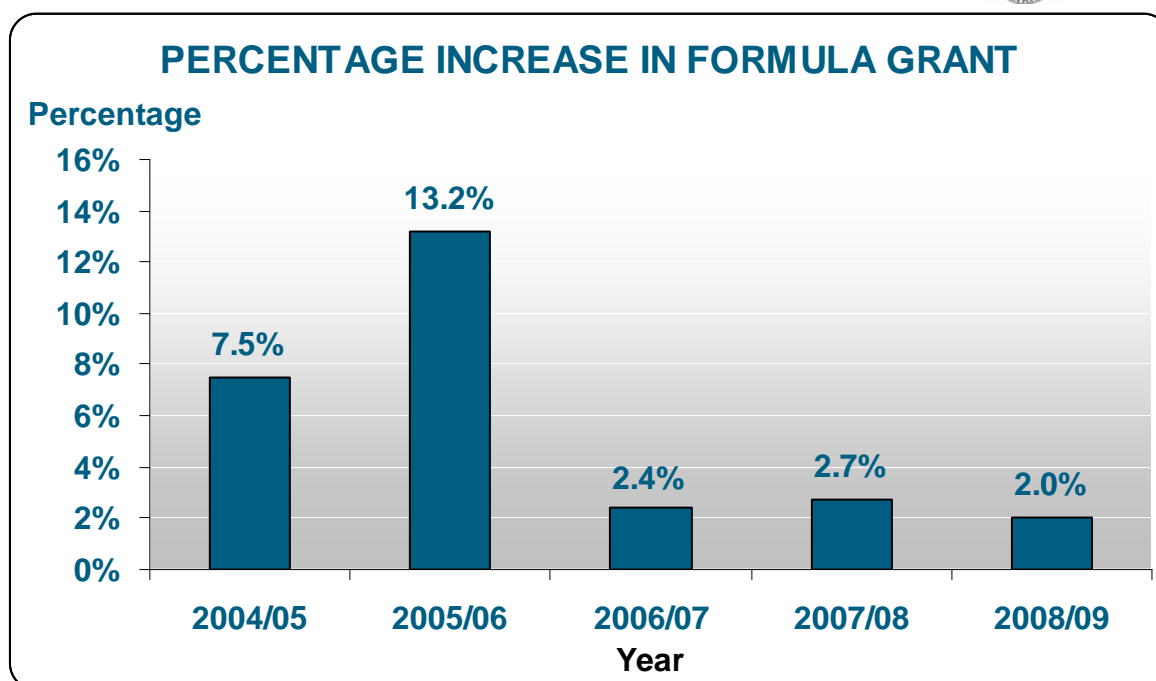
These accounts have been compiled in accordance with the Code of Practice. The Code was developed by the Chartered Institute of Public Finance and Accountancy (CIPFA) and Local Authority (Scotland) Accounts Advisory Committee (LASAAC) Joint Committee.

2. The Code of Practice on Local Authority Accounting in the United Kingdom: A Statement of Recommended Practice 2008 (SORP)

These accounts have been compiled in accordance with the 2008 SORP, which defines proper accounting practices for local authorities. .

3. Financial Performance

Significant changes to the Formula Grant calculation in 2006/07 (otherwise known as Revenue Support Grant (RSG)) has left Wokingham entitled to only the minimum increase in formula grant (known as the 'floor'). This, coupled with low national grants settlements meant that Wokingham only received a very modest grant increase in 2008/09 of just 2.0%.



Wokingham suffered badly under the new funding methodology introduced in 2006/07 to calculate 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. These factors contributed to a significant loss of grant entitlement for Wokingham placing it significantly below the 'floor'. The three-year 2008/09 settlement was a particularly poor one for Wokingham and worsened the Council's position from £5m to approximately £11m below the 'floor'.

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, standards of care), unavoidable expenditure increases above inflation (e.g. maintenance contracts, social care contracts and landfill tax) and pressure to improve services from both the public and the Government. The 2008/09 budget contained £3.0m cost containment measures and efficiencies to set a council tax of 4.9%.

During 2008/09 the Council faced pressure on the Revenue Budget resulting from reductions in income as a result of the national economic climate, however this was offset by significant additional income from investments in the first half of the year and reduction in borrowing costs for the second half of the year. As a result the Council was able to report an underspend of £2.0m (before carry forwards) at 31st March 2009 against its budget. The General Fund reserves at 31st March 2009 stand at £8.6m (before carry forwards). The Housing Revenue Account (HRA) experienced significant pressure on its repairs and maintenance service during the year. However, from January 2009 a new repairs contract went live and consequently expenditure was contained in the last quarter of the year. The HRA underspent by £221,000 against its approved budget of £247,000, leaving balances of £687,000 as at 31st March 2009. The balances on both funds are healthy and in excess of the recommended levels at the year end.

Capital balances are under pressure due to a significant reduction in capital receipts as the result of the downturn in the property market and 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 has in place 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 2009/10 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. For the first time we carried out a Zero Based Budget Review in determining the 2009/10 budget which fully aligns the council’s budget to its strategic priorities. The 2010/11 budget setting process aims to build on these achievements by refreshing the ZBB review and further improving service and financial planning.

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 2008/09, the accounts show a net pension liability of £74.5m, this has increased from the 2007/08 liability of £38.6m due to a change of accounting policy in valuing the pension fund assets to bid price rather than mid-market value and a significant actuarial loss due to the downturn in market returns on the investment of pension fund assets. The deficit will be reviewed over the long-term as part of the next triennial actuarial valuation in 2010 and, if necessary, will be addressed through increased employer and employee contributions to ensure the pension scheme returns to a 100% funding level over an appropriate period of time.

Following clarification from CIPFA, the Council has derecognised the assets of Voluntary Aided and Voluntary Controlled schools during 2008/09 to comply with the CIPFA SoRP. A review of these assets in line with the new accounting policy has determined that the ownership of the assets lies with the Governing Body rather than the Council. As a consequence £48.9m of assets in relation to Voluntary Aided and Voluntary Controlled Schools have been written out of the Council’s balance sheet as a prior period adjustment in the 2008/09 accounts.

Early in October 2008, the Icelandic banks Landsbanki, Kaupthing and Glitnir collapsed and the UK subsidiaries of these banks, Heritable and Kaupthing Singer and Friedlander went into administration. The Council had £5m invested in this sector at that time. Based on the latest information available, and in accordance with accounting practice, the authority considered that it is appropriate to consider an impairment adjustment for the deposits. In relation to Heritable bank (with whom the Council invested £3m) the authority has received information that it will recover a total of 80p in the £ by 2012. In relation to Landsbanki (with whom the Council invested £2m) the authority expects to recover between 90 and 100% of the principal invested by 2012 and, therefore, has assumed a mid-point recovery of 95% by 2012. The impairment of the principal amounts invested (£1.1m) has been mitigated in the accounts according to government regulations, although all related investment income has been fully impaired. The government regulations have the affect of deferring the impact of the impairment charge on the General Fund until 2010/11.

4. General Fund

The General Fund is the main revenue account and includes all the Council’s services with the exception of Council housing and is mainly funded by Council Tax. 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 2008/09 budget the Council reviewed the level of balances that should be maintained, the recommended level was agreed at £7.8m based on a risk assessment. The fund balance as at 31 March 2009 is shown below:-

	Revised Estimate	Actual	Variance
	£'000	£'000	£'000
Balance Brought Forward	8,612	8,612	0
Surplus / (Deficit) in year	(2,082)	(20)	(2,062)
Total	6,530	8,592	(2,062)

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
Policy and Partnerships	3,974	4,037	64
Place and Neighbourhoods	25,301	25,272	(29)
Business Services	6,303	4,875	(1,429)
Community Care	35,540	35,163	(377)
Strategic Priorities	5,781	5,726	(55)
Childrens Services	30,445	30,224	(220)
Governance and Democratic	248	296	48
Communications	63	0	(63)
Net Expenditure before Carry Forwards	107,654	105,594	(2,062)
Carry Forwards	0	528	528
Total Net Expenditure	107,654	106,122	(1,534)

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 £2,062,000 on the revised estimate are shown below:

Service Unit	(Under) / Over Spend
	£'000
Increased expenditure on supported housing, nursing & equipment for people with Physical Disabilities	324
Increased learning disability residential and day care client packages	306
Reduction in income at Loddon Bridge Park and Ride due to flooding	182
Increased software licence costs for corporate systems	154
Increased cost of Childrens social care workers	131
Land Use and Transport Policy – increased consultancy cost for long term transport study	129
Concessionary travel – increased travel	96
Fall in land charges income from property searches due to economic climate	74
Interest on Balances – higher reserves and balances	(863)
Debt Charges – lower interest rates and reduction in borrowing levels	(392)
Centralised consultancy budget – project delays	(227)
Property Operations – repairs and maintenance slippage	(222)
Community Care Support Services – staffing variances	(218)
Reduction in older people domiciliary care costs and increased client contributions	(196)
Housing rebates and benefits – better detection of fraud and overpayments	(170)
Reduced redundancy costs for Ryeish Green school	(157)
Childrens Services Management – staffing variances	(135)
Reduced expenditure on adult mental health residential care packages	(130)
Homelessness and Housing – reduced bed and breakfast placements	(127)
Community Care drug action team grant income	(117)
Reduced trading standards and environmental health reactive investigations	(117)
Mental Health Service – staff variances and slippage in dilapidation works at Wallis House	(116)
Childrens Services – additional parental support grant	(52)
Miscellaneous Variances	(219)
Total Over / (Under) Spend	(2,062)

5. Housing Revenue Account

The Housing Revenue Account shows the income and expenditure on Council housing. The Council budgeted to use £256,000 of HRA balances in 2008/09. At the end of 2008/09 the HRA under-spent by £221,000 as a result of additional rental income due to lower sales and voids in year and reduced expenditure on repairs and maintenance. Therefore, the reduction in the HRA balance was £35,000. 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	7,221	7,317	96
Income			
Gross Rents	(11,120)	(11,419)	(299)
Fees, Charges and contributions	(697)	(715)	(18)
Housing Subsidy Repayment	4,854	4,854	0
Housing Repurchase grant	(2)	(2)	0
Net (Surplus) / deficit for the Year	256	35	(221)
Balance Brought Forward	(664)	(664)	0
Items included in the HRA I+E account but excluded from movement on HRA reserve	0	(58)	(58)
Balance Carried Forward	(408)	(687)	(279)

Note: The difference between the HRA outturn and the statement of accounts is due to the amortisation of finance leases and an additional premium.

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.

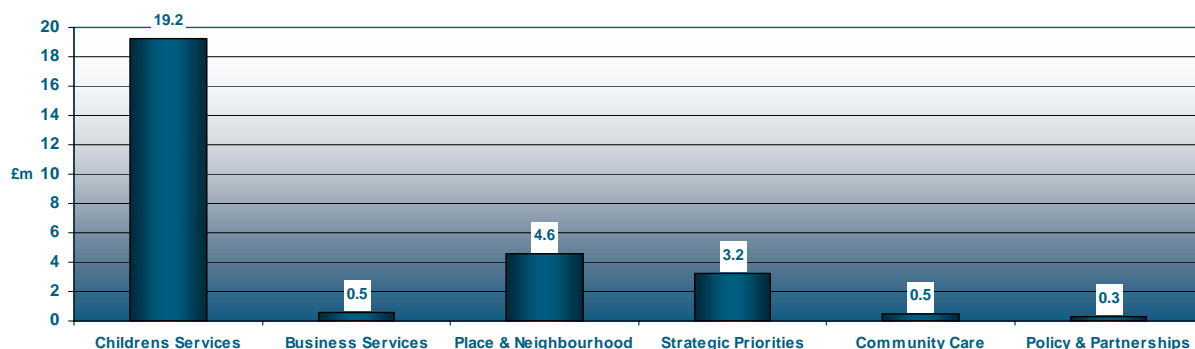
	Revised Estimate	Actual	Net (under) / over-spend
	£'000	£'000	£'000
Gross Capital Expenditure	1,848	1,416	(432)
Allocation	(1,848)	(1,848)	0
Net (Surplus) / Deficit for the Year	0	(432)	(432)
MRA Balance Brought Forward	(415)	(415)	0
MRA Balance Carried Forward	(415)	(847)	(432)
HRA Balance Carried Forward	(408)	(687)	(279)
Overall Balance Carried Forward (HRA / MRA)	(823)	(1,534)	(711)

The housing capital programme under spent due to no contract being in place and, therefore, only health and safety issues were addressed. A new contract is currently being negotiated.

6. Capital Expenditure

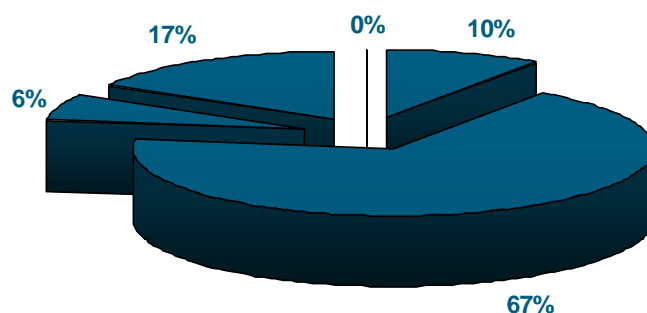
The Council spent £28 million in 2008/2009 on capital schemes analysed below:

CAPITAL EXPENDITURE BY SERVICE 2008/09



This was funded from the following sources:

CAPITAL FUNDING 2008/09



■ Borrowing £2.8m	■ Capital Grants £19.1m	■ Capital Contributions £1.7m
■ Capital Receipts £4.7m	■ 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 to the Council's balance sheet.

The collection fund surplus as at 31st March was £947,677, which represents an significant improvement from the 2007/08 surplus of £450,824. The increased surplus is due to high performance in Council tax collection and a reduction in the bad debt provision. The surplus on the collection fund will be distributed between the precepting authorities, according to their precept value in January 2010.

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 a 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 2010/11 – 2012/13. 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 2010/11 in February 2010. We also approve an Annual Business Plan each year which sets out the key targets for the year ahead and each service unit produces a Service Plan that links in with the Annual Business Plan by setting out in detail how the high level objectives will be translated into actions for the service.

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 Mirfin
Chairman of the Audit Committee



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 2009

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, 2009.

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 100 presents fairly the financial position of the authority at the accounting date and its income and expenditure for the year ended 31 March 2009.



G.M.Ebers,
General Manager, Business Services
30th June 2009



P Mirfin
Chairman of the Audit Committee
30th June 2009

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 2008: 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 3.65% in 2008/2009 (2007/2008 – 5.7%).

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

Income that is defined in statute as a capital receipt but does not arise from the disposal of an interest in a fixed asset

Amounts to be treated as capital receipts are defined by statute and usually arise from disposal of an interest in a fixed asset. However, some statutorily defined capital receipts do not arise from the disposal of an interest in a fixed asset and under the general provisions of the SORP may be income (eg the repayment of a grant awarded by the authority to acquire a fixed asset by the recipient) or a transaction within the Balance Sheet (eg the repayment of a loan advanced to a third party to acquire a fixed asset). Where the statutory capital receipt is income under the general provisions of the SORP it should be credited to the Income and Expenditure Account and the statutory requirement effected by crediting Capital Receipts Reserve and debiting the General Fund Balance and showing as a reconciling item in the Statement of Movement on the General Fund Balance. Where under the general provisions of the SORP the statutory capital receipt is accounted for within the Balance Sheet, the statutory requirement is effected by crediting Capital Receipts Reserve and debiting the Capital Adjustment Account.

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. Revenue Expenditure classified as Capital under statute

Revenue Expenditure classified as Capital under statute, formerly known as deferred charges, represent expenditure that may be capitalised but does not result in the creation of tangible fixed assets. The expenditure is then 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 this 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 expenditure to revenue in the year the expenditure 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.

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

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

Liabilities are discounted to their value at current prices, using a discount rate of 6.7% (based on the indicative rate of return on Merrill Lynch Non Gilt Sterling AA over 15 year Corporate Bond Index). The assets of the pension fund attributable to the council are included in the Balance Sheet at their fair value:

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

To comply with the 2008 CIPFA SoRP, the Council has changed its accounting policy in relation to the valuation of quoted securities for the pension scheme. The valuation has been changed to bid price rather than mid-market value.

The change in the net pensions liability is analysed into seven components:

- current service cost – the increase in liabilities as result of years of service earned this year allocated in the Income and Expenditure Account to the revenue accounts of services for which the employees worked
- past service cost – the increase in liabilities arising from current year decisions whose effect relates to years of service earned in earlier years – debited to the Net Cost of Services in the Income and Expenditure Account as part of Non Distributed Costs
- interest cost – the expected increase in the present value of liabilities during the year as they move one year closer to being paid – debited to Net Operating Expenditure in the Income and Expenditure Account
- expected return on assets – the annual investment return on the fund assets attributable to the council, based on an average of the expected long-term return – credited to Net Operating Expenditure in the Income and Expenditure Account
- gains/losses on settlements and curtailments – the result of actions to relieve the council of liabilities or events that reduce the expected future service or accrual of benefits of

employees debited to the Net Cost of Services in the Income and Expenditure Account as part of Non-Distributed Costs

- actuarial gains and losses – changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions – debited to the Statement of Total Recognised Gains and Losses
- contributions paid to the pension fund – cash paid as employer's contributions to the pension fund.

In relation to retirement benefits, statutory provisions require the General Fund balance to be charged with the amount payable by the council to the pension fund in the year, not the amount calculated according to the relevant accounting standards. In the Statement of Movement on the General Fund Balance this means that there are appropriations to and from the Pensions Reserve to remove the notional debits and credits for retirement benefits and replace them with debits for the cash paid to the pension fund and any amounts payable to the fund but unpaid at the year-end.

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

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: -

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 de-minimis 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. The council follows the guidance set out in Application Note G to FRS 5 in accounting for its contract.

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 not recorded in the balance sheet unless the company has share capital in which case the value of the equities are recorded as investments at cost value. The Council records the name, business, shareholding, net assets and results of operations and other financial transactions of any related companies including cross-reference to where the accounts of the related companies may be acquired.



ANNUAL GOVERNANCE STATEMENT 2008/09

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 which includes arrangements for the management of risk.
- 1.3 Wokingham Borough Council has an approved local code of corporate governance (LCCG), which is consistent with the principles of the CIPFA/SOLACE Framework "Delivering Good Governance in Local Government". A copy of the code is available from the Council offices. The LCCG has not been reviewed in year. 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 not be realised, and to manage them efficiently, effectively and economically. The governance framework has been in place at Wokingham Borough Council for the year ended 31 March 2009 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 for 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 Guidance and are considered by Strategic Leadership Board and Special Finance Group.



- 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 Guidance details the Council's performance management process. This covers the ongoing target setting and performance monitoring at staff supervision meetings through to reporting to the relevant Portfolio Holders. This guidance needs to be revised and updated. Delivery of Council Priorities and achievement towards the Community Strategy Ambitions is monitored on a quarterly basis as part of the Local Area Agreement and other performance frameworks and progress is reported to the Wokingham Borough Strategic Partnership.
- 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 2008/09 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: Executive 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. Members and Officers can propose changes throughout the year to the Council's constitution. All proposed changes are considered in advance of Council approval by the Constitution Review Working Group.
- 3.5 The Council has a robust decision making process which provides for both Executive and individual Executive decisions. Individual Executive decisions are taken in accordance with chapter 5.5 of the Council's constitution. All decisions are advertised and are supported by a formal public report which is produced 5 days in advance of the decision being taken. All decision making meetings are public meetings. Both Executive and individual Executive decisions are subject to documented 'Call-In' arrangements.
- 3.6 Policy is considered and formulated by Executive Members of the Administration, who are advised by senior officers. Supported policies are presented to Executive/Council for formal approval.
- 3.7 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. No such report has been issued in the year.



- 3.8 The Chief Executive, Deputy Chief Executive (post now deleted), General Manager Business Services and the Head of Governance and Democratic Services are part of the Council's Strategic Leadership Board and have access to all decision making meetings. All Executive reports are cleared by the Chief Executive, Deputy Chief Executive, General Manager Business Services and the Head of Governance and Democratic Services, to ensure the legal, financial and policy framework is adhered to.
- 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) Strategy which has been approved by the Strategic Leadership Board and Members. This details how the Council pursues VfM and records key achievements. 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.
- 3.11 The Service and Finance Planning Guidance 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. During the year the Council carried out a "zero-based budgeting" exercise. The exercise considered what services the Council provides, how they align with priorities, what services does the Council need to invest further in (to achieve Council priorities) and what services should be pared back / stopped because they either don't achieve Council priorities or because other priorities are deemed more important.
- 3.12 The submission and evaluation of bids for additional resources (capital and revenue) are laid out in the Service and Financial Planning Framework. Bids are scrutinised by senior officers and evaluated against corporate priorities and then used to inform Member decisions.
- 3.13 The Medium Term Financial Plan (MTFP) provides a 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 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 Council's Financial Regulations and Budget Management Protocol which 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 do Executive Leads. This is supplemented by an informal Member/Senior Officer group (known as the Special Finance Group) that takes an overview of the Council's finances and directs action as appropriate. Executive formally considers the revenue and capital budget monitoring reports quarterly. The Statement of Accounts produced at financial year-end is approved by the Audit Committee on behalf of the Council.
- 3.17 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 Guidance. 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 Guidance. 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 has in year started to move towards an Enterprise Risk Management (ERM) model for managing its risks. ERM will align risks to its strategic priorities and corporate plan and will ensure that risk is considered when policy and strategy is formulated. The model will lead to the completion of a more robust Corporate Risk Register underpinned by a series of operational risk registers.
- 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 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 Officer's statutory report.

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 Internal Audit Report; and
 - comments made by the external auditors and other review agencies and inspectorates.
- 4.2 Responsibility for drafting the Council's Annual Governance Statement rests with 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 2008/09 a generally robust internal control framework has been maintained.
- 4.4 An extensive assessment of the Council's Use of Resources was undertaken by the Audit Commission in 2008. The assessment was a much harder assessment as it reflected changes to the key lines of enquiry to give more emphasis, mainly at level 4, to areas such as: sustainability; working in partnership and using IT to secure service value for money improvements; strategic asset management and joint procurement. The Audit Commission's overall assessment showed that although some areas had declined when measured against the harder test the Council's arrangements remain above the minimum standards and that it was performing well in all five areas of the assessment with financial reporting being strong rated (4 out of 4).
- 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 and Audit Commission etc).
- 4.6 The Business Assurance Manager produces an annual Internal Audit 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 2008/09 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 require 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 2009 has been carried out by the Business Assurance Manager and subject to scrutiny by the Council's Corporate Governance Group. Several 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 Internal Audit Report 2008/09.

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 we can confirm that an Annual Governance Statement Action Plan to address all known governance weaknesses is in place and is subject to regular review by the Corporate Governance Group, SLB and the Audit Committee.

5.2 Corporate Issues

- I. Transformation. The Council has embarked on an ambitious Transformation Programme, running aside of which, there are a number of key projects. The Council needs to ensure as it re-prioritises its services and re-models service delivery that it has the right people with the right skills in place to meet the requirements of the transformation. A Competences Framework needs to be introduced which is aligned to recruitment, appraisals and workforce development.
- II. Staff capacity. Throughout much of the year SLB has comprised of a number of interim appointments; Interim General Manager Community Care (since October 2008); Interim General Manager Children's Services (since December 2008) and Interim General Manager Policy and Partnerships (since February 2009). The post of Head of Governance and Democratic Services has not been fully operational since the post holder took on the role as Interim General Manager Policy and Partnerships. The Council also needs to mitigate against the Transformation Programme affecting existing service delivery and performance.



- III. Performance Management and Data Quality. As the Council embarks on a period of change the Council's Performance Management Guidance needs to be reviewed and enhanced. The Council's information management systems needs to provide for robust decision making supported by accurate, complete and timely data (financial and non-financial).
- IV. ICT Strategy. The Council needs to ensure that it has in place an embedded ICT Strategy which is aligned to the Council's Transformation Programme, Information Security Policy and Government Connect Standards.
- V. Equalities and Diversities. The Council needs to develop and embed its Equalities and Diversities strategy with the full support of all Members and Officers. In addition mandatory training for any Officers should be expanded to all Members.
- VI. Consultants. The Council needs to ensure that processes governing the engagement, use and induction of consultants are robust and fully complied with.
- VII. During 2008/09 the Audit Committee composition was not in line with CIPFA best practice. Also Audit Committee's perception as a group is that it needs to improve its knowledge of local government finance.
- VIII. Business Continuity. The Council needs to ensure that its business continuity processes are in accordance with BS31100:2008 and that it has a holistic Business Continuity Plan covering reinstatement of ICT. This plan should also detail accommodation and staffing requirements at various stages of recovery. The Council should also ensure its 'key' third party suppliers; partners and contractors have robust business continuity arrangements.
- IX. Member training and development. The Council needs to ensure that a Member Development and Training Programme is implemented which lists mandatory and discretionary training. The programme should also cover Member conduct. Members should ensure that they have received the appropriate level of training in order that they can effectively discharge their role.
- X. Environmental sustainability. The Council needs to develop and embed a Sustainability Strategy which has the full support of Members and Officers.
- XI. Risk Management. The Council needs to ensure as it moves towards an Enterprise Risk Management Model for risk management that all its significant risks are still being identified, analysed, prioritised, controlled and monitored.
- XII. Partnership Protocol. The Council needs to ensure that the Partnership Protocol is regularly reviewed, updated and communicated to all stakeholders.
- XIII. Neighbourhood Service Delivery. The Council has implemented neighbourhood working it needs to ensure that there is clarity how this is taken forward.

5.3 Service Issues

- I. Children's Services. Both Business Assurance via an Internal Audit Review (July 2008) and the Ofsted via its Joint Area Review Inspection (October 2008) identified significant concerns in respect of Children's Social Care and in particular safeguarding. Children's Services Financial Management has also been reviewed. An improvement plan has been produced to address the concerns raised. Procurement arrangements for the placement of vulnerable children need to be improved to ensure that in all cases policies and procedures



are fully adhered to and that value for money is secured. There will be a period of uncertainty whilst the new Children's Services management structure and leadership team are embedded.

- II. Schools. Schools within Wokingham collectively employ over 3000 staff and spend over £90 million a year. For the first time schools have been asked to sign an enhanced School's Governance Statement (this replaces the FMSiS Statement of Internal Control). Whilst the deadline for returning these statements was short, fourteen schools have returned their statements and therefore provided the General Manager Children's Services with assurance over the governance arrangements within their school. The fourteen schools: Emmbrook Infant School, The Emmbrook School The Forest School, Grazeley Parochial Primary School, Highwood Primary School, The Holt School, Loddon Primary School, Maiden Erlegh School, The Piggott School, Southfield Special School, St Sebastian's CE Aided Primary School, Waingels College, Whiteknights Primary School and Willow Bank Junior School. All other Schools have either refused to complete their statement or have been unable to meet the deadline.
- III. Tenant Services. The service has faced difficulty in recruiting to key posts within its establishment during 2008-09. These posts are vital for ensuring the control environment within the service is fully effective, for ensuring that robust and up to date policies and procedures are in place and for implementing recommendations arising from previous internal audit and external inspection reports. Achieving the Decent Homes Standard for all our properties will be impossible given the current Housing Subsidy regime.
- IV. Provision of ICT servers. The Council needs to ensure that there are robust arrangements in place (including contractual, budget and business continuity) in the event that one or more servers fail or cease to operate.



- 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 has been produced by the Business Assurance Manager, updates will be presented to the Corporate Governance Group, SLB and the Audit Committee in September 2009 and January 2010 with exception reports as and when required where actions have not been implemented in accordance with agreed timescales. 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.

Signed:



David Lee

Leader of the Council:

30th June 2009-09-09



Susan Law

Chief Executive: :

30th June 2009



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 £11.314m. 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' which shows an adjustment of £11.294m to a net deficit of £20,000.

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 2008/09 was £11.294m, giving a net deficit on the general fund balance of £20,000. At 31st March 2009 the authority has £8.592m 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 2009.

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	2008/09			Notes	2007/08
	Gross Expenditure	(Gross Income)	Net Expenditure		Net Expenditure
	£'000	£'000	£'000		£'000
Continuing Operations					
Central Services to the Public	5,136	(2,962)	2,174	1	2,272
Cultural, Environmental and Planning Services	25,610	(5,893)	19,717		18,405
Childrens and Education Services	157,085	(128,601)	28,484		26,043
Highways, Roads and Transport Services	14,345	(2,080)	12,265		10,148
Housing Services	35,046	(33,254)	1,792		1,766
Adult Social Services	52,011	(15,955)	36,056		31,094
Corporate and Democratic Core	8,874	(3,708)	5,166		4,908
Non-Distributed Costs	1,721	0	1,721		764
Net Cost of Services	299,828	(192,453)	107,375	1	95,400
Exceptional Items	0	0	0		0
Net Cost of Continuing Operations	299,828	(192,453)	107,375		95,400
Gain or loss on disposal of fixed assets			(379)		0
Parish council precepts			3,252	15	3,105
Surplus / deficit on trading undertakings			0		0
Unattached capital receipts			(5)		(253)
Contribution of Housing capital receipts to the Government Pool			0	13	1,264
Interest payable and similar charges			3,501	42	3,357
Interest and investment income			(5,139)	42	(3,767)
Impairment of Financial Instruments			1,344	43	0
Pensions interest cost and return on assets			1,532	47	(769)
Net Operating Expenditure			111,480		98,337
General Government grants			(7,988)	16	(3,124)
Non-domestic rates redistribution			(16,679)		(14,538)
Income from the Collection Fund			(75,499)	15	(71,060)
Net (Surplus) / Deficit for the Year			11,314		9,615

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:	2008/09		2007/08
	Net Expenditure	Notes	Net Expenditure
	£'000		£'000
Depreciation of Fixed Assets	(9,646)	22	(9,538)
Impairment of Fixed Assets	(1,243)	22	(1,938)
Amortisation on Intangible Fixed Assets	(235)	26	(174)
Government Grants Deferred Amortisation	3,080	40	2,125
Deferred Charges and other amounts classified as capital expenditure by statute	(2,079)	23	(2,708)
Net gain or loss on sale of Fixed Assets	379		0
Amortisation of Premiums and Discounts	91		91
Re-measurement of loans	0		105
De-recognition and re-measurement of premiums and discounts	0		2,322
Transfer to the financial instruments adjustment account	(1,616)	42	(2,461)
Net charges made for retirement benefits in accordance with FRS 17	(4,278)	47	(858)
Sub-Total	(15,547)		(13,034)
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	2,784	12	2,788
Revenue contribution to capital expenditure	0		30
Transfer from Usable Capital receipts equal to the amount payable into the Housing Capital Receipts Pool	0	13	(1,264)
Sub-Total	2,784		1,554
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	(35)	14	(207)
Voluntary provision for the repayment of debt	0		0
Transfer to capital receipts reserve	5		253
Transfer to or (from) the Dedicated Schools Grant Reserve	(458)	46	(231)
Net transfer to or (from) earmarked reserves	872		209
Net transfer to or (from) school reserves	1,085		1,818
Sub-Total	1,469		1,842
Increase or Decrease in the General Fund Balance:	(11,294)		(9,638)

STATEMENT OF MOVEMENT ON THE GENERAL FUND BALANCE

	2008/09	Notes	2007/08
	Net Expenditure		Net Expenditure
	£'000		£'000
Surplus or deficit for the year on the Income and Expenditure Account	11,314		9,615
Net additional amount required by statute and non-statutory proper practices to be charged to the General Fund Balance for the year	(11,294)		(9,638)
Total (Increase) or Decrease in the General Fund Balance	20		(23)
General Fund Balance brought forward	(8,612)		(8,589)
General Fund Balance carried forward	(8,592)		(8,612)

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

		2008/09		2007/08
	Notes	£'000	£'000	£'000
Surplus / (Deficit) on the Income and Expenditure Account		(11,314)		(9,615)
Gains or (losses) on the revaluation of fixed assets	22	5,534		15,153
Actuarial gains and (losses) on pension fund assets and liabilities	47	(31,646)		(1,309)
Surplus / (Deficit) on the Collection fund		497		653
Amortisation of premiums and discounts		0		91
Other gains and losses		(188)		(49)
Total recognised gains and losses for the year			(37,117)	4,924
De-recognition and re-measurement of premiums, discounts and loans		0		(4,357)
Prior period adjustments	4	(48,932)		0
Total gains and losses			(86,049)	567
Net Worth on Balance Sheet Brought Forward			641,118	640,551
Net Worth on Balance Sheet Carried Forward			555,069	641,118

BALANCE SHEET

	Notes	2008/09		2007/08
		£'000	£'000	£'000
Fixed Assets				
Intangible Assets	26	837		986
Operational Assets:				
Council dwellings	22	204,014		202,250
Other land and buildings	22	403,411		395,272
Vehicles, plant and equipment	22	3,811		3,463
Community assets	22	1,954		3,151
Infrastructure assets	22	76,042		74,710
Non Operational Assets:				
Investment properties	22	9,797		10,947
Assets under construction	22	20,101		10,993
Surplus assets held for disposal	22	10,081		12,016
Total Fixed Assets			730,048	713,788
Long-term investments	42	2,107		4,000
Long-term debtors	28	10	2,116	17
Total Long-Term Assets			732,164	717,805
Current Assets				
Landfill allowances	34	0		0
Stocks and work in progress		0		0
Debtors	30	14,968		24,308
Short-term investments	29, 42	51,186		54,099
Cash and bank	31	2,457	68,611	2,726
Total Assets			800,775	798,938
Current Liabilities				
Cash overdrawn	31	(2,788)		(9,345)
Short-term borrowing		(5,230)		0
Creditors	32	(31,106)	(39,124)	(28,700)
Total Assets less Current Liabilities			761,651	760,893
Long-Term Liabilities				
Grants and contributions deferred	4, 40	(50,502)		(34,173)
Unapplied Grants and Contributions	41	(32,873)		(22,780)
Long-term borrowing	42	(48,287)		(72,528)
Provisions	34	(420)		(649)
Pensions liability	47	(74,500)	(206,582)	(38,576)
Total Assets less Liabilities			555,069	592,187

BALANCE SHEET

	Notes	2008/09		2007/08
		£'000	£'000	£'000
Represented by:				
Revaluation Reserve	39	(16,208)		(12,880)
Capital Adjustment Account	39	(592,524)		(595,972)
Useable Capital Receipts Reserve	39	(4,603)		(6,555)
Financial Instruments Adjustment Account	39	4,910		3,853
Pensions Reserve	47	74,500		38,576
Major Repairs Reserve	39	(847)		(415)
Earmarked Reserves	39	(5,257)		(4,645)
General Fund Balance	39	(8,592)		(8,612)
School Revenue Balances	44	(5,584)		(4,734)
Dedicated Schools Grant Reserve	46	770		312
Collection Fund		(948)		(451)
Housing Revenue Account Balance		(686)		(664)
Total Reserves and Balances			(555,069)	(592,187)



CASHFLOW STATEMENT

Revenue Activities	Note	2008/09		2007/08
		£'000	£'000	£'000
Net Cash from Revenue Activities	49		(12,718)	(5,564)
Returns on Investments and Servicing of Finance				
Cash Outflows:				
Interest paid		3,177		3,747
			3,177	3,747
Cash Inflows:				
Interest received		(4,481)		(3,845)
			(4,481)	(3,845)
Capital Activities				
Cash Outflows:				
Purchase of Fixed Assets		23,230		23,288
Purchase of long-term investments		2,106		4,000
Other capital cash payments		2,079		2,708
			27,415	29,996
Cash Inflows:				
Sale of Fixed Assets		(2,752)		(4,563)
Capital grants received		(27,382)		(18,344)
Other capital cash receipts		(6,276)		(2,574)
			(36,410)	(25,481)
Net Cash Inflow before Financing			(23,017)	(1,147)
Management of Liquid Resources				
Net increase / (decrease) in short-term deposits	50	(2,913)		6,822
Net increase / (decrease) in other liquid resources		0		0
			(2,913)	6,822
Financing				
Cash Outflows				
Repayments of amounts borrowed	50	24,801		14,862
Capital element of finance lease rental payments		0		0
			24,801	14,862
Cash Inflows				
New loans raised	50	(160)		(15,000)
New short-term loans		(5,000)		0
			(5,160)	(15,000)
Net (Increase) / Decrease in Cash			(6,289)	5,537

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	2008/09	2007/08
		£'000	£'000
Land Drainage Precept	Cultural, Environment and Planning	130	118
Coroners Court	Central Services to the Public	143	129
Net Expenditure		273	247

The net cost of services for the council has increased from 2007/08 due to a number of specific grants which were shown within services having been un-ringfenced to create the Area Based Grant which is now shown within General Government Grants on the Income and Expenditure Account.

2. Housing Benefits

The Housing Benefits scheme provides assistance with 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	2008/09	2007/08
	£'000	£'000
Housing Benefit	15,806	14,114
Council Tax Benefit	4,051	3,742
Audit Fees	17	17
Total Rebates Granted	19,874	17,873
Government Reimbursement	(19,987)	(18,163)
Rebates surplus to the Council	(113)	(290)
Administration Costs (internal recharges)	1,020	1,197
Government Reimbursement	(491)	(532)
Total Cost to Council	416	375

3. Exceptional and Extraordinary Items

There have been no exceptional or extraordinary items in 2008/09

NOTES TO THE CORE FINANCIAL STATEMENTS

4. Prior Period Adjustments

In 2008/09 the CIPFA SoRP contained additional guidance and clarification on the treatment of Voluntary Aided (VA) and Voluntary Controlled (VC) Schools within local authority accounts. As a result, WBC conducted a review of its fixed assets and found that the 2007/08 balance sheet contained school buildings valued at £48.8m that were included in Wokingham's balance sheet on the basis that the Local Education Authority (LEA, ie, Wokingham) either partly funds (for VA) or wholly funds (for VC) capital works at the schools from its devolved schools capital grant. However, the review found that the assets are owned by the trustees of the voluntary organisations which run the schools rather than the LEA. Therefore the accounting treatment of having these assets on balance sheet was incorrect because the assets are deemed not to belong to the LEA as the authority does not have an automatic right to obtain economic benefit from the assets or control whether economic benefits are due to the authority if they were sold. This is due to the fact that a Voluntary Organisation may dispose of its school with Secretary of State approval but does not need LEA approval for a sale. Any proceeds of sale due to the authority are determined by the secretary of state.

As a result the assets of voluntary aided and controlled schools have been written out of the Council's balance sheet as a prior period adjustment. The 2007/08 comparative figures in 2008/09 balance sheet have therefore been restated from the 2007/08 published financial statements as follows:

Balance Sheet Item	2007/08 Closing Balance £000	VA / VC Schools Adjustment £000	2008/09 Opening Balance £000
Land and Buildings	445,769	(50,496)	395,273
Plant and Equipment	3,790	(327)	3,463
Deferred Grants and Contributions	(36,064)	1,891	(34,173)
Total Prior Period Adjustment	413,495	(48,932)	364,563
Capital Adjustment Account	(644,904)	48,932	(595,972)

Further details regarding Voluntary Aided and Voluntary Controlled schools are contained in note 45.

5. Finance Leases

The authority entered into two finance leases within the Housing Revenue Account during 2007/08 in respect of Warden Call & Fire Alarm systems at various Sheltered Housing Properties throughout the District. The gross value of these is £267,217, which are categorised as part of the Council Dwellings within the Balance Sheet. The leases are depreciated over their 5-year life. Finance charges allocated to the HRA in respect of the leases for 2008/09 were £48,698.

The authority is committed to making payments of £58,189 per annum for five years until 2012/2013.

NOTES TO THE CORE FINANCIAL STATEMENTS

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

As at 31st March 2009 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 £1.2m per annum under a contract with NHSPASA for the provision of energy. The contract will expire in October 2009.
- Payments estimated at £2.0m 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 £3.1 m per annum under a contract with SITA for the collection of waste. The contract will expire in September 2012.
- Payments estimated at £6.2 m per annum under a PFI contract with the Waste Recycling Group (WRG) for the provision of waste disposal services. The contract will expire in December 2032.
- Payments estimated at £1.1m per annum to Zurich Municipal for the provision of insurance services. The contract will expire in June 2011.
- Payments estimated at £3.0m per annum under a contract with Computacenter for IT services. The contract will expire in December 2010.
- Payments estimated at £1.0m per annum to Connaught Plc for the provision of reactive repairs and maintenance and the provision of a help desk facility for council dwellings.
- Other various contracts between £0.1m and £1m per annum totalling £25.3m with end dates between April 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 2009/10 is £6.2m 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 due to one of the assets still being under construction.

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 2008/09 donations of £344,000 (£337,000 in 2007/08) 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	2008/09	2007/08
	£'000	£'000
Public Relations	58	73
Employee Advertising	406	389
Other Advertising	60	66
Other Publicity	146	114
Total	670	642

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
	2008/09	2008/09	2008/09
	£'000	£'000	£'000
Expenditure			
Employee Expenses	444	33	477
Premises	0	0	0
Transport	18	2	20
Supplies and Services	36	3	39
Central Support Service Charges	150	11	161
Total Expenditure	648	49	697
Income			
Building Regulation Charges	(576)	0	(576)
Miscellaneous Income	(7)	(5)	(12)
Total Income	(583)	(5)	(588)
(Surplus) / Deficit for the Year	65	44	109

The Chargeable Account, in its ninth year of operation, made a deficit of £65,456. The Account has a three year rolling accounting period. At the end of each cycle its income received should not be less than expenditure incurred. The account, at the end of its current three year period, has generated a deficit of £43,164. The deficit will be addressed in the next accounting period.

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	2008/09	2007/08
	£'000	£'000
Sensory Needs	646	664
Travellers	401	351
Total	1,047	1,015

The joint arrangement for the Travellers Services was disbanded on the 31st March 2009.

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 between Wokingham, Reading and West Berkshire councils, the West Berkshire Primary Care Trust and Berkshire Health Care Trust. The arrangement ceased to exist on 31st March 2008. Wokingham Borough Council was the lead partner ("host") for the pooled fund up to that date. The memorandum account for the fund in 2007/08 can be found in note 11 to Wokingham's 2007-08 financial statements but has not been repeated in the 2008-09 statements.

Joint Equipment Stores Agreement

The agreement is for the provision of joint store and equipment services using the South Central Ambulance Services NHS Trust 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	2008/09	2007/08
	£'000	£'000
Income		
Slough Borough Council	(242)	(231)
Other Berkshire Councils	(1,199)	(1,137)
Slough Primary Care Trust	(1,132)	(1,244)
Total Income	(2,573)	(2,612)
Expenditure		
Royal Berkshire Ambulance Trust	2,573	2,612
Total Expenditure	2,573	2,612
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 Wokingham Borough Council, 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	2008/09 £'000	2007/08 £'000
Income		
Local Area Agreement Grant	0	0
Thames Valley Police Refund	(52)	0
Interest	0	(26)
Total Income	(52)	(26)
Expenditure		
Wokingham BC	203	198
Berkshire Fire Authority	40	40
CVA	28	26
Volunteer Centre	22	21
Total Expenditure	293	285
(Surplus) / Deficit	241	259
Balance Brought Forward	(365)	(624)
Balance Carried Forward	(124)	(365)
WDC Share of Assets		
Cash	214	259
Creditors	(214)	(259)
Net Assets	0	0

NOTES TO THE CORE FINANCIAL STATEMENTS

12. Minimum Revenue Provision

	2008/09	2007/08
	£'000	£'000
Non-Housing amount - 4% of capital financing requirement	2,784	2,788
Minimum Revenue Provision	2,784	2,788

The minimum revenue provision is the amount of borrowing that we have to repay in the financial year.

13. Contribution of Housing Receipts to Government Pool

Local Authorities have to pay a proportion of specified housing capital receipts into a Government pool for redistribution. The payment is 75% of the receipt for sales under Right to Buy and 50% of the receipt for other housing land and property. The payment in 2008/09 is nil (£1,263,691 in 2007/08) due to a lack of sales. In 2007/08 the payment was been reversed in the Statement of Movement on General Fund Balance by an appropriation from Usable Capital Receipts.

14. HRA Surplus / Deficit

The deficit on the HRA in 2008/09 was £35,000. Details on the 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.

	2008/09	2007/08
	£'000	£'000
Wokingham Borough Council	72,247	67,955
Parishes	3,252	3,105
Total	75,499	71,060

16. General Government Grants

The Revenue Support Grant (RSG) is a Government grant received to support the Council's activities as a whole and is not linked to any one service. In 2008/09 a number of service specific grants were un-ring fenced as part of the local government finance settlement and a general grant was created called the Area Based Grant (ABG) to compensate. In addition the council has also received one-off grants for general purposes, these are a grant towards Business Support (LABGI) grant and in 2007/08 a Public Sector Agreement (PSA) reward grant for meeting its PSA targets. Therefore, total general government grants received was as follows:

NOTES TO THE CORE FINANCIAL STATEMENTS

	2008/09	2007/08
	£'000	£'000
Revenue Support Grant	2,322	2,440
Area Based Grant	5,541	0
Public Sector Agreement Reward Grant	0	376
Local Authority Business Growth Initiative Grant	125	308
Total	7,988	3,124

17. Members Allowances

The total amount of Members' remuneration paid during 2008/09 was £515,560 this includes allowances and other remuneration (2007/2008 £505,744).

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: -

	2008/09			2007/08
Remuneration Range	Number of Council Staff	Number of Staff in Schools	Total Number of Staff	Total Number of Staff
£50,000 - £59,999	37	51	88	60
£60,000 - £69,999	15	17	32	25
£70,000 - £79,999	4	9	13	5
£80,000 - £89,999	5	2	7	6
£90,000 - £99,999	0	2	2	3
£100,000 - £109,999	1	0	1	4
£110,000 - £119,999	4	1	5	2
£120,000 - £129,999	1	0	1	1
£130,000 - £139,999	0	0	0	0
£140,000 - £149,999	0	0	0	0
£150,000 - £159,999	2	0	2	0
Total	69	82	151	106

The increase in the total number of staff earning over £50,000 is due to an increase of 25 staff employed directly by WBC which were in the band £50,000 to £59,999 and 20 staff employed directly by schools, the salaries of whom 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 Strategic Leadership Board, 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 2008/09 the following amounts were transacted with related parties:

- Grants totaling £251,413 were paid to voluntary organisations and charities in which 6 members and 2 officers declared interest
- Payments of £811,903 were made to voluntary organisations in which 4 members and 4 officers declared interest.
- Payments totaling £5,851,334 were made to companies in which 6 members declared interest and 11 officers declared an interest
- Payments of £65,644 were made to education establishments in which two members declared interest
- Parish Councils – 31 Councillors of Wokingham Borough Council are also Councillors of the 17 Parish Councils within the Borough. Each Parish Council has the ability to levy a precept upon Wokingham Borough Council for the collection of council tax on behalf of the Parish Councils. In 2008-09 Wokingham Borough Council collected and paid over £3,251,665 in Council Tax to the Parish Councils

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 2008/09 the following fees relating to external audit and inspection were payable to the Audit Commission:

Area	2008/2009	2007/2008
	£'000	£'000
External Audit Services	253	213
Statutory Inspection	142	24
Certification of Grant Claims and Returns	40	35
Total	435	272

The increase in statutory inspection fees for 2008/09 relates to the Corporate Assessment and Joint Area Review which the Council is required to have on a 3 year basis.

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
Cost or Valuation						
As at 1 st April 2008	204,168	403,549	3,926	3,151	76,414	691,208
Finance Lease Restated	24					24
Additions	1,416	10,285	528	3	3,934	16,166
Disposals		(328)	(74)			(402)
Reclassifications	(930)	1,549	1,230	(1,200)		649
Revaluations	5,247	3,267	14			8,528
Cost or Valuation as at 31st March 2009	209,925	418,322	5,625	1,953	80,348	716,173
Depreciation and Impairments						
As at 1 st April 2008	(1,918)	(8,277)	(460)		(1,704)	(12,359)
Charge I & E Account for 2008/09	(1,903)	(6,643)	(1,389)		(2,602)	(12,537)
Charge to Revaluation Reserve	(2,090)	(10)				(2,100)
Disposals		19	36			55
Reclassifications						
Revaluations						
As at 31 st March 2009						
Balance Sheet Amount as at 31st March 2009	204,014	403,411	3,811	1,954	76,042	689,232
Balance Sheet Amount as at 1st April 2008	202,273	395,906	3,466	3,151	74,710	679,506

NOTES TO THE CORE FINANCIAL STATEMENTS

Nature of the Asset Holding

Operational Assets	Council Dwellings	Other Land and Buildings	Vehicles, Plant etc	Community Assets	Infrastructure	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Owned	203,854	403,411	3,811	1,954	76,042	689,072
Finance Lease	160					160
Private Finance Initiative (PFI)						
Total	204,014	403,411	3,811	1,954	76,042	689,232

Historic Cost Analysis of Assets:

Operational Assets	Council Dwellings	Other Land and Buildings	Vehicles, Plant etc	Community Assets	Infrastructure	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Historic Cost						
As at 1 st April 2008	197,899	402,201	3,898	3,151	76,414	683,563
Additions	1,683	9,650	529	2	3,934	15,798
Disposals		(309)	(74)			(383)
Reclassifications	(930)	1,549	1,229	(1,199)		649
Historic Cost Depreciation and Impairments						
As at 1 st April 2008	(50)	(8,239)	(447)		(1,704)	(10,440)
Charge for 2008/09	(1,902)	(6,574)	(1,346)		(2,602)	(12,424)
Disposals		19				19
Reclassifications						
As at 31 st March 2009						
Historic Cost as at 31st March 2009	196,700	398,297	3,789	1,954	76,042	676,782

NOTES TO THE CORE FINANCIAL STATEMENTS

Non- Operational Assets	Surplus Properties	Assets Under Construction	Investment Properties	Total
	£'000	£'000	£'000	£'000
Cost or Valuation				
As at 1 st April 2008	12,356	10,993	10,947	34,296
Additions	13	9,757		9,770
Donations				
Disposals	(1,948)			(1,948)
Reclassifications		(649)		(649)
Revaluations				
Cost or Valuation as at 31st March 2009	10,421	20,101	10,947	41,469
Depreciation and Impairments				
As at 1 st April 2008	(340)			(340)
Charge I & E Account for 2008/09			(255)	(255)
Charge to Revaluation Reserve			(895)	(895)
Disposals				
Reclassifications				
Revaluations				
As at 31 st March 2009				
Balance Sheet Amount as at 31st March 2009	10,081	20,101	9,797	39,979
Balance Sheet Amount as at 1st April 2008	12,016	10,993	10,947	33,956

The main movements during the year relate to the council's on-going five year revaluation and capital programme. In 2008/09 the Council also recognised impairments of fixed assets as a result of the recession and a corresponding fall in property prices.

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 2009 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 2008 (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	2,772	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	3	Commercial & Industrial Properties	
Education Houses	41	(Leased out)	19
Detached Playing Fields	9	Properties Leased to Community /	
Public Libraries	9	Voluntary Bodies	22
Youth & Community Centres	6	Ground Leased Sites	48
Sports Centres and Pools	5	Tenanted Farms and Smallholdings	10
Other Leisure Centres	13	Depots (Leased out)	
Golf Courses	1	Surplus Assets	14
Residential Homes/Day Centres	12	Parks, Recreation Grounds and	
Other Residential Properties	1	Open Spaces (Hectares)	606

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			3,798	76,042	1,953	81,793
At current value in:						
2004/05		345,791				345,791
2005/06		7,141				7,141
2006/07		39,625				39,625
2007/08		3,871				3,871
2008/09	204,014	6,983	14			211,011
Total	204,014	403,411	3,812	76,042	1,953	689,232

23. Revenue Expenditure funded from Capital Resources under Statute

	2008/09	2007/08
	£'000	£'000
Disabled Facilities Grants	413	775
Early Years Grant Allocations	557	0
Capital works to Leased Offices	478	0
Other (Capital Expenditure)	631	1,933
Total	2,079	2,708

Other expenditure has been analysed at a more detailed level in 2008/09 due to some large grant funded expenditure.

NOTES TO THE CORE FINANCIAL STATEMENTS

24. Capital Expenditure and Financing

	2008/09	2007/08
	£'000	£'000
Opening Capital Financing Requirement	72,603	72,150
Adjustment made - Regulation changes		0
Capital Investment		
Operational Assets	15,833	13,876
Non-Operational Assets	9,770	8,302
Deferred Charges	2,723	2,708
Sources of Finance		
Capital Receipts	(4,709)	(5,101)
Government Grants and other Contributions	(20,833)	(16,515)
Sums set aside from revenue (NB includes direct revenue financing, MRP and voluntary set aside)	(2,784)	(2,817)
Closing Capital Financing Requirement	72,603	72,603
Explanation of Movements in Year		
Increase in underlying need to borrow - Supported Borrowing	0	453
Increase in underlying need to borrow - Unsupported Borrowing	0	0
Increase / (decrease) in capital Financing Requirement	0	453

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 Waingels College.

Breakdown of Capital Receipts received during the year.

	2008/09
	£'000
Disposal of Wokingham Resource & Opportunity Centre (WROC) site, Woosehill	(1,890)
Disposal of Robinson Crusoe & Grovelands Mobile Home parks	(500)
Disposal of 23 Hillside Road, Earley	(282)
Total	(2,672)

NOTES TO THE CORE FINANCIAL STATEMENTS

25. Capital Commitments

The estimated commitments for capital expenditure for schemes that had started, or legal contracts entered into, by 31st March 2009 are listed below:

	2008/09
	£'000
Waingels College	4,741
Vehicle Road Restraint System	794
Finchampstead Childrens Centre	509
A4 Shepherds House East Railway Bridge	254
Gypsy Site – Extra plots at Twyford	227
Customer First Programme	200
Addington Special School of the Future	189
Old Whitley Wood Lane Noise Barrier	154
Coombes & Arborfield Amalgamation	154
Replacement of Time Expired RC Group Chiller	149
Fire Inspection Works for All Schools	144
Little Acorns Pre School – New Building	135
Park Lane Flood Alleviation	134
Harnessing Technology Broadband Upgrades	124
Hawthorns Primary – Log cabin Classroom	104
Other Commitments Individually Under £0.1m	8,640
Total	16,652

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.

	Local Government Review	IT Software Licences	Total
	£'000	£'000	£'000
Original Cost	3,672	871	4,543
Amortisations to 01/04/08	(3,153)	(403)	(3,556)
Balance at 1/4/08	519	468	987
Movement in 2008/09			
Expenditure	0	302	302
Written off to revenue	(218)	(235)	(453)
Balance at 31/3/09	301	535	836

NOTES TO THE CORE FINANCIAL STATEMENTS

27. Analysis of Net Assets

	2008/09	2007/08
	£'000	£'000
General Fund	8,592	8,612
Housing Revenue Account	686	664
Trading Operations	0	0
Total	9,278	9,276

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 31/3/09	Balance as at 31/3/08
	£'000	£'000
Officer Car Loans	10	17
Total	10	17

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 and regional intelligence unit for Trading Standards' functions, training to the member authorities and other joined up trading standards services. It was established in 2004/05 and is limited by guarantee of £1. Wokingham Borough Council has an equal 1/19th share in the company and is able to nominate one director on the board of the company. The latest financial statements for the company were prepared at 31st March 2008 and show that turnover for 2007/08 was £1.5 million (£1.8m in 2006/07), the company made a profit of £8,333 (£4,789 in 2006/07) and had net assets of £13,745 (£5,412 in 2006/07). Wokingham Borough Council does not receive any dividend income from the company. The financial statements for the company for 2008/09 will be available in January 2010.

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

NOTES TO THE CORE FINANCIAL STATEMENTS

Connexions Berkshire Partnership is a charitable company set up between a wide range of partners such as the 6 Berkshire local authorities and other organisations from the health and voluntary sector to provide impartial advice and guidance services and learning and development services to young people. It was established in 2001 and is limited by guarantee of £10. Wokingham Borough Council is one of 32 partners who are able to nominate an officer as a trustee on the governing body of the company. The latest financial statements for the company were prepared as at 31st March 2008 and show that the turnover for 2007/08 was £8,795,906 (£10.1m in 2006/07), the company made a surplus of £753,777 (£314,341 in 2006/07) and had net assets of £402,118 (£374,341 in 2006/07). Wokingham Council does not receive any dividend income from the company. The financial statements for the company for 2008/09 will be available in October 2009.

A full set of the financial statements for the company can be obtained from the Assistant Director Finance and Contracts, Connexions Berkshire & Buckinghamshire, Pacific House, Imperial Way, Reading, Berkshire, RG2 0TF.

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 31/3/08	Debtors	Bad Debt Provision	Balance as at 31/3/09
	£'000	£'000	£'000	£'000
Local Tax Payers	3,649	5,154	(1,475)	3,679
Central Government	9,830	2,641	0	2,641
Rents	185	476	(420)	56
Other	7,293	6,928	(404)	6,524
Payments in Advance	3,351	2,068	0	2,068
Total	24,308	17,267	(2,299)	14,968

Following an assessment of debtors outstanding at the year end, a £137,880 increase in the bad and doubtful debt provision was effected in 2008/2009 through the General Fund. This follows a small decrease in the level of provision of £9,176 in 2007/08. Provisions for council tax, and business rates bad debts are charged to the Collection Fund and those in respect of council house rents are charged to the Housing Revenue Account. The provisions are set on the basis of outstanding debt and are required to safeguard against future under or non-recoveries. 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 31/3/09	Balance as at 31/3/08
	£'000	£'000
Central Government	(252)	(553)
Rents	(256)	(210)
Other	(22,252)	(18,033)
Receipts in Advance	(8,346)	(9,905)
Total	(31,106)	(28,701)

Other creditors consist of trade creditors of £9.9m, capital creditors of £2.4m and sundry creditors of £9m. Receipts in advance consist of £2.8m prepayments by business rate payers and £4.8m 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	2008/09		2007/08	
	Rental Payable in Year	Amount Charged to Revenue	Rental Payable in Year	Amount Charged to Revenue
	£'000	£'000	£'000	£'000
Land and Buildings	145	145	766	756
Vehicles, Plant and Equipment	42	42	110	110
Computer Equipment	24	24	395	395
Total	211	211	1,271	1,261

The outstanding commitments as at 31st March 2009 for operating leases is £816,000 as follows:

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	128	212	298
Vehicles, Plant and Equipment	32	43	0
Computer Equipment	65	38	0
Total	225	293	298

NOTES TO THE CORE FINANCIAL STATEMENTS

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	2008/09		2007/08	
	Rental Receivable in Year	Amount Recognised to Revenue	Rental Receivable in Year	Amount Recognised to Revenue
	£'000	£'000	£'000	£'000
Shops	69	69	113	117
Industrial Premises	1,008	939	928	932
Offices	41	41	31	35
Other	483	470	609	572
Total	1,601	1,519	1,681	1,656

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	(210)	7,404
Offices			
Other	9,689	(842)	8,847
Total	18,768	(1,052)	17,716

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 31/3/09 the authority estimates that it will have to surrender 30,600 LATS permits to DEFRA out of an allocation of 33,282, leaving the authority with a surplus of 15,386 permits (including surplus brought forward from previous years). The surplus cannot be carried forward into 2009/10 as it is a "Target Year". If the permits remain unsold by September 2009 they will be lost. However, at 31st March 2009 there has not been sufficient trading of LATS permits between authorities for WBC to sell its surplus, estimate a fair value for the permits or to attribute a value to the provision to surrender permits to DEFRA for 2008/09.

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 2008/09, 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 1/4/08	(Receipts)	Expenditure	Balance as at 31/3/09
	£'000	£'000	£'000	£'000
Ex-Berkshire CC Liabilities	(525)	0	285	(240)
LATS	0	0	0	0
Legal Cases	(124)	(150)	94	(180)
Total	(649)	(150)	379	(420)

35. Contingent Assets and Liabilities

Following the House of Lords judgement in the case of HMRC vs Conde Nast Publications Ltd and HMRC vs Fleming, Wokingham Borough Council has submitted various voluntary disclosure claims in relation to overpaid tax in the areas of sporting services, excess parking charges, library income and off street car parking that go back as far as 1973 in some cases. The Council is currently awaiting a response from HMRC to see whether any of the claims will be successful. The likelihood of success, the amount and timing of any refund due to the authority is uncertain but could amount to a maximum of £3 million (excluding interest). The off street car parking element included amount to £2.3m which is dependent on the success of the Isle of Wight case which is still to be heard by a VAT Tribunal, therefore the outcome of this is very uncertain.

There were no Contingent Liabilities in 2008/09

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.

NOTES TO THE CORE FINANCIAL STATEMENTS

The Financial Statements were authorised for issue by the General Manager for Business Services, Mr G Ebers, on 30th September 2009. 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.

38. Trust Funds

The Council acts as sole trustee for two trust funds. The total value of the funds at 31st March 2009 was £13,127 (31st March 2008 - £20,083).

Fund	Opening Balance	Receipts	Expenditure	Closing Balance
	£'000	£'000	£'000	£'000
Sports Sponsorship	(7)	(2)	1	(8)
Chairman's Appeal	(13)	(6)	14	(5)
Total	(20)	(8)	15	(13)

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 1/4/08	(Gain) / Loss	Net transfer (to) or from Reserve	Balance at 31/3/09
		£'000	£'000	£'000	£'000
Revaluation Reserve	Store of gains on revaluation of fixed assets	(12,880)	(5,534)	2,206	(16,208)
Capital Adjustment Account	Reflects the difference between the cost of fixed assets consumed and the capital financing set aside to pay for them	(595,972)	0	3,449	(592,523)
Useable Capital Receipts	Proceeds of fixed asset sales available to meet future capital investment	(6,555)	0	1,952	(4,603)
Pensions Reserve	Balancing account to allow inclusion of pensions liability in the balance sheet	38,576	31,646	4,278	74,500

NOTES TO THE CORE FINANCIAL STATEMENTS

Reserve	Purpose of the reserve	Balance at 1/4/08	(Gain) / Loss	Net transfer to or from Reserve	Balance at 31/3/09
		£'000	£'000	£'000	£'000
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.	3,853	1,082	(25)	4,910
Housing Revenue Account	Resources available to meet future running costs for council houses	(664)	0	(22)	(686)
Major Repairs Reserve	Resources available to meet capital investment in council housing	(415)		(432)	(847)
General Fund	Resources available to meet future running costs for non-housing services	(8,612)	0	20	(8,592)

Reserve	Purpose of the reserve	Balance at 31/3/08	Prior Period Adjustment	Balance at 1/4/08	Net transfer (to) or from Reserve	Balance at 31/3/09
		£'000	£'000	£'000	£'000	£'000
Capital Adjustment Account	Reflects the difference between the cost of fixed assets consumed and the capital financing set aside to pay for them	(644,904)	48,932	(595,972)	3,449	(592,523)

Financial Instruments Adjustment Account (FIAA)

This account reflects the timing difference between the financing costs included in the Income and Expenditure Account and the accumulated financing costs charged to the General Fund Balance. The net transfer to the reserve are shown in the table above.

Regulations issued in March 2009 allow the authority not to charge amounts relating to impaired investments to the General Fund. Such amounts are instead transferred to the Financial Instruments Adjustment Account. The authority has taken advantage of the regulation and has transferred the following losses in relation to its impaired Icelandic investments to the Financial Instruments Adjustment Account.

NOTES TO THE CORE FINANCIAL STATEMENTS

Bank	Amount Transferred to the Financial Instruments Adjustment Account
	£'000
Heritable Bank	770
Landsbanki	312
Total	1,082

Under the regulations, the authority must transfer the balance on the Financial Instruments Adjustment Account to the General Fund no later than 31 March 2011, and must also credit the Financial Instruments Adjustment Account with the interest earned until such time as the balance has been transferred to the General Fund.

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

	Balance at 1/4/08	(Contribution to Reserve)	Contribution from Reserve	Balance at 31/3/09
	£'000	£'000	£'000	£'000
Waste Equalisation Fund	(583)	(393)	1,094	118
Renewals Funds	(694)	(17)	45	(666)
Commuted Sums	(582)	(37)	0	(619)
Section 38/18 Fund	(107)	(4)	25	(86)
Insurance Fund	(863)	(356)	100	(1,119)
Housing Association Reserve	(132)	(5)	0	(137)
Other Funds	(611)	(128)	368	(371)
Interest Equalisation Fund	(1,073)	(1,373)	69	(2,377)
Total	(4,645)	(2,313)	1,701	(5,257)

(i) Waste Equalisation Fund

This reserve is held to even out the cost of the Waste PFI contract over the life of the contract. The balance on the reserve for the next 25 years was modelled as part of the business model for the PFI. The balance on the reserve will go into deficit during the early years of the contract with the maximum deficit due to occur by 31st March 2013. The deficit will be recovered by 31st March 2018 and then built into a surplus to fund the successor contract by 2032.

(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.

(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.

NOTES TO THE CORE FINANCIAL STATEMENTS

(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, Youth and Community Centre reserves, 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 originally established to reflect that the investments are held at the lower of market value and purchase price. The purpose of the reserve was changed in 2008/09 to hold surplus investment returns made during periods of high interest rates and temporarily high balances to cover any potential losses from periods of low interest rates and balances and to cover any possible losses from investment activities, including investments in Icelandic banks.

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 31/3/08	Amount Amortised to Revenue	Amount deferred	Balance as at 31/3/09
	£'000			£'000
Capital Contributions Deferred	(7,746)	632	(1,710)	(8,824)
Capital Grants Deferred	(26,427)	2,448	(17,699)	(41,678)
Total Capital Deferred Contributions and Grants	(34,173)	3,080	(19,409)	(50,502)

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 31/3/08	New Grants and Contributions	Amount applied to fund capital expenditure	Balance as at 31/3/09
	£'000			£'000
DEFRA LATS Grant	0	0	0	0
Capital Grants Unapplied	(12,775)	(27,382)	17,929	(22,228)
Developers Contributions	(9,869)	(2,276)	1,636	(10,509)
Earmarked Capital Contributions	(136)	0	0	(136)
Total Unapplied Grants and Contributions	(22,780)	(29,658)	19,565	(32,873)

Capital Grants include – The Targeted Capital Fund of 18m, Devolved Formula Grant of 3m & other smaller grants.

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	
	31/03/09	31/03/08	31/03/09	31/03/08
Financial Liabilities at amortised cost	(48,287)	(72,528)	(5,230)	0
Total Borrowings	(48,287)	(72,528)	(5,230)	0
Loans and Receivables	2,107	4,000	27,578	35,307
Financial liabilities at fair value through profit and loss	0	0	23,608	18,791
Total Investments	2,107	4,000	51,186	54,099

Under accounting requirements the financial instrument value shown in the balance sheet includes the principal amount borrowed or lent plus accrued interest and further adjustments for breakage costs or stepped interest loans (measured by an effective interest rate calculation).

Fair value has been measured directly by:

- Reference to published price quotations in an active market and
- Estimated using a valuation technique.

Financial liabilities have reduced as a result of significant debt repayments throughout the year. As a result of the turmoil in the financial markets, our strategy for dealing with surplus cash switched from investing to repaying debt.

Financial Instruments Gains/Losses

The gains and losses recognised in the Income and Expenditure Account and Statement of Total Recognised Gains and Losses (STRGL) in relation to financial instruments are made up as follows:

NOTES TO THE CORE FINANCIAL STATEMENTS

Financial Instruments Gains and Losses 2008/09	Financial Liabilities	Financial Assets		Total £000
	Liabilities measured at cost £000	Loans and Receivables £000	Available for sale assets £000	
Interest Expense	2,966			2,966
Premium paid on early redemption of debt	535			535
Interest Payable and similar charges	3,501			3,501
Impairment Losses	1,344			1,344
Impairment Losses	1,344			1,344
Interest Income		(3,491)	(1,648)	(5,139)
Interest and Investment Income		(3,491)	(1,648)	(5,139)
Net Gain / Loss for the year	4,845	(3,491)	(1,648)	(294)

The impairment losses shown are in relation to the principal and interest on the authority's investments in Icelandic banks. Income from available for sale assets relates to income from the council's certificates of deposit and other investments with external fund managers.

Financial Instruments Gains and Losses 2007/08	Financial Liabilities	Financial Assets		Total £000
	Liabilities measured at cost £000	Loans and Receivables £000	Available for sale assets £000	
Interest Expense	3,357			3,357
Interest Payable and similar charges	3,357			3,357
Interest Income		(2,267)	(1,500)	(3,767)
Interest and Investment Income		(2,267)	(1,500)	(3,767)
Net Gain / Loss for the year	3,357	(2,267)	(1,500)	(410)

Interest credited to the Income and Expenditure Account in respect of impaired investments is shown below. These investments have been impaired because of the difficulties experienced by Icelandic banks.

Bank	Credited 2007/08	Received 2007/08	Credited 2008/09	Received 2008/09
	£'000	£'000	£'000	£'000
Heritable Bank	45	0	145	0
Landsbanki	0	0	72	0

NOTES TO THE CORE FINANCIAL STATEMENTS

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

The fair values calculated are as follows:

	31/03/09		31/03/08	
	Carrying Amount £000	Fair Value £000	Carrying Amount £000	Fair Value £000
PWLB debt	28,990	30,356	48,390	51,653
Non-PWLB debt	24,527	25,395	24,138	26,114
Total Debt	53,517	55,751	72,528	77,767
Trade Creditors	22,252	22,252	18,033	18,033
Total Financial Liabilities	75,768	78,003	90,561	95,800

The fair value as at 31/03/09 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.

	31/03/09		31/03/08	
	Carrying Amount £000	Fair Value £000	Carrying Amount £000	Fair Value £000
Money Market Loans < 1 year	51,186	51,186	54,099	54,099
Money Market Loans > 1 year	2,107	2,221	4,000	4,257
Trade debtors	6,927	6,927	7,293	7,293
Total Financial Assets	60,220	60,334	65,392	65,649

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 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 has also been calculated using the same procedures and interest rates and this provides a sound approximation for fair value of these instruments.

NOTES TO THE CORE FINANCIAL STATEMENTS

The fair values for loans and receivables have been determined by reference to the Public Works Loan Board (PWLB) redemption rule 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.

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.

NOTES TO THE CORE FINANCIAL STATEMENTS

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 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.

	Amount at 31 March 2009 £000s	Historical experience of default Year 1 %	Adjustment for market conditions at 31 March 2009 %	Estimated maximum exposure to default £000s
	(a)	(b)	©	(a * c)
Deposits with banks and financial institutions				
AAA rated counterparties	11,824	0.00%	0.00%	0
AA rated counterparties	30,141	0.06%	0.06%	18
A rated counterparties	4,268	0.65%	0.65%	28
Other counterparties	3,141	0.65%	0.65%	20
Trade debtors	6,927	0.28%	0.56%	38
TOTAL	56,301			104

In October 2008 the Icelandic banking sector defaulted on its obligations. The Council had £5m invested in this sector at that time. In accordance with accounting practice the Council has been notified of objective evidence that impairment has occurred and the investments have been impaired according to accounting requirements. The impact of the principal invested has been mitigated in the accounts according to government regulations, although all related investment income has been fully impaired. The government regulations have the effect of deferring the impact of the impairment charge on the General Fund until 2010/11.

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

The Council also used non credit rated institutions (for instance smaller building societies). In these circumstances these investments have been classified as other counterparties.

The Council does not generally allow credit for its trade debtors, but £1.4m of the £6.1m balance is past its due date for payment. The past due amount can be analysed by age as follows:

	31/03/09 £000s	31/03/08 £000s
Less than three months	559	291
Three to six months	231	174
Six months to one year	188	207
More than one year	467	364
	1,445	1,036

NOTES TO THE CORE FINANCIAL STATEMENTS

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 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:

	31/03/09 £000s	31/03/08 £000s
Less than fifteen years	5,000	0
Between fifteen and twenty years	1,000	1,000
Between twenty-one and twenty-five years	0	0
Between twenty-six and thirty years	12,400	5,400
More than thirty years	34,188	66,128
	52,588	72,528

The maturity analysis of financial assets is as follows:

	31/03/09 £000s	31/03/08 £000s
Less than one year	47,362	54,099
Between one and two years	3,380	4,000
Between two and three years	930	0
More than three years	1,060	0
	52,732	58,099

NOTES TO THE CORE FINANCIAL STATEMENTS

The table above assumes repayment of Icelandic investments according to the rates and timings shown in note 43.

All trade and other payables are due to be paid in less than one year and trade debtors of £6.1m 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;
- 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	(758)
Impact on Income and Expenditure Account	(758)
Increase in Government grant receivable for financing costs	0
Share of overall impact debited to the HRA	12
	12
Decrease in fair value of fixed rate investment assets	22
Impact on STRGL	22
Decrease in fair value of fixed rate borrowings liabilities (no impact on I+E Account or STRGL)	8,421

NOTES TO THE CORE FINANCIAL STATEMENTS

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.

43. Impairment of Financial Instruments

Early in October 2008, the Icelandic banks Landsbanki, Kaupthing and Glitnir collapsed and the UK subsidiaries of these banks, Heritable and Kaupthing Singer and Friedlander went into administration. The authority had £5m deposited across 2 of these institutions, with varying maturity dates and interest rates as follows:

Bank	Date Invested	Maturity Date	Amount Invested £000	Interest Rate	Carrying Amount £000	Impairment £000
Heritable	01/11/06	03/11/08	2,000	5.45%	1,515	639
Heritable	01/09/08	28/08/09	1,000	6.20%	715	321
Landsbanki	01/08/08	27/02/09	1,000	6.05%	843	197
Landsbanki	01/09/08	28/08/09	1,000	5.50%	845	187
Total			5,000		3,918	1,344

All monies within these institutions are currently subject to the respective administration and receivership processes. The amounts and timing of payment to depositors such as the authority will be determined by the administrators/receivers.

The current situation with regards to the recovery of the sums deposited varies between each institution. Based on the latest information available, the authority considers that it is appropriate to consider an impairment adjustment for the deposits, and has taken the action outlined below. As the available information is not definitive as to the amounts and timings of payments to be made by the administrators/receivers, it is likely that further adjustments will be made to the accounts in future years.

Heritable Bank

Heritable Bank is a UK registered bank under Scots law. The company was placed in administration on 7 October 2008. The creditor progress report issued by the administrators, Ernst and Young, dated 17 April 09 outlined that the return to creditors was projected to be 80p in the £ by end 2012 with the first dividend payment of 15p in the £ due in the summer of 2009. The authority has therefore decided to recognise an impairment based on it recovering 80p in the £. It is anticipated that there will be some front loading of these repayments and that a final sale of assets will take place after the books have been run down to the end of 2012. Therefore in calculating the impairment, the Authority has made the following assumptions re timing of recoveries:

July 2009 – 15%
 July 2010 – 30%
 July 2011 – 15%
 July 2012 – 10%
 July 2013 – 10%

NOTES TO THE CORE FINANCIAL STATEMENTS

Recoveries are expressed as a percentage of the authority's claim in the administration, which includes interest accrued up to 6 October 2008.

Landsbanki

Landsbanki Islands hf is an Icelandic entity. Following steps taken by the Icelandic Government in early October 2008, its domestic assets and liabilities were transferred to a new bank (New Landsbanki) with the management of the affairs of Old Landsbanki being placed in the hands of a resolution committee. Old Landsbanki's affairs are being administered under Icelandic law. Old Landsbanki's latest public presentation of its affairs was made to creditors on 20 February 2009 and can be viewed on its website. This and other relevant information indicates that recovery of between 90%-100% could be achieved, and the authority has taken a mid point position and assumed recovery at 95% by 2012. The authority has therefore decided to recognise an impairment based on it recovering 95% in the £.

Recovery is subject to the following uncertainties and risks:

- Confirmation that deposits enjoy preferential creditor status which is likely to have to be tested through the Icelandic courts.
- The impact of exchange rate fluctuations on the value of assets recovered by the resolution committee and on the settlement of the authority's claim, which may be denominated wholly or partly in currencies other than sterling.
- Settlement to the terms of the 'bond' which will allow creditors of Old Landsbanki to enjoy rights in New Landsbanki.
- The impact (if any) of the freezing order made by the UK Government over Landsbanki's London assets.

Failure to secure preferential creditor status would have a significant impact upon the amount of the deposit that is recoverable. The total assets of the bank only equate to one third of its liabilities, assuming that the Bond remains at its current value. Therefore, if preferential creditor status is not achieved, the recoverable amount may only be 33p in the £.

No information has been provided by the resolution committee about the timing of any payments to depositors. Because it is anticipated that all the assets of Landsbanki Islands will need to be realised to repay priority creditors, settlement in a single sum is unlikely. Therefore, in calculating the impairment, the authority has used the estimated recovery timetables for Heritable and KS&F as a basis for its assumption about the timing of the recoveries. It is therefore assumed that the repayment will be split roughly evenly between March 2010, December 2010, December 2011 and December 2012.

Recoveries are expressed as a percentage of the authority's claim in the administration, which it is expected may validly include interest up to 14 November 2008 (or the maturity if earlier).

NOTES TO THE CORE FINANCIAL STATEMENTS

44. School Revenue Balances

The Schools hold balances of £5,584,340 under delegated schemes (£4,734,248 in 2007/08). These sums are currently earmarked for educational purposes. The school reserves and their movement are as follows:

	Balance at 1/4/08	(Contribution to Reserve)	Contribution from Reserve	Balance at 31/3/09
	£'000	£'000	£'000	£'000
Primary Schools	(2,505)	(6)	0	(2,511)
Secondary Schools	(1,798)	0	60	(1,738)
Special Schools	(576)	(215)	0	(791)
Schools Standards Grant Reserve	0	(4,314)	4,325	11
Schools Standards Fund Reserve	0	(31,279)	31,078	(201)
Learning & Skills Council Grant Reserve	0	(9,916)	9,916	0
Other school related funds	145	(499)	0	(354)
Total	(4,734)	(46,229)	45,379	(5,584)

45. Foundation, Voluntary Aided and Controlled 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 are included in the balance sheet of the Council. In 2008/09 the only Foundation school in Wokingham changed its status to a Voluntary Aided School.

Voluntary Aided and Controlled Schools are endowed by a trust, often religious in character. The Schools Standard Framework Act determines that the trustees own the school buildings. The Governing Bodies are responsible for the provision of premises and all capital work to school buildings. Subsequently values for fixed assets and long-term liabilities have not been consolidated in the balance sheet. In Wokingham there are 10 Voluntary Aided Schools and 9 Voluntary Controlled Schools with an estimated fixed asset valuation of £48.9m, as at 31st March 2009.

46. Dedicated Schools Grant (DSG)

The council's expenditure on schools is funded primarily by grant monies provided by the Department for Children, Schools and Families; the Dedicated Schools Grant (DSG). DSG is ringfenced and can only be applied to meet expenditure properly included in the Schools Budget, as defined in the School Finance (England) Regulations 2008. The Schools Budget includes elements for a range of educational services provided on an authority-wide basis and for the Individual Schools Budget, which is divided into a budget share for each maintained school.

NOTES TO THE CORE FINANCIAL STATEMENTS

Details of the deployment of DSG receivable for 2008/09 are as follows:

	Central Expenditure	Individual Schools Budget	Total
	£'000	£'000	£'000
Final DSG for 2008/09			84,607
Brought forward from 2007/08			(312)
Carry forward to 2009/10 agreed in advance			169
Agreed budget distribution in 2008/09	9,177	75,287	84,464
Actual Central Expenditure	(9,787)		
Actual ISB Deployed to Schools		(75,278)	
Local Authority Contribution for 2008/09	0	0	0
Carry forward to 2009/10	(610)	9	(770)

47. 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 are described below:

Local Government Scheme (LGPS)

Under the 2008 SORP the council has adopted the amendment to FRS 17, retirement benefits. As a result of the change in accounting policy, quoted securities held as assets in the defined benefit pension scheme are now valued at bid price rather than mid-market value. The effect of this change is that the value of scheme assets at 31 March 2008 has been restated from £133.6m to £132.3m, a decrease of £1.3m, resulting in an increase of the pension deficit of £1.3m (31 March 2008 liability was £22m). Current and prior year surplus have been unaffected by this change.

Transactions relating to retirement benefits

We recognise the cost of retirement benefits in the Net Cost of Services when they are earned by employees, rather than when the benefits are eventually paid as pensions. However, the charge we are required to make against council tax is based on the cash payable in the year, so the real cost of retirement benefits is reversed out in the Statement of Movement in the General Fund Balance. The following transactions have been made in the Income and Expenditure Account and Statement of Movement in the General Fund Balance during the year:

NOTES TO THE CORE FINANCIAL STATEMENTS

Local Government Pension Scheme		
Income and Expenditure Account	2008/09	2007/08 Restated
	£'000	£'000
Net Cost of Service		
Current Service Cost	7,858	7,028
Past Service Costs	635	-
Settlements & Curtailments	98	178
Charge to Net Cost of Services	8,591	7,206
Expected Return on Employer Assets	(9,680)	(10,113)
Interest on Pension Scheme Liabilities	10,450	9,017
Expected return on Berkshire County Council Assets	763	296
Charge to Operating Expenditure	1,533	(800)
Net Charge to Income and Expenditure Account	10,124	6,406

Local Government Pension Scheme		
Statement of Movement in the General Fund Balance	2008/09	2007/08 Restated
	£'000	£'000
Reversal of net charges made for retirement benefits in accordance with FRS17	(10,124)	(6,406)
Actual amount charged against the general fund balance for pensions in the year:	5,846	5,579
Net Charge to the Statement of Movement on the General Fund Balance	(4,278)	(827)

The actual amount charged against the general fund balance in the year is the amount the Council paid to the pension fund in employer's contributions towards the scheme. This represents 14.5% of pensionable pay.

Past service costs relate to the additional cost arising in previous accounting periods of changes to the local government pension scheme in respect of increasing the pension guarantee following retirement from 5 to 10 years and the introduction of contingent dependents' benefits for cohabitants.

Wokingham Borough Council is also responsible for a share of the former Berkshire County Council (BCC) Local Government Pension Scheme. 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. An amount of £763,197 was charged to the Income and Expenditure Account as WBC's share of the interest charge on the liabilities of the Berkshire County Council Scheme.

NOTES TO THE CORE FINANCIAL STATEMENTS

A valuation of the Berkshire County Council Local Government Pension Scheme has been undertaken by the Actuary, Barnett Waddington, who assessed the Net Pension Liability as at 31st March 2009. The liability has been shared between the Berkshire Councils on the basis of population as at 31st March 1998, as follows:

	% Share	2008/09 £'000	2007/08 restated £'000	2006/07 £'000
Bracknell	13.7320%	(16,736)	(12,043)	(8,698)
West Berkshire	18.2907%	(22,292)	(16,041)	(11,586)
Reading	16.6933%	(20,345)	(14,640)	(10,574)
Slough	13.0339%	(15,886)	(11,431)	(8,256)
Windsor	19.1940%	(23,393)	(16,834)	(12,158)
Wokingham	19.0561%	(23,225)	(16,713)	(12,070)
Net Pension Asset / (Liability)	100 %	(121,877)	(87,702)	(63,342)

Assets and Liabilities in relation to retirement benefits of the Local Government Pension Scheme.

Reconciliation of present value of the scheme liabilities:

	Wokingham BC Scheme		Former Berkshire CC Scheme	
Liabilities, Local Government Pension Scheme	2008/09	2007/08 restated	2008/09	2007/08 restated
	£'000	£'000	£'000	£'000
As at 1 st April	155,749	160,956	229,371	235,099
Current Service Cost	7,858	7,028	0	0
Interest Cost	10,450	9,017	14,606	13,158
Contributions by Scheme Participants	2,710	2,367	0	0
Actuarial Gains and (Losses)	(25,280)	(19,945)	(19,348)	(2,599)
Benefits Paid	(5,138)	(3,712)	(15,481)	(16,286)
Unfunded pension payments	(165)	(140)	(918)	0
Losses (gains) on curtailments	98	178	0	0
Past Service Costs	635	0	0	0
Liabilities as at 31st March	146,917	155,749	208,230	229,372

Reconciliation of the fair value of scheme assets:

	Wokingham BC Scheme		Former Berkshire CC Scheme	
Local Government Pension Scheme	2008/09	2007/08 restated	2008/09	2007/08 restated
	£'000	£'000	£'000	£'000
As at 1 st April	132,345	135,375	141,669	170,040
Expected rate of return	9,680	10,113	9,683	11,887
Actuarial Gains and (Losses)	(49,801)	(17,352)	(49,517)	(23,972)
Employer Contributions	6,011	5,555	918	0
Contributions by Scheme Participants	2,710	2,367	0	0
Estimated Benefits Paid (net of transfers in)	(5,303)	(3,712)	(16,399)	(16,286)
Fair Value of Scheme Assets as at 31st March	95,642	132,346	86,354	141,669

NOTES TO THE CORE FINANCIAL STATEMENTS

The expected return on scheme assets is determined by considering the expected returns available on the assets underlying the current investment policy. Expected yields on fixed interest investments are based on gross redemption yields as at the Balance Sheet date. Expected returns on equity investments reflect long-term real rates of return experienced in the respective markets.

The actual return on scheme assets in the year was £40,121,000 (2007/08: £10,859,000).

Scheme History

Wokingham BC Scheme	2008/09	2007/08 restated	2006/07 restated	2005/06*	2004/05 *
	£'000	£'000	£'000	£'000	£'000
Present Value of the Liabilities	(145,086)	(153,753)	(158,808)	(156,338)	(123,000)
Fair Value of Assets	95,642	132,346	135,375	122,704	97,000
Present Value of unfunded Obligations	(1,831)	(1,996)	(2,148)	0	0
Surplus / (Deficit) in the WBC Scheme	(51,275)	(23,403)	(25,581)	(33,634)	(26,000)

* The council has elected not to restate fair value of scheme assets for 2005/06 and 2004/05 as permitted by FRS 17 (as revised).

Former Berkshire County Council Scheme	2008/09	2007/08 restated	2006/07 restated	2005/06*	2004/05 *
	£'000	£'000	£'000	£'000	£'000
Present Value of the Liabilities	(201,450)	(221,682)	(227,373)	(239,458)	(224,000)
Fair Value of Assets	86,354	141,669	170,040	172,980	153,000
Present Value of unfunded Obligations	(6,780)	(7,689)	(7,726)	(8,952)	0
Surplus / (Deficit) in the BCC Scheme	(121,876)	(87,702)	(65,059)	(75,430)	(71,000)

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, statutory arrangements for funding the deficit mean that the financial position of the authority remains healthy because the deficit on the local government scheme will be made good by increased contributions over the remaining working life of employees, as assessed by the scheme actuary

The total contributions expected to be made to the Local Government Pension Scheme by the council in the year to 31 March 2010 is £5,764,000 representing 15% of pensionable pay.

NOTES TO THE CORE FINANCIAL STATEMENTS

Basis for estimating assets and liabilities

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 principal assumptions used by the actuary have been:

Actuarial Assumptions	2008/09	2007/08
Long-term expected rate of return on assets in the scheme:		
Equity Investments	7.4%	7.9%
Gilts	4.0%	4.5%
Bonds	6.5%	6.6%
Property	5.5%	5.9%
Cash	3.0%	5.0%
Mortality Assumptions:		
Longevity at 65 for current pensioners:		
Men	21.27	21.27
Women	24.33	24.33
Longevity at 65 for future pensioners:		
Men	22.21	22.21
Women	25.26	25.26
Rate of Inflation	3.0%	3.7%
Rate of increase in salaries	4.5%	5.2%
Rate of increase in pensions	3.0%	3.7%
Rate for discounting scheme liabilities	6.7%	6.6%
Take up of option to convert annual pension in to retirement lump sum	50%	50%

In assessing liabilities for retirement benefits at 31 March 2009 for the 2008/09 Statement of Accounts, the actuary assumed a discount rate of 3.6% real (6.7% actual), a rate based on the current rate of return on a high-quality corporate bond of equivalent currency and term to scheme liabilities is to be used.

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

Assets (Whole Fund)	2008/09	2007/08
Equity Investments	62.2%	70.3%
Gilts	9.5%	7.9%
Other Bonds	14.6%	8.0%
Property	10.7%	10.5%
Cash	3.0%	3.3%
Total	100%	100%

NOTES TO THE CORE FINANCIAL STATEMENTS

Amounts recognised in the Statement of Recognised Gains and Losses

The actuarial gains identified as movements on the Pensions Reserve in 2008/09 can be analysed as follows at 31 March 2009:

	2008/09	2007/08 restated
Actual return less expected return on pension scheme assets	(49,801)	(20,972)
Experience gains and losses	0	339
Changes in assumptions underlying the present value of the scheme liabilities	25,280	23,226
Actuarial gain / (loss) in the WBC pension scheme	(24,521)	2,593
WBC's share of the Actuarial gain / (loss) in the BCC pension scheme	(5,749)	(4,401)
Total Actuarial gain/ loss	(30,270)	(1,808)

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.

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 2008/09 the Council paid £6,507,789 to the Pensions Agency in respect of teachers' retirement benefits, representing 14.1% of pensionable pay. The figures for 2007/08 were £6,298,799 and 14.1%.

In addition, an amount of £70,505 has been paid in respect of added years pension payments to retired teachers (2007/08 - £80,858).

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.

48. Euro Costs

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

NOTES TO THE CORE FINANCIAL STATEMENTS

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

	2008/09		2007/08
	£'000	£'000	£'000
General fund (surplus) deficit	11,314		(23)
Collection fund cash contribution	(496)		(653)
Cash settlement with Berkshire County Council	0		0
		10,818	(676)
Non-Cash Transactions:			
Depreciation & Impairment		(9,880)	0
Revaluation decreases written off to I&E during the year		(1,243)	0
Deferred Charges amortised in year		3,080	0
Pension Fund adjustments		(4,278)	(858)
Other non cash Financial Instrument adjustments		429	0
Contributions to Provisions		229	(1,436))
Deferred Charges		(2,079)	0
Gain or Loss on the disposal of Fixed Assets		379	0
Capital Financing Costs		0	(5,629)
Increase / (Decrease) in Provision for Bad Debts		0	(233)
Contribution to / from Reserves		0	(1,170)
		(13,363)	(7,923)
Increase / (Decrease) in Stock	0		0
Increase / (Decrease) in Debtors	(9,746)		(603)
(Increase) / Decrease in Creditors	(721)		3,228
External Interest Received	4,876		3,767
External Interest Paid	(4,582)		(3,357)
		(10,173)	3,035
Net cashflow from revenue activities		(12,718)	(5,564)

50. Reconciliation of the Movement in Net Debt

Reconciliation of changes in cash to movement in net debt:	2008/09	2007/08
	£'000	£'000
Increase /(Decrease) in cash in year	(6,289)	5,537
Cash inflow/(Outflow) from management of Liquid Resources	2,913	(6,822)
Cash inflows from:		
New loans raised	5,160	15,000
Discounts received on debt restructuring	0	0
Cash outflow from:		
Loans repaid	(24,802)	(14,862)
Changes in net debt resulting from cash flows	(23,018)	(1,147)

NOTES TO THE CORE FINANCIAL STATEMENTS

Reconciliation of changes in cash to movement in net debt:	2008/09	2007/08
	£'000	£'000
Interest accrued at year end for loans carried at nominal value	631	0
Net Debt B/Fwd	25,049	26,196
Net Debt as at 31st March	2,662	25,049

51. Reconciliation of Financing and Management of Liquid Resources

Analysis of Changes in Cash and Liquid Resources during the year	Balance at 1/4/08	Cash Movement	Balance at 31/3/09
	£'000	£'000	£'000
Temporary Investments	54,099	(2,913)	51,186
Short Term Deposits	0	0	0
Cash	2,726	(269)	2,457
Bank overdraft	(9,346)	6,558	(2,788)
Total	47,479	3,376	50,855

52. 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.

53. Analysis of Government Grants

	2008/09	2007/08
	£'000	£'000
i) The Categories of Government Grant shown in the Cashflow Statement are:		
Capital Activities	26,450	17,553
Revenue Activities	156,748	157,646
Total	183,198	175,199
ii) Analysis of Government Grants		
(Analysis of Revenue Grants)		
Dedicated Schools Grant	84,607	81,022
Standards Fund Grant	9,844	19,983
Housing Benefit Grants	19,720	18,163
Health Authority Income	1,610	9,894
Learning and Skills Council	9,916	10,068
Area Based Grant	5,550	0
Formula Grant (RSG)	19,001	16,978
Other Specific Government Grants	6,500	1,538
Total	156,748	157,646

NOTES TO THE CORE FINANCIAL STATEMENTS

54. Reconciliation of changes in cash to movement in net debt:

Reconciliation of changes in cash to movement in net debt	Balance at 1/4/08	Cashflow/ changes in year	Other Non Cash changes	Balance at 31/3/09
	£'000		£'000	£'000
Cash	(6,620)	6,289	0	(331)
Temporary Investments & Short Term Deposits	54,099	(2,913)	0	51,186
Total	47,479	3,376	0	50,855
Loans due within one year	0	630	(630)	0
Loans due after more than one year	(72,528)	19,011	0	(53,517)
Deferred Liabilities	0	0	0	0
Net Debt	(25,049)	23,017	(630)	(2,662)

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 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 2008/09 the Housing Revenue Account budgeted to use £256,000 of reserves. However, it under spent by £221,000. The HRA reserves has a balance of £686,477. The Major Repairs Reserve, which is the capital element of the HRA, underspent by £432,000 and now has a balance of £847,000. The MRA reserves are ring-fenced and will, therefore, be carried forward for future projects.



HOUSING REVENUE ACCOUNT

	Notes	2008/09		2007/08
		£'000	£'000	£'000
Income				
Rent (gross):				
Dwelling	1	(11,219)		(10,657)
Non-Dwelling		(200)		(206)
Charges for facilities and services		(717)		(833)
Contributions towards expenditure	3	(81)		0
Total Income			(12,217)	(11,696)
Expenditure (including FRS 17 Pensions Costs)				
Repairs and maintenance		2,343		3,280
Supervision and management	7	2,548		2,383
Rents, rates, taxes and other charges	6	49		50
Negative HRA subsidy payable	3	4,854		3,798
Depreciation of fixed assets	5	1,848		1,868
Impairment of Crescent House		0		340
Transfer to Bad Debt Provision	9	91		0
Debt management costs		1		1
Total Expenditure			11,734	11,720
Net Cost of HRA services			(483)	24
Gain or loss on sale of fixed assets			0	0
Interest payable and similar charges			71	98
Interest and investment income			(41)	(48)
Pensions interest cost and expected return on assets			0	0
Total: (Surplus) / Deficit for the year on HRA Services			(453)	74

STATEMENT OF THE MOVEMENT ON THE HRA BALANCE

Statement of Movement on the Housing Revenue Account Balance	2008/09	2007/08
	£'000	£'000
(Surplus) / Deficit on the HRA Income and Expenditure Account	(453)	74
Items included in the HRA Income & Expenditure Account but excluded from the movement on HRA balance for the year		
Difference between interest payable (and similar charges) and those determined by statute (Note 11)	51	51
Impairment of HRA fixed assets	0	(340)
Amortisation of premiums and discounts	477	477
Amortisation of HRA Leases	(49)	(50)
Transfer to Financial Instruments Adjustment Account	(9)	(1,483)
Derecognition & remeasurement (premiums & discounts)	0	1,483
Items not included in HRA Income & Expenditure Account but included in the movement on HRA balance for the year		
HRA share of contributions to or (from) the pensions reserve	(40)	(29)
Capital expenditure funded by the HRA	0	0
Transfer to / (from) other reserves	0	0
Transfer to / (from) Major Repairs Reserve	(432)	(415)
Sub-Total	(455)	(232)
HRA Balance Brought Forward (incl MRA)	(1,079)	(847)
HRA Balance Carried Forward (incl MRA)	(1,534)	(1,079)

Statement of Movement on the Housing Revenue Account Balance (Excluding Major Repairs Reserve)	2008/09	2007/08
	£'000	£'000
Balance at the beginning of the year	(664)	(847)
Gain on remeasurement of financial instruments	0	(24)
Amortisation of HRA Leases	(48)	0
Transfer to Financial Instruments Adjustment Account per regulations	(9)	0
(Surplus) / Deficit	35	207
Balance at the end of the year	(686)	(664)

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 2008/09 rents increased by an average of 6.74%, except for certain rents which were capped as follows:-

£107.33	1 Bedroom and Bedsitter
£113.64	2 Bedroom
£119.96	3 Bedroom
£126.27	4 Bedroom
£132.58	5 Bedroom

Non-Dwelling Rents

This includes rent of garages, land and wayleaves. The garage rent increase for 2008/09 was 5% to Tenants (2007/08 - 5%). Garage rent to non-tenants also increased by 5%.

2. Housing Stock

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

HRA Stock	2008/09	2007/08
	Number of Properties	Number of Properties
Low & Medium Rise Flats	880	880
Traditional Houses and Bungalows	1,554	1,554
Non-Traditional Houses and Bungalows	338	338
Total	2,772	2,772

HRA Stock	2008/09	2007/08
	Number of Properties	Number of Properties
Dwellings	2,410	2,410
Sheltered Units	315	315
Shared Equity Properties	47	47
Total	2,772	2,772

Changes in the housing stock are detailed below:

HRA Stock	2008/09	2007/08
	Number of Properties	Number of Properties
Stock at 1st April 2008 (Opening Stock)	2,772	2,839
Less: Sales	0	(14)
Demolition of Crescent House (Sheltered)	0	(52)
Stock at 31st March (Closing Stock)	2,772	2,772

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	202,057	267	202,324
Accumulated depreciation and impairment	(1)	(51)	(52)
Net book value at 31/3/08	202,056	216	202,272
Movement in 2008/09			
Assets Reclassified	(950)	20	(930)
Additions	1,415	0	1,415
Disposals	0	0	0
Revaluations	5,247	0	5,247
Depreciation	(1,844)	(58)	(1,902)
Impairments	(2,089)	0	(2,089)
Net book value at 31/3/09	203,835	178	204,013

The balance sheet value of housing stock 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 2009 was £449,857,500.

In addition there are three properties within the HRA that are used for other purposes i.e. community houses. A change of use was made and these attract business rates. These are valued on a different basis as they are no longer treated as dwellings, which totals £537,333. Therefore total stock valuation is £450,039,833.

HRA Non Operational Assets	Council Dwellings for Re- Development
	£'000
Gross Valuation at 31/3/08	2,340
Accumulated depreciation and impairment	(340)
Net book value at 31/3/08	2,000
Movement in 2008/09	
Assets Reclassified	0
Additions	0
Disposals	0
Revaluations	0
Depreciation	0
Impairments	0
Net book value at 31/3/09	2,000

During the year, Crescent House, Woodley was demolished in preparation for re-development of the site. The net book value for non-operational assets relates to the value of the land.

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:

	2008/09	2007/08
	£'000	£'000
Allowance for Management	1,356	1,277
Allowance for Maintenance	2,775	2,725
Allowance for Major Repairs	1,848	1,868
Charges for Capital	820	900
Interest on Receipts	0	0
Admissible Allowance	0	0
Rental Constraint Allowance	0	780
Guideline Rent Income	(11,653)	(11,221)
Adjustment for final audited claim	0	(127)
Housing Subsidy Payable to Government	(4,854)	(3,798)

The payment in subsidy increased in 2008/09 due to the abolition of the rental constraint allowance which the authority received in 2007/08 and 2006/07 for limiting the annual increase in rent to the government's formula.

In 2008/09 a contribution towards expenditure was made from the balance sheet provision for housing subsidy.

4. Major Repairs Reserve

The total capital expenditure on housing and other property within the HRA was £1,415,523 and was financed through the Major Repairs.

Movement on Major Repairs Reserve Balances:

	2008/09	2007/08
	£'000	£'000
Income		
Major Repairs Allowance	(1,848)	(1,868)
Transfer from HRA	0	0
Transfer from other reserves	0	0
Total Income	(1,848)	(1,868)
Capital Expenditure	1,416	1,453
(Surplus) / Deficit	(432)	(415)
Balance at 1st April	(415)	0
Balance at 31st March	(847)	(415)

5. Depreciation

The Government's Major Repair Allowance (£1,847,640) has been accepted as a reasonable estimate of the measure of depreciation on operational assets comprising HRA dwellings.

NOTES TO THE HOUSING REVENUE ACCOUNT

6. Impairments and Deferred Charges

There was £48,698 amortisation charge relating to HRA leases. This amount was charged to the HRA in 2008/09.

7. Contributions to the Pensions Reserve

The Housing Revenue Account has been charged an additional £40,264 pension costs in accordance with FRS 17. These costs are included in the Supervision & Management heading and Repairs and Maintenance. 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 £440,000 at 31st March 2009, representing a decrease of £58,000 on the position at 31st March 2008. The arrears were made up as follows:

	2008/09	2007/08
	£'000	£'000
Current Tenants	328	333
Former Tenants	112	165
Total	440	498

9. Bad Debts Provision

The dwelling rents are shown before deduction of the bad debts provision for the year. Although rent arrears have decreased over the year, the provision for bad debts has been increased as a result of changes in the economy over the past year. The provision is detailed below:

	2008/09	2007/08
	£'000	£'000
Balance at 1st April	329	329
(Decrease) / Increase in provision for the Year	91	0
Balance at 31st March	420	329

10. Exceptional or Prior Year Items

There were no exceptional or prior year adjustments to the HRA in 2008/09.

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. In 2008/09 the fund made a surplus of £948,000. The surplus will be distributed between the major precepting authorities as part of the 2010/11 budget.

COLLECTION FUND

	Notes	2008/09		2007/08
		£'000	£'000	£'000
Income from Council Tax Payers	2	(84,282)		(79,983)
Transfers from General Fund				
Council Tax Benefits	2	(4,051)		(3,742)
Transitional Relief		596		6,623
Income collectable from Business Ratepayers		(48,885)		(51,205)
Contributions towards previous years' Collection Fund Deficit	4	0		(379)
Total Income			(136,622)	(128,686)
Precepts and Demands:				
Wokingham Borough Council		72,248		68,280
Parish Councils		3,252		3,105
Police Authority		9,316		8,884
Fire Authority		3,381		3,197
Business Rates:				
Payment to National Pool	3	48,015		43,815
Costs of Collection	3	184		188
Bad / Doubtful debts				
Provisions		(362)		564
Write Offs		91		
Total Expenditure			136,125	128,033
Movement in Collection Fund in Year			(497)	(653)
Balance at 1st April			(451)	202
Balance at 31st March	4		(948)	(451)

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	Ratio	Band D Equivalent	
			Dwellings 2008/09	Dwellings 2007/08
A	1,288	6/9	859	858
B	2,639	7/9	2,053	2,016
C	7,672	8/9	6,819	6,625
D	15,731	1	15,731	15,535
E	13,266	11/9	16,214	16,039
F	8,830	13/9	12,754	12,617
G	5,374	15/9	8,956	8,782
H	372	18/9	744	708
Total			64,130	63,180
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.		227	645
Council Tax Base			64,357	63,825

The average Council Tax for a Band D property in Wokingham Borough in 2008/2009 was £1,370.44. This average B and D Council Tax is distributed as follows:

	2008/09 £	2007/08 £
Wokingham Borough Council	1,122.61	1,069.81
Thames Valley Police Authority	144.76	139.19
Parish Councils (Average)	50.53	48.64
Fire Authority	52.54	50.09
Average Band D Council Tax	1,370.44	1,307.73

COLLECTION FUND

Income from Council Tax can be analysed as follows:

	2008/09	2007/08
	£'000	£'000
Council Tax Base	64,357	63,825
Average Band D	1,370.44	1,307.73
Notional Yield	88,197	83,466
Income from Council Tax Payers	84,191	79,983
Council Tax Benefits	4,051	3,742
Changes in Yield	(45)	(259)
Notional Yield	88,197	83,466

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 2009 was £120,594,100 (£122,591,649 at 31st March 2008). The business rate multiplier set by Central Government for the year was 46.2p (2007/08 – 44.4p).

	2008/09	2007/08
	£'000	£'000
Total Rateable Value as at 31st March	120,594	122,592
NNDR Multiplier	46.2	44.4p
Notional Yield	55,714	54,431
Allowances / Rateable Value Changes / Occupation Changes	(8,449)	(18,033)
Notional Income from Business Rates	47,265	36,398
Transitional Relief	596	6,623
Cost of Collection Allowance	184	188
Bad and Doubtful Debt	(45)	593
Discretionary Relief Adjustment	15	13
Payment to National Pool	48,015	43,815

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 £947,677 will be accounted for in the distribution calculation prior to 15th January 2010.

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.

		2008/09 £'000	2007/08 £'000
Employees	Direct employee expenses		
	Salaries and wages	103,022	98,127
	Employer's NICs	7,692	7,418
	FRS17 Defined benefit costs	8,518	7,206
	Contributions to centrally administered unfunded pension schemes	6,754	6,466
	Agency staff	3,378	3,548
	Employee expenses	2,049	1,977
	Indirect employee expenses	4,246	4,029
	Contributions to employee related provisions	0	0
Premises	Total premises costs	26,730	25,334
Transport	Total Transport costs	3,507	3,307
Supplies and services	Total purchase of supplies and services	33,453	31,475
Third party payments	Independent units within the council	0	0
	Joint Authorities	0	0
	Other local Authorities	6,804	7,116
	Health authorities	6,693	8,152
	Government departments	4,997	3,904
	All other bodies	17,418	16,976
Transfer payments	Total transfer payments	47,595	41,879
Support services	Total recharges from support services	44,818	28,506
Capital charges	Depreciation on assets	11,493	11,406
	Amortisation of Intangible Assets	283	749
	Loss on Impairment	1,243	2,278
	Amortisation of Government of Government Grants Deferred	(3,080)	(3,025)
	Amortisation of Other Government Grants and Contributions	2,079	2,708
Total Expenditure		339,692	309,536

SUBJECTIVE INCOME AND EXPENDITURE ACCOUNT

		2008/09 £'000	2007/08 £'000
Income	Specific Government Grants	(139,998)	(134,002)
	Other grants, reimbursements and contributions	(14,252)	(17,343)
	Customer and client receipts		
	Recharge receipts	(45,352)	(31,282)
	External Receipts	(30,629)	(29,523)
	Other operating income	(2,086)	(1,986)
Net Cost of Services		107,375	95,400
	Local precepts	3,252	3,105
	Other interest receivable and similar income	(5,139)	(3,767)
	Pensions Interest Costs	11,213	9,307
	Expected Return on Pension Assets	(9,680)	(10,077)
	Premiums & Discounts Written-off		
	Amortisation of deferred premiums and discounts	(379)	0
	Interest Payable	4,843	3,357
	Amounts Payable to Housing Capital Receipts Pool	0	1,264
	Other Corporate Income	(5)	(253)
Net Operating Expenditure		111,480	98,336

	2008/09 £'000	2007/08 £'000
Distributed Surplus / Deficit on the collection fund	0	325
Council Tax Precepts/Demands on Collection Fund	(75,499)	(71,384)
LA Levy Income	0	0
Redistributed Non-Domestic Rates	(16,679)	(14,538)
Revenue Support Grant	(7,988)	(2,440)
Police Grant	0	0
General GLA Grant	0	0
Other General Grant	0	(684)
(Surplus) / Deficit	11,314	9,615



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 2009 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 2008 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 2008 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 2008, the financial position of the Council as at 31 March 2009 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 2009.

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: Date:

Phil Sharman CPFA CANZ
District Auditor
Audit Commission
Unit 5, ISIS Business Centre
Horspath Road
Cowley
Oxford
OX4 2RD

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.

Curtailment Costs (Pensions)

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

Debtors

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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