

# **WOKINGHAM**

# **Borough Council**

## **Statement of Accounts**

**For the Year Ended 31 March, 2015**

# TABLE OF CONTENTS

<b>Section</b>	<b>Contents</b>	<b>Page Number</b>
1	Explanatory Foreword	2
2	Annual Governance Statement	12
3	Statement of Responsibilities	19
4	Audit Opinion	20
5	Statement of Accounting Policies	24
6	Financial Statements:	44
	Movement in Reserves Statement	44
	Comprehensive Income and Expenditure Statement	46
	Balance Sheet	47
	Cash Flow Statement	48
7	Notes to the Accounts	49
8	Notes and Statements to the Group Accounts	121
9	Housing Revenue Account	132
10	Notes to the Housing Revenue Account	135
11	Collection Fund	138
12	Notes to the Collection Fund	139
13	Glossary	142

# 1. EXPLANATORY FOREWORD

This Statement of Accounts 2014/15 has been compiled in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom (The Code) and is the fifth set of accounts to be based on the International Financial Reporting Standards (IFRS). The Code has been developed by the Chartered Institute of Public Finance and Accountancy (CIPFA) and the Local Authority (Scotland) Accounts Advisory Committee (LASAAC) Code Board under the oversight of the Financial Reporting Advisory Board.

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

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

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

## **Movement in Reserves Statement**

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

## **Comprehensive Income and Expenditure Statement**

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

## **Balance Sheet**

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

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

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

## Cash Flow Statement

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

## Housing Revenue Account

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

## Collection Fund

The inclusion of a Collection Fund Statement within the Statement of Accounts is required for every council tax billing authority in England. The account reflects the statutory requirement for billing authorities to establish and maintain a separate fund for the collection and distribution of amounts due in respect of council tax and Non-Domestic Rates (NDR). The statement also shows the distribution of council tax income that Wokingham Borough Council collects on behalf of the other precepting authorities within the area: Thames Valley Police, Royal Berkshire Fire Authority and the Parish and Town Councils of the borough. The statement also shows the distribution of NDR surpluses or deficits between Wokingham Borough Council, Central Government, and the Royal Berkshire Fire Authority. 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. The Group Accounts are set out in Section 8 of the accounts including notes 47 to 53.

The Council set up a holding company in October 2013, WBC (Holdings) Ltd, whose main purpose is to enable group tax relief to be claimed, and in addition to coordinate the management of the Council's interests in the companies included in the group accounts, which are summarised below.

The company is 100% owned by the Council and became operational during 2014/15. The 2014/15 Statement of Accounts will be the first to incorporate accounts for WBC (Holdings) Ltd. The Council's shareholdings in WHL and Optalis with a face value of £1.95m were transferred to WBC (Holdings) Ltd in April 2014.

Optalis Ltd is a company wholly owned and set up by Wokingham Borough Council to provide community care services to members of the public on behalf of the Council and to the private sector. The company was established in June 2011 and the 2014/15 accounts will be the fourth to incorporate summary accounts for Optalis Ltd. The company issued 50,000 £1 shares in 2012/13 which the Council subscribed to in full and paid for. These shares were transferred to WBC (Holdings) Ltd in April 2014. Optalis established two companies in 2013/14 whose main purpose is provision of care services, and these are 100% owned by Optalis.

Wokingham Housing Ltd is a company wholly owned and set up by Wokingham Borough Council to provide housing services to members of the public on behalf of the Council. The company was established in 2011 and it became operational in 2012/13. The 2014/15 Group Accounts are the third to include Wokingham Housing Ltd accounts. Wokingham Housing Ltd has issued a total of 1,900,000 £1 shares which the Council subscribed to, and paid for, in full. The cash received has to date been used to fund construction of housing. These shares were transferred to WBC (Holdings) Ltd in April 2014. Wokingham Housing set up a 100% owned subsidiary in 2013, Loddon Homes Ltd, whose main purpose is the construction and subsequent management of specific housing developments on behalf of Wokingham Housing Ltd.

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 2014/15 accounts will be the fifth to incorporate summary group accounts for WEL. The main purpose of WEL was the trading activity of property investment. However, WEL sold all of its trading assets to Wokingham Borough Council in March 2013, and as at 31 March 2015, WEL is not undertaking any trading activity.

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

## **Annual Governance Statement**

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

## **Financial Performance**

Following the Local Government Finance Settlement in January 2014, Wokingham Borough Council suffered a reduction in formula grant of 17.4% in 2014/15 compared to 2013/14, and this was in addition to the 10.3% reduction in 2013/14.

The financial climate remains difficult with returns on investments being low. The Council has continued to fund an appropriate element of its capital expenditure from its cash balances, rather than investing with minimal returns.

## General Fund Service Expenditure 2014/15

The Council approved a revenue budget of £129m (£113.5m net expenditure plus £15.5m depreciation) at its meeting on 20 February 2014. The following table analyses Wokingham Borough Council's forecast outturn (actual) and budgeted net expenditure by service, as at 31 March 2015, as reported to the Council's Executive on 28 May 2015. The approved budget figures shown below include approved carry forwards from 2013/14. There were no supplementary estimates during 2014/15.

Service	End of Year Position		Net Over / (Under) Spend £,000
	Approved Budget £,000	Outturn Actual £,000	
Chief Executive	4,547	4,542	(5)
Children's Services	33,841	34,157	316
Health and Wellbeing	43,818	43,815	(3)
Environment	34,592	34,164	(428)
Finance and Resources	12,818	12,611	(207)
<b>Net Expenditure before Carry Forwards</b>	<b>129,616</b>	<b>129,289</b>	<b>(327)</b>
Approved Carry Forwards to 2015/16			297
<b>Total Net Expenditure</b>			<b>(30)</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 main reasons for the underspend of £327k, and the £297k to be carried forward to 2015/16 (of which £292k is in respect of Environment Services), are set out below :

- Children's Services: There was an increase in placements expenditure of £511k, also a reduction in grants of £279k. This extra net expenditure was partially offset by efficiencies and one-off savings totalling £291k, extra Public Health grant of £129k, and savings in Home to School Transport of £63k.
- Health and Wellbeing: Pressures from client volume growth and unit costs increases totalled £625k and were partially offset by reimbursement of £282k costs from Optalis, and recovery of £150k income from NHS. Additional costs for Better Care Fund, Care Act and Winter pressures were covered by extra grant of £800k.
- Environment Services: Salary savings totalled £137k. In addition, miscellaneous underspends of £292k will be carried forward to be spent in 2015/16, comprising Traveller local plan document (£60k), FTC Enforcement Officer (£95k), Strategic Flood Risk Assessment (£75k), play equipment (£30k), Jubilee trees (£10k), and Appeals (£22k).
- Finance and Resources: There was a net underspend of £207k largely due to lower than forecast interest payments on the Council's long term borrowing.

## Capital Expenditure in 2014/15

The Council's capital expenditure in the year totalled £45.3m (2013/14 £44.1m) as set out in the following statement.

Service	Actual 2014-15 £,000
Chief Executive	4,045
Children's Services	10,725
Health & Wellbeing	9,940
Environment	18,658
Finance & Resources	1,968
<b>Grand Total</b>	<b>45,336</b>

The major schemes in 2014/15 over £0.5m were:

Service	Summary Scheme	Actual 2014-15 £,000
Chief Executive	Wokingham Town Centre Regeneration including Peach Place Refurbishment	4,034
Children's Services	Bulmershe Secondary School Improvement Scheme	4,117
Children's Services	Schools Urgent Maintenance	1,399
Children's Services	Basic Needs - Extensions to existing Primary Schools	1,273
Children's Services	School improvement schemes	1,124
Children's Services	Emmbrook Secondary School Improvement Scheme	952
Children's Services	Feasibility and design for a new secondary school in the Borough	900
Children's Services	School Kitchens	566

Environment	Highways – Improvements/ resurfacing of carriageways to improve highway safety	4,029
Environment	Purchases for Strategic Purposes (SDL Delivery)	3,946
Environment	Station Link Rd, Wokingham	2,324
Environment	Cycle infrastructure improvement schemes	1,957
Environment	Coppid Beech Roundabout	1,824
Environment	Road & Highways infrastructure improvement schemes	1,556
Environment	Loddon Viaduct crash barrier scheme	1,188
Environment	Street Lighting Asset Replacement	766
Finance & Resources	Technology Futures Programme - The Councils major technology projects including infrastructure improvements, technology refresh and application/ business technology improvements.	1,434
Health & Wellbeing	Council housing – Various refurbishment programmes	7,288
Health & Wellbeing	Twyford Orchards Expansion Programme.	1,052

The Council's capital expenditure was financed through a mixture of grant funding (£23.2m), capital receipts (£2.6m), revenue contributions (£5.7m), capital contributions (£3.2m) and internal borrowing (£10.6m), as appropriate. See Note 24 for a detailed analysis of capital expenditure.

### **Financial Issues Affecting 2014/15**

#### **Accounting for Pensions**

The Council records costs related to its pension schemes when they are earned by employees. However, the charge that the Council is required to make to the General Fund is based on the cash payable in the year. In accordance with International Accounting Standard (IAS) 19, the Council's balance sheet recognises a liability of £224.7m at 31 March 2015 (£168.2m at 31 March 2014). This represents funded liabilities of £176.2m (£125.2m at 31 March 2014) for the Wokingham Borough Council Pension Fund, and £48.5m for the Council's share of the Royal County of Berkshire's Pension Fund (£43m at 31 March 2014). More information about the costs



and accounting treatment for the Council's pension schemes is set out below and in note 19. In addition, one of the Council's group companies, Optalis, had a pension deficit of £7.3m at 31 March 2015 (£4.4m at 31 March 2014) which the Council has guaranteed to fund if necessary. This increases the Council's overall pension deficit as included in the group accounts at 31 March 2015 to £232m (£172.5m at 31 March 2014)

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

### **Material amounts affecting the 2014/15 Statement of Accounts**

The 2014/15 Statement of Accounts includes the impact of several material amounts in the Council's main financial statements, including the Comprehensive Income and Expenditure Statement and the Balance Sheet as set out below:

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

- In 2014/15, no schools transferred to academy status, compared to one in 2013/14, the Forest secondary school in July 2013. From the point at which schools become academies, they are largely financially independent of the Council. Income and expenditure in respect of these schools is only included in the Council's accounts up to the date on which they entered into Academy status. Schools that have become academies receive funding directly from the Education Funding Agency (EFA). In addition, school buildings, together with the relevant school reserves and any other relevant assets or liabilities are transferred to the academy, and are not included in the Council's balance sheet after the date of transfer. The Forest school had an estimated value of £26.8m, which was written out of the Council's accounts during 2013/14.
- 2014/15 was the second year of the Business Rates Retention Scheme, which incentivises local authorities to maximise their business rates income by allowing them to retain a portion of any surpluses or deficits above a baseline set by Government, which was based on previous years' business rates. The new scheme and the 2014/15 implications are explained in more detail in section 12 Notes to the Collection Fund. At 31 March 2014, the Council originally estimated that it would need to set aside £1.25m in a provision in the Collection Fund, to refund business rates where businesses have successfully appealed against their property valuations. Based on the outcome of appeals to date and forecasts for those yet to be agreed, the actual level of appeals is estimated at £746k at 31 March 2015. Due to higher than anticipated income and collection rates in 2014/15, business rates collected were approximately £2.1m higher than originally estimated. The Council's share of the additional business rates is £1.036m (49%), while the Government is entitled to receive £1.059m (50%), and the Fire and Rescue Service £21k (1%).
- There have been some significant changes in central government grants between 2013/14 and 2014/15. The main changes in revenue grants were a reduction in Revenue Support Grant from £18.641m to £15.651m, an increase in New Homes Bonus from £1.854m to £2.772m, and a new grant of £1.3m, for Universal Infant Free School Meals. Capital grants increased from £14.085m in 2013/14 to £19.915m in 2014/15 largely due to an extra £3.9m Pinch Point grant to pay for essential highways works, an extra £0.8m for Decent Homes grant and £0.75m for Sustainable Transport grant.

### *Material amounts in respect of Technical Accounting Adjustments*

The 2014/15 Statement of Accounts also includes the impact of several material amounts in the Comprehensive Income and Expenditure Account which relate to the application of accounting practices rather than in year expenditure. These are:

- The overall deficit position on the Council's pension schemes has increased by £56.5m from £168.2m at 31 March 2014 to £224.7m at 31 March 2015. The main causes for this change are liabilities increasing considerably faster than the expected return on fund assets due to the reduction in the discount rate which increases liabilities.
- Approximately 20% of the Council's non-current assets have been revalued, as part of the 5 year rolling revaluation programme, in accordance with the Council's accounting policies. This has resulted in a net revaluation gain of £49m partially offset by a loss of £0.5m largely on impairment of housing acquired as part of a major highways scheme. The Council also revalued all of its investment properties, which is required annually under IFRS, and this resulted in a loss of £0.8m.
- In line with advice from the Chartered Institute of Public Finance and Accountancy (CIPFA), the Council undertook a review of voluntary aided and voluntary controlled schools in 2014/15 to determine whether any of these schools assets should be included on the Council's balance sheet. The review included the checking of ownership rights, and the conclusion was that the assets of one school, All Saints, should be added into the Council's balance sheet with an estimated value of £5.7m at 31 March 2015, as the Council owns the land and buildings. This is a technical adjustment as the entries are notional, i.e. not involving any cash transfers.

### **Treasury management**

#### **Long Term Borrowings, Borrowing Facilities, and Authorised Debt Levels**

The outstanding balance of long term loans to external bodies at 31 March 2015 was £131.939m the same as at 31 March 2014. No additional borrowing or loan repayments were made during 2014/15. The authorised borrowing limit in 2014/15, which is the maximum amount which the Council can borrow at any time, was £222m, compared to £223m in 2013/14. The approved operational boundary in 2014/15, which is the expected maximum external debt at any stage in the financial year, was £212m, the same as in 2013/14.

#### **Investments**

The Council has considerable cash reserves arising from grants received in advance, general fund and other reserves, and from cash flow management. The total investments at 31 March 2015 were £58.5m (£57.5m at 31 March 2014), £37.1m of which was invested using in-house management and £21.4m by professional fund managers. The investment fund managers for 2014/15 were Royal London Asset Management (RLAM) and Scottish Widows Investment Partnership (SWIP), the same managers as for 2013/14. Investment returns for 2014/15 have again been low given the small number of high quality counterparties to which the Council will lend money, and the low level of returns possible. The amounts managed by RLAM and SWIP as at 31 March 2015 were £11.9m and £9.5m respectively. The interest earned on the Council's external investments was £0.4m in 2014/15 (£0.4m in 2013/14) reflecting the low interest rates achievable in 2014/15.

## **Balance Sheet**

The Council's balance sheet at 31 March 2015 had long term assets of £791m, current assets (including cash and short term investments) of £87m, current liabilities of £49m and long term liabilities of £387m (including net pension liabilities of £225m). In addition, the Council had useable reserves of £75m.

## **Group Accounts**

The Council's Group Accounts are set out in Section 8 together with the relevant notes 47 to 53.

This is the first year in which the Council's holding company, WBC (Holdings) Ltd, was operational. Since it is a holding company, it does not have any trading income. It incurred a deficit of £177k in 2014/15, largely comprising support services and interest.

Optalis Ltd achieved an operating surplus of £155k in 2014/15 (£5k surplus in 2013/14). Turnover was £11m in 2014/15 compared to £10.6m in 2013/14 reflecting the increased level of services provided by the company, mostly to the Council. Optalis has £175k of fixed assets, comprising IT equipment, and premises refurbishments. The Council has undertaken to guarantee to fund any pension deficits for Optalis staff in the Local Government Pension Scheme (LGPS); at 31 March 2015 the deficit was £7.293m (£4.366m deficit at 31 March 2014).

Wokingham Housing Limited's accounts are included in the Council's Group Accounts for the third time in 2014/15. A deficit of £313k was incurred in 2014/15 comprising running costs of £0.4m, less rental income of approximately £0.1m (£610k deficit in 2013/14), while expenditure on construction works was approximately £0.65m (£609k in 2012/13). The company started to rent out properties to its tenants during 2013/14 and achieved income of £0.1m in 2014/15.

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 was that of property investment until WEL sold all its trading assets back to the Council in March 2013. The Company was not trading during 2013/14 or 2014/15, and after settling outstanding liabilities has £2k in cash and no other assets.

## **Outlook for 2015/16 and later years**

### **Overall Financial Position**

The overall financial climate continues to be severe and is expected to remain so for a number of years. Wokingham, as the poorest funded English unitary authority, will face a particularly difficult challenge. The overall impact on the Council in 2015/16 is a reduction in Formula Grant and other significant grants amounting to approximately £3m compared to 2014/15. The Council is also forecasting a similar reduction in overall grant funding in 2016/17. The Council will deal with the pressures arising from reductions in government grant, while at the same time meeting the cost of extra pressures on statutory services such as adult care, waste, highways and overall population growth

### **Regeneration and Strategic Developments**

Although the Council faces significant financial pressures, it is taking the lead in developing regeneration projects to ensure that the local community is able to participate in opportunities and help stimulate economic growth. The Council is leading on the development of Wokingham Town Centre to ensure that it remains an attractive location for businesses to locate, and for people to live in and visit for shopping and recreational purposes. In addition, the Council has identified four

Strategic Development Locations where new housing and employment opportunities will be located. The Council's Medium Term Financial Plan (MTFP) provides for considerable investment in these areas in 2015/16 and later years.

### **Community Infrastructure levy**

The Planning Act 2008 introduced the Community Infrastructure Levy (CIL), a charge on all developments with an area greater than 100m<sup>2</sup> and all new residential units. The Council has approved a comprehensive scheme with a charging schedule which will be implemented in April 2015. The levy will partly replace Section 106 developer contributions.

### **School Developments**

No new primary schools were built during 2014/15 compared to three in 2013/14 built in response to demographic and other pressures. The Winnersh school was completed in 2013/14 and opened in September 2014.

Feasibility studies were undertaken in 2014/15 for a new secondary school, on which construction is expected to start in 2015/16.

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

The Council is required under IFRS to disclose information relating to the impact of an accounting change on the financial statements as a result of the adoption of a new standard that has been issued, but is not yet required to be adopted by the Council. There are several standards which will be implemented in 2015/16, and which are explained in note 2.

## **2. ANNUAL GOVERNANCE STATEMENT 2014/15**

### **1. Scope of Responsibility**

- 1.1 Corporate governance is a phrase used to describe how organisations direct and control what they do. For local authorities this also includes how a council relates to the communities that it serves.
- 1.2 At Wokingham Borough Council we are responsible for ensuring that financial management is adequate and effective and that we have a sound system of internal control to enable us to carry out our functions effectively and efficiently whilst ensuring that there are arrangements for the management of risk.
- 1.3 We must conduct a review, at least once a year, of the effectiveness of our system of internal control and report our findings in an annual governance statement. The statement must be prepared in accordance with proper practices and be reported to a committee of councillors. This document comprises our annual governance statement for 2014/15.
- 1.4 The statement should be read alongside our planning, performance management and accountability arrangements described in:
  - A New Vision for the Wokingham Borough.
  - Our plans and strategies, including:
    - Council Plan 2014 - 2017;
    - Wokingham Children and Young People Plan 2014 - 2016;
    - Adopted Wokingham Borough Core Strategy - January 2010;
    - Wokingham Health and Wellbeing Strategy 2014 - 2017; and
    - Medium Term Financial Plan 2014 to 2015.

### **2. Context**

- 2.1 The changing needs of our residents and communities, significant reductions in resources and central government reforms, present a challenge to all councils. Wokingham Borough Council has ambitious plans regarding the delivery of 13,000 homes and the regeneration of Wokingham Town Centre. In addressing these challenges we must ensure that governance arrangements support the effective delivery of services and management of risk.
- 2.2 By applying the principles in our Code of Corporate Governance (summarised below) and applying our local codes of conduct for Members and employees, we commit to devising and delivering services to the residents of the Borough in a way that demonstrates accountability, transparency, effectiveness and integrity.
- 2.3 The council follows the following governance principles:
  - Focussing on the council's purpose and community needs;
  - Having clear responsibilities and arrangements for accountability;

- Good conduct and behaviour;
- Taking informed and transparent decisions which are subject to effective scrutiny and risk management;
- Developing the capacity and capability of members and officers to be effective; and
- Engaging with local people and other stakeholders.

### **3. The purpose of the governance framework**

- 3.1 Our governance arrangements are designed to manage risk to a reasonable level. The arrangements cannot eliminate all risks but can provide reasonable assurance of our effectiveness.
- 3.2 The governance framework has been in place for the year to the date of approval of this annual governance statement.

### **4. The governance framework**

- 4.1 Our governance framework in Wokingham Borough comprises the systems and processes, and culture and values that allow us to achieve our strategic objectives and establish the extent to which services are delivered in an appropriate and cost effective way.
- 4.2 These are summarised below:
- Our vision, that is our shared priorities and intended outcomes for residents and service users documented in "A New Vision for the Wokingham Borough", Council Plan 2014 – 2017 and other documents contained in our Budget and Policy Framework;
  - The committees, boards and task and finish groups we have established to ensure democratic engagement and accountability is central to our key and other important decisions;
  - Our arrangements for the oversight and scrutiny of decisions and policy development by councillors;
  - Delegation and sub delegation arrangements which document the roles and responsibilities of executive and non-executive councillors and our statutory (and other senior) officer functions;
  - Our risk, performance and accountability arrangements that measure the quality of services, ensuring they are delivered in accordance with our objectives and that they represent the best use of resources;
  - Our Values and codes of conduct which underpin how Members and employees work;
  - Our arrangements for consultation and engagement with the community particularly focussed to help ensure engagement with residents;
  - Our arrangements to safeguard our most vulnerable citizens including fully



embracing the role of independent chairs of safeguarding boards for children and adults;

- An effective and independent Shared Audit & Investigation Service; and
- Our procedure rules and internal management processes for:
  - Financial management;
  - Procurement;
  - Information governance and data security;
  - Health and safety;
  - Decision making;
  - Whistleblowing and complaints handling; and
  - Anti-fraud & corruption.

## **5. Review of Our Effectiveness**

### **5.1 Establishing and monitoring the achievement of the council's objectives**

The council's vision, principles, priorities and values were agreed by elected members and officers in 2012. A Council Plan has been operational since November 2014. The council's vision, principles, priorities and values were used to inform service plans for 2014/15 and individual objectives with the council's values being part of every officer's performance review.

- 5.2 The service plan template contained performance indicators (to address corporate priorities), benchmarking (to review our services against others and identify efficiencies) and budget monitoring (to identify savings and efficiencies).

### **5.3 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 2014/15 it was based on the Executive – Leader/Cabinet Model (as set out in the Local Government and Public Involvement in Health Act 2007). The Executive acted collectively and as individuals in accordance with the relevant protocol agreed in 2006. The constitution is divided into sections which include articles which set out the basic rules governing the council's business and more detailed procedures, codes of practice, rules of procedure and protocols. These include: Executive Procedures Rules; Overview and Scrutiny Procedures Rules; Members Code of Conduct; Protocol on Member/Officer Relations; Access to Information Procedure Rules; as well as the Scheme of Delegation to Officers; and the council's Financial and Procurement Rules.

- 5.4 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. Proposed changes to the constitution are considered in advance of Council approval by the Constitution Review Working Group.

- 5.5 The council has a robust decision making process which provides for both Executive and individual Executive decisions. Individual Executive decisions are taken in

accordance with chapter 5.5 of the council's constitution. All decisions are advertised and are supported by a formal public report which is produced five clear working days in advance of the decision being taken. All decision making meetings are public meetings, and are filmed. Both Executive and individual Executive decisions are subject to documented 'Call-In' arrangements except when exempt information is to be discussed.

5.6 Policy is considered and formulated by Executive Members of the Administration, who are advised by senior officers. Supported policies are presented to Executive/Council for formal approval.

5.7 The council has designated the Head of Governance and Improvement as Monitoring Officer. It is the function of the Monitoring Officer to ensure compliance with established policies, procedures, laws and regulations. After consulting with the Head of Paid Service (Chief Executive) and Chief Finance Officer (Director of Finances and 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 2014/15 financial year.

5.8 The Chief Executive, Director of Finances and Resources and Head of Governance and Improvement (Monitoring Officer) are part of the council's Corporate Leadership Team and have access to all decision making meetings.

5.9 The Financial Management of the Council and the Reporting of Financial Management

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.

5.10 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.

5.11 There is appropriate monitoring of the revenue and capital budget by CLT/Executive Leads and Executive. The Statement of Accounts produced at financial year-end is approved by the Audit Committee on behalf of the council.

5.12 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).

5.13 The Performance Management System of the council and the Reporting of Performance Management

In 2014/15 performance management was delivered through service plans. The council has adopted the Balance Scorecard methodology and this is reviewed by CLT and Overview and Scrutiny.



5.14 The Risk Management of the authority and the Reporting of Risk Management

The process, roles and responsibilities of members, committees and staff are laid out in the council's Enterprise Risk Management Policy. The CLT has responsibility for the Corporate Risk Register (CRR) and for refreshing this on a regular basis. The CRR is presented to the Audit Committee and forwarded to Executive members for information and reference.

- 5.15 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 the corporate and service risk registers. This group ensures that risks are considered both vertically and horizontally.

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

- 6.1 This 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 Head of Internal Audit's Annual Internal Audit Report; and
- Comments made by the external auditors and other review agencies and inspectorates.

- 6.2 The draft Annual Governance Statement is considered by CLT and is subsequently reviewed and endorsed by the Audit Committee prior to presentation at Council as part of the audited financial statements.

6.3 Review of the Effectiveness of the System of Internal Control

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

- 6.4 The Service Manager – Shared Audit & Investigation Service 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 (Ernst & Young) who place reliance on the Internal Audit work carried out on the council's key systems.

- 6.5 Management Assurance Statements have been completed by the council's 4 Directors and 2 Heads of Service. These have been reviewed collectively by CLT as part of the process for compiling the Annual Governance Statement.

6.6 Review of the Effectiveness of Internal Audit

The Accounts and Audit (Amendment) Regulations 2011 require relevant bodies to review the effectiveness of their system of internal audit at least annually and to report this to their Audit Committee. A review of the effectiveness of Internal Audit was conducted in 2014/15 and concludes that Internal Audit is effective and complies with the Public Sector Internal Audit Standards.

## **7. Improvements to the Governance Arrangements in the last 12 Months**

- 7.1 The following actions have improved the governance arrangements in Wokingham Borough Council:
- 7.2 Shared Service - Implementation in October 2014 of a shared service for Internal Audit and Investigations with RBWM to provide increased resilience, knowledge sharing and efficiency.
- 7.3 Modern Gov - implementation in February 2015 of an online system to streamline decision making and make it easier for residents to access information.
- 7.4 Bid to join off sponsored Innovation Programme as a vehicle for improvement and improving accountability/transparency and re-defining what is counted a 'good' service quality and not just performance (data).
- 7.5 Development of Project Board into Development Board with a review of attendees. Introduction and set up of Co-ordination Board which aims to co-ordinate council projects in and around the town centre.
- 7.6 Strategic Development Location (SOL) implementation governance has been strengthened.
- 7.7 Actions taken in respect of audits/reviews and response to information security breaches.
- 7.8 Considerable improvements enacted regarding the governance of companies, including: New Group Operating Protocol; New subsidiary reporting template/procedure; Revising Directorship of Holding Company and subsidiaries to reduce conflicts of interest; and More rounded focus on all company issues as opposed to predominantly finance.

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

- 8.1 The significant issues raised during our review of the effectiveness of the governance framework and system of internal control are outlined below:
- 8.2 Three information security breaches of significance that were reported to the Information Commissioner, including one in relation to the Register of Electors. The Information Commissioner's Office confirmed that no action would be taken by them given the work WBC had conducted to alert residents affected and to mitigate any risks arising from the breach.
- 8.3 The Children's Service is undergoing a whole system change as part of our involvement in the Innovation Programme. This change process can create risk which needs to be managed and monitored. While great strides have been made in building a stable WBC employed social work service, turnover at service manager level is still high as the service seeks candidates of the right quality.
- 8.4 Health Integration – the scale of change to the delivery of the council's statutory adult social care through integration with health partners will require new and different governance and control mechanisms as the council moves to a pure commissioning model. These will be developed as integration progresses.
- 8.5 Health and Wellbeing Board – the function of the Health and Wellbeing Board as a

unique committee of the council (incorporating elected members and mandated non-political members) and its relationship to both internal governance and decision making and wider role with other partners for population health requires further definition. This would include decision making, pooled budget governance and the reporting hierarchy with respect to the Council's Executive. Work will be undertaken throughout this year to clarify responsibilities. Given the limited powers and decision making of the HWB there are no (or limited) risk issues, but governance can be confused. HWB's generally are a new innovation and further guidance is awaited from national government on future arrangements.

- 8.6 Retrospective Purchase Orders. The number of retrospective purchase orders remains at a high level and has been impacted by the migration of data into WISER.
- 8.7 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.
- 8.8 Action plans have been drawn up to address recommendations arising from the external and internal audit reports, findings from inspectorates and issues identified and reported by the Local Government Ombudsman.
- 8.9 Good governance is about running things properly. It is the means by which the council shows it is taking decisions for the good of the people of the borough. Wokingham Borough Council is a learning organisation that is committed to continually improve the quality of services that meet resident's needs.

**Signed:**

**Leader of the Council:**



**Date:**

1/6/15

**Chief Executive:**



**Date:**

29/5/15

## 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 Director of Finance and Resources

The Director of Finance and Resources, in his capacity as the S151 Officer, is responsible for the preparation of the Council's Statement of Accounts which, in terms of the Chartered Institute of Public Finance and Accountancy (CIPFA) / Local Authority (Scotland) Accounts Advisory Committee (LASAAC) Code of Practice on Local Authority Accounting in United Kingdom, is required to present a true and fair view of the financial position of the Council at the accounting date and its income and expenditure for the year ended 31 March, 2015.

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

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

I hereby certify that the Statement of Accounts presents a true and fair view of the financial position of Wokingham Borough Council at the accounting date and its income and expenditure for the year ended 31 March, 2015.



**Signature:**  
**Graham Ebers**  
**Director of Finance and Resources**  
**Date: 28<sup>th</sup> September 2015**



**Signature:**  
**Guy Grandison**  
**Chairman of the Audit Committee**  
**Date: 28<sup>th</sup> September 2015**

## **4. AUDIT OPINION**

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

### **Opinion on the Authority's financial statements**

We have audited the financial statements of Wokingham Borough Council for the year ended 31 March 2015 under the Audit Commission Act 1998. The financial statements comprise the Authority and Group Movement in Reserves Statement, the Authority and Group Comprehensive Income and Expenditure Statement, the Authority and Group Balance Sheet, the Authority and Group Cash Flow Statements and related Authority notes 1 to 46 and group notes 47 to 54, the Housing Revenue Account Income and Expenditure Statement, the Movement on the Housing Revenue Account Statement and related notes 1 to 13 in section 10, and Collection Fund and related notes 1 to 3 in section 12. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2014/15.

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

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

As explained more fully in the Statement of the Strategic Director of Resources Responsibilities set out in section 3 the Strategic Director of Resources is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2014/15, and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

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

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Authority and Group's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Strategic Director of Resources; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the explanatory foreword and the statement of accounts to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we

become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

### **Opinion on financial statements**

In our opinion the financial statements:

- give a true and fair view of the financial position of Wokingham Borough Council as at 31 March 2015 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 2015 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 2014/15.

### **Opinion on other matters**

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

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

We report to you if:

- in our opinion the annual governance statement does not reflect compliance with 'Delivering Good Governance in Local Government: a Framework' published by CIPFA/SOLACE in June 2007 (updated as at December 2012);
- we issue a report in the public interest under section 8 of the Audit Commission Act 1998;
- we designate under section 11 of the Audit Commission Act 1998 any recommendation as one that requires the Authority to consider it at a public meeting and to decide what action to take in response; or
- we exercise any other special powers of the auditor under the Audit Commission Act 1998.

We have nothing to report in these respects.

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

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

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

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

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



whether all aspects of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

### **Basis of conclusion**

We have undertaken our audit in accordance with the Code of Audit Practice, having regard to the guidance on the specified criteria, published by the Audit Commission in October 2014, as to whether the Authority has proper arrangements for:

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

The Audit Commission has determined these two criteria as those necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether the Authority put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2015.

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

### **Conclusion**

On the basis of our work, having regard to the guidance on the specified criteria published by the Audit Commission in October 2014, we are satisfied that, in all significant respects, Wokingham Borough Council put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2015.

### **Certificate**

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

*Maria Grindley*  
*for and on behalf of Ernst & Young LLP, Appointed Auditor*  
*Reading*  
*28 September 2015*



## 5. STATEMENT OF ACCOUNTING POLICIES

The Statement of Accounts summarises the Council's transactions for the 2014/15 financial year and its position at the year end of 31 March 2015. The Council is required to prepare an annual Statement of Accounts by the Accounts and Audit (England) Regulations 2011. They are required to be prepared in accordance with proper accounting practices.

This Statement of Accounts summarises the Council's and Group transactions for the 2014/15 financial year and its position at the year end of 31 March 2015. It has been prepared in accordance with the CIPFA Code of Practice on Local Authority Accounting in the United Kingdom (the Code) 2014/15. The statements comply with the CIPFA Service Reporting Code of Practice 2014/15 (SeRCOP), supported by International Financial Reporting Standards (IFRS) and other relevant statutory guidance.

The accounting convention adopted in the Statement of Accounts is principally historical cost, modified by the revaluation of certain categories of non-current assets and financial instruments.

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

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

Where the Council is acting as an agent for another party (e.g., in the collection of business rates and council tax), income and expenditure are recognised only to the extent that

commission is receivable by the council for the agency services or the Council incurs expenses directly on its own behalf in rendering the services.

## **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

## **2. Acquired Operations**

The Council did not have any acquired operations in the 2014/15 financial year.

## **3. Discontinued Operations**

The Council did not have any discontinued operations in the 2014/15 financial year.

## **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.

## **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.

## **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.

## **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.

## **8. Employee Benefits**

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

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

### **ii. Termination Benefits**

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

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

Appropriations are required to and from the Pensions Reserve in the Movement in Reserves Statement to remove the notional debits and credits for pension enhancement termination

benefits and to replace them with debits for the cash paid to the pension fund, the pensioners and any amounts payable but unpaid at the year end.

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

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

- The Teacher's Pension Scheme, administered by Capita Teachers' Pensions on behalf of the Department for Education (DfE)
- The Local Government Pension Scheme, administered by the Royal Borough of Windsor and Maidenhead Council

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

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

#### **Local Government Pension Scheme**

The Local Government Pension Scheme provides members of the scheme with defined benefits related to pay and service. The level of the employer's contribution is determined by triennial actuarial valuation. The latest review was undertaken as at 31 March 2013. Under Superannuation Regulations, the contribution rates are set to meet all the liabilities of the fund.

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

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

Liabilities are discounted to their value at current prices, using a discount rate of 3.4% (based on the annualised yield at the 20 year point on the Merrill Lynch AA rated corporate bond curve, which has been chosen to meet the requirements of IAS 19 and with consideration of the duration of the employer's liabilities. This is consistent with the approach used at the previous accounting date).

The assets of the pension fund attributable to the Council are included in the Balance Sheet at their fair value:

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

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

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

Service cost comprising :

- 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 as a result of a scheme amendment or curtailment whose effect relates to years of service earned in earlier years – charged to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs.
- net interest on the net defined liability i.e. net interest expense for the authority – the change during the period in the net defined liability that arises from the passage of time charged to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. This is calculated by applying the discount rate used to measure the defined benefit obligation at the beginning of the period to the net defined liability at the beginning of the period, taking into account any changes in the net defined liability during the period as a result of contribution and benefit payments.

Remeasurement comprising :

- the return on plan assets – excluding amounts included in net interest on the net defined liability – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure.
- Actuarial gains and losses – changes in the net pensions liability that arise because events have not coincided with assumptions made in the last actuarial valuation or because the actuaries have updated their assumptions – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure.

Contributions paid to the Berkshire County Council Pension Scheme – cash paid as employer's contributions to the pension fund in settlement of liabilities is 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.

## 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.

## 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).

## **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 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.

## **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.

## **13. Intangible Assets**

Intangible assets are non-monetary assets without physical substance which are capable of being sold separately from the rest of the Council's business or which arise from contractual or other



legal rights. They are recognised where they have a cost in excess of £10,000, where it is probable that future economic benefits will flow to, or service potential be provided to, the Council and where the cost of the asset can be measured reliably. Where internally generated assets are held for service potential, this involves a direct contribution to the delivery of services to the public.

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

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

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

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

Intangible assets are recognised initially at cost, comprising all directly attributable costs needed to create, produce and prepare the asset to the point that it is capable of operating in the manner intended by management. Subsequently intangible assets should be recognised at fair value measured by reference to an active market. However, the types of intangible assets held by the Council are very unlikely to have readily ascertainable active market values so they are carried at amortised cost. The depreciable amount of an intangible asset is amortised over its useful life to the relevant service line(s) in the Comprehensive Income and Expenditure Statement. The useful economic lives of intangible assets disclosed in the Balance Sheet has been determined individually and most typically, 5 years is used as the average life for software, although 20 years will be used for the Council's new ERP (Enterprise Resource Planning) system which became operational in 2014/15. 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.

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

The Council has some 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.

### **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.

## **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.

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

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

## **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.

## **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

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

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

### **i. Recognition**

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

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

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

### **iii. Measurement**

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

<b>Asset Category</b>	<b>Valuation Method</b>
Assets under Construction	Depreciated Historic Cost
Infrastructure Assets	
Council Dwellings	Fair Value (Existing Use Value – Social Housing) EUV-SH
Community Assets	Depreciated Historic Cost or Valuation in accordance with section 4.10 of the Code
Other, Land and Buildings	Fair Value (Existing Use Value) EUV or DRC*
Vehicles, Plant and Equipment	
Surplus Assets	Fair Value (Existing Use Value) EUV
Heritage Assets	Individual Asset Valuation

\* Depreciated Replacement Cost (DRC) using the ‘instant build’ will be used if Existing Use Value (EUV) cannot be determined.

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

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

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

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

The Council operates a 5 yearly revaluation cycle 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 by the allocation of their depreciable amounts over their useful lives, in line with IAS 16. An exception is made for



assets without a determinable useful life (e.g. freehold land and some community assets) and assets not yet available for use (e.g. assets under construction). The useful lives of assets are estimated on a realistic basis and are reviewed on a regular basis and, where necessary, revised. Where the useful life of a fixed asset is revised, the carrying amount of the fixed asset is depreciated over the revised remaining useful life. Revaluation gains are also depreciated, with an amount equal to the difference between current value depreciation charged on assets and the depreciation that would have been charged based on their historical cost being transferred from the Revaluation Reserve to the Capital Adjustment Account.

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

- All assets are depreciated on straight line basis over the useful life of the asset taking into account land value and residual value. The range of estimated lives of each asset is set out in note 24.
- Investment Properties are not depreciated as per the Code's guidance; instead they are revalued on an annual basis.
- Newly acquired assets are not depreciated in the year of acquisition, while assets under construction are only depreciated once the asset becomes operational.
- Community assets are also exempt from depreciation requirements as a determinable finite useful life cannot be obtained.
- Assets are depreciated in the year of disposal.

A change from one method of providing depreciation to another is only made where the new method will give a fairer presentation of the results and of the financial position. Such a change does not, however, constitute a change of accounting policy; the carrying amount of the fixed asset is depreciated using the revised method over the remaining useful life, beginning in the period in which the change is made.

### **Componentisation**

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item should be depreciated separately. Where there is more than one significant part of the same asset which has the same useful life and depreciation method, such parts may be grouped in determining the depreciation charge. In practice this can be achieved by only separately accounting for significant components that have different useful lives and/or depreciation methods.

The policy will be to componentise part of assets where the part subject to componentisation is more than £500k or 10% or more of the building value of the asset and the value of the building itself is greater than £5m. Any amounts below these levels would not be considered material enough for componentisation purposes.

### **v. Impairment**

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

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

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

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

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

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

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

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

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

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



Amounts 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.

## **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.

## **22. Provisions, Contingent Liabilities and Contingent Assets**

### **i. Provisions**

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

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

Provisions are charged to the appropriate service line in the Comprehensive Income and Expenditure Statement in the year that the Council becomes aware of the obligation. The

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

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

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

## **ii. Contingent Liabilities**

A contingent liability arises where an event has taken place that gives the Council a possible obligation whose existence will only be confirmed by the occurrence of uncertain future events not wholly within the control of the Council. Contingent liabilities are not recognised in the accounting statements; they are disclosed by way of notes if there is a possible obligation that may require a payment or a transfer of economic benefits. For each class of contingent liability, the nature of the contingency, a brief description, an estimate of its financial effect, an indication of the uncertainties relating to the amount or timing of any outflow and the possibility of any reimbursement will be disclosed.

## **iii. Contingent Assets**

A contingent asset arises where an event has taken place that gives the Council a possible asset whose existence will only be confirmed by the occurrence of uncertain future events not wholly within the control of the Council. Contingent assets are not recognised in the accounting statements; they are disclosed by way of notes if the inflow of a receipt or economic benefit is probable. The disclosures indicate the nature of the contingent asset and an estimate of its financial effect.

## **23. Reserves**

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

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

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

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

## **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.

## **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.

## **26. Group Accounts**

The Code requires the Council to consider all its interests and to prepare a full set of group accounting statements where there are 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 four group relationships which qualify for the preparation of, and inclusion in, group accounts. The companies all operate the same financial year and follow the same accounting policies as Wokingham Borough Council.

The Council set up a holding company in October 2013, WBC (Holdings) Ltd, whose main purpose is to enable group tax relief to be claimed, and in addition to coordinate the management of the Council's interests in the companies included in the group accounts, which are summarised below. The company is 100% owned by the Council and became operational during 2014/15. The 2014/15 accounts will be the first to incorporate accounts for WBC (Holdings) Ltd. The Council's shareholdings in WHL and Optalis were transferred to WBC (Holdings) Ltd in April 2014.

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. However, it sold all its trading assets to Wokingham Council in 2012/13 and at present is not operational...

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

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

Three other new 100% Council owned companies were established in 2013/14 in addition to WBC (Holdings) Ltd. Wokingham Housing Ltd set up Loddon Homes Ltd, to assist with service delivery on specific projects, while Optalis also set up two companies to assist with service delivery and tax mitigation, Optalis Wokingham Ltd, and Optalis Holdings Ltd.

## **27. Heritage Assets**

Heritage assets are assets that are held by the Council principally for their contribution to knowledge and culture. The Code of Practice on Local Authority Accounting in the United Kingdom 2011/12 introduced a change to the treatment in accounting for heritage assets held by the Council so that heritage assets must be shown separately on the balance sheet. The Council undertook a detailed review and at present does not have any heritage assets.

## **28. Tax Income (Council Tax, and Non-Domestic Rates)**

### **Non-Domestic rates (NDR)**

- Retained Business Rate income included in the Comprehensive Income and Expenditure Statement for the year will be treated as accrued income.
- Levy expenditure included in the Comprehensive Income and Expenditure Statement for the year will be treated as accrued expenditure

### **Council Tax**

- Council Tax income included in the Comprehensive Income and Expenditure Statement for the year will be treated as accrued income

Both NDR income, less tariff and levy expenditure, and Council tax will be recognised in the Comprehensive Income and Expenditure Statement in the line Taxation and Non-Specific Grant Income. As a billing authority the difference between the NDR and Council Tax included in the Comprehensive Income and Expenditure Statement and the amount required by regulation to be credited to the General Fund shall be taken to the Collection Fund Adjustment Account and reported in the Movement in Reserves Statement. Each preceptor's share of the accrued NDR and Council Tax income will be available from the information that is required to be produced in order to prepare the Collection Fund Statement.

The income for Council Tax, and NDR, is recognised when it is probable that the economic benefits or service potential associated with the transaction will flow to the authority, and the amount of the revenue can be measured reliably. Revenue relating to such things as council tax, general rates, etc, shall be measured at the full amount receivable (net of any impairment losses) as they are non-contractual, non-exchange transactions and there can be no difference between the delivery and payment dates.

## 6. FINANCIAL STATEMENTS

### MOVEMENT IN RESERVES STATEMENT

	General Fund (GF) Balance	Earmarked GF Reserves	Housing Revenue Account (HRA)	Schools & Dedicated Schools Grant Reserves	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	Total Usable Reserves	Unusable Reserves	Total WBC Reserves
	£,000	£,000	£,000	£,000	£,000	£,000	£,000	£,000	£,000	£,000
<b>Balance at 31st March, 2014 brought forward</b>	(11,040)	(22,038)	(1,766)	(6,834)	(6,830)	(2,047)	(16,413)	(66,968)	(354,732)	(421,700)
<b>Movement in Reserves during 2014/15:</b>										
(Surplus) or Deficit on the Provision of Services	(727)	0	(7,255)	0	0	0	0	(7,982)	0	(7,982)
Other Comprehensive Income and Expenditure	0	0	0	0	0	0	0	0	(12,404)	(12,404)
<b>Total Comprehensive Income and Expenditure</b>	(727)	0	(7,255)	0	0	0	0	(7,982)	(12,404)	(20,386)
Adjustments between Accounting Basis & Funding Basis under Regulations (note 5)	(7,401)	0	4,911	0	(1,629)	(905)	2,456	(2,568)	2,568	0
<b>Net (Increase) / Decrease before Transfers to Earmarked Reserves</b>	(8,128)	0	(2,344)	0	(1,629)	(905)	2,456	(10,551)	(9,835)	(20,386)
Transfers to/from Earmarked Reserves (Note 6)	8,028	(6,298)	0	401	0	0	(4)	2,128	(2,128)	0
<b>(Increase) / Decrease in 2014/15</b>	(99)	(6,298)	(2,344)	401	(1,629)	(905)	2,452	(8,423)	(11,963)	(20,386)
<b>Balance at 31st March 2015 carried forward</b>	(11,139)	(28,336)	(4,110)	(6,433)	(8,459)	(2,952)	(13,961)	(75,391)	(366,695)	(442,086)

## 2013/14

	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, 2013 brought forward</b>	(9,916)	(15,792)	(1,627)	(7,047)	(5,280)	(457)	(27,763)	(67,882)	(379,403)	(447,285)
<b>Movement in Reserves during 2012/13:</b>										
(Surplus) or Deficit on the Provision of Services	35,399	0	(4,966)	0	0	0	0	30,433	0	30,433
Other Comprehensive Income and Expenditure	0	0	0	0	0	0	0	0	(4,848)	(4,848)
<b>Total Comprehensive Income and Expenditure</b>	<b>35,399</b>	<b>0</b>	<b>(4,966)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>30,433</b>	<b>(4,848)</b>	<b>25,585</b>
Adjustments between Accounting Basis & Funding Basis under Regulations (note 5)	(45,244)	0	4,827	0	(1,236)	(1,590)	11,592	(31,651)	31,651	0
<b>Net (Increase) / Decrease before Transfers to Earmarked Reserves</b>	<b>(9,845)</b>	<b>0</b>	<b>(139)</b>	<b>0</b>	<b>(1,236)</b>	<b>(1,590)</b>	<b>11,592</b>	<b>(1,218)</b>	<b>26,802</b>	<b>25,585</b>
Transfers to/from Earmarked Reserves (Note 6)	8,720	(6,246)	0	213	(315)	0	(242)	2,131	(2,131)	0
<b>(Increase) / Decrease in 2012/13</b>	<b>(1,124)</b>	<b>(6,246)</b>	<b>(139)</b>	<b>213</b>	<b>(1,550)</b>	<b>(1,590)</b>	<b>11,350</b>	<b>914</b>	<b>24,671</b>	<b>25,585</b>
<b>Balance at 31st March 2014 carried forward</b>	<b>(11,040)</b>	<b>(22,038)</b>	<b>(1,766)</b>	<b>(6,834)</b>	<b>(6,830)</b>	<b>(2,047)</b>	<b>(16,413)</b>	<b>(66,968)</b>	<b>(354,732)</b>	<b>(421,700)</b>

# COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

2013/14				2014/15			
Gross Expenditure	Gross Income	Net Expenditure		Gross Expenditure	Gross Income	Net Expenditure	
£,000	£,000	£,000		£,000	£,000	£,000	
<b>Continuing Operations</b>							
2,603	(3,804)	(1,201)	Central Services to the Public	3,086	(1,400)	1,686	
7,527	(2,024)	5,503	Cultural and Regulated Services	6,641	(2,804)	3,837	
15,165	(2,198)	12,967	Environmental and Regulatory Services	15,479	(2,485)	12,994	
5,100	(3,899)	1,201	Planning Services	7,276	(4,494)	2,782	
168,077	(122,677)	45,400	Education and Children's Services	164,737	(122,623)	42,114	
16,698	(4,593)	12,105	Highways and Transport Services	17,445	(4,531)	12,914	
10,114	(14,904)	(4,790)	Local Authority Housing (HRA)	9,161	(15,522)	(6,361)	
24,264	(24,622)	(358)	Other Housing Services	26,724	(25,975)	749	
56,227	(10,052)	46,175	Adult Social Care	57,963	(12,062)	45,901	
4,292	0	4,292	Corporate and Democratic Core	5,551	0	5,551	
918	0	918	Non-distributed Costs	434	0	434	
2,592	(3,839)	(1,247)	Public Health	5,079	(4,224)	855	
<b>313,577</b>	<b>(192,612)</b>	<b>120,965</b>	<b>Cost of Services</b>	<b>319,576</b>	<b>(196,120)</b>	<b>123,456</b>	
		29,626	Other Operating Expenditure (Note 8)			2,600	
		9,407	Financing and Investment Income and Expenditure (Note 9)			13,333	
		(129,565)	Taxation and Non-specific Grant Income (Note 10)			(147,371)	
		<b>30,433</b>	<b>(Surplus) or Deficit on Provision of Services</b>			<b>(7,982)</b>	
		(4,111)	(Surplus) or Deficit on Revaluation of Property, Plant and Equipment Assets			(58,259)	
		(736)	Actuarial (Gains) / Losses on Pension Liabilities			45,855	
		<b>(4,847)</b>	<b>Other Comprehensive Income and Expenditure</b>			<b>(12,404)</b>	
		<b>25,585</b>	<b>Total Comprehensive Income and Expenditure</b>			<b>(20,386)</b>	



# BALANCE SHEET

31st March, 2014 £,000		Notes	31st March, 2015 £,000
679,791	Property, Plant & Equipment	24	754,973
32,328	Investment Property	25	32,217
1,321	Intangible Assets	26	2,405
1,953	Long Term Investments	36	3
492	Long Term Debtors	30	1,254
<b>715,885</b>	<b>Long Term Assets</b>		<b>790,852</b>
40,772	Short Term Investments	36	47,618
221	Assets Held for Sale	35	150
21,211	Short Term Debtors	30	26,464
19,222	Cash and Cash Equivalents	41	13,388
<b>81,426</b>	<b>Current Assets</b>		<b>87,620</b>
(3,126)	Cash and Cash Equivalents	41	(4,558)
(5,000)	Short Term Borrowing	36	(2,000)
(34,485)	Short Term Creditors	31	(38,993)
(4,609)	Provisions	32	(4,546)
<b>(47,220)</b>	<b>Current Liabilities</b>		<b>(50,097)</b>
(131,939)	Long Term Borrowing	36	(131,939)
(9,223)	PFI and Finance Lease Liabilities	36	(8,976)
(168,169)	Pensions Liability	19	(224,463)
(19,060)	Capital Grants and Contributions Receipts in Advance	20	(20,911)
<b>(328,391)</b>	<b>Long Term Liabilities</b>		<b>(386,289)</b>
<b>421,700</b>	<b>Net Assets</b>		<b>442,086</b>
(66,968)	Usable Reserves	22	(75,391)
(354,732)	Unusable Reserves	23	(366,695)
<b>(421,700)</b>	<b>Total Reserves</b>		<b>(442,086)</b>

# CASH FLOW STATEMENT

2013/14 £,000		Notes	2014/15 £,000
(30,433)	Net Surplus or (Deficit) on the Provision of Services		7,982
55,890	Adjustments to Net Surplus or Deficit on the Provision of Services for Non-cash Movements	38	40,683
(24,446)	Adjustments for Items Included in the Net Surplus or Deficit on the Provision Of Services that are Investing or Financing Activities		(30,082)
1,011	Net Cash Flows from Operating Activities		18,583
(7,311)	Investing Activities	39	(23,622)
1,170	Financing Activities	40	(2,227)
(5,130)	Net Increase or (Decrease) in Cash and Cash Equivalents		(7,266)
21,226	Cash and Cash Equivalents at the Beginning of the Reporting Period		16,096
<b>16,096</b>	<b>Cash and Cash Equivalents at the End of the Reporting Period</b>	<b>41</b>	<b>8,830</b>

# Notes to the Accounts - Index

Explaining how the Statement of Accounts has been prepared

Note 1 Accounting Policies

Note 2 Accounting Standards Issued not yet Adopted

Note 3 Critical judgements in Applying Accounting Policies

Note 4 Assumptions made and Other Sources of Estimation Uncertainty

About the Movement in Reserves Statement

Note 5 Adjustments between Accounting and Funding Basis

Note 6 Transfers to and from Earmarked Reserves

About the Comprehensive Income and Expenditure Statement

Note 7 Material Items of Income and Expense

Note 8 Other Operating Expenditure

Note 9 Financing and Investment Income and Expenditure

Note 10 Taxation and Non Specific Grant Income

Note 11 Amounts Reported for Resource Allocation Decisions

Note 12 Trading Operations

About Councillors, Employees and Related Parties

Note 13 Members' Allowances

Note 14 Officers' Remuneration

Note 15 Termination Benefits

Note 16 Related Parties

Note 17 External Audit Costs

Note 18 Pensions Schemes Accounted for as Defined Contribution Schemes

Note 19 Defined Benefit Pension Scheme

About the Authority's Grant Income

Note 20 Grant Income

Note 21 Dedicated Schools Grant

About the Value of the Authority's Reserves on the Balance sheet

Note 22 Usable Reserves

Note 23 Unusable Reserves

About the Authority's Non-Current Assets

Note 24 Property, Plant and Equipment

Note 25 Investment Properties

Note 26 Intangible Assets

Note 27 Capital Expenditure and Capital Financing

Note 28 Leases

Note 29 Private Finance Initiatives (PFI) and Similar Contracts

#### About the Authority's Current Assets/Liabilities

Note 30 Debtors  
Note 31 Creditors  
Note 32 Provisions  
Note 33 Contingent Liabilities  
Note 34 Contingent Assets  
Note 35 Assets Held for Sale

#### About the Authority's Financial Instruments

Note 36 Financial Instruments  
Note 37 Nature and Extent of Risks Arising from Financial Instruments

#### About the Cash Flow Statement

Note 38 Operating Activities  
Note 39 Investing Activities  
Note 40 Financing Activities  
Note 41 Cash and Cash Equivalents

#### Other Disclosures

Note 42 Acquired and Discontinued Operations  
Note 43 Events after the Balance Sheet Date  
Note 44 Agency Services  
Note 45 Pooled Budgets  
Note 46 Investments in Companies

## 7. NOTES TO THE ACCOUNTS

### NOTE 1 ACCOUNTING POLICIES

The accounting policies used to complete this Statement of Accounts are produced in full in section 5.

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

Under the Code of Practice on Local Authority Accounting in the United Kingdom 2014/15 (the Code) the Council is required to disclose information setting out the impact of an accounting change required by a new accounting standard that has been issued but not yet adopted by the Code.

The following standards have been issued that will be adopted by the Code in 2015/16 and will be applicable to the Council from 1 April 2015.

- **IFRS 13 Fair Value Measurement** – This standard introduces a requirement for the concept of fair value measurement to be applied to all assets and liabilities for which fair value was previously an appropriate discretionary basis of measurement. In respect of property, plant and equipment the only change is in the valuation of surplus property. Currently surplus property is valued at existing use value before being reclassified as surplus assets. In future surplus assets will be valued at fair value.
- **IFRIC 21 Levies** – This clarifies the recognition point for payment of levies as the activity which triggers the payment of the levy. This is not expected to have any impact on the Council, as this is already current accounting practice.

In addition there have been a number of minor changes to existing accounting standards :

- **IFRS 8 Operating Segments** – This introduces a requirement for the Council to disclose the factors used to identify the Council's reportable segments. This will require an additional disclosure in the 2015/16 accounting policies.
- **IAS 16 Property, Plant and Equipment** – This amendment sets out that where non-current assets are revalued, the gross carrying amount is adjusted in a manner consistent with the revaluation of the carrying amount. This is not expected to have a material impact on the Council.

### NOTE 3 CRITICAL JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

In applying the accounting policies set out in section 5, 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.

The Council had interests in 9 Companies at 31 March 2015, the same number as at 31 March 2014; Trading Standards South East Ltd (TSSEL), Flexible Home Improvements Loans Ltd (FHIL), Wokingham Enterprise Ltd (WEL), Optalis Ltd and Wokingham Housing Ltd were all established prior to 2013/14. Four 100% Council owned companies were established in 2013/14 including WBC (Holdings) Ltd, whose role is to coordinate the management of the other 100% council owned companies. In addition, Wokingham Housing Ltd set up Loddon Homes Ltd in 2013/14 to assist with service delivery on specific projects, while Optalis set up two companies in 2013/14 to assist with service delivery, Optalis Wokingham Ltd, and Optalis Holdings Ltd.

With reference to companies in existence prior to 2013/14, 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 46 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 became operational during 2012/13 and details regarding the company are disclosed in note 46. With reference to Wokingham Enterprise Ltd, the Council purchased all of its operational assets in March 2013 and as a result the company does not have any trading assets as at 31 March 2015, and has not been operational during 2014/15. Notes 47 to 54 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 Forest Borough Councils. Wokingham Borough Council has reviewed the application of the control tests within IFRIC 12 to determine whether the assets within the contract should be on-balance sheet. The accounting policies for PFI schemes and similar contracts have been applied to the arrangement and the assets (valued at approximately £10m) are recognised as Property, Plant and Equipment in the Council's Balance Sheet which amounts to a 37.2% share of the total value of the assets that will revert to the ownership of the RE3 partnership between the three council's at the end of the contract.

There is uncertainty amongst local authorities and CIPFA regarding the accounting treatment of schools' non-current assets, specifically in relation to foundation, voluntary aided and voluntary controlled schools. The 2014/15 Code of Practice does not include any amendments in relation to accounting for schools in local authorities, and the current advice from CIPFA/LAASAC is that it is up to each local authority to determine its own accounting treatment in relation to these assets. The Council therefore decided to undertake a review in 2014/15 of the ownership of the assets of voluntary aided and voluntary controlled schools, the results of which are set out below.

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 in general 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. However, following the detailed review of the legal status of each voluntary aided or controlled school was undertaken in 2014/15 and as a result the land and buildings for one school, All Saints, valued at £5.673m have been included on the Council's balance sheet at 31 March 2015. In Wokingham there are nine Voluntary Aided Schools and also nine Voluntary Controlled Schools as at 31 March 2015.

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 usually 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 2014/15 financial statements the Council has applied a materiality level of £200,000 when recognising assets and liabilities to be disclosed within the financial statements.

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

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

The items in the Council's Balance Sheet at 31 March, 2015 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
<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 approximately £0.5m for every year that useful lives had to be reduced.</p>



Item	Uncertainties	Effect if Actual Results Differ from Assumptions
<b>Provisions</b>	<p>The Council does not have a provision for the Landfill Allowance Trading Scheme (LATS) as it ended on 31 March 2013 and any unused balances have no value.</p> <p>The Council has made provision for holiday and flexi leave entitlement owing to staff at the end of the financial year. The estimate within the accounts has been based on an assumption of 1.5% of payroll costs. For staff based in schools a formula based on CIPFA guidance has been used.</p> <p>The Council has made a provision for dilapidation costs for buildings the Council lease, to return them to their original condition at the end of the lease, and to fund any outstanding leasing costs.</p> <p>The Collection Fund includes provision of £1.619m for appeals against business rates valuations as advised by DCLG guidance.</p>	<p>WBC estimates the value to be nil per permit and has therefore determined that the amounts are immaterial and not recognised on the balance sheet. This is because DEFRA has confirmed that the scheme ended in 2012/13.</p> <p>A 1% change in the estimate of accumulating absences would result in approximately a £380,000 increase or decrease in the provision required for accumulating absences in relation to Non-school staff.</p> <p>There may be other buildings which the Council lease that have been altered, needing significant work to return them to their original condition, which are not presently known.</p> <p>The provision at 31 March 2015 has been calculated using information provided by a company specialising in business rate calculations including provisions for appeals. Their calculation has been reviewed and is estimated to be reasonable. Under the new Business Rates Retention Scheme, the Council's share of this provision is 49%, i.e. £793k.</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. The actuaries Barnett Waddingham LLP 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 or increase in the discount rate assumption would result in an increase or decrease in the pension liability of £7.3m, or £7.5m respectively.</p> <p>However, the assumptions interact in complex ways. During 2014/15, the Council's actuaries advised that the net pensions liability had increased by £56.2m, largely due to extra liabilities caused by a reduction in the discount rate for bonds.</p>

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
<b>PFI Liabilities</b>	The value of PFI service charge payable under the contract disclosed in note 29 of the accounts is dependent upon assumptions regarding future inflation and tonnage rates.	A 1% increase in RPI would increase the total contract charge by £32,000 per annum of which Wokingham's share would be £12,000. Similarly a 1% increase in tonnages would increase the service charge by £1,000 per annum of which Wokingham's share would be immaterial.
<b>Arrears</b>	At 31 March 2015, the Council had a balance of total debtors of £26.5m, of which Council tax debt was £2.9m, and government and other public sector debtors were £9m. Following an assessment of debtors outstanding, a small reduction was made to the general sundry bad and doubtful debt provision, while an increase of £87k was made in the bad and doubtful debt provision for HRA rents to provide for the impact of changes to the council tax benefits system.	The provision set aside for bad debt increases according to the age of the debt.  If collection rates for debtors (excluding public sector debtors) were to deteriorate, a 1% increase in the amount of the impairment of doubtful debts would require an additional £10k to be set aside as an allowance for sundry debts and £15k from council tax from the revenue account and collection fund respectively.

## NOTE 5 ADJUSTMENTS BETWEEN ACCOUNTING BASIS AND FUNDING BASIS UNDER REGULATIONS

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

2014/15	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: Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:</b>							
Charges for Depreciation of Non-Current Assets	(13,952)	(3,082)				(17,034)	17,034
Charges for Impairment of Non-Current Assets	(423)	(43)				(466)	466

2014/15	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		
Charges for Amortisation of Intangible Assets	(391)					(391)	391
Revaluation losses on Property, Plant and Equipment	(9,197)					(9,197)	9,197
Movements in the Market Value of Investment properties	(772)					(772)	772
HRA Voluntary Debt Repayment							
Capital Grants and Contributions Applied	15,580	2,986			12,696	31,261	(31,261)
Revenue Expenditure funded from Capital under Statute	(922)		101		818	(4)	4
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	(1,768)	1,056	(4,342)			(5,053)	5,053
Use of capital receipts reserve to finance capital expenditure			2,513			2,513	(2,513)
<b>Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:</b>							
Statutory Provision for the Financing of Capital Investment	3,271					3,271	(3,271)
<b>Adjustments Primarily Involving the Capital Grants Unapplied Account:</b>							
Capital Grants and Contributions Unapplied credited to the Comprehensive Income and Expenditure Statement	11,219		(161)		(11,058)	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		(260)	260			0	0



2014/15	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>Adjustment Primarily Involving the Major Repairs Reserve:</b>							
Use of the Major Repairs Reserve to Finance New Capital Expenditure				3,409		3,409	(3,409)
Transfer (to) or from HRA		4,314		(4,314)		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	135	1				136	(136)
<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 19)	(18,096)	(66)				(18,162)	18,162
Employer's Pensions Contributions and Direct Payments to Pensioners payable in the Year	7,723					7,723	(7,723)
<b>Adjustments Primarily Involving the Collection Fund Adjustment Account:</b>							
Amount by which Council Tax and Business Rates Income credited to the Comprehensive Income and Expenditure Statement is Different from Council Tax Income Calculated for the Year in Accordance with Statutory Requirements	309					309	(309)



2014/15	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		
Adjustment Primarily Involving the Accumulated Absences Account:							
Amount by which Officer Remuneration Charged to the Comprehensive Income and Expenditure Statement on an Accruals Basis is Different from Remuneration Chargeable in the Year in Accordance with Statutory Requirements							
	(116)	5				(111)	111
Total Adjustments 2014/15	(7,401)	4,910	(1,629)	(905)	2,456	(2,568)	2,568

2013/14	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 of Non-Current Assets	(14,934)	(3,091)				(18,025)	18,025
Charges for Impairment of Non-Current Assets	996	(1,234)				(238)	238
Charges for Amortisation of Intangible Assets	(449)					(449)	449
Revaluation losses on Property, Plant and Equipment	(3,629)					(3,629)	3,629
Movements in the Market Value of Investment properties	990					990	(990)
HRA Voluntary Debt Repayment		2,076				2,076	(2,076)
Capital Grants and Contributions Applied	4,968	2,132	(5)		11,672	18,768	(18,768)
Revenue Expenditure funded from Capital under Statute	(11,198)		115		9,860	(1,223)	1,223

2013/14	Usable Reserves					Total Move ment in Usable Reserves £,000	Move ment 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		
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	(26,933)	1,083	(2,074)			(27,923)	27,923
Use of capital receipts reserve to finance capital expenditure			1,232			1,232	(1,232)
<b>Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:</b>							
Statutory Provision for the Financing of Capital Investment	3,431					3,431	(3,431)
<b>Adjustments Primarily Involving the Capital Grants Unapplied Account:</b>							
Capital Grants and Contributions Unapplied credited to the Comprehensive Income and Expenditure Statement	10,181		(241)		(9,940)	0	0
Transfer of sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement							
<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		(237)	237			0	0
Contribution from the General Fund Balance to the Capital Receipts Reserve	500		(500)			0	0
<b>Adjustment Primarily Involving the Major Repairs Reserve:</b>							
Reversal of Major Repairs Allowance credited to the HRA							

2013/14	Usable Reserves					Total Moveme nt in Usable Reserves £,000	Moveme nt 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		
Use of the Major Repairs Reserve to Finance New Capital Expenditure				2,569		2,569	(2,569)
Transfer (to) or from HRA		4,160		(4,160)		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	135	1				136	(136)
<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 19)	(16,132)	(61)				(16,193)	16,193
Employer's Pensions Contributions and Direct Payments to Pensioners payable in the Year	6,907					6,907	(6,907)
<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	101					101	(101)



2013/14	Usable Reserves					Total Moveme nt in Usable Reserves £,000	Moveme nt 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		
<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	(179)	(2)				(181)	181
<b>Total Adjustments 2013/14</b>	<b>(45,244)</b>	<b>4,827</b>	<b>(1,236)</b>	<b>(1,590)</b>	<b>11,592</b>	<b>(31,651)</b>	<b>31,651</b>

## NOTE 6 TRANSFERS TO/FROM EARMARKED RESERVES

This note details the amounts set aside from the General Fund and HRA balances in earmarked reserves to provide financing for future expenditure plans and the amounts posted back from earmarked reserves to meet General Fund and HRA expenditure in 2014/15.

	Balance at 31st March, 2013 £,000	Transfers Out 2013/14 £,000	Transfers In 2013/14 £,000	Balance at 31st March, 2014 £,000	Transfers Out 2014/15 £,000	Transfers In 2014/15 £,000	Balance at 31st March, 2015 £,000
<b>General Fund:</b>							
Balances held by Schools under a Scheme of Delegation:	(5,572)	1,506	(1,228)	(5,294)	1,431	(1,943)	(5,806)
Dedicated Schools Grant Reserve	(1,475)	1,528	(1,593)	(1,540)	1,063	(150)	(627)
Earmarked General Fund Reserves	(15,792)	3,635	(9,881)	(22,038)	5,151	(11,449)	(28,336)
<b>Total General Fund:</b>	<b>(22,839)</b>	<b>6,669</b>	<b>(12,702)</b>	<b>(28,872)</b>	<b>7,645</b>	<b>(13,542)</b>	<b>(34,769)</b>

## NOTE 7 MATERIAL ITEMS OF INCOME AND EXPENSE

Material Items of Income and Expense during 2014/15 which related to the Council's Non-Current Assets included the following;

- No schools transferred to academy status in 2014/15 compared to 2013/14 when the Forest School transferred to academy status in July 2013. Legislation requires local authorities to transfer schools to academies for nil value, and the Forest School transfer resulted in a loss of approximately £27m in 2013/14 in the Comprehensive Income and Expenditure Statement, which in turn was reversed out of the General Fund as per the statutory arrangements.
- No new schools were built during 2014/15, however, £4.1m and £0.95m respectively was spent on Bulmershe School and Emmbrook Secondary School improvements, and £0.9m on feasibility works for a new Secondary School, while £1.3m was spent on extensions to Primary Schools. During 2013/14 £10.7m was spent in the year on building 3 new Primary Schools, all of which are Academy Schools.
- No long term loans were repaid, and none raised, in 2014/15 compared to 2013/14 when an HRA Self Financing loan of £2.7m was repaid to the Public Works Loan Board (PWLB).
- The Council transferred its £1.95m shareholdings in two 100% Council owned companies (Wokingham Housing Ltd £1.9m, and Optalis £50k) to WBC (Holdings) Ltd at nil cost.
- There were no other materials items of income or expense.

### 7a. Prior Period Adjustment

Prior period adjustments were required to the 2013/14 accounts for Notes 24 (Property, Plant and Equipment) and Note 26 (Intangible Assets), where adjustments were required to accumulated depreciation and impairment figures up to 31 March 2014. These adjustments do not affect any of the main financial statements, or any other notes in the accounts.

## NOTE 8 OTHER OPERATING EXPENDITURE

2013/14 £,000		2014/15 £,000
3,555	Parish Council Precepts	3,508
237	Payments to the Government Housing Capital Receipts Pool	260
25,834	(Gains) / Losses on the Disposal of Non-current Assets	(1,167)
<b>29,626</b>	<b>Total</b>	<b>2,600</b>

The difference in loss on disposal of non-current assets between years is largely because in 2013/14 the Forest School was transferred to an academy with an estimated value of approximately £27m.

## NOTE 9 FINANCING AND INVESTMENT INCOME AND EXPENDITURE

2013/14 £,000		2014/15 £,000
4,494	Interest Payable and Similar Charges on Debt (note 36)	4,440
107	Interest Payable and Similar Charges on Finance Leases (note 36)	107
554	Interest Payable and Similar Charges on Private Finance Initiatives (note 36)	538
153	Impairment of financial instruments (note 36)	1,950
6,582	Pensions Interest Cost and Expected Return on Pensions (note 19)	7,242
(459)	Interest Receivable and Similar Income (note 36)	(514)
(2,024)	Income and Expenditure in Relation to Investment Properties and Changes in their Fair Value (note 25)	(429)
0	Other Investment Income	0
<b>9,407</b>	<b>Total</b>	<b>13,333</b>

The £1.95m impairment of financial instruments 2014/15 was in respect of the transfer of the Council's shares in group companies to the Council's holding company, WBC (Holdings) Ltd in 2014. The £153k impairment of financial instruments cost in 2013/14 was in respect of the shortfall on the final repayments in 2013/14 of the loans made to Icelandic banks.

## NOTE 10 TAXATION AND NON-SPECIFIC GRANT INCOMES

2013/14 £,000		2014/15 £,000
(78,105)	Council Tax Income	(84,166)
(24,972)	Retained Business Rates	(27,296)
13,160	Retained Business Rates tariff	13,416
0	Business Rates Levy	1,059
(18,641)	Revenue Support Grant	(15,651)
(1,960)	Other Non-ringfenced Government Grants	(2,772)
(19,046)	Capital Grants and Contributions	(31,962)
<b>(129,565)</b>	<b>Total</b>	<b>(147,371)</b>

## NOTE 11 AMOUNTS REPORTED FOR RESOURCE ALLOCATION DECISIONS

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

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

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

	2013/14	2014/15
	£,000	£,000
Net Expenditure in the Analysis	103,517	95,185
Net Expenditure of Services and Support Services not Included in the Analysis	17,383	25,568
Amounts in the Comprehensive Income and Expenditure Statement not Reported to Management in the Analysis	1,036	3,101
Amounts Included in the Analysis not Included in the Comprehensive Income and Expenditure Statement	(972)	(398)
<b>Cost of Services in the Comprehensive Income and Expenditure Statement</b>	<b>120,964</b>	<b>123,456</b>

Service Information for the year ended 31st March 2015	Children's Services £,000	Health & Wellbeing £,000	Environment Services £,000	Housing Revenue Account £,000	Total £,000
Fees, Charges & Other Service Income	(8,269)	(13,083)	(8,277)	(17,508)	(47,137)
Government Grants and Contributions	(104,813)	(30,112)	(2,852)	0	(137,777)
<b>Total Income</b>	<b>(113,082)</b>	<b>(43,195)</b>	<b>(11,129)</b>	<b>(17,508)</b>	<b>(184,914)</b>
Employee Expenses	88,734	3,982	7,598	1,272	101,586
Other Service Expenses	45,509	80,027	28,721	12,278	166,535
Support Service Recharges	4,447	2,782	3,934	815	11,978
<b>Total Expenditure</b>	<b>138,690</b>	<b>86,791</b>	<b>40,253</b>	<b>14,365</b>	<b>280,099</b>
<b>Net Cost of Services</b>	<b>25,608</b>	<b>43,596</b>	<b>29,124</b>	<b>(3,143)</b>	<b>95,185</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	(47,138)	(8,790)	0	1,790	(54,138)	0	(54,138)
Interest and Investment Income	0	0	0	0	0	1,436	1,436
Income from Council Tax	0	0	0	0	0	(84,166)	(84,166)
Government Grants and Contributions	(137,776)	(206)	0	0	(137,982)	(63,206)	(201,188)
<b>Total Income</b>	<b>(184,914)</b>	<b>(8,996)</b>	<b>0</b>	<b>1,790</b>	<b>(192,120)</b>	<b>(145,936)</b>	<b>(338,056)</b>
Employee Expenses	101,586	17,566	0	0	119,152	0	119,152
Other Service Expenses	166,535	18,077	(14,324)	(2,188)	168,100	0	168,100
Support Service Recharges	11,978	(1,084)	0	0	10,894	0	10,894
Depreciation, Amortisation and Impairment	0	0	17,425	0	17,425	(429)	16,996
Interest Payments	0	0	0	0	0	12,331	12,331
Precepts & Levies	0	0	0	0	0	3,508	3,508
Payments to Housing Capital Receipts Pool	0	0	0	0	0	260	260
Gain or Loss on Disposal of Non-current Assets	0	0	0	0	0	(1,167)	(1,167)
<b>Total Expenditure</b>	<b>280,099</b>	<b>34,559</b>	<b>3,101</b>	<b>(2,188)</b>	<b>315,571</b>	<b>14,503</b>	<b>330,074</b>
<b>(Surplus) or Deficit on the Provision of Services</b>	<b>95,185</b>	<b>25,563</b>	<b>3,101</b>	<b>(398)</b>	<b>123,451</b>	<b>(131,433)</b>	<b>(7,982)</b>



<b>Service Information for the year ended 31st March 2014</b>	<b>Children's Services £,000</b>	<b>Health &amp; Wellbeing £,000</b>	<b>Environment Services £,000</b>	<b>Housing Revenue Account £,000</b>	<b>Total £,000</b>
Fees, Charges & Other Service Income	(14,626)	(11,745)	(6,775)	(16,733)	(49,879)
Government Grants and Contributions	(101,761)	(28,378)	(5,030)	0	(135,169)
<b>Total Income</b>	<b>(116,387)</b>	<b>(40,123)</b>	<b>(11,805)</b>	<b>(16,733)</b>	<b>(185,048)</b>
Employee Expenses	85,524	3,791	7,603	1,397	98,315
Other Service Expenses	65,739	71,578	30,751	11,473	179,541
Support Service Recharges	3,941	2,674	3,322	772	10,709
<b>Total Expenditure</b>	<b>155,204</b>	<b>78,043</b>	<b>41,676</b>	<b>13,642</b>	<b>288,565</b>
<b>Net Cost of Services</b>	<b>38,817</b>	<b>37,920</b>	<b>29,871</b>	<b>(3,091)</b>	<b>103,517</b>



Reconciliation to Subjective Analysis, Comparative Figures for 2013/14	Service Analysis	Services & Support Services not in Analysis	Amounts 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	(49,879)	(6,539)	0	1,010	0	(55,408)	0	(55,408)
Surplus or Deficit on Associates and Joint Ventures	0	0	0	0	0	0	0	0
Interest and Investment Income	0	0	0	0	0	0	(305)	(305)
Income from Council Tax	0	0	0	0	0	0	(78,105)	(78,105)
Government Grants and Contributions	(135,169)	(145)	0	0	0	(135,314)	(51,460)	(186,774)
<b>Total Income</b>	<b>(185,048)</b>	<b>(6,684)</b>	<b>0</b>	<b>1010</b>	<b>0</b>	<b>(190,722)</b>	<b>(129,870)</b>	<b>(320,592)</b>
Employee Expenses	98,315	15,423	0	0	0	113,738	0	113,738
Other Service Expenses	179,540	18,122	(17,438)	(1,982)	0	178,242	0	178,242
Support Service Recharges	10,710	(9,478)	0	0	0	1,232	0	1,232
Depreciation, Amortisation and Impairment	0	0	18,474	0	0	18,474	(2,024)	16,450
Interest Payments	0	0	0	0	0	0	11,736	11,736
Precepts & Levies	0	0	0	0	0	0	3,555	3,555
Payments to Housing Capital Receipts Pool	0	0	0	0	0	0	237	237
Gain or Loss on Disposal of Non-Current Assets	0	0	0	0	0	0	25,835	25,835
<b>Total Expenditure</b>	<b>288,565</b>	<b>24,067</b>	<b>1,036</b>	<b>(1,982)</b>	<b>0</b>	<b>311,686</b>	<b>39,339</b>	<b>351,025</b>
<b>(Surplus) or Deficit on the Provision of Services</b>	<b>103,517</b>	<b>17,383</b>	<b>1,036</b>	<b>(972)</b>	<b>0</b>	<b>120,964</b>	<b>(90,531)</b>	<b>30,433</b>

## NOTE 12 TRADING OPERATIONS

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

### Building Control Trading Account

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

	2013/14 £,000	2014/15 £,000
<b>Building Control Trading Account</b>		
Turnover	(662)	(318)
Expenditure	377	325
<b>(Surplus) / Deficit</b>	<b>(285)</b>	<b>7</b>

The chargeable account, in its fourteenth year of operation, made a loss of £7k in 2014/15 compared to a £285k surplus in 2013/14. The reduction in turnover was partly due to the understatement of fees received in advance in 13/14, however if 2013/14 and 2014/15 are taken together there is no effect on the balance on the reserve. The account should take one financial year with another, and should achieve break-even over a rolling period of three years. The balance on the reserve at 31 March 2015 is a surplus of £252k.

## NOTE 13 MEMBERS' ALLOWANCES

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

	2013/14 £,000	2014/15 £,000
Members Remuneration	608	588
	<b>608</b>	<b>588</b>

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

## NOTE 14 OFFICERS' REMUNERATION (including exit packages)

The Council paid the following amounts to its senior employees:

Post Title and Name of Holder	Year	Salary, Fees and Allowances		Performance Related Pay	Expenses	Compensation for Loss of Office	Pension Contribution	Total
		£	£	£	£	£	£	£
<b>Chief Executive</b>								
Andy Couldrick	2014/15	132,331	10,400	761		0	25,736	169,228
Andy Couldrick	2013/14	125,000	9,375	1,741		0	21,500	157,616
<b>Director - Health &amp; Wellbeing</b>								
Stuart Rowbotham	2014/15	112,695	9,016	780		0	21,543	144,034
Stuart Rowbotham	2013/14	112,695	8,452	479		0	19,384	141,010
<b>Director of Environment</b>								
Heather Thwaites	2014/15	112,404	8,519	0		0	21,455	142,378
Heather Thwaites	2013/14	105,787	7,754	222		0	18,279	132,042
<b>Strategic Director - Neighbourhood Services</b>								
Mark Moon	2013/14	91,049	14,637	243		63,050	17,012	185,991
<b>Director - Children's Services</b>								
Judith Ramsden	2014/15	112,695	1,866	2,034		0	20,277	136,872
Judith Ramsden	2013/14	27,074	0	0		0	4,329	31,403
Pauline Maddison	2013/14	130,406	0	457		0	0	130,863
<b>Director - Finance and Resources</b>								
Graham Ebers	2014/15	112,695	9,016	1,316		0	21,543	144,570
Graham Ebers	2013/14	112,695	8,452	555		0	19,383	141,085
<i>payments relating to 12/13 received in 13/14</i>	2013/14	9,312	0	0		0	1,490	10,802
<b>Head of Governance and Improvement formerly</b>								
<b>Director of Transformation</b>								
Andrew Moulton	2014/15	90,131	7,200	52		0	18,281	115,664
Andrew Moulton	2013/14	89,301	6,750	0		0	15,480	111,531
<b>Director of Governance</b>								
Susanne Nelson-Wehrmeyer	2013/14	93,662	0	732		55,627	10,593	160,614

Director of Business Assurance & Democratic Services						
Muir Laurie (in post until August 2013)	2013/14	20,081	0	31	0	20,112
Head of Town Centre Regeneration						
Bernard Pich	2014/15	76,524	0	1,264	0	91,384
Bernard Pich	2013/14	76,116	0	1,140	0	89,547

There have been no changes to senior officer posts during 14/15.

Three senior officers left the Council during 2013/14 and three posts were deleted (Strategic Director – Neighbourhood Services, Director of Governance and Director of Business Assurance & Democratic Services).

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	2013/14			2014/15		
	No of Employees		Total	No of Employees		Total
	Council	School		Council	School	
£50,000 - £54,999	17	17	34	22	19	41
£55,000 - £59,999	14	18	32	13	20	33
£60,000 - £64,999	5	15	20	4	17	21
£65,000 - £69,999	6	9	15	7	11	18
£70,000 - £74,999	1	4	5	2	5	7
£75,000 - £79,999	3	0	3	1	1	2
£80,000 - £84,999	2	1	3	5	0	5
£85,000 - £89,999	0	2	2	0	2	2
£90,000 - £94,999	0	2	2	0	2	2
£95,000 - £95,499	2	0	2	0	1	1
	50	68	118	54	78	132

The 2013/14 School employee numbers have been restated from 54 to 68 as the original figures were incorrectly compiled.

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.

<b>COUNCIL</b>	<b>Number of compulsory redundancies</b>			<b>Number of other departures agreed</b>			<b>Total number of exit packages</b>		<b>Total cost of exit packages in each band</b>	
	<b>2013/14</b>	<b>2014/15</b>		<b>2013/14</b>	<b>2014/15</b>		<b>2013/14</b>	<b>2014/15</b>	<b>2013/14</b>	<b>2014/15</b>
<b>Exit package cost</b>										
£0 - £20,000	38	2		6	2		44	4	£158,230	£35,192
£20,001 - £40,000	1	1		0	1		1	2	£25,743	£68,920
£40,001 - £60,000	0	2		0	0		0	2	£0	£92,892
£60,001 - £80,000	2	1		0	0		2	1	£142,372	£73,411
£80,001 - £100,000	0	0		0	0		0	0	£0	£0
£100,001 - £150,000	0	0		0	0		0	0	£0	£0
Above £150,000	2	0		0	0		2	0	£366,324	£0
<b>SCHOOLS</b>										
<b>Exit package cost</b>										
£0 - £20,000	1	7		4	5		5	12	£57,653	£30,681
£20,001 - £40,000	0	0		1	0		1	0	£34,356	£0
£40,001 - £60,000	0	0		0	0		0	0	£0	£0
£60,001 - £80,000	0	0		0	0		0	0	£0	£0
£80,001 - £100,000	0	0		0	0		0	0	£0	£0

## **NOTE 15            TERMINATION BENEFITS**

The Council terminated the contracts of a number of employees in 2014/15, incurring expenditure of £480k (£352k in 2013/14). These were mainly due to officers who were made redundant as part of the reorganisation of services at the Council. No directors were made redundant during 2014/15.

## **NOTE 16 RELATED PARTIES**

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

All Councillors, officers on the Corporate Leadership Team, budget managers (including financial approvers and project managers), shared audit & investigations, shared legal solutions, operational property, strategic assets, group finance, housing assets & maintenance and commercial & procurement were asked to complete a disclosure statement in respect of themselves and their family members / close relatives, detailing any material transactions with related parties.

### **Central Government**

Central government has a direct influence over the general operations of the Council – it is responsible for providing the statutory framework, within which the Council operates, provides a large amount of its funding in the form of grants and prescribes the terms of many of the transactions that the Council has with other parties (e.g. council tax bills, housing benefits). Grants received from government departments are set out in note 20.

### **Members**

Members of the Council have direct control over the Council's financial and operating policies. The total of member's allowances paid in 2014/15 is shown in Note 13. During 2014/15, works and services to the value of £16.206m (£25.337m in 2013/14) were commissioned from companies in which 15 members had an interest (nine in 2013/14). The decrease in value is mostly due a member no longer declaring an interest in RE3 Ltd of £10.2m. Contracts were entered into in full compliance with the Council's standing orders. In addition, grants and payments totalling £299k (£350k in 2013/14) were paid to voluntary organisations and charities in which 11 members declared an interest (10 in 2013/14). Payments of £414k (£2.139m in 2013/14) were made to education establishments in which 5 members declared an interest (nine in 2013/14). The Council owed £109k to these organisations at 31 March 2015 (£120k at 31 March 2014), while £650k was owed to Wokingham Borough Council by the relevant organisations at 31 March 2015 (£264k at 31 March 2014).

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 2014/15, works and services to the value of £9.538m (£7.047m in 2013/14) were commissioned from companies in which 11 officers had an interest (15 in 2013/14). This includes two officers interests in wholly owned Council subsidiaries in which they were acting in capacity of their role for the Council (two in 2013/14), which totalled £12.7k (£1.1m in 2013/14). The Council owed the relevant organisations £271k at 31 March 2015 (£626k at 31 March 2014), while £34k was owed to Wokingham Borough Council at 31 March 2015 (£31k at 31 March 2014). Contracts were entered into in full compliance with the Council's standing orders. In addition, grants and

payments totalling £14k (£2k in 2013/14) were paid to voluntary organisations and charities in which one officer declared an interest (one in 2013/14).

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

### Parish Councils

Certain Members of Wokingham Borough Council are also councillors of the 17 Parish Councils within the Borough. Each Parish Council has the ability to levy a precept upon Wokingham Borough Council for the collection of council tax on behalf of the Parish Councils. In 2014/15 Wokingham Borough Council collected and paid over £3.508m (£3.390m in 2013/14) in council tax to the Parish Councils.

### Other Public Bodies

The Council entered into a PFI contract with Waste Recycling Group (RE3 Ltd) in 2006/07 for the disposal of waste together with Reading and Bracknell Forest Borough Councils, see note 29 for further details. The total outstanding value of the contract is £547m at 31 March 2015 (£571m at 31 March 2014). The Council's contribution for 2014/15 was £8.6m (£8.5m in 2013/14).

The Council also operates a shared legal services function with the Royal Borough of Windsor and Maidenhead, and a Sensory Needs service (which ended during 2014/15) on behalf of a number of unitary authorities in Berkshire. The details are set out in note 44. The Council started shared services in 2014/15 for internal audit and investigations services with the Royal Borough of Windsor and Maidenhead, and also a shared reprographics service with Bracknell Forest Borough Council.

### Entities Controlled or Significantly Influenced by the Council

The Council had seven subsidiary companies at 31 March 2015 (seven at 31 March 2014), which are owned in full either directly or through existing subsidiaries, and each had a Board of Directors on which council members serve. Their accounts are incorporated in full in the Group Accounts section of the Statement of Accounts, together with the impact of transactions with the Council. The main companies are:

- WBC Holdings Ltd
- Wokingham Enterprises Ltd (WEL)
- Optalis Ltd
- Wokingham Housing Ltd (WHL)

## NOTE 17 EXTERNAL AUDIT COSTS

The Council has incurred the following costs in relation to the audit of the Statement of Accounts, certification of grant claims and statutory inspections provided by the Council's auditors, Ernst & Young LLP:

	2013/14 £,000	2014/15 £,000
External Audit Services	170	125
Certification of Grants and Returns	15	8
	<b>185</b>	<b>133</b>



## **NOTE 18 PENSION SCHEMES ACCOUNTED FOR AS DEFINED CONTRIBUTION SCHEMES**

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

The scheme is a multi-employer 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 2014/15, the Council paid £5.454m to the Teachers' Pension Scheme in respect of teachers' retirement benefits, representing 14.1% of pensionable pay. The figures for 2013/14 were £5.371m and 14.1% respectively.

The Council is responsible for the costs of any additional benefits awarded upon early retirement outside of the terms of the teachers' scheme. These costs are accounted for on a defined benefit basis and detailed in Note 19.

## **NOTE 19 DEFINED BENEFIT PENSION SCHEMES**

### **Participation in Pension Schemes**

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

The Council participates in two schemes:

- The Local Government Pension Scheme (LGPS), administered by the Royal Borough of Windsor and Maidenhead – this is a funded scheme, which means that the Council and employees pay contributions into the fund, calculated at a level intended to balance the pensions liabilities with investment assets.
- Wokingham Borough Council is also responsible for a share (19.0561%) of the former Berkshire County Council (BCC) Local Government Pension Scheme. The scheme is also administered by the Royal Borough of Windsor and Maidenhead Council. Although now closed, a liability remains for the pensioners that were in the scheme when BCC ceased to exist.

The principal risks to the Council of the schemes are the longevity assumptions, statutory changes to the scheme, structural changes to the scheme (i.e. large scale withdrawals from the scheme), changes to inflation, bond yields and the performance of the equity investments held by the scheme. These are mitigated to a certain extent by the statutory requirements to charge to the General Fund and the Housing Revenue Account the amounts required by statute as described in the accounting policies note.

### **Transactions Relating to Post-Employment Benefits**

The Council recognises the cost of retirement benefits in the reported cost of services when they are earned by employees, rather than when the benefits are eventually paid as pensions.

However, the charge the Council is required to make against council tax is based on the cash payable in the year, so the real cost of retirement benefits is reversed out of the General Fund via the Movement in Reserves Statement (The transactions for the Wokingham scheme are shown below as 'WBC', while transactions for Berkshire County Council ('BCC') shown below represent only Wokingham's share (19.0561%) of the Berkshire scheme, and they are all separately identified in the table below). 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

Service cost comprising:

- Current Service Cost WBC scheme
- Administration Costs WBC scheme
- Administration Costs BCC scheme
- Losses/gains on settlements/curtailments WBC scheme

Financing and Investment Income and Expenditure:

- Net Interest on the Defined Liability WBC
- Net Interest on the Defined Liability BCC

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:

Remeasurement of the net defined benefit liability comprising :

- Remeasurements on WBC scheme assets
- Remeasurements on BCC scheme assets

#### Local Government Pension Scheme

2013/14	2014/15
£,000	£,000
9,474	10,798
127	115
10	8
0	0
5,082	5,489
1,500	1,753
<b>16,193</b>	<b>18,163</b>
3,036	41,615
(3,772)	4,240
<b>15,457</b>	<b>64,018</b>

#### Local Government Pension Scheme

2013/14	2014/15
£,000	£,000
(16,193)	(18,163)
6,907	7,723
<b>(9,286)</b>	<b>(10,440)</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

A valuation of the Berkshire County Council LGPS was undertaken by the Actuary, Barnett Waddingham LLP, who assessed the Net Pension Liability as at 31 March, 2015. The liability was shared between the six Berkshire Councils on the basis of population as at 31 March 1998. Wokingham Borough Council's share amounts to £48.524m at 31 March 2015 (£42.970m at 31 March 2014).

The cumulative amount of actuarial gains and losses for the Wokingham scheme recognised in other comprehensive income and expenditure in the actuarial gains or losses on pension liabilities line was, at 31 March 2015 a loss of £121.555m (At 31 March 2014 a loss of £84.173m). For the Council's share of the Berkshire scheme, at 31 March 2015 there was a loss of £30.106m (At 31 March 2014 a loss of £25.866m).

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

The BCC figures shown below are the Wokingham share of the overall former Berkshire County Council Scheme.

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

	<b>2013/14 £,000</b>	<b>2014/15 £,000</b>
<b>Opening Balance at 1 April (WBC and BCC)</b>	<b>326,642</b>	<b>329,311</b>
Current Service Cost WBC Scheme	9,616	10,305
Net Interest on the Defined Liability WBC	12,168	12,337
Net Interest on the Defined Liability BCC	1,871	2,109
Change in Financial Assumptions WBC	7,103	48,920
Change in Financial Assumptions BCC	(3,298)	4,598
Change in Demographic Assumptions WBC	(11,555)	0
Change in Demographic Assumptions BCC	(3,723)	0
Experience loss/(gain) on defined benefit obligation WBC	(2,257)	70
Experience loss/(gain) on defined benefit obligation BCC	3,163	103
Contribution by Scheme Participants WBC	2,512	2,859
Benefits Paid net of transfers in WBC	(9,025)	(7,945)
Benefits Paid net of transfers in BCC	(2,809)	(2,829)
Past Service Costs incl Curtailments WBC	443	405
Liabilities assumed/(extinguished) on Settlements WBC	(916)	311
Unfunded Pension Payments WBC	(178)	(176)
Unfunded Pension Payments BCC	(446)	(446)
<b>Total Liabilities at 31 March</b>	<b>329,311</b>	<b>399,932</b>

Reconciliation of the movements in the Fair Value of the scheme (Plan) assets:

	2013/14	2014/15
	£,000	£,000
<b>Opening fair value of scheme assets (WBC and BCC)</b>	<b>167,022</b>	<b>161,142</b>
Interest on Assets WBC	7,086	6,848
Interest on Assets BCC	370	356
Return on Assets less Interest WBC	(2,456)	7,375
Return on Assets less Interest BCC	11	461
Actuarial Gains/(Losses) WBC	(7,288)	0
Actuarial Gains/(Losses) BCC	(97)	0
Administration Expenses WBC	(127)	(115)
Administration Expenses BCC	(10)	(8)
Employer Contributions including Unfunded WBC	6,461	7,277
Employer Contributions including Unfunded BCC	446	446
Contributions by Scheme Participants WBC	2,512	2,859
Benefits Paid plus unfunded net of transfers WBC	(9,203)	(8,121)
Benefits Paid plus unfunded net of transfers BCC	(3,254)	(3,274)
Settlement prices received /paid WBC	(331)	223
<b>Total Fair Value of Scheme Assets at 31 March</b>	<b>161,142</b>	<b>175,469</b>
<b>Net Liability Closing Balance</b>	<b>168,169</b>	<b>224,463</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 gain on WBC scheme assets in 2014/15 was £14.223m comprising a gain of £6.848m on Interest on Assets plus a gain of £7.375m on Return on Assets less Interest (In 2013/14 there was a loss of £2.658m comprising a gain of £7.086m on Interest on Assets, and a loss of £2.456m on Return on Assets less Interest, plus an actuarial loss of £7.288m). For Wokingham's share of the Berkshire scheme, the actual gain was £817k in 2014/15 comprising a gain of £356k on Interest on Assets plus a gain of £461k on Return on Assets less Interest (There was a net gain of £284k in 2013/14).

### Scheme History

Wokingham Borough Council Scheme	2010/11	2011/12	2012/13	2013/14	2014/15
	£,000	£,000	£,000	£,000	£,000
Present Value of the defined benefit obligation	(205,803)	(242,856)	(266,084)	(274,171)	(341,125)
Fair Value of plan Assets	144,283	137,437	154,403	151,057	167,403
Present Value of Unfunded Obligations	(2,883)	(2,292)	(2,261)	(2,085)	(2,217)
<b>Net liability arising from the defined benefit obligation</b>	<b>(64,403)</b>	<b>(107,711)</b>	<b>(113,942)</b>	<b>(125,199)</b>	<b>(175,939)</b>

<b>Former Berkshire County Council Scheme</b>	<b>2010/11</b>	<b>2011/12</b>	<b>2012/13</b>	<b>2013/14</b>	<b>2014/15</b>
<b>£,000</b>	<b>£,000</b>	<b>£,000</b>	<b>£,000</b>	<b>£,000</b>	<b>£,000</b>
Present Value of the defined benefit obligation	(228,814)	(243,963)	(272,682)	(247,053)	(264,294)
Fair Value of plan Assets	89,580	74,632	66,221	52,921	42,323
Present Value of Unfunded Obligations	(15,772)	(30,023)	(33,240)	(31,360)	(32,669)
<b>Net liability arising from the defined benefit obligation</b>	<b>(155,006)</b>	<b>(199,354)</b>	<b>(239,701)</b>	<b>(225,492)</b>	<b>(254,640)</b>
<b>Wokingham's share of Former Berkshire County Council Scheme (19.0561%)</b>	<b>2010/11</b>	<b>2011/12</b>	<b>2012/13</b>	<b>2013/14</b>	<b>2014/15</b>
<b>£,000</b>	<b>£,000</b>	<b>£,000</b>	<b>£,000</b>	<b>£,000</b>	<b>£,000</b>
Present Value of the defined benefit obligation	(43,603)	(46,490)	(51,963)	(47,079)	(50,364)
Fair Value of plan Assets	17,070	14,222	12,619	10,085	8,065
Present Value of Unfunded Obligations	(3,006)	(5,721)	(6,334)	(5,976)	(6,225)
<b>Net liability arising from the defined benefit obligation</b>	<b>(29,539)</b>	<b>(37,989)</b>	<b>(45,678)</b>	<b>(42,970)</b>	<b>(48,524)</b>
<b>Wokingham BC Scheme plus share of Former Berkshire County Council Scheme (19.0561%)</b>	<b>2010/11</b>	<b>2011/12</b>	<b>2012/13</b>	<b>2013/14</b>	<b>2014/15</b>
<b>£,000</b>	<b>£,000</b>	<b>£,000</b>	<b>£,000</b>	<b>£,000</b>	<b>£,000</b>
Present Value of the defined benefit obligation	(249,406)	(289,346)	(318,047)	(321,250)	(391,489)
Fair Value of plan Assets	161,353	151,659	167,022	161,142	175,468
Present Value of Unfunded Obligations	(5,889)	(8,013)	(8,595)	(8,061)	(8,442)
<b>Net liability arising from the defined benefit obligation</b>	<b>(93,942)</b>	<b>(145,700)</b>	<b>(159,620)</b>	<b>(168,169)</b>	<b>(224,463)</b>

The liabilities show the underlying commitments that the Council has in the long term to pay post employment (retirement) benefits. The total net liability of £224.463m at 31 March 2015 (£168.169m at 31 March 2014) 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 (i.e. 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 31 March 2015 is £7.281m (£6.153m at 31 March 2014).

### Basis for Estimating Assets and Liabilities

For the year to 31 March 2015, the expected return is based on the discount rate, which was 3.4% and this rate has been used to determine the profit and loss charge for the year ended 31 March 2015, compared to a rate of 4.5% in 2013/14. The respective figures for the former Berkshire scheme are slightly different and are 2.9% for 2014/15 and 4.1% for 2013/14. The discount rate is the annualised yield at the 20 year point (The 13 year point is used for Berkshire scheme due to shorter scheme duration) on the Merrill Lynch AA rated corporate bond yield curve which has been chosen to meet the requirements of IAS 19 and with consideration of the duration of the employer's liabilities.

Barnett Waddingham LLP, an independent firm of actuaries, assessed the liabilities as at 31 March 2015. The principal assumptions used by the actuary for the Wokingham scheme are:

	2013/14	2014/15
Expected Return on Assets (Equal to the discount rate)	4.5%	3.4%
Mortality Assumptions:		
Longevity at 65 for Current Pensioners:		
• Men	22.7	22.8
• Women	26.0	26.1
Longevity at 65 for Future Pensioners:		
• Men	24.9	25.1
• Women	28.3	28.4
Rate of Inflation-RPI	3.6%	3.3%
Rate of Inflation-CPI	2.8%	2.5%
Rate of Increase in Salaries	4.6%	4.3%
Rate of Increase in Pensions	2.8%	2.5%
Rate for Discounting Scheme Liabilities	4.5%	3.4%
Take-up Option to Convert Annual Pension into Retirement Lump Sum	50%	50%
Take-up Option to pay 50% contributions for 50% of benefits	10%	10%

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

	2013/14	2014/15
Equity Investments	42%	44%
Gilts	1%	2%
Bonds (All overseas)	16%	14%
Property	12%	12%
Cash	2%	6%
Target Return	18%	18%
Commodities	9%	4%
Infrastructure	4%	4%
Longevity Insurance	(4%)	(4%)
<b>Total</b>	<b>100%</b>	<b>100%</b>



### History of Experience Gains and Losses

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

	2010/11 %	2011/12 %	2012/13 %	2013/14 %	2014/15 %
Differences Between the Expected and Actual Return on Assets	(2.09)	7.99	(4.86)	1.41	(6.69)
Experience Gains and Losses on Liabilities	2.58	(0.72)	(0.21)	(3.22)	(0.2)

The estimation of the defined benefit obligation is sensitive to the actuarial assumptions set out in the table above. The sensitivity analysis below has been determined based on reasonably possible changes of the assumptions occurring at the end of the reporting period and assumes for each change that the assumption analysed changes while all the other assumptions remain constant. The assumptions in longevity, for example, assume that life expectancy increases or decreases for men and women. In practice, this is unlikely to occur, and changes in some of the assumptions may be interrelated. The estimations in the sensitivity analysis have followed the accounting policies for the scheme, i.e. on an actuarial basis using the projected unit credit method. The methods and types of assumptions used in preparing the sensitivity analysis below for the WBC scheme did not change from those used in the previous period. The figures include a 19.0561% share of the Berkshire scheme.

### Impact on the Defined Benefit Obligation in the Scheme

	£,000	£,000	£,000
Adjustment to discount rate (increase or decrease)	+0.1%	0.0%	-0.1%
Present Value of Total Obligation	392,591	399,932	407,419
Projected Service Cost	12,647	12,950	13,261
Adjustment to long term salary increase	+0.1%	0.0%	-0.1%
Present Value of Total Obligation	400,838	399,932	399,033
Projected Service Cost	12,950	12,950	12,950
Adjustment to pension increases and deferred revaluation	+0.1%	0.0%	-0.1%
Present Value of Total Obligation	406,572	399,932	393,421
Projected Service Cost	13,263	12,950	12,644
Adjustment to mortality age rating assumption	+ 1 Year	None	- 1 Year
Present Value of Total Obligation	386,000	399,932	413,989
Projected Service Cost	12,510	12,950	13,394

### Impact on the Authority's Cash Flows

The objectives of the scheme are to maintain employers' contributions at as constant a rate as possible. Funding levels are monitored on an annual basis, and the next triennial valuation is due to be completed on 31 March 2016.



The scheme will need to take account of the national changes to the scheme under the Public Services Pensions Act 2013. Under the Act, the Local Government Pension Scheme in England and Wales and the other main existing public sector schemes may not provide benefits in relation to service after 31 March 2014 (or service after 31 March 2015 for other main existing public sector pension schemes in England and Wales). The Act provides for scheme regulations to be made within a common framework, to establish new career average revalued earnings schemes to pay pensions and other benefits to certain public servants.

As at 31 March 2015 the estimated contributions to the scheme in 2015/16 total £7.281m.

The estimated duration of the defined benefit obligation for members of the Wokingham Borough Council scheme members is 20 years at 31 March 2015 (20 years at 31 March 2014), and for the members of the former Berkshire scheme is 13 years at 31 March 2015 (13 years at 31 March 2014).

## NOTE 20 GRANT INCOME

The Council credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement in 2014/15:

	2013/14 £,000	2014/15 £,000
<b>Credited to Taxation and Non-specific Grant Income:</b>		
Revenue Support Grant	(18,641)	(15,651)
New Homes Bonus & Council Tax Freeze	(1,854)	(2,772)
Other Grants	(106)	0
Capital Grants	(14,085)	(19,915)
Capital Contributions	(4,961)	(12,047)
<b>Total</b>	<b>(39,647)</b>	<b>(50,385)</b>

	2013/14 £,000	2014/15 £,000
<b>Credited to Services:</b>		
Dedicated Schools Grant	(92,932)	(92,079)
EFA 6 <sup>th</sup> Form Funding	(4,580)	(4,384)
Education Services Grant	(2,665)	(2,601)
Pupil Premium	(1,913)	(2,706)
Additional Grant for Schools	(293)	(557)
Universal Infant Free School Meals	0	(1,298)
Mandatory Rent Allowances: subsidy	(16,674)	(16,870)
Public Health Grant	(3,839)	(4,223)
Rent Rebates Granted to HRA Tenants: subsidy	(7,021)	(7,376)
Social Care Reform Grant	0	(265)
Early Intervention Grant	(259)	0
Private Finance Initiative (PFI)	(1,109)	(1,109)
Pooled Treatment Grant	(56)	0
Small Business Rate Relief	(390)	(408)
Housing Benefit and Council Tax Benefit Administration	(465)	(316)
Local Services Support Grant	(148)	(73)
Adult and Community Learning from Learning and Skills Council	(287)	(288)
Care Bill Implementation Grant	0	(489)
Primary Care Trust/NHS Reform	(1,437)	(1,506)
Large Scale Sites Grant	(1,424)	(736)

**Credited to Services:**

Influencing Travel Behaviour in Wokingham
Sustainable Chiltern Gateway
City Deal
Families First
Other Grants
<b>Total</b>

2013/14 £,000	2014/15 £,000
(640)	(681)
(220)	(221)
0	(380)
(210)	(477)
(848)	(2,437)
<b>(137,410)</b>	<b>(141,480)</b>

There have been some significant changes between 2013/14 and 2014/15. The main changes in revenue Grants credited to Taxation and Non-specific grant Income were a reduction in Revenue Support Grant from £18.641m to £15.651m and an increase in New Homes Bonus from £1.854m to £2.772m. Capital Grants increased from £14.085m in 2013/14 to £19.915m in 2014/15 largely due to an extra £3.9m Pinch Point Grant to pay for essential highways works, an extra £0.8m for Decent Homes Grant and £0.75m for Sustainable Transport Grant.

The main changes in revenue grants to services are new grants of £1.3m for Universal Infant Free School Meals and £380k for City Deal.

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

**Revenue Grants Receipt in Advance:**

Social Care Reform Grant
Severe Weather Recovery Grant
Innovations Programme
Special Education Needs & Disability
Families First
Adult and Community Learning from Learning and Skills Council
Other Grants
<b>Total</b>

31st March, 2014 £,000	31st March, 2015 £,000
(265)	0
(250)	0
0	(21)
0	(111)
0	(56)
0	(63)
(248)	(25)
<b>(763)</b>	<b>(276)</b>

**Capital Grants Receipt in Advance:**

Devolved Formula Grant
Local Sustainable Transport Fund (Influencing Travel Behaviour)
Decent Homes Backlog Grant
Local Pinch Point Fund
Targeted Basic Need Programme
Other Grants
<b>Total</b>

31st March, 2014 £,000	31st March, 2015 £,000
(1,677)	(1,579)
(417)	(68)
(858)	0
(464)	(8)
(410)	(1,158)
(153)	(8)
<b>(3,979)</b>	<b>(2,821)</b>

	31st March, 2014 £,000	31st March, 2015 £,000
<b>Capital Contributions Receipt in Advance:</b>		
S106 Contributions	(15,081)	(18,090)
Other Contributions	0	
<b>Total</b>	<b>(15,081)</b>	<b>(18,090)</b>
<b>Total Capital Grants and Contributions Receipts in Advance</b>	<b>(19,060)</b>	<b>(20,911)</b>

The main change in grants and contributions received in advance was an increase in S106 contributions from £15.081m to £18.090m largely due to new housing and commercial developments. In addition to the S106 contributions, as at 31 March 2015 the Council has £2.437m S106 contributions in earmarked reserves which relate to S106 commuted sums and SANG (Suitable Alternative Natural Greenspace) contributions to maintain green spaces around developments.

## NOTE 21 DEDICATED SCHOOLS GRANT

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

Details of the deployment of the DSG receivable for 2014/15 are as follows and comprise the DSG figure as issued by the Department for Education :

	Central Expenditure £,000	ISB £,000	Total £,000
Final DSG for 2014/15 before Academy Recoupment			(112,744)
Less Academy figure recouped for 2014/15			20,665
<b>Total DSG after Academy recoupment for 2014/15</b>			<b>(92,079)</b>
Brought forward from 2013/14			(1,540)
Carry-forward to 2015/16 agreed in advance			0
Agreed initial budget distribution in 2014/15	(13,805)	(79,479)	(93,284)
In year Adjustments		(48)	(48)
<b>Final Budgeted distribution for 2014/15</b>	<b>(13,805)</b>	<b>(79,527)</b>	<b>(93,332)</b>
Less Actual central expenditure	13,288		13,288
Less Actual ISB deployed to schools		79,417	79,417
Plus Local authority contribution for 2014/15			0
<b>Carry Forward to 2015/16</b>	<b>(517)</b>	<b>(110)</b>	<b>(627)</b>

## NOTE 22 USABLE RESERVES

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

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

## NOTE 23 UNUSABLE RESERVES

31st March, 2014		31st March, 2015
£,000		£,000
(90,684)	Revaluation Reserve	(146,652)
(436,541)	Capital Adjustment Account	(448,496)
2,173	Financial Instruments Adjustment Account	2,037
168,169	Pensions Reserve	224,463
(901)	Collection Fund Adjustment Account	(1,210)
3,051	Accumulated Absences Account	3,162
<b>(354,732)</b>	<b>Total Unusable Reserves</b>	<b>(366,695)</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, 2014		31st March, 2015	31st March, 2015
£,000		£,000	£,000
<b>(97,014)</b>	<b>Balance at 1st April</b>		<b>(90,684)</b>
(5,943)	Upward Revaluation of Assets	(83,444)	
1,726	Downward Revaluation of Assets and Impairment Losses not Charged to the Surplus or Deficit on the Provision of Services	25,184	

(4,217)	Surplus or Deficit on Revaluation of Non-current Assets not Posted to the Surplus or Deficit on the Provision of Services		(58,260)
2,602	Difference Between Fair Value Depreciation and Historical Cost Depreciation	2,035	
7,945	Accumulated Gains on Assets Sold or Disposed	257	
10,547	Amount Written Off to the Capital Adjustment Account		2,292
<b>(90,684)</b>	<b>Balance at 31st March</b>		<b>(146,652)</b>

### Capital Adjustment Account

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

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

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

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

31st March, 2014		31st March, 2015	31st March, 2015
£,000		£,000	£,000
<b>(446,388)</b>	<b>Balance at 1st April</b>		<b>(436,541)</b>
	Reversal of Items Relating to Capital Expenditure Debited or Credited to the Comprehensive Income and Expenditure Statement:		
18,025	• Charges for Depreciation of Non-current Assets	17,034	
1,227	• Charges for Impairment of Non-current Assets	466	
3,629	• Revaluation Losses on Property, Plant and Equipment	9,197	
449	• Amortisations of Intangible Assets	391	
15,174	• Revenue Expenditure Funded from Capital under Statute	1,737	
27,923	• Amounts of Non-current Assets to be Written Off on Disposal or Sale as part of the Gain / Loss on Disposal to the Comprehensive	3,103	

31st March, 2014 £,000		31st March, 2015 £,000	31st March, 2015 £,000
	Income and Expenditure Statement		
66,427			31,928
(10,547)	Adjusting Amounts Written Out of the Revaluation Reserve		(2,291)
55,880	Net Written Out Amount of the Cost of Non-current Assets Consumed in the Year		29,637
	Capital Financing Applied in the Year:		
(1,313)	• Use of Capital Receipts Reserve to Finance New Capital Expenditure	(2,614)	
(2,604)	• Use of Major Repairs Reserve to Finance New Capital Expenditure	(3,409)	
(6,521)	• Capital Grants and Contributions Credited to the Comprehensive Income and Expenditure Statement that have been Applied to Capital Financing	(12,873)	
(27,763)	• Application of Grants to Capital Financing from the Capital Grants Unapplied Account	(16,420)	
(3,431)	• Statutory Provision for the Financing of Capital Investment Charged against the General Fund and HRA Balances	(3,271)	
(359)	• Capital Expenditure Charged against the General Fund and HRA Balances	(54)	
0	• Transfer of shares at nil value to WBC (Holdings) Ltd	1,950	
(2,076)	• Voluntary Debt Repayment - HRA	0	
(884)	• Prior Year Adjustment – Impairment of School	0	
(44,951)			(36,691)
(990)	Movements in the Market Value of Investment Properties Debited or Credited to the Comprehensive Income and Expenditure Statement		772
(92)	Movement in the donated Assets Account Credited to the Comprehensive Income and Expenditure Statement		(5,673)
<b>(436,541)</b>	<b>Balance at 31st March</b>		<b>(448,496)</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.

<b>31st March, 2014</b>		<b>31st March, 2015</b>
<b>£,000</b>		<b>£,000</b>
<b>2,309</b>	<b>Balance at 1st April</b>	<b>2,173</b>
0	Premiums Incurred in the Year and Charged to the Comprehensive Income and Expenditure Statement	0
(136)	Proportion of Premiums Incurred in Previous Financial Years to be Charged against the General Fund Balance in Accordance with Statutory Requirements	(136)
0	Amount by which Finance Costs Charged to the Comprehensive Income and Expenditure Statement are Different from Finance Costs Chargeable in the Year in Accordance with Statutory Requirements	0
<b>2,173</b>	<b>Balance at 31st March</b>	<b>2,037</b>

### 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.

<b>31st March, 2014</b>		<b>31st March, 2015</b>
<b>£,000</b>		<b>£,000</b>
<b>159,620</b>	<b>Balance at 1st April</b>	<b>168,169</b>
(737)	Actuarial (Gains) or Losses on Pensions Assets and Liabilities	45,855
16,193	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	18,162
(6,907)	Employer's Pensions Contributions and Direct Payments to Pensioners Payable in the Year	(7,723)
<b>168,169</b>	<b>Balance at 31st March</b>	<b>224,463</b>



### Collection Fund Adjustment Account

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

31st March, 2014 £,000		31st March, 2015 £,000
(800)	<b>Balance at 1st April</b>	(901)
(101)	Amount by which Council Tax and Retained Business Rates Income Credited to the Comprehensive Income and Expenditure Statement is Different from Council Tax and Retained Business Rates Income Calculated for the Year in Accordance with Statutory Requirements	(309)
(901)	<b>Balance at 31st March</b>	(1,210)

### 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, e.g. 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, 2014 £,000		31st March, 2015 £,000
2,870	<b>Balance at 1st April</b>	3,051
(2,870)	Settlement or cancellation of accrual made at the end of preceding Year	(3,051)
3,051	Amounts accrued at the end of the current year	3,162
181	Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accrual basis is different from remuneration chargeable in the year in accordance with statutory requirements	111
3,051	<b>Balance at 31st March</b>	3,162

## NOTE 24 PROPERTY, PLANT AND EQUIPMENT

Movements in 2014/15:	Council Dwellings	Other Land and Buildings (Inc. HRA)	Vehicles, Plant, Furniture & Equipment	Infrastructure Assets	Community Assets	Surplus Assets	Assets under Construction	Total Property, Plant and Equipment £,000	PFI Assets Included in Property, Plant and Equipment £,000
<b>Cost or Valuation</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>	
At 1st April, 2014	200,927	478,803	18,538	107,193	2,364	3,380	9,129	820,334	11,709
Additions	7,055	20,827	1,031	11,281	11	0	5,620	45,825	0
Revaluation Increases / (Decreases) Recognised in the Revaluation Reserve	(983)	45,645	0	0	0	934	0	45,594	0
Revaluation Increases / (Decreases) Recognised in the Surplus / Deficit on the Provision of Services	0	(19,220)	0	0	0	4	0	(19,216)	0
De-recognition - Disposals	(664)	(482)	(216)	0	0	(555)	0	(1,917)	0
Assets reclassified (to) / from Held for Sale	(150)	0	0	0	0	0	0	(150)	0
Other Movements in Cost or	(45)	(2,636)	482	2,846	0	2,627	(4,192)	(918)	0

<b>Movements in 2014/15:</b>	<b>Council Dwellings £,000</b>	<b>Other Land and Buildings (Inc. HRA) £,000</b>	<b>Vehicles, Plant, Furniture &amp; Equipment £,000</b>	<b>Infrastructure Assets £,000</b>	<b>Community Assets £,000</b>	<b>Surplus Assets £,000</b>	<b>Assets under Construction £,000</b>	<b>Total Property, Plant and Equipment £,000</b>	<b>PFI Assets Included in Property, Plant and Equipment £,000</b>
<b>Valuation</b>									
<b>At 31st March, 2015</b>	<b>206,140</b>	<b>522,936</b>	<b>19,835</b>	<b>121,320</b>	<b>2,375</b>	<b>6,390</b>	<b>10,556</b>	<b>889,552</b>	<b>11,709</b>
<b>Accumulated Depreciation and Impairment</b>									
At 1st April, 2014	53,091	57,622	8,820	20,170	0	838	0	140,541	1,525
Depreciation Charge	2,860	8,837	1,676	3,447	0	214	0	17,034	407
Depreciation written out to the Revaluation Reserve	(2,865)	(9,530)	0	0	0	(270)	0	(12,665)	0
Depreciation written out to the Surplus/Deficit on the Provision of Services	0	(10,002)	0	0	0	(18)	0	(10,020)	0
Impairment Losses / (Reversals) Recognised in the Revaluation Reserve	0	2	0	0	0	0	0	2	0
Impairment Losses / (Reversals) Recognised in the Surplus / Deficit on the	0	466	0	0	0	0	0	466	0

<b>Movements in 2014/15:</b>	<b>Council Dwellings £,000</b>	<b>Other Land and Buildings (Inc. HRA) £,000</b>	<b>Vehicles, Plant, Furniture &amp; Equipment £,000</b>	<b>Infrastructure Assets £,000</b>	<b>Community Assets £,000</b>	<b>Surplus Assets £,000</b>	<b>Assets under Construction £,000</b>	<b>Total Property, Plant and Equipment £,000</b>	<b>PFI Assets Included in Property, Plant and Equipment £,000</b>
Provision of Services									
Derecognition – Disposals	(16)	(15)	(193)	0	0	(555)	0	(779)	0
Assets reclassified (to) / from Held for Sale	0	0	0	0	0	0	0	0	0
Other movements in depreciation and impairment	0	0	0	0	0	0	0	0	0
<b>At 31st March, 2015</b>	<b>53,070</b>	<b>47,380</b>	<b>10,303</b>	<b>23,617</b>	<b>0</b>	<b>209</b>	<b>0</b>	<b>134,579</b>	<b>1,932</b>
<b>Net Book Value</b>									
<b>At 31<sup>st</sup> March, 2015</b>	<b>153,070</b>	<b>475,556</b>	<b>9,532</b>	<b>97,703</b>	<b>2,375</b>	<b>6,181</b>	<b>10,556</b>	<b>754,973</b>	<b>9,777</b>
<b>At 31st March, 2014</b>	<b>147,836</b>	<b>421,182</b>	<b>9,716</b>	<b>87,023</b>	<b>2,364</b>	<b>2,542</b>	<b>9,128</b>	<b>679,792</b>	<b>10,184</b>

Comparative Movements in 2013/14	Council Dwellings £,000	Other Land and Buildings (Inc. HRA) £,000	Vehicles, Plant, Furniture & Equipment £,000	Infrastructure Assets £,000	Community Assets £,000	Surplus Assets £,000	Assets under Construction £,000	Total Property, Plant and Equipment £,000	PFI Assets Included in Property, Plant and Equipment £,000
Cost/Valuation									
At 1st April, 2013	157,252	507,607	16,825	102,014	2,364	3,851	4,261	794,174	11,709
Prior period adjustment to opening balances	37,250	(9,547)	250	0	0	(40)	0	27,913	
Revises 'At 1 <sup>st</sup> April 2013'	194,502	498,060	17,075	102,014	2,364	3,811	4,261	822,087	11,709
Revised Additions	4,736	10,234	1,886	5,179	0	0	4,868	26,903	0
Revaluation Increases / (Decreases)									
Recognised in the Revaluation Reserve	3,554	2,300	0	0	0	0	0	5,854	0
Revaluation Increases / (Decreases)									
Recognised in the Surplus / Deficit on the provision of Services	0	(3,629)	0	0	0	0	0	(3,629)	0
Derecognition - Disposals	(682)	(29,124)	(317)	0	0	(624)	0	(30,747)	0
Assets reclassified	(221)	0	0	0	0	0	0	(221)	0

Comparative Movements in 2013/14	Council Dwellings £,000	Other Land and Buildings (Inc. HRA) £,000	Vehicles, Plant, Furniture & Equipment £,000	Infrastructure Assets £,000	Community Assets £,000	Surplus Assets £,000	Assets under Construction £,000	Total Property, Plant and Equipment £,000	PFI Assets Included in Property, Plant and Equipment £,000
Cost/Valuation (to) / from Held for Sale									
Other Movements in Cost or Valuation	(962)	962	(106)	0	0	193	0	87	0
<b>At 31<sup>st</sup> March, 2014</b>	<b>200,927</b>	<b>478,803</b>	<b>18,538</b>	<b>107,193</b>	<b>2,364</b>	<b>3,380</b>	<b>9,129</b>	<b>820,334</b>	<b>11,709</b>
<b>Accumulated Depreciation and Impairment</b>									
At 1st April, 2013	12,976	57,462	7,377	16,921	0	936	0	95,672	1,118
Prior period adjustment to opening balances	37,250	(9,547)	248	0	0	(40)	0	27,911	0
Adjustment to clear accumulated balance	0	0	0	0	0	0	0	0	0
Revised Depreciation	2,865	10,038	1,432	3,249	0	441	0	18,025	407
Impairment Losses / (Reversals)									
Recognised in the Revaluation Reserve	0	753	0	0	0	0	0	753	0
Impairment	0	1,227	0	0	0	0	0	1,227	

Comparative Movements in 2013/14	Council Dwellings £,000	Other Land and Buildings (Inc. HRA) £,000	Vehicles, Plant, Furniture & Equipment £,000	Infrastructure Assets £,000	Community Assets £,000	Surplus Assets £,000	Assets under Construction £,000	Total Property, Plant and Equipment £,000	PFI Assets Included in Property, Plant and Equipment £,000
Cost/Valuation	£,000	£,000	£,000	£,000	£,000	£,000	£,000		
Losses / (Reversals)									
Recognised in the Surplus / Deficit on the Provision of Services									
Derecognition – Disposals	0	(2,311)	(237)	0	0	(499)	0	(3,047)	0
Assets									
Reclassified (to) / from Held for Sale	0	0	0	0	0	0	0	0	0
Other									
Movements in depreciation and Impairment	0	0	0	0	0	0	0	0	0
<b>At 31st March, 2014</b>	<b>53,091</b>	<b>57,622</b>	<b>8,820</b>	<b>20,170</b>	<b>0</b>	<b>838</b>	<b>0</b>	<b>140,541</b>	<b>1,525</b>

Prior period adjustments have been made to 2013/14 figures to correct cost / valuation and accumulated depreciation opening balances. This follows a review of the new asset register in 2014/15. These adjustments do not affect the overall net book values in the balance sheet.



## Depreciation

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

• Council Dwellings	Self Financing HRA Business Model
• Other, Land and Buildings	1-81 years
• Surplus Assets	1-23 years
• Vehicles, Plant, Furniture & Equipment	1-25 years
• Infrastructure, Roads & Highways	1-60 years

## Capital Commitments

The estimated commitments for capital expenditure for schemes where orders had been placed, or legal contracts entered into at 31 March 2015 are listed below:

	<b>31 March 2015 £,000</b>
• Wokingham Town Centre Regeneration	5,200
• Emmbrook Comprehensive School - Expansion works	1,033
• Coppid Beach Roundabout Improvements and Enhancements	717
• LSTF Scheme - A329 Cycleway Phase 2	606
• Station Link Road Development, Wokingham	500
• New Arborfield Secondary School - Feasibility	400
• Hawkedon Primary School - Expansion works	300
• Improved Capacity at Travellers Site	249
• Suttons Flyover - Bridge Rewaterproofing, Resurfacing and Joint Replacement	230
• Other Contractual Commitments individually below £0.2m	3,583
<b>Total</b>	<b>12,818</b>

## Revaluations

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

There were no significant assumptions or changes in estimated market values, applied in estimating the fair values in 2014/2015.

	<b>Council Dwellings</b>	<b>Other, Land and Buildings (Inc. HRA)</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	0	7,136	97,703	2,376	0	<b>107,215</b>
Valued at Fair Value as at:							
31st March, 2015	153,069	259,556	0	0	0	3,485	<b>416,110</b>
31st March, 2014	0	14,319	0	0	0	0	<b>14,319</b>
31st March, 2013	0	20,637	0	0	0	2,695	<b>23,332</b>
31st March, 2012	0	170,947	2,394	0	0	0	<b>173,342</b>
31st March, 2011	0	10,098	0	0	0	0	<b>10,098</b>
<b>Total Cost or Valuation</b>	<b>153,069</b>	<b>475,557</b>	<b>9,530</b>	<b>97,703</b>	<b>2,376</b>	<b>6,180</b>	<b>744,415</b>

## NOTE 25 INVESTMENT PROPERTIES

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

	<b>2013/14</b>	<b>2014/15</b>
	<b>£,000</b>	<b>£,000</b>
Rental Income from Investment Property	1,474	1,683
Direct Operating Expenses arising from Investment Property	(440)	(482)
<b>Net Gain / (Loss)</b>	<b>1,034</b>	<b>1,201</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:

	<b>2013/14 £,000</b>	<b>2014/15 £,000</b>
Balance at the Start of the Year	30,452	32,328
Additions:		
• Purchases	0	1,442
• Subsequent Expenditure	1,079	966
Disposals	0	(1,816)
Net Gains / (Losses) from Fair Value Adjustments	990	(772)
Transfers:		
• (To) / From Inventories	0	69
Other Changes	(193)	0
<b>Balance at the End of the Year</b>	<b>32,328</b>	<b>32,217</b>

## NOTE 26 INTANGIBLE ASSETS

The carrying amount of intangible assets is amortised on a straight-line basis.

The Council accounts for its software as intangible assets to the extent that the software is not an integral part of a particular IT system and accounted for as part of the hardware item of Property, Plant and Equipment. Amortisation of £253k charged to revenue in 2014/15 was charged to the IT Administration cost centre and then absorbed as an overhead across all the service headings in the Net Expenditure of Services. It is not possible to quantify exactly how much of the amortisation is attributable to each service heading. The remaining amortisation was charged directly to the service using the asset.

The costs of the Council's major software suites are written off over the following 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
20 Years	None	Enterprise Resource Planning (ERP) System

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

	2013/14 Total £,000	2014/15 Total £,000
Balance at the Start of the Year		
• Gross Carrying Amounts	4,229	2,662
• Prior period adjustments to opening balance	(1,773)	0
• <b>Adjusted Gross Carrying Amounts</b>	<b>2,456</b>	<b>0</b>
• Accumulated Amortisation	(2,666)	(1,341)
• Prior period adjustments to opening balance	1,773	0
• <b>Adjusted Gross Carrying amounts</b>	<b>(893)</b>	<b>0</b>
<b>Net Carrying Amount at Start of the Year</b>	<b>1,563</b>	<b>1,321</b>
Additions:		
• Purchases	100	625
• Other Changes	106	850
Amortisation for the Period	(448)	(391)
<b>Net Carrying Amount at End of the Year</b>	<b>1,321</b>	<b>2,405</b>
Comprising:		
Gross Carrying Amounts	2,662	4,137
Accumulated Amortisation	(1,341)	(1,732)
<b>Closing Balance at 31 March</b>	<b>1,321</b>	<b>2,405</b>

Prior period adjustments have been made to 2013/14 figures to correct cost/valuation and accumulated depreciation opening balances. This follows a review of the new asset register in 2014/15. These adjustments do not affect the overall net book values in the balance sheet.

Under the Waste and Emissions Trading Act 2003, the Council as a waste disposal authority is issued with Landfill Allowance Trading Scheme (LATS) permits on an annual basis for the amount of biodegradable waste that it is allowed to landfill. The fair value of allowances issued by the government is recognised as a government grant. The fair value of allowances is taken as the present market value at the Balance Sheet date. The value of allowances was nil at 31 March 2015 (nil at 31 March 2014).

The Council has installed a new Enterprise Resource Planning (ERP) System between 2013/14 and 2014/15, which has cost £1.4m. It will be amortised over a 20 year period.

## NOTE 27 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.

	2013/14 £,000	2014/15 £,000
<b>Opening Capital Financing Requirement</b>	<b>189,086</b>	<b>189,131</b>
<b>Capital Investment:</b>		
Property, Plant and Equipment	26,903	45,826
Investment Properties	1,079	2,408
Intangible Assets	100	625
Revenue Expenditure Funded from Capital under Statute	15,174	1,737
Long Term Investment	900	0
Long Term Debtor	46	413
<b>Sources of Finance:</b>		
Capital Receipts	(1,346)	(2,614)
Government Grants and Other Contributions	(32,032)	(27,217)
Sums Set Aside from Revenue:		
Direct Revenue Contributions	(5,180)	(5,541)
MRP / Loans Fund Principal	(3,431)	(3,271)
Donated Assets	(92)	(5,673)
<b>Other Adjustments:</b>		
Voluntary Debt Repayment - HRA	(2,076)	0
<b>Closing Capital Financing Requirement</b>	<b>189,131</b>	<b>195,824</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	45	6,693
<b>Increase / (Decrease) in Capital Financing Requirement</b>	<b>45</b>	<b>6,693</b>

## NOTE 28 LEASES

### The Council as Lessee

#### Finance Leases

The Council has two finance leases which were entered into in 1982 and are in respect of investment properties. They relate to property at 1-14 and 1a-9a Weller Drive on the Hogwood Lane industrial estate, and the original length of the leases is 125 years.

The assets acquired in the leases on the industrial estate are carried as Investment Properties in the Balance Sheet at nil value as the value was written down to nil during 2012/13 following a review as the initial lease terms on the property are onerous and at present the units are not trading at a surplus taking into account total management and running costs. In the event the properties trade at a surplus at a future date, the assets will be revalued and the impairment reversed as appropriate.

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

	31st March, 2014 £,000	31st March, 2015 £,000
<b>Finance Lease Liabilities (Net Present Value of Minimum Lease Payments):</b>		
• Current	0	0
• Non-current	1,067	1,067
<b>Finance Costs Payable in Future Years</b>	8,918	8,811
<b>Minimum Lease Payments</b>	<b>9,985</b>	<b>9,878</b>

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

	<b>Minimum Lease Payments</b>		<b>Finance Lease Liabilities</b>	
	31st March, 2014 £,000	31st March, 2015 £,000	31st March, 2014 £,000	31st March, 2015 £,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	9,451	9,344	1,067	1,067
	<b>9,985</b>	<b>9,878</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 2014/15 £183,810 contingent rents were payable by the Council (2013/14 £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, 2014 £,000	31st March, 2015 £,000
<b>Not Later than One Year:</b>		
Land and Buildings	189	202
Vehicles, Plant and Equipment	26	25
Computer Equipment	118	160
<b>Later than One Year and not Later than Five Years:</b>		
Land and Buildings	571	655
Vehicles, Plant and Equipment	20	52
Computer Equipment	158	291
<b>Later than Five Years:</b>		
Land and Buildings	1,001	971
Vehicles, Plant and Equipment	8	5
Computer Equipment	0	0
	<b>2,091</b>	<b>2,361</b>

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

	2013/14 £,000	2014/15 £,000
<b>Minimum Lease Payments:</b>		
Land and Buildings	406	274
Vehicles, Plant and Equipment	97	30
Computer Equipment	205	181
<b>Contingent Rents:</b>		
Land and Buildings	0	0
	<b>708</b>	<b>485</b>

## The Council as Lessor

### Finance Leases

The Council did not enter into any finance leases in 2014/15 as a lessor.

### Operating Leases

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

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

The income receivable credited to the relevant service line in the Comprehensive Income and Expenditure Statement during the year in relation to these leases was:

	2013/14 £,000	2014/15 £,000
<b>Rental Income receivable:</b>		
Shops	(615)	(652)
Industrial Premises	(807)	(841)
Offices	(200)	(178)
Other	(692)	(784)
	<b>(2,314)</b>	<b>(2,455)</b>

The increase in rental income from shops from £615k in 2013/14 to £652k in 2014/15 is largely due to the income received from the shops purchased from Wokingham Enterprises Ltd in March 2013 due to extensive refurbishment works in Wokingham Town Centre.



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

	31st March, 2014 £,000	31st March, 2015 £,000
<b>Not Later than One Year:</b>		
Shops	(522)	(636)
Industrial Premises	(495)	(498)
Offices	(141)	(117)
Other	(514)	(586)
<b>Later than One Year and not Later than Five Years:</b>		
Shops	(1,635)	(1,675)
Industrial Premises	(1,357)	(1,306)
Offices	(173)	(122)
Other	(1,784)	(2,062)
<b>Later than Five Years:</b>		
Shops	(538)	(893)
Industrial Premises	(143)	(635)
Offices	(19)	0
Other	(18,110)	(17,796)
	<b>(25,431)</b>	<b>(26,326)</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 2014/15 £28,549 contingent rents were receivable by the Council (2013/14 £6,595).

## NOTE 29 PRIVATE FINANCE INITIATIVES AND SIMILAR CONTRACTS

### Waste Disposal PFI Scheme

In 2006/07 the Council, together with Reading and Bracknell Forest Borough Councils, entered into a PFI contract with WRG (RE3 Ltd) for the disposal of waste. The total outstanding value of the contract is estimated to be £547m as at 31 March, 2015, to be shared between the councils based on relative throughput. Actual payments will depend upon the contractor's performance as well as that of the individual councils in waste collection and recycling. As part of the contract, the contractor has built a transfer station, materials recycling facility, civic amenity site & offices on land owned by Reading and Bracknell Forest Borough Councils. The contract will expire in December 2031.

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

The Council's share of the assets used to provide the waste disposal contract is recognised in the Council's Balance Sheet. Movements in their value over the year are detailed in the analysis of the movement on Property, Plant and Equipment in Note 24.

Payments remaining to be made by Wokingham Borough Council under the PFI contract at 31 March, 2015 (excluding any estimation of inflation and availability / performance deductions) are as follows:

	<b>Liability</b>	<b>Interest</b>	<b>Service Charges</b>	<b>Total</b>
	<b>£,000</b>	<b>£,000</b>	<b>£,000</b>	<b>£,000</b>
Payable in 2015/16	264	521	8,535	9,320
Payable within 2 to 5 Years	1,255	1,886	39,050	42,191
Payable within 6 to 10 Years	2,135	1,801	55,663	59,599
Payable within 11 to 15 Years	3,009	948	63,331	67,288
Payable within 16 to 20 Years	1,246	76	23,616	24,938
	<b>7,909</b>	<b>5,232</b>	<b>190,195</b>	<b>203,336</b>

The liability outstanding under the waste contract is as follows:

	<b>31<sup>st</sup> March 2014</b>	<b>31<sup>st</sup> March 2015</b>
	<b>£,000</b>	<b>£,000</b>
Balance Outstanding at Start of Year	(8,387)	(8,156)
Payments During the Year	231	247
New Liabilities Arising	0	0
Balance Outstanding at End of Year	<b>(8,156)</b>	<b>(7,909)</b>

In addition to the PFI contract, at 31 March 2015 the Council is committed to making payments under the following contracts:

- Payments estimated at £1.2m 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 £10m per annum under a contract with Optalis for the provision of adult social care. The contract will expire in June 2016.
- Payments estimated at £6.9m per annum under a contract with Dimensions for the provision of adult residential care. The contract will expire in March 2016.
- Payments estimated at £1.6m per annum under a contract with Voyage for the provision of adult residential care. The contract will expire in November 2015.
- Payments estimated at £2.5m per annum under a contract with Barchester Healthcare Limited for the provision of registered nursing care. The contract will expire in January 2016.
- Payments estimated at £1.2m per annum to Reading Borough Council under a partnership contract for responsive maintenance. The contract will expire in March 2017.
- Payments estimated at £2.9m per annum under a contract with Government Procurement Service for the provision of energy. The contract will expire in October 2016.
- Payments estimated at £3m 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 £3m per annum under a contract with Veolia for the collection of waste. The contract will expire in March 2019.
- Payments estimated at £1m per annum to RMP Limited for the provision of insurance services. The contract will expire in March 2017.
- Payments estimated at £1.8m per annum under a contract with Northgate Information Systems for IT services. The contract will expire in December 2015.
- Payments estimated at £1.2m per annum to Jigsaw Creative Care for the provision of supported living. The contract will expire in December 2016.
- Payments estimated at £2m per annum under a contract with Caterlink for school meals. The contract will expire July 2017.
- Other various contracts between £0.1m and £1m per annum totalling £50.8m with end dates between April 2015 and March 2019.

## NOTE 30 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:

<b>SHORT TERM DEBTORS</b>	<b>31st March, 2014</b>	<b>31st March, 2015</b>
<b>Repayable within One year</b>	<b>£,000</b>	<b>£,000</b>
Central Government Bodies	2,667	5,609
Other Local Authorities	1,800	1,880
NHS Bodies	1,939	1,443
Other Entities and Individuals	14,805	17,532
<b>Total</b>	<b>21,211</b>	<b>26,464</b>

The increase in Central Government Bodies is largely due to an extra VAT claim made due to a disclosure error. Other Entities and Individuals have increased from £14.805m at 31 March 2014 to £17.532m at 31 March 2015 which is largely due to a £2.7m increase in trade debtors.

Following an assessment of debtors outstanding at the year end, the Housing Revenue Account bad debt provision was increased from £730k at 31 March 2014 to £817k at 31 March 2015. 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.

<b>LONG TERM DEBTORS</b>	<b>31st March, 2014</b>	<b>31st March, 2015</b>
<b>Repayable after one year</b>	<b>£,000</b>	<b>£,000</b>
Other Entities and Individuals	492	1,254
<b>Total</b>	<b>492</b>	<b>1,254</b>

Long term debtors have increased from £492k as at 31 March 2014 to £1.254m as at 31 March 2015 due to loans made to two organisations, £612k to Wokingham Housing Ltd (WHL) and £150k to Woodley Age Concern.

## NOTE 31 CREDITORS

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

	<b>31st March, 2014</b>	<b>31st March, 2015</b>
	<b>£,000</b>	<b>£,000</b>
Central Government Bodies	(4,427)	(5,088)
Other Local Authorities	(1,320)	(2,270)
NHS Bodies	(1)	(73)
Other Entities and Individuals	(28,737)	(31,562)
<b>Total</b>	<b>(34,485)</b>	<b>(38,993)</b>

The increase in amounts owed to other entities and individuals was largely due to an increase in capital creditors of approximately £3m due to a higher level of capital schemes in progress at 31 March 2015.

## NOTE 32 PROVISIONS

All of the Council's provisions are short term.

Provisions less than 1 year:	Outstanding Legal Cases £,000	Provision for Accumulating Absences £,000	Other Provisions £,000	Total £,000
<b>Balance at 1 April 2014</b>	<b>(60)</b>	<b>(3,051)</b>	<b>(1,498)</b>	<b>(4,609)</b>
Additional Provisions made in 2014/15	0	(111)	(546)	(657)
Amounts Used in 2014/15	0	0	643	643
Unused amounts reversed in 2014/15	0	0	77	77
Unwinding of discounting in 2014/15	0	0	0	0
<b>Balance at 31 March 2015</b>	<b>(60)</b>	<b>(3,162)</b>	<b>(1,324)</b>	<b>(4,546)</b>

### Provision for Legal Cases

The provision of £60k for legal cases relates to cases that were brought against the Council in 2014/15 or previous years, 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 was 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 £3.162m at 31 March 2015 (£3.051m at 31 March 2014) for compensated absences.

### Other Provisions

Dilapidation – A provision for dilapidation costs in buildings the Council lease of £207k has been made, as contracts may specify the building must be returned to their original condition at the end of the lease. This also includes terminating leases where necessary.

Wokingham Borough Council is a Member of the MMI (Municipal Mutual Insurance) Scheme of Arrangement which was put in place following MMI's insolvency in 1992. On 28th March 2012 the Supreme Court handed down its judgement in the Employers' Liability 'Trigger Litigation' cases relating to mesothelioma claims. The judges ruled that the insurer who was on risk at the time of an employee's exposure to asbestos was liable to pay compensation for the employee's mesothelioma; liability attaches at the time of the initiation or causation of the disease and not its actual manifestation. This has significantly increased the potential liability of insurers, including MMI, in respect of historic mesothelioma claims as well as those claims that may have been incurred but not yet reported (IBNR). The Scheme of Arrangement has now been triggered with the initial levy for members set at 15%. This will also apply to IBNR claims. Further levies may be

imposed by the Scheme Administrator on Scheme Members. The Council made a provision in respect of these issues, of which 28% has been used in 2014/15.

Provision for Non Domestic Rates successful appeals against valuations - Following guidance from the Department of Communities and Local Government (DCLG), and in line with proper accounting practice, the Collection Fund has made a provision of £1.619m for successful appeals against business rates valuations, of which Wokingham's share included in the above total is £793k.

## NOTE 33 CONTINGENT LIABILITIES

Wokingham Borough Council has three subsidiary companies which were operational during 2014/15, WBC (Holdings) Ltd, Optalis Ltd, and Wokingham Housing Ltd, which are all companies limited by shares. The Council is the sole shareholder in WBC (Holdings) Ltd, which is a holding company set up to minimise tax and it is the sole shareholder in Optalis Ltd, and Wokingham Housing Ltd. As sole shareholder in WBC (Holdings) Ltd and as indirect sole shareholder of the other 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 47 to 54). In addition it acts as guarantor for any losses or liabilities incurred by the companies, particularly any residual losses that may be incurred by the companies if they were to cease trading and were wound up. In addition, Wokingham Housing Ltd set up a subsidiary, Loddon Homes Ltd in 2013/14, to assist with service delivery on specific projects, while Optalis Ltd set up two companies in 2013/14 to assist with service delivery and tax mitigation, Optalis Wokingham Ltd, and Optalis Holdings Ltd. The Council guarantee to fund any losses and liabilities also includes these three new companies.

In relation to Optalis Ltd the Council has an additional contingent liability in relation to staff transferred to the company under TUPE arrangements. As sole shareholder and guarantor, the Council remains liable for the pension liabilities of the staff transferred, for costs associated with future redundancies and for pension strain costs arising from service closures and future modernisations if they were to occur. The Optalis pension deficit at 31 March 2015 is £7.293m. The Council has also guaranteed in full a property lease which Optalis entered into in February 2013. The maximum cost of the lease over its five year life from April 2013 to April 2018 is £387k.

## NOTE 34 CONTINGENT ASSETS

The Council does not currently have any contingent assets.

## NOTE 35 ASSETS HELD FOR SALE

	Current		Non-Current	
	2013/14 £,000	2014/15 £,000	2013/14 £,000	2014/15 £,000
<b>Balance Outstanding at Start of the Year</b>	<b>224</b>	<b>221</b>	<b>0</b>	<b>0</b>
Assets newly classified as Held for Sale:				0
• Property, Plant and Equipment	221	150	0	0
Assets Sold	(224)	(221)	0	0
<b>Balance Outstanding at End of Year</b>	<b>221</b>	<b>150</b>	<b>0</b>	<b>0</b>

As at 31 March 2015 there were two properties classified as Assets Held for Sale (four at 31 March 2014).

## NOTE 36 FINANCIAL INSTRUMENTS

### Categories of Financial Instruments

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

	Long Term		Current	
	31st March, 2014 £,000	31st March, 2015 £,000	31st March, 2014 £,000	31st March, 2015 £,000
<b>Investments</b>				
Loans and Receivables	0	0	26,056	37,115
Investments in Group companies	1,953	3	0	0
Fair Value through Profit and Loss	0	0	14,516	10,503
<b>Total Investments</b>	<b>1,953</b>	<b>3</b>	<b>40,572</b>	<b>47,618</b>

### Debtors

Loans and Receivables	492	1,179	200	0
Financial Assets Carried at Contract Amounts	0	0	14,332	18,798
<b>Total Debtors</b>	<b>492</b>	<b>1,179</b>	<b>14,532</b>	<b>18,798</b>

### Borrowings

Financial Liabilities at Amortised Cost	(131,939)	(131,939)	(5,000)	(2,000)
Financial Liabilities at Fair Value through Profit and Loss	0	0	0	0
<b>Total Borrowings</b>	<b>(131,939)</b>	<b>(131,939)</b>	<b>(5,000)</b>	<b>(2,000)</b>

### Other Long Term Liabilities

PFI and Other Finance Lease Liabilities	(9,223)	(8,976)	0	0
<b>Total Other Long Term Liabilities</b>	<b>(9,223)</b>	<b>(8,976)</b>	<b>0</b>	<b>0</b>

### Creditors

Financial Liabilities at amortised cost	0	0	0	0
Financial Liabilities carried at contract amount	0	0	(21,810)	(19,264)
<b>Total Creditors</b>	<b>0</b>	<b>0</b>	<b>(21,810)</b>	<b>(19,264)</b>

**Income, Expense, Gains and Losses**

	2013/14						2014/15					
	Financial Liabilities			Financial Assets			Financial Liabilities			Financial Assets		
	Measured at Amortised Cost	Loans and Receivables and long term investments	Available for Sale	Assets and Liabilities at Fair Value through Profit and Loss	Total		Measured at Amortised Cost	Loans and Receivables and long term investments	Available for Sale	Assets and Liabilities at Fair Value through Profit and Loss	Total	
	£,000	£,000	£,000	£,000	£,000		£,000	£,000	£,000	£,000	£,000	
Interest Expense on External Borrowing - GF	2,036	0	0	0	2,036		2,001	0	0	0	2,001	
Interest Expense on External Borrowing - HRA	2,458	0	0	0	2,458		2,439	0	0	0	2,439	
Interest Expense on PFI and Finance Lease Liabilities	661	0	0	0	661		645	0	0	0	645	
Impairment Losses	0	153	0	0	153		0	1,950	0	0	1,950	
<b>Total Expense in Surplus or Deficit on the Provision of Services</b>	<b>5,155</b>	<b>153</b>	<b>0</b>	<b>0</b>	<b>5,308</b>		<b>5,085</b>	<b>1,950</b>	<b>0</b>	<b>0</b>	<b>7,035</b>	
Interest Income	0	(459)	0	0	(459)		0	(514)	0	0	(514)	
<b>Total Income in Surplus or Deficit on the Provision of Services</b>	<b>0</b>	<b>(459)</b>	<b>0</b>	<b>0</b>	<b>(459)</b>		<b>0</b>	<b>(514)</b>	<b>0</b>	<b>0</b>	<b>(514)</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>5,155</b>	<b>(306)</b>	<b>0</b>	<b>0</b>	<b>4,849</b>		<b>5,085</b>	<b>1,436</b>	<b>0</b>	<b>0</b>	<b>6,521</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 for financial liabilities are as follows:

	31 March 2014		31 March 2015	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
	£,000	£,000	£,000	£,000
<b>Loans</b>				
PWLB Debt	107,588	113,373	107,588	132,454
Non-PWLB Debt	29,351	28,778	26,351	33,104
<b>Total Debt</b>	<b>136,939</b>	<b>142,151</b>	<b>133,939</b>	<b>165,558</b>
<b>Other Creditors</b>				
Short Term Creditors	21,810	21,810	19,264	19,264
Long-term Finance Lease and PFI Liabilities	9,223	9,223	8,976	8,976
Long-term Creditors	0	0	0	0
<b>Total Financial Liabilities</b>	<b>167,972</b>	<b>173,184</b>	<b>162,179</b>	<b>193,798</b>

The fair value of liabilities as at 31 March 2015 is greater overall than the carrying amount because the Council's portfolio of loans from the Government's Public Works Loans Board (PWLB) and other sources includes a number of fixed rate loans where the interest payable is higher than the rates available for similar loans in the market at the Balance Sheet date.

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

### Unusual Movements

There have been no unusual movements. No new long term borrowing was entered into, or repayments made, during 2014/15, in comparison to 2013/14 when one HRA loan from the PWLB with a carrying value of £2.7m was repaid. In addition, short term borrowing of £2m was incurred in March 2015 (£5m at 31 March 2014) for temporary cash flow purposes.

The fair values for financial assets are set out below :

	31 March 2014		31 March 2015	
	Carrying Amount £,000	Fair Value £,000	Carrying Amount £,000	Fair Value £,000
Money Market Loans < 1 year	26,056	26,050	37,115	37,118
Money Market Loans > 1 year	0	0	0	0
<b>Total Loans and Receivables</b>	<b>26,056</b>	<b>26,050</b>	<b>37,115</b>	<b>37,118</b>
Fair Value through the I+E	14,516	14,516	10,503	10,503
Short Term Debtors	14,532	14,532	18,798	18,798
Long-term Debtors	492	492	1,254	1,254
<b>Total Financial Assets</b>	<b>55,596</b>	<b>55,590</b>	<b>67,670</b>	<b>67,673</b>

The differences are attributable to fixed interest instruments payable being held by the Council whose interest rate is slightly lower than the prevailing rate estimated to be available at 31 March 2015. This decreases the fair value of loans and receivables.

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

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

## NOTE 37 NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS

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

- credit risk – the possibility that other parties might fail to pay amounts due to the Council
- liquidity risk – the possibility that the Council might not have funds available to meet its commitments to make payments
- re-financing risk – the possibility that the Council might be required to renew a financial instrument on maturity at disadvantageous interest rates or terms
- market risk – the possibility that financial loss might arise for the Council as a result of changes in such measures as interest rates and stock market movements.

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

in the Public Services and investment guidance issued through the Local Government Act 2003. Overall, these procedures require the Council to manage risk, which it does through the following means.

The Annual Treasury Management and Investment strategy which incorporates the prudential indicators was approved by Council on 20 February 2014 and is available on the Council website. The key issues within the strategy were:

- The Authorised Limit for 2014/15 was set at £222m (2013/14 £223m) which takes account of the HRA Self Financing requirements. This is the maximum limit of external borrowings or other long term liabilities the council can hold.
- The Operational Boundary for 2014/15 was set at £212m (2013/14 £212m) which also takes account of HRA Self Financing. This is the maximum expected level of debt and other long term liabilities during the year.
- The maximum amounts of fixed and variable interest rate exposure were set based on the Council's net debt.
- The maximum and minimum exposures to the maturity structure of debt are shown below.
- These policies are implemented by the corporate finance team. The Council maintains written principles for overall risk management, as well as written policies (Treasury Management Practices – TMPs) covering specific areas, such as interest rate risk, credit risk, and the investment of surplus cash. These TMPs are a requirement of the Code of Practice and are reviewed periodically.

## Credit Risk

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

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

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

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

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

The Council's maximum exposure to credit risk in relation to its investments in banks and building societies of £2m cannot be assessed generally because the risk of any institution failing to make interest payments or repay the principal sum will be specific to each individual institution. Recent experience has shown that it is rare for such entities to be unable to meet their commitments. A risk of irrecoverability applies to all of the Council's deposits, but there was no evidence at 31 March 2015 (Or 31 March 2014) 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 ability to collect, over the last five financial years, adjusted to reflect current market conditions:

	Amount at 31 March, 2015	Historical Experience of Default	Historical Experience Adjusted for Market Conditions at 31 March, 2015	Estimated Maximum Exposure to Default and Uncollectability at 31 March, 2015	Estimated Maximum Exposure at 31 March, 2014
	£,000 (a)	% (b)	% (c)	£,000 (a) x (c)	£,000
Deposits with Banks and Financial Institutions:					
AAA Rated Counterparties	46,662	0.03%	0.00%	0	0
AA Rated Counterparties	10,503	0.03%	0.00%	0	0
A Rated Counterparties	0	0.03%	0.00%	0	0
Other Counterparties	0	0.23%	0.00%	0	0
Customers	20,052	Local	Local	Local	Local
<b>Total</b>	<b>77,217</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.

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

### 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, 2014 £,000	31st March, 2015 £,000
Less than One Year	57,498	58,529
Between One and Two Years	0	0
Between Three and Ten Years	0	0
Between Eleven and Twenty Years	0	0
Between Twenty One and Thirty Years	0	0
Between Thirty One and Forty Years	0	0
	<b>57,498</b>	<b>58,529</b>

There were no financial assets due for repayment to the Council in over one year as at 31 March 2015 (nil at 31 March 2014).

### **Maturity and Refinancing Risk**

The Council maintains a significant debt and investment portfolio. Whilst the cash flow procedures above are considered together with the refinancing risk procedures, longer-term risk to the Council relates to managing the exposure to replacing financial instruments as they mature. This risk relates to both the maturing of longer term financial liabilities and longer term financial assets. The approved treasury indicator limits for the maturity structure of debt and the limits placed on investments placed for greater than one year in duration are the key parameters used to address this risk. The Council approved Treasury Management and Investment Strategy address the main risks and the corporate finance team addresses the operational risks within the approved parameters. This includes:

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

The maturity analysis of financial liabilities is as follows:

	<b>31st March, 2014</b> <b>£,000</b>	<b>31st March, 2015</b> <b>£,000</b>
<b>Long Term Borrowing</b>		
Between 2 and 5 Years	8,445	10,433
Between 6 and 10 Years	18,280	20,037
Between 11 and 15 Years	25,495	28,541
Between 16 and 20 Years	35,240	28,449
Between 21 and 25 Years	0	0
Between 26 and 30 Years	0	0
More than 30 Years	44,479	44,479
<b>Total Long Term</b>	<b>131,939</b>	<b>131,939</b>
<b>Short Term borrowing</b>		
Within 1 Year	5,000	2,000
<b>Total Borrowing</b>	<b>136,939</b>	<b>133,939</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 the Council's prudential indicators and its expected treasury operations, including an expectation of interest rate movements. From this strategy a prudential indicator is set which provides maximum and minimum limits for fixed and variable interest rate exposure. The corporate finance team will monitor market and forecast interest rates within the year to adjust exposures appropriately. For instance during periods of falling interest rates, and where economic circumstances make it favourable, fixed rate investments may be taken for longer periods to secure better long term returns.

At 31 March, 2015, if all interest rates had been 1% higher with all other variables held constant, the financial effect would be:

	£,000
Increase in Interest Payable on Variable Rate Borrowings	0
Increase in Interest Receivable on Variable Rate Investments	(119)
Increase in Government Grant Receivable for Financing Costs	0
<b>Impact on Surplus or Deficit on the Provision of Services</b>	<b>(119)</b>
Share of overall impact debited/(credited) to the HRA	0
Decrease in Fair Value of Fixed Rate Investment Assets	0
<b>Impact on Other Comprehensive Income and Expenditure</b>	<b>(119)</b>
<b>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)</b>	<b>0</b>

There is nil impact on the cost of borrowing of a 1% change in 2014/15 as all the variable rate loans were converted to fixed rates during 2012/13. The impact of a 1% fall in interest rates would be as above but with the movements being reversed. Fund Managers investments are not considered as variable rate investments.

#### Price Risk

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

## NOTE 38 CASH FLOW STATEMENT - OPERATING ACTIVITIES

The cash flows for operating activities include the following items:

31st March, 2014		31st March, 2015
£,000		£,000
458	Interest Received	514
(5,454)	Interest Paid	(5,085)
0	Dividends Received	0
<b>(4,996)</b>		<b>(4,571)</b>

The surplus or deficit on the provision of services has been adjusted for the following non cash movements



31st March, 2014 £,000		31st March, 2015 £,000
18,368	Depreciation	17,034
3,782	Impairment and downward valuations	11,615
449	Amortisation	391
(115)	Increase/(decrease) in impairment for bad debts	(49)
1,428	Increase/(decrease) in creditors	304
(4,244)	(Increase)/decrease in debtors	(2,989)
9,287	Movement in pension liability	10,439
27,923	Carrying amount of non-current assets, and non – current assets held for sale, sold or derecognised	3,103
(988)	Other non-cash items charged to the net surplus or deficit on the provision of services	835
<b>55,890</b>	<b>Total Non-Cash Movements</b>	<b>40,683</b>

## NOTE 39 CASH FLOW STATEMENT - INVESTING ACTIVITIES

31st March, 2014 £,000		31st March, 2015 £,000
(26,016)	Purchase of Property, Plant and Equipment, Investment Property and Intangible Assets	(47,239)
(7,615)	Purchase of Short-term and Long-term Investments	(6,845)
(46)	Other Payments for Investing Activities	(762)
2,076	Proceeds from the Sale of Property, Plant and Equipment, Investment Property and Intangible Assets	4,508
1,400	Proceeds from Short-term and Long-term Investments	0
22,890	Other Receipts from Investing Activities	26,716
<b>(7,311)</b>	<b>Net Cash Flows from Investing Activities</b>	<b>(23,622)</b>

## NOTE 40 CASH FLOW STATEMENT - FINANCING ACTIVITIES

31st March, 2014 £,000		31st March, 2015 £,000
5,120	Cash Receipts of Short and Long-term Borrowing	2,000
980	Other Receipts or Payments for Financing Activities	1,020
(4,700)	Repayments of Short and Long-term Borrowing	(5,000)
(230)	Other Payments for Financing Activities	(247)
<b>1,170</b>	<b>Net Cash Flows from Financing Activities</b>	<b>(2,227)</b>

## NOTE 41 CASH AND CASH EQUIVALENTS

The following elements comprise Cash and Cash Equivalents:

31st March, 2014		31st March, 2015
£,000		£,000
2,495	Cash held by the Council	2,519
14,439	Money Market Instruments	9,546
2,288	Cash Held by Fund Managers	1,323
0	Short-term Deposits with Building Societies	0
<b>19,222</b>	<b>Cash and Cash Equivalents</b>	<b>13,388</b>
(3,126)	Bank Current Liabilities	(4,558)
<b>16,096</b>	<b>Total Cash and Cash Equivalents</b>	<b>8,830</b>

## NOTE 42 ACQUIRED AND DISCONTINUED OPERATIONS

There were no acquired or discontinued operations in 2014/15, compared to 2013/14 when the responsibility for the Public Health Service transferred from the NHS to local authorities on 1 April 2013.

## NOTE 43 EVENTS AFTER THE BALANCE SHEET DATE

The Statement of Accounts was authorised for issue by the Director of Finance and Resources (S151 Officer) on 30 June 2015. 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 March 2015, 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 March.

## NOTE 44 AGENCY SERVICES

The Sensory Needs function which the Council performed on behalf of a number of other unitary authorities in Berkshire came to an end during 2014/15. The other authorities reimbursed the Council for this work, including a contribution towards administrative costs. The Council also operates a shared legal service and internal audit and investigation service with Royal Borough of Windsor and Maidenhead, and a reprographics service with Bracknell Forest Council for which the expenditure and income are shown below. Both the internal audit, and the reprographics services, commenced in 2014/15. A summary of expenditure incurred and income received, in respect of agency services, which is not included within the Comprehensive Income and Expenditure Statement, is as follows:

	2013/14 £,000	2014/15 £,000
Expenditure		
Sensory Needs	349	170
Shared Legal Services	787	769
Internal Audit & Investigation	0	163
Reprographics	0	233
<b>Total Expenditure</b>	<b>1,136</b>	<b>1,335</b>

Income		
Sensory Needs		
Bracknell	(12)	0
Reading	(191)	(107)
Windsor	(146)	(63)
Shared Legal Services		
Windsor	(787)	(769)
Internal Audit & Investigation		
Windsor	0	(163)
Reprographics		
Bracknell	0	(233)
<b>Total Income</b>	<b>(1,136)</b>	<b>(1,335)</b>
<b>Net Expenditure/Income</b>	<b>0</b>	<b>0</b>

## NOTE 45 POOLED BUDGETS

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

### Joint Equipment Stores Agreement

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

#### Funding Provided to the Pooled Budget:

Wokingham Borough Council  
 Slough Borough Council  
 Other Berkshire Councils  
 Berkshire Primary Care Trusts

2013/14 £,000	2014/15 £,000
(211)	(211)
(341)	(399)
(1,301)	(1,372)
(3,670)	(3,662)
<b>(5,523)</b>	<b>(5,644)</b>
5,469	5,644
<b>(54)</b>	<b>0</b>

#### Expenditure Met from the Pooled Budget:

Royal Berkshire Ambulance Trust

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

## NOTE 46 INVESTMENTS IN COMPANIES

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

This is a company set up by 19 local authority trading standards departments in the South East of England to provide a consumer helpline and regional intelligence unit for Trading Standards' functions, training to the member authorities and other joined up trading standards services. It was established in 2004/05 and is limited by guarantee of £1. Wokingham Borough Council has an equal 1/19th share in the company and is able to nominate one director on the board of the company. The latest financial statements for the company were prepared at 31 March 2014 and show that turnover for 2013/14 was £2.409m (£1.484m in 2012/13), the company made a profit after tax of £7,773 (£4,212 in 2012/13) and had net assets of £40,036 at 31 March 2014 (£32,263 at 31 March 2013). Wokingham Council does not receive any dividend income from the company. The financial statements for the company for 2014/15 will be available in early 2016. 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 2014/15 financial statements for the company were prepared at 31 March 2015 and, subject to audit, show that turnover for 2014/15 was nil (nil in 2013/14). However, the company received investment income of £251,107 (£238,813 in 2013/14) and as a result after meeting administrative expenses the company made a profit of £119,225 in 2014/15 (profit of £139,894 in 2013/14). The company had net assets of £7.74m at 31 March 2015 (£7.620m at 31 March 2014). The purpose of the company is to receive grant from central government and make loans to local authority members which, when repaid, are then also used to make loans to homeowners. Any grant income and investment income therefore maintain the company as a going concern. Wokingham Council does not receive any dividend income from the company. A full set of financial statements for the company can be obtained from Andrew Brooker, Head of Finance, Royal Borough of Windsor and Maidenhead, Town Hall, St. Ives Road, Maidenhead, SL6 1RF.

### **Wokingham Enterprises Ltd (WEL)**

WEL is a company wholly owned and set up by Wokingham Borough Council (WBC) for the purposes of enabling the regeneration of the town centre of Wokingham and specifically for the purchase of land and buildings, such as Peach Place, within the town centre for redevelopment. The company was established in 2009 and is limited by guarantee of £1. WBC has 100% of the share capital (valued at £3,000) in the company and is able to control the operating, governance and financial policies of the organisation. WBC is also able to appoint the board of directors of the company. The Company is accounted for as a wholly owned subsidiary of WBC however, as WBC's interest in WEL arose as a result of formation of the company no goodwill arose as a result of the formation. The company sold all of its assets to Wokingham Borough Council in March 2013 for £9.405m and has not undertaken any trading activity since March 2013. WEL had turnover of nil in 2014/15 (£405k in 2013/14), a net loss of £1k (profit of £401k in 2013/14), and had net assets of £1k at 31 March 2015 (£2k net assets at 31 March 2014).

### **Optalis Ltd**

Optalis Ltd is a company wholly owned and set up by Wokingham Borough Council (WBC) for the purposes of providing Adult Social Care Services. The company was established in 2011 and is limited by shares. WBC has 100% of the share capital (which has nil value) in the company and is able to control the operating, governance and financial policies of the organisation. WBC is also able to appoint the board of directors of the company. The Company is accounted for as a wholly owned subsidiary of WBC however, as WBC's interest in Optalis arose as a result of formation of the company no goodwill arose as a result of the formation. Optalis made a share issue in 2012/13 and the Council subscribed to 50,000 £1 shares at a cost of £50,000. Optalis set up two new wholly owned companies during 2013/14, whose purpose is to assist service delivery and tax management, however, they did not undertake any trading activities in 2013/14. Optalis had turnover of £11.044m in 2014/15 (£10.588m in 2013/14), a net operating profit of £154k (profit of £5k in 2013/14), and had net assets of £49k at 31 March 2015 (£31k net assets at 31 March 2014).

### **Wokingham Housing Ltd**

Wokingham Housing Ltd (WHL) is a company wholly owned and set up by Wokingham Borough Council (WBC) for the purposes of providing housing services. The company was established in January 2012 and is limited by shares and started trading during 2012-13. WBC has 100% of the share capital in the company and is able to control the operating, governance and financial policies of the organisation. The Council is also able to appoint the board of directors of the company. The company has issued a total of 1.9m ordinary £1 shares and the Council subscribed to all of them at a cost of £1.9m, however, the ownership of these shares has been transferred to the Council's holding company, WBC (Holdings) Ltd, in 2014/15 in line with council policy. The Company is accounted for as a wholly owned subsidiary of WBC. 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. Wokingham Housing Ltd set up a wholly owned subsidiary in 2013/14, Loddon Homes Ltd, whose role is to support development projects, however the new company did not undertake any trading in 2013/14. WHL had turnover of £94k in 2014/15 (nil in 2013/14), a net loss of £375k (loss of £610k in 2013/14), and had net assets of £1.2m at 31 March 2015 (£1.199m net assets at 31 March 2014).

### **WBC (Holdings) Ltd**

WBC (Holdings) Ltd is a company set up in October 2013, and wholly owned by Wokingham Borough Council. Its purpose is to ensure group tax relief can be claimed for all the Council's fully owned companies and to ensure the overall coordination of the Council's interests in its wholly owned companies. Its share capital is 1 ordinary share of £1. The Council's shareholdings in Optalis and Wokingham Housing Ltd (WHL) were transferred at nil cost to WBC (Holdings) Ltd in April 2014. The company does not undertake any trading and does not therefore have any trading income. The 2014/15 accounts show expenditure of £158k (nil in 2013/14) largely in respect of administrative costs. The company had net assets of £1.792m at 31 March 2015 comprising £1.95m reserves in respect of the face value of shareholdings in Optalis and WHL, less the 2014/15 loss of £158k (nil at 31 March 2014).

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

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

### NOTE 47 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 48 ADJUSTMENTS BETWEEN GROUP ACCOUNTS AND AUTHORITY ACCOUNTS

	Woking- ham Authority	Optalis Ltd	Woking- ham Housing Ltd	WBC (Holding s) Ltd
	£,000	£,000	£,000	£,000
Adjustment for Intra-group transactions in Net Cost of Services				
- Other Housing Services	20	0	(20)	0
- Corporate and Democratic Core	134	23	0	(157)
- Adult Social Care	(9,034)	9,034	0	0
-				
<b>Total Adjustment between Group and Authority accounts</b>	<b>(8,880)</b>	<b>9,057</b>	<b>(20)</b>	<b>(157)</b>

### NOTE 49 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 Subsidiaries £,000	Wokingham Group £,000
Rental	1,683	0	1,683
Direct Operating Expenses	(482)	0	(482)
<b>Net (Gain) / Loss</b>	<b>1,201</b>	<b>0</b>	<b>1,201</b>

	Wokingham Authority £,000	Wokingham Subsidiaries £,000	Wokingham Group £,000
<b>Financing and Investment Income and Expenditure</b>			
Interest Payable and Similar Charges on External Borrowing	4,440	0	4,440
Interest Payable and Similar Charges on PFI and Finance Lease Liabilities	645	0	645
	5,085	0	5,085
Impairment of Financial Instruments	1,950	(1,950)	0
Net Interest on the Pensions Fund Defined Liability (assets)	7,242	196	7,438
Interest Receivable and Investment Income	(514)	0	(514)
Income and expenditure and Changes in Fair Value in Relation to Investment Properties	(429)	0	(429)
<b>Financing and Investment Income and Expenditure</b>	<b>13,333</b>	<b>(1,754)</b>	<b>11,579</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	Subsidiary Companies £,000	Wokingham Group £,000
Balance as at 31 March, 2014	32,328	0	32,328
Additions	2,408	0	2,408
Disposals	(1,816)	0	(1,816)
Gain / (Loss) from Fair Value Adjustments:	(772)	0	(772)
Other Changes	69	0	69
<b>Balance as at 31 March, 2015</b>	<b>32,217</b>	<b>0</b>	<b>32,217</b>



## NOTE 50 FINANCIAL INSTRUMENTS (including DEBTORS AND CREDITORS)

Notes 30, 31, 36 and 37 to the Financial Statements apply to the Group Financial statements. The following categories of financial instrument carried in the Group Balance Sheet are different to those amounts disclosed in the previous notes:

### Financial Assets (Investments, Long Term Loans)

	Wokingham Group 2013/14 £,000	Wokingham Group 2014/15 £,000
WBC Long Term Loans and Receivables	492	1,254
Removal of Intra Group Balances	0	(613)
Short Term Loans and Receivables	26,255	37,115
Removal of Intra Group Balances	(200)	0
	26,547	37,756
Financial assets at Fair Value through Profit and Loss	14,516	10,503
Long Term Investments	1,953	1,953
Removal of Intra Group balances – Equity investments in Optalis, WEL and Wokingham Housing Ltd	(1,953)	(1,953)
<b>Total Investments and Loans</b>	<b>41,063</b>	<b>48,259</b>

### Debtors

	Wokingham Group 2013/14 £,000	Wokingham Group 2014/15 £,000
Other Entities and Individuals	14,851	17,001
Other Debtors Disclosed in Note 30	6,406	8,932
<b>Total Debtors in Group Balance Sheet</b>	<b>21,257</b>	<b>25,933</b>

### Creditors

	Wokingham Group 2013/14 £,000	Wokingham Group 2014/15 £,000
Other Entities and Individuals	(29,693)	(32,530)
Other Creditors disclosed in Note 31	(5,748)	(7,431)
<b>Total Creditors in Group Balance Sheet</b>	<b>(35,441)</b>	<b>(39,961)</b>

## NOTE 51 Cash and Cash Equivalents

	Wokingham Group 2013/14 £,000	Wokingham Group 2014/15 £,000
Cash held by the Council	2,495	2,519
Bank Current Assets	719	833
Money Market Instruments	14,439	9,546
Cash Held by Fund Managers	2,288	1,323
<b>Cash and Cash Equivalents</b>	<b>19,941</b>	<b>14,221</b>
Bank Current Liabilities	(3,126)	(4,558)
<b>Total Cash and Cash Equivalents</b>	<b>16,815</b>	<b>9,663</b>

## NOTE 52 Pensions

Note 19 to the Financial Statements applies 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). In the tables below are shown the Council's share of the Berkshire County Council pension scheme which has been added to the Wokingham Council figures for convenience, followed by the Optalis figures, and then an overall total for the Group.

The figures for IAS 19 pension scheme movements for 2013/14 and 2014/15 are shown below :

	2013/14 Wokingham Incl BCC share £,000	2013/14 Optalis £,000	2013/14 Group Total £,000
<b>Comprehensive Income and Expenditure Statement</b>			
Service cost comprising:			
• Current Service Cost	9,474	773	10,247
• Administration Costs	137	8	145
Financing and Investment Income and Expenditure			
• Net Interest on the Defined Liability	6,582	152	6,734
<b>Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services</b>	<b>16,193</b>	<b>933</b>	<b>17,126</b>
Other Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement:			
Remeasurement of the net defined benefit liability comprising :			
• Remeasurements on scheme assets	(736)	516	(220)
	<b>15,457</b>	<b>1,449</b>	<b>16,906</b>

	2013/14 Wokingham Incl BCC share £,000	2013/14 Optalis £,000	2013/14 Group Accounts £,000
<b>Movement in Reserves Statement</b>			
Reversal of Net Charges Made to the Surplus or Deficit for the Provision of Services for Post Employment Benefits in Accordance with the Code	(16,193)	(933)	(17,126)
Actual Amount Charged Against the General Fund Balance for Pensions in the Year:			
• Employer's Contributions Payable to Scheme	6,907	606	7,513
	<b>(9,286)</b>	<b>(327)</b>	<b>(9,613)</b>

The 2014/15 figures for IAS 19 pension scheme movements are shown below :

	2014/15 Wokingham Incl BCC £,000	2014/15 Optalis £,000	2014/15 Group Total £,000
<b>Comprehensive Income and Expenditure Statement</b>			
Service cost comprising:			
• Current Service Cost	10,798	704	11,502
• Administration Costs	123	8	131
Financing and Investment Income and Expenditure			
• Net Interest on the Defined Liability	7,242	196	7,438
Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services	<b>18,163</b>	<b>908</b>	<b>19,071</b>
Other Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement:			
Remeasurement of the net defined benefit liability comprising :			
• Remeasurements on scheme assets	45,855	2,359	48,214
	<b>64,018</b>	<b>3,267</b>	<b>67,285</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

2014/15 Wokingham Incl BCC	2014/15 Optalis	2014/15 Group Accounts
£,000	£,000	£,000
(18,163)	(908)	(19,071)
7,723	340	8,063
<b>(10,440)</b>	<b>(568)</b>	<b>(11,008)</b>

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

The Wokingham figures shown below include the Wokingham share of the overall former Berkshire County Council Scheme.

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

	2014/15 Woking ham incl BCC £,000	2014/15 Optalis £,000	2014/15 Group Accounts £,000
<b>Opening Balance at 1 April</b>	<b>329,311</b>	<b>14,288</b>	<b>343,599</b>
Current Service Cost	10,305	629	10,934
Net Interest on the Defined Liability	14,446	658	15,104
Change in financial assumptions	53,518	2,836	56,354
Change in demographic assumptions	0	0	0
Experience loss/(gain) on defined benefit obligation	173	0	173
Contribution by Scheme Participants	2,859	175	3,034
Benefits Paid net of transfers in	(10,774)	(267)	(11,041)
Past Service Costs incl Curtailments	405	75	480
Liabilities assumed/(extinguished) on Settlements	311	0	311
Unfunded Pension Payments	(622)	0	(622)
<b>Total Liabilities at 31 March</b>	<b>399,932</b>	<b>18,394</b>	<b>418,326</b>

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

	2014/15 Woking ham incl BCC £,000	2014/15 Optalis £,000	2014/15 Woking ham Group £,000
<b>Opening fair value of scheme assets</b>	<b>161,142</b>	<b>9,922</b>	<b>171,064</b>
Interest on Assets	7,204	462	7,666
Return on Assets less Interest	7,836	477	8,313
Other Actuarial Gains/(Losses)	0	0	0
Administration Expenses	(123)	(8)	(131)
Employer Contributions including Unfunded	7,723	340	8,063
Contributions by Scheme Participants	2,859	175	3,034
Benefits Paid plus unfunded net of transfers	(11,395)	(267)	(11,662)
Settlement prices received /paid	223	(0)	223
<b>Total Fair Value of Scheme Assets at 31 March 2015</b>	<b>175,469</b>	<b>11,101</b>	<b>186,570</b>
<b>Net Liability Closing Balance 31 March 2015</b>	<b>224,463</b>	<b>7,293</b>	<b>231,756</b>

## NOTE 53 RESERVES

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

## NOTE 54    WOKINGHAM GROUP FINANCIAL STATEMENTS WOKINGHAM GROUP MOVEMENT IN RESERVES STATEMENT

	Group Total 2013/14		Total Reserves £,000	Group Total 2014/15		
	Total Usable Reserves £,000	Unusable Reserves £,000		Total Usable Reserves £,000	Unusable Reserves £,000	Total Reserves £,000
<b>Balance at 31st March</b>	<b>(67,349)</b>	<b>(375,882)</b>	<b>(443,231)</b>	<b>(66,596)</b>	<b>(350,192)</b>	<b>(416,788)</b>
(Surplus) or Deficit on the Provision of Services	31,059	(689)	30,370	(7,471)	(2,021)	(9,492)
Other Comprehensive Income and Expenditure	0	(3,927)	(3,927)	0	(9,782)	(9,782)
<b>Total Comprehensive Income and Expenditure</b>	<b>31,059</b>	<b>(4,616)</b>	<b>26,443</b>	<b>(7,471)</b>	<b>(11,803)</b>	<b>(19,274)</b>
Adjustments between Group Accounts and Authority Accounts (Note 48)	0	0	0	0	0	0
Adjustments between Accounting Basis & Funding Basis under Regulations	(32,437)	32,437	0	(2,568)	2,568	0
<b>Net Increase / Decrease before Transfers to Earmarked Reserves</b>	<b>(1,378)</b>	<b>27,821</b>	<b>26,443</b>	<b>(10,039)</b>	<b>(9,235)</b>	<b>(19,274)</b>
Transfers to/from Earmarked Reserves	2,131	(2,131)	0	2,128	(2,128)	0
<b>Increase / Decrease in year</b>	<b>753</b>	<b>25,690</b>	<b>26,443</b>	<b>(7,911)</b>	<b>(11,363)</b>	<b>(19,274)</b>
<b>Balance at 31st March carried forward</b>	<b>(66,596)</b>	<b>(350,192)</b>	<b>(416,788)</b>	<b>(74,507)</b>	<b>(361,555)</b>	<b>(436,062)</b>

# WOKINGHAM GROUP COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

	Group Total 2013/14			Group Total 2014/15		
	Gross Expenditure £,000	Gross Income £,000	Net Expenditure £,000	Gross Expenditure £,000	Gross Income £,000	Net Expenditure £,000
<b>Continuing Operations</b>						
Central Service to the Public	2,524	(3,725)	(1,201)	3,086	(1,400)	1,686
Cultural and Regulated Services	7,527	(2,024)	5,503	6,641	(2,804)	3,837
Environmental and Regulatory Services	15,165	(2,198)	12,967	15,479	(2,485)	12,994
Planning Services	5,100	(3,899)	1,201	7,276	(4,494)	2,782
Education and Children's Services	168,077	(122,677)	45,400	164,737	(122,623)	42,114
Highways and Transport Services	16,698	(4,593)	12,105	17,445	(4,531)	12,914
Local Authority Housing (HRA)	10,114	(14,904)	(4,790)	9,161	(15,522)	(6,361)
Other Housing Services	24,470	(24,622)	(152)	26,674	(25,867)	807
Adult Social Care	55,880	(9,546)	46,334	58,146	(12,019)	46,127
Corporate and Democratic Core	4,292	0	4,292	5,686	0	5,686
Non-distributed Costs	513	0	513	434	0	434
Public Health	2,592	(3,839)	(1,247)	5,079	(4,224)	855
<b>Cost of Services</b>	<b>312,952</b>	<b>(192,027)</b>	<b>120,925</b>	<b>319,844</b>	<b>(195,969)</b>	<b>123,875</b>
Corporate Income and Expenditure						
Other Operating Expenditure			29,626			2,600
Financing and Investment Income and Expenditure			9,559			11,579
Taxation and Non-specific Grant Income			(129,740)			(147,546)
<b>(Surplus) or Deficit on Provision of Services</b>			<b>30,370</b>			<b>(9,492)</b>
Tax Expenses			0			0
<b>Group (Surplus) or Deficit</b>			<b>30,370</b>			<b>(9,492)</b>
Surplus or Deficit on Revaluation of Fixed Assets			(3,707)			(57,996)
Actuarial Gains / Losses on Pension Assets / Liabilities			(220)			48,214
<b>Other Comprehensive Income and Expenditure</b>			<b>(3,927)</b>			<b>(9,782)</b>
<b>Total Comprehensive Income and Expenditure</b>			<b>26,443</b>			<b>(19,274)</b>





# WOKINGHAM GROUP BALANCE SHEET

	Notes	Group Total 31st March 2014 £,000	Group Total 31st March 2015 £,000
Property, Plant & Equipment		681,589	757,524
Investment Property	49	32,328	32,217
Intangible Assets		1,321	2,405
Long Term Investments	50	0	0
Long Term Debtors		492	641
<b>Long Term Assets</b>		<b>715,730</b>	<b>792,787</b>
Short Term Investments	50	40,572	47,618
Assets Held for Sale		221	150
Short Term Debtors	50	21,257	25,933
Cash and Cash Equivalents		19,941	14,221
<b>Current Assets</b>		<b>81,991</b>	<b>87,922</b>
Cash and Cash Equivalents		(3,126)	(4,558)
Short Term Borrowing		(5,000)	(2,000)
Short Term Creditors	50	(35,441)	(39,961)
Provisions		(4,609)	(4,546)
<b>Current Liabilities</b>		<b>(48,176)</b>	<b>(51,065)</b>
Long Term Borrowing		(131,939)	(131,939)
PFI and Finance Lease Liabilities		(9,223)	(8,976)
Pensions Liability		(172,535)	(231,756)
Capital Grants Receipts in Advance		(19,060)	(20,911)
<b>Long Term Liabilities</b>		<b>(332,757)</b>	<b>(393,582)</b>
<b>Net Assets</b>		<b>416,788</b>	<b>436,062</b>
<b>Usable Reserves</b>	53	<b>(66,596)</b>	<b>(74,507)</b>
<b>Unusable Reserves</b>	53	<b>(350,192)</b>	<b>(361,555)</b>
<b>Total Reserves</b>		<b>(416,788)</b>	<b>(436,062)</b>



# WOKINGHAM STATEMENT

## GROUP

## CASHFLOW

	Group Total 31st March 2014 £,000	Group Total 31st March 2015 £,000
Net Surplus or (deficit) on the Provision of Services	(30,370)	9,492
Adjustments to Net Surplus or Deficit on the Provision of Services for Non-Cash movements	56,007	40,190
Adjustments for Items included in the Net Surplus or Deficit on the Provision of Services that are Investing or Financing Activities	(24,621)	(30,595)
<b>Net Cash Flow from Operating Activities</b>	<b>1,016</b>	<b>19,087</b>
Investing Activities	(7,772)	(24,012)
Financing Activities	1,170	(2,227)
<b>Net Increase or (Decrease) in Cash and Cash Equivalents</b>	<b>(5,586)</b>	<b>(7,152)</b>
Cash and Cash Equivalents at the beginning of the reporting period	22,401	16,815
<b>Cash and Cash Equivalents at the End of the Reporting Period</b>	<b>16,815</b>	<b>9,663</b>

## 9. HOUSING REVENUE ACCOUNT

### Introduction

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

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

- HRA Income and Expenditure Statement
- Movement on the HRA Statement

### HRA Income and Expenditure Statement

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

### Movement on the HRA Statement

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



# Housing Revenue Account Income and Expenditure Statement

2013/14 £,000		Notes	2014/15 £,000
	<b>Income</b>		
(14,018)	Dwelling Rents (gross)		(14,744)
(206)	Non-dwelling Rents (gross)		(213)
(664)	Charges for Services and Facilities		(562)
(16)	Re-imburement of costs		(3)
0	Contributions towards Expenditure		0
0	Sums Directed by the Secretary of State that are Income in Accordance with IFRS		0
<b>(14,904)</b>			<b>(15,522)</b>
	<b>Expenditure</b>		
2,900	Repairs and Maintenance		2,965
2,652	Supervision and Management		2,796
72	Rents, Rates, Taxes and Other Charges		71
115	Increased Provision for Bad or Doubtful Debts	12	87
3,091	Depreciation	7	3,082
1,234	Impairment of Fixed Assets	8	43
50	Debt Management Costs		117
0	Sums Directed by the Secretary of State that are Expenditure in Accordance with IFRS		0
<b>10,114</b>			<b>9,161</b>
<b>(4,790)</b>	<b>Net Cost of Services included in the Whole Authority Comprehensive Income and Expenditure Statement</b>		<b>(6,361)</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>(4,790)</b>	<b>Net Cost of HRA Services</b>		<b>(6,361)</b>
(846)	(Gain) or Loss on Sale of HRA Non-current Assets		(796)
2,744	Interest Payable and Similar Charges		2,841
(5)	HRA Interest and Investment Income		(14)
2	Accumulated Leave		(5)
61	Pension Interest Cost and Expected Return on Pension Assets	10	66
(2,132)	Capital Grants and Contributions Receivable	5	(2,986)
<b>(4,966)</b>	<b>(Surplus) or Deficit for the Year on HRA Services</b>		<b>(7,255)</b>



## Movement on the HRA Statement

2013/14 £,000		Notes	2014/15 £,000
(1,627)	<b>Balance on the HRA at the End of the Previous Year</b>		(1,767)
(4,966)	(Surplus) or Deficit for the Year on the HRA Income and Expenditure Statement		(7,255)
	Adjustments between Accounting Basis and Funding Basis under Statute		
(3,091)	Depreciation	7	(3,082)
(1,234)	Impairment / Revaluation Loss	8	(43)
846	(Gain) / Loss on Disposal		796
(2)	Reversal of Accumulating Absences		5
2,569	Capital expenditure funded by the HRA (adjusted against the Capital Adjustment Account)	5	3,409
2,132	Capital expenditure funded by capital grant (adjusted against the Capital Adjustment Account)	5	2,986
2,076	Transfer to the Capital Adjustment Account for voluntary debt repayment		0
(61)	HRA Share of Contributions (to) or from the Pensions Reserve	10	(66)
1	Reversal of Financial Instrument Amortisation		1
(1,730)	<b>Net (Increase) or Decrease in the HRA Balance before Transfers to or from Reserves</b>		(3,249)
1,068	Transfer to Capital Reserves		1,232
522	Transfers to or (from) the Major Repairs Reserve	4	(327)
(140)	<b>(Increase) or Decrease in Year on the HRA</b>		(2,344)
(1,767)	<b>Housing Revenue Account Balance Carried Forward</b>		(4,111)

# 10. NOTES TO THE HOUSING REVENUE ACCOUNT

## NOTE 1 HOUSING STOCK

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

	31 March 2014 Number of Properties	31 March 2015 Number of Properties
<b>Dwellings:</b>		
Low and Medium Rise Flats	602	595
Traditional Houses and Bungalows	1,379	1,372
Non-traditional Houses and Bungalows	352	349
<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	38	38
Non-traditional Houses and Bungalows	0	0
<b>Total HRA Housing Stock</b>	<b>2,675</b>	<b>2,658</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 31 March, 2014	200,927	10,248	720	211,895	0
Accumulated Depreciation and Impairment	(53,091)	(4,043)	(599)	(57,733)	0
<b>Net Book Value at 31 March, 2014</b>	<b>147,836</b>	<b>6,205</b>	<b>121</b>	<b>154,162</b>	<b>0</b>
Additions	7,055	0	21	7,076	0
Disposals	(648)	0	0	(648)	0
Revaluations	1,882	0	0	1,882	0
Transfer	(45)	(2,650)	0	(2,695)	2,695
Assets reclassified (to) / from Held for Sale	(150)	0	0	(150)	0
Depreciation	(2,860)	(207)	(15)	(3,082)	0
Impairments	0	(45)	0	(45)	0
<b>Net Book Value at 31 March, 2015</b>	<b>153,070</b>	<b>3,303</b>	<b>127</b>	<b>156,500</b>	<b>2,695</b>

## NOTE 3 VACANT POSSESSION

The vacant possession value of dwellings within the Council's HRA at 31 March 2015 was £480,270,124 and on 31 March 2014 was £465,497,931.

The vacant possession value and the Balance Sheet value of dwellings within the HRA show the economic cost to the Government of providing council housing at less than open market rents. The dwellings in the Balance Sheet are valued using the Existing Use Value for Social Housing rate. This is an open market rate less a reduction factor that recognises the fact that the dwellings are tenanted properties let at affordable rents without vacant possession. The reduction factor is set by the Government and is currently 32% of open market value (32% in 2013/14).

## NOTE 4 MAJOR REPAIRS RESERVE

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

	2013/14 £,000	2014/15 £,000
<b>Balance at 1st April</b>	<b>(457)</b>	<b>(2,047)</b>
Charges for depreciation	(3,091)	(3,082)
Capital expenditure on land, houses and other property within the HRA	2,569	3,409
Transfers (to) or from Major Repairs Reserve	(522)	327
Revenue contribution to capital expenditure	(1,068)	(1,232)
<b>(Surplus) / Deficit</b>	<b>(1,590)</b>	<b>(905)</b>
<b>Balance at 31st March</b>	<b>(2,047)</b>	<b>(2,952)</b>

## NOTE 5 CAPITAL EXPENDITURE AND FUNDING

	2013/14 £,000	2014/15 £,000
<b>Capital Expenditure within the Year:</b>		
Capital Expenditure on Land, Houses and Other Property within the HRA	4,736	7,076
<b>Funded by:</b>		
Major Repairs Reserve	(2,569)	(3,409)
Capital Receipts Reserve	(35)	(660)
S106 Developer Contributions	0	(21)
Capital Grants	(2,132)	(2,986)
<b>(Surplus) / Deficit</b>	<b>0</b>	<b>0</b>

## NOTE 6 CAPITAL RECEIPTS

	2013/14 £,000	2014/15 £,000
Disposal receipts for 13 dwellings (fourteen in 2013/14)	1,866	1,942



## NOTE 7 DEPRECIATION

Operational Assets (Property, Plant and Equipment)  
 Other, Land and Buildings  
 Council Dwellings

2013/14 £,000	2014/15 £,000
19	15
207	207
2,865	2,860
<b>3,091</b>	<b>3,082</b>

## NOTE 8 IMPAIRMENT CHARGES

There have been no impairments on council dwellings available for letting during 2014/15.  
 An impairment of £45k was made against Eustace Crescent relating to the final flat now being vacated. This building was then demolished in 2014-15.

## NOTE 9 CONTRIBUTIONS TO THE PENSION RESERVE

Pension costs of £66k in 2014/15 (£61k in 2013/14) are included in the '(Surplus) or Deficit for the Year on HRA Services' section of the Income and Expenditure Statement.

## NOTE 10 RENT ARREARS

Current Tenants  
 Former Tenants

2013/14 £,000	2014/15 £,000
565	628
226	253
<b>791</b>	<b>881</b>

## NOTE 11 BAD DEBTS PROVISION

Balance at 1st April  
 (Decrease) / Increase in Provision for the Year

2013/14 £,000	2014/15 £,000
615	730
115	87
<b>730</b>	<b>817</b>

## NOTE 12 SUMS DIRECTED BY THE SECRETARY OF STATE

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

## NOTE 13 ASSETS HELD FOR SALE

The HRA has two properties classed as 'Assets Held for Sale' in the Council's Balance Sheet at 31 March 2015 (four properties at 31 March 2014).

# 11. COLLECTION FUND

## Introduction

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

	2013/14		2014/15	
	£,000	Business Rates £,000	Council Tax £,000	Total £,000
<b>INCOME</b>				
Council Tax Payers	(95,703)	0	(98,659)	(98,659)
Income from Business Ratepayers	(53,497)	(56,695)	0	(56,695)
<b>Total Income</b>	<b>(149,200)</b>	<b>(56,695)</b>	<b>(98,659)</b>	<b>(155,354)</b>
<b>EXPENDITURE</b>				
Precepts and Demands				
• Wokingham Borough Council	77,551	0	80,379	80,379
• Parish Councils	3,390	0	3,508	3,508
• Thames Valley Police Authority	9,984	0	10,353	10,353
• Berkshire Fire Authority	3,848	0	3,912	3,912
Business Rates				
• Payments to Government	26,145	27,706	0	27,706
• Payments to Wokingham Borough Council	25,401	27,151	0	27,151
• Payments to Fire Authority	518	554	0	554
• Cost of Collection	181	181	0	181
Bad and Doubtful Debts				
• Provisions	671	0	74	74
• Write Offs	482	0	105	105
• Provisions for Appeals	1,250	369	0	369
Transfer of Collection Fund Surplus	27	0	389	389
<b>Total Expenditure</b>	<b>149,448</b>	<b>55,961</b>	<b>98,720</b>	<b>154,681</b>
<b>Deficit/(Surplus) for the year</b>	<b>248</b>	<b>(734)</b>	<b>61</b>	<b>(673)</b>
<b>Balance at 1 April</b>	<b>(939)</b>	<b>876</b>	<b>(1,568)</b>	<b>(692)</b>
<b>Balance at 31 March</b>	<b>(692)</b>	<b>142</b>	<b>(1,507)</b>	<b>(1,365)</b>

## 12. NOTES TO THE COLLECTION FUND

### General

The Council has a statutory requirement as a billing authority to operate a Collection Fund as a separate account to the General Fund. The purpose of the Collection Fund is to separately identify the income and expenditure relating to Council Tax and Non Domestic Rates (NDR).

Collection Fund surpluses or deficits are declared by the billing authority in relation to Council Tax and are apportioned to the relevant precepting bodies in the subsequent financial year. Wokingham's precepting bodies for Council Tax are the Police and Crime Commissioner for Thames Valley and the Royal Berkshire Fire and Rescue Authority.

From 1 April 2013 onwards the local government finance regime was revised with the introduction of the Business Rates Retention Scheme. The main aim of the scheme is to give councils a greater incentive to increase economic development and regeneration by allowing them to share a proportion of any extra business rates achieved in excess of a baseline set by the Government. The scheme does, however, also increase the financial risk due to non-collection and reduction in the tax base, as councils will also have to share in any shortfalls up to an agreed level.

NDR surpluses or deficits declared by the billing authority in relation to the Collection Fund are apportioned to the relevant precepting bodies in the subsequent financial year in their respective proportions.

The Code of Practice requires the Collection Fund Income and Expenditure account to be included in the Council's accounts, and the Collection Fund balance sheet is incorporated into the Council's consolidated balance sheet.

### Council Tax

Council tax is charged according to the value of residential properties, which are classified into 9 valuation bands (A to H) for this specific purpose. Individual charges are calculated by estimating the amount of income required to be taken from the Collection Fund by the Council for the forthcoming year and dividing this by the Council Tax base (i.e. the equivalent numbers of Band D dwellings).

## NOTE 1 INCOME COLLECTABLE FROM BUSINESS RATE PAYERS

The total non-domestic rateable value at 31 March, 2015 was £138,120,607 (At 31 March 2014 £138,230,389).

The national non-domestic rate multiplier for 2014/15 was 48.2p (For 2013/14 47.1p)

## NOTE 2 CALCULATION OF THE COUNCIL TAX BASE

The Council Tax base for 2014/15 was 64,498.9 (63,436.4 in 2013/14). The tax base for 2014/15 was approved at Special Council Executive meeting on 30 January 2014 and was calculated as set out in the table below.

From 2013/14 onwards the local government finance regime was revised and Council Tax benefit is no longer separately paid to the Council but has been incorporated into the Formula Grant paid to the Council. The Council Tax Benefit Subsidy has been replaced by a Council Tax Reduction Scheme which each authority must approve each year, and which was approved by the Special Council Executive on 30 January 2014.

Band	Chargeable Dwellings	Ratio	Band D Equivalent Dwellings
			2014/15
A	1,370	6/9	912
B	2,764	7/9	2,150
C	8,330	8/9	7,404
D	16,181	1	16,181
E	13,535	11/9	16,543
F	8,897	13/9	12,851
G	5,658	15/9	9,430
H	408	18/9	816
<b>Total</b>			<b>66,287</b>
Net effect of premiums and discounts			(1,788)
<b>Council Tax Base</b>			<b>64,499</b>

### NOTE 3 COLLECTION FUND SURPLUS / (DEFICIT)

	2013/14 Total £,000	Council Tax £,000	Business Rates £,000	2014/15 Total £,000
Wokingham Borough Council	902	(51)	359	1,210
Central Government	(438)	0	367	(71)
Police and Crime Commissioner for Thames Valley	171	(7)	0	164
Royal Berkshire Fire Authority	57	(3)	8	62
<b>Total</b>	<b>692</b>	<b>(61)</b>	<b>734</b>	<b>1,365</b>

#### Income from Business Ratepayers

Each Council which is a billing authority collects Non Domestic Rates (NDR) for its area based on local rateable values provided by the Valuation Office Agency (VOA) multiplied by a uniform business rates set nationally by Central Government. In previous financial years the total amount due, less certain allowances, was paid to a central pool (the former NNDR pool) administered by Central Government, which in turn paid to local authorities their share of the pool, based on a standard amount per head of the local adult population.

In 2013/14 the administration of NNDR changed following the implementation by Government of the Business Rates Retention Scheme. Instead of paying the NNDR in full to Central Government, the scheme allows the Council to retain a proportion of the total NDR received. The Wokingham share is 49% with the remainder paid to precepting bodies. For Wokingham the NDR precepting bodies are Central Government (50% share) and the Royal Berkshire Fire and Rescue Authority (1% share).

The business rates shares payable for 2014/15 were estimated before the start of the financial year as £26.523m to Central Government, £25.993m to Wokingham Council, and £0.53m to the Royal Berkshire Fire and Rescue Authority. Business rates demands for these amounts were issued in 2014/15 and charged to the Collection Fund in year. When the scheme was introduced, Central Government set a baseline level for each authority identifying the expected level of retained business rates and a top up or tariff amount to ensure that all authorities receive their baseline amount. Tariffs due from authorities payable to Central Government are used to finance the top ups to those authorities which do not achieve their targeted baseline funding. Wokingham is a tariff authority and has paid Central Government the amount of £13.416m in 2014/15 as assessed in the baseline.

The total income from business ratepayers collectable in 2014/15 was £56.326m net of provisions for bad debts and appeals (£51.37m in 2013/14). This is an increase of approximately £5.2m compared to 2013/14, of which £3.4m is due to higher rates payable, and the difference of £1.8m is due to reductions in bad debts and provisions for appeals. The Business Rates Retention Scheme requires local authorities to pay a levy to Central Government if business areas collected exceeds the baseline. Wokingham's retained business rates income in 2014/15 was £14.695m (£12.239m in 2013/14) which was above the baseline of £12.577m (£12.336m in 2013/14) by £2.118m (net of provision for appeals, bad debts, and transitional protection payments). The Council will therefore have to pay a levy to central Government for 2014/15 of 50%, i.e £1.059m.

In addition to the top up, a 'safety net' figure is calculated at 92.5% of baseline amount which ensures that authorities are protected to this level of business rates income. Wokingham's safety net figure was £11.633m in 2014/15, which was significantly below the actual retained income of £14.695m. The comparison of business rate income to the safety net uses the total income collected from business rate payers and adjusts for losses in collection, losses on appeal, transitional protection payments, the cost of collection and Small Business Rate Relief not allowed for when the safety net was set. Since the Council's retained business rates income in 2014/15 exceeded the safety net threshold, the Council did not qualify for a safety net payment for 2014/15.

In addition to the local management of business rates, authorities are expected to finance appeals made in respect of rateable values as defined by VOA and hence business rates outstanding as at 31 March each year. Authorities are required to make a provision for these amounts in proportion to the precepting shares. The total provision charged to the Collection Fund at 31 March 2015 has been calculated at £1.619m, of which Wokingham's 49% share is £793k. This is an increase on the total provision of £1.25m at 31 March 2014 (of which Wokingham's share was £612.5k) and is largely due to a number of new large appeals which are expected to be made.

## Glossary of Terms

### **Accounting Code of Practice**

The CIPFA Code of Practice on Local Authority Accounting: Specifies the principles and practices of accounting required to give a 'true' and 'Fair' view of the financial position and transactions of a local authority, including group financial statements. The code prescribes the accounting treatment and disclosures for all normal transactions of a local authority based on a hierarchy of standards including International Financial Reporting Standards (IFRS)

### **Accounting Policies**

The rules and practices adopted by the Authority that dictate how transactions and events are treated in its financial records.

### **Accounting Standards**

A set of rules explaining how accounts are to be kept. By law, local authorities must follow 'proper accounting practices', which are set out in Acts of Parliament and in professional codes and statements of recommended practice.

### **Accruals**

This is an accounting concept that recognises income and expenditure when goods or services are provided, and not when cash is transferred. The inclusion of debtors, creditors and depreciation are examples of accruals.

### **Actuarial Gains/Losses**

The profits and losses on the pension scheme as calculated by the Actuary because the assumptions made were not the same as the actual performance (e.g. if interest rates were less than anticipated).

### **Acquisitions**

The Council spends funds from the capital programme to buy assets such as land and buildings.

### **Amortisation**

The equivalent of depreciation for intangible assets.

### **Appointed Auditors**

The Audit Commission appoints external auditors to every Local Authority, from one of the major firms of registered auditors.

### **Asset**

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

### **Assets Held for Sale**

Properties or equipment that have been taken out of use for service delivery and are awaiting sale.

### **Assets under Construction**

Assets not yet ready for use. This could be new building work in schools or road construction.

### **Balances and Reserves**

Balances and reserves are maintained to fund future years' expenditure, or specific projects, and to provide a cushion against expenditure being higher or income lower than expected. Contributions to balances and reserves can be either a planned contribution from the revenue budget to set aside monies for a specific purpose or a transfer of any revenue surplus at the

year-end. The maintenance of an appropriate level of general balances is a fundamental part of prudent financial management.

### **Budget**

A planned expenditure forecast. Budgets are reviewed during the course of the financial year to take account of pay and price changes and other factors affecting the level or cost of services.

### **Capital Expenditure**

Capital expenditure is expenditure that creates future benefits. A capital expenditure is incurred either when buying or, adding to the value of an existing fixed asset with a useful life extending beyond the current financial year.

### **Capital Adjustment Account**

A balance sheet reserve that is unique to the local authority accounting capital accounting regime. The balance on the account cannot be used, but reflects how the Council's assets have been financed. It contains the balance of depreciation against the Minimum Revenue Provision (MRP), additional debt repayments over the MRP, reserved capital receipts and usable capital receipts/ grants/ planning gains applied to meet capital expenditure.

### **Capital Financing**

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

### **Capital Financing Requirement**

It measures the local authorities underlying need to borrow or finance by other long-term liabilities for capital purposes. It represents the amount of capital expenditure that has not yet been resourced absolutely.

### **Capitalisation**

Costs are capitalised to the extent that they create or improve any fixed asset with a useful economic life greater than one year.

### **Capital Receipts**

Proceeds from the sale of fixed assets. The Council earmarks capital receipts to finance future capital expenditure.

### **Chartered Institute of Public Finance and Accountancy (CIPFA)**

CIPFA is the professional accountancy institute that sets the standards for the public sector. The institute produces advice, codes of practice and guidance to local Authorities on best practice.

### **Collection Fund**

A statutory account into which Council Tax and National Non-Domestic Rates are paid, and from which amounts are paid to the local authority and the precepting bodies.

### **Community Assets**

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

### **Comprehensive Income and Expenditure Statement (CIES)**

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

### **Contingent Assets**

Potential assets whose outcome depends on future events.



**Contingent Liabilities**

A contingent liability is either: A possible obligation arising from past events whose existence will be confirmed only by the occurrence of one or more uncertain future events not wholly within the authority's control (e.g. the outcome of a court case).

**Creditors**

Financial liabilities for future goods or services that have been received or supplied by the end of the accounting period, that is due immediately or in the short term. Creditors are an example of the concept of accruals.

**Current Service Cost (Pensions)**

The increase in the present value of Local Government pension scheme liabilities expected to arise from employee service in the current period.

**Curtailment Costs (Pensions)**

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

**Debtors**

Financial assets, with fixed or determinable payments, when goods or services have been delivered or rendered. Debtors are an example of the concept of accruals.

**Depreciation**

A charge to the revenue account to reflect the consumption or use of a fixed asset in service delivery. There is a corresponding reduction in the value of the fixed asset.

**Earmarked Reserves**

These are reserves set aside for a specific purpose or a particular service, or type of expenditure.

**Exceptional Item**

An item identified separately in the accounts because of its exceptional nature to ensure the presentation of the accounts is fair, and comparable year on year.

**Fair Value**

The amount for which an asset could be exchanged, or liability settled at arm's length, between Knowledgeable and willing parties

**Financial Year**

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

**Finance Lease & Operating Leases**

A finance lease is one that transfers a substantial proportion of the risks and rewards of a fixed asset to the lessee. With a finance lease the present value of the lease payments equates to substantially all of the value placed on the leased asset. For an operating lease a rental payment is payable to the lessor for the use of the asset and the ownership reverts to the owner when the lease is terminated.

**Financial Instrument**

A contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. Financial instruments can be classified generally as equity based, representing ownership of the asset, or debt based, representing a loan made by an investor to the owner of the asset.

**Fixed Assets**

An asset that yields benefits to the local authority and the services it provides for a period of more than one year. Tangible fixed assets have a physical form e.g. buildings or land. Intangible fixed assets do not have a physical form e.g. software licences.

**General Fund**

The local authorities main revenue account that covers the net cost of all services other than the provision of council housing for rent.

**Government Grants**

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

**Heritage Assets**

A building, monument, site, place, area or landscape identified as having a degree of significance meriting consideration in planning decisions, because of its heritage interest. Heritage asset includes designated heritage assets and assets identified by the local planning authority (including local listing).

**Historic Cost**

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

**Impairment**

A reduction in the value of a fixed asset, below its carrying amount on the Balance Sheet.

**Infrastructure Assets**

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

**Intangible Asset**

Fixed assets which have value but do not have physical any substance. They are identified and controlled by the local authority, for example, purchased software licences.

**Investment Properties**

An interest in land and, or buildings, which are held solely for their investment potential/rental income and are not required for delivery of local authority service.

**Lessee**

The party that leases an asset that is owned by another party.

**Lessor**

The owner of an asset that is leased by another party.

**Liability**

An obligation that binds the authority to settle a debt as a result of a past event or transaction such as the purchase of goods or services.

**Net book Value**

The amount at which fixed assets are included in the balance sheet, i.e. their historical cost or Current value less the cumulative amounts provided for depreciation.

**Net Realisable Value**

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

**Non-Domestic Rate (NDR) Income**

A levy on businesses based on national 'rateable value' of the premises occupied. NDR is paid into a national pool and then redistributed to all local and police authorities on the basis of assessed needs.

**Non-Operational Assets**

Fixed assets held by a local authority but not directly occupied, used or consumed in the delivery of services. Examples of these assets are investment properties and assets that are surplus to requirements, pending sale or redevelopment.

**Operational Assets**

Fixed assets held and occupied, used or consumed by the local authority in the direct delivery of those services for which it has either a statutory or discretionary responsibility.

**Past Service Cost (Pensions)**

For a defined benefit scheme, the increase in the present value of the scheme liabilities related to employee service in prior periods arising in the current period as a result of the introduction of, or improvement to, retirement benefits.

**Precept**

An amount levied on another public body in respect of the Council Tax. Parish Council's, Royal Berkshire Fire Authority and the Police and Crime Commissioner for Thames Valley levy precepts on the Council to collect council tax on their behalf.

**Prior Period Adjustments**

Material adjustments applicable in prior years, arising from changes in accounting policies or from correction of fundamental errors.

**Private Finance Initiative (PFI)**

A contract between the local authority and a private company. The private company makes a capital investment in the assets required to deliver improved services, and the council pays a unitary charge to cover the cost of services and financing requirements. In the case of Wokingham the PFI contract is for the disposal of waste.

**Provisions**

Amounts set aside for any liabilities or losses that are likely to be incurred, but which are uncertain as to the amounts or the dates on which they will arise.

**Public Works Loans Board (PWLB)**

A central government agency which provides long and medium-term loans to local authorities at interest rates only slightly higher than those at which the Government itself can borrow. Local authorities are able to borrow a proportion of their requirements to finance capital spending from this source.

**Revaluation Reserve**

This account contains the balance on the revaluation of fixed assets previously shown in the accounts arising from revaluations or disposals of those assets. The balance on the account cannot be used.

**Revenue Expenditure**

Expenditure incurred on day to day running costs e.g. running costs, salaries, and is confined to accounts within one financial year.

**Revenue Expenditure Funded From Capital under Statute (REFCUS)**

Expenditure that is treated under the Local Government Act 2003, as capital expenditure but which does not meet the definition of capital expenditure in the Statement of Recommended Practice. Therefore the expenditure is not carried on the balance sheet as a fixed asset.

**Revenue Support Grant (RSG)**

The principle way that Central Government funds local government revenue expenditure. This grant is non-specific and is based upon the Government's assessment of how much a local authority needs to spend to provide a common level of service.

**Surplus Assets**

Surplus assets are those assets that are no longer essential for the operation of services.

**Unuseable Reserves**

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

**Useable Reserves**

Usable reserves are those reserves that can be released to spend on services or added to for future spending on services.

**Useful Life (of assets)**

The period over which the local authority can derive benefits from the use of a fixed asset.

**Write-Offs**

Elimination of an asset or liability within the financial year, for example, uncollectable debts.