



# Statement of Accounts

## 2011/12



## TABLE OF CONTENTS

Section	Contents	Page Number
1	Explanatory Foreword	1
2	Annual Governance Statement	7
3	Statement of Responsibilities	15
4	Statement of Accounting Policies	17
5	Financial Statements:	37
	Movement in Reserves Statement	37
	Comprehensive Income and Expenditure Statement	39
	Balance Sheet	40
	Cash Flow Statement	41
6	Notes to the Accounts	43
7	Notes and Statements to the Group Accounts	112
8	Housing Revenue Account	121
9	Notes to the Housing Revenue Account	124
10	Collection Fund	128
11	Notes to the Collection Fund	129
12	Audit Opinion	130





# 1. EXPLANATORY FOREWORD

This Statement of Accounts 2011/12 has been compiled in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom (The Code) and is the second set of accounts to be based on the International Financial Reporting Standards (IFRS). The Code has been developed by the Chartered Institute of Public Finance and Accountancy (CIPFA) and the Local Authority (Scotland) Accounts Advisory Committee (LASAAC) Code Board under the oversight of the Financial Reporting Advisory Board.

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

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

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

## **Movement in Reserves Statement**

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

## **Comprehensive Income and Expenditure Statement**

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

## **Balance Sheet**

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

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

- a) Usable Reserves are those that the Council may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use (for example the Capital Receipts Reserve can only be used to fund capital expenditure or repay debt)
- b) Unusable Reserves cannot be used to provide services. They include
  - reserves that hold unrealised gains and losses (for example the Revaluation Reserve), where amounts would only become available to provide services if the assets were sold;
  - reserves that hold timing differences shown in the Adjustments between accounting basis & funding basis under regulations (Note 7) line in the Movement in Reserves Statement

## Cash Flow Statement

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

## Housing Revenue Account

The Housing Revenue Account (HRA) is a record of revenue expenditure and income relating to the Council's housing stock. Its primary purpose is to ensure that expenditure on managing tenancies and maintaining dwellings is balanced by rents charged to tenants. Consequently, the HRA is a statutory account, ringfenced from the rest of the General Fund so that rents cannot be subsidised from council tax or vice versa. The transactions relating to the HRA have been separated into the HRA Income and Expenditure Statement and the Movement on the HRA Statement. The Movement on the HRA is then consolidated into the Movement on Reserves Statement.

## Collection Fund

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

## Group Accounts

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

Wokingham Enterprises Ltd (WEL) is a company wholly owned and set up by Wokingham Borough Council for the purpose of enabling the regeneration of the town centre of Wokingham. The 2011/12 accounts will be the second to incorporate summary group accounts for WEL which are presented in notes 53 to 60 of the Financial Statements. The main trading activity is that of property investment. The income is derived from the assets acquired in June 2010, which comprised a number of retail units collectively known as Peach Place.

Optalis Ltd is a company wholly owned and set up by Wokingham Borough Council to provide community care services to members of the public on behalf of the Council and to the private sector. The company was established 6<sup>th</sup> June 2011 and the 2011/12 accounts will be the first to incorporate summary account for Optalis Ltd.

Wokingham Housing Ltd is a company wholly owned and set up by Wokingham Borough Council to provide housing services to members of the public on behalf of the Council. The company was established January 2012 but was dormant in 2011/12, therefore it has not been consolidated in the Council's 2011/12 Group Accounts.

## **Annual Governance Statement**

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

## **Financial Performance**

Following the Local Government Finance Settlement Wokingham Borough Council suffered a reduction in formula grant of 14.3%, the worst funding settlement since it became a Unitary Authority in 1998.

The housing revenue account subsidy system ended in April 2012. Under the Localism Act, the Council took control of its housing rental income thus enabling more effective planning for the long term management of these key assets. In return Wokingham took on its share of the £28bn national housing debt as part of the self financing settlement. The payment made in March 2012 to the Department of Communities and Local Government amounted to £95m.

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

Investment fund managers for 2011/12 were Royal London Asset Management and Scottish Widows Investment Partnership (SWIP). Investment returns for 2011/12 have been modest given the financial climate and low level of returns possible. The Council continues legal action with the Icelandic banks (Landsbanki / Heritable) although £2.618m of our £5m investment has been reimbursed to date.

## General Fund Service Expenditure 2011/12

The following table analyses Wokingham Borough Council's outturn (actual) and budgeted net expenditure by service, as at 31<sup>st</sup> March, 2012:

Service	End of Year Position		Net Over / (Under) Spend £,000
	Approved Budget £,000	Outturn Actual £,000	
Business Assurance & Democratic Services	(136)	(161)	(25)
Resources	10,682	10,407	(275)
Chief Executives Office	3,486	3,468	(18)
Children's Services	29,991	28,662	(1,329)
Community Care	39,087	39,016	(71)
Governance Services	335	293	(42)
Place and Neighbourhoods	30,922	30,699	(223)
Policy and Partnerships	2,814	2,025	(789)
Transformation	1,504	1,506	2
<b>Net Expenditure before Carry Forwards</b>	<b>118,685</b>	<b>115,915</b>	<b>(2,770)</b>
Approved Carry Forwards	0	1,337	1,337
<b>Total Net Expenditure</b>	<b>118,685</b>	<b>117,252</b>	<b>(1,433)</b>

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

The Statement of Accounts has been prepared in accordance with IAS 19 – Retirement Benefits. Although IAS 19 has not directly affected the net outturn position in 2011/12, the accounts show a net pension liability of £146m. This has increased from the 2010/11 liability of £94m due to in year actuarial losses. The deficit will be reviewed over the long-term as part of the next triennial actuarial valuation 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 2011/12 the Council, as part of its 5 year rolling revaluation programme, has seen an increase in its value of land and buildings due to the revaluation of a number of properties. However, these increases have been offset by large disposals totalling asset values of £66m, of which £65m relates to 3 secondary schools which have now become Academies. The Council has also revalued all their investment properties and will continue to revalue these on an annual basis as per IFRS Guidelines. As a result, investment properties have, on balance, seen an increase in their value.

Early in October 2008, the Icelandic bank Landsbanki, Kaupthing and Glitnir collapsed and the UK subsidiaries of these banks, Heritable, Kaupthing Singer and Friedlander went into administration. The Council had £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 Council considered that it was appropriate to consider an impairment adjustment for the deposits in its 2008/09 accounts. The impairment has been reviewed during 2011/12 in accordance with CIPFA guidance. In relation to Heritable bank (with whom the Council invested £3m) the authority has received information that it will recover a total of 88.00% by the end of April 2013 (the Council has received 67.90% to date). In relation to Landsbanki the



Authority now expects to recover 100% of its investment. It has received 30% to date and expects to recover the remainder by the end of December 2018.

The CIPFA Code of Practice for 2010 introduced IFRS and therefore the 2011/12 accounts are prepared in this format for the second time.

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

The outstanding balance of loans amounts to £134m. Additional borrowing during 2011/12 was due to the HRA self financing. The authorised borrowing limit was adjusted in the 12/13 strategy to accommodate this borrowing, and is now £190m.

The combination of long term and short term investments has seen a reduction of £7m in available funds during 2011/12. The reduction is attributable to the liquidation of funds in March 2012 to support the Public Works Loan Board (PWLb) borrowing for the HRA self financing.

Wokingham Enterprise Limited (WEL) is a wholly owned subsidiary of Wokingham Borough Council. Incorporated as a trading company in December 2009, the main trading activity is that of a property investment. The income is derived from the assets acquired in June 2010 comprising of a number of retail units collectively known as Peach Place. In 2011/12 group accounts have been prepared for WEL for the second time (see notes 52 to 58)

Optalis Ltd is a company wholly owned and set up by Wokingham Borough Council. The company was established June 2011, to provide community care services to members of the public on behalf of the Council and to the private sector.





## **ANNUAL GOVERNANCE STATEMENT 2011/12**

### **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". The LCCG was formally adopted by the Audit Committee on 27 July 2010. This statement explains how Wokingham Borough Council meets the requirements of the Accounts and Audit Regulations.

### **2. The Purpose of the Governance Framework**

- 2.1 The governance framework comprises the systems, processes, procedures, culture and values by which the Council is directed and controlled, and its activities through which it accounts to, engages with and leads the community. It enables the Council to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate and cost effective services.
- 2.2 The system of internal control is a significant part of that framework and is designed to manage risk to an acceptable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives, and can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of the Council's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they not be realised, and to manage them efficiently, effectively and economically. The governance framework has been in place at Wokingham Borough Council for the year ended 31 March 2012 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**

There has been significant focus on the Council's purpose and outcomes for service users and a new vision has been created. This incorporates developments for a new strap line, principles and priorities, which have now been finalised and approved by Council, and will begin to take effect for the coming year.



- 3.2 The corporate plan has not been operational during 2011/12 given the significant work undertaken in developing a new vision, but has now been refreshed on an interim basis and will be implemented in 2012/13.
- 3.3 The Council's performance management processes and guidance have been subject to review during 2011/12 and it is intended that performance indicators to address new corporate priorities will be developed in service areas as part of the service planning process for 2012/13. Performance will be reported on this basis rather than through a central performance management framework.
- 3.4 The Facilitation of Policy and Decision Making
- The Council has a written constitution, as required by the Local Government Act 2000. For the financial year 2011/12 it was based on the Executive – Leader/Cabinet Model. The Executive acted collectively and as individuals in accordance with the relevant protocol agreed in 2006. In December 2010 the Council agreed to adopt, from May 2011, the new Leader/Cabinet Executive Model as set out in the Local Government and Public Involvement in Health Act 2007. The constitution is divided into sections which include articles which set out the basic rules governing the Council's business and more detailed procedures, codes of practice, rules of procedure and protocols. These include: Executive Procedures Rules; Overview and Scrutiny Procedures Rules; Members Code of Conduct; Protocol on Member/Officer Relations, Access to Information Procedure Rules as well as the Scheme of Delegation to Officers and the Council's Financial and Procurement Rules.
- 3.5 Meetings are open to the public except where personal or confidential matters are being disclosed. In addition, senior officers of the Council can make decisions under delegated authority. 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.
- 3.6 The Council has a robust decision making process which provides for both Executive and individual Executive decisions. Individual Executive decisions are taken in accordance with chapter 5.5 of the Council's constitution. All decisions are advertised and are supported by a formal public report which is produced five working days in advance of the decision being taken. All decision making meetings are public meetings. Both Executive and individual Executive decisions are subject to documented 'Call-In' arrangements.
- 3.7 Policy is considered and formulated by Executive Members of the Administration, who are advised by senior officers. Supported policies are presented to Executive/Council for formal approval.
- 3.8 The Council has designated the Director of Legal and Electoral Services as Monitoring Officer. It is the function of the Monitoring Officer to ensure compliance with established policies, procedures, laws and regulations. After consulting with the Head of Paid Service (Interim Chief Executive) and Chief Finance Officer (Strategic Director of Resources), the Monitoring Officer will report to Council if it is considered that any proposal, decision or omission would give rise to unlawfulness, or maladministration. Such a report will have the effect of stopping the proposal or



decision being implemented until the report has been considered. No such report has been issued during the 2011/12 financial year.

- 3.9 The Chief Executive (Interim) and Strategic Director of Resources are part of the Council's Corporate Leadership Team (Previously the Legacy Operations Board) and have access to all decision making meetings. The Director of Legal and Electoral Services (Monitoring Officer) is not a member of the Corporate Leadership Team but usually attends those meetings when the Executive reports are discussed and cleared, to ensure the legal, financial and policy framework is adhered to.
- 3.10 Through reviews by external auditors, external agencies, internal audit and various working groups, the Council continually seeks ways of ensuring the economical, effective and efficient use of resources, and for securing continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.
- 3.11 The Service and Finance Planning Guidance provide a context of the level of savings and efficiencies required to achieve a politically acceptable level of council tax increase. Considerable focus is given to reducing costs through effective procurement, reducing staffing through process re-engineering and new technology and alternative cost effective methods of service delivery. Investment to save or contain escalating expenditure is strongly encouraged.
- 3.12 The submission and evaluation of bids for additional resources (capital and revenue) 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. There are plans to revise this process during 2012/13.
- 3.13 The Medium Term Financial Plan (MTFP) provides a strategic overview of the Council's financial position over a three year period to provide a longer-term view. It includes the Council's resources requirements and performance targets (outputs) over the medium term. It also includes a service narrative, financial risk analysis, reserve policies and covers both revenue and capital. The MTFP incorporates the financial plans with our key partners over a three year period. This process has been recognised and promoted by CIPFA as best practice and by the Audit Commission across Berkshire.
- 3.14 The Financial Management of the Council and the Reporting of Financial Management  
The financial management arrangements of the Council are brought together in the Financial Regulations and Budget Management Protocol which identifies roles, responsibilities, policies, procedures and processes.
- 3.15 The Corporate Leadership Team considers revenue and capital budget monitoring reports on a monthly basis, as do Executive Leads. This is supplemented by an informal Member/Senior Officer group (known as the Special Finance Group) that takes an overview of the Council's finances and directs action as appropriate. Executive formally considers the revenue and capital budget monitoring reports quarterly. The Statement of Accounts produced at financial year-end is approved by the Audit Committee on behalf of the Council.
- 3.16 The financial management of the authority is conducted in accordance with the financial rules set out in Part 4 of the constitution (the Financial Regulations) and the Medium Term Financial plan (Budget Management Protocol). The Council has designated the Strategic Director of





Resources as Chief Finance Officer in accordance with Section 151 of the Local Government Act 1972. The Council has in place a three year Financial Strategy, updated annually to ensure resources are allocated effectively to best enable the delivery of the corporate priorities.

- 3.17 The Council maintains an Internal Audit function (part of the Business Assurance Section), which operates in accordance with the CIPFA and Chartered Institute of Internal Auditors International Standards. The Business Assurance Section reports quarterly to the Audit Committee on progress against the Internal Audit Plan and highlights any significant governance or internal control issues arising.
- 3.18 The Performance Management System of the Council and the Reporting of Performance Management  
Performance management is laid out in the Performance Management Guidance. This is currently being revised and it is intended that performance management will no longer be a central function, but will be delivered through each service's service plan.
- 3.19 The Council prepares a series of performance reports on a monthly, quarterly and annual basis to provide a comprehensive picture of achievement. Whilst the Key Performance Indicator Report is still being produced, the Corporate Leadership Team are reviewing it's role given that it is intended that performance management be owned at a service level rather than through a central corporate function.
- 3.20 The Risk Management of the authority and the Reporting of Risk Management  
A system is in place for the management of service and corporate risks. The process, roles and responsibilities of members, committees and staff are laid out in the Council's Enterprise Risk Management Policy. The Council has continued to embed an Enterprise Risk Management model for managing its risks (and opportunities) as detailed in its Enterprise Risk Management Strategy. A refresh of the Council's Risk Management Strategy & Policy will be required in 2012/13.
- 3.21 Members of the Audit Committee have received risk management training in year relevant to their role. Going forwards, refresher training is required for Senior Managers and Members of the Executive.
- 3.22 The Service and Financial Planning Guidance ensures that significant service and financial risks within the annual budget presented to Council for approval, are highlighted in the Chief Finance Officer's statutory report.
- 3.23 The Corporate Leadership Team has responsibility for the Corporate Risk Register and for refreshing this on a regular basis. This has been undertaken quarterly in the year. After each refresh, the Corporate Risk Register is presented to the Audit Committee and forwarded to Executive members for information and reference. All Strategic Directors/Directors are responsible for monitoring and co-ordinating risks in their service area and for producing a service risk register that is regularly refreshed and reviewed.
- 3.24 A Risk Management Group consisting of representatives from all service areas continues to meet quarterly. The group helps to facilitate the production and refresh of both service and team risk registers. The group is charged with collating the key and consistent risks from services,



teams and projects and then communicating this information to their Service Management Teams and/or Corporate Leadership Team for possible inclusion in the relevant risk register. This ensures that risks are considered both vertically and horizontally. Going forwards it is planned that risk registers will be aligned to (and embedded within) service plans.

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

4.1 Wokingham Borough Council has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework, including the system of internal control. The review of effectiveness is informed by:

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

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

4.3 The Internal Audit assurance levels on key areas of the internal control environment demonstrate that for 2011/12 a reasonable internal control framework has been maintained.

#### **4.4 Review of the Effectiveness of the System of Internal Control**

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

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

4.6 Management Assurance Statements have been completed by the Council's 5 Strategic Directors and 3 Directors. All 8 Management Assurance Statements for 2011/12 have been agreed by the relevant Executive Lead Members and returned to the Corporate Governance Group for consideration as part of the process for compiling the Annual Governance Statement.

#### **4.7 Review of the Effectiveness of Internal Audit**

The Accounts and Audit (Amendment) Regulations 2009 require relevant bodies to review the effectiveness of their system of internal audit at least annually and to report this to their Audit Committee. A review of Internal Audit effectiveness was conducted in 2010/11 and concludes



that Internal Audit is effective and complies with the Chartered Institute of Internal Auditors International Standards.

- 4.8 The review found that controls are in place to ensure the delivery of high quality risk-based Internal Audits and resources are used effectively to meet the assurance needs of the Council. The review made some recommendations on areas which can be strengthened, but none of these raised concerns over the effectiveness of Internal Audit. The review was reported to Audit Committee on 29 June 2011. A follow-up of this review was carried out in 2011/12 and identified that all areas of weakness had been addressed.

## **5. Significant Governance Issues at Wokingham Borough Council**

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

### **5.2 Corporate Risks and Issues**

- 5.2.1 The uncertainty created by the announced departure of the Chief Executive has presented a number of governance challenges and organisational direction was reduced. The appointment of an interim Chief Executive creates the risk of short-termism and instability. However, the early indications are that this risk is being effectively mitigated.
- 5.2.2 There has been significant organisational and structural change during the Transformation Programme, presenting a weakness around clarity of roles and responsibilities. This should be addressed in the coming year, as the structure becomes more stable and the structural review of governance services has been finalised.
- 5.2.3 The 2010/11 Internal Audit review of Performance Management Audit raised a number of recommendations relating to a new Performance Management Framework for the Council. This included development of the 'Golden Thread' and linking Performance Management to Corporate Priorities. The Council's vision and priorities were refreshed this year and an interim Corporate Plan has been devised. Nevertheless, in the absence of a robust service planning process clearly aligned to a Corporate Plan there remains significant gaps in the Council's Performance Management Framework as at 31 March 2012.
- 5.2.4 Following the Council's implementation of smart working during 2011/12 there has been an increased risk of confidentiality issues and data security breaches (involving ICT and/or hard copy papers). Management has ensured that positive action has been taken to minimise this risk, but there remains a significant risk that breaches have occurred and have gone undetected. There is also opportunity for confidentiality issues and security breaches to transpire, mitigated through the awareness-raising for staff on data security and management vigilance.
- 5.2.5 As part of corporate project undertaken during 2011/12 it was identified that there is a lack of a standardised competitive dialogue procedure. This is in the process of being taken forward.

### **5.3 Service Risks and Issues**

- 5.3.1 Resources: A significant control review and investigation was conducted in Property Services at the request of the Strategic Director of Resources. This resulted in the need to increase controls and undertake other management interventions. Considerable improvements and actions are now in place with an ongoing working group (including Business Assurance) to help ensure all



actions are completed and embedded in the service (with organisational solutions put in place where appropriate). It is expected that all control issues identified in the Property Service reviews are to be addressed through this group. Many actions have already been completed and communicated across the organisation, and where they have not been fully implemented to date, alternative controls are in place.

- 5.3.2 Business Assurance & Democratic Services: Although good progress has been made, there remains an issue around some of the Members not taking up the training and development opportunities offered to them. A Member/Officer Working Group has been formed to deal with this issue.
- 5.3.3 Business Assurance & Democratic Services: Capacity and resources to undertake the Scrutiny function effectively remains a concern; the function has expanded to include scrutiny of partner organisations and there has been no increase in current resources. There also remains a lack of corporate engagement in the Scrutiny function.
- 5.3.4 Transformation: An audit of Programme and Project Management was undertaken in 2010/11 and work has been ongoing during 2011/12 to implement organisation-wide recommendations to address Programme and Project Management weaknesses. This includes strengthening and embedding project risk and issues management, which is important in the overall implementation of the Council's vision and priorities.
- 5.4 Overall, internal controls are robust, although given the issues outlined above there is scope to further strengthen the Council's internal control environment and overall assurance framework.
- 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 Council's Risk Management Strategy. This will provide for more accountability, reduced bureaucracy and further embed enterprise risk management.

**Signed:**

**Leader of the Council:**

**Date:**

24/9/12

**Chief Executive:**

**Date:**

24/9/12





## 3. STATEMENT OF RESPONSIBILITIES

### The Council's Responsibilities

The Council is required:

- To make arrangements for the proper administration of its financial affairs and to ensure that one of its officers has the responsibility for the administration of those affairs. In this authority, that officer is the Strategic Director of Resources.
- To manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets.
- To approve the Statement of Accounts.

### The Responsibilities of the Strategic Director of Resources

The Strategic Director of Resources, in his capacity as the S151 Officer, is responsible for the preparation of the Council's Statement of Accounts which, in terms of the Chartered Institute of Public Finance and Accountancy (CIPFA) / Local Authority (Scotland) Accounts Advisory Committee (LASAAC) Code of Practice on Local Authority Accounting in United Kingdom, is required to present a true and fair view of the financial position of the Council at the accounting date and its income and expenditure for the year ended 31st March, 2012.

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

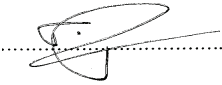
- selected suitable accounting policies and then applied them consistently;
- made judgments and estimates that were reasonable and prudent;
- kept proper accounting records which were up to date;
- taken reasonable steps for the prevention and detection of fraud and other irregularities;
- complied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

I hereby certify that the Statement of Accounts on pages 14 to 124 presents a true and fair view of the financial position of the Wokingham Borough Council at the accounting date and its income and expenditure for the year ended 31 March, 2012.



Signature:   
**G.M. Ebers**  
**Strategic Director of Resources**  
**Date: 26<sup>th</sup> September, 2012**



Signature:   
**Philip Mirfin**  
**Chairman of the Audit Committee**  
**Date: 26<sup>th</sup> September, 2012**



## 4. STATEMENT OF ACCOUNTING POLICIES

The Council is required to prepare an annual Statement of Accounts by the Accounts and Audit Regulations 2003. They are required to be prepared in accordance with proper accounting practices.

This Statement of Accounts has been prepared in accordance with the CIPFA Code of Practice on Local Authority Accounting in the United Kingdom Guidance Notes for Practitioners 2011/2012 (the Code). The statements comply with the CIPFA Best Value Accounting Code of Practice 2011/12 (BVACOP).

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

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

### 4.1. Accruals of Income and Expenditure

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

- Fees, charges and rents due from customers are accounted for as income at the date the Council provides the relevant goods or services
- Supplies and services are recorded as expenditure when they are consumed – where there is a gap between the date supplies are received and their consumption, they are carried as stocks on the Balance Sheet
- Works are charged as expenditure when they are completed, before which they are carried as works in progress on the Balance Sheet
- Interest payable on borrowings and receivable on investments is accounted for on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract.
- Where income and expenditure has been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where it is doubtful that debts will be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected
- Where payments are made or received in advance of a service being provided or received a payment or receipt in advance is recognised as a debtor or creditor in the Balance Sheet
- Income and expenditure are credited and debited to the relevant revenue account, unless they properly represent capital receipts or capital expenditure

#### **4.2. Acquired Operations**

The Council does not have any acquired operations.

#### **4.3. Discontinued Operations**

The Council does not have any discontinued operations.

#### **4.4. Cash and Cash Equivalents**

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

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

#### **4.5. Exceptional Items**

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

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

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

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

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

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

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

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

The Council is not required to raise council tax to fund depreciation, revaluation and impairment losses or amortisations. However it is required to make an annual contribution from revenue towards the reduction in its overall borrowing requirement. Depreciation, revaluation and impairment losses and amortisations are therefore replaced by the contribution in the General Fund Balance by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

#### **4.8. Employee Benefits**

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

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

##### **ii. Termination Benefits**

Amounts payable as a result of a decision by the Council to terminate an officer's employment before the normal retirement date or an officer's decision to accept voluntary redundancy are charged on an accruals basis to the Non Distributed Costs line in the Comprehensive Income and Expenditure Statement.

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

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

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

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

- The Teacher's Pension Scheme, administered by Capita Teachers' Pensions on behalf of the Department for Education (DfE)



- The Local Government Pension Scheme, administered by the Royal Borough of Windsor and Maidenhead Council

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

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

### **Local Government Pension Scheme**

The Local Government Pension Scheme provides members of the scheme with defined benefits related to pay and service. The level of the employer's contribution is determined by triennial actuarial valuation. The latest review was undertaken as at 31st March 2010. Under Superannuation Regulations, the contribution rates are set to meet all the liabilities of the fund.

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

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

Liabilities are discounted to their value at current prices, using a discount rate of 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
- unithised securities – current bid price
- property – market value.

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

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

- current service cost – the increase in liabilities as result of years of service earned this year is allocated in the Comprehensive Income and Expenditure Statement to the revenue accounts of the services for which the employees worked
- past service cost – the increase in liabilities arising from current year decisions whose effect relates to years of service earned in earlier years – debited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs

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

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

#### **Discretionary Benefits**

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

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

#### **4.9. Events After the Balance Sheet Date**

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

- **Adjusting Event**  
The Statement of Accounts is adjusted to reflect events where there is evidence that conditions existed at the Balance Sheet date
- **Non-Adjusting Event**  
Where an event is indicative of conditions that arose after the Balance Sheet date, the Statement of Accounts are not adjusted. However, the following will be disclosed for each material category of non-adjusting event:
  - the nature of the event, and

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

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

## **4.10. Financial Instruments**

### **i. Financial Liabilities**

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

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

The Council does not issue bonds.

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

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

### **ii. Financial Assets**

Financial assets are classified into two types:

- loans and receivables – assets that have fixed or determinable payments but are not quoted in an active market
- available-for-sale assets – assets that have a quoted market price and / or do not have fixed or determinable payment

#### **a. Loans and Receivables**

Loans and receivables are initially measured at fair value and are subsequently carried at their amortised cost. Annual credits to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument. For most of the loans that the Council has made,

this means that the amount presented in the Balance Sheet is the outstanding principal receivable (plus accrued interest) and interest credited to the Comprehensive Income and Expenditure Statement is the amount receivable for the year in the loan agreement.

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

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

#### **b. Available for Sale Assets**

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

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

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

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

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

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

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

#### **4.11. Foreign Currency Translation**

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

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

#### **4.12. Government Grants and Contributions**

Whatever their basis of payment, government grants and other contributions or donations are accounted for on an accruals basis. They are recognised on the relevant service line or the Taxation and Non-Specific Grant Income line in the Comprehensive Income and Expenditure Statement once the conditions for their receipt have been complied with and there is reasonable assurance that the grant or contribution will be received. Where conditions have not been satisfied, the grant or contribution is carried in the Balance Sheet as a creditor.

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

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

##### **i. Business Improvement District (BID) Schemes**

BID schemes are projects that apply across the whole of the Council that are financed (in whole or in part) by a BID levy paid by the non-domestic ratepayers. The Council is not involved in a BID scheme.

#### **4.13. Intangible Assets**

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



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

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

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

Expenditure on the development of websites is not capitalised if the website is solely or primarily intended to promote or advertise the Council's goods and services.

Intangible assets are recognised initially at cost, comprising all directly attributable costs needed to create, produce and prepare the asset to the point that it is capable of operating in the manner intended by management. Subsequently intangible assets should be recognised at fair value measured by reference to an active market. However, the types of intangible assets held by the Council are very unlikely to have readily ascertainable active market values so they are carried at amortised cost. The depreciable amount of an intangible asset is amortised over its useful life to the relevant service line(s) in the Comprehensive Income and Expenditure Statement. The useful economic lives of intangible assets disclosed in the Balance Sheet have been determined individually and range between 2 and 20 years. Most typically, 5 years is used as the average life for software. Useful lives are reviewed at the end of each reporting period and revised if necessary.

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

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

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

- Where there is a balance of revaluation gains for asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance up to the amount of the accumulated gains

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

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

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

#### **i. Landfill Allowances**

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

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

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

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

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

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

#### **4.15. Inventories and Long-Term Contracts**

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

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

value of works and services received under the contract during the financial year and long-term capital contracts are charged to capital on the basis of the valuation certificate.

#### **4.16. Investment Property**

Investment properties are those that are used solely to earn rentals and / or capital appreciation. The definition is not met if the property is used in any way to facilitate the delivery of services or production of goods or is held for sale.

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

Rentals received in relation to investment properties are credited to the Financing and Investment Income line and result in a gain for the General Fund Balance. However, revaluation and disposal gains and losses are not permitted by statutory arrangements to have an impact on the General Fund Balance. The gains and losses are therefore reversed out of the General Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account and the Capital Receipts Reserve for sale proceeds above £10,000.

#### **4.17. Jointly Controlled Operations and Jointly Controlled Assets**

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

#### **4.18. Leases**

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

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

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

### **Finance Leases**

Property, plant and equipment held under finance leases is recognised on the Balance Sheet at the commencement of the lease at its fair value measured at the lease's inception (or the present value of the minimum lease payments, if lower). The asset recognised is matched by a liability for the obligation to pay the lessor.

Initial direct costs of the Council are added to the carrying amount of the asset. Premiums paid on entry into a lease are applied to writing down the lease liability. Contingent rents are charged as expenses in the periods in which they are incurred.

Rentals payable are apportioned between:

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

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

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

### **Operating Leases**

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

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

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

### **Finance Leases**

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

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

### **Operating Leases**

An asset held by the Council for use in operating leases by a lessor is retained in the Balance Sheet and depreciated over its useful life. Rental income from operating leases, excluding charges, is recognised in the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as income is received.

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

## **4.19. Overheads and Support Services**

The costs of overheads and support service costs (e.g., legal, human resources and finance) are charged to all 'front line' services (i.e., services to the public) in accordance with the costing principles of SeRCOP. The total absorption costing principle is used in that the full cost of overheads and support services are shared between users in proportion to the benefit received with the exception of the following which are not charged to front line services:

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

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

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

### **i. Recognition**

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

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

Capitalisation of expenditure on PPE is not necessary where the amounts involved are not material to the true and fair presentation of the financial position and transactions of the authority and to an understanding of the Statement of Accounts by a reader. The Council has agreed a de-minimis level of £10,000 for expenditure to be capitalised, with the exception of capital works for schools where the de-minimis level is £1,000.

### iii. Measurement

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

Asset Category	Valuation Method
Assets under Construction	Depreciated Historic Cost
Community Assets	Depreciated Historic Cost
Council Dwellings	Fair Value (Existing Use Value – Social Housing) EUV-SH
Heritage Assets	Individual Asset Valuation
Infrastructure Assets	Depreciated Historic Cost
Investment Properties	Fair Value
Other, Land and Buildings	Fair Value (Existing Use Value) EUV
Vehicles, Plant and Equipment	EUV (DRC*)
Surplus Assets	Fair Value (Existing Use Value) EUV

\* Depreciated Replacement Cost (DRC) will be used if Existing Use Value (EUV) cannot be determined.

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

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

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

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

The Council operates a 5 yearly revaluation for all assets, with the exception of Council Dwellings and Investment properties which will be reviewed on an annual basis as per the Code's requirements.

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



#### **iv. Depreciation**

Depreciation is provided for on all Property Plant and Equipment with a finite useful life, which is determined at the time of acquisition or revaluation. An exception is made for assets without a determinable useful life (e.g. freehold land and some community assets) and assets not yet available for use (e.g. assets under construction). The useful lives of assets are estimated on a realistic basis and are reviewed regular 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.

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

- All assets are depreciated on straight line basis over the useful life of the asset taking into account land value and residual value with the exception of Vehicles which are depreciated on a reducing balance method.
- Investment Properties are not depreciated as per the Code's guidance; instead these are revalued on an annual basis.
- Assets under construction are also exempt from depreciation requirements as the asset is treated as non-operational and therefore only depreciated once the asset becomes operational.
- Community assets are also exempt from depreciation requirements as a determinable finite useful life cannot be obtained.

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.

#### **v. Impairment**

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

- a significant decline in an asset's market value during the period
  - evidence of obsolescence or physical damage to the asset
  - a significant adverse change in the statutory or other regulatory environment in which the Council operates
  - a commitment by the Council to undertake a significant reorganisation.
- Where impairment losses are identified, they are accounted for as follows:
- Where there is a balance of revaluation gains for asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance. up to the amount of the accumulated gains
  - If there is insufficient or no balance in the Revaluation Reserve , the carrying amount of the asset is written down against the relevant service line(s) in the Comprehensive Income and Expenditure Statement

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



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

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

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

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

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

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

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

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

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

#### 4.21. Private Finance Initiative (PFI) and Similar Contracts

PFI and similar contracts are agreements to receive services, where the responsibility for making available the property, plant and equipment needed to provide the services passes to the PFI contractor. The Council has one PFI contract with Reading and Bracknell Councils for waste disposal under the RE3 Partnership. The Council receives the benefit of the services that are provided under its PFI scheme and ownership of the property, plant and equipment will pass to the partnership at the end of the contract for no additional charge. The Council carries its share of the property, plant and equipment used under the contracts on the Balance Sheet.

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

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

- fair value of the services received during the year – debited to the relevant service in the Comprehensive Income and Expenditure Statement
- finance cost – an interest charge of 6.9% on the outstanding Balance Sheet liability, debited to Financing and Investment Income line in the Comprehensive Income and Expenditure Statement
- payment towards liability – applied to write down the Balance Sheet liability towards the PFI operator
- lifecycle replacement costs – Proportion of the amounts payable is posted to the Balance Sheet as a prepayment and then recognised as additions to Property, Plant and Equipment when the relevant works are eventually carried out.

#### 4.22. Provisions, Contingent Liabilities and Contingent Assets

##### i. Provisions

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

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

Provisions are charged to the appropriate service line in the Comprehensive Income and Expenditure Statement in the year that the Council becomes aware of the obligation. The amount recognised as a provision is the best estimate taking into account the risks and uncertainties surrounding the events. When payments for expenditure are incurred to which the provision relates they are charged direct to the provision carried in the Balance Sheet. Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate. If it is no longer probable that a transfer of economic benefits will be required to settle the obligation (or a lower settlement than anticipated is made), the provision is reversed and credited back to the relevant service.

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement is recognised as income for the relevant service only when it is virtually certain that reimbursement will be received if the obligation is settled.

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

#### **ii. Contingent Liabilities**

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

#### **iii. Contingent Assets**

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.

### **4.23. Reserves**

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

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

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

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

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

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

#### 4.25. VAT

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

#### 4.26. Group Accounts

The Code requires the Council to consider all their interests and to prepare a full set of group accounting statements where they have material interests in subsidiaries, associates and joint ventures. The Council has investigated all potential interests that could qualify for group accounts and has determined it has three group relationships which qualify for the preparation of group accounts.

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

Optalis Ltd is a wholly owned subsidiary of Wokingham Borough Council set up to provide community care services to members of the public on behalf of the Council and to the private sector. The company was established June 2011 and the 2011/12 accounts will be the first to incorporate summary account for Optalis Ltd.

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



## 5. FINANCIAL STATEMENTS

### MOVEMENT IN RESERVES STATEMENT

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

	General Fund (GF) Balance	Earmarked GF Reserves	Housing Revenue Account (HRA)	Schools & Dedicated Schools Grant Reserves	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	Total Usable Reserves	Unusable Reserves	Total WBC Reserves
	£,000	£,000	£,000	£,000	£,000	£,000	£,000	£,000	£,000	£,000
<b>Balance at 31st March, 2010 brought forward - Restated</b>	(7,916)	(4,654)	(1,305)	(4,756)	(4,613)	(1,181)	(1,687)	(26,112)	(591,753)	(617,864)
<b>Movement in Reserves during 2010/11 – RESTATED:</b>										
(Surplus) or Deficit on the Provision of Services	(18,239)	0	49,630	0	0	0	0	31,391	0	31,391
Other Comprehensive Income and Expenditure	0	0	0	0	0	0	0	0	(30,919)	(30,919)
<b>Total Comprehensive Income and Expenditure</b>	<b>(18,239)</b>	<b>0</b>	<b>49,630</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>31,391</b>	<b>(30,919)</b>	<b>472</b>
Adjustments between Accounting Basis & Funding Basis under Regulations (note 7)	14,755	0	(49,641)	0	(5,108)	843	(4,971)	(44,122)	43,832	(290)
<b>Net Increase / Decrease before Transfers to Earmarked Reserves</b>	<b>(3,484)</b>	<b>0</b>	<b>(11)</b>	<b>0</b>	<b>(5,108)</b>	<b>843</b>	<b>(4,971)</b>	<b>(12,731)</b>	<b>12,913</b>	<b>(108)</b>
Transfers to/from Earmarked Reserves (Note 8)	2,078	517		(2,595)	0	0	0	0	0	0
<b>Increase / Decrease in 2010/11</b>	<b>(1,406)</b>	<b>517</b>	<b>(11)</b>	<b>(2,595)</b>	<b>(5,108)</b>	<b>843</b>	<b>(4,971)</b>	<b>(12,731)</b>	<b>12,913</b>	<b>182</b>
<b>Balance at 31st March 2011 carried forward</b>	<b>(9,322)</b>	<b>(4,137)</b>	<b>(1,316)</b>	<b>(7,351)</b>	<b>(9,721)</b>	<b>(338)</b>	<b>(6,658)</b>	<b>(38,842)</b>	<b>(578,841)</b>	<b>(617,683)</b>





# BALANCE SHEET

1st April, 2010 Restated £,000	31st March, 2011 Restated £,000		Notes	31st March, 2012 £,000
804,893	737,273	Property, Plant & Equipment	12	690,440
24,095	27,460	Investment Property	15	28,272
748	690	Intangible Assets	13	1,476
7,966	12,479	Long Term Investments	48	13,592
11	4	Long Term Debtors	48	2
<b>837,713</b>	<b>777,906</b>	<b>Long Term Assets</b>		<b>733,782</b>
5677	5,106	Short Term Investments	48	19,291
0	0	Assets Held for Sale	20	149
0	0	Inventories	16	0
268	0	Intangible Current Assets		0
16,558	12,507	Short Term Debtors	18	18,433
31,730	37,208	Cash and Cash Equivalents	19	21,399
<b>54,233</b>	<b>54,821</b>	<b>Current Assets</b>		<b>59,272</b>
(3,171)	(2,508)	Cash and Cash Equivalents	19	(4,915)
0	0	Short Term Borrowing	48	0
(30,828)	(29,061)	Short Term Creditors	21	(27,269)
(5,918)	(5,493)	Provisions	22	(3,510)
<b>(39,917)</b>	<b>(37,062)</b>	<b>Current Liabilities</b>		<b>(35,694)</b>
0	0	Long Term Creditors	48	0
(48,046)	(48,083)	Long Term Borrowing	48	(134,752)
(10,286)	(10,003)	PFI and Finance Lease Liabilities	48	(9,669)
(147,011)	(93,941)	Pensions Liability	46	(145,700)
0	0	Other Long Term Liabilities		0
(28,819)	(25,955)	Capital Grants Receipts in Advance	38	(18,626)
<b>(234,162)</b>	<b>(177,982)</b>	<b>Long Term Liabilities</b>		<b>(308,747)</b>
<b>617,867</b>	<b>617,683</b>	<b>Net Assets</b>		<b>448,613</b>
(26,114)	(38,842)	Usable Reserves	23	(58,057)
(591,753)	(578,841)	Unusable Reserves	24	(390,556)
<b>(617,867)</b>	<b>(617,683)</b>	<b>Total Reserves</b>		<b>(448,613)</b>

# CASH FLOW STATEMENT

2010/11 Restated £,000		Notes	2011/12 £,000
31,391	Net (Surplus) or Deficit on the Provision of Services		139,840
(72,820)	Adjustments to Net Surplus or Deficit on the Provision of Services for Non-cash Movements		(73,297)
37,612	Adjustments for Items Included in the Net Surplus or Deficit on the Provision Of Services that are Investing or Financing Activities		10,379
(3,816)	Net Cash Flows from Operating Activities		76,922
(1,828)	Investing Activities	26	29,635
(497)	Financing Activities	27	(88,341)
(6,140)	Net (Increase) or Decrease in Cash and Cash Equivalents		18,216
(28,559)	Cash and Cash Equivalents at the Beginning of the Reporting Period		(34,700)
(34,700)	<b>Cash and Cash Equivalents at the End of the Reporting Period</b>	19	(16,484)



## 6. NOTES TO THE ACCOUNTS

### NOTE 1 ACCOUNTING POLICIES

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

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

The Code of Practice on Local Authority Accounting in the United Kingdom 2012/13 (the Code) has introduced a change in accounting police in relation to amendments in *Financial Instruments: Disclosure* detailed in IFRS7 (issued in October 2010). This standard will need to be adopted fully by the authority from 1<sup>st</sup> April 2012. The Council is required to disclose information relating to the impact of the accounting change on the financial statements as a result of the adoption by the Code of a new standard that has been issued, but is not yet required to be adopted by the Council, in this case, *Financial Instruments: Disclosures*. As is set out above, full adoption of the standard will be required for the 2012/13 financial statements. However, the Council is required to make disclosure of the estimated effect of the new standard in these (2011/12) financial statements.

The new standard will require additional disclosure within the financial statements relating to the risks arising from the transfers of financial assets and the effect of those risks on the Council's financial position. In practice transfers of financial assets to third parties do not occur at the Council and therefore the impact of the new standard is immaterial.

### NOTE 3 CRITICAL JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

In applying the accounting policies set out in section 3, The Council has had to make certain judgements about complex transactions or those involving uncertainty about future events. The critical judgements made in the Statement of Accounts are set out in the following paragraphs.

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

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

All monies within these institutions are currently subject to the respective administration and receivership processes. The amounts and timing of payments to depositors such as the Council have been determined by the administrators / receivers. Wokingham Borough Council has estimated an impairment of the investments in line with guidance from the administrators about the timing of recovery of the monies. The assumptions made are detailed in Note 49 of the Financial

Statements. In cash terms, the Council has received £2.039m (67.90%) of the investment with Heritable to date and expects to receive, in total, up to £2.664m (88.00%) by the end of April 2013. With regards to funds held by Landsbanki, following the Icelandic Supreme Court decision to grant UK local authorities priority status, the winding up board made a distribution to creditors in a basket of currencies in February 2012. The Council received £0.579m (30%) of the investment in February 2012 and expects to receive up to £2.1m (100%) by December 2018. Therefore, in total the Council expects to recover a total of £4.769m of the original £5m invested by December 2018.

The Council has interests in 5 Companies; Trading Standards South East Ltd (TSSEL), Flexible Home Improvements Loans Ltd (FHIL), Wokingham Enterprise Ltd (WEL), Optalis Ltd and Wokingham Housing Ltd. It has been determined that the Council does not have control or significant influence over the activities of TSSEL and FHIL and so they are not classed as subsidiaries, joint entities or associates of the Council. The Council treats these companies as simple investments however, as no share capital is held, no balance is recognised within the balance sheet for them. Details regarding these companies are disclosed in note 52 of the financial statements. The Council has full control over the operating activities of Wokingham Enterprise Ltd, Optalis Ltd and Wokingham Housing Ltd and as such classifies these companies as subsidiaries. Wokingham Housing Ltd is currently dormant and details regarding the company are disclosed in note 52. Notes 53 to 59 of the financial statements show the consolidated accounts for Wokingham Group and its respective notes.

The Council is deemed to jointly control the services provided under the Private Finance Initiative (PFI) contract with WRG (RE3 Ltd) for the disposal of waste. Control of the services is shared with Reading and Bracknell Councils. Wokingham Borough Council has reviewed the application of the control tests within IFRIC 12 to determine whether the assets within the contract should be on-balance sheet. The accounting policies for PFI schemes and similar contracts have been applied to the arrangement and the assets (valued at £10m) are recognised as Property, Plant and Equipment in the Council's Balance Sheet which amounts to a 37.2% share of the total value of the assets that will revert to the ownership of the RE3 partnership between the three council's at the end of the contract.

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

Voluntary Aided and Controlled Schools are endowed by a trust, often religious in character. The Schools Standards and Framework Act determines that the trustees own the school buildings. The Governing Bodies are responsible for the provision of premises and all capital work to school buildings. The Council does not have access to any sale proceeds if the assets were to be disposed of and any decision to dispose of the assets requires the approval of the secretary of state. However, Wokingham Borough Council in many cases owns the land upon which the building is placed. Thus the council believes that in looking at the substance over form of the ownership of the property assets the position does not change from the legal position that the assets are not the property of the Council. Subsequently values for buildings occupied by voluntary aided and controlled and long-term liabilities have not been consolidated in the balance sheet but the value of the land owned by WBC is included. In Wokingham there are 10 Voluntary Aided Schools and 9 Voluntary Controlled Schools.

Wokingham Borough Council has analysed its leases into finance and operating leases as required by *IAS 17: Leases*. Leases of plant and equipment have been determined by the authority to be



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

In producing the financial statements the Council makes an assessment of the materiality of transactions and balances when applying its accounting policies. For the purposes of the 2011/12 financial statements the Council has applied a materiality level of £200,000 when recognising assets and liabilities to be disclosed within the financial statements.

## **NOTE 4 ASSUMPTIONS MADE ABOUT THE FUTURE AND OTHER MAJOR SOURCES OF ESTIMATION UNCERTAINTY**

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

The items in the Council's Balance Sheet at 31<sup>st</sup> March, 2012 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

<b>Item</b>	<b>Uncertainties</b>	<b>Effect if Actual Results Differ from Assumptions</b>
<b>Property, Plant and Equipment</b>	Assets are depreciated over useful lives that are dependent on assumptions about the level of repairs and maintenance that will be incurred in relation to individual assets. The current economic climate makes it uncertain that the Council will be able to sustain its current spending on repairs and maintenance, bringing into doubt the useful lives assigned to assets.	<p>If the useful life of assets is reduced, depreciation increases and the carrying amount of the assets falls.</p> <p>It is estimated that the annual depreciation charge for buildings would increase by £1.6m for every year that useful lives had to be reduced.</p>
<b>Property, Plant and Equipment</b>	Under IAS 16, each part of an item of PP&E with a cost that is significant in relation to the total cost of the item shall be depreciated separately. WBC separately accounts for only those significant components that have different useful lives and/or depreciation methods to	<p>If the cost of the new item of PPE differs from the carrying amount then the total value of assets on the balance sheet may be over or understated. It is not possible to quantify the effect of this difference in estimates on the balance sheet.</p> <p>If the useful life of component assets</p>

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
	<p>the remainder of the asset. Where a component is replaced or restored, the carrying amount of the old component is derecognised and the new component reflected in the carrying amount. Where it is not possible to determine the carrying amount of the replaced part of an item of PP&amp;E, WBC uses the cost of the new part to estimate what the cost of the replaced part was at the time it was acquired or constructed. WBC has set the de-minimis level for individual assets as £1m (excluding Land Value), individual assets below the de-minimis level are disregarded for componentisation (except where a group of similar assets are collectively valued above £1m) on the basis that any adjustment to depreciation would not be material. Individual assets that are above the de-minimis level are considered for componentisation. WBC recognises component assets within its accounts if the value of the component is either 10% of the total asset value or greater than £200k. Any amount below these levels would be considered in-material for depreciation terms.</p>	<p>under 10% or £200k of the total value of the asset differs from the overall useful life of the asset depreciation will be understated. It is estimated that the annual depreciation charge for PPE would increase by £0.1m for every year that useful lives had to be reduced.</p>
<b>Provisions</b>	<p>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 31/3/12 the authority estimates that it will have to surrender 17,492 LATS</p>	<p>WBC estimates the value to be £1 per permit and has therefore determined that the amounts are immaterial and not recognised on the balance sheet. The Council notes that DEFRA has not stated prices for 11/12 (as the scheme ends in 12/13) however it calculated the value to be £12.50 for 10/11. The fair value calculated by DEFRA ignores transactions undertaken at nil value. As WBC expects that it will have enough permits to cover its liability under LATS the market value of permits only really affects the fair value that surplus assets could be held on the balance sheet. WBC does not think the</p>

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
	<p>permits to DEFRA out of an allocation of 23,169, leaving the authority with a surplus of 5,677 permits. Surplus permits can either be carried forward into 2012/13 or sold. However, at 31st March 2012 there has not been an active enough market for the trading of LATS permits between authorities to determine a fair value of permits.</p> <p>The Council has made provision for holiday and flexi leave entitlement owing to staff at the end of the financial year. The estimate within the accounts has been based on an assumption of 1.5% of payroll costs. For staff based in schools a formula based on CIPFA guidance has been used.</p> <p>The council has made a provision for dilapidation costs for buildings the Council lease, to return them to their original condition at the end of the lease. A general provision has been made this year, with one specific property being taken into account.</p>	<p>fair value determined by DEFRA is a prudent estimate of the value of its surplus permits.</p> <p>A 1% change in the estimate of accumulating absences would result in approximately a £367,000 increase or decrease in the provision required for accumulating absences in relation to Non-school staff.</p> <p>There may be other buildings the Council lease that have been altered, needing significant work to return them to their original condition, which are not presently known.</p>
<b>Pension Liability</b>	<p>Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. Actuaries, Barnett Waddington provide the Council with expert advice about the assumptions to be applied.</p>	<p>The effects on the net pensions liability of changes in individual assumptions can be measured. For example, a 0.1% decrease in the discount rate assumption would result in an increase in the pension liability of £5.7m.</p> <p>However, the assumptions interact in complex ways. During 2011/12, the Council's actuaries advised that the net pensions liability had increased by £52m. This was due to estimates being informed by experience.</p>
<b>PFI Liabilities</b>	<p>The value of PFI service charge payable under the contract disclosed in note 42 of the accounts is dependant upon assumptions regarding future inflation and tonnage rates.</p>	<p>A 1% increase in RPI would increase the total contract charge by £32,000 per annum of which Wokingham's share would be £12,000. Similarly a 1% increase in tonnages would increase the service charge by £1,000 per annum of which Wokingham's share would be immaterial.</p>

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
<b>Arrears</b>	At 31 <sup>st</sup> March 2012, the Council had a balance of debtors of £7.4m, and Council tax debt of £2.4m. Following an assessment of debtors outstanding, no increase or decrease in the sundry bad and doubtful debt provision and £15k increase in council tax bad and doubtful debt provision was deemed appropriate. However, in the current climate it is not certain that such an allowance would be sufficient.	The provision set aside for bad debt increases according to the age of the debt.  If collection rates were to deteriorate, a 1% increase in the amount of the impairment of doubtful debts would require an additional £7k to set aside as an allowance for sundry debts and £10k from council tax from the revenue account and collection fund respectively.

## NOTE 5 MATERIAL ITEMS OF INCOME AND EXPENSE

Material Items of Income and Expense during 2011/2012 which related to the Council's Non-Current Assets included the following;

- Disposal of Academy Schools (Holt, Piggott and Maiden Erleigh) resulting in a loss of £65m in the Comprehensive Income and Expenditure Statement, which in turn was reversed out of the General Fund as per the statutory arrangements.
- Disposal of Council Properties (68 London Road and the Old School House) resulting in £68k gain in the Comprehensive Income and Expenditure Statement, which in turn was reversed out of the General Fund as per the statutory arrangements.
- The Council paid £95,468,000 to Central Government to buy itself out of the housing subsidy system under the transition to Housing Self Financing.
- There were no other materials items of income or expense.
- Prior Period adjustment relating to the impairment of Waingels College

### 5a. Prior Period Adjustment

In 2011/12 the council completed a three year project at Waingels College which resulted in new school buildings at a cost of approx £30m. As a result the old buildings were demolished during the three year build. The council have impaired the old buildings values in the accounts, resulting in a prior period adjustment as the old buildings were demolished in 2009/10 and 2010/11.

The 2010/11 comparative figures in the 2011/12 Balance Sheet have therefore been restated from the 2010/11 published financial statements as follows:

Balance Sheet Item	2010/11 Opening Balance	Waingels Impairment 09/10	Restated 2010/11 Opening Balance
	£,000	£,000	£,000
Other, Land and Buildings	817,454	(12,561)	804,893
<b>Total Net Assets</b>	<b>630,428</b>	<b>(12,561)</b>	<b>617,867</b>
Revaluation Reserve	(112,941)	3,989	(108,952)
Capital Adjustment Account	(648,109)	8,572	(639,537)
<b>Total Reserves</b>	<b>(630,428)</b>	<b>12,561</b>	<b>(617,867)</b>

Balance Sheet Item	2010/11 Closing Balance £,000	Waingels Impairment 09/10 £,000	Waingels Impairment 10/11 £,000	Restated 2010/11 Closing Balance £,000
Other, Land and Buildings	761,641	(12,561)	(11,807)	737,273
<b>Total Net Assets</b>	<b>642,051</b>	<b>(12,561)</b>	<b>(11,807)</b>	<b>617,683</b>
Revaluation Reserve	(103,497)	3,989	3,750	(95,759)
Capital Adjustment Account	(601,184)	8,572	8,058	(584,554)
<b>Total Reserves</b>	<b>(642,051)</b>	<b>12,561</b>	<b>11,808</b>	<b>(617,683)</b>

The impact of the prior period adjustment on the income and expenditure account and the movement in reserves are as follows:

Income and Expenditure Account	2010/11 Net Expenditure £,000	Waingels Impairment 10/11 £,000	Waingels Depreciation 10/11 £,000	Restated 2010/11 Net Expenditure £,000
Education and Children Services	37,415	8,315	(377)	45,353
(Surplus)/ Deficit on provision of Services	23,453	8,315	(377)	31,391

Movement in Reserves Statement	2010/11 General Fund Balance £,000	Waingels Impairment 10/11 £,000	Waingels Depreciation 10/11 £,000	Restated 10/11 General Fund Balance £,000
Adjustments between accounting basis and funding basis under regulations	22,694	(8,315)	377	14,755

## 5b. Exceptional Items

Exceptional Items included are as follows:

2010/11 £,000		2011/12 £,000
728	Organisational and Business Change	0
98	Transformation Redundancy Costs	0
50,226	HRA Impairment of Council Housing Stock	0
130	VAT Claims - Fees	18
(24,439)	Past Pension Cost - Recalculation of Pension Liability	0
(1,312)	VAT Claims - Income	(91)
0	HRA Self Financing	95,468
(162)	Berkshire County Council - Asset Disposal	0
<b>25,269</b>	<b>Total</b>	<b>95,395</b>

## **NOTE 6 EVENTS AFTER THE BALANCE SHEET DATE**

The Statement of Accounts was authorised for issue by the Strategic Director of Resources (S151 Officer) on 26<sup>th</sup> September, 2012. Events taking place after this date are not reflected in the financial statements or notes. Where events taking place before this date provided information about conditions existing at 31<sup>st</sup> March 2012, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

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

## **NOTE 7 ADJUSTMENTS BETWEEN ACCOUNTING BASIS AND FUNDING BASIS UNDER REGULATIONS**

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



2011/12	Usable Reserves					Total Movement in Usable Reserves £,000	Movement in Unusable Reserves £,000
	General Fund (GF) Balance £,000	Housing Revenue Account (HRA) £,000	Capital Receipts Reserve £,000	Major Repairs Reserve £,000	Capital Grants Unapplied £,000		
<b>Adjustments primarily involving the Capital Adjustment Account:</b>							
<b>Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:</b>							
Reclassification of capital grant receipt in advance and capital grant unapplied	(952)				952	0	0
Charges for Depreciation of Non-current Assets	(14,478)	(2,055)				(16,533)	16,533
Charges for Impairment of Non-current Assets	(446)					(446)	446
Charges for Amortisation of Intangible Assets	(261)					(261)	261
Revaluation losses on Property, Plant and Equipment	(1,752)					(1,752)	1,752
Movements in the Market Value of Investment Properties	396					396	(396)
HRA self financing settlement transfer to capital adjustment account		(95,468)				(95,468)	95,468
Capital Grants and Contributions Applied	6,614		3,380		4,237	14,231	(14,231)
Revenue Expenditure funded from Capital under Statute	(217)					(217)	217
Amounts of Non-current Assets Written Off on Disposal or Sale as part of the Gain/ Loss on Disposal to the Comprehensive Income and Expenditure Statement	(65,244)	40	(889)			(66,093)	66,093
<b>Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:</b>							
Statutory Provision for the Financing of Capital Investment	3,483					3,483	(3,483)
<b>Adjustments Primarily Involving the Capital Grants Unapplied Account:</b>							
Capital Grants and Contributions Unapplied credited to the Comprehensive	21,132		(183)		(20,949)	0	0

2011/12	Usable Reserves					Total Movement in Usable Reserves £,000	Movement in Unusable Reserves £,000
	General Fund (GF) Balance £,000	Housing Revenue Account (HRA) £,000	Capital Receipts Reserve £,000	Major Repairs Reserve £,000	Capital Grants Unapplied £,000		
Income and Expenditure Statement							
Transfer of sale proceeds credited as part of the gain/loss on disposal to the CIES	0					0	0
<b>Adjustments Primarily Involving the Capital Receipts Reserve:</b>							
Contribution from the Capital Receipts Reserve to Finance the Payments to the Government Capital Receipts Pool		(51)	51			0	0
<b>Adjustment Primarily Involving the Major Repairs Reserve:</b>							
Reversal of Major Repairs Allowance credited to the HRA		1,999		(1,999)		0	0
Use of the Major Repairs Reserve to Finance New Capital Expenditure				2,787		2,787	(2,787)
Transfer (to) or from HRA		480		(480)		0	0
<b>Adjustment Primarily Involving the Financial Instruments Adjustment Account:</b>							
Amount by which Finance Costs Charged to the Comprehensive Income and Expenditure Statement are Different from Finance Costs Chargeable in the Year in Accordance with Statutory Requirements	79	164				243	(243)
<b>Adjustments Primarily Involving the Pensions Reserve:</b>							
Reversal of Items Relating to Retirement Benefits debited or credited to the Comprehensive Income and Expenditure Statement (see Note 46)	(8,122)	(29)				(8,151)	8,151
Employer's Pensions Contributions and Direct Payments to Pensioners payable	5,982					5,982	(5,982)

2011/12	Usable Reserves					Total Movement in Usable Reserves £,000	Movement in Unusable Reserves £,000
	General Fund (GF) Balance £,000	Housing Revenue Account (HRA) £,000	Capital Receipts Reserve £,000	Major Repairs Reserve £,000	Capital Grants Unapplied £,000		
in the Year							
<b>Adjustments Primarily Involving the Collection Fund Adjustment Account:</b>							
Amount by which Council Tax Income credited to the Comprehensive Income and Expenditure Statement is Different from Council Tax Income Calculated for the Year in Accordance with Statutory Requirements	603					603	(603)
<b>Adjustment Primarily Involving the Accumulated Absences Account:</b>							
Amount by which Officer Remuneration Charged to the Comprehensive Income and Expenditure Statement on an Accruals Basis is Different from Remuneration Chargeable in the Year in Accordance with Statutory Requirements	2,138	7				2,145	(2,145)
<b>Total Adjustments 2011/12</b>	(51,047)	(94,913)	2,360	307	(15,760)	(159,053)	159,053

2010/11 Comparative Figures - Restated	Usable Reserves					Total Movement in Usable Reserves £,000	Movement in Unusable Reserves £,000
	General Fund (GF) Balance	Housing Revenue Account (HRA)	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied		
	£,000	£,000	£,000	£,000	£,000		
Adjustments primarily involving the Capital Adjustment Account: Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:							
Charges for Depreciation and Impairment of Non- current Assets	(13,962)	(2,049)		53		(15,958)	15,958
Charges for Amortisation of Intangible Assets	(382)					(382)	382
Revaluation losses on Property, Plant and Equipment	(13,992)	(50,226)				(64,219)	64,219

2010/11 Comparative Figures - Restated	Usable Reserves					Total Movement in Usable Reserves £,000	Movement in Unusable Reserves £,000
	General Fund (GF) Balance £,000	Housing Revenue Account (HRA) £,000	Capital Receipts Reserve £,000	Major Repairs Reserve £,000	Capital Grants Unapplied £,000		
Movements in the Market Value of Investment Properties	(723)					(723)	723
Capital Grants and Contributions Applied	16,639		(35)		4,278	20,882	(20,882)
Revenue Expenditure funded from Capital under Statute	(2,025)					(2,025)	2,025
Amounts of Non- current Assets Written Off on Disposal or Sale as part of the Gain/ Loss on Disposal to the Comprehensive Income and Expenditure Statement	(3,962)	(181)				(4,143)	4,143
<b>Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:</b>							
Statutory Provision for the Financing of Capital Investment	3,048	45				3,093	(3,093)
<b>Adjustments Primarily Involving the Capital Grants Unapplied Account:</b>							
Capital Grants and Contributions Unapplied credited to the Comprehensive Income and Expenditure Statement	9,249				(9,249)	0	0
Transfer of sale proceeds credited as part of the gain/loss on disposal to the CIES	4,675	398	(5,364)			(291)	0
<b>Adjustments Primarily Involving the Capital Receipts Reserve:</b>							
Contribution from the Capital Receipts Reserve to Finance the Payments to the Government Capital Receipts Pool		(291)	291			0	0
<b>Adjustment Primarily Involving the Major Repairs Reserve:</b>							
Reversal of Major Repairs Allowance credited to the HRA		1,996		(1,996)		0	0
Use of the Major Repairs Reserve to Finance New Capital Expenditure				3,186		3,186	(3,186)

2010/11 Comparative Figures - Restated	Usable Reserves					Total Movement in Usable Reserves £,000	Movement in Unusable Reserves £,000
	General Fund (GF) Balance £,000	Housing Revenue Account (HRA) £,000	Capital Receipts Reserve £,000	Major Repairs Reserve £,000	Capital Grants Unapplied £,000		
Transfer (to) from HRA		400		(400)		0	0
<b>Adjustment Primarily Involving the Financial Instruments Adjustment Account:</b>							
Amount by which Finance Costs Charged to the Comprehensive Income and Expenditure Statement are Different from Finance Costs Chargeable in the Year in Accordance with Statutory Requirements	1,168	414				1,582	(1,582)
<b>Adjustments Primarily Involving the Pensions Reserve:</b>							
Reversal of Items Relating to Retirement Benefits debited or credited to the Comprehensive Income and Expenditure Statement (see Note 46)	7,539	(117)				7,422	(7,422)
Employer's Pensions Contributions and Direct Payments to Pensioners payable in the Year	6,843					6,843	(6,843)
<b>Adjustments Primarily Involving the Collection Fund Adjustment Account:</b>							
Amount by which Council Tax Income credited to the Comprehensive Income and Expenditure Statement is Different from Council Tax Income Calculated for the Year in Accordance with Statutory Requirements	(114)					(114)	114
<b>Adjustment Primarily Involving the Accumulated Absences Account:</b>							
Amount by which Officer Remuneration Charged to the Comprehensive Income and Expenditure Statement on an Accruals Basis is	756	(30)				726	(726)

2010/11 Comparative Figures - Restated	Usable Reserves					Total Movement in Usable Reserves £,000	Movement in Unusable Reserves £,000
	General Fund (GF) Balance £,000	Housing Revenue Account (HRA) £,000	Capital Receipts Reserve £,000	Major Repairs Reserve £,000	Capital Grants Unapplied £,000		
Different from Remuneration Chargeable in the Year in Accordance with Statutory Requirements							
<b>Total Adjustments 2010/11</b>	<b>14,755</b>	<b>(49,641)</b>	<b>(5,108)</b>	<b>843</b>	<b>(4,971)</b>	<b>(44,122)</b>	<b>43,832</b>

## NOTE 8 TRANSFERS TO/FROM EARMARKED RESERVES

This note details the amounts set aside from the General Fund and HRA balances in earmarked reserves to provide financing for future expenditure plans and the amounts posted back from earmarked reserves to meet General Fund and HRA expenditure in 2011/12.

	Balance at 31st March, 2010 £,000	Transfers Out 2010/11 £,000	Transfers In 2010/11 £,000	Balance at 31st March, 2011 £,000	Transfers Out 2011/12 £,000	Transfers In 2011/12 £,000	Balance at 31st March, 2012 £,000
<b>General Fund:</b>							
Balances held by Schools under a Scheme of Delegation:	(5,187)		(1,632)	(6,819)	26,521	(26,203)	(6,502)
Dedicated Schools Grant Reserve	431		(963)	(532)	92,785	(94,006)	(1,754)
Earmarked General Fund Reserves	(4,656)	625	(106)	(4,137)	596	(5,933)	(9,474)
<b>Total General Fund:</b>	<b>(9,412)</b>	<b>625</b>	<b>(2,701)</b>	<b>(11,488)</b>	<b>119,902</b>	<b>(126,142)</b>	<b>(17,730)</b>

## NOTE 9 OTHER OPERATING EXPENDITURE

2010/11 £,000		2011/12 £,000
3,400	Parish Council Precepts	3,427
291	Payments to the Government Housing Capital Receipts Pool	51
0	Unattached Capital Receipts	0
(930)	Gains / Losses on the Disposal of Non-current Assets	65,256
<b>2,761</b>	<b>Total</b>	<b>68,734</b>

## NOTE 10 FINANCING AND INVESTMENT INCOME AND EXPENDITURE

2010/11 £,000		2011/12 £,000
2,115	Interest Payable and Similar Charges on Debt (note 48)	2,106
107	Interest Payable and Similar Charges on Finance Leases (note 48)	107
603	Interest Payable and Similar Charges on Private Finance Initiatives (note 48)	585
1,292	Impairment of financial instruments (note 48)	(2,088)
5,952	Pensions Interest Cost and Expected Return on Pensions (note 46)	3,896
(866)	Interest Receivable and Similar Income	(1,112)
174	Income and Expenditure in Relation to Investment Properties and Changes in their Fair Value	(943)
0	Other Investment Income	0
<b>9,377</b>	<b>Total</b>	<b>2,551</b>

## NOTE 11 TAXATION AND NON-SPECIFIC GRANT INCOMES

2010/11 £,000		2011/12 £,000
(78,296)	Council Tax Income	(79,098)
(17,077)	Non-domestic Rates	(15,850)
(2,480)	Revenue Support Grant	(4,900)
(6,469)	Other Non-ringfenced Government Grants	(2,592)
(30,959)	Capital Grants and Contributions	(28,074)
0	Reclassification	952
<b>(135,281)</b>	<b>Total</b>	<b>(129,562)</b>



## NOTE 12 PROPERTY, PLANT AND EQUIPMENT

Movements in 2011/12:	Council Dwellings & Other HRA Assets	Other Land and Buildings	Vehicles, Plant, Furniture & Equipment	Infrastructure Assets	Community Assets	Surplus Assets	Assets under Construction	Total Property, Plant and Equipment	PFI Assets Included in Property, Plant and Equipment
	£,000	£,000	£,000	£,000	£,000	£,000	£,000	£,000	£,000
<b>Cost or Valuation</b>									
At 1st April, 2011	155,707	537,201	10,761	91,554	2,156	0	24,673	822,055	10,864
Additions	2,788	7,936	1,116	4,952	160	0	811	17,763	0
Revaluation Increases / (Decreases) Recognised in the Revaluation Reserve	657	18,603	1,211	0	0	0	0	20,471	1,909
Revaluation Increases / (Decreases) Recognised in the Surplus / Deficit on the Provision of Services	0	(2,192)	0	0	0	0	0	(2,192)	(439)
Derecognition - Disposals	(37)	(71,157)	(865)	(52)	0	0	0	(72,111)	0
Assets reclassified (to) / from Held for Sale	0	(153)	0	0	0	0	0	(153)	0
Other Movements in	0	22,656	(761)	98	0	0	(22,284)	(291)	0

<b>Movements in 2011/12:</b>	<b>Council Dwellings &amp; Other HRA Assets</b>	<b>Other Land and Buildings</b>	<b>Vehicles, Plant, Furniture &amp; Equipment</b>	<b>Infrastructure Assets</b>	<b>Community Assets</b>	<b>Surplus Assets</b>	<b>Assets under Construction</b>	<b>Total Property, Plant and Equipment</b>	<b>PFI Assets Included in Property, Plant and Equipment</b>
	<b>£,000</b>	<b>£,000</b>	<b>£,000</b>	<b>£,000</b>	<b>£,000</b>	<b>£,000</b>	<b>£,000</b>	<b>£,000</b>	<b>£,000</b>
<b>Cost or Valuation At 31st March, 2012</b>	<b>159,115</b>	<b>512,894</b>	<b>11,463</b>	<b>96,552</b>	<b>2,316</b>	<b>0</b>	<b>3,200</b>	<b>785,541</b>	<b>12,334</b>
<b>Accumulated Depreciation and Impairment</b>									
At 1st April, 2011	8,369	62,673	3,187	10,550	0	0	0	84,779	807
Depreciation Charge	2,055	10,158	1,158	3,161	0	0	0	16,532	468
Impairment Losses / (Reversals) Recognised in the Revaluation Reserve	0	114	0	0	0	0	0	114	0
Impairment Losses / (Reversals) Recognised in the Surplus / Deficit on the Provision of Services	0	7	0	0	0	0	0	7	0
Derecognition - Disposals	0	(6,047)	(255)	(10)	0	0	0	(6,312)	0
Assets reclassified (to) / from Held for Sale	0	(4)	0	0	0	0	0	(4)	0

<b>Movements in 2011/12:</b>	<b>Council Dwellings &amp; Other HRA Assets</b>	<b>Other Land and Buildings</b>	<b>Vehicles, Plant, Furniture &amp; Equipment</b>	<b>Infrastructure Assets</b>	<b>Community Assets</b>	<b>Surplus Assets</b>	<b>Assets under Construction</b>	<b>Total Property, Plant and Equipment</b>	<b>PFI Assets Included in Property, Plant and Equipment</b>
	<b>£,000</b>	<b>£,000</b>	<b>£,000</b>	<b>£,000</b>	<b>£,000</b>	<b>£,000</b>	<b>£,000</b>	<b>£,000</b>	<b>£,000</b>
Other movements in depreciation and impairment	0	138	(154)	0	0	0	0	(16)	0
<b>At 31st March, 2012</b>	<b>10,424</b>	<b>67,039</b>	<b>3,936</b>	<b>13,701</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>95,100</b>	<b>1,275</b>
<b>Net Book Value At 31st March, 2012</b>	<b>148,691</b>	<b>445,855</b>	<b>7,527</b>	<b>82,851</b>	<b>2,316</b>	<b>0</b>	<b>3,200</b>	<b>690,440</b>	<b>11,059</b>
<b>At 31st March, 2011</b>	<b>147,338</b>	<b>474,528</b>	<b>7,574</b>	<b>81,004</b>	<b>2,156</b>	<b>0</b>	<b>24,673</b>	<b>737,273</b>	<b>10,057</b>
<b>Comparative Movements in 2010/11 - Restated:</b>	<b>£,000</b>	<b>£,000</b>	<b>£,000</b>	<b>£,000</b>	<b>£,000</b>	<b>£,000</b>	<b>£,000</b>	<b>£,000</b>	<b>£,000</b>
<b>Cost or Valuation At 1st April, 2010</b>	<b>209,917</b>	<b>551,355</b>	<b>8,451</b>	<b>86,229</b>	<b>2,002</b>	<b>0</b>	<b>13,451</b>	<b>871,405</b>	<b>10,864</b>
Additions	3,194	6,493	2,280	5,325	214	0	11,222	28,728	0
Revaluation Increases / (Decreases)	(6,996)	853	0	0	0	0	0	(6,143)	0
Recognised in the Revaluation Reserve									
Revaluation Increases /	(50,227)	(2,844)	0	0	0	0	0	(53,071)	0

Comparative Movements in 2010/11 - Restated:	Council Dwellings and Other HRA Assets	Other Land and Buildings	Vehicles, Plant, Furniture & Equipment	Infrastructure Assets	Community Assets	Surplus Assets	Assets under Construction	Total Property, Plant and Equipment	PFI Assets Included in Property, Plant and Equipment
	£,000	£,000	£,000	£,000	£,000	£,000	£,000	£,000	£,000
(Decreases) Recognised in the Surplus /Deficit on the provision of Services									
Derecognition - Disposals	(181)	0	(30)	0	0	0	0	(211)	0
Other Movements in Cost or Valuation	0	(18,656)	60	0	(60)	0	0	(18,656)	0
<b>At 31<sup>st</sup> March, 2011</b>	<b>155,707</b>	<b>537,201</b>	<b>10,761</b>	<b>91,554</b>	<b>2,156</b>	<b>0</b>	<b>24,673</b>	<b>822,052</b>	<b>10,864</b>
<b>Accumulated Depreciation and Impairment</b>									
At 1st April, 2010	6,373	50,278	2,376	7,485	0	0	0	66,512	394
Depreciation Charge	1,996	10,141	833	3,065	0	0	0	16,035	413
Impairment Losses / (Reversals)	0	4,193	0	0	0	0	0	4,193	0
Recognised in the Revaluation Reserve									
Impairment Losses / (Reversals)	0	11,149	0	0	0	0	0	11,149	0
Recognised in									

Comparative Movements in 2010/11 - Restated:	Council Dwellings and Other HRA Assets	Other Land and Buildings	Vehicles, Plant, Furniture & Equipment	Infrastructure Assets	Community Assets	Surplus Assets	Assets under Construction	Total Property, Plant and Equipment	PFI Assets Included in Property, Plant and Equipment
	£,000	£,000	£,000	£,000	£,000	£,000	£,000	£,000	£,000
the Surplus / Deficit on the Provision of Services									
Derecognition - Disposals	0	0	(22)	0	0	0	0	(22)	0
Other									
Movements in Depreciation and Impairment	0	(13,088)	0	0	0	0	0	(13,088)	0
<b>At 31st March, 2011</b>	<b>8,369</b>	<b>62,673</b>	<b>3,187</b>	<b>10,550</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>84,779</b>	<b>807</b>

### Depreciation

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

• Council Dwellings	MRA Allocation
• Other, Land and Buildings	1-50 years
• Vehicles, Plant, Furniture & Equipment	1-30 years
• Infrastructure, Roads & Highways	1-60 years

### Capital Commitments

The estimated commitments for capital expenditure for schemes that had started, or legal contracts entered into, by 31st March 2012 are listed below:

	2011/12 £,000
• Major Improvements to St Crispins School including New Science Block, Labs and Multi Use Games Area (MUGA)	5,243
• Waingels College - ICT Hardware	240
• Wescott Infants - Shelter Conversion	202
• Beechwood Primary - New Roofing	187
• Transformation Project - EDRMS Phase 2	179
• Crazies Hill CofE Primary School - New single storey side & rear extension	147
• Park Lane Flood Alleviation	146
• Bulmershe School - Install pipework above ground and replace life expired fan convectors	145
• Gas Management & Structural Repairs at various Council properties	125
• Holt School - New Multi Use Games Area (MUGA)	124
• Refurbishment of Cockayne Court	117
• Highwood Primary - Reroof Half Flat Roof	117
• First Time Buyer Equity Loan Scheme	108
• Keep Hatch Road - Footway and Highway Improvements	105
• Other Commitments - Individually under £0.1m	3,317
<b>Total</b>	<b>10,502</b>

### Effects of Changes in Estimates

In 2011/12, the Council made no material changes to its accounting estimates for Property, Plant and Equipment.

### Revaluations

The Council carries out a rolling programme that ensures that all Property, Plant and Equipment required to be measured at fair value is revalued at least every five years. All valuations were carried out internally. Valuations of land and buildings were carried out in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors. Valuations of vehicles, plant, furniture and equipment are based on depreciated historic cost.

There were no significant assumptions applied in estimating the fair values in 2011/2012.

	<b>Council Dwellings &amp; Other HRA Assets</b>	<b>Other, Land and Buildings</b>	<b>Vehicles, Plant, Furniture &amp; Equipment</b>	<b>Infra-structure Assets</b>	<b>Community Assets</b>	<b>Surplus Assets</b>	<b>Total</b>
	<b>£,000</b>	<b>£,000</b>	<b>£,000</b>	<b>£,000</b>	<b>£,000</b>	<b>£,000</b>	<b>£,000</b>
Carried at Historical Cost	0	8,305	4,830	82,851	2,316	0	98,302
Valued at Fair Value as at:							
31st March, 2012	148,691	189,530	2,694	0	0	0	340,915
31st March, 2011	0	23,973	0	0	0	0	23,973
31st March, 2010	0	214,634	0	0	0	0	214,634
31st March, 2009	0	6,691	2	0	0	0	6,693
31st March, 2008	0	2,722	1	0	0	0	2,723
<b>Total Cost or Valuation</b>	<b>148,691</b>	<b>445,855</b>	<b>7,527</b>	<b>82,851</b>	<b>2,316</b>	<b>0</b>	<b>687,240</b>

## NOTE 13 INTANGIBLE ASSETS

The carrying amount of intangible assets is amortised on a straight-line basis. Transition costs arising from the Local Government Review (LGR) in 1998 are being written off to revenue. This is a real charge on council tax payers so is not reversed out of the Comprehensive Income and Expenditure Statement.

The Council accounts for its software as intangible assets, to the extent that the software is not an integral part of a particular IT system and accounted for as part of the hardware item of Property, Plant and Equipment. The software included in intangible assets are purchased licenses only. Amortisation of £108k charged to revenue in 2011/12 was charged to the IT Administration cost centre and then absorbed as an overhead across all the service headings in the Net Expenditure of Services. It is not possible to quantify exactly how much of the amortisation is attributable to each service heading.

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

<b>Term</b>	<b>Internally Generated Assets</b>	<b>Other Assets</b>
5 Years	None	Financial Ledger, i-Procurement, Human Resources Management Information Systems, E-mail and Schools e-learning
11 Years	None	Local Government Review 1998



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

	2010/11			2011/12		
	Internally Generated Assets	Other Assets	Total	Internally Generated Assets	Other Assets	Total
	£,000	£,000	£,000	£,000	£,000	£,000
<b>Balance at the Start of the Year</b>						
• Gross Carrying Amounts	0	4,104	4,104	0	4,428	4,428
• Accumulated Amortisation	0	(3,356)	(3,356)	0	(3,738)	(3,738)
<b>Net Carrying Amount at Start of the Year</b>	<b>0</b>	<b>748</b>	<b>748</b>	<b>0</b>	<b>690</b>	<b>690</b>
<b>Additions:</b>						
• Purchases	0	324	324	0	1,077	1,077
Amortisation for the Period	0	(382)	(382)	0	(291)	(291)
<b>Net Carrying Amount at End of the Year</b>	<b>0</b>	<b>690</b>	<b>690</b>	<b>0</b>	<b>1,476</b>	<b>1,476</b>
<b>Comprising:</b>						
Gross Carrying Amounts	0	4,428	4,428	0	5,505	5,505
Accumulated Amortisation	0	(3,738)	(3,738)	0	(4,029)	(4,029)
	<b>0</b>	<b>690</b>	<b>690</b>	<b>0</b>	<b>1,476</b>	<b>1,476</b>

Under the Waste and Emissions Trading Act 2003, the Council as a waste disposal authority is issued with Landfill Allowance Trading Scheme (LATS) permits on an annual basis for the amount of biodegradable waste that it is allowed to landfill. The fair value of allowances issued by the government is recognised as a government grant. The fair value of allowances is taken as the present market value at the Balance Sheet date. The value of allowances after the initial recognition is measured at the lower of cost and net realisable value.

	Carrying Amount as at: 31st March, 2011 £,000	Carrying Amount as at: 31st March, 2012 £,000
<b>LATS</b>	<b>0</b>	<b>0</b>

## NOTE 14 HERITAGE ASSETS

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

## NOTE 15 INVESTMENT PROPERTIES

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

	2010/11	2011/12
	£,000	£,000
Rental Income from Investment Property	940	925
Direct Operating Expenses arising from Investment Property	(392)	(378)
<b>Net Gain / (Loss)</b>	<b>548</b>	<b>547</b>

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

The following table summarises the movement in the fair value of investment properties over the year:

	2010/11	2011/12
	£,000	£,000
Balance at the Start of the Year	24,095	27,460
Additions:		
• Purchases	0	410
• Construction	0	0
• Subsequent Expenditure	22	27
Disposals	0	(295)
Net Gains / (Losses) from Fair Value Adjustments	(723)	396
Transfers:		
• (To) / From Inventories	0	0
• (To) / From Property, Plant and Equipment	4,066	274
Other Changes	0	0
<b>Balance at the End of the Year</b>	<b>27,460</b>	<b>28,272</b>

## NOTE 16 INVENTORIES

The Council does not at present have any holdings requiring an inventory.

## NOTE 17 CONSTRUCTION CONTRACTS

The Council does not at present have any construction contracts.

## NOTE 18 DEBTORS

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

	31st March, 2011 £,000	31st March, 2012 £,000
Central Government Bodies	3,191	4,160
Other Local Authorities	1,105	3,279
NHS Bodies	2,065	2,177
Public Corporations & Trading Funds	0	1,766
Other Entities and Individuals	6,146	7,051
<b>Total</b>	<b>12,507</b>	<b>18,433</b>

Increase in Central Government debtors due to outstanding £2.2m grant due but not received, and increase in other local authorities due to £1.3m payment in advance for Schools Education. New Trading companies have also been introduced which have added to the increase.

Following an assessment of debtors outstanding at the year end, no increase or decrease in the bad and doubtful debt provision was affected in 2011/12. This was based on a prudent approach given the current economic climate. Provisions for council tax, and business rates bad debts are charged to the Collection Fund and those in respect of council house rents are charged to the Housing Revenue Account. The provisions are set on the basis of outstanding debt and are required to safeguard against future under or non-recoveries.

## NOTE 19 CASH AND CASH EQUIVALENTS

The following elements comprise Cash and Cash Equivalents:

31st March, 2011 £,000		31st March, 2012 £,000
9,682	Cash held by the Council	3,432
0	Bank Current Assets	0
12,653	Money Market Instruments	17,920
14,872	Cash Held by Fund Managers	47
0	Short-term Deposits with Building Societies	0
<b>37,207</b>	<b>Cash and Cash Equivalents</b>	<b>21,399</b>
(2,508)	Bank Current Liabilities	(4,915)
<b>34,700</b>	<b>Total Cash and Cash Equivalents</b>	<b>16,484</b>

## NOTE 20 ASSETS HELD FOR SALE

	Current		Non-Current	
	2010/11	2011/12	2010/11	2011/12
	£,000	£,000	£,000	£,000
<b>Balance Outstanding at Start of the Year</b>	0	0	0	0
Assets newly classified as Held for Sale:				
• Property, Plant and Equipment	0	149	0	0
• Other Assets / Liabilities in Disposal Groups	1,502	0	0	0
Revaluation Gains	2,452	0	0	0
Assets Sold	(3,954)	0	0	0
<b>Balance Outstanding at End of Year</b>	<b>0</b>	<b>149</b>	<b>0</b>	<b>0</b>

## NOTE 21 CREDITORS

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

	31st March, 2011	31st March, 2012
	£,000	£,000
Central Government Bodies	(2,603)	(2,127)
Other Local Authorities	(1,265)	(1,580)
NHS Bodies	(100)	(6)
Public Corporations & Trading Funds	0	(253)
Other Entities and Individuals	(25,093)	(23,303)
<b>Total</b>	<b>(29,061)</b>	<b>(27,269)</b>

Other Entities and Individuals consist of trade creditors of £7m, capital creditors of £2m and sundry creditors of £10.4m, receipts in advance of £3.4m sundry receipts in advance (eg, government grants carried forward).

## NOTE 22 PROVISIONS

Provisions less than 1 year:	Outstanding Legal Cases	Provision for Accumulating Absences	Other Provisions	Total
	£,000	£,000	£,000	£,000
<b>Balance at 1 April 2011</b>	<b>(300)</b>	<b>(5,192)</b>	<b>0</b>	<b>(5,492)</b>
Additional Provisions made in 2011/12	(60)	0	(402)	(462)
Amounts Used in 2011/12	0	0	0	0
Unused amounts reversed in 2011/12	300	2,145	0	2,445
Unwinding of discounting in 2011/12	0	0	0	0
<b>Balance at 31st March 2012</b>	<b>(60)</b>	<b>(3,047)</b>	<b>(402)</b>	<b>(3,509)</b>

### Provision for Legal Cases

The provision for legal cases relates to cases that were brought against the Council in 2011/12 or where the Council is in dispute with its contractors. An assessment of the Council's liability and the likelihood of the claimant's success has been undertaken and a provision has been set up accordingly.

### Provision for Accumulating Absences

At the end of the financial year some holiday entitlement and flexi leave remained to be taken by employees. The Council estimated the value of the untaken annual leave to be approximately 1.5% of payroll. Officers are able to carry forward these days into the next financial year, but are not financially compensated where they leave the Council's employment before taking up their entitlement. The Council therefore made an accrual of £3,047,534 at 31 March, 2012 (£5,192,798 for 2010/11 and £5,917,945 for 2009/10) for compensated absences.

### Other 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 31st March 2012 the Council estimates that it will have to surrender 17,492 LATS permits to DEFRA out of an allocation of 23,169, leaving the Council with a surplus of 5,677 permits. Surplus permits can either be carried forward into 2012/13 or sold. However, at 31<sup>st</sup> March 2012 there has not been an active enough market for the trading of LATS permits between authorities to determine a fair value of permits. Based on transactions undertaken on the market, WBC estimates the value to be £1 per permit however, it notes that DEFRA has not stated prices for 11/12, as the scheme comes to an end in 12/13. DEFRA ignores transactions undertaken at nil value therefore WBC does not think the fair value determined by DEFRA to be a prudent estimate of the value of its surplus permits.

Fosters Re-accommodation - Fosters is a Residential Care Home run by WBC. The building is old and now not suitable to for its intended purpose. The residential care home is being closed as part of a managed closedown. The provision is to allow for the costs associated with the process.

Dilapidation – A general provision for dilapidation costs in buildings the Council lease has been made, as contracts may specify the building must be returned to their original condition at the end of the lease.

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

surrender allowances retrospectively, on the basis of emissions ie carbon dioxide produced as energy is used. The retrospective purchase of allowances is expected to take place from June 2012, however the provision arises at the point the energy is consumed.

## NOTE 23 USABLE RESERVES

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

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

## NOTE 24 UNUSABLE RESERVES

31st March, 2011 Restated £,000		31st March, 2012 £,000
(95,759)	Revaluation Reserve	(93,983)
(584,554)	Capital Adjustment Account	(446,813)
2,688	Financial Instruments Adjustment Account	2,445
0	Deferred Capital Receipts Reserve	0
93,941	Pensions Reserve	145,700
(349)	Collection Fund Adjustment Account	(952)
5,192	Accumulated Absences Account	3,047
<b>(578,841)</b>	<b>Total Unusable Reserves</b>	<b>(390,556)</b>

### Revaluation Reserve

The Revaluation Reserve contains the gains made by the Council arising from increases in the value of its Property, Plant, Equipment and Intangible Assets. The balance is reduced when assets with accumulated gains are:

- Revalued downwards or impaired and the gains are lost
- Used in the provision of services and the gains are consumed through depreciation, or
- Disposed of and the gains are realised.

The Reserve contains revaluation gains accumulated since 1 April, 2007, the date that the Reserve was created. Accumulated gains arising before that date are consolidated into the balance on Capital Adjustment Account.

31st March, 2011		31st March, 2012	31st March, 2012
Restated £,000		£,000	£,000
(108,952)	<b>Balance at 1st April</b>		(95,759)
(6,045)	Upward Revaluation of Assets	(20,903)	
13,929	Downward Revaluation of Assets and Impairment Losses not Charged to the Surplus or Deficit on the Provision of Services	545	
7,884	Surplus or Deficit on Revaluation of Non- current Assets not Posted to the Surplus or Deficit on the Provision of Services		(20,358)
2,857	Difference Between Fair Value Depreciation and Historical Cost Depreciation	2,805	
2,452	Accumulated Gains on Assets Sold or Scrapped	19,329	
5,309	Amount Written Off to the Capital Adjustment Account		22,134
(95,759)	<b>Balance at 31st March</b>		(93,983)

### Capital Adjustment Account

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

The account contains accumulated gains and losses on Investment Properties and gains recognised on donated assets that have yet to be consumed by the Council.

The account also contains revaluation gains accumulated on Property, Plant and Equipment before 1 April, 2007, the date the Revaluation Reserve was created to hold such gains.

Note 7 provides details of the source of all the transactions posted to the account, apart from those involving the Revaluation Reserve.

31st March, 2011		31st March, 2012	31st March, 2012
Restated £,000		£,000	£,000
(639,538)	<b>Balance at 1st April</b>		(584,554)
	Reversal of Items Relating to Capital Expenditure Debited or Credited to the Comprehensive Income and Expenditure Statement:		
16,037	• Charges for Depreciation of Non- current Assets	16,532	
11,149	• Charges for Impairment of Non- current Assets	7	



31st March, 2011		31st March, 2012	31st March, 2012
Restated £,000		£,000	£,000
53,071	• Revaluation Losses on Property, Plant and Equipment	2,192	
306	• Amortisations of Intangible Assets	261	
2,025	• Revenue Expenditure Funded from Capital under Statute	217	
4,143	• Amounts of Non-current Assets to be Written Off on Disposal or Sale as part of the Gain / Loss on Disposal to the Comprehensive Income and Expenditure Statement	66,093	
86,731			85,302
(5,309)	Adjusting Amounts Written Out of the Revaluation Reserve		(22,134)
81,422	Net Written Out Amount of the Cost of Non-current Assets Consumed in the Year		63,168
0	Capital Financing Applied in the Year:		
(3,187)	• Use of Capital Receipts Reserve to Finance New Capital Expenditure	(2,638)	
(16,312)	• Use of Major Repairs Reserve to Finance New Capital Expenditure	(2,787)	
(4,569)	• Capital Grants and Contributions Credited to the Comprehensive Income and Expenditure Statement that have been Applied to Capital Financing	(5,737)	
(3,093)	• Application of Grants to Capital Financing from the Capital Grants Unapplied Account	(5,855)	
0	• Statutory Provision for the Financing of Capital Investment Charged against the General Fund and HRA Balances	(3,483)	
(27,161)	• Capital Expenditure Charged against the General Fund and HRA Balances	95,469	
723	Movements in the Market Value of Investment Properties Debited or Credited to the Comprehensive Income and Expenditure Statement		74,969
0	Movement in the donated Assets Account Credited to the Comprehensive Income and Expenditure Statement		(396)
(584,554)	<b>Balance at 31st March</b>		0
			<b>(446,813)</b>

### Financial Instruments Adjustment Account

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

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

31st March, 2011		31st March, 2012
£,000		£,000
4,271	<b>Balance at 1st April</b>	2,688
(549)	Premiums Incurred in the Year and Charged to the Comprehensive Income and Expenditure Statement	0
(1,034)	Proportion of Premiums Incurred in Previous Financial Years to be Charged against the General Fund Balance in Accordance with Statutory Requirements	(243)
(1,583)	Amount by which Finance Costs Charged to the Comprehensive Income and Expenditure Statement are Different from Finance Costs Chargeable in the Year in Accordance with Statutory Requirements	0
2,688	<b>Balance at 31st March</b>	2,445

### Pensions Reserve

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

31st March, 2011		31st March, 2012
£,000		£,000
147,010	<b>Balance at 1st April</b>	93,941
(38,804)	Actuarial Gains or (Losses) on Pensions Assets and Liabilities	49,590
(7,422)	Reversal of Items Relating to Retirement Benefits Debited or Credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement	8,151
(6,843)	Employer's Pensions Contributions and Direct Payments to Pensioners Payable in the Year	(5,982)
93,941	<b>Balance at 31st March</b>	145,700

### Collection Fund Adjustment Account

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

31st March, 2011 £,000		31st March, 2012 £,000
(463)	<b>Balance at 1st April</b>	(349)
114	Amount by which Council Tax Income Credited to the Comprehensive Income and Expenditure Statement is Different from Council Tax Income Calculated for the Year in Accordance with Statutory Requirements	(603)
(349)	<b>Balance at 31st March</b>	(952)

### Accumulated Absences Account

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

31st March, 2011 £,000		31st March, 2012 £,000
5,918	<b>Balance at 1st April</b>	5,192
(5,918)	Settlement or Cancellation of Accrual made at the end of Preceding Year	(5,192)
5,192	Amounts Accrued at the end of the Current Year	3,048
(726)	Amount by which Officer Remuneration Charged to the Comprehensive Income and Expenditure Statement on and Accrual Basis is Different from Remuneration Chargeable in the Year in Accordance with Statutory Requirements	(2,145)
5,192	<b>Balance at 31st March</b>	3,047

## NOTE 25 CASH FLOW STATEMENT - OPERATING ACTIVITIES

The cash flows for operating activities include the following items:

31st March, 2011 £,000		31st March, 2012 £,000
719	Interest Received	1,055
(1,311)	Interest Paid	(1,515)
0	Dividends Received	0
(592)	<b>Net Cash Flows from Operating Interest</b>	(460)

## NOTE 26 CASH FLOW STATEMENT - INVESTING ACTIVITIES

31st March, 2011 £,000		31st March, 2012 £,000
(26,813)	Purchase of Property, Plant and Equipment, Investment Property and Intangible Assets	(20,039)
(12,691)	Purchase of Short-term and Long-term Investments	(16,359)
(5,001)	Other Payments for Investing Activities	0
5,388	Proceeds from the Sale of Property, Plant and Equipment, Investment Property and Intangible Assets	1,071
15,354	Proceeds from Short-term and Long-term Investments	0
25,591	Other Receipts from Investing Activities	5,692
<b>1,828</b>	<b>Net Cash Flows from Investing Activities</b>	<b>(29,635)</b>

## NOTE 27 CASH FLOW STATEMENT - FINANCING ACTIVITIES

31st March, 2011 £,000		31st March, 2012 £,000
780	Cash Receipts of Short and Long-term Borrowing	86,594
0	Other Receipts from Financing Activities	0
(283)	Repayments of Short and Long-term Borrowing	2,082
0	Other Payments for Financing Activities	(335)
<b>497</b>	<b>Net Cash Flows from Financing Activities</b>	<b>88,341</b>

## NOTE 28 AMOUNTS REPORTED FOR RESOURCE ALLOCATION DECISIONS

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

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

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

	2010/11 £,000	2011/12 £,000
Net Expenditure in the Analysis	97,678	192,582
Net Expenditure of Services and Support Services not Included in the Analysis	16,446	12,812
Amounts in the Comprehensive Income and Expenditure Statement not Reported to Management in the Analysis	63,158	(7,822)
Amounts Included in the Analysis not Included in the Comprehensive Income and Expenditure Statement	(4,481)	545
<b>Cost of Services in the Comprehensive Income and Expenditure Statement</b>	<b>172,801</b>	<b>198,117</b>

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

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

<b>Service Information for the year ended 31st March 2011</b>	<b>Children's Services £,000</b>	<b>Adult Social Services £,000</b>	<b>Place and Neighbourhood Services £,000</b>	<b>Housing Revenue Account £,000</b>	<b>Total £,000</b>
Fees, Charges & Other Service Income	(1,106)	(15,973)	(4,561)	(13,196)	(34,836)
Government Grants and Contributions	(5,901)	(27,342)	(1,571)		(34,814)
<b>Total Income</b>	<b>(7,007)</b>	<b>(43,315)</b>	<b>(6,132)</b>	<b>(13,196)</b>	<b>(69,650)</b>
Employee Expenses	13,848	12,598	5,769	1,427	33,642
Other Service Expenses	13,587	66,135	23,140	8,138	111,000
Support Service Recharges	10,255	4,133	5,029	3,269	22,686
<b>Total Expenditure</b>	<b>37,690</b>	<b>82,866</b>	<b>33,938</b>	<b>12,834</b>	<b>167,328</b>
<b>Net Cost of Services</b>	<b>30,683</b>	<b>39,551</b>	<b>27,806</b>	<b>(362)</b>	<b>97,678</b>



Reconciliation to Subjective Analysis, Comparative Figures for 2010-11	Service Analysis	Services & Support Services not in Analysis	Amounts not Reported to Management for Decision Making	Amounts not Included in Comp Income & Expenditure Statement	Allocation of Recharges	Cost of Services	Corporate Amounts	Total
	£,000	£,000	£,000	£,000	£,000	£,000	£,000	£,000
Fees, Charges & Other Service Income	(34,836)	(7,289)	(1,983)	0	0	(44,108)	(14,322)	(58,430)
Surplus or Deficit on Associates and Joint Ventures	0	0	0	0	0	0	0	0
Interest and Investment Income	0	0	1,678	0	0	1,678	5,086	6,764
Income from Council Tax	0	0	0	0	0	0	(78,296)	(78,296)
Government Grants and Contributions	(34,814)	(773)	0	0	0	(35,587)	(42,664)	(78,251)
<b>Total Income</b>	<b>(69,650)</b>	<b>(8,062)</b>	<b>(305)</b>	<b>0</b>	<b>0</b>	<b>(78,017)</b>	<b>(130,196)</b>	<b>(208,213)</b>
Employee Expenses	33,642	13,939	(21,124)	0	0	26,457	0	26,457
Other Service Expenses	111,000	19,159	(341)	(1,560)	0	128,258	0	128,258
Support Service Recharges	22,686	(9,267)	0	0	0	13,419	0	13,419
Depreciation, Amortisation and Impairment	0	677	61,960	0	0	62,637	723	63,360
Interest Payments	0	0	(3,858)	(2,921)	0	(6,779)	4,117	(2,662)
Precepts & Levies	0	0	0	0	0	0	3,691	3,691
Payments to Housing Capital Receipts Pool	0	0	0	0	0	0	0	0
Gain or Loss on Disposal of Fixed Assets	0	0	74	0	0	74	(930)	(856)
<b>Total Expenditure</b>	<b>167,328</b>	<b>24,508</b>	<b>36,711</b>	<b>(4,481)</b>	<b>0</b>	<b>224,066</b>	<b>7,601</b>	<b>231,667</b>
<b>(Surplus) or Deficit on the Provision of Services</b>	<b>97,678</b>	<b>16,446</b>	<b>63,159</b>	<b>(4,481)</b>	<b>0</b>	<b>172,802</b>	<b>(122,595)</b>	<b>50,207</b>

## NOTE 29 ACQUIRED AND DISCONTINUED OPERATIONS

There were no acquired operations in 2011/12.

## NOTE 30 TRADING OPERATIONS

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

### Building Control Trading Account

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

	2010/11 £,000	2011/12 £,000
<b>Building Control Trading Account</b>		
Turnover	(604)	(543)
Expenditure	557	538
<b>(Surplus) / Deficit</b>	<b>(47)</b>	<b>(5)</b>

The chargeable account, in its twelfth year of operation, made a surplus of £4,989. The account should take one financial year with another, and it is good practice to achieve break-even over a rolling period of three years. The account, at the end of its current period, has generated a deficit of £82,944. The deficit will be addressed in the next accounting period.

## NOTE 31 AGENCY SERVICES

The Council performs a Sensory Needs function on behalf of a number of other unitary authorities in Berkshire. The other authorities reimburse the Council for this work, including a contribution towards administrative costs. A summary of expenditure incurred in respect of this, which is not included within the Comprehensive Income and Expenditure Statement, is as follows:

	2010/11 £,000	2011/12 £,000
<b>Agency Services</b>		
Sensory Needs	653	631
<b>Total</b>	<b>653</b>	<b>631</b>

## NOTE 32 ROAD CHARGING SCHEMES UNDER THE TRANSPORT ACT 2000

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

## NOTE 33 POOLED BUDGETS

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

### Joint Equipment Stores Agreement

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

	2010/11 £,000	2011/12 £,000
<b>Funding Provided to the Pooled Budget:</b>		
Wokingham Borough Council	(267)	(281)
Slough Borough Council	(234)	(219)
Other Berkshire Councils	(973)	(975)
Berkshire Primary Care Trusts	(1,334)	(1,335)
	<b>(2,808)</b>	<b>(2,810)</b>
<b>Expenditure Met from the Pooled Budget:</b>		
Royal Berkshire Ambulance Trust	2,808	2,991
<b>Net (Surplus) / Deficit Arising on the Pooled Budget During the Year</b>	<b>0</b>	<b>181</b>

## NOTE 34 MEMBERS' ALLOWANCES

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

	2010/11 £,000	2011/12 £,000
Members Remuneration	572	588
	<b>572</b>	<b>588</b>

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

## NOTE 35 OFFICERS' REMUNERATION (including exit packages)

The Council paid the following amounts to its senior employees:

Post Title and Name of Holder	Year	Salary, Fees and Allowances £	Performance Related Pay £	Expenses £	Compensation for Loss of Office £	Pension Contribution £	Total £
<b>Chief Executive</b>	2011/12	132,018	0	0	27,500	20,341	<b>179,859</b>
Susan Law	2010/11	157,187	0	0	0	24,094	<b>181,281</b>
<b>Interim Chief Executive</b>							
Andy Couldrick	2011/12	29,918	0	0	0	4,664	<b>34,583</b>
<b>Strategic Director - Commissioning</b>	2011/12	112,695	0	0	0	17,468	<b>130,163</b>
Stuart Rowbotham	2010/11	112,727	9,579	5	0	18,708	<b>141,019</b>
<b>Strategic Director - Strategy &amp; Corporate Affairs</b>	2011/12	102,683	3,174	0	0	16,516	<b>122,374</b>
Heather Thwaites	2010/11	103,094	9,305	3	0	17,241	<b>129,643</b>
<b>Strategic Director - Resources</b>	2011/12	103,383	7,237	0	0	17,146	<b>127,766</b>
Graham Ebers	2010/11	103,387	8,788	4	0	17,162	<b>129,341</b>
<b>Strategic Director - Place Based Service Delivery</b>	2011/12	102,626	7,237	0	0	17,146	<b>127,009</b>
Mark Moon	2010/11	103,092	8,271	0	0	17,083	<b>128,446</b>
<b>Strategic Director - People Delivery Based Services</b>	2011/12	83,996	7,889	0	0	14,324	<b>106,208</b>
Andy Couldrick	2010/11	112,447	10,143	44	0	18,794	<b>141,428</b>
<b>Director of Transformation</b>	2011/12	89,301	4,934	0	0	14,715	<b>108,950</b>
Andrew Moulton	2010/11	89,714	5,286	4	0	14,579	<b>109,583</b>
<b>Director of Legal &amp; Electoral Services</b>	2011/12	87,937	7,062	0	0	15,286	<b>110,286</b>
Susanne Nelson-Wehrmeyer	2010/11	88,276	7,503	0	0	15,588	<b>111,367</b>
<b>Director of Business Assurance &amp; Democratic Services</b>	2011/12	71,800	0	0	0	0	<b>71,800</b>
Muir Laurie							

The Chief Executive Susan Law resigned from her post and left the council on 31/01/12. The post has been filled in the interim by Andy Couldrick on 2/12/11.

The Strategic Director – People Based Delivery Services post was vacant for part of 2011/12 therefore the amount above relates to the part of the year the post was filled.

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

Remuneration Band	2010/11			2011/12		
	No of Employees		Total	No of Employees		Total
	Council	School		Council	School	
£50,000 - £54,999	23	27	50	18	21	39
£55,000 - £59,999	12	20	32	12	13	25
£60,000 - £64,999	7	17	24	4	3	7
£65,000 - £69,999	7	10	17	4	2	6
£70,000 - £74,999	4	1	5	2	1	4
£75,000 - £79,999	3	5	8	5	1	6
£80,000 - £84,999	2	1	3	2	0	2
£85,000 - £89,999	1	2	3	0	2	2
£90,000 - £94,999	0	0	0	1	0	1
£95,000 - £99,999	0	1	1	0	0	0
£100,000 - £104,999	0	0	0	0	0	0
£105,000 - £109,999	0	1	1	0	0	0
£110,000 - £114,999	0	0	0	0	0	0
£115,000 - £119,999	0	0	0	0	0	0
£120,000 - £124,999	0	0	0	0	0	0
£125,000 - £129,999	0	0	0	0	0	0
£130,000 - £134,999	0	1	1	0	0	0
	<b>59</b>	<b>86</b>	<b>145</b>	<b>48</b>	<b>43</b>	<b>91</b>

The reduction of school numbers are due to Maiden Erlegh, The Piggott and The Holt secondary schools changing to academies during 2011/12.

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

## COUNCIL

Exit package cost	Number of compulsory redundancies		Number of other departures agreed		Total number of exit packages		Total cost of exit packages in each band	
	2010/12	2011/12	2010/11	2011/12	2010/11	2011/12	2010/11	2011/12
£0 - £20,000	7	13	2	4	9	17	£72,597	£147,530
£20,001 - £40,000	1	8	1	3	2	11	£48,335	£285,703
£40,001 - £60,000	2	1	0	0	2	1	£82,275	£46,634
£60,001 - £80,000	1	0	1	0	2	0	£134,645	£0

## SCHOOLS

Exit package cost	Number of compulsory redundancies		Number of other departures agreed		Total number of exit packages		Total cost of exit packages in each band	
	2010/11	2011/12	2010/11	2011/12	2010/11	2011/12	2010/11	2011/12
£0 - £20,000	28	1	4	4	32	5	£177,030	£54,634
£20,001 - £40,000	7	0	1	0	8	0	£214,389	£0
£40,001 - £60,000	1	0	0	0	1	0	£44,709	£0
£60,001 - £80,000	0	0	0	0	0	0	£0	£0

## NOTE 36 EXTERNAL AUDIT COSTS

The Council has incurred the following costs in relation to the audit of the Statement of Accounts, certification of grant claims and statutory inspections provided by the Audit Commission:

	2010/11 £,000	2011/12 £,000
External Audit Services	259	214
Statutory Inspections	0	0
Certification of Grants and Returns	43	22
	<b>302</b>	<b>236</b>

## NOTE 37 DEDICATED SCHOOLS GRANT

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 (ISB), which is divided into a budget share for each maintained school.

	Central Expenditure £,000	Individual Schools Budget £,000	Total £,000
<b>Budget:</b>			
Final DSG for 2011/12			94,006
Brought Forward from 2010/11			532
Carried Forward to 2012/13 (agreed in advance)			
<b>Agreed Budget Distribution in 2011/12</b>	<b>13,926</b>	<b>80,613</b>	<b>94,538</b>
<b>Actual:</b>			
Central Expenditure	12,528		
ISB Deployed to Schools		80,257	
WBC Contribution for 2011/12			
<b>Total Actual Expenditure in 2011/12</b>	<b>12,528</b>	<b>80,257</b>	<b>92,784</b>
<b>Net Carried Forward to 2012/13</b>	<b>1,398</b>	<b>356</b>	<b>1,754</b>



## NOTE 38 GRANT INCOME

The Council credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement in 2011/12:

### Credited to Taxation and Non-specific Grant Income:

	2010/11 £,000	2011/12 £,000
Revenue Support Grant	(19,557)	(20,750)
Area Based Grant	(6,462)	0
New Homes Bonus & Council Tax Freeze	0	(2,582)
Other Grants	0	(10)
Local Area Agreement Reward Grant (WBC Share)	(7)	0
Capital Grants	(16,603)	(26,112)
Capital Contributions	(14,356)	(1,963)
Donations	0	0
<b>Total</b>	<b>(56,985)</b>	<b>(51,417)</b>

### Credited to Services:

	2010/11 Restated £,000	2011/12 £,000
Dedicated Schools Grant	(91,839)	(94,006)
Mandatory Rent Allowances: subsidy	(14,610)	(15,329)
Young People Learning Agency Grant	(11,154)	(7,048)
Standards Fund (excluding elements now in ABG)	(8,073)	(338)
Rent Rebates Granted to HRA Tenants: subsidy	(6,382)	(6,797)
Council Tax Benefit: subsidy	(5,143)	(5,123)
Early Intervention Grant	0	(4,854)
School Standards Grant (including Personalisation)	(4,482)	(29)
Sure Start, Early Years and Childcare Grant	(3,904)	0
Private Finance Initiative (PFI)	(1,109)	(1,109)
Pooled Treatment Grant	(594)	(439)
Housing Benefit and Council Tax Benefit Administration	(525)	(544)
Local Services Support Grant	0	(462)
Childrens Young People & Families Grant	(451)	(34)
Housing Planning Delivery Grant	(345)	(225)
Adult and Community Learning from Learning and Skills Council	(320)	(274)
Targeted Mental Health In Schools	(273)	0
Sports Partnership	(265)	0
Concessionary Fares	(224)	0
Diploma Specific Formula Grant	(216)	(27)
Pot Holes Repair Grant	0	(571)
Music Education Grant	0	(223)
Social Care Reform	0	(216)
Learning Disability & Health Reform	0	(6,645)
Performance Reward Grant	0	(212)
Primary Care Trust	0	(1,056)
Other Grants	(992)	(735)
<b>Total</b>	<b>(150,901)</b>	<b>(146,296)</b>

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

	31st March, 2012
<b>Revenue Grants Receipt in Advance:</b>	<b>£,000</b>
Social Care Reform Grant	(328)
Other Grants	(163)
<b>Total</b>	<b>(491)</b>

	31st March, 2011	31st March, 2012
<b>Capital Grants Receipt in Advance:</b>	<b>£,000</b>	<b>£,000</b>
Primary Capital Grant	(5,378)	0
Devolved Finance Grant	(3,547)	(2,687)
Primary BSF Capital Fund	(1,631)	0
Harnessing Technology	(251)	0
Sure Start Grant	(294)	0
Disabled Facilities Grant	0	(96)
Other Grants	(1,210)	(48)
<b>Total</b>	<b>(12,311)</b>	<b>(2,831)</b>

	31st March, 2011	31st March, 2012
<b>Capital Contributions Receipt in Advance:</b>	<b>£,000</b>	<b>£,000</b>
S106 Contributions	(13,644)	(15,795)
Other Contributions	0	0
<b>Total</b>	<b>(13,644)</b>	<b>(15,795)</b>
<b>Total Capital Grants and Contributions Receipts in Advance</b>	<b>(25,955)</b>	<b>(18,626)</b>

In addition to the S106 contributions receipt in advance, WBC have £914,125 S106 contributions in earmarked reserves which relate to commuted sums.

## NOTE 39 RELATED PARTIES

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

All Councillors, officers on the Corporate Leadership Team, members of the Standards Committee and budget managers were asked to complete a disclosure statement in respect of themselves and their family members / close relatives, detailing any material transactions with related parties.

### **Central Government**

Central government has a direct influence over the general operations of the Council – it is responsible for providing the statutory framework, within which the Council operates, provides a large amount of its funding in the form of grants and prescribes the terms of many of the transactions that the Council has with other parties (e.g. council tax bills, housing benefits). Grants received from government departments are set out in note 38.

### **Members**

Members of the Council have direct control over the Council's financial and operating policies. The total of member's allowances paid in 2011/12 is shown in Note 34. During 2011/12, works and services to the value of £137,762 were commissioned from companies in which 2 members had an interest. Contracts were entered into in full compliance with the Council's standing orders. In addition, grants and payments totalling £1,253,104 were paid to voluntary organisations and charities in which 12 members declared an interest we also have outstanding balances of £48,060. Payments of £2,969,292 were made to education establishments in which 6 members declared an interest.

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

### **Officers**

During 2011/12, works and services to the value of £16,319,022 were commissioned from companies in which 10 officers had an interest, this includes 6 officers interests in wholly owned Council subsidiaries in which they were acting in capacity of their role for the Council, which totalled £8,814,375. We also have outstanding balances owed to companies totalling £37,371 and £472,378 due to Wokingham Borough Council. Contracts were entered into in full compliance with the Council's standing orders. In addition, grants and payments totalling £133,035 were paid to voluntary organisations and charities in which 4 officers declared an interest.

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

### **Parish Councils**

Members of Wokingham Borough Council are also Councillors of the 17 Parish Councils within the Borough. Each Parish Council has the ability to levy a precept upon Wokingham Borough Council for the collection of council tax on behalf of the Parish Councils. In 2011/12, Wokingham Borough Council collected and paid over £3,426,704 in Council Tax to the Parish Councils.

## **NOTE 40 CAPITAL EXPENDITURE AND CAPITAL FINANCING**

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

	2010/11 £,000	2011/12 £,000
<b>Opening Capital Financing Requirement</b>	<b>81,087</b>	<b>84,871</b>
<b>Capital Investment:</b>		
Property, Plant and Equipment	28,727	17,761
Investment Properties	22	437
Intangible Assets	325	1,077
Revenue Expenditure Funded from Capital under Statute	5,001	7,394
Prior Year Adjustments - Capital Investment	0	478
<b>Sources of Finance:</b>		
Capital Receipts	0	(3,689)
Government Grants and Other Contributions	(27,198)	(19,937)
Sums Set Aside from Revenue:		
Direct Revenue Contributions	(260)	(781)
MRP / Loans Fund Principal	(2,833)	(3,483)
HRA Self Financing Costs	0	95,468
<b>Closing Capital Financing Requirement</b>	<b>84,871</b>	<b>179,598</b>

<b>Explanation of Movements in Year</b>		
Increase / (Decrease) in underlying need for supported borrowing	0	0
Increase / (Decrease) in underlying need for unsupported borrowing	3,784	94,727
Assets Acquired under Finance Leases	0	0
Assets Acquired under PFI / PPP Leases	0	0
<b>Increase / (Decrease) in Capital Financing Requirement</b>	<b>3,784</b>	<b>94,727</b>

## NOTE 41 LEASES

### The Council as Lessee

#### Finance Leases

The Council has four finance leases. Two were entered into in 1982 and relate to property at 1-14 and 1a-9a Weller Drive on the Hogwood Lane industrial estate, these leases are for 90 years. Two further finance leases are in existence in the Housing Revenue Account which were entered into during 2007/08 in respect of Warden Call and Fire Alarm systems at various Sheltered Housing properties throughout the Borough. The leases are depreciated over their five year life which will end in 2012/13.

The assets acquired under these leases are carried as Property, Plant and Equipment in the Balance Sheet at the following net amounts:

	31st March, 2011 £,000	31st March, 2012 £,000
Council Dwellings	60	0
Other Land and Buildings	0	0
Vehicles, Plant, Equipment and Furniture	0	0
	<b>60</b>	<b>0</b>

The assets acquired under these leases that are carried as Investment Properties in the Balance Sheet at the following net amounts:

**Investment Properties**

31st March, 2011	31st March, 2012
£,000	£,000
170	165
<b>170</b>	<b>165</b>

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

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

- Current
- Non-current

**Finance Costs Payable in Future Years**
**Minimum Lease Payments**

31st March, 2011	31st March, 2012
£,000	£,000
0	0
1,067	1,067
9,238	9,131
<b>10,305</b>	<b>10,198</b>

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

	Minimum Lease Payments		Finance Lease Liabilities	
	31st March, 2011	31st March, 2012	31st March, 2011	31st March, 2012
	£,000	£,000	£,000	£,000
Not Later than One Year	107	107	0	0
Later than One Year and not Later than Five Years	427	427	0	0
Later than Five Years	9,771	9,665	1,067	1,067
	<b>10,305</b>	<b>10,198</b>	<b>1,067</b>	<b>1,067</b>

The minimum lease payments do not include rents that are contingent on events taking place after the lease was entered into, such as adjustments following rent reviews. In 2011/12 £183,810 contingent rents were payable by the Council (2010/11 £183,810).

**Operating Leases**

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

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

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

	31st March,2011 £,000	31st March,2012 £,000
<b>Not Later than One Year:</b>		
Land and Buildings	473	494
Vehicles, Plant and Equipment	104	64
Computer Equipment	50	90
<b>Later than One Year and not Later than Five Years:</b>		
Land and Buildings	1,488	1,341
Vehicles, Plant and Equipment	97	48
Computer Equipment	28	99
<b>Later than Five Years:</b>		
Land and Buildings	782	489
Vehicles, Plant and Equipment	0	0
Computer Equipment	0	0
	<b>3,023</b>	<b>2,625</b>

The Council has sub-let some of the Land and Buildings held under these operating leases. At 31st March, 2012 the minimum payments expected to be received under non-cancellable subleases was £120,488 (£120,488 at 31st March, 2011 and £43,656 at 31<sup>st</sup> March 2010).

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

	2010/11 £,000	2011/12 £,000
<b>Minimum Lease Payments:</b>		
Land and Buildings	538	525
Vehicles, Plant and Equipment	133	117
Computer Equipment	53	94
<b>Contingent Rents:</b>		
Land and Buildings	0	0
<b>Sub-lease Payments Receivable:</b>		
Land and Buildings	(120)	(120)
	<b>604</b>	<b>616</b>

## The Council as Lessor

### Finance Leases

The Council has not entered into any financing leases as a lessor.

### Operating Leases

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

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

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

	31st March, 2011	31st March, 2012
	£,000	£,000
<b>Not Later than One Year:</b>		
Shops	(21)	(21)
Industrial Premises	(329)	(379)
Offices	(120)	(259)
Other	(295)	(453)
<b>Later than One Year and not Later than Five Years:</b>		
Shops	(38)	(17)
Industrial Premises	(481)	(850)
Offices	(392)	(892)
Other	(842)	(1,549)
<b>Later than Five Years:</b>		
Shops	0	0
Industrial Premises	(345)	0
Offices	(485)	(159)
Other	(17,830)	(18,219)
	<b>(21,180)</b>	<b>(22,800)</b>

The minimum lease payments receivable do not include rents that are contingent on events taking place after the lease was entered into, such as adjustments following rent reviews. In 2011/12 £6,092 contingent rents were receivable by the Council (2010/11 £5,031).

## NOTE 42 PRIVATE FINANCE INITIATIVES AND SIMILAR CONTRACTS

### Waste Disposal PFI Scheme

In 2006/07 the Council, together with Reading and Bracknell Forest Borough Councils, entered into a PFI contract with WRG (RE3 Ltd) for the disposal of waste. The total value of the contract is estimated to be £616m as at 31<sup>st</sup> March, 2012, 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. The contract will expire in December 2032.

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

The Council's share of the assets used to provide the waste disposal contract is recognised in the Council's Balance Sheet. Movements in their value over the year are detailed in the analysis of the movement on Property, Plant and Equipment in Note 12.

Payments remaining to be made by Wokingham Borough Council under the PFI contract at 31st March, 2012 (excluding any estimation of inflation and availability / performance deductions) are as follows:



	Liability	Interest	Service Charges	Total
	£,000	£,000	£,000	£,000
Payable in 2012/13	215	569	7,609	8,393
Payable within Two to Five Years	1,024	2,114	33,484	36,623
Payable within Six to Ten Years	1,740	2,189	51,694	55,623
Payable within 11 to 15 Years	2,449	1,494	58,627	62,570
Payable within 16 to 20 Years	3,173	526	62,583	66,282
	<b>8,602</b>	<b>6,892</b>	<b>213,998</b>	<b>229,492</b>

The liability outstanding under the waste contract is as follows:

	2010/11	2011/12
	£,000	£,000
Balance Outstanding at Start of Year	(9,141)	(8,881)
Payments During the Year	260	279
New Liabilities Arising	0	0
Balance Outstanding at End of Year	<b>(8,881)</b>	<b>(8,602)</b>

In addition to the PFI contract, as at 31st March, 2012, the Council is committed to making payments under the following contracts:

- Payments estimated at £1.4m per annum under a contract with WSP Uk Ltd for the provision of highways and transportation consultancy. The contract will expire in March 2018.
- Payments estimated at £9.2m per annum under a contract with Optalis for the provision of adult social care. The contract will expire in June 2014.
- Payments estimated at £1.3m per annum to Reading Borough Council under a partnership contract for responsive maintenance. The contract will expire in March 2013.
- Payments estimated at £3.0m per annum under a contract with Government Procurement Service for the provision of energy. The contract will expire in April 2013.
- Payments estimated at £3.4m per annum under a contract with Balfour Beatty Workplace for highways reactive and planned maintenance. The contract will expire in March 2018.
- Payments estimated at £2.8m per annum under a contract with Veolia for the collection of waste. The contract will expire in March 2019.
- Payments estimated at £8.5m 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 2031.
- Payments estimated at £1.2m per annum to Zurich Municipal for the provision of insurance services. The contract will expire in June 2012.
- Payments estimated at £1.8m per annum under a contract with Northgate Information Systems for IT services. The contract will expire in December 2015.
- Other various contracts between £0.1m and £1m per annum totalling £28.9m with end dates between April 2012 and March 2018.

## NOTE 43 CAPITALISATION OF BORROWING COSTS

The Council did not capitalise any borrowing costs in 2011/12.

## **NOTE 44      TERMINATION BENEFITS**

The Council terminated the contracts of a number of employees in 2011/12, incurring liabilities of £347k (£247k in 2010/11). Of this total, £265k was payable to 15 officers across the Council who were made redundant as part of the Transformation project.

No directors were made redundant in 2011/12.

## **NOTE 45      PENSION SCHEMES ACCOUNTED FOR AS DEFINED CONTRIBUTION SCHEMES**

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

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

In 2011/12, The Council paid £5,800,991 to the Teachers' Pension Scheme in respect of teachers' retirement benefits, representing 14.1% of pensionable pay. The figures for 2010/11 were £6,961,334 and 14.1%.

The Council is responsible for the costs of any additional benefits awarded upon early retirement outside of the terms of the teachers' scheme. These costs are accounted for on a defined benefit basis and detailed in Note 46.

## **NOTE 46      DEFINED BENEFIT PENSION SCHEMES**

### **Participation in Pension Schemes**

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

The Council participates in two schemes:

- The Local Government Pension Scheme (LGPS), administered by the Royal Borough of Windsor and Maidenhead – this is a funded scheme, which means that the Council and employees pay contributions into the fund, calculated at a level intended to balance the pensions liabilities with investment assets.
- Wokingham Borough Council is also responsible for a share of the former Berkshire County Council (BCC) Local Government Pension Scheme. The scheme is also administered by the Royal Borough of Windsor and Maidenhead Council. Although now closed, a liability remains for the pensioners that were in the scheme when BCC ceased to exist.

### Transactions Relating to Post-Employment Benefits

We recognise the cost of retirement benefits in the reported cost of services when they are earned by employees, rather than when the benefits are eventually paid as pensions. However, the charge 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 of the General Fund via the Movement Reserves Statement. The following transactions have been made in the Comprehensive Income and Expenditure Statement and the General Fund Balance via the Movement in Reserves Statement during the year:

### Comprehensive Income and Expenditure Statement

Cost of Services:

- Current Service Cost
- Past Service Gain
- Settlements and Curtailments

Financing and Investment Income and Expenditure:

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

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

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

- Actuarial Gains and Losses

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

### Local Government Pension Scheme

2010/11 £,000	2011/12 £,000
11,065	7,476
(24,439)	0
0	(3,191)
13,381	11,019
(8,524)	(8,245)
1,095	1,092
<b>(7,422)</b>	<b>8,151</b>
(38,804)	49,590
<b>46,226</b>	<b>57,741</b>

### Movement in Reserves Statement

Reversal of Net Charges Made to the Surplus or Deficit for the Provision of Services for Post Employment Benefits in Accordance with the Code

Actual Amount Charged Against the General Fund Balance for Pensions in the Year:

- Employer's Contributions Payable to Scheme

### Local Government Pension Scheme

2010/11 £,000	2011/12 £,000
7,422	(8,151)
6,843	5,982
<b>14,265</b>	<b>(2,169)</b>

A valuation of the Berkshire County Council LGPS was undertaken by the Actuary, Barnett Waddington, who assessed the Net Pension Liability as at 31st March, 2011. The liability was shared between the six Berkshire Councils on the basis of population as at 31<sup>st</sup> March, 1998. Wokingham Borough Council's percentage share is 19.0561% and amounts to £37,989,097 in 2011/12.

The cumulative amount of actuarial gains and losses recognised in other comprehensive income and expenditure in the actuarial gains or losses on pension liabilities line was, at 31 March 2011/12 a loss of £82,969k and at 31 March 2010/2011 was a loss of £40,562k.

## Assets and Liabilities in Relation to Post-Employment Benefits

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

	Wokingham Borough Council's LGPS		Former Berkshire County Council's LGPS	
	2010/11 £,000	2011/12 £,000	2010/11 £,000	2011/12 £,000
<b>Opening Balance at 1st April</b>	<b>244,886</b>	<b>208,686</b>	<b>268,836</b>	<b>244,586</b>
Current Service Cost	11,065	7,476	0	0
Interest Cost	13,381	11,019	13,991	12,989
Contribution by Scheme Participants	2,957	2,601	0	0
Actuarial Gains and Losses	(33,698)	33,804	2,585	33,483
Benefits Paid	(5,298)	(5,474)	(17,003)	(14,734)
Past Service Costs	(24,439)	0	(21,474)	0
Entity Combinations	0	0	0	0
Curtailments	0	208	0	0
Settlements	0	(12,996)	0	0
Unfunded Pension Payments	(168)	(176)	(2,349)	(2,338)
<b>Total Liabilities at 31st March</b>	<b>208,686</b>	<b>245,148</b>	<b>244,586</b>	<b>273,986</b>
WBC share of BCC Liabilities at 19.0561%	46,608	52,211		
<b>Closing Balance at 31st March</b>	<b>255,294</b>	<b>297,359</b>		

Reconciliation of fair value of the scheme assets:

	Wokingham Borough Council's LGPS		Former Berkshire County Council's LGPS	
	2010/11 £,000	2011/12 £,000	2010/11 £,000	2011/12 £,000
<b>Opening Balance at 1st April</b>	<b>130,756</b>	<b>144,283</b>	<b>96,289</b>	<b>89,580</b>
Expected Rate of Return	8,524	8,245	5,895	4,919
Actuarial Gains and Losses	501	(8,603)	4,399	(5,133)
Employer Contributions	7,011	6,158	2,349	2,338
Contributions by Scheme Participants	2,957	2,601	0	0
Benefits Paid	(5,466)	(5,650)	(19,352)	(17,072)
Entity Combinations	0	0		0
Settlements	0	(9,597)		0
<b>Total Fair Value of Scheme Assets at 31st March</b>	<b>144,283</b>	<b>137,437</b>	<b>89,580</b>	<b>74,632</b>
WBC share of BCC Liabilities at 19.0561%	17,070	14,222		
<b>Closing Balance at 31st March</b>	<b>161,353</b>	<b>151,659</b>		
<b>Net Liability Closing Balance</b>	<b>93,941</b>	<b>145,700</b>		

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 loss on scheme assets in the year was £359,000 (2010/11 – return of £9,869,000).

### Scheme History

<b>Wokingham Borough Council Scheme</b>	<b>2007/08 Restated £,000</b>	<b>2008/09 £,000</b>	<b>2009/10 £,000</b>	<b>2010/11 £,000</b>	<b>2011/12 £,000</b>
Present Value of Liabilities	(153,753)	(145,086)	(242,042)	(205,803)	(242,856)
Fair Value of Assets	132,346	95,642	130,756	144,283	137,437
Present Value of Unfunded Obligations	(1,996)	(1,831)	(2,844)	(2,883)	(2,292)
<b>Surplus / (Deficit) in the Scheme</b>	<b>(23,403)</b>	<b>(51,275)</b>	<b>(114,130)</b>	<b>(64,403)</b>	<b>(107,711)</b>

<b>Former Berkshire County Council Scheme</b>	<b>2007/08 Restated £,000</b>	<b>2008/09 £,000</b>	<b>2009/10 £,000</b>	<b>2010/11 £,000</b>	<b>2011/12 £,000</b>
Present Value of Liabilities	(221,682)	(201,450)	(252,811)	(228,814)	(243,963)
Fair Value of Assets	141,669	86,354	96,289	89,580	74,632
Present Value of Unfunded Obligations	(7,689)	(6,780)	(16,025)	(15,772)	(30,023)
<b>Surplus / (Deficit) in the Scheme</b>	<b>(87,702)</b>	<b>(121,876)</b>	<b>(172,547)</b>	<b>(155,006)</b>	<b>(199,354)</b>

The liabilities show the underlying commitments that the Council has in the long term to pay post employment (retirement) benefits. The total liability of £145,700,097 has a substantial impact on the net worth of the Council as shown in the Balance Sheet. However, statutory arrangements for funding the deficit mean that the financial position of the authority remains healthy because the deficit on the local government scheme will be made good by increased contributions over the remaining working life of employees (ie before payments fall due), as assessed by the scheme actuary.

The total contributions expected to be made on the Local Government Pension Scheme by the Council in the year to 31st March, 2013 is £6,040,000.

### Basis for Estimating Assets and Liabilities

Liabilities have been assessed on an actuarial basis using the projected unit credit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels etc. Barnett Waddington, an independent firm of actuaries, assessed the liabilities as at 1st April, 2011. The principal assumptions used by the actuary are:

	<b>2010/11</b>	<b>2011/12</b>
Long-term Expected Rate of Return on Assets in the Scheme:		
Equity Investments	7.9%	7.8%
Gilts	4.5%	
Bonds	5.5%	5.5%
Property	6.0%	5.9%
Cash	3.0%	3.0%
Alternative Assets	5.0%	5.0%
Expected Return on Assets	6.5%	6.0%
Mortality Assumptions:		
Longevity at 65 for Current Pensioners:		

- Men
- Women

Longevity at 65 for Future Pensioners:

- Men
- Women

Rate of Inflation-RPI

Rate of Inflation-CPI

Rate of Increase in Salaries

Rate of Increase in Pensions

Rate for Discounting Scheme Liabilities

Take-up Option to Convert Annual Pension into Retirement Lump Sum

22.70	23.0
25.40	25.6
24.80	25.0
27.40	27.6
3.5%	3.3%
2.7%	2.5%
4.8%	4.5%
2.7%	2.5%
5.5%	4.6%
50.0%	50.0%

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

Equity Investments

Gilts

Bonds

Property

Cash

Alternative Assets

**Total**

2010/11	2011/12
31.0%	35.0%
0.0%	0.0%
27.0%	25.0%
8.0%	10.0%
5.0%	2.0%
29.0%	28.0%
<b>100.0%</b>	<b>100.0%</b>

### History of Experience Gains and Losses

The actuarial gains identified as movements on the Pensions Reserve in 2011/12 can be analysed into the following categories, measured as a percentage of assets or liabilities at 31st March, 2012:

	2007/08 %	2008/09 %	2009/10 %	2010/11 %	2011/12 %
Differences Between the Expected and Actual Return on Assets	95.06	97.13	(22.69)	(2.09)	7.99
Experience Gains and Losses on Liabilities	(1.59)	0.00	0.63	2.58	(0.72)

## NOTE 47 CONTINGENT LIABILITIES

Wokingham Borough Council has two subsidiary companies, Optalis Ltd and Wokingham Enterprise Ltd, which are companies limited by shares in which the Council is the sole shareholder. As sole shareholder of the companies the Council funds any operating losses reported by the companies from its working balances as loans to the companies. The losses are carried forward in the profit and loss reserves of the companies (see the Group Financial Statements, notes 53 to 59). In addition it acts as guarantor for any losses or liabilities incurred by the companies, particularly any residual losses that may be incurred by the companies if they were to cease trading and were wound up however, the companies continue to act as going concerns for the foreseeable future.

In relation to Optalis Ltd the Council has an additional contingent liability in relation to staff transferred to the company under TUPE arrangements. As sole shareholder and guarantor, the council remains liable for the pension liabilities of the staff transferred, for costs associated with



future redundancies and for pension strain costs arising from service closures and future modernisations if they were to occur.

Wokingham Borough Council is a member of the MMI (Municipal Mutual Insurance) Scheme of Arrangement. On 28th March 2012 the Supreme Court handed down its judgement in the Employers Liability 'Trigger Litigation' cases, ruling that insurers incur liability at the time of exposure to asbestos fibres and not when the disease develops. MMI was one of the insurers. There is a question regarding MMI's ability to meet future liabilities, which could trigger a clawback under the scheme from local authorities and MMI members/insureds who are members of the scheme. The potential liabilities for levies under the Scheme will be driven by the extent of historical payments from MMI to the local authority and the extent of insolvency of MMI.

## NOTE 48 FINANCIAL INSTRUMENTS

### Categories of Financial Instruments

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

	Long Term		Current	
	31st March, 2011 £,000	31st March, 2012 £,000	31st March, 2011 £,000	31st March, 2012 £,000
<b>Investments</b>				
Loans and Receivables	12,479	13,590	5,106	4,991
Fair Value through Profit and Loss	0	0	0	14,300
<b>Total Investments</b>	<b>12,479</b>	<b>13,590</b>	<b>5,106</b>	<b>19,291</b>
<b>Debtors</b>				
Loans and Receivables	4	2	0	0
Financial Assets Carried at Contract Amounts	0	0	8,085	15,300
<b>Total Debtors</b>	<b>4</b>	<b>2</b>	<b>8,085</b>	<b>15,300</b>
<b>Borrowings</b>				
Financial Liabilities at Amortised Cost	(48,083)	(134,752)	0	0
Financial Liabilities at Fair Value through Profit and Loss	0	0	0	0
<b>Total Borrowings</b>	<b>(48,083)</b>	<b>(134,752)</b>	<b>0</b>	<b>0</b>
<b>Other Long Term Liabilities</b>				
PFI and Other Finance Lease Liabilities	(10,003)	(9,669)	0	0
<b>Total Other Long Term Liabilities</b>	<b>(10,003)</b>	<b>(9,669)</b>	<b>0</b>	<b>0</b>
<b>Creditors</b>				
Financial Liabilities at amortised cost	0	0	0	0
Financial Liabilities carried at contract amount	0	0	(26,998)	(24,781)
<b>Total Creditors</b>	<b>0</b>	<b>0</b>	<b>(26,998)</b>	<b>(24,781)</b>



## Income, Expense, Gains and Losses

	2010/11					2011/12				
	Financial Liabilities	Financial Assets			Total	Financial Liabilities	Financial Assets			Total
	Measured at Amortised Cost	Loans and Receivables	Available for Sale	Assets and Liabilities at Fair Value through Profit and Loss		Measured at Amortised Cost	Loans and Receivables	Available for Sale	Assets and Liabilities at Fair Value through Profit and Loss	
	£,000	£,000	£,000	£,000	£,000	£,000	£,000	£,000	£,000	£,000
Interest Expense on External Borrowing - GF	2,825				2,825	2,037				2,037
Interest Expense on External Borrowing - HRA						69				69
Interest Expense on PFI and Finance Lease Liabilities						692				692
Impairment Losses	1,292				1,292	(2,088)				(2,088)
<b>Total Expense in Surplus or Deficit on the Provision of Services</b>	<b>4,117</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>4,117</b>	<b>710</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>710</b>
Interest Income	(866)	0	0	0	(866)		(1,112)	0	0	(1,112)
<b>Total Income in Surplus or Deficit on the Provision of Services</b>	<b>(866)</b>	<b>0</b>		<b>0</b>	<b>(866)</b>	<b>0</b>	<b>(1,112)</b>	<b>0</b>	<b>0</b>	<b>(1,112)</b>
Surplus / Deficit Arising on Revaluation of Financial Assets in the Comprehensive Income and Expenditure	0	0	0	0	0	0	0	0	0	0
<b>Net Gain / (Loss) for the Year</b>	<b>3,251</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>3,251</b>	<b>710</b>	<b>(1,112)</b>	<b>0</b>	<b>0</b>	<b>(402)</b>

### Fair Values of Assets and Liabilities

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

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

The fair values calculated are as follows:

	31st March, 2011		31st March, 2012	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
	£,000	£,000	£,000	£,000
PWLB Debt	23,648	25,299	110,523	119,600
Non-PWLB Debt	24,435	25,227	24,229	24,283
<b>Total Debt</b>	<b>48,083</b>	<b>50,526</b>	<b>134,752</b>	<b>143,883</b>
Short Term Creditors	26,998	26,998	24,781	24,781
Long-term Financial Lease and PFI Liabilities	10,003	10,003	9,669	9,669
Long-term Creditors	0	0	0	0
<b>Total Financial Liabilities</b>	<b>85,084</b>	<b>87,527</b>	<b>169,202</b>	<b>178,333</b>

The fair value as at 31<sup>st</sup> March, 2012 is greater than the carrying amount because the Council's portfolio of loans includes a number of fixed rate loans where the interest payable is higher than the rates available for similar loans in the market at the Balance Sheet date. This shows a notional future gain (based on economic conditions at 31st March, 2012) arising from a commitment to pay interest to lenders below current market rates.

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

### Unusual Movements

In 2011/12 a significant increase in external debt was taken on in order to finance the HRA self financing settlement. The increase in external borrowing was £87million.

	31st March, 2011		31st March, 2012	
	Carrying Amount £,000	Fair Value £,000	Carrying Amount £,000	Fair Value £,000
Money Market Loans < 1 year	5,106	5,106	4,991	4,989
Money Market Loans > 1 year	12,479	12,479	13,590	13,598
<b>Total Loans and Receivables</b>	<b>17,585</b>	<b>17,585</b>	<b>18,581</b>	<b>18,587</b>
Fair Value through the I+E			14,300	14,300
Short Term Debtors			15,300	15,300
Long-term Debtors	3,550	3,550	2	2
<b>Total Financial Assets</b>	<b>21,135</b>	<b>21,135</b>	<b>48,183</b>	<b>48,189</b>

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 2012. This increases the fair value of loans and receivables.

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

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

## NOTE 49      IMPAIRMENT LOSSES

### Financial Instruments

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

Bank	Date Invested	Maturity Date	Amount Invested £,000	Interest Rate	Carrying Amount £,000	Impairment £,000
Heritable	01/11/2006	03/11/2008	2,000	5.45%	408	232
Heritable	01/09/2008	28/08/2009	1,000	6.20%	195	125
Landsbanki	01/08/2008	27/02/2009	1,000	6.05%	776	(66)
Landsbanki	01/09/2008	28/08/2009	1,000	5.50%	820	(110)
<b>Total</b>			<b>5,000</b>		<b>2,199</b>	<b>181</b>

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

All monies within these institutions are currently subject to the respective administration and receivership processes. The amounts and timing of payments to depositors such as the authority will be determined by the administrators / receivers. The current situation with regards to recovery of the sums deposited varies between each institution. Based on the latest information available the authority considers that it is appropriate to consider an impairment adjustment for the deposits, and has taken the action outlined below. As the available information is not definitive as to the amounts and timings of future payments to be made by the administrators / receivers, it is likely that further adjustments will be made to the accounts in future years. The impairment has been calculated in line with FRS 25 and 26, however, in cash terms the Council currently expects to have recovered a total of £4.769m of the original £5m invested by December 2018. The carrying amounts of the investments included in the Balance Sheet, have been calculated using the present value of the expected repayments, discounted using the investment's original interest date.

### Heritable Bank

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

Therefore in calculating the impairment the Council has made the following assumptions regarding timing of recoveries:

Date	Repayment Amount £'000	Repayment %
Received to Date	2,039	67.90%
April 2012	118	3.79%
July 2012	109	3.50%
October 2012	109	3.50%
January 2013	109	3.50%
April 2013	181	5.81%
<b>TOTAL</b>	<b>2,664</b>	<b>88.00%</b>

### Landsbanki

Landsbanki Islands hf is an Icelandic entity. Following steps taken by the Icelandic Government in early October 2008 its domestic assets and liabilities were transferred to a new bank (new Landsbanki) with the management of the affairs of Old Landsbanki being placed in the hands of a resolution committee. Following the Icelandic Supreme Court decision to grant UK local authorities

priority status, the winding up board made a distribution to creditors in a basket of currencies in February 2012.

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

Date	Repayment Amount £'000	Repayment %
Received to Date	579	30.00%
December 2012	174	8.00%
December 2013	174	8.00%
December 2014	174	8.00%
December 2015	174	8.00%
December 2016	174	8.00%
December 2017	174	8.00%
December 2018	479	22.00%
<b>TOTAL</b>	<b>2,105</b>	<b>100.00%</b>

Recovery is subject to the following uncertainties and risks:

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

### Accounting for the Impairment

The impairment reduction from previous years (principal plus interest not received) recognised in the Income and Expenditure Account in 2011/12, £1.959m, has been calculated by discounting the assumed cash flows at the effective interest rate of the original deposits in order to recognise the anticipated loss of interest to the authority until monies are recovered. Adjustments to the assumptions will be made in future accounts as more information becomes available.

## NOTE 50 NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS

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

- credit risk – the possibility that other parties might fail to pay amounts due to the Council
- liquidity risk – the possibility that the Council might not have funds available to meet its commitments to make payments
- re-financing risk – the possibility that the Council might be 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 and stock market movements.

The Council's overall risk management procedures focus on the unpredictability of financial markets, and are structured to implement suitable controls to minimise these risks. The procedures for risk management are set out through a legal framework. These require the Council

to comply with the CIPFA Prudential Code, the CIPFA Code of Practice on Treasury Management in the Public Services and investment guidance issued through the Local Government Act 2003. Overall, these procedures require the Council to manage risk, which it does through the following means.

The Annual Treasury Management and Investment strategy which incorporates the prudential indicators was approved by Council on 22<sup>nd</sup> February 2011 and is available on the Council website. The key issues within the strategy were:

- The Authorised Limit for 2011/12 was initially set at £104m and revised in February 2012 to £202m to take account of the HRA Self Financing. This is the maximum limit of external borrowings or other long term liabilities the council can hold.
- The Operational Boundary was expected to be £96m, subsequently revised to £190m to take account of HRA Self Financing. This is the expected level of debt and other long term liabilities during the year.
- The maximum amounts of fixed and variable interest rate exposure were set based on the Council's net debt.
- The maximum and minimum exposures to the maturity structure of debt are shown below.
- These policies are implemented by the corporate finance team. The Council maintains written principles for overall risk management, as well as written policies (Treasury Management Practices – TMPs) covering specific areas, such as interest rate risk, credit risk, and the investment of surplus cash. These TMPs are a requirement of the Code of Practice and are reviewed periodically.

## Credit Risk

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

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

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

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

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

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

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



	Amount at 31st March, 2012	Historical Experience of Default	Historical Experience Adjusted for Market Conditions at 31st March, 2012	Estimated Maximum Exposure to Default and Uncollectability at 31st March, 2012	Estimated Maximum Exposure at 31st March, 2011
	£,000 (a)	% (b)	% (c)	£,000 (a) x (c)	£,000
Deposits with Banks and Financial Institutions:					
AAA Rated Counterparties	25,002	0.00%	0.00%	0	0
AA Rated Counterparties	16,106	0.03%	0.03%	4.83	0
A Rated Counterparties	0	0.08%	0.08%	0	0
Other Counterparties	11,559	0.23%	0.24%	27.74	0
Customers	14,884	Local	Local	Local	Local
<b>Total</b>	<b>67,552</b>			<b>0</b>	<b>0</b>

No breaches of the Council's counterparty criteria occurred during the reporting period and the Council does not expect any losses from non-performance by any of its counterparties in relation to deposits and bonds. In October 2008, the Icelandic banking sector defaulted on its obligations. The Council had £5m invested in this sector at that time. In accordance with accounting practice, the Council has been notified of objective evidence that impairment has occurred and the investments have been impaired according to accounting requirements.

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

The Council does not generally allow credit for its customers, but £5.2m of the £7.3m balance is past its due date for payment. The past due but not impaired amount can be analysed by age as follows:

	31st March, 2011 £,000	31st March, 2012 £,000
Less than Three Months	624	3,212
Three to Six Months	300	460
Six Months to One Year	312	481
More than One Year	970	1,044
	<b>2,206</b>	<b>5,197</b>

The Council initiates a legal charge on property where, for instance, clients require the assistance of social services but cannot afford to pay immediately. The total collateral at 31 March 2012 was £0.8m.

### Liquidity Risk

The Council manages its liquidity position through the risk management procedures above (the setting and approval of prudential indicators and the approval of the annual treasury and investment strategy), as well as through a comprehensive cash flow management system, as required by the CIPFA Code of Practice. This seeks to ensure that cash is available when needed. The Council has ready access to borrowings from the money markets to cover any day to day cash

flow need, and the PWLB and money markets for access to longer term funds. The Council is also required to provide a balanced budget through the Local Government Finance Act 1992, which ensures sufficient monies are raised to cover annual expenditure. There is therefore no significant risk that it will be unable to raise finance to meet its commitments under financial instruments.

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

The maturity analysis of financial assets is as follows:

	31st March, 2011 £,000	31st March, 2012 £,000
Less than One Year	3,125	39,077
Between One and Two Years	12,476	2,635
Between Three and Ten Years	0	1,596
Between Eleven and Twenty Years	0	0
Between Twenty One and Thirty Years	0	0
Between Thirty One and Forty Years	0	9,360
	<b>15,601</b>	<b>52,667</b>

The table above assumes repayment of Icelandic investments according to the rates and timings shown in note 49 Impairment Losses. All trade and other payables are due to be paid in less than one year.

### Maturity and Refinancing 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 treasury indicator limits for the maturity structure of debt and the limits placed on investments placed for greater than one year in duration are the key parameters used to address this risk. The Council approved Treasury Management and Investment Strategy address the main risks and the corporate finance team addresses the operational risks within the approved parameters. This includes:

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

The maturity analysis of financial liabilities is as follows:

	31st March, 2011 £,000	31st March, 2012 £,000
Less than 1 Year		0
Between 1 and 2 Years		0
Between 3 and 5 Years		7,927
Between 6 and 10 Years		12,794
Between 11 and 15 Years	1,000	16,301
Between 16 and 20 Years	0	31,802
Between 21 and 25 Years	2,400	21,221
Between 26 and 30 Years	0	0
More than 30 Years	44,683	44,706
	<b>48,083</b>	<b>134,752</b>

## Market Risk

### Interest Rate Risk

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

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

Borrowings are not carried at fair value on the Balance Sheet, so nominal gains and losses on fixed rate borrowings would not impact on the Surplus or Deficit on the Provision of Services or Other Comprehensive Income and Expenditure. However, changes in interest payable and receivable on variable rate borrowings and investments will be posted to the Surplus or Deficit on the Provision of Services and affect the General Fund Balance. Movements in the fair value of fixed rate investments that have a quoted market price will be reflected in Other Comprehensive Income and Expenditure.

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

At 31st March, 2012, 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	170
Increase in Interest Receivable on Variable Rate Investments	(181)
Increase in Government Grant Receivable for Financing Costs	0
Impact on Surplus or Deficit on the Provision of Services	11
Share of overall impact debited to the HRA	0
Decrease in Fair Value of Fixed Rate Investment Assets	0
Impact on Other Comprehensive Income and Expenditure	11
Decrease in Fair Value of Fixed Rate Borrowings Liabilities (no impact on the Surplus or Deficit on the Provision of Services or Other Comprehensive Income and Expenditure)	0

The impact of a 1% fall in interest rates would be as above but with the movements being reversed. Fund Managers investments are not considered as variable rate investments.

### **Price Risk**

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

### **Foreign Exchange Risk in Relation to Icelandic Deposits**

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

## **NOTE 51 CONTINGENT ASSETS**

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

## **NOTE 52 INVESTMENTS IN COMPANIES**

### **Trading Standards South East Ltd**

This is a company set up by 19 local authority trading standards departments in the South East of England to provide a consumer helpline and regional intelligence unit for Trading Standards' functions, training to the member authorities and other joined up trading standards services. It was established in 2004/05 and is limited by guarantee of £1. Wokingham Borough Council has an equal 1/19th share in the company and is able to nominate one director on the board of the company. The latest financial statements for the company were prepared at 31st March 2011 and show that turnover for 2010/11 was £2.5million (£2.079m in 2009/10), the company made a profit of £1,303 (£1,548 in 2009/10) and had net assets of £25,000 (£23,697 in 2009/10). Wokingham Council does not receive any dividend income from the company. The financial statements for the company for 2011/12 will be available in January 2013. A full set of financial statements for the company can be obtained from the Company Secretary at the registered office: Surrey County Council, Trading Standards, Mid-Surrey Area Office, Bay Tree Avenue, Kingston Road, Leatherhead, Surrey, KT22 7SY.

### **Flexible Home Improvement Loans Ltd**

This is a company set up by 17 local authorities across the South East of England to deliver small loans to homeowners to improve their property. The loans are targeted at vulnerable households to ensure they are in decent accommodation and therefore can remain in their own home rather than go into residential care. The company was established in March 2008 and is limited by guarantee of £10. Wokingham Borough Council has an equal 1/17th share in the company and is able to nominate one director on the board of the company. The draft financial statements for the company were prepared at 31st March 2012 and show that turnover for 2011/12 was £14,885 (2010/11 nil), the company made a loss of £61,696 (2010/11 £73,135) and had net assets of £7,386,145 (2010/11 £7,206,889). The company receives grant from central government and makes loans to local authority members which are then used to make loans to homeowners as such the grant income and loan investing maintains the company as a going concern. Wokingham Council does not receive any dividend income from the company. 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.

## **Connexions Berkshire**

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 2011 and show that the turnover for 2010/11 was £7.7m (£8.2m in 2009/10), the company made a surplus of £1,203,995 (£263,403 Surplus in 2009/10) and had net assets (before pension liabilities) of £2,109,424 (£1,504,426 in 2009/10) and net assets after pension scheme liabilities of £819,424 (net liabilities of £4,4198,571 in 2009/10). Wokingham Council does not receive any dividend income from the company. The financial statements for the company for 2011/12 will be available in October 2012. A full set of the financial statements for the company can be obtained from the Asst Director Finance and Contracts, Connexions Berkshire & Buckinghamshire, Pacific House, Imperial Way, Reading, Berkshire, RG2 0TF.

## **Wokingham Trading Enterprises Ltd**

(WEL) is a company wholly owned and set up by Wokingham Borough Council (WBC) for the purposes of enabling the regeneration of the town centre of Wokingham and specifically for the purchase of land and buildings, such as Peach Place, within the town centre for redevelopment. The company was established in 2009 and is limited by guarantee of £1. WBC has 100% of the share capital (valued at £3,000) in the company and is able to control the operating, governance and financial policies of the organisation. WBC is also able to appoint the board of directors of the company. The Company is accounted for as a wholly owned subsidiary of WBC however, as WBC's interest in WEL arose as a result of formation of the company no goodwill arose as a result of the formation.

## **Optalis Ltd**

Optalis Ltd is a company wholly owned and set up by Wokingham Borough Council (WBC) for the purposes of providing Adult Social Care Services. The company was established in 2011 and is limited by shares. WBC has 100% of the share capital (which has nil value) in the company and is able to control the operating, governance and financial policies of the organisation. WBC is also able to appoint the board of directors of the company. The Company is accounted for as a wholly owned subsidiary of WBC however, as WBC's interest in Optalis arose as a result of formation of the company no goodwill arose as a result of the formation.

## **Wokingham Housing Ltd**

Wokingham Housing Ltd is a company wholly owned and set up by Wokingham Borough Council (WBC) for the purposes of providing Housing Services. The company was established in January 2012 and is limited by shares however as at 31<sup>st</sup> March 2012 there have been no financial transactions through the company and it is currently dormant. The company is expected to start trading in 2013. WBC has 100% of the share capital (which has nil value) in the company and is able to control the operating, governance and financial policies of the organisation. WBC is also able to appoint the board of directors of the company. The Company is accounted for as a wholly owned subsidiary of WBC however has not been consolidated in 2011/12 due to immateriality. As WBC's interest in Wokingham Housing Ltd arose as a result of formation of the company no goodwill has arisen as a result of the formation.

## 7. NOTES AND STATEMENTS TO THE WOKINGHAM GROUP ACCOUNTS

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

### NOTE 53 GROUP ACCOUNTING POLICIES

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

### NOTE 54 ADJUSTMENTS BETWEEN GROUP ACCOUNTS AND AUTHORITY ACCOUNTS

	Woking- ham Authority	Optalis Ltd	Woking- ham Enter- prise Ltd	Woking- ham Group
	£,000	£,000	£,000	£,000
Adjustment for Intra-group transactions on in Net Cost of Services	(4,296)	4,296		0
Adjustment for Intra-group transactions on Financing and Investment income within the CI&ES	503	0	(476)	26
<b>Total Adjustment between Group and Authority accounts</b>	<b>(3,793)</b>	<b>4,296</b>	<b>(476)</b>	<b>26</b>

### NOTE 55 INVESTMENT PROPERTY

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



	Wokingham Authority £,000	Wokingham Enterprise Ltd £,000	Wokingham Group £,000
Rental	925	(653)	272
Direct Operating Expenses	(378)	171	(207)
<b>Net (Gain) / Loss</b>	<b>547</b>	<b>(483)</b>	<b>64</b>

	Wokingham Authority £,000	Wokingham Subsidiaries £,000	Wokingham Group £,000
Interest Payable and Similar Charges on External Borrowing	2,106	0	2,106
Interest Payable and Similar Charges on PFI and Finance Lease Liabilities	692	0	692
Impairment of Financial Instruments	(2,088)	0	(2,088)
Pensions Interest Cost and Expected Return on Pensions assets	3,896	45	3,941
Interest Receivable and Investment Income	(698)	0	(698)
Income and expenditure and Changes in Fair Value in Relation to Investment Properties	(855)	(647)	(1,501)
<b>Financing and Investment Income and Expenditure</b>	<b>3,054</b>	<b>(602)</b>	<b>2,452</b>

There are no restrictions on the Group's ability to realise the value inherent in its investment property or on the Group's right to the remittance of income and the proceeds of disposal. The Group has no contractual obligations to purchase, construct or develop investment property or repairs, maintenance or enhancement. The following table summarises the movement in the fair value of investment properties over the year:

	Wokingham Authority £,000	Wokingham Enterprise Ltd £,000	Wokingham Group £,000
Balance as at 31 <sup>st</sup> March, 2011	27,460	8,719	36,179
Additions	437	137	574
Disposals	(295)	0	(295)
Gain / (Loss) on from Fair Value Adjustments	396	164	560
Transfers to/from Plant, Property and Equipment	274	0	274
Other Changes	0	0	0
<b>Balance as at 31<sup>st</sup> March, 2012</b>	<b>28,272</b>	<b>9,020</b>	<b>37,292</b>



## NOTE 56 FINANCIAL INSTRUMENTS (incl DEBTORS AND CREDITORS)

Notes 48, 18, 21 and 50 to the Financial Statements apply to the Group Financial statements. The following categories of financial instrument carried in the Group Balance Sheet are different to those amounts disclosed in the previous notes:

<b>Financial Assets (Investments)</b>	<b>Wokingham Group 2010/11 £,000</b>	<b>Wokingham Group 2011/12 £,000</b>
WBC Long Term Loans and Receivables	12,479	13,590
Removal of Intra Group Balances – Investment in WEL	(9,400)	(9,351)
Short Term Loans and Receivables	5,106	4,991
Financial assets at Fair Value through Profit and Loss	0	14,300
<b>Total Investments</b>	<b>8,185</b>	<b>23,530</b>

Interest income disclosed in note 48 to the single entity financial statements has reduced by £414,000 to £698,000 in the Group Accounts as a result of removing the interest income received on the loan by Wokingham BC from Wokingham Enterprise Ltd on consolidation.

<b>Debtors</b>	<b>Wokingham Group 2010/11 £,000</b>	<b>Wokingham Group 2011/12 £,000</b>
Other Entities and Individuals	6,167	6,850
Other Debtors Disclosed in Note 18	6,361	11,382
<b>Total Debtors in Group Balance Sheet</b>	<b>12,528</b>	<b>18,232</b>

<b>Creditors</b>	<b>Wokingham Group 2010/11 £,000</b>	<b>Wokingham Group 2011/12 £,000</b>
Other Entities and Individuals	(25,610)	(23,677)
Other Creditors disclosed in Note 21	(4,013)	(3,996)
<b>Total Creditors in Group Balance Sheet</b>	<b>(29,623)</b>	<b>(27,673)</b>

## NOTE 57 Cash and Cash Equivalents

	Wokingham Group 2010/11	Wokingham Group 2011/12
	£,000	£,000
Cash held by the Council	9,682	3,432
Bank Current Assets	457	226
Money Market Instruments	12,653	17,920
Cash Held by Fund Managers	14,872	47
Short-term Deposits with Building Societies	0	0
<b>Cash and Cash Equivalents</b>	<b>37,664</b>	<b>21,625</b>
Bank Current Liabilities	(2,508)	(4,915)
<b>Total Cash and Cash Equivalents</b>	<b>35,156</b>	<b>16,710</b>

## NOTE 58 Pensions

Note 46 to the Financial Statements apply to the Group Financial statements, particularly in relation to the assumptions and asset returns applied by the actuary in valuing the schemes. Optalis Ltd is an admitted member of the Local Government Pensions Scheme (LGPS). The following tables show where amounts at Group level are different to those amounts disclosed in the previous notes for WBC only:

	Wokingham Authority LGPS	Optalis Ltd LGPS	Wokingham Group LGPS
	2011/12 £,000	2011/12 £,000	2011/12 £,000
<b>Comprehensive Income and Expenditure Statement</b>			
Cost of Services:			
• Current Service Cost	7,476	584	8,060
• Past Service Gain	0	0	0
• Settlements and Curtailments	(1,317)	0	(1,317)
Financing and Investment Income and Expenditure:			
• Interest Cost	11,019	441	11,460
• Expected Return on WBC Scheme Assets	(8,245)	(396)	(8,641)
• Expected Return on BCC Scheme Assets	1,092	0	1,092
Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services	10,025	629	10,654
Other Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement:			
• Actuarial Gains and Losses	49,590	1,756	51,346
<b>Total Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement</b>	<b>59,615</b>	<b>2,385</b>	<b>62,000</b>

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

	Wokingham Authority 2011/12 £,000	Optalis Ltd 2011/12 £,000	Wokingham Group 2011/12 £,000
<b>Opening Balance at 1st April</b>	<b>208,686</b>	<b>9,860</b>	<b>218,546</b>
Current Service Cost	7,476	584	8,060
Interest Cost	11,019	441	11,460
Contribution by Scheme Participants	2,601	207	2,808
Actuarial Gains and Losses	33,804	1,341	35,145
Benefits Paid	(5,474)	(103)	(5,577)
Past Service Costs	0	0	0
Entity Combinations	0	0	0
Curtailments	208	0	208
Settlements	(12,996)	0	(12,996)
Unfunded Pension Payments	(176)	0	(176)
<b>Total Liabilities at 31st March</b>	<b>245,148</b>	<b>12,330</b>	<b>257,478</b>
WBC share of BCC Liabilities at 19.0561%	52,211	0	52,211
<b>Closing Balance at 31st March</b>	<b>297,359</b>	<b>12,330</b>	<b>309,689</b>

Reconciliation of fair value of the scheme assets:

	Wokingham Authority 2011/12 £,000	Optalis Ltd 2011/12 £,000	Wokingham Group 2011/12 £,000
<b>Opening Balance at 1st April</b>	<b>144,283</b>	<b>7,986</b>	<b>152,269</b>
Expected Rate of Return	8,245	396	8,641
Actuarial Gains and Losses	(8,603)	(415)	(9,018)
Employer Contributions	6,158	546	6,704
Contributions by Scheme Participants	2,601	207	2,808
Benefits Paid	(5,650)	(103)	(5,753)
Entity Combinations	0	0	0
Settlements	(9,597)	0	(9,597)
<b>Total Fair Value of Scheme Assets at 31st March</b>	<b>137,437</b>	<b>8,617</b>	<b>146,054</b>
WBC share of BCC Liabilities at 19.0561%	14,222	0	14,222
<b>Closing Balance at 31st March</b>	<b>151,659</b>	<b>8,617</b>	<b>160,276</b>
<b>Net Liability Closing Balance</b>	<b>145,700</b>	<b>3,713</b>	<b>149,413</b>

## NOTE 59 RESERVES

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

## NOTE 60 WOKINGHAM GROUP FINANCIAL STATEMENTS

### WOKINGHAM GROUP MOVEMENT IN RESERVES STATEMENT

	Group Total 2010/11			Group Total 2011/12		
	Total Usable Reserves £,000	Unusable Reserves £,000	Total Reserves £,000	Total Usable Reserves £,000	Unusable Reserves £,000	Total GROUP Reserves £,000
<b>Balance at 31st March 2011</b>	(26,112)	(591,756)	<b>(617,868)</b>	(38,074)	(578,843)	<b>(616,917)</b>
Surplus or (Deficit) on the Provision of Services	32,141	0	<b>32,141</b>	139,838	0	<b>139,838</b>
Other Comprehensive Income and Expenditure	0	(30,919)	<b>(30,919)</b>	0	32,861	<b>32,861</b>
<b>Total Comprehensive Income and Expenditure</b>	<b>32,141</b>	<b>(30,919)</b>	<b>1,222</b>	<b>139,838</b>	<b>32,861</b>	<b>172,699</b>
Adjustments between Group Accounts and Authority Accounts (Note 54)	18	0	<b>18</b>	26	0	<b>26</b>
Adjustments between Accounting Basis & Funding Basis under Regulations	(44,122)	43,832	<b>(289)</b>	(159,053)	159,053	<b>0</b>
<b>Net Increase / Decrease before Transfers to Earmarked Reserves</b>	<b>(11,962)</b>	<b>12,913</b>	<b>951</b>	<b>(19,189)</b>	<b>191,915</b>	<b>172,726</b>
Transfers to/from Earmarked Reserves	0	0	<b>0</b>	0	0	<b>0</b>
<b>Increase / Decrease in 2011/12</b>	<b>(11,962)</b>	<b>12,913</b>	<b>951</b>	<b>(19,189)</b>	<b>191,915</b>	<b>172,726</b>
<b>Balance at 31st March 2012 carried forward</b>	<b>(38,074)</b>	<b>(578,843)</b>	<b>(616,917)</b>	<b>(57,263)</b>	<b>(386,928)</b>	<b>(444,192)</b>

# WOKINGHAM GROUP COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

	Group Total 2010/11			Group Total 2011/12		
	Gross Expenditure £,000	Gross Income £,000	Net Expenditure £,000	Gross Expenditure £,000	Gross Income £,000	Net Expenditure £,000
Central Service to the Public	3,353	(3,327)	26	3,039	(2,468)	571
Cultural and Regulated Services	6,999	(1,455)	5,544	6,742	(1,600)	5,142
Environmental and Regulatory Services	14,440	(473)	13,968	15,545	(1,835)	13,710
Planning Services	5,734	(2,811)	2,923	5,300	(2,219)	3,081
Education and Children's Services	192,153	(146,801)	45,352	167,214	(130,714)	27,500
Highways and Transport Services	15,210	(2,546)	12,664	15,717	(3,347)	12,371
Local Authority Housing (HRA)	13,809	(14,697)	(888)	13,149	(13,746)	(597)
Other Housing Services	29,304	(27,404)	1,900	29,801	(29,109)	692
Adult Social Care	56,229	(16,405)	39,824	54,172	(17,313)	36,859
Exceptional Costs	26,743	(1,474)	25,269	95,486	(91)	95,395
Corporate and Democratic Core	7,582	(3,792)	3,790	5,953	0	5,953
Non-distributed Costs	1,641	2,545	4,186	(2,440)	1,874	(566)
<b>Cost of Services</b>	<b>373,197</b>	<b>(218,639)</b>	<b>154,558</b>	<b>409,677</b>	<b>(209,566)</b>	<b>200,111</b>
Corporate Income and Expenditure			0			1
Other Operating Expenditure			2,761			68,734
Financing and Investment Income and Expenditure			10,104			2,454
Surplus or Deficit of Discontinued Operations			0			0
Taxation and Non-specific Grant Income			(135,281)			(129,562)
<b>(Surplus) or Deficit on Provision of Services</b>			<b>32,141</b>			<b>141,738</b>
Surplus or Deficit on Revaluation of Property, Plant and Equipment Assets Charged to revaluation reserve			7,885			(20,359)
Actuarial Gains / Losses on Pension Assets / Liabilities			(38,804)			51,347
<b>Other Comprehensive Income and Expenditure</b>			<b>(30,919)</b>			<b>30,988</b>
<b>Total Comprehensive Income and Expenditure</b>			<b>1,223</b>			<b>172,726</b>

# WOKINGHAM GROUP BALANCE SHEET

		Group Total	Group Total
	Notes	31st March 2011	31st March 2012
		£,000	£,000
Property, Plant & Equipment		737,273	690,440
Investment Property	55	36,179	37,292
Intangible Assets		690	1,476
Assets Held for Sale		0	0
Long Term Investments	56	3,079	4,241
Long Term Debtors		4	2
<b>Long Term Assets</b>		<b>777,226</b>	<b>733,451</b>
Short Term Investments	56	5,106	19,291
Assets Held for Sale		0	149
Inventories		0	0
Intangible Current Assets		0	0
Short Term Debtors	56	12,528	18,232
Cash and Cash Equivalents		37,664	21,625
<b>Current Assets</b>		<b>55,298</b>	<b>59,297</b>
Cash and Cash Equivalents		(2,508)	(4,915)
Short Term Borrowing		0	0
Corporation Tax Liability		0	(5)
Short Term Creditors	56	(29,623)	(27,637)
Provisions		(5,493)	(3,509)
Current Tax Liability		0	(30)
Liabilities in Disposal Groups		0	0
<b>Current Liabilities</b>		<b>(37,628)</b>	<b>(36,096)</b>
Long Term Creditors		0	0
Provisions		0	0
Long Term Borrowing		(48,084)	(134,752)
PFI and Finance Lease Liabilities		(10,003)	(9,669)
Pensions Liability		(93,941)	(149,413)
Other Long Term Liabilities		0	0
Donated Assets Account		0	0
Capital Grants Receipts in Advance		(25,955)	(18,626)
<b>Long Term Liabilities</b>		<b>(177,983)</b>	<b>(312,460)</b>
<b>Net Assets</b>		<b>616,917</b>	<b>444,192</b>
<b>Usable Reserves</b>	<b>59</b>	<b>(38,074)</b>	<b>(57,263)</b>
<b>Unusable Reserves</b>	<b>59</b>	<b>(578,843)</b>	<b>(386,928)</b>
<b>Total Reserves</b>		<b>(616,917)</b>	<b>(444,192)</b>

# WOKINGHAM STATEMENT

## GROUP

## CASHFLOW

	Group Total 31st March 2011 £,000	Group Total 31st March 2012 £,000
Net Surplus or (deficit) on the Provision of Services	32,141	(141,738)
Adjustments to Net Surplus or Deficit on the Provision of Services for Non-Cash movements	(72,965)	75,153
Adjustments for Items included in the Net Surplus or Deficit on the Provision of Services that are Investing or Financing Activities	37,612	(9,965)
<b>Net Cash Flow from Operating Activities</b>	<b>(3,212)</b>	<b>(76,549)</b>
Investing Activities	(2,509)	(30,237)
Financing Activities	(873)	88,341
<b>Net Increase or (Decrease) in Cash and Cash Equivalents</b>	<b>(6,594)</b>	<b>(18,445)</b>
Cash and Cash Equivalents at the beginning of the reporting period	28,562	35,155
<b>Cash and Cash Equivalents at the End of the Reporting Period</b>	<b>(35,156)</b>	<b>16,710</b>



## 8. HOUSING REVENUE ACCOUNT

### Introduction

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

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

- HRA Income and Expenditure Statement
- Movement on the HRA Statement
- Major repairs reserve

### HRA Income and Expenditure Statement

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

### Movement on the HRA Statement

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

### Cash Flow Statement

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

# Housing Revenue Account Income and Expenditure Statement

2010/11 £,000		Notes	2011/12 £,000
	<b>Income</b>		
(12,099)	Dwelling Rents (gross)		(12,785)
(204)	Non-dwelling Rents (gross)		(198)
(822)	Charges for Services and Facilities		(763)
0	HRA Subsidy Receivable (including MRA)		0
(87)	Contributions Towards Expenditure		0
0	Reduced Provision for Bad or Doubtful Debts		0
0	Sums Directed by the Secretary of State that are Income in Accordance with IFRS		0
<b>(13,212)</b>			<b>(13,746)</b>
	<b>Expenditure</b>		
2,833	Repairs and Maintenance		2,940
2,326	Supervision and Management		2,280
110	Rents, Rates, Taxes and Other Charges		(9)
5,063	Negative Subsidy Payable to the Secretary of State	10	5,734
0	Negative Subsidy Transferable to the General Fund under the Transitional Arrangements		0
0	Exceptional Item – Self Finance Settlement	15	95,468
37	Increased Provision for Bad or Doubtful Debts	13	116
1,996	Depreciation	7	2,055
50,227	Impairment of Fixed Assets	8	0
2	Debt Management Costs		32
0	Sums Directed by the Secretary of State that are Expenditure in Accordance with IFRS		0
<b>62,594</b>			<b>108,617</b>
<b>49,382</b>	<b>Net Cost of Services included in the Whole Authority Comprehensive Income and Expenditure Statement</b>		<b>94,871</b>
0	HRA Services Share of Corporate and Democratic Core		0
0	HRA Share of other Amounts Included in the Whole Authority		0
	Net Cost of Services but not Allocated to Specific Services		
<b>49,382</b>	<b>Net Cost of HRA Services</b>		<b>94,871</b>
74	(Gain) or Loss on Sale of HRA Non-current Assets		11
42	Interest Payable and Similar Charges		72
(14)	HRA Interest and Investment Income		(10)
29	Accumulated Leave		(7)
117	Pension Interest Cost and Expected Return on Pension Assets		29
0	Other Grants and Receivables		(10)
0	Capital Grants and Contributions Receivable		0
<b>49,630</b>	<b>(Surplus) or Deficit for the Year on HRA Services</b>		<b>94,956</b>

## Movement on the HRA Statement

2010/11 £,000		Notes	2011/12 £,000
(1,305)	<b>Balance on the HRA at the End of the Previous Year</b>		(1,315)
49,630	(Surplus) or Deficit for the Year on the HRA Income and Expenditure Statement		94,956
	Adjustments between Accounting Basis and Funding Basis under Statute		
(1,996)	Depreciation	7	(1,999)
(50,227)	Impairment / Revaluation Loss	8	0
(74)	Gain / Loss on Disposal		(11)
(29)	Reversal of Accumulating Absences		7
0	Self financing settlement transfer to capital adjustment account	15	(95,468)
46	MRP		0
(53)	Depreciation of HRA Leases	7	(56)
(117)	HRA Share of Contributions to or (from) the Pensions Reserve	11	(29)
414	Reversal of Financial Instrument Amortisation		163
(2,406)	<b>Net (Increase) or Decrease in the HRA Balance before Transfers to or from Reserves</b>		(2,437)
1,996	Reversal of MRA Credited to HRA		1,999
400	Transfers (to or from) the Major Repairs Reserves	5	480
(10)	<b>(Increase) or Decrease in Year on the HRA</b>		42
(1,315)	<b>Housing Revenue Account Balance Carried Forward</b>		(1,273)

## 9. NOTES TO THE HOUSING REVENUE ACCOUNT

### NOTE 1 HOUSING STOCK

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

	2010/11 Number of Properties	2011/12 Number of Properties
<b>Dwellings:</b>		
Low and Medium Rise Flats	672	672
Traditional Houses and Bungalows	1,396	1,396
Non-traditional Houses and Bungalows	356	355
<b>Sheltered Units:</b>		
Low and Medium Rise Flats	198	198
Traditional Houses and Bungalows	98	98
Non-traditional Houses and Bungalows	0	0
<b>Shared Equity Properties:</b>		
Low and Medium Rise Flats	8	8
Traditional Houses and Bungalows	39	39
Non-traditional Houses and Bungalows	0	0
<b>Total HRA Housing Stock</b>	<b>2,767</b>	<b>2,766</b>

### NOTE 2 HRA ASSET VALUATION

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

	Operational Assets			Total £,000	Non-Operational Assets £,000
	Dwellings £,000	Other Land and Buildings £,000	Plant and Equipment £,000		
Gross Valuation at 31st March, 2011	211,751	543	637	212,931	2,000
Accumulated Depreciation and Impairment	(65,115)	(30)	(448)	(65,593)	(2,000)
<b>Net Book Value at 31st March, 2011</b>	<b>146,636</b>	<b>513</b>	<b>189</b>	<b>147,338</b>	<b>0</b>
Additions	2,786	0	2	2,788	0
Disposals	(37)	0	0	(37)	0
Revaluations	555	102	0	657	0
Depreciation	(1,947)	(13)	(95)	(2,055)	0
Impairments	0	0	0	0	0
<b>Net Book Value at 31st March, 2012</b>	<b>147,993</b>	<b>602</b>	<b>96</b>	<b>148,691</b>	<b>0</b>

## NOTE 3 VACANT POSSESSION

The vacant possession value of dwellings within the Council's HRA at 1st April, 2012 was £456,511,473

The vacant possession value and the Balance Sheet value of dwellings within the HRA show the economic cost to the Government of providing council housing at less than open market rents. The dwellings in the Balance Sheet are valued using the Existing Use Value for Social Housing rate. This is an open market rate less a reduction factor that recognises the fact that the dwellings are tenanted properties let at affordable rents without vacant possession. The reduction factor is set by the Government and is currently 32% of open market value.

## NOTE 4 MAJOR REPAIRS RESERVE

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

	2010/11 £,000	2011/12 £,000
<b>Balance at 1st April</b>	<b>(1,182)</b>	<b>(338)</b>
Transferred to the MRR of Major Repairs Allowance	(1,996)	(1,999)
Charges for depreciation	53	0
Revenue Contribution	(400)	(480)
Capital Expenditure on Land, Houses and Other Property within the HRA	3,187	2,786
<b>(Surplus) / Deficit</b>	<b>844</b>	<b>307</b>
<b>Balance at 31st March</b>	<b>(338)</b>	<b>(31)</b>

## NOTE 5 CAPITAL EXPENDITURE AND FUNDING

	2011/12 £,000
<b>Capital Expenditure within the Year:</b>	
Capital Expenditure on Land, Houses and Other Property within the HRA	2,786
<b>Funded by:</b>	
Major Repairs Reserve	(1,999)
Use of Reserve	(338)
Revenue Contribution to Capital Expenditure	(480)
<b>(Surplus) / Deficit</b>	<b>(31)</b>

## NOTE 6 CAPITAL RECEIPTS

	2011/12 £,000
Disposal of 1 Dwelling	77

## NOTE 7 DEPRECIATION

	2011/12 £,000
Operational Assets (Property, Plant and Equipment)	56
Council Dwellings	1,999
	<b>2,055</b>

## NOTE 8 IMPAIRMENT CHARGES

There have been no impairments on council dwelling houses during 2011/12.

## NOTE 9 REVENUE EXPENDITURE FUNDED FROM CAPITAL UNDER STATUTE

There was no revenue expenditure funded from capital under statute within the HRA for 2011/12.

## NOTE 10 HOUSING SUBSIDY

The Housing Subsidy is calculated using a model HRA, which is based on pre-set figures determined by the Government and the number of dwellings owned by the Council. Wokingham Borough Council makes a payment from the HRA to the Government as follows:

	2010/11 £,000	2011/12 £,000
Allowance for Management	1,416	1,476
Allowance for Maintenance	2,880	2,941
Allowance for Major Repairs	1,942	1,996
Charges for Capital	653	395
Guideline Rent Income	(11,874)	(12,484)
Adjustment for Final Audited Claim	0	0
<b>Housing Subsidy Payable to the Government</b>	<b>(4,983)</b>	<b>(5,676)</b>

The actual payment to government in 2011/12 was £5,765k however income of £34k was received in relation to debt management expenses on self financing, a payment of £3k was incurred due to a 10/11 adjustment. An adjustment of £89k is expected to be made in the 11/12 final claim due to an increase in the CRI (Consolidated Rate of Interest).

## NOTE 11 CONTRIBUTIONS TO THE PENSION RESERVE

Pension costs of £28,690 are included in the Repairs and Maintenance and the Supervision and Management lines of the Income and Expenditure Statement.

## NOTE 12 RENT ARREARS

	2010/11 £,000	2011/12 £,000
Current Tenants	353	448
Former Tenants	146	171
	<b>499</b>	<b>618</b>

## NOTE 13 BAD DEBTS PROVISION

	2010/11 £,000	2011/12 £,000
Balance at 1st April	441	499
(Decrease) / Increase in Provision for the Year	58	116
	<b>499</b>	<b>615</b>

## NOTE 14 SUMS DIRECTED BY THE SECRETARY OF STATE

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

## NOTE 15 EXCEPTIONAL OR PRIOR YEAR ITEMS

In 2011/12 the government amended the system of council housing finance as part of the localism act 2011. The changes abolished the housing subsidy system and replaced it with a system of self financing. As part of the changes each council was required to make a payment to government as a final settlement in lieu of the amount they would have paid under the subsidy system over the next thirty years. Therefore, the council made a payment of £95,468,000 to central government for the self financing settlement.



## 10. COLLECTION FUND

### Introduction

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

### Collection Fund Statement

	2010/11 £,000	2011/12 £,000
<b>Amounts Required by Statute to be Credited to the Collection Fund:</b>		
Income from Council Tax Payers	(90,942)	(91,427)
Transfers from the General Fund:		
• Council Tax Benefits	(5,083)	(5,051)
• Transitional Relief	2,739	1,318
Income Collectable from Business Rate Payers	(53,071)	(53,302)
<b>Total Income</b>	<b>(146,357)</b>	<b>148,462</b>
<b>Amounts Required by Statute to be Debited to the Collection Fund:</b>		
Precepts and Demands:		
• Wokingham Borough Council	77,946	78,496
• Parish Councils	3,400	3,427
• Police Authority	10,029	10,100
• Fire Authority	3,618	3,643
Business Rates:		
• Payment to the National Pool	50,151	51,821
• Costs of Collection	184	179
Impairment of Debts / Appeals:		
• Write-off of Uncollectable Amounts	144	89
• Allowance for Impairment	520	(1)
Contribution Towards Previous Year's Estimated Collection Fund Surplus	500	0
<b>Total Expenditure</b>	<b>146,492</b>	<b>147,754</b>
<b>Movement on Fund Balance</b>	<b>135</b>	<b>(708)</b>
<b>Balance at 1st April</b>	<b>(545)</b>	<b>(410)</b>
<b>Balance at 31st March</b>	<b>(410)</b>	<b>(1,119)</b>

# 11. NOTES TO THE COLLECTION FUND

## NOTE 1 INCOME COLLECTABLE FROM BUSINESS RATE PAYERS

The total non-domestic rateable value at 31st March, 2012 was £136,021,466.

The national non-domestic rate multiplier for the year was 43.3p.

## NOTE 2 CALCULATION OF THE COUNCIL TAX BASE

Band	Chargeable Dwellings	Ratio	Band D Equivalent Dwellings	
			2010/11	2011/12
A	1321	6/9	881	908
B	2700	7/9	2,100	2,130
C	7935	8/9	7,053	7,144
D	15944	1	15,944	16,026
E	13361	11/9	16,330	16,400
F	8851	13/9	12,785	12,785
G	5491	15/9	9,152	9,234
H	385	18/9	770	789
<b>Total</b>			<b>65,015</b>	<b>65,416</b>
Add:	Adjustment for collection rates and other anticipated changes during the year		(18)	39
<b>Council Tax Base</b>			<b>64,997</b>	<b>65,455</b>

## NOTE 3 PRECEPTS AND DEMANDS ON THE COLLECTION FUND

	2010/11 Total £,000	Precept / Demand £,000	Share of Surplus £,000	2011/12 Total £,000
Wokingham Borough Council	78,371	78,496	0	78,496
Thames Valley Police Authority	10,084	10,100	0	10,100
Royal Berkshire Fire Authority	3,637	3,643	0	3,643
<b>Total</b>	<b>92,092</b>	<b>92,239</b>	<b>0</b>	<b>92,239</b>

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

### **Opinion on the financial statements**

I have audited the financial statements of Wokingham Borough Council for the year ended 31 March 2012 under the Audit Commission Act 1998. The financial statements comprise the Authority and Group Movement in Reserves Statement, the Authority and Group Comprehensive Income and Expenditure Statement, the Authority and Group Balance Sheet, the Authority and Group Cash Flow Statement, the Housing Revenue Account Income and Expenditure Statement, the Movement on the Housing Revenue Account Statement and Collection Fund and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2011/12.

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 48 of the Statement of Responsibilities of Auditors and Audited Bodies published by the Audit Commission in March 2010.

### **Respective responsibilities of the Strategic Director of Resources and auditor**

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

## **Scope of the audit of the financial statements**

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

## **Opinion on financial statements**

In my opinion the financial statements:

- give a true and fair view of the financial position of Wokingham Borough Council as at 31 March 2012 and of its expenditure and income for the year then ended;
- give a true and fair view of the financial position of the Group as at 31 March 2012 and of its expenditure and income for the year then ended; and
- have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2011/12.

## **Opinion on other matters**

In my opinion, the information given in the explanatory foreword for the financial year for which the financial statements are prepared is consistent with the financial statements.

## **Matters on which I report by exception**

I report to you if:

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

I have nothing to report in these respects

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

### **Respective responsibilities of the Authority and the auditor**

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

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

I report if significant matters have come to my attention which prevent me from concluding that the Authority has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources. 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.

### **Basis of conclusion**

I have undertaken my audit in accordance with the Code of Audit Practice, having regard to the guidance on the specified criteria, published by the Audit Commission in October 2011, as to whether the Authority has proper arrangements for:

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

The Audit Commission has determined these two criteria as those necessary for me to consider under the Code of Audit Practice in satisfying myself whether the Authority put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2012.

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

### **Conclusion**

On the basis of my work, having regard to the guidance on the specified criteria published by the Audit Commission in October 2011, I am satisfied that, in all significant respects, Wokingham Borough Council put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2012.

**Certificate**

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

Stephen Taylor CPFA  
District Auditor  
Collins House  
Bishopstoke Road  
Eastleigh  
Hampshire  
SO50 6AD

27 September 2012







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**WOKINGHAM**  
**BOROUGH COUNCIL**

For more information please  
feel free to contact:  
Wokingham Borough Council  
Civic Offices, Shute End  
Wokingham, Berkshire  
Tel: (0118) 974 6000  
[www.wokingham.gov.uk](http://www.wokingham.gov.uk)

