Statement of Accounts
2009/10

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WOKINGHAM
BOROUGH COUNCIL

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WOKINGHAM BOROUGH COUNCIL

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STATEMENT OF ACCOUNTS

FOR THE YEAR ENDED 31ST MARCH 2010

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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 2009/2010 are set out on pages 2 to 114 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. The collection fund shows the income and expenditure for all major preceptors. Wokingham Borough Council only accounts for its share of the collection fund in the income and expenditure account and balance sheet.

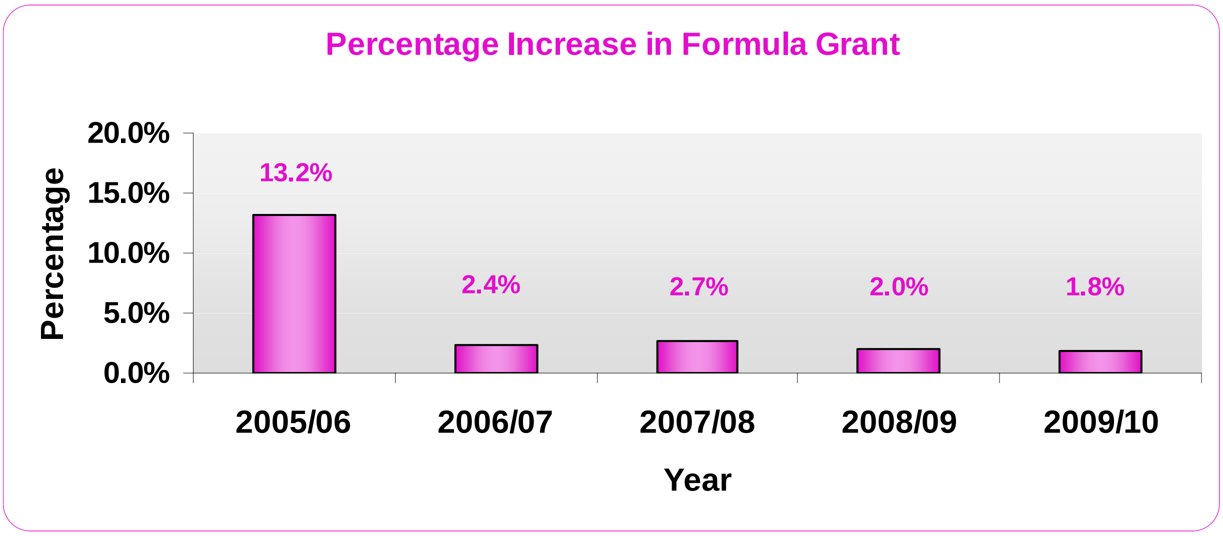
These accounts have been compiled in accordance with the Code of Practice. The Code was developed by the Chartered Institute of Public Finance and Accountancy (CIPFA) and Local Authority (Scotland) Accounts Advisory Committee (LASAAC) Joint Committee.

2. The Code of Practice on Local Authority Accounting in the United Kingdom: A Statement of Recommended Practice 2009 (SORP)

These accounts have been compiled in accordance with the 2009 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 2009/10 of just 1.75%.



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 and landfill tax) and pressure to improve services from both the public and the Government. The 2009/10 budget contained £2.9m cost containment measures and efficiencies to set a council tax of 4.79%.

During 2009/10 the Council faced pressure on the Revenue Budget resulting from reductions in income as a result of the national economic climate and an increase in client numbers for nursing and residential care. However, this was offset by a reduction in borrowing costs, reduced spending on agency staff and a lower than expected uptake of concessionary travel permits. As a result the Council was able to report an underspend of £958,000 (before carry forwards) at 31st March 2010 against its budget. The General Fund reserves at 31st March 2010 stand at £7.9m (before carry forwards). The Housing Revenue Account (HRA) experienced significant slippage on its cyclical repairs and maintenance programme during the year. The HRA underspent by £451,000 against its approved budget of £116,000, leaving balances of £1,305,000 as at 31st March 2010. 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 2010/11 Medium Term Financial Plan produced a three year revenue and capital budget. The budget addressed all major potential financial risks, known growth pressures and identified a number of efficiency savings. For the second year running we carried out a Zero Based Budget Review in determining the 2010/11 budget which fully aligns the council's budget to its strategic priorities. The 2011/12 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 2009/10, the accounts show a net pension liability of £147m. This has significantly increased from the 2008/09 liability of £74.5m due to significant reductions in bond yields which have increased the liabilities of the fund, offset by smaller increases in market values of 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.

During 2009/10 the Council, as part of its 5 year rolling revaluation programme, has seen a significant increase in its value of land and buildings due to the revaluation of a number of large secondary schools and its leisure centres during the year. As a consequence the value of land and buildings in the balance sheet has increased by £103m between 2008/09 and 2009/10. In addition, the completion of rebuilding Addington Special during the year has added a further £13m to the balance sheet. These increases have offset any reduction in the value of land and buildings seen as a result of the recession.

Early in October 2008, the Icelandic banks Landsbanki, Kaupthing and Glitnir collapsed and the UK subsidiaries of these banks, Heritable and Kaupthing Singer and Friedlander went into administration. The Council had £5m deposited across two of these institutions, with varying maturity dates and interest rates 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 its 2008/09 accounts. The impairment has been reviewed during 2009/10 but has not changed significantly. In relation to Heritable bank (with whom the Council invested £3m) the authority has received information that it will recover a total of 84.98% by the end of 2012/13 (the Council has received 34.98% to date). The impairment for Landsbanki (with whom the Council invested £2m) in 2008/09 had been based on the assumption that local authority deposits had priority status. This has now been challenged but legal advice remains that deposits have priority status under Icelandic Law. Although this is unlikely to be known until 2011/12, the impairment for 2009/10 has been calculated on this basis with recovery expected to be 94.86% by October 2018. The impairment of the principal amounts 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 affect of deferring the impact of the impairment charge on the General Fund until 2010/11.

The CIPFA SoRP 2009 introduced two changes in accounting policy which have required a prior period adjustment and the restatement of the 2008/09 comparative amounts within the 2009/10 accounts:

- Following early adoption within SoRP 2009 of the requirements under IFRIC 12; the council has reviewed its Waste PFI contract and brought its share of the assets and liabilities on balance sheet. This has brought assets and liabilities of around £9m on to the balance sheet.
- A change in accounting police to account for council tax and business rates on an agency basis means that the council only recognises its share of the collection fund surplus, council tax and business rate debtors and creditors on its balance sheet.

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 2009/10 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 2010 is shown below:-

	Revised Estimate £'000	Actual £'000	Variance £'000
Balance Brought Forward	8,592	8,592	0
Surplus / (Deficit) in year	(1,694)	(736)	958
Total	**6,898**	**7,856**	**958**

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

Service	End of Year Position		
	Approved Budget £'000	Outturn Actual £'000	Net over/(under) spend £'000
Policy and Partnerships	4,511	4,536	25
Place and Neighbourhoods	26,704	26,623	(81)
Business Services	7,344	6,191	(1,153)
Community Care	37,751	37,825	74
Transformation	411	702	291
Chief Executives	4,405	4,409	4
Childrens Services	35,006	41,052	6,046
Governance and Democratic	252	286	34
Communications	54	0	(54)
Net Expenditure before Carry Forwards	**116,438**	**121,624**	**5,186**
Carry Forwards	0	538	538
Total Net Expenditure	**116,438**	**122,162**	**5,724**

The above figures do not include revenue expenditure funded from capital under statute, 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 £958,000 on the revised estimate are shown below:

Service Unit	(Under) / Over Spend £'000
Increase in client numbers for older people nursing & residential care	698
Reduction in Planning Application fee income	307
Delay in timing of savings achievement for Wokingham Direct	333
Childrens Services Intervention & Integration - increased agency staff costs	293
Income shortfall of Local Land Charges fees	121
Increased home to school transport costs	116
Childrens Services Business Support - reduced staff costs	(296)
Reduction in Debt Charges due to reduced debt levels	(289)
Concessionary travel – bus pass reimbursement & travel concessions	(272)
Reduced employee advertising and training	(248)
Increase domiciliary care income & additional income for people with disabilities	(236)
Community Care - Strategy & Support pooled treatment budget & social care reform grant underspend	(206)
Reduction in expected spend for Community resource service	(200)
Property Operations – project delays on Shute End, Wellington House and Cantley House	(191)
Increased income from backdated unaccompanied asylum seeking children grant & inter adoption agency fees	(175)
Lower than budgeted pay inflation	(118)
Place and Neighbourhoods – reduced reactive maintenance expenditure	(115)
Town centre regeneration project delays	(112)
Elections underspend due to fallow year	(103)
Committee room refurbishment delay and	(81)
Reprographic income & Licence software underspends	(64)
Miscellaneous Variances	(120)
Total Over / (Under) Spend	**(958)**

5. Housing Revenue Account

The Housing Revenue Account shows the income and expenditure on Council housing. The Council budgeted to increase the reserves of the HRA balances in 2009/10 by £116,430. At the end of 2009/10 the HRA under-spent by £451,000 and a credit of £51,000 was made to HRA reserves in line with accounting practice. The balance on the HRA reserve as at 31st March 2010 was £1.3m. A comparison of actual income and expenditure (excluding capital charges) against the revised budget is detailed below:-

	Revised Estimate £'000	Actual £'000	Net (under) / over-spend £'000
Gross Expenditure on Housing	7.347	7,159	(188)
Income			
Gross Rents	(11,640)	(11,717)	(77)
Fees, Charges and contributions	(425)	(613)	(188)
Housing Subsidy Repayment	4,602	4,604	2
Net (Surplus) / deficit for the Year	**(116)**	**(567)**	**(451)**
Balance Brought Forward	(687)	(687)	0
Items included in the HRA I+E account but excluded from movement on HRA reserve (see note)	0	(51)	(51)
Balance Carried Forward	**(803)**	**(1,305)**	**(502)**

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

Major Repairs Reserve

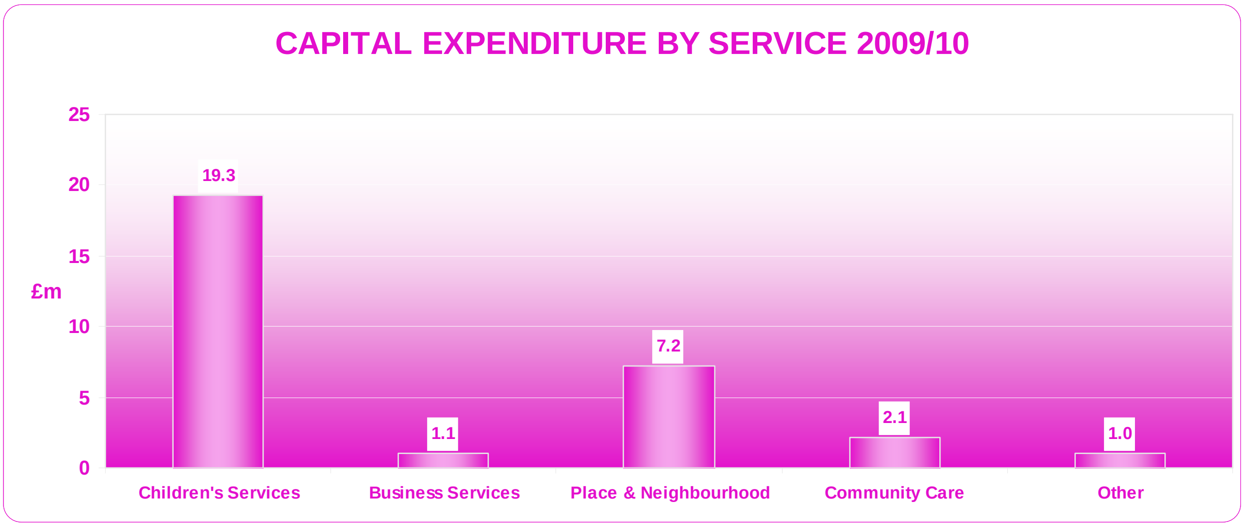
On 1st April 2001 the Government introduced the Major Repairs Allowance (MRA) as part of the housing subsidy grant payment which is for investment in the housing stock. Any surplus/deficit is ring-fenced and carried forward.

	Revised Estimate £'000	Actual £'000	Net (under) / over-spend £'000
Gross Capital Expenditure	2,300	1569	(731)
Allocation	(1,903)	(1,903)	0
Net (Surplus) / Deficit for the Year	**397**	**(334)**	**(731)**
MRA Balance Brought Forward	(847)	(847)	0
MRA Balance Carried Forward	**(450)**	**(1,181)**	**(731)**
HRA Balance Carried Forward	(803)	(1,305)	(502)
Overall Balance Carried Forward (HRA / MRA)	**(1,253)**	**(2,486)**	**(1,233)**

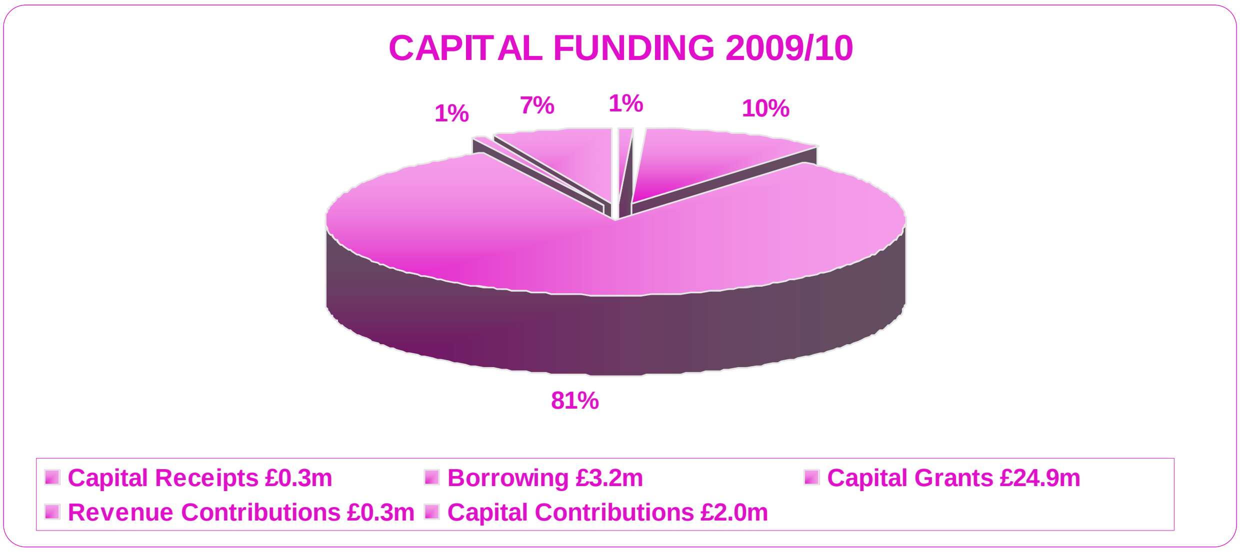
The housing capital programme under spent due to the Decent Homes contract not being in place. The kitchen and bathroom contracts were awarded in the final quarter of 2009/10.

6. Capital Expenditure

The Council spent £31 million in 2009/2010 on capital schemes analysed below:



This was funded from the following sources:



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 £545,000. The surplus on the collection fund is now shared between the major precepting authorites. Wokingham Borough Council's share of the overall surplus is £463,000. The surplus on the collection fund will be distributed between the precepting authorities, according to their precept value in January 2011.

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 current government has ruled out joining the Euro in the current parliament. The Council has a financial information system, which is fully Euro compliant should a future government decide to introduce the Euro in the UK.

9. Corporate Plan

The Council is currently in the process of updating its Corporate Plan covering the financial years 2011/12 – 2013/14. 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 2011/12 in February 2011. We also approve individual service Plans each year which sets out the key targets for the year ahead sets out in detail how the high level objectives will be translated into actions for the service.

10. Annual Governance Statement

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.

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 presents a true and fair view of the financial position of the authority at the accounting date and its income and expenditure for the year ended 31st March, 2010.

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 114 presents a true and fair view of the financial position of the authority at the accounting date and its income and expenditure for the year ended 31 March 2010.

G.M.Ebers,
General Manager, Business Services
23rd September 2010

P.Mirfin
Chairman of the Audit Committee
23rd September 2010

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 2009: 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 0.48% in 2009/2010 (2008/2009 – 3.65%).

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 is 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

Acquired operations relate to Wokingham Borough Council's interest in Wokingham Enterprise Ltd which is a wholly owned company. Income and expenditure directly related to acquired operations is shown separately on the face of the income and expenditure account.

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 does not 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.

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 council accounts for leases as finance leases when substantially all the risks and rewards relating to the leased property transfer to the council. Rentals payable are apportioned between:

- a charge for the acquisition of the interest in the property (recognised as a liability in the Balance Sheet at the start of the lease, matched with a tangible fixed asset – the liability is written down as the rent becomes payable), and
- a finance charge (debited to Net Operating Expenditure in the Income and Expenditure Account as the rent becomes payable).

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

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

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

Where the authority leases out property, an asset held for use in operating leases 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.

The valuation of quoted securities for the pension scheme is based on 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 assumptions have been updated – 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 accounts 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) where there is no active market
Council Dwellings	Existing Use Value for Social Housing
Community Assets	Not valued – stated at Historic Cost net of depreciation, where appropriate
Infrastructure Assets	Not valued – stated at Historic Cost net of depreciation, where appropriate
Non Operational Assets	
Investment	Open Market Value (Current Cost)
Surplus	Open Market Value (Current Cost)
In Construction	Value of Work Done (Historical Cost)

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

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

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

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

Not all properties were specifically inspected for the purposes of asset valuations. This was neither practicable, nor considered by the valuer to be necessary, for the purpose of the valuation. However, regular inspections are made by members of the Property Section of all the Council's property assets. The inspections and report do not purport to be a building survey. Full valuations are undertaken every five years however, within the five year period if there is evidence that, based on a desk top review, the value of an asset has significantly increased within the five year period then the asset is revalued within that financial year.

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. The Council bases its minimum revenue provision (MRP) on two methods. For loans taken out prior to 1st April 2008 or loans which will be supported capital expenditure in the future, the MRP policy will be based on the capital financing requirement. From 1st April 2008 all unsupported borrowing undertaken, the MRP policy will be based on the Asset Life Method.

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 identified one relationship (with Wokingham Enterprise Ltd) that require their preparation however, expenditure through the company is 2009/10 was immaterial and so group accounts have not been prepared.

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.

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
- Available for Sale Assets – assets that have a quoted market price and / or do not have fixed or determinable payments

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.

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

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

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

Changes in fair value are balanced by an entry in the Available-for-sale Reserve and the gain/loss is recognised in the Statement of Total Recognised Gains and Losses (STRGL). The exception is where impairment losses have been incurred – these are debited to the Income and Expenditure Account, along with any net gain/loss for the asset accumulated in the Reserve.

Where assets are identified as impaired because of a likelihood arising from a past event that payments due under the contract will not be made (fixed or determinable payments) or fair value falls below cost, the asset is written down and a charge made to the Income and Expenditure

Account. Any gains and losses that arise on the derecognition of the asset are credited/debited to the Income and Expenditure Account, along with any accumulated gains/losses previously recognised in the STRGL. Where fair value cannot be measured reliably, the instrument is carried at cost (less any impairment losses).

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. The Council has one PFI contract with Reading and Bracknell Councils for waste disposal under the RE3 Partnership. The Council receives the benefit of the services that are provided under its PFI scheme and ownership of the fixed assets will pass to the partnership at the end of the contract for no additional charge. The Council carries its share of the fixed assets used under the contracts on the Balance Sheet.

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

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

- fair value of the services received during the year – debited to the relevant service in the Income and Expenditure Account
- finance cost – an interest charge of 6.9% on the outstanding Balance Sheet liability, debited to Interest Payable and Similar Charges in the Income and Expenditure Account
- contingent rent – increases in the amount to be paid for the property arising during the contract, debited to Interest Payable and Similar Charges in the Income and Expenditure Account
- payment towards liability – applied to write down the Balance Sheet liability towards the PFI operator
- lifecycle replacement costs – recognised as fixed assets on the Balance Sheet.

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.

31. Council Tax Income

A separate fund for the collection and distribution of amounts due in respect of council tax and non-domestic rates (NNDR) is kept by the Council, known as the collection fund. The Council Tax income included within the income and expenditure account for the year is the accrues income for the year. The difference between the income included in the Income and Expenditure Account and the amount required by regulations to be credited to the General Fund is taken to the Collection Fund Adjustment Account and included as a reconciling item in the Statement of Movement on the General Fund Balance. A debtor or creditor is recognized within the Council's balance sheet where the cash collected from Council Tax payers is lower or greater than the cash paid to the major preceptors. The difference between the major preceptor's share of the net cash collected from Council tax debtors and the net cash paid to the major preceptor is included as a net increase / decrease in other liquid resources in the cashflow statement.

32. Changes in Accounting Policies

There have been a number of changes in accounting policies as a result of the introduction of the new 2009 SORP; and these accounting policies have been re-written where appropriate. The major changes are as follows:

- The 2009 SORP requires PFI and similar contracts to be accounted for in a manner that is consistent with the adaption of IFRIC 12 Service Concession Arrangements contained in the government's Financial Reporting Manual (FReM) as this will assist in the transition of IFRS for 2010/11. In 2006/07 the Council, together with Bracknell Forest and Reading Borough Councils, entered into a PFI contract with WRG (RE3 Ltd) from the disposal of waste. As the Councils control the services provided and will obtain ownership of the fixed assets at the end of the contract, this contract has been identified as a service concession arrangement which needs to be accounted for as 'on balance sheet'. As a result the contract has been separated into a service element and a construction element. The service element continues to be expensed as incurred but the construction element has to be accounted for as if it were a finance lease. The assets associated with the contract have been shared between Reading, Wokingham and Bracknell Forest and included in the Balance Sheet along with the corresponding Long Term Liability (initially measured at the value of the related assets). Wokingham Borough Council's share, 37.2%, is based on relative usage of the sites. Prior period adjustments have been made for the 2008/09 comparatives.

- The collection of Council Tax is now accounted for on an agency basis as the Council collects and distributes Council Tax income on behalf of the major preceptors and itself. Under the 2008 SORP the amount included in the Income and Expenditure Account and credited to the General Fund was the Authority's precept or demand for the year plus/less the Authority's share of the surplus/deficit on the Collection Fund for the previous year. This is required by statute. Under the 2009 SORP, the Income and Expenditure Account now reflects the accrued income position. The difference between the accrued income position and the amount required by statute to be credited to the General Fund has been taken to a new reserve in the balance sheet called the Collection Fund Adjustment Account and included as a reconciling item in the Statement of Movement on the General Fund Balance. Under an agency basis, the cash collected by the Council from Council Tax debtors belongs proportionately to the Council and the major preceptors – the Thames Valley Police Authority and the Royal Berkshire Fire Authority. An end of year debtor/creditor position is now shown in the balance sheet for each major preceptor to recognise the difference between the net cash paid to each major preceptor in the year and its share of cash collected from Council Taxpayers. The Cash Flow Statement has been amended so that only the Council's share of Council Tax collected in the year is included in 'Revenue activities' and the amount included from precepts paid now excludes amounts paid to the major preceptors. The difference between the major preceptors' share of Council Tax and the amount paid to them in the year is included as a movement in liquid resources. As a result of these adjustments there will be a zero balance on the Collection Fund at the year end. Prior period adjustments have been made for the 2008/09 comparatives.

- The collection of national non-domestic rates (NNDR) has now been reflected on an agency basis as the Council acts on behalf of the government. NNDR debtor and creditor balances with taxpayers and the impairment allowance for doubtful debts are not assets and liabilities of the Council and are no longer recognised in the Balance Sheet. As the cash paid to the government exceeded the cash collected from NNDR taxpayers the excess has been included in the Balance Sheet as a debtor. Cash collected from NNDR taxpayers is collected for the government and is therefore not a revenue activity of the Council. It is therefore no longer shown as a cash inflow except for the cash retained in respect of the cost of collection allowance. Similarly, the payment into the NNDR national pool is not a revenue activity and is no longer included as a cash outflow. The difference between the cash collected from NNDR taxpayers and the amount paid into the NNDR national pool is now included in management of liquid resources as a net increase/decrease in other liquid resources.

WOKINGHAM BOROUGH COUNCIL

ANNUAL GOVERNANCE STATEMENT 2009/10

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 a 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 needs to be updated and then formally adopted by the Audit Committee. This statement explains how Wokingham Borough Council meets the requirements of the Accounts and Audit Regulations.

2. The Purpose of the Governance Framework

2.1 The governance framework comprises the systems, processes, procedures, culture and values by which the Council is directed and controlled, and its activities through which it accounts to, engages with and leads the community. It enables the Council to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate, 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 2010 and up to the date of approval of the statement of accounts.

3. The Governance Environment in Place at Wokingham Borough Council

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

The vision for the Community and the Council's role in it is laid out in the Sustainable Community Strategy 2010 - 2020 which in turn is considered to reflect changes in priorities as part of the process for producing and updating the Council's Corporate Plan. The Corporate plan needs to be refreshed to align with the Sustainable Community Strategy. This refresh work has been planned for after the council elections in May 2010. Detailed plans and targets to achieve the Council's corporate priorities are included in each directorates annual service plans produced by General Managers. These plans are produced in accordance with the Service and Financial Planning Guidance and are considered by Strategic Leadership Board.

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. This year the Council introduced a behaviours framework to describe the behaviours that the Council want to promote, develop, and exhibit so that we can achieve our Vision, Priorities and Values.

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 Executive Leads. This guidance needs to be revised and updated and will be taken forward once the outcome of the Strategy and Performance Transformation work stream. 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. Progress on this is reported to the Wokingham Borough Strategic Partnership.

3.4 <u>The Facilitation of Policy and Decision Making:</u>

The Council has a written Constitution, as required by the Local Government Act 2000. For the financial year 2009/10 it was based on the Executive – Leader/Cabinet model and the executive body acted collectively and as individuals in accordance with the relevant protocol agreed in 2006. The Constitution is divided into Sections which include articles which set out the basic rules governing the Council's business and more detailed procedures, codes of practice, rules of procedure and protocols. These include: Executive Procedures Rules; Overview and Scrutiny Procedures Rules; Members Code of Conduct; Protocol on Member/Officer Relations, Access to Information Procedure Rules as well as the Scheme of Delegation to Officers and the Council's Financial and Procurement Rules. 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 a 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 also propose changes throughout the year to the Council's constitution. All proposed changes are considered in advance of Council approval by the Constitution Review Working Group.

3.5 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, General Manager of 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, General Manager of 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 considered by the Strategic Leadership Board and approved 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. An income generation strategy and corporate charging policy were approved in August 2009, the Council is using this strategy and policy to increase its income and generate a more commercial approach to service delivery.

3.12 The submission and evaluation of bids for additional resources (capital and revenue) are laid out in the Service and Financial Planning Framework. Bids are scrutinised by senior officers and evaluated against corporate priorities and then used to inform Member decisions.

3.13 The Medium Term Financial Plan (MTFP) provides a strategic overview of the Council's financial position over a three year period to provide a longer- term view. It includes the Council's resources requirements and performance targets (outputs) over the medium term. It also includes a service narrative, financial risk analysis, reserve policies and covers both revenue and capital. The MTFP incorporates the financial plans with our key partners over a three year period. This has been recognised and promoted by CIPFA as best practice and by the Audit Commission across Berkshire.

3.15 <u>The Financial Management of the Council and the Reporting of Financial Management</u>

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 the Medium Term Financial plan (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 has benchmarked the General Manager Business Services (designated Chief Financial Officer) against the recently published CIPFA guidance 'The Role of the Chief Financial Officer'. This will be a statutory requirement in 2010/11. We are able to confirm that the Chief Financial Officer has met all the core responsibilities as defined in the guidance.

3.19 The Council maintains an Internal Audit function (part of the Business Assurance Section) which seeks to operate 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.

3.20 <u>The Performance Management System of the Council and the Reporting of Performance Management:</u>

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, Overview and Scrutiny Management Committee and individual Member briefings monitor and review progress against targets and performance and are responsible for ensuring that corrective action is undertaken where appropriate.

3.21 The Council prepares a series of performance reports on a monthly, quarterly and annual basis to provide a comprehensive picture of achievement. A monthly Key Performance Indicator report is produced to provide regular updates on achievement and improvement; a Balanced Scorecard report is produced quarterly to provide an overview against each of the vision priorities of performance, finance, risk and project progress; and an annual performance report is prepared to demonstrate the Council's performance over the past year. Each of these reports is presented to Strategic Leadership Board, Executive, and Overview and Scrutiny Management Committee.

3.22 The Council also prepares separate reports to support partnership working. The Economic Downturn Report shows the current state of the local economy and the Local Area Agreement Report shows progress and achievement in the delivery of the Wokingham Borough Strategic

Partnership priorities. Performance information is also presented on the Council's public facing website to allow residents to understand the progress that is being made against the Council's vision priorities.

3.23 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 of members, committees and staff are laid out in the Council's Risk Management Policy. The Council has continued to embed an Enterprise Risk Management (ERM) model for managing its risks (and opportunities) as detailed in its Risk Strategy.

3.24 The Strategic Leadership Board (SLB), 3rd and 4th Tier Managers, the Risk Management Group, the Audit Committee and the Overview and Scrutiny Management Committee have all received risk management training. Formal training on Risk Management has so far not been given to the Executive as a collective or to all individual Executive Leads.

3.25 The Service and Financial Planning Guidance ensures that significant financial and service risks within the annual budget presented to Council for approval, are highlighted in the Chief Finance Officer's statutory report.

3.26 SLB has responsibility for the Corporate Risk Register and updating it on a quarterly basis, which has been undertaken. During the course of the year the risk management template has been improved. After each refresh, the Corporate Risk Register is presented to the Audit Committee and forwarded to each Executive Leads for information. All General Managers / 2nd Tier Managers are responsible for monitoring and co-ordinating risks in their service area and for producing a service risk register that is regularly reviewed and refreshed.

3.27 A Risk Management Group has been established and includes representatives from all service areas. The group is now taking the lead on the production of all outstanding Team Risk Registers (i.e. at 3rd and 4th tier staff level). The group is charged with collating on a quarterly basis the key and consistent themes from service, team and project risk registers and for communicating this information onto SLB and to their Service Management Teams for possible inclusion within their respective risk registers this ensures that risks are considered both vertically and horizontally.

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 General Manager of Governance and Democratic Services 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 2009/10 an adequate internal control framework has been maintained.

4.4 Review of the Effectiveness of the System of Internal Control:

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

4.5 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.

4.6 Management Assurance Statements are completed by the Council's senior managers on an annual basis. All Management Assurance Statements for 2009/10 have been completed, signed and returned to the Corporate Governance Group for consideration as part of the process for compiling the Annual Governance Statement.

4.7 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.

4.8 The review of the effectiveness of the system of internal audit for the year ended 31 March 2010 has been carried out by the Business Assurance Manager and will be 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 2009/10.

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.

5.2 Corporate Issues:

i. The Transformation Programme is a vital change programme being undertaken that will change and improve the way the Council delivers its services. It is vital that the Council delivers this programme to budget and on time in order to deliver service improvements, enhance the customer experience, be more focused on its identified priorities and provide for sound finances.

ii. The Council has recently established a Local Government company, Wokingham Enterprises Limited. This is uncharted territory for the Council and nationally. The Council needs to ensure that the governance arrangements between it and the company are robust, communicated to relevant stakeholders and are adhered to.

iii. The Corporate Plan and Annual Business Plan are being refreshed after the May 2010 elections. In doing so the Council needs to ensure it enhances the 'golden thread' and that both plans are more aligned to the Sustainable Community Strategy.

iv. With financial pressure there is a possibility that the annual members training budget bid is not supported. If this bid is not supported then there would be a risk that members will not have the appropriate skills and expertise to fulfil their decision-making responsibilities. This could affect succession planning.

v. Whilst the Councils' scrutiny structure has been revised to include scrutiny of partner organisations. The Council's capacity and resources to effectively undertake this function is a concern.

vi. Whilst the Audit Committee continues to improve its effectiveness a formal annual effectiveness review was not undertaken in year. Their effectiveness will improve once the proposed committee handbook is introduced.

vii. During 2009/10, on one occasion the Executive exceeded it financial delegation according to a local rule which is not statutory. It is considered that this rule many not be operational and is to be discussed by the Constitution Review Working Group in June for consideration by Council in July.

viii. Twyford Orchards is one of two Council owned gypsy and traveller sites. A report to SLB at the beginning of 2010 highlighted the fact of overcrowding of the site and other issues, giving rise to concern over health and safety for residents of the site. A decision was taken to apply appropriate measures, including eviction, to prevent any further overcrowding through the settling of caravans and mobile homes on the site. Action is also being taken to improve road safety and fire safety on the site.

ix. In the event of significant failure of the Council's remote data centre it is recognised that it could take considerable time to restore temporally lost data. This is being addressed under the new IT contract.

x. Some key systems have adequate disaster recovery controls in place investments are being made in 2010/11 to put in place a more robust organisation wide response.

xi. Legal Services are moving to providing a more reactive / defensive legal advice service. (This is a result of ZBB, budgetary constraints generally, and the consequent reduction in staff levels). An increase in consultation costs is likely to be necessary, to help with the set up and running of several separate companies.

5.3 <u>Service Issues:</u>

i. Governance and Democratic Services. Late notification to the Insurance Service in respect of new risks (e.g. town centre redevelopment) and the requirement to insure them can mean that the Finance Regulations cannot be (properly) complied with and also that significant business decisions are being made without proper consideration of the insurance implications.

ii. Governance and Democratic Services. The Council has a new Corporate Investigations team. Council policies and procedures in this area need to be refreshed. The team needs to ensure that there is a consistent approach to internal, external and benefit fraud investigations.

iii. Community Care and Housing. The Putting People First project will transform the way adult social care is provided in the Wokingham Borough through personalising services and empowering individuals to take control of their lives. The introduction of personal budgets and the significant increase in direct payments is posing a challenge to the existing control systems which are geared towards traditional social services.

iv. Community Care and Housing. As the safeguarding systems for adults continue to develop new processes are being introduced to reflect changes in policy and legislation.

v. Community Care and Housing. The allocation of resources to meet need through a Resource Allocation System (RAS) is a new and largely untested technology, control mechanisms around budget management for personal budgets based on RAS are also new.

vi. Community Care and Housing. The Housing Revenue Account has done and continues to experience budget pressures. Consequently the Councils housing stock does not meet the Decent Homes Standard.

vii. Children's Services. Previous operational failings in children's social care mean that it is not possible to exclude the risk of subsequent complaint, ombudsman investigation and ultimately litigation where a case can be made that policies and procedures were significantly breached. Retrospective reviews have been and are being undertaken to attempt to identify breaches.

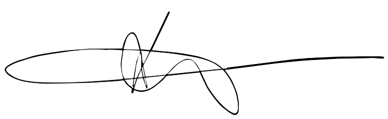
viii. Children's Services. At the 28 May 2010, 31 of the 61 district schools had completed and returned their assurance statements to the General Manager of Childrens Services in completing his Management Assurance Statement.

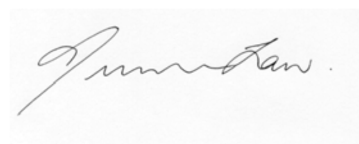
5.4 Internal controls are generally well progressed, although given the issues outlined above there is still scope to further strengthen the Council's internal control environment and overall assurance framework.

5.5 We propose over the coming year to take steps to address the above matters to further develop the Council's governance arrangements. The governance disclosures contained in this annual governance statement will be managed via the appropriate risk register in accordance with the councils risk management strategy. This will provide for more accountability, reduced bureaucracy and further embed enterprise risk management.

WOKINGHAM BOROUGH COUNCIL

Signed:





David Lee

Leader of the Council:

23rd September 2010

Susan Law

Chief Executive:

23rd September 2010

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 £26m. 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 £25.2m to a net deficit of £736,000.

The deficit is different to the underspend of £958,000 reported on the Council's outturn position because the Council had budgeted to use £441,000 of General Fund balances when setting the 2009/10 budget and then approved the use of a further £1.2m reserves during the year through supplementary budget approvals.

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 2009/10 was £25.2m, giving a net deficit on the General Fund balance of £736,000. At 31st March 2010, the authority has £7.856m 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 2010.

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

WOKINGHAM BOROUGH COUNCIL

INCOME AND EXPENDITURE ACCOUNT

Service Area	2009/10 Gross Expenditure £'000	2009/10 (Gross Income) £'000	2009/10 Net Expenditure £'000	Notes	2008/09 Restated Net Expenditure £'000
Continuing Operations					
Central Services to the Public	4,334	(2,629)	1,705		2,174
Cultural, Environmental and Planning Services	25,685	(5,259)	20,426	4	19,006
Children's and Education Services	181,003	(136,251)	44,752	1	28,484
Highways, Roads and Transport Services	14,002	(3,678)	10,324		12,265
Housing General Fund Services	27,671	(25,341)	2,330		1,717
Housing Revenue Account	11,510	(12,444)	(934)		75
Adult Social Services	54,400	(17,819)	36,581		36,056
Corporate and Democratic Core	8,437	(3,857)	4,580		5,166
Non-Distributed Costs	1,622	(345)	1,277		1,721
Net Cost of Services	**328,664**	**(207,623)**	**121,041**	**1, 4**	**106,664**
Acquired Operations	3	0	3		0
Exceptional Items	580	0	580	3	0
Net Cost of Continuing Operations	**329,247**	**(207,623)**	**121,624**		**106,664**
Gain or loss on disposal of fixed assets			60		(379)
Parish council precepts			3,347		3,252
Surplus / deficit on trading undertakings			0		0
Unattached capital receipts			(543)		(5)
Contribution of Housing capital receipts to the Government Pool			102	13	0
Interest payable and similar charges			2,599	42	3,501
Interest and investment income			(1,414)	42	(5,139)
Impairment of Financial Instruments			(104)	42	1,343
Pensions interest cost and return on assets			5,216	47	1,532
Net Operating Expenditure			**130,887**		**110,769**
General Government grants			(9,479)	16	(7,988)
Non-domestic rates redistribution			(15,669)		(16,679)
Income from the Collection Fund			(79,774)	4, 15	(75,922)
Net (Surplus) / Deficit for the Year			**25,965**	**4**	**10,180**

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:	**2009/10 Net Expenditure £'000**	**Notes**	**2008/09 Restated Net Expenditure £'000**
Depreciation of Fixed Assets	(18,388)	22	(9,646)
Impairment of Fixed Assets	(6,987)	22	(1,243)
Amortisation on Intangible Fixed Assets	(236)	26	(235)
Difference between Council Tax Income and amount taken to General Fund Reserve	(343)	4	423
Government Grants Deferred Amortisation	5,625	40	3,080
Deferred Charges and other amounts classified as capital expenditure by statute	(3,837)	23	(2,079)
Net gain or loss on sale of Fixed Assets	(130)		379
Amortisation of Premiums and Discounts	104	42	91
Transfer to the financial instruments adjustment account	104	42	(1,616)
Net charges made for retirement benefits in accordance with FRS 17	(5,143)	47	(4,278)
Sub-Total	**(29,231)**		**(15,124)**
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	2,786	12	2,784
Principal repayment for Waste PFI Contract	371	4	711
Revenue contribution to capital expenditure	236		0
Transfer from Usable Capital receipts equal to the amount payable into the Housing Capital Receipts Pool	(102)	13	0
Sub-Total	**3,291**		**3,495**
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	921	14	(35)
Voluntary provision for the repayment of debt	0		0
Transfer to capital receipts reserve	448	39	5
Transfer to or (from) the Dedicated Schools Grant Reserve	339		(458)
Net transfer to or (from) other reserves	3		
Net transfer to or (from) earmarked reserves	(603)	39	872
Net transfer to or (from) school reserves	(397)	44	1,085
Sub-Total	**711**		**1,469**
Increase or Decrease in the General Fund Balance:	**(25,229)**	**4**	**(10,160)**

STATEMENT OF MOVEMENT ON THE GENERAL FUND BALANCE

	2009/10 Net Expenditure £'000	Notes	2008/09 Restated Net Expenditure £'000
Surplus or deficit for the year on the Income and Expenditure Account	25,965		10,180
Net additional amount required by statute and non-statutory proper practices to be charged to the General Fund Balance for the year	(25,229)	4	(10,160)
Total (Increase) or Decrease in the General Fund Balance	**736**		**20**
General Fund Balance brought forward	(8,592)		(8,612)
General Fund Balance carried forward	**(7,856)**		**(8,592)**

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

	Notes	2009/10		2008/09 Restated
		£'000	£'000	£'000
Surplus / (Deficit) on the Income and Expenditure Account		(25,965)		(10,180)
Gains or (losses) on the revaluation of fixed assets		103,553		5,534
Actuarial gains and (losses) on pension fund assets and liabilities	47	(67,367)		(31,646)
Other gains and (losses)		(56)		323
Total recognised gains and (losses) for the year		**10,165**		**(35,969)**
Prior period adjustments	4	1,149		(48,932)
Total gains and losses		**11,314**		**(84,901)**
Net Worth on Balance Sheet Brought Forward		**555,069**		**641,118**
Net Worth on Balance Sheet Carried Forward		**566,383**		**556,217**

WOKINGHAM BOROUGH COUNCIL

BALANCE SHEET

	Notes	2009/10 £'000	2009/10 £'000	2008/09 Restated £'000
Fixed Assets				
Intangible Assets	26	747		837
Operational Assets:				
Council dwellings	22	203,543		204,014
Other land and buildings	4,22	513,637		409,892
Vehicles, plant and equipment	4,22	6,077		5,749
Community assets	22	2,002		1,954
Infrastructure assets	22	79,805		76,042
Non Operational Assets:				
Investment properties	22	13,863		9,797
Assets under construction	22	13,451		20,101
Surplus assets held for disposal	22	10,080		10,081
Total Fixed Assets			**843,205**	**738,467**
Long-term investments	42	7,320		2,107
Long-term debtors	28	11	7,331	10
Total Long-Term Assets			**850,536**	**740,584**
Current Assets				
Landfill allowances		268		0
Stocks and work in progress		0		0
Debtors	4,30	15,838		11,541
Short-term investments	29, 42	36,116		51,186
Cash and bank	31	1,937	54,159	2,457
Total Assets			**904,695**	**805,768**
Current Liabilities				
Cash overdrawn	31	(3,171)		(2,788)
Short-term borrowing		0		(5,230)
Creditors	4,32	(30,826)	(33,997)	(27,821)
Total Assets less Current Liabilities			**870,698**	**769,929**
Long-Term Liabilities				
Grants and contributions deferred	4, 40	(70,253)		(50,502)
Unapplied Grants and Contributions	41	(29,578)		(32,873)
Long-term borrowing	42	(48,046)		(48,286)
PFI and Finance Lease Liabilities	4,5, 6	(9,219)		(7,130)
Provisions	34	(208)		(421)
Pensions liability	47	(147,011)	(304,315)	(74,500)
Total Assets less Liabilities	**4**		**566,383**	**556,217**

WOKINGHAM BOROUGH COUNCIL

BALANCE SHEET

	Notes	2009/10		2008/09 Restated
		£'000	£'000	£'000
Represented by:				
Revaluation Reserve	39	(116,749)		(16,208)
Capital Adjustment Account	4,39	(576,085)		(593,814)
Useable Capital Receipts Reserve	39	(4,612)		(4,603)
Financial Instruments Adjustment Account	39	4,270		4,910
Pensions Reserve	39,47	147,011		74,500
Major Repairs Reserve	39	(1,181)		(847)
Earmarked Reserves	39	(4,657)		(5,257)
General Fund Balance	39	(7,856)		(8,592)
School Revenue Balances	44	(5,187)		(5,584)
Dedicated Schools Grant Reserve	46	431		770
Collection Fund Adjustment Account	4	(463)		(806)
Housing Revenue Account Balance	39	(1,305)		(686)
Total Reserves and Balances			**(566,383)**	**(556,217)**

WOKINGHAM BOROUGH COUNCIL

CASHFLOW STATEMENT

Revenue Activities	Note	2009/10 £'000	2009/10 £'000	2008/09 Restated £'000
Net Cash from Revenue Activities	49		(6,025)	(12,718)
Returns on Investments and Servicing of Finance				
Cash Outflows:				
Interest paid		2,962		3,177
			2,962	**3,177**
Cash Inflows:				
Interest received		(1,899)		(4,481)
			(1,899)	**(4,481)**
Capital Activities				
Cash Outflows:				
Purchase of Fixed Assets		29,206		23,230
Purchase of long-term investments		5,089		2,106
Other capital cash payments		3,837		2,079
			38,132	**27,415**
Cash Inflows:				
Sale of Fixed Assets		(197)		(2,752)
Capital grants received		(19,190)		(27,382)
Other capital cash receipts		(3,765)		(6,276)
			(23,152)	**(36,410)**
Net Cash Inflow before Financing			**10,018**	**(23,017)**
Management of Liquid Resources				
Net increase / (decrease) in short-term deposits	50	0		(2,913)
Net increase / (decrease) in other liquid resources		(14,408)		0
			(14,408)	**(2,913)**
Financing				
Cash Outflows				
Repayments of amounts borrowed	50	5,000		24,801
Capital element of finance lease rental payments		293		0
			5,293	**24,801**
Cash Inflows				
New loans raised	50	0		(160)
New short-term loans		0		(5,000)
			0	**(5,160)**
Net (Increase) / Decrease in Cash			**903**	**(6,289)**

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	2009/10 £'000	2008/09 £'000
Land Drainage Precept	Cultural, Environment and Planning	130	130
Coroners Court	Central Services to the Public	137	143
Net Expenditure		**267**	**273**

The net cost of services for the Council has decreased slightly from 2008/09 due to previous year adjustments made relating to the Coroners Court.

The significant increase in expenditure on Children's and Education Services in the net cost of services is due to higher depreciation charges arising from the revaluation of a number of schools in 2009/10.

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	2009/10 £'000	2008/09 £'000
Housing Benefit	19,671	15,806
Council Tax Benefit	4,493	4,051
Audit Fees	21	17
Total Rebates Granted	**24,185**	**19,874**
Government Reimbursement	(24,174)	(19,987)
Rebates surplus to the Council	**11**	**(113)**
Administration Costs (internal recharges)	1,115	1,020
Government Reimbursement	(476)	(491)
Total Cost to Council	**650**	**416**

3. Exceptional and Extraordinary Items

There have been no extraordinary items in 2009/10.

Exceptional items in the income and expenditure account are £580,749 and relate to the cost of the Council's major transformation programme for 2009/10 (which is a fundamental reorganisation of how the Council is structured and how it operates). The expenditure predominantly relates to internal staffing, redundancy and consultancy costs relating to the project which cannot be recharged to individual services.

4. Prior Period Adjustments

In 2009/10 the CIPFA SoRP changed the accounting policies to be followed by local authorities in relation to Council Tax, Business Rates and Private Finance Initiative Projects. In relation to Council Tax and Business Rates the authority is now required to account for the income and expenditure on an agency basis. Wokingham Borough Council (WBC) acts as agent for the Government and the Police and Fire Authority in the collection of Business Rates and Council Tax. Sums due to/from taxpayers on behalf of those organisations are no longer required to be included in the balances due to / from taxpayers in WBC's accounts. The amounts included within WBC's accounts are therefore only the difference between the amounts paid to the organisations and the amounts due from taxpayers.

Changes in relation to the Council's Waste PFI initiative occurred due to the early adoption of accounting policies required under International Accounting Standards during 2009 in relation to PFI schemes. This has resulted in a share of the assets arising from the Waste PFI having been brought on to WBC's balance sheet.

The 2008/09 comparative figures in the 2009/10 Balance Sheet have therefore been restated from the 2008/09 published financial statements as follows:

Balance Sheet Item	2008/09 Closing Balance £,000	PFI Adjustments £,000	Council Tax and NNDR Adjustments £,000	2009/10 Opening Balance £,000
Other Land and Buildings	403,411	6,481	0	409,892
Vehicles, Plant and Equipment	3,811	1,938	0	5,749
Debtors	14,968	0	(3,427)	11,541
Creditors	(31,106)	0	3,285	(27,821)
PFI and Finance Lease Liabilities	0	(7,129)	0	(7,129)
Total Net Assets	555,069	1,290	(142)	556,217
Capital Adjustment Account	(592,524)	(1,290)	0	(593,814)
Collection Fund Adjustment Account	0	0	(806)	(806)
Total Net Worth	(555,069)	(1,290)	142	(556,217)

The impact of the prior period adjustment on the income and expenditure account and the statement of movement in the general fund balance is as follows:

Income and Expenditure Account Item	2008/09 Accounts £,000	PFI Adjustments £,000	Council Tax and NNDR Adjustments £,000	2009/10 Opening Balance £,000
Cultural, Environmental and Planning Services	19,717	(711)	0	19,006
Net Cost of Services	107,375	(711)	0	106,664
Income from the Collection Fund	(75,499)	0	(423)	(75,922)
(Surplus) / Deficit for the year	11,314	(711)	(423)	10,180

Statement of Movement on the General Fund Item	2008/09 Accounts £000	PFI Adjustments £000	Council Tax and NNDR Adjustments £000	2009/10 Opening Balance £000
Difference between council tax income and the amount taken to the general fund reserve	0	0	423	423
Principal Repayment on the Waste PFI Contract	0	711	0	711
Net additional amount required by statute and non-statutory proper practices to be charged to the General Fund Balance	(11,294)	711	423	(10,160)

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 £78,716, 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 2009/10 were £51,000.

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

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

As at 31st March 2010, 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 £2.8m per annum under a contract with NHSPASA for the provision of energy. The contract will expire in April 2012.
- 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 £3.1m per annum under a contract with SITA for the collection of waste. The contract will expire in March 2012.
- Payments estimated at £7.2m per annum under a PFI contract with the Waste Recycling Group (WRG) for the provision of waste disposal services (see below). The contract will expire in December 2032.
- Payments estimated at £1.0m 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 £1.2m per annum to Connaught Plc for the provision of reactive repairs and maintenance and the provision of a help desk facility for council dwellings. The contract will expire in December 2012.
- Other various contracts between £0.1m and £1m per annum totalling £25.9m with end dates between April 2010 and May 2015.

<u>Private Finance Initiative</u>

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 is estimated to be £639m as at 31st March 2010, 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. As part of the contract, the contractor has built a transfer station, materials recycling facility, civic amenity site & offices on land owned by Reading and Bracknell Councils.

Due to a change in accounting policy arising from the adoption of IFRIC 12 within the CIPFA SoRP 2009, the three Council's have reviewed their treatment of the PFI contract within the accounts. Wokingham Borough Council has reviewed the application of the control tests within IFRIC 12 to determine whether the assets within the contract should be on-balance sheet. As a consequence WBC has brought the assets and liabilities within the contract on-balance sheet as in its 2009/10 accounts. The Council is acquiring a 37.2% share of assets that will revert to the ownership of the RE3 partnership between the three Council's at the end of the contract.

The value of the payments due to be made by Wokingham Borough Council under the PFI contract is as follows:-

Payments Due	As at 31st March 2010			
	Liability £,000	Interest £,000	Service Charges £,000	Total £,000
Within 1 Year	260	603	7,273	8,136
Within 2-5 years	971	2,245	31,336	34,552
Within 6-10 years	1,519	2,407	45,665	49,591
Within 11 – 15 years	2,135	1,801	52,569	56,505
Within 16 - 20 years	3,009	948	60,881	64,838
Aft 20 years	1,246	76	22,690	24,012
TOTAL	**9,140**	**8,080**	**220,414**	**237,634**

Payments Due	As at 31st March 2009			
	Liability £,000	Interest £,000	Service Charges £,000	Total £,000
Within 1 Year	372	465	6,666	7,503
Within 2-5 years	985	2,311	30,326	33,622
Within 6-10 years	1,420	2,505	44,274	48,199
Within 11 – 15 years	1,994	1,939	51,131	55,064
Within 16 - 20 years	2,809	1,143	59,168	63,120
Aft 20 years	1,933	182	35,515	37,630
TOTAL	**9,513**	**8,545**	**227,080**	**245,138**

These details are based on an estimate of the cash amount that will actually be paid as included in the final contract. Wokingham Borough Council's share of the contracted payment for 2009/10 was £7.2m.

Wokingham Borough Council's share of the value of the assets and liabilities under the contract is:

Operational Assets	Other Land and Buildings £,000	Vehicles, Plant etc £,000
Cost or Valuation		
As at 1st April 2009	6,482	1,938
Additions	2,040	343
Depreciation	(216)	(117)
Cost or Valuation as at 31st March 2010	**8,306**	**2,164**

Long-Term Liabilities under PFI Contract	£,000
As at 1st April 2009	(7,129)
New liabilities arising	(2,383)
Payments made	372
Long-Term Liabilities under PFI Contract as at 31st March 2010	**(9,140)**

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 2009/10 donations of £380,000 (£344,000 in 2008/09) 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.

8. Publicity

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

Area	2009/10 £,000	2008/09 £,000
Public Relations	72	58
Employee Advertising	301	406
Other Advertising	68	60
Other Publicity	90	146
Total	**531**	**670**

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	2009/10		
	Chargeable £,000	Non-Chargeable £,000	Total £,000
Expenditure			
Employee Expenses	442	33	475
Premises	0	0	0
Transport	17	1	18
Supplies and Services	29	3	32
Central Support Service Charges	139	10	149
Total Expenditure	**627**	**47**	**674**
Income			
Building Regulation Charges	(530)	0	(530)
Miscellaneous Income	(5)	(7)	(12)
Total Income	**(535)**	**(7)**	**(542)**
(Surplus) / Deficit for the Year	**92**	**40**	**132**

The Chargeable Account, in its tenth year of operation, made a deficit of £91,971. 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 £135,135. The deficit will be addressed in the next accounting period; Wokingham Council is entering into a shared service with Surrey Heath, Rushmoor, and Hart Councils to operate a joint building control service in future. Economies of scale arising from joining up the services should recover the deficit.

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	2009/10 £,000	2008/09 £,000
Sensory Needs	682	646
Travellers	0	401
Total	**682**	**1,047**

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.

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	2009/10 £,000	2008/09 £,000
Income		
Slough Borough Council	(250)	(242)
Other Berkshire Councils	(1,224)	(1,199)
Berkshire Primary Care Trusts	(1,334)	(1,132)
Total Income	**(2,808)**	**(2,573)**
Expenditure		
Royal Berkshire Ambulance Trust	2,808	2,573
Total Expenditure	**2,808**	**2,573**
Surplus / (Deficit)	**0**	**0**

Local Strategic Partnership (Local Area Agreement Grant)

The Council was the body accountable for the Wokingham Local Strategic Partnership (LSP), which is the governing body for the Local Area Agreement (LAA). The agreement officially finished in 2008/09 and details relating to the income and expenditure for that year can be found in Wokingham Borough Council's 2008/09 accounts. They have not been replicated in the 2009/10 accounts.

12. Minimum Revenue Provision

	2009/10 £,000	2008/09 £,000
Non-Housing amount - 4% of capital financing requirement	2,786	2,784
Minimum Revenue Provision	**2,786**	**2,784**

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 2009/10 is £101,970 (nil in 2008/09 due to a lack of sales). In 2009/10 the payment has been reversed in the Statement of Movement on General Fund Balance by an appropriation from Usable Capital Receipts.

14. HRA Surplus / Deficit

The surplus on the HRA in 2009/10 was £567,000. Details on the surplus 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.

	2009/10 £,000	2008/09 £,000
Demand on the collection fund	76,771	72,247
Adjustment for WBC Share of the surplus on the collection fund	(343)	423
Parishes	3,346	3,252
Total	**79,774**	**75,922**

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 recent years a number of service specific grants have been un-ring fenced as part of the local government finance settlement and a general grant 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 a Local Area Agreement (LAA) reward grant for meeting the targets set out in the Local Area Agreement. Therefore, total general government grants received was as follows:

	2009/10 £,000	2008/09 £,000
Revenue Support Grant	3,617	2,322
Area Based Grant	5,744	5,541
Local Area Agreement Reward Grant (WBC Share)	118	0
Local Authority Business Growth Initiative Grant	0	125
Total	**9,479**	**7,988**

17. Members Allowances

The total amount of Members' remuneration paid during 2009/10 was £569,442 this includes allowances and other remuneration (2008/09 £515,560).

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: -

<table>
<tr><th rowspan="2">Remuneration Range</th><th colspan="3">2009/10</th><th>2008/09</th></tr>
<tr><th>Number of Council Staff</th><th>Number of Staff in Schools</th><th>Total Number of Staff</th><th>Total Number of Staff</th></tr>
<tr><td>£50,000 - £54,999</td><td>27</td><td>38</td><td>65</td><td rowspan="2">88</td></tr>
<tr><td>£55,000 - £59,999</td><td>9</td><td>26</td><td>35</td></tr>
<tr><td>£60,000 - £64,999</td><td>11</td><td>15</td><td>26</td><td rowspan="2">32</td></tr>
<tr><td>£65,000 - £69,999</td><td>9</td><td>8</td><td>17</td></tr>
<tr><td>£70,000 - £74,999</td><td>1</td><td>1</td><td>2</td><td rowspan="2">13</td></tr>
<tr><td>£75,000 - £79,999</td><td>1</td><td>4</td><td>5</td></tr>
<tr><td>£80,000 - £84,999</td><td>2</td><td>3</td><td>5</td><td rowspan="2">7</td></tr>
<tr><td>£85,000 - £89,999</td><td>0</td><td>0</td><td>0</td></tr>
<tr><td>£90,000 - £94,999</td><td>0</td><td>2</td><td>2</td><td rowspan="2">2</td></tr>
<tr><td>£95,000 - £99,999</td><td>1</td><td>0</td><td>1</td></tr>
<tr><td>£100,000 - £104,999</td><td>1</td><td>2</td><td>3</td><td rowspan="2">1</td></tr>
<tr><td>£105,000 - £109,999</td><td>0</td><td>0</td><td>0</td></tr>
<tr><td>£110,000 - £114,999</td><td>2</td><td>0</td><td>2</td><td rowspan="2">5</td></tr>
<tr><td>£115,000 - £119,999</td><td>3</td><td>0</td><td>3</td></tr>
<tr><td>£120,000 - £124,999</td><td>0</td><td>1</td><td>1</td><td rowspan="2">1</td></tr>
<tr><td>£125,000 - £129,999</td><td>0</td><td>0</td><td>0</td></tr>
<tr><td>£130,000 - £134,999</td><td>0</td><td>0</td><td>0</td><td rowspan="2">0</td></tr>
<tr><td>£135,000 - £139,999</td><td>0</td><td>0</td><td>0</td></tr>
<tr><td>£140,000 - £144,999</td><td>0</td><td>0</td><td>0</td><td rowspan="2">0</td></tr>
<tr><td>£145,000 - £149,999</td><td>0</td><td>0</td><td>0</td></tr>
<tr><td>£150,000 - £154,999</td><td>0</td><td>0</td><td>0</td><td rowspan="2">2</td></tr>
<tr><td>£155,000 - £159,999</td><td>1</td><td>0</td><td>1</td></tr>
<tr><td>Total</td><td>68</td><td>100</td><td>168</td><td>151</td></tr>
</table>

NOTES TO THE CORE FINANCIAL STATEMENTS

The increase in the total number of staff earning over £50,000 is due to a decrease of 1 staff employed directly by WBC and an increase of 18 staff employed directly by schools, the salaries of whom are funded from the Dedicated Schools Grant and not by Council Tax.

Senior Officers emoluments – Senior employee's whose salary is between £50,000 and £150,000 per year:

Post Title	Salary including fees & allowances 2009/10 £	Performance Related Pay £	Compen-sation for loss of Office £	Benefits in Kind £	Total Remuneration excluding pension contributions £	Pension Contrib-utions £	Total £
General Manager - Community Care	112,695	6,801			119,496	17,924	137,420
General Manager - Policy and Partnerships	108,450	10,813			119,263	17,889	137,152
General Manager - Business Services	103,383	7,754			111,137	16,671	127,808
General Manager - Place and Neighbourhoods	103,383	7,237			110,620	16,593	127,213
General Manager - DCE and Strategic Priorities	60,435		58,074		118,509	5,746	124,255
General Manager - Childrens Service	63,861				63,861	9,579	73,440
Director of Transformation	90,001	6,681			96,682	14,502	111,184
Manager - Governance and Democratic	94,865	7,235			102,100	15,901	118,001
Total	**737,073**	**46,521**	**58,074**	**0**	**841,668**	**114,805**	**956,473**

Senior Officers emoluments – Senior employee's whose salary is £150,000 or more per year:

Post Title	Salary including fees & allowances 2009/10 £	Performance Related Pay £	Compen-sation for loss of Office £	Benefits in Kind £	Total Remuneration excluding pension contributions £	Pension Contrib-utions £	Total £
Chief Executive – S. Law	157,479				157,479	23,622	181,101
Total	**157,479**	**0**	**0**	**0**	**157,479**	**23,622**	**181,101**

NOTES TO THE CORE FINANCIAL STATEMENTS

Senior Officers emoluments - Salary is between £50,000 and £150,000 per year for the financial year 2008-09:

Post Title	Notes	Salary including fees & allowances 2008/09 £	Performance Related Pay £	Compen-sation for loss of Office £	Benefits in Kind £	Total Remuneration excluding pension contributions £	Pension Contrib-utions £	Total £
General Manager - Community Care	1	62,103	7,788			69,891	9,820	79,711
General Manager - Community Care	1	54,657				54,657	7,900	62,557
General Manager - Policy and Partnerships		103,383	7,464			110,847	16,425	127,272
General Manager - Business Services		103,383	7,303			110,686	15,719	126,405
General Manager - Place and Neighbourhoods		103,383	6,625			110,008	15,624	125,632
General Manager - DCE and Strategic Priorities		118,751	8,382			127,133	18,054	145,187
General Manager - Childrens Service	2	93,913	5,818	56,348		156,079	14,111	170,190
Head of Organisational Change		76,816	5,623			82,439	11,980	94,419
Manager - Governance and Democratic		93,070	5,623			98,693	14,320	113,013
Total		**809,459**	**54,626**	**56,348**	**0**	**920,433**	**123,953**	**1,044,386**

Notes

1. The General Manager for Community Care post has been filled by two members of staff during the financial year.
2. The General Manager for Children's post has been vacant for part of the year.

Senior Officers emoluments – Senior employee's whose salary is £150,000 or more per year 2008/09:

Post Title	Notes	Salary including fees & allowances 2008/09 £	Performance Related Pay £	Compen-sation for loss of Office £	Benefits in Kind £	Total Remuneration excluding pension contributions £	Pension Contrib-utions £	Total £
Chief Executive – S. Law		157,479				157,479	23,375	180,854
Total		**157,479**	**0**	**0**	**0**	**157,479**	**23,375**	**180,854**

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. The renewals funds are as follows:

Fund	2009/10 £,000	2008/09 £,000
Mobile Homes	(186)	(170)
Special Welfare Properties	(25)	(17)
Oxford Road	(39)	(29)
LEDC Sinking Fund	(90)	(88)
Leisure Management Sinking Fund	(236)	(236)
Twyford Business Units Sinking Fund	(8)	(8)
Toutley Depot Sinking Fund	(55)	(50)
Hogwood Lane Sinking Fund	(72)	(68)
Total	**(711)**	**(666)**

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 2009/10 the following amounts were transacted with related parties:

- Grants totalling £2,062,993.37 were paid to voluntary organisations and charities in which 13 members and 6 officers declared interest
- Payments totalling £4,461,908.02 were made to companies in which 6 members declared interest and 8 officers declared an interest
- Payments of £196,559 were made to education establishments in which 2 members declared interest

- Parish Councils – 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 2009-10 Wokingham Borough Council collected and paid over £3,345,999 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. Council has nominated directors in companies as disclosed in interest in companies note no. 29.

21. Audit Fees

In 2009/10 the following fees relating to external audit and inspection were payable to the Audit Commission:

Area	2009/10 £,000	2008/09 £,000
External Audit Services	244	253
Statutory Inspection	0	142
Certification of Grant Claims and Returns	44	40
Total	**288**	**435**

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

22. Fixed Assets

The changes in fixed assets during the year are shown below (restated as at 1st April 2010 (see Note 4)):

Operational Assets	Council Dwellings & HRA Assets £,000	Other, Land and Buildings £,000	Vehicles, Plant etc £,000	Community Assets £,000	Infrastructure £,000	Total £,000
Cost or Valuation						
As at 1st April 2009	208,056	424,821	7,624	1,963	80,348	722,812
Additions	1,644	6,408	1,252	39	5,881	15,224
Disposals	(77)	(115)	(129)	0	0	(321)
Reclassifications	294	16,263	(294)	0	0	16,263
Revaluations	0	103,976	0	0	0	103,976
Cost or Valuation as at 31st March 2010	**209,917**	**551,353**	**8,453**	**2,002**	**86,229**	**857,954**
Depreciation and Impairments						
As at 1st April 2009	(4,042)	(14,929)	(1,875)	0	(4,306)	(25,152)
Charge I & E Account for 2009/10	(1,954)	(15,545)	(724)	0	(2,118)	(20,341)
Disposals	0	9	39	0	0	48
Impairments	(194)	(7,479)	0	0	0	(7,673)
Reclassifications	(184)	228	184	0	0	228
Revaluations	0	0	0	0	0	0
As at 31st March 2010						
Balance Sheet Amount as at 31st March 2010	**203,543**	**513,637**	**6,077**	**2,002**	**79,805**	**805,064**
Balance Sheet Amount as at 1st April 2009	204,014	409,892	5,749	1,963	76,042	697,660

Fixed assets have significantly increased in year due to the revaluation of a number of schools and leisure centres as part of the 5 year rolling programme. Impairment has also been recognised in relation to some schools as their value would have been higher if the market had not decreased due to the recession in the last 12 months.

Nature of the Asset Holding

Operational Assets	Council Dwellings & HRA Assets £,000	Other, Land and Buildings £,000	Vehicles, Plant etc £,000	Community Assets £,000	Infrastructure £,000	Total £,000
Owned	203,434	504,988	4,256	2,002	79,805	794,485
Finance Lease	109	0	0	0	0	109
Private Finance Initiative (PFI)	0	8,649	1,821	0	0	10,470
Total	**203,543**	**513,637**	**6,077**	**2,002**	**79,805**	**805,064**

Historic Cost Analysis of Assets:

Operational Assets	Council Dwellings & HRA Assets £,000	Other, Land and Buildings £,000	Vehicles, Plant etc £,000	Community Assets £,000	Infrastructure £,000	Total £,000
Historic Cost						
As at 1st April 2009	198,652	419,573	7,581	1,963	80,348	708,117
Additions	1,644	6,408	1,252	39	5,881	15,224
Disposals	(77)	(98)	(121)	0	0	(296)
Reclassifications	294	16,274	(303)	0	0	16,265
Historic Cost Depreciation and Impairments						
As at 1st April 2009	(1,953)	(14,793)	(1,854)	0	(4,306)	(22,906)
Charge for 2009/10	(1,950)	(12,577)	(720)	0	(2,118)	(17,365)
Disposals	0	8	32	0	0	40
Impairments	0	(6,987)	0	0	0	(6,987)
Reclassifications	(184)	218	191	0	0	225
As at 31st March 2010						
Historic Cost as at 31st March 2010	**196,426**	**408,026**	**6,058**	**2,002**	**79,805**	**692,317**

Non- Operational Assets	Surplus Properties £'000	Assets Under Construction £'000	Investment Properties £'000	Total £'000
Cost or Valuation				
As at 1st April 2009	10,420	20,101	10,947	41,468
Additions	0	13,451	202	13,653
Donations	0	0	0	0
Disposals	0	0	0	0
Reclassifications	0	(20,101)	3,610	(16,491)
Revaluations	0	0	254	254
Cost or Valuation as at 31st March 2010	**10,420**	**13,451**	**15,013**	**38,884**
Depreciation and Impairments				
As at 1st April 2009	(340)	0	(1,150)	(1,490)
Charge I & E Account for 2009/10	0	0	0	0
Disposals	0	0	0	0
Impairments		0	0	0
Reclassifications	0	0	0	0
As at 31st March 2010				
Balance Sheet Amount as at 31st March 2010	**10,080**	**13,451**	**13,863**	**37,394**

The main movements during the year relate to the Council's on-going five year revaluation and expenditure via the capital programme. In 2009/10 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 2010 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 2009 (see Accounting Policies for further information).

The authority's asset portfolio is analysed as follows:

	Number		Number
Council Dwellings	**2,771**	Caravan Sites	**1**
Administrative Offices	**6**	Traveller Sites	**2**
Nursery and Primary Schools	**44**	Cemeteries	**2**
Secondary Schools	**9**	Public Conveniences	**4**
Special Schools and Units	**3**	Public Car Parks	**19**
Children's Centres	**5**	Commercial & Industrial Properties (Leased out)	**17**
Education Houses	**40**		
Detached Playing Fields	**9**	Properties Leased to Community / Voluntary Bodies	**22**
Public Libraries	**8**		
Youth & Community Centres	**6**	Ground Leased Sites	**49**
Sports Centres and Pools	**5**	Tenanted Farms and Smallholdings	**10**
Other Leisure Centres	**14**	Depots (Leased out)	**2**
Golf Courses	**1**	Surplus Assets	**14**
Residential Homes/Day Centres	**11**	Parks, Recreation Grounds and Open Spaces (Hectares)	**614**
Other Residential Properties	**3**		
		Waste Disposal Facilities (37% of PFI agreement)	**4**

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 & HRA Assets £,000	Other, Land and Buildings £,000	Vehicles, Plant etc £,000	Community Assets £,000	Infrastructure £,000	Total £,000
At historical cost	0	23,003	6,069	2,002	79,805	110,879
At current value in:						
2005/06	0	6,567	0	0	0	6,567
2006/07	0	36,574	0	0	0	36,574
2007/08	0	2,842	3	0	0	2,845
2008/09	0	9,499	5	0	0	9,504
2009/10	203,543	435,152	0	0	0	638,695
Total	**203,543**	**513,637**	**6,077**	**2,002**	**79,805**	**805,064**

23. Revenue Expenditure funded from Capital Resources under Statute

	2009/10 £,000	2008/09 £,000
Disabled Facilities Grants	370	413
Early Years Grant Allocations	418	557
Capital works to Leased Offices	496	478
Harnessing Technology Grant Allocation	66	0
Capital works to Play Sites across Borough	357	0
Capital works to Children's Centres	578	0
Capital works to VA / VC Schools	542	0
Other (Capital Expenditure)	1,010	631
Total	**3,837**	**2,079**

Other expenditure has been analysed at a more detailed level in 2009/10 due to some large grant funded expenditure.

24. Capital Expenditure and Financing

	2009/10 £,000	2008/09 £,000
Opening Capital Financing Requirement	79,019	72,603
Adjustment made - Regulation changes		
Capital Investment		
Operational Assets	13,183	15,833
Waste PFI – Operational Assets	2,011	7,129
Non-Operational Assets	13,653	9,770
Deferred Charges	3,837	2,723
Sources of Finance		
Capital Receipts	(270)	(4,709)
Government Grants and other Contributions	(27,235)	(20,833)
Sums set aside from revenue (NB includes direct revenue financing, MRP and voluntary set aside)	(3,111)	(3,497)
Closing Capital Financing Requirement	**81,087**	**79,019**
Explanation of Movements in Year		
Increase / (Decrease) in underlying need to borrow - Supported Borrowing	(386)	680
Increase / (Decrease) in underlying need to borrow - Unsupported Borrowing	2,454	5,736
Increase / (decrease) in Capital Financing Requirement	**2,068**	**6,416**

The increase in government's 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.

	2009/10 £'000
Disposal of Land at Pearson Way, Woodley	24
Disposal of Land at Southlake Crescent, Woodley	145
Disposal of Headley Road WC's	68
Disposal of Council Housing	142
Total	**379**

25. Capital Commitments

The estimated commitments for capital expenditure for schemes that had started, or legal contracts entered into, by 31st March 2010 are listed below:

	2009/10 £,000
Waingels College	2,590
Primary Schools Amalgamation – The Coombes	2,467
A4 Shepherds House East Railway Bridge	1,409
Housing Stock Improvements	1,174
Hillside Primary School Improvements	613
Schools Harnessing Technology IT Upgrades	457
Bulmersche School Improvements	432
Maiden Erlegh School Improvements	432
Hollow Lane/Church Lane Junction – Footpath & Cycleway	385
St Nicholas Primary School Improvements	369
St Crispins School Improvements	350
Wokingham Youth & Community Centre – Conversion & Extension	341
Approach Embankments to Bridges A4 & A32 (M)	312
Gypsy Site – Extra Plots	309
Woodley Airfield Youth & Community Centre – Conversion & Extension	293
The Holt School Improvements	278
New IT Property Database	272
Community Care Services IT Replacement	170
Ryeish Green School Improvements	162
Southfield School Improvements	160
Farley Hill School – Expansion of Infants Area	154
Hatch Ride Primary School Front Extension	133
Crazies Hill Primary School Improvements	121
Westcott Infants School Improvements	109
Nine Mile Ride Primary School Improvements	101
Other Commitments Individually under £0.1m	4,019
Total	**17,612**

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 £,000	IT Software Licences £,000	Total £,000
Original Cost	3,672	1,173	4,845
Amortisations to 01/04/09	(3,370)	(638)	(4,008)
Balance at 1/4/09	**302**	**535**	**837**
Movement in 2009/10			
Expenditure	0	343	343
Written off to revenue	(197)	(236)	(433)
Balance at 31/3/10	**105**	**642**	**747**

27. Analysis of Net Assets

	2009/10 £,000	2008/09 £,000
General Fund	7,856	8,592
Housing Revenue Account	1,305	686
Trading Operations	3	0
Total	**9,164**	**9,278**

28. Long Term Debtors

The long-term debtors represent amounts due to be paid to the Council after more than one year. The Balance Sheet figure consists of the following:

	Balance as at 31/3/10 £,000	Balance as at 31/3/09 £,000
Officer Car Loans	11	10
Total	**11**	**10**

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 2009 and show that turnover for 2008/09 was £2.1 million (£1.5m in 2007/08); the company made a profit of £8,404 (£8,333 in 2007/08) and had net assets of £22,149 (£13,745 in 2007/08). Wokingham Council does not receive any dividend income from the company. The financial statements for the company for 2009/10 will be available in January 2011.

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

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 2009 and show that the turnover for 2008/09 was £8.8m (£8.8m in 2007/08), the company made a deficit of £187,092 (£753,777 Surplus in 2007/08) and had net liabilities of £938,974 (net assets of £402,118 in 2007/08). Wokingham Council does not receive any dividend income from the company. The financial statements for the company for 2009/10 will be available in October 2010.

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.

Flexible Home Improvement Loans Ltd is a company set up by 17 local authorities across the South East of England to deliver small loans to homeowners to improve their property. The loans are targeted at vulnerable households to ensure they are in decent accommodation and therefore can remain in their own home rather than go into residential care. The company was established in 2008 and is limited by guarantee of £10. Wokingham Borough Council has an equal 1/17th share in the company and is able to nominate one director on the board of the company. The first financial statements for the company at 31st March 2010 are not yet available. Wokingham Council does not receive any dividend income from the company.

A full set of financial statements for the company can be obtained from Andrew Booker, Head of Finance, Royal Borough of Windsor and Maidenhead, Town Hall, St. Ives Road, Maidenhead, SL6 1RF.

Wokingham Trading Enterprises Ltd is a company wholly owned and set up by Wokingham Borough Council (WBC) for the purposes of enabling the regeneration of the town centre of Wokingham and specifically for the purchase of land and buildings, such as Peach Place, within the town centre for redevelopment. The company was established in 2009 and is limited by guarantee of £1. WBC has 100% of the share capital in the company and is able to control the operating, governance and financial policies of the organisation. WBC is able to appoint the board of directors of the company. In 2009/10 the Council made a financial contribution of £3,000 to the company in the form of share capital, this contribution has been included within the income and expenditure account and balance sheet of the council however, the Company had not commenced trading as at 31st March 2010. Separate financial statements for the company have not been prepared on the ground of materiality.

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 31/3/09 Restated £,000	Debtors £,000	Bad Debt Provision £,000	Balance as at 31/3/10 £,000
Local Tax Payers	252	2,676	(1,008)	1,668
Central Government	2,641	4,234	0	4,234
Rents	56	532	(441)	91
Other	6,524	7,500	(450)	7,050
Payments in Advance	2,068	2,795	0	2,795
Total	**11,541**	**17,737**	**(1,899)**	**15,838**

The significant increase in central government debtors during the year relates to a £1m increase in VAT reclaims from HMRC and a £433,000 increase in the amount due from central government for over paid business rates into the central fund.

Following an assessment of debtors outstanding at the year end, a £50,162 increase in the bad and doubtful debt provision was affected in 2009/10 through the General Fund. This follows an increase in the level of provision of £137,880 in 2008/09. 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.

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 54.

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 31/3/10 £,000	Balance as at 31/3/09 Restated £,000
Central Government	(203)	(252)
Rents	(307)	(256)
Other	(24,577)	(22,252)
Receipts in Advance	(5,739)	(5,061)
Total	**(30,826)**	**(27,821)**

Other creditors consist of trade creditors of £11m, capital creditors of £952k and sundry creditors of £11m. Receipts in advance consist of £4.3m sundry receipts in advance (eg, government grants carried forward) and £1.1m LAA Reward Grant held on behalf of the local strategic Partnership.

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	2009/10 Rental Payable in Year £,000	2009/10 Amount Charged to Revenue £,000	2008/09 Rental Payable in Year £,000	2008/09 Amount Charged to Revenue £,000
Land and Buildings	928	771	782	782
Vehicles, Plant and Equipment	132	132	117	117
Computer Equipment	170	170	127	127
Total	**1,230**	**1,073**	**1,026**	**1,026**

The outstanding commitments as at 31st March 2010 for operating leases is £1m as follows:

Type of Asset	Leases expiring in less than 1 year £,000	Leases expiring between 2 and 5 years £,000	Leases expiring after 5 years £,000
Land and Buildings	64	283	549
Vehicles, Plant and Equipment	12	92	0
Computer Equipment	0	48	0
Total	**76**	**423**	**549**

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	2009/10 Rental Receivable in Year £,000	2009/10 Amount Recognised to Revenue £,000	2008/09 Rental Receivable in Year £,000	2008/09 Amount Recognised to Revenue £,000
Shops	69	69	69	69
Industrial Premises	815	802	1,008	939
Offices	254	182	41	41
Other	493	534	483	470
Total	**1,631**	**1,587**	**1,601**	**1,519**

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 £,000	Accumulated Depreciation / Impairment £,000	Net Book Value £,000
Shops	1,465	(315)	1,150
Industrial Premises	4,969	(193)	4,776
Offices	0	0	0
Other	11,968	(984)	10,984
Total	**18,402**	**(1,492)**	**16,910**

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 31/3/10 the authority estimates that it will have to surrender 23,166 LATS permits to DEFRA out of an allocation of 29,804, leaving the authority with a surplus of 6,638 permits. The surplus cannot be carried forward into 2010/11 as it is a "Target Year". If the permits remain unsold by September 2010 they will be lost. However, at 31st March 2010 there has been a semi active market for the trading of LATS permits between authorities thus WBC expects to sell its surplus. An estimate of the fair value for the permits has been made at £9 per tonne based on trading on the DEFRA website during 2009/10.

The provision for Ex-Berkshire CC liabilities that was recognized in 2008/09 related 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. Further details about the de-recognition of the provision have been included in note 35 on Contingent Assets and Liabilities.

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 was set up accordingly. The cases were settled in 2009/10 and no further legal cases have been identified that would require a provision in 2009/10.

Provision	Balance as at 1/4/09 £,000	(Receipts) £,000	Expenditure £,000	Balance as at 31/3/10 £,000
Ex-Berkshire CC Liabilities	(240)	0	240	0
LATS	0	(208)	0	(208)
Legal Cases	(180)	0	180	0
Total	**(420)**	**(208)**	**420**	**(208)**

35. Contingent Assets and Liabilities

VAT Claims - 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. Following closure of the accounts, WBC was notified that £500,000 of the VAT claims were to be settled by HMRC and were received in June 2010.

Ex-Berkshire County Council Liabilities - In 2007/08 and 2008/09 we included a provision in the accounts for liabilities arising from a number of joint arrangements that exist for managing property's and services arising from the old Berkshire County Council. The liabilities arose from dilapidation costs at Ufton Court and a small number of insurance claims. In 2009/10 the joint arrangement received a capital receipt following the Sale of Mockbeggar House and anticipate further receipts under VAT reclaims for library income submitted on behalf of the Ex-Berkshire County Council (similar to those described above for WBC). The receipts anticipated will cover the liabilities from the joint arrangement and give rise to a contingent asset and therefore the provision has been derecognised for 2009/10.

There were no other contingent liabilities for 2009/10.

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.

These financial statements replace the unaudited financial statements previously authorised by the Audit Committee on 30 June 2010. The amended financial statements were re-approved by the Audit Committee on 22 September 2010.

The Financial Statements were then authorised for issue by the General Manager for Business Services, Mr Graham Ebers, on 23 September 2010. 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. There is a non-adjusting post balance sheet event disclosed in the note 47 to the accounts regarding pension increases.

38. Trust Funds

The Council acts as sole trustee for two trust funds. The total value of the funds at 31st March 2010 was £15,075 (31st March 2009 - £13,127).

Fund	Opening Balance £,000	Receipts £,000	Expenditure £,000	Closing Balance £,000
Sports Sponsorship	(8)	(1)	3	(6)
Chairman's Appeal	(5)	(10)	6	(9)
Total	**(13)**	**(11)**	**9**	**(15)**

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 1/4/09 £,000	(Gain) / Loss £,000	Net transfer (to) or from Reserve £,000	Balance at 31/3/10 £,000
Revaluation Reserve	Store of gains on revaluation of fixed assets	(16,208)	(103,553)	3,012	(116,749)
Capital Adjustment Account	Reflects the difference between the cost of fixed assets consumed and the capital financing set aside to pay for them (balance as at 1.4.09 has been restated)	(593,813)	0	17,728	(576,085)
Usable Capital Receipts	Proceeds of fixed asset sales available to meet future capital investment	(4,603)	0	(9)	(4,612)
Pensions Reserve	Balancing account to allow inclusion of pensions liability in the balance sheet	74,500	67,368	5,143	147,011
Financial Instruments Adjustment Account	Reflects the difference between the financing costs included in the Income and Expenditure Account and the accumulated financing costs charged to the General Fund Balance.	4,910	0	(640)	4,270

Reserve	Purpose of the reserve	Balance at 1/4/09 £,000	(Gain) / Loss £,000	Net transfer (to) or from Reserve £,000	Balance at 31/3/10 £,000
Housing Revenue Account	Resources available to meet future running costs for council houses	(686)	0	(619)	(1,305)
Major Repairs Reserve	Resources available to meet capital investment in council housing	(847)	0	(334)	(1,181)
General Fund	Resources available to meet future running costs for non-housing services	(8,592)	0	736	(7,856)

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.

Bank	Amount Transferred to the Financial Instruments Adjustment Account £,000
Heritable Bank	(286)
Landsbanki	182
Total	**(104)**

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 1/4/09 £,000	(Contribution to Reserve) £,000	Contribution from Reserve £,000	Balance at 31/3/10 £,000
Waste Equalisation Fund	118	(473)	1,243	888
Renewals Funds	(666)	(47)	2	(711)
Commuted Sums	(619)	(49)	0	(668)
Section 38/18 Fund	(86)	(45)	0	(131)
Insurance Fund	(1,120)	(577)	505	(1,192)
Housing Association Reserve	(137)	(1)	0	(138)
Other Funds	(371)	(132)	177	(326)
Interest Equalisation Fund	(2,376)	0	0	(2,376)
Total	**(5,257)**	**(1,324)**	**1,927**	**(4,654)**
Other Reserves	0	(3)	0	(3)
Total	**(5,257)**	**(1,327)**	**1,927**	**(4,657)**

(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.

(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.

(ix) **Other Reserves**

This represents the balance the council holds on behalf of Wokingham Enterprise Ltd

40. Government Grants and Capital Contributions 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 31/3/09	Amount Amortised to Revenue	Amount deferred	Balance as at 31/3/10
	£,000	£,000	£,000	£,000
Defra LATS Grant	0	0	(60)	(60)
Capital Contributions Deferred	(8,824)	837	(2,015)	(10,002)
Capital Grants Deferred	(41,668)	4,788	(23,311)	*(60,191)
Total Capital Deferred Contributions and Grants	**(50,492)**	**5,625**	**(25,386)**	**(70,253)**

* Please note the 'balance as at 31/03/10' figure for Capital Grants Deferred includes a £10k adjustment relating to an 08/09 adjustment for 'removal of VA/VC Schools' which is excluded from the figures in the 'Amortised' and 'Deferred' columns.

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 31/3/09 £,000	New Grants and Contributions £,000	Amount applied to fund capital expenditure £,000	Balance as at 31/3/10 £,000
DEFRA LATS Grant	0	0	0	0
Capital Grants Unapplied	(22,246)	(18,266)	23,311	(17,201)
Developers Contributions	(10,509)	(3,223)	1,695	(12,037)
Revenue Contributions	11	(355)	381	37
Other Contributions	7	(568)	320	(241)
Earmarked Capital Contributions	(136)	0	0	(136)
Total Unapplied Grants and Contributions	**(32,873)**	**(22,412)**	**25,707**	**(29,578)**

Capital Grants include – The Targeted Capital Fund of £7m, Devolved Formula Grant of £5m & other smaller grants.

Other Contributions include - School Funded contributions to fund £320k of capital expenditure.

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	
	31/03/10	31/03/09	31/03/10	31/03/09
Financial Liabilities at amortised cost	(48,046)	(48,287)	0	(5,230)
Total Borrowings	**(48,046)**	**(48,287)**	**0**	**(5,230)**
Loans and Receivables	7,320	2,107	21,140	27,578
Available for Sale Financial Assets	0	0	14,977	23,608
Total Investments	**7,320**	**2,107**	**36,117**	**51,186**

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:

Financial Instruments Gains and Losses 2009/10	Financial Liabilities measured at cost £,000	Financial Assets Loans and Receivables £,000	Financial Assets Available for sale assets £,000	Total £,000
Interest Expense	2,599			2,599
Premium paid on early redemption of debt	0			0
Interest Payable and similar charges	**2,599**			**2,599**
Impairment Losses	(104)			(104)
Impairment Losses	**(104)**			**(104)**
Interest Income	0	(1,106)	(308)	(1,414)
Interest and Investment Income	**0**	**(1,106)**	**(308)**	**(1,414)**
Net Gain / Loss for the year	**2,495**	**(1,106)**	**(308)**	**1,081**

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 2008/09	Financial Liabilities measured at cost £,000	Financial Assets Loans and Receivables £,000	Financial Assets Available for sale assets £,000	Total £,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)**

Interest credited to the Income and Expenditure Account in respect of impaired investments is shown below. These investments have been impaired because of the financial uncertainty surrounding investments held in Icelandic banks.

Bank	Credited 2007/08 £,000	Credited 2008/09 £,000	Credited 2009/10 £,000
Heritable Bank	45	145	95
Landsbanki	0	72	185

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:

	31/03/10		31/03/09	
	Carrying Amount £,000	Fair Value £,000	Carrying Amount £,000	Fair Value £,000
PWLB debt	23,680	25,308	28,990	30,356
Non-PWLB debt	24,366	25,231	24,527	25,395
Total Debt	**48,046**	**50,539**	**53,517**	**55,751**
Trade Creditors	24,829	24,829	22,252	22,252
Total Financial Liabilities	**72,875**	**75,368**	**75,769**	**78,003**

The fair value as at 31/03/10 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.

	31/03/10		31/03/09	
	Carrying Amount £,000	Fair Value £,000	Carrying Amount £,000	Fair Value £,000
Money Market Loans < 1 year	36,117	36,117	51,186	51,186
Money Market Loans > 1 year	7,320	7,326	2,107	2,221
Trade debtors	7,050	7,050	6,127	6,127
Total Financial Assets	**50,487**	**50,493**	**59,420**	**59,534**

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

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.

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 2010 £,000 (a)	Historical experience of default Year 1 % (b)	Adjustment for market conditions at 31 March 2010 % (c)	Estimated maximum exposure to default £,000 (a * c)
Deposits with banks and financial institutions:				
AAA rated counterparties	23,518	0.00%	0.00%	0
AA rated counterparties	17,035	0.02%	0.02%	3
A rated counterparties	0	0.04%	0.04%	0
Other counterparties	2,889	1.11%	1.11%	32
Trade debtors	7,168	0.28%	0.56%	40
TOTAL	**50,610**			**75**

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 £1.9m of the £7.1m balance is past its due date for payment. The past due amount can be analysed by age as follows:

	31/03/10 £,000	31/03/09 £,000
Less than three months	465	559
Three to six months	393	231
Six months to one year	467	188
More than one year	564	467
	1,889	**1,445**

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:

	31/03/10 £,000	31/03/09 £,000
Less than fifteen years	1,000	5,000
Between fifteen and twenty years	0	1,000
Between twenty-one and twenty-five years	2,400	0
Between twenty-six and thirty years	0	12,400
More than thirty years	44,188	34,188
	47,588	**52,588**

The maturity analysis of financial assets is as follows:

	31/03/10 £,000	31/03/09 £,000
Less than one year	36,117	47,362
Between one and two years	6,074	3,380
Between two and three years	477	930
More than three years	769	1,060
	43,437	**52,732**

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:

	£,000
Increase in interest payable on variable rate borrowings	0
Increase in interest receivable on variable rate investments	(260)
Impact on Income and Expenditure Account	**(260)**
Increase in Government grant receivable for financing costs	0
Share of overall impact debited to the HRA	4
	4
Decrease in fair value of fixed rate investment assets	68
Impact on STRGL	**68**
Decrease in fair value of fixed rate borrowings liabilities (no impact on I+E Account or STRGL)	**8,329**

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 two of these institutions, with varying maturity dates and interest rates as follows:

Bank	Date Invested	Maturity Date	Amount Invested £,000	Interest Rate %	Carrying Amount £,000	Impairment £,000
Heritable	01/11/06	03/11/08	2,000	5.45%	966	523
Heritable	01/09/08	28/08/09	1,000	6.20%	462	246
Landsbanki	01/08/08	27/02/09	1,000	6.05%	696	413
Landsbanki	01/09/08	28/08/09	1,000	5.50%	811	338
Total			**5,000**		**2,935**	**1,520**

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

The Balance Sheet shows the net impact of the impairment of the Icelandic Banks investment in the Financial Instruments Adjustment Account. Regulations issued in March 2009 allow the authority to defer the impact of an impairment loss on the General Fund. Such amounts are instead transferred to the Financial Instruments Adjustment Account, an account that records the timing differences between charging these amounts to the General Fund in accordance with proper practice and in accordance with the regulations.

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 Authority estimates that the following credits will be made to the Financial Instruments Adjustment Account:

Bank	Balance on FIAA at 31/03/09 £,000	Maturity Interest during 2009/10 £,000	Amount Change in Impairment £,000	Impairment Balance on FIAA at 31/03/10 £,000
Heritable	485	214	(176)	523
Heritable	285	71	(110)	246
Landsbanki	157	108	148	413
Landsbanki	155	149	34	338
Total	**1,082**	**542**	**(104)**	**1,520**

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

The current situation with regards to recovery of the sums deposited varies between each institution. Based on the latest information available the authority considers 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 English law. The company was placed in administration on 7 October 2008. A total repayment of £1.09m was received (34.98%) in 2009/10 and the revised impairment is based on the assumption that a further 50% will be received by the end of 2012/13, taking the total dividends expected to be paid to 84.98%.

Therefore in calculating the impairment the Authority has made the following assumptions re timing of recoveries:

Date	Repayment	Date	Repayment
June 2010	5%	September 2011	5%
September 2010	5%	December 2011	5%
December 2010	5%	March 2012	5%
March 2011	5%	June 2012	5%
June 2011	5%	September 2012	5%

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

Landsbanki

The impairment for Landsbanki in 2008/09 had been based on the assumption that local authority deposits with the bank had priority status, and would therefore be repaid ahead of any creditors that did not have priority status. This was based on the legal advice obtained by local authorities, and on announcements made by the banks.

The Glitnir Winding-Up Board (another of the Icelandic Banks in Administration) has since expressed the view that local authority deposits do not have priority status. This may also impact on the Landsbanki position. Local authorities' legal advice remains that deposits have priority status under Icelandic law however decisions on the priority status of local authority deposits will be made by the Icelandic courts. It is unlikely that the position on priority status will be known until 2011/12 however the impairment for 2009/10 has been calculated on the basis that priority status will be confirmed and repayments of 94.86% received between October 2011 and October 2018.

Deposits with the Icelandic-domiciled banks were converted to Icelandic Krona on 22 April 2009. Repayments by the banks will be based on the value of the deposit in ISK; the sterling value received by the authorities will depend on the prevailing exchange rate, and may therefore be lower than the equivalent value on 22 April 2009.

Therefore in calculating the impairment the Authority has made the following assumptions re timing of recoveries:

Date	Repayment	Date	Repayment
October 2011	22.17%	October 2015	8.87%
October 2012	8.87%	October 2016	8.87%
October 2013	8.87%	October 2017	8.87%
October 2014	8.87%	October 2018	8.87%

If the Council does not receive priority status the expected repayments will be 38.19% between October 2011 and October 2018.

44. School Revenue Balances

The Schools hold balances of £5,187,047 under delegated schemes (£5,584,340 in 2008/09). These sums are currently earmarked for educational purposes. The school reserves and their movement are as follows:

	Balance at 1/4/09 £,000	(Contribution to Reserve) £,000	Contribution from Reserve £,000	Balance at 31/3/10 £,000
Primary Schools	(2,627)	0	46	(2,581)
Secondary Schools	(1,976)	0	1,229	(747)
Special Schools	(791)	0	109	(682)
Schools Standards Grant Reserve	11	(4,402)	4,380	(11)
Schools Standards Fund Reserve	(201)	(19,696)	18,731	(1,166)
Learning & Skills Council Grant Reserve	0	(10,407)	10,407	0
Total	**(5,584)**	**(34,505)**	**34,902**	**(5,187)**

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 2010.

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.

Details of the deployment of DSG receivable for 2009/10 are as follows:

	Central Expenditure £,000	Individual Schools Budget £,000	Total £,000
Final DSG for 2009/10			88,029
Brought forward from 2008/09			(770)
Carry forward to 2010/11 agreed in advance			906
Agreed budget distribution in 2009/10	**11,446**	**76,719**	**88,165**
Actual Central Expenditure	11,022	0	
Actual ISB Deployed to Schools	0	76,668	
Local Authority Contribution for 2009/10	0	0	0
Carry forward to 2010/11	**424**	**51**	**(431)**

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)

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:

Local Government Pension Scheme		
Income and Expenditure Account	**2009/10 £,000**	**2008/09 £,000**
Net Cost of Service		
Current Service Cost	6,374	7,858
Past Service Costs	0	635
Settlements & Curtailments	455	98
Charge to Net Cost of Services	**6,829**	**8,591**
Expected Return on Employer Assets	(6,100)	(9,680)
Interest on Pension Scheme Liabilities	9,923	10,450
Expected return on Berkshire County Council Assets	1,393	763
Charge to Operating Expenditure	**5,216**	**1,533**
Net Charge to Income and Expenditure Account	**12,045**	**10,124**

Local Government Pension Scheme		
Statement of Movement in the General Fund Balance	**2009/10 £,000**	**2008/09 £,000**
Reversal of net charges made for retirement benefits in accordance with FRS17	(12,045)	(10,124)
Actual amount charged against the general fund balance for pensions in the year:	6,902	5,846
Net Charge to the Statement of Movement on the General Fund Balance	**(5,143)**	**(4,278)**

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 cohabitates.

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 £1,393,382 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.

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	2009/10 £,000	2008/09 £,000	2007/08 restated £,000
Bracknell	13.7320%	(23,694)	(16,736)	(12,043)
West Berkshire	18.2907%	(31,560)	(22,292)	(16,041)
Reading	16.6933%	(28,804)	(20,345)	(14,640)
Slough	13.0339%	(22,489)	(15,886)	(11,431)
Windsor	19.1940%	(33,119)	(23,393)	(16,834)
Wokingham	19.0561%	(32,881)	(23,225)	(16,713)
Net Pension Asset / (Liability)	**100 %**	**(172,547)**	**(121,877)**	**(87,702)**

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

Reconciliation of present value of the scheme liabilities:

Liabilities, Local Government Pension Scheme	Wokingham BC Scheme		Former Berkshire CC Scheme	
	2009/10 £'000	2008/09 £'000	2009/10 £'000	2008/09 £'000
As at 1st April	146,917	155,749	208,230	229,371
Current Service Cost	6,374	7,858	0	0
Interest Cost	9,923	10,450	13,384	14,606
Contributions by Scheme Participants	2,898	2,710	0	0
Actuarial (Gains) and Losses	85,168	(25,280)	64,432	(19,348)
Benefits Paid	(6,681)	(5,138)	(16,063)	(15,481)
Unfunded pension payments	(168)	(165)	(1,148)	(918)
Losses (gains) on curtailments	455	98	0	0
Past Service Costs	0	635	0	0
Liabilities as at 31st March	**244,886**	**146,917**	**268,835**	**208,230**
WBC Share of Berkshire CC Liabilities	51,230	39,681		
Liabilities as at 31st March	**296,116**	**186,598**		

Reconciliation of the fair value of scheme assets:

Local Government Pension Scheme	Wokingham BC Scheme		Former Berkshire CC Scheme	
	2009/10 £,000	2008/09 £,000	2009/10 £,000	2008/09 £,000
As at 1st April	95,642	132,345	86,354	141,669
Expected rate of return	6,100	9,680	4,924	9,683
Actuarial Gains and (Losses)	25,895	(49,801)	21,074	(49,517)
Employer Contributions	7,070	6,011	1,148	918
Contributions by Scheme Participants	2,898	2,710	0	0
Estimated Benefits Paid (net of transfers in)	(6,849)	(5,303)	(17,211)	(16,399)
Fair Value of Scheme Assets as at 31st March	**130,756**	**95,642**	**96,289**	**86,354**
WBC Share of Berkshire CC Assets	18,349	16,456		
Fair Value of Scheme Assets as at 31st March	**149,105**	**112,098**		
Net Pensions liability	**147,011**	**74,500**		

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 £31,995,000 (2008/09: loss of £40,121,000).

Scheme History

Wokingham BC Scheme	2009/10 £,000	2008/09 £,000	2007/08 restated £,000	2006/07 restated £,000	2005/06* £,000
Present Value of the Liabilities	(242,042)	(145,086)	(153,753)	(158,808)	(156,338)
Fair Value of Assets	130,756	95,642	132,346	135,375	122,704
Present Value of unfunded Obligations	(2,844)	(1,831)	(1,996)	(2,148)	0
Surplus / (Deficit) in the WBC Scheme	**(114,130)**	**(51,275)**	**(23,403)**	**(25,581)**	**(33,634)**
Experience Adjustments on Scheme Liabilities	(720)	0	(3,281)	0	0
Percentage of Liabilities	(0.3%)	0.0%	(2.1%)	0.0%	0.0%
Experience Adjustments on Scheme Assets	25,895	(49,801)	(17,352)	114	17,193
Percentage of Assets	19.8%	(52.1%)	(13.1%)	0.1%	14.0%
Cumulative Actuarial Gain / (Loss)	(74,761)	(15,488)	9,031	6,438	(4,344)

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

Former Berkshire County Council Scheme	2009/10 £,000	2008/09 £,000	2007/08 restated £,000	2006/07 restated £,000	2005/06* £,000
Present Value of the Liabilities	(252,811)	(201,450)	(221,682)	(227,373)	(239,458)
Fair Value of Assets	96,289	86,354	141,669	170,040	172,980
Present Value of unfunded Obligations	(16,025)	(6,780)	(7,689)	(7,726)	(8,952)
Surplus / (Deficit) in the BCC Scheme	**(172,547)**	**(121,876)**	**(87,702)**	**(65,059)**	**(75,430)**
Experience Adjustments on Scheme Liabilities	(8,809)	0	(16,596)	0	0
Percentage of Liabilities	(3.3%)	0.0%	(7.2%)	0.0%	0.0%
Experience Adjustments on Scheme Assets	21,074	(49,517)	(23,972)	152	25,604
Percentage of Assets	21.9%	(57.3%)	(16.9%)	0.1%	14.8%
Cumulative Actuarial Gain / (Loss)	(85,174)	(41,816)	(11,647)	9,726	(1,129)

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 2011 is £6,886,000 representing 15.3% of pensionable pay.

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	2009/10	2008/09
Long-term expected rate of return on assets in the scheme:		
Equity Investments	7.9%	7.4%
Gilts	4.5%	4.0%
Bonds	5.5%	6.5%
Property	6.0%	5.5%
Cash	3.0%	3.0%
Alternative Assets	5.0%	n/a
Expected Return on Assets	6.5%	6.3%
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	3.9%	3.0%
Rate of increase in salaries	5.4%	4.5%
Rate of increase in pensions	3.9%	3.0%
Rate for discounting scheme liabilities	5.5%	6.7%
Take up of option to convert annual pension in to retirement lump sum	50%	50%

In assessing liabilities for retirement benefits at 31 March 2010 for the 2009/10 Statement of Accounts, the actuary assumed a discount rate of 1.5% real (5.5% 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)	2009/10	2008/09
Equity Investments	44%	62.2%
Gilts	0%	9.5%
Other Bonds	29%	14.6%
Property	7%	10.7%
Alternative Assets	18%	0%
Cash	2%	3.0%
Total	**100%**	**100%**

Amounts recognised in the Statement of Recognised Gains and Losses

The actuarial gains identified as movements on the Pensions Reserve in 2009/10 can be analysed as follows at 31 March 2010:

	2009/10	2008/09
Actual return less expected return on pension scheme assets	25,895	(49,801)
Experience gains and losses	(720)	0
Changes in assumptions underlying the present value of the scheme liabilities	(84,448)	25,280
Actuarial gain / (loss) in the WBC pension scheme	**(59,273)**	**(24,521)**
WBC's share of the Actuarial gain / (loss) in the BCC pension scheme	(8,262)	(5,749)
Total Actuarial gain/ loss	**(67,535)**	**(30,270)**

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.

<u>Teachers Scheme</u>

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 2009/10 the Council paid £6,761,000 to the Pensions Agency in respect of teachers' retirement benefits, representing 14.1% of pensionable pay. The figures for 2008/09 were £6,507,789 and 14.1%.

In addition, an amount of £82,487 has been paid in respect of added years pension payments to retired teachers (2008/09 - £70,505).

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.

Post Balance Sheet Development

In its budget on 22 June 2010 the Government announced a move to using the Consumer Price Index (CPI) as the measure of price inflation for public sector schemes from April 2011. Currently the Retail Price Index (RPI) is the measure used. This change will affect the valuation of pension fund liabilities.

As CPI is generally lower than RPI, over an extended period, pension increases are likely to be lower that might have previously been expected. Consequently, the actuarial gross liabilities may reduce as will the net pension deficit on the balance sheet.

The reduction in balance sheet pensions liability is forecast to be in the region of 10%, which equates to approximately £14.7m. However, this will be confirmed during the triennial review (value as at the 31st March 2010), which will be known in early 2011.

48. Euro Costs

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

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

	2009/10		2008/09
	£,000	£,000	£,000
General fund (surplus) deficit	25,965		11,314
Collection fund cash contribution	0		(496)
Cash settlement with Berkshire County Council	0		0
		25,965	**10,818**
Non-Cash Transactions:			
Depreciation & Impairment	(25,611)		(9,880)
Revaluation decreases written off to I&E during the year	0		(1,243)
Deferred Charges amortised in year	5,625		3,080
Pension Fund adjustments	(5,143)		(4,278)
Other non cash Financial Instrument adjustments	0		429
Contributions to Provisions	211		229
Deferred Charges	(3,837)		(2,079)
Gain or Loss on the disposal of Fixed Assets	(130)		379
Appropriation to/from Collection Fund Adjustment Account	(343)		0
		(29,228)	**(13,363)**
Increase / (Decrease) in Debtors	4,540		(9,746)
(Increase) / Decrease in Creditors	(6,117)		(721)
External Interest Received	1,414		4,876
External Interest Paid	(2,599)		(4,582)
		(2,762)	**(10,173)**
Net cashflow from revenue activities		**(6,025)**	**(12,718)**

50. Reconciliation of the Movement in Net Debt

Reconciliation of changes in cash to movement in net debt:	2009/10 £,000	2008/09 £,000
Increase /(Decrease) in cash in year	903	(6,289)
Cash inflow/(Outflow) from management of Liquid Resources	14,408	2,913
Cash inflows from:		
New loans raised	0	5,160
Discounts received on debt restructuring	0	0
Cash outflow from:		
Loans repaid	(5,000)	(24,802)
Other principle repayments	(293)	0
Changes in net debt resulting from cash flows	**10,018**	**(23,018)**

Reconciliation of changes in cash to movement in net debt:	2009/10 £,000	2008/09 £,000
Transfer Loan to/from Long Term BorrowingI	(160)	0
Interest accrued at year end for loans carried at nominal value	320	0
Transfer to/from Short Term Investments	229	0
Receipt / Payments of interest accrued	(632)	631
Adj re NNDR Debtor	433	0
Waste PFI payments	293	0
Net Debt B/Fwd	2,662	25,049
Net Debt as at 31st March	**13,163**	**2,662**

51. Reconciliation of Financing and Management of Liquid Resources

Analysis of Changes in Cash and Liquid Resources during the year	Balance at 1/4/09 £,000	Cash Movement £,000	Balance at 31/3/10 £,000
Temporary Investments	51,186	(15,069)	36,117
Cash	2,457	(520)	1,937
Bank overdraft	(2,788)	(383)	(3,171)
Total	**50,855**	**(15,972)**	**34,883**

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

	2009/10 £,000	2008/09 £,000
i) The Categories of Government Grant shown in the Cashflow Statement are:		
Capital Activities	18,266	26,450
Revenue Activities	155,376	156,748
Total	**173,642**	**183,198**
ii) Analysis of Government Grants		
(Analysis of Revenue Grants)		
Dedicated Schools Grant	76,668	84,607
Standards Fund Grant	11,692	9,864
Housing Benefit Grants	24,174	19,720
Health Authority Income	1,610	1,610
Learning and Skills Council	10,407	9,916
Area Based Grant	5,744	5,530
Formula Grant (RSG)	19,286	19,001
Sure Start Grant	2,900	2,289
Other Specific Government Grants	2,895	4,211
Total	**155,376**	**156,748**

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

Reconciliation of changes in cash to movement in net debt	Balance at 1/4/09 £,000	Receipts/ Payment of interest accrued at last balance sheet date £,000	Cashflow/ changes in year £,000	Other Non Cash changes £,000	Balance at 31/3/10 £,000
Cash	(331)	0	(903)	0	(1,234)
Temporary Investments & Short Term Deposits	51,186	0	(14,408)	(661)	36,117
Total	**50,855**	**0**	**(15,311)**	**(661)**	**34,883**
Loans due after more than one year	(53,517)	631	5,293	(453)	(48,046)
Net Debt	**(2,662)**	**631**	**(10,018)**	**(1,114)**	**(13,163)**

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 Part 6 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 2009/10 the Housing Revenue Account budgeted to increase the reserves by £116,430. At the end of 2009/10 the HRA under-spent by £567,397 which means the HRA reserves have increased to £1,304,944.

The Major Repairs Reserve, which is the capital element of the HRA, underspent by £334,113 and now has a reserves balance of £1,181,318. The MRA reserves are ring-fenced and will, therefore, be carried forward for future projects.

WOKINGHAM BOROUGH COUNCIL

HOUSING REVENUE ACCOUNT

	Notes	2009/10 £,000	2009/10 £,000	2008/09 £,000
Income				
Rent (gross):				
Dwelling	1	(11,516)		(11,219)
Non-Dwelling		(201)		(200)
Charges for facilities and services		(613)		(717)
Contributions towards expenditure				(81)
Total Income			**(12,330)**	**(12,217)**
Expenditure (including FRS 17 Pensions Costs)				
Repairs and maintenance		2,187		2,343
Supervision and management		2,507		2,508
FRS 17 pension	7	12		40
Rents, rates, taxes and other charges				
Negative HRA subsidy payable	3	4,604		4,854
Depreciation and impairment of fixed assets	5	1,903		1,848
Depreciation and impairment of finance leases	5	51		49
Increase to Bad Debt Provision	9	21		91
Debt management costs		1		1
Total Expenditure			**11,286**	**11,734**
Net Cost of HRA services			**(1,044)**	**(483)**
Gain or loss on sale of fixed assets			(66)	0
Interest payable and similar charges			16	71
Interest and investment income			(8)	(41)
Pensions interest cost and expected return on assets			0	0
Total: (Surplus) / Deficit for the year on HRA Services			**(1,102)**	**(453)**

STATEMENT OF THE MOVEMENT ON THE HRA BALANCE

Statement of Movement on the Housing Revenue Account Balance	2009/10 £'000	2008/09 £'000
(Surplus) / Deficit on the HRA Income and Expenditure Account	(1,102)	(453)
Items included in the HRA Income & Expenditure Account but excluded from the movement on HRA balance for the year		
Reversal of gain of HRA sale	66	
Difference between interest payable (and similar charges) and those determined by statute (Note 11)	50	51
Impairment of HRA fixed assets	0	0
Amortisation of premiums	431	477
Depreciation of HRA Leases	(51)	(49)
Transfer to Financial Instruments Adjustment Account	0	(9)
Derecognition & remeasurement (premiums & discounts)	0	0
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	(12)	(40)
Capital expenditure funded by the HRA	0	0
Transfer to / (from) other reserves	0	0
Transfer to / (from) Major Repairs Reserve	(334)	(432)
Sub-Total	**(952)**	**(455)**
HRA Balance Brought Forward (incl MRA	(1534)	(1,079)
HRA Balance Carried Forward (incl MRA)	**(2,486)**	**(1,534)**

Statement of Movement on the Housing Revenue Account Balance (Excluding Major Repairs Reserve)	2009/10 £'000	2008/09 £'000
Balance at the beginning of the year	(687)	(664)
Gain on remeasurement of financial instruments	0	0
HRA gain on sale of property	(65)	
Amortisation of HRA Leases	(51)	(49)
Transfer of HRA gain to general Fund	65	
Transfer to Financial Instruments Adjustment Account per regulations		(9)
(Surplus) / Deficit	(567)	35
Balance at the end of the year	**(1,305)**	**(687)**

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 2009/10 rents increased by an average of 3.1%, except for certain rents which were capped as follows:-

£113.77	1 Bedroom and Bedsitter
£120.46	2 Bedroom
£127.16	3 Bedroom
£133.85	4 Bedroom
£140.53	5 Bedroom

Non-Dwelling Rents

This includes rent of garages, land and wayleaves. The garage rents for 2009/10 were not increased due to the current void level and poor state of repair.

2. Housing Stock

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

HRA Stock	2009/10 Number of Properties	2008/09 Number of Properties
Low & Medium Rise Flats	879	880
Traditional Houses and Bungalows	1,554	1,554
Non–Traditional Houses and Bungalows	338	338
Total	**2,771**	**2,772**

HRA Stock	2009/10 Number of Properties	2008/09 Number of Properties
Dwellings	2,409	2,410
Sheltered Units	315	315
Shared Equity Properties	47	47
Total	**2,771**	**2,772**

Changes in the housing stock are detailed below:

HRA Stock	2009/10 Number of Properties	2008/09 Number of Properties
Stock at 1st April 2009 (Opening Stock)	2,772	2,772
Less: Sales	1	0
Stock at 31st March (Closing Stock)	**2,771**	**2,772**

WOKINGHAM BOROUGH COUNCIL

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 31/3/09	203,854	267	204,121
Accumulated depreciation and impairment	0	(107)	(107)
Net book value at 31/3/09	**203,854**	**160**	**204,014**
Movement in 2009/10			
Assets Reclassified	0	110	110
Additions	1,569	75	1,644
Disposals	(77)	0	(77)
Revaluations	0	0	0
Depreciation	(1,889)	(65)	(1,954)
Impairments	(194)	0	(194)
Net book value at 31/3/10	**203,263**	**280**	**203,543**

Note – Reclassification of £110,000 includes 12 play areas and equipment not previously identified as HRA assets.

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 let at affordable rents 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 2010 was £447,569,797.76.

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 £525,218.46. Therefore total stock valuation is £448,095,016,22.

HRA Non Operational Assets	Council Dwellings for Re-Development £,000
Gross Valuation at 31/3/09	2,340
Accumulated depreciation and impairment	(340)
Net book value at 31/3/09	**2,000**
Movement in 2009/10	
Assets Reclassified	0
Additions	0
Disposals	0
Revaluations	0
Depreciation	0
Impairments	0
Net book value at 31/3/10	**2,000**

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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:

	2009/10 £,000	2008/09 £,000
Allowance for Management	1,374	1,356
Allowance for Maintenance	2,827	2,775
Allowance for Major Repairs	1,910	1,848
Charges for Capital	772	820
Guideline Rent Income	(11,489)	(11,653)
Adjustment for final audited claim	2	0
Housing Subsidy Payable to Government	**(4,604)**	**(4,854)**

Housing Subsidy was set at £5m, however due to the government in-year rent change this reduced to £4.6m to offset the rents refunded in August 2009.

4. Major Repairs Reserve

The total capital expenditure on housing and other property within the HRA was £1,568,957 and was financed through the Major Repairs.

Movement on Major Repairs Reserve Balances:

	2009/10 £,000	2008/09 £,000
Income		
Major Repairs Allowance	(1903)	(1,848)
Transfer from HRA	0	0
Transfer from other reserves	0	0
Total Income	**(1903)**	**(1,848)**
Capital Expenditure	1569	1,416
(Surplus) / Deficit	**(334)**	**(432)**
Balance at 1st April	(847)	(415)
Balance at 31st March	**(1,181)**	**(847)**

The Council underspent its MRA allowance by £334K mainly as a result of the decent homes contract was awarded in the final quarter of 2009/10.

5. Depreciation

The Government's Major Repair Allowance (£1,903,070) has been accepted as a reasonable estimate of the measure of depreciation on operational assets comprising HRA dwellings. However, there was an additional revenue charge of £51,071 which relates to two finance leases within the HRA.

6. Impairments and Deferred Charges

There were no impairments or deferred charges in 2009/10.

7. Contributions to the Pensions Reserve

The Housing Revenue Account has been charged an additional £12,285 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 £462,631 at 31st March 2010, representing an increase of £22,631 on the position at 31st March 2009. The arrears were made up as follows:

	2009/10 £,000	2008/09 £,000
Current Tenants	340	328
Former Tenants	123	112
Total	**463**	**440**

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:

	2009/10 £,000	2008/09 £,000
Balance at 1st April	420	329
(Decrease) / Increase in provision for the Year	21	91
Balance at 31st March	**441**	**420**

10. Exceptional or Prior Year Items

There were no exceptional or prior year adjustments to the HRA in 2009/10.

11. Interest Charge

The interest charge was paid over a given period for the repayment of a debt.

12. Capital Expenditure

Capital expenditure related to the following items within the HRA during the year:

- Land – Nil
- Houses – Decent Homes £1,568,957
- Other Property - Nil

13.Capital Expenditure Funding

Capital expenditure within the HRA was funded from the following sources:

- Borrowing – Nil
- Capital receipts – Nil
- Revenue contributions – Nil
- The Major Repairs Reserve – Allocation £1,903,070.

14. Capital Receipts

Capital receipts from disposals related to the following items within the HRA during the year:

- Land - Nil
- Houses – one sale of £142,000 less the net book value of £78,500 with a gain of £65,500 which was transferred to the general fund.
- Other Property – Nil.

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 2009/10 the fund has an accumulated surplus of £545,000. Surpluses/deficits are distributed between the major precepting authorities.

COLLECTION FUND

	Notes	2009/10 £,000	2009/10 £,000	2008/09 £,000
Income from Council Tax Payers	2	(88,560)		(84,282)
Transfers from General Fund				
Council Tax Benefits	2	(4,755)		(4,051)
Transitional Relief		37		596
Income collectable from Business Ratepayers		(51,886)		(48,885)
Total Income			**(145,164)**	**(136,622)**
Precepts and Demands:				
Wokingham Borough Council	5	76,011		72,248
Parish Councils	5	3,346		3,252
Police Authority	5	9,774		9,316
Fire Authority	5	3,561		3,381
Business Rates:				
Payment to National Pool	3	51,681		48,015
Costs of Collection	3	186		184
Bad / Doubtful debts				
Provisions		(19)		(362)
Write Offs		133		91
Contributions towards previous years' Collection Fund Surplus	4	894		0
Total Expenditure			**145,567**	**136,125**
Movement in Collection Fund in Year			**403**	**(497)**
Balance at 1st April			(948)	(451)
Balance at 31st March	**4/5**		**(545)**	**(948)**

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 2009/10	Band D Equivalent Dwellings 2008/09
A	1,297	6/9	865	859
B	2,680	7/9	2,084	2,053
C	7,849	8/9	6,977	6,819
D	15,841	1	15,841	15,731
E	13,261	11/9	16,209	16,214
F	8,806	13/9	12,720	12,754
G	5,454	15/9	9,090	8,956
H	377	18/9	754	744
Total			**64,540**	**64,130**
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.		73	227
Council Tax Base			**64,613**	**64,357**

The average Council Tax for a Band D property in Wokingham Borough in 2009/2010 was £1,434.55. This average band D Council Tax is distributed as follows:

	2009/10 £	2008/09 £
Wokingham Borough Council	1,176.39	1,122.61
Thames Valley Police Authority	151.27	144.76
Parish Councils (Average)	51.78	50.53
Fire Authority	55.11	52.54
Average Band D Council Tax	**1,434.55**	**1,370.44**

WOKINGHAM BOROUGH COUNCIL

COLLECTION FUND

Income from Council Tax can be analysed as follows:

	2009/10 £,000	2008/09 £,000
Council Tax Base	64,613	64,357
Average Band D	1,434.55	1,370.44
Notional Yield	**92,691**	**88,197**
Income from Council Tax Payers	88,560	84,191
Council Tax Benefits	4,755	4,051
Changes in Yield	(624)	(45)
Notional Yield	**92,691**	**88,197**

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 2010 was £123,965,605 (£120,594,100 at 31st March 2009). The business rate multiplier set by Central Government for the year was 48.5p (2008/09 – 46.2p).

	2009/10 £,000	2008/09 £,000
Total Rateable Value as at 31st March	123,966	120,594
NNDR Multiplier	48.5p	46.2p
Notional Yield	**60,124**	**55,714**
Allowances / Rateable Value Changes / Occupation Changes	(8,650)	(8,449)
Notional Income from Business Rates	**51,474**	**47,265**
Transitional Relief	37	596
Cost of Collection Allowance	186	184
Bad and Doubtful Debt	(18)	(45)
Discretionary Relief Adjustment	2	15
Payment to National Pool	**51,681**	**48,015**

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.

By 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 £544,577 will be accounted for in the distribution calculation prior to 15th January 2011.

COLLECTION FUND

5. Precepts and Demands on the Collection Fund

	2009/10 Precept/ Demand £,000	Share of 31 March 2010 Surplus £,000	2009/10 Total £,000	2008/09 Total £,000
Wokingham Borough Council	76,011	463	76,474	73,054
Thames Valley Police Authority	9,774	60	9,834	9,420
Fire Authority	3,561	22	3,583	3,419
Total	**89,346**	**545**	**89,891**	**85,893**

6. Parish Precepts over £500,000

Parish	2009/10 Precept £,000	2008/09 Precept £,000
Earley	689	656
Wokingham Town	605	594
Woodley	1,114	1,070
Others (individually all under £500,000)	938	932
Total	**3,346**	**3,252**

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.

		2009/10 £,000	2008/09 £,000
Employees	Direct employee expenses		
	Salaries and wages	107,810	103,022
	Employer's NICs	7,940	7,692
	FRS17 Defined benefit costs	6,829	8,518
	Contributions to centrally administered unfunded pension schemes	6,920	6,754
	Agency staff	5,076	3,378
	Employee expenses	2,024	2,049
	Indirect employee expenses	3,486	4,246
Premises	Total premises costs	26,827	26,730
Transport	Total Transport costs	3,785	3,507
Supplies and services	Total purchase of supplies and services	31,827	33,453
Third party payments	Other local Authorities	7,728	6,804
	Health authorities	6,391	6,693
	Government departments	4,741	4,997
	All other bodies	18,963	17,418
Transfer payments	Total transfer payments	54,892	47,595
Support services	Total recharges from support services	45,394	44,818
Capital charges	Depreciation on assets	20,342	11,493
	Amortisation of Intangible Assets	236	283
	Loss on Impairment	6,987	1,243
	Amortisation of Government of Government Grants Deferred	(4,799)	(3,080)
	Amortisation of Other Government Grants and Contributions	(837)	0
	Revenue Funded from Capital under Statute	3,837	2,079
Total Expenditure		**366,399**	**339,692**

SUBJECTIVE INCOME AND EXPENDITURE ACCOUNT

		2009/10 £,000	2008/09 £,000
Income	Specific Government Grants	(150,636)	(139,998)
	Other grants, reimbursements and contributions	(14,825)	(14,252)
	Customer and client receipts		
	Recharge receipts	(46,204)	(45,352)
	External Receipts	(31,844)	(30,629)
	Other operating income	(1,843)	(2,086)
Net Cost of Services		**121,047**	**107,375**
Local precepts		3,346	3,252
Other interest receivable and similar income		(1,415)	(5,139)
Pensions Interest Costs		11,314	11,213
Expected Return on Pension Assets		(6,100)	(9,680)
Gains/Losses on Disposal of Fixed Assets		60	(379)
Interest Payable		2,495	4,843
Amounts Payable to Housing Capital Receipts Pool		102	0
Other Corporate Income		(543)	(5)
Other Corporate Expenditure		3	0
Exceptional Items		581	0
Net Operating Expenditure		**130,890**	**111,480**

	2009/10 £,000	2008/09 £,000
Council Tax Precepts/Demands on Collection Fund	(79,774)	(75,499)
LA Levy Income		0
Redistributed Non-Domestic Rates	(15,669)	(16,679)
Revenue Support Grant	(9,479)	(7,988)
(Surplus) / Deficit	**25,968**	**11,314**

AUDITORS REPORT

Independent auditor's report to the Members of Wokingham Borough Council

Opinion on the accounting statements

I have audited the Authority accounting statements and related notes of Wokingham Borough Council for the year ended 31 March 2010 under the Audit Commission Act 1998. The accounting statements comprise the Income and Expenditure Account, the Statement of 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 Statement of Movement on 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 49 of the Statement of Responsibilities of Auditors and of Audited Bodies published by the Audit Commission in April 2008.

Respective responsibilities of the General Manager, Business Services (the Responsible Financial Officer) and auditor

The Responsible Financial Officer's responsibilities for preparing the accounting statements in accordance with relevant legal and regulatory requirements and the Code of Practice on Local Authority Accounting in the United Kingdom 2009: A Statement of Recommended Practice are set out in the Statement of Responsibilities for the Statement of Accounts.

My responsibility is to audit the accounting 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 accounting statements give a true and fair view, in accordance with relevant legal and regulatory requirements and the Code of Practice on Local Authority Accounting in the United Kingdom 2009: A Statement of Recommended Practice, of 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 accounting 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 accounting statements, and consider whether it is consistent with the audited accounting statements. This other information comprises the Explanatory Foreword. I consider the implications for my report if I become aware of any apparent misstatements or material inconsistencies with the 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 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 Authority'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 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 Authority accounting statements give a true and fair view, in accordance with relevant legal and regulatory requirements and the Code of Practice on Local Authority Accounting in the United Kingdom 2009: A Statement of Recommended Practice, of the financial position of the Authority as at 31 March 2010 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 Authority is responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources, to ensure proper stewardship and governance and 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 Authority 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 for principal local authorities specified by the Audit Commission and published in May 2008 and updated in October 2009, I report if significant matters have come to my attention which prevent me from concluding that the Authority has made such proper arrangements. I am not required to consider, nor have I considered, whether all aspects of the Authority'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 May 2008 and updated in October 2009, and the supporting guidance, 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 ended 31 March 2010.

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 …...……Phil Sharman……………………………Date……..23rd September 2010…….

Phil Sharman CPFA CANZ
District Auditor

Audit Commission
1st Floor, CEC Business Centre,
Crossways, 28-30 High Street,
Guildford GU1 3HY

Date: 23rd September 2010

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 deprecation are examples of accruals.

Asset
An asset is an item of economic value that can be converted to cash or is a possession of the authority e.g., 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

WOKINGHAM BOROUGH COUNCIL

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 e.g., buildings or land. Intangible fixed assets do not have a physical form e.g., 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.

UNUM E PLURIBUS

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