



# Statement of Accounts

## 2010/11



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## **ANNUAL GOVERNANCE STATEMENT 2010/11**

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

- 1.1 Wokingham Borough Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively. The Council also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.
- 1.2 In discharging this overall responsibility, the Council is responsible for putting in place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions which includes arrangements for the management of risk.
- 1.3 Wokingham Borough Council has a local code of corporate governance (LCCG), which is consistent with the principles of the CIPFA/SOLACE Framework "Delivering Good Governance in Local Government". The LCCG has been updated and was formally adopted by the Audit Committee on 27 July 2010. This statement explains how Wokingham Borough Council meets the requirements of the Accounts and Audit Regulations.

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

- 2.1 The governance framework comprises the systems, processes, procedures, culture and values by which the Council is directed and controlled, and its activities through which it accounts to, engages with and leads the community. It enables the Council to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate and cost effective services.
- 2.2 The system of internal control is a significant part of that framework and is designed to manage risk to an acceptable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives, and can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of the Council's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they not be realised, and to manage them efficiently, effectively and economically. The governance framework has been in place at Wokingham Borough Council for the year ended 31 March 2011 and up to the date of approval of the statement of accounts.

### **3. The Governance Environment in Place at Wokingham Borough Council**

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

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



Planning Guidance and are considered by Legacy Operations Board (previously the Strategic Leadership Board).

- 3.2 A performance management process is in place which includes staff appraisals and target setting in the context of service plans on at least an annual basis. A behaviours framework is in place to describe the behaviours that the council want to promote, develop, and exhibit so that we can achieve our Vision, Priorities and Values.
- 3.3 The Performance Management Guidance details the Council's performance management process. This covers the ongoing target setting and performance monitoring at staff supervision meetings through to reporting to the relevant Executive Leads. Work is still underway to deliver the Strategy and Performance Transformation work stream and Strategic Commissioning processes. The Council's performance management processes and guidance will be reviewed in 2011/12 once this has been finalised. Delivery of Council Priorities and achievement towards the Community Strategy Ambitions has been monitored on a quarterly basis as part of the Local Area Agreement and other performance frameworks. Progress on the Local Area Agreement (LAA) was reported to the Wokingham Borough Strategic Partnership until the LAA was abolished during 2010/11. The National Indicator set and Comprehensive Area Assessments were also abolished during the year, and work has therefore taken place to refine the set of indicators the Council is working to.
- 3.4 The Facilitation of Policy and Decision Making:
- The Council has a written Constitution, as required by the Local Government Act 2000. For the financial year 2010/11 it was based on the Executive – Leader/Cabinet model and the executive body acted collectively and as individuals in accordance with the relevant protocol agreed in 2006. In December 2010 the Council agreed to adopt, from May 2011, the new Leader/Cabinet Executive Model as set out in the Local Government and Public Involvement in Health Act 2007. The Constitution is divided into Sections which include articles which set out the basic rules governing the Council's business and more detailed procedures, codes of practice, rules of procedure and protocols. These include: Executive Procedures Rules; Overview and Scrutiny Procedures Rules; Members Code of Conduct; Protocol on Member/Officer Relations, Access to Information Procedure Rules as well as the Scheme of Delegation to Officers and the Council's Financial and Procurement Rules. Meetings are open to the public except where personal or confidential matters are being disclosed. In addition, senior officers of the Council can make decisions under delegated authority. The Council publishes a Forward Plan and a schedule of meetings that provides a programme for Executive decisions. A major review of the constitution was completed and implemented in May 2006 with reviews and updates to the constitution undertaken on an annual basis thereafter. Members and Officers can also propose changes throughout the year to the Council's constitution. All proposed changes are considered in advance of Council approval by the Constitution Review Working Group.
- 3.5 The Council has a robust decision making process which provides for both Executive and individual Executive decisions. Individual Executive decisions are taken in accordance with chapter 5.5 of the Council's constitution. All decisions are advertised and are supported by a formal public report which is produced five working days in advance of the decision being taken. All decision making meetings are public meetings. Both Executive and individual Executive decisions are subject to documented 'Call-In' arrangements.



- 3.6 Policy is considered and formulated by Executive Members of the Administration, who are advised by senior officers. Supported policies are presented to Executive/Council for formal approval.
- 3.7 The Council has designated the Director of Legal and Electoral Services (previously the Head of Governance and Democratic Services) as Monitoring Officer. It is the function of the Monitoring Officer to ensure compliance with established policies, procedures, laws and regulations. After consulting with the Head of Paid Service (Chief Executive) and Chief Finance Officer (Strategic Director, Resources (previously the General Manager Business Services), the Monitoring Officer will report to the full Council if it is considered that any proposal, decision or omission would give rise to unlawfulness, or maladministration. Such a report will have the effect of stopping the proposal or decision being implemented until the report has been considered. No such report has been issued during the 2010/11 financial year.
- 3.8 The Chief Executive, Strategic Director of Resources and the Director of Legal and Electoral Services are part of the Council's Legacy Operations Board and have access to all decision making meetings. All Executive reports are cleared by the Chief Executive, Strategic Director of Resources and the Director of Legal and Electoral Services, to ensure the legal, financial and policy framework is adhered to.
- 3.9 Through reviews by external auditors, external agencies, internal audit and various working groups, the Council constantly seeks ways of ensuring the economical, effective and efficient use of resources, and for securing continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.
- 3.10 The Service and Finance Planning Guidance provides a context of the level of savings and efficiencies required to achieve a politically acceptable level of Council tax increase. Considerable focus is given to reducing costs through effective procurement, reducing staffing through process re-engineering and new technology and alternative cost effective methods of service delivery. Investment to save or contain escalating expenditure is strongly encouraged.
- 3.11 The submission and evaluation of bids for additional resources (capital and revenue) are laid out in the Service and Financial Planning Framework. Bids are scrutinised by senior officers and evaluated against corporate priorities and then used to inform Member decisions.
- 3.12 The Medium Term Financial Plan (MTFP) provides a strategic overview of the Council's financial position over a three year period to provide a longer-term view. It includes the Council's resources requirements and performance targets (outputs) over the medium term. It also includes a service narrative, financial risk analysis, reserve policies and covers both revenue and capital. The MTFP incorporates the financial plans with our key partners over a three year period. This has been recognised and promoted by CIPFA as best practice and by the Audit Commission across Berkshire.
- 3.13 The Financial Management of the Council and the Reporting of Financial Management  
The Financial Management arrangements of the Council are brought together in the Council's Financial Regulations and Budget Management Protocol which identifies roles, responsibilities, policies, procedures and processes.
- 3.14 The Council's Strategic Legacy Operations Board consider revenue and capital budget monitoring reports on a monthly basis, as do Executive Leads. This is supplemented by an



informal Member/Senior Officer group (known as the Special Finance Group) that takes an overview of the Council's finances and directs action as appropriate. Executive formally considers the revenue and capital budget monitoring reports quarterly. The Statement of Accounts produced at financial year-end is approved by the Audit Committee on behalf of the Council.

- 3.15 The financial management of the authority is conducted in accordance with the financial rules set out in Part 4 of the Constitution (the Financial Regulations) and the Medium Term Financial plan (Budget Management Protocol). The Council has designated the Strategic Director of Resources as Chief Finance Officer in accordance with Section 151 of the Local Government Act 1972. The Council has in place a three year Financial Strategy, updated annually to ensure resources are allocated effectively to best enable the delivery of the corporate priorities.
- 3.16 The council has benchmarked the Strategic Director of Resources (designated Chief Financial Officer) against the published CIPFA guidance 'The Role of the Chief Financial Officer'. The Chief Financial Officer met all the core responsibilities as defined in the guidance.
- 3.17 The Council maintains an Internal Audit function (part of the Business Assurance Section) which seeks to operate to the Chartered Institute of Internal Auditors International Standards. The Business Assurance Section reports quarterly to the Audit Committee on progress against the Internal Audit Plan and highlights any significant governance or internal control issues arising.

3.18 The Performance Management System of the Council and the Reporting of Performance Management:

Performance Management is laid out in the Performance Management Guidance, which will be rewritten once the Council's new structure for Strategic Commissioning is in place. This identifies what management information is reported to who and when. It covers performance indicators, financial reporting and statutory reports. The process focuses attention on corporate priorities and is an integral part of the Service and Financial Planning Guidance. It is cascaded through service plans, individual employee appraisals and action plans. Legacy Operations Board (previously Strategic Leadership Board), Executive, Overview and Scrutiny Management Committee and individual Member briefings monitor and review progress against targets and performance and are responsible for ensuring that corrective action is undertaken where appropriate.

- 3.19 The Council prepares a series of performance reports on a monthly, quarterly and annual basis to provide a comprehensive picture of achievement. A monthly Key Performance Indicator report is produced to provide regular updates on achievement and improvement. Key Performance Indicators have been reviewed in 2010/11 and the KPI report restructured to produce 'baskets of indicators' which demonstrate overall performance in key areas of the Council. These baskets are underpinned by individual performance indicators which are also monitored. A Balanced Scorecard report is produced quarterly to provide an overview against each of the vision priorities of performance, finance, risk and project progress, but it was agreed that this would cease to be produced in January 2011, and is to be replaced by a twice-yearly Wokingham Borough Coalition and Economic Recovery report. An annual performance report has not been produced for 2010/11. Each of these reports is presented to Legacy Operations Board (previously the Strategic Leadership Board), Executive, and Overview and Scrutiny Management Committee.





- 3.20 The Council has also prepared separate reports to support partnership working. The Economic Downturn Report showed the current state of the local economy, this will now be incorporated into the Wokingham Borough Coalition and Economic Recovery report. The Local Area Agreement Report shows progress and achievement in the delivery of the Wokingham Borough Strategic Partnership priorities until the LAA was abolished by the Coalition Government. Performance information is also presented on the Council's public facing website to allow residents to understand the progress that is being made against the Council's vision and priorities.
- 3.21 The Risk Management of the Authority and the Reporting of Risk Management:  
A system is in place for the management of service and corporate risks. The process, roles and responsibilities of members, committees and staff are laid out in the Council's Risk Management Policy. The Council has continued to embed an Enterprise Risk Management model for managing its risks (and opportunities) as detailed in its Enterprise Risk Management Strategy.
- 3.22 Members of the Executive, the Overview & Scrutiny Committee and the Risk Management Group have all received risk management training in year relevant to their role. Risk Management training will be offered to all new members in 2011/12. Going forwards, regular refresher training is required for senior managers and members of the Audit Committee.
- 3.23 The Service and Financial Planning Guidance ensures that significant financial and service risks within the annual budget presented to Council for approval, are highlighted in the Chief Finance Officer's statutory report.
- 3.24 The Legacy Operations Board has responsibility for the Corporate Risk Register and for refreshing this on a quarterly basis. This has been undertaken in the year. After each refresh, the Corporate Risk Register is presented to the Audit Committee and forwarded to Executive members for information and reference. All Strategic Directors / Directors are responsible for monitoring and co-ordinating risks in their service area and for producing a service risk register that is regularly refreshed and reviewed.
- 3.25 A Risk Management Group has been fully established and includes representatives from all service areas. The group meets quarterly and has helped to facilitate the production of outstanding team risk registers. This work is ongoing. The group is charged with collating the key and consistent themes from service, team and project risk registers and then communicating this information onto the Legacy Operations Board and to their Service Management Teams for possible inclusion within their respective risk registers. This ensures that risks are considered both vertically and horizontally. Going forwards work will be required to align risk management and risk registers to the new structure and business delivery units.
- 4. Review of Effectiveness of Wokingham Borough Council's Governance Framework**
- 4.1 Wokingham Borough Council has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework, including the system of internal control. The review of effectiveness is informed by:
- the work of the Legacy Operations Board, previously the Strategic Leadership Board (who have responsibility for the development and maintenance of the Council's governance environment);



- the Director of Business Assurance and Democratic Services' annual Internal Audit Report; and
- comments made by the external auditors and other review agencies and inspectorates.

4.2 Responsibility for drafting the Council's Annual Governance Statement rests with the Director of Business Assurance and Democratic Services in liaison with the Corporate Governance Group. It is considered and endorsed by the Legacy Operations Board and the Audit Committee prior to presentation at Council.

4.3 The Internal Audit assurance levels on key areas of the internal control environment demonstrate that for 2010/11 a reasonable internal control framework has been maintained.

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

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

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

4.6 Management Assurance Statements have been completed by the Council's Strategic Directors and Director. All Management Assurance Statements for 2010/11 have been completed, signed and returned to the Corporate Governance Group for consideration as part of the process for compiling the Annual Governance Statement.

4.7 Review of the Effectiveness of Internal Audit:

The Accounts and Audit (Amendment) Regulations 2009 require bodies to review the effectiveness of their system of internal audit at least annually and to report this to their Audit Committee.

4.8 A review of Internal Audit effectiveness has been conducted, it concludes that Internal Audit is effective and complies with the Chartered Institute of Internal Auditors International Standards. The review found that controls are in place to ensure the delivery of high quality risk based Internal Audits and resources are used effectively to meet the assurance needs of the council. The review has made some recommendations on areas which can be strengthened but none of these raise concerns over the effectiveness of Internal Audit. The review will be report to Audit Committee on 29 June 2011.

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

5.1 We have been advised on the implications of the result of the review of the effectiveness of the governance framework and system of internal control by the Corporate Governance Group.



**5.2 Corporate Risks and Issues:**

- i. The Transformation Programme envisaged a fundamental change in the way the council delivers its services and is structured to do so. This will require high levels of political and staff commitment. A revised organisational structure was launched on 26 January 2011. The new structure provides for a shift in the delivery of the Transformation Programme and for new roles and responsibilities of Senior Officers. The re-structure aims to deliver services in the most cost-effective and customer focussed manner through functions rather than a departmental approach. As the Transformation Programme develops the link between a re-structured organisation and the associated financial savings increases.
- ii. As the council embarks on a new stage of Transformation, leading to major structural change and the transition into new delivery models (with temporary leadership arrangements), core business must be maintained and delivered alongside the Transformation programme. The move towards business delivery units and shared service arrangements requires high levels of project resource, potentially affecting business as usual.
- iii. The Sustainable Community Strategy was refreshed this year although the Corporate Plan and Annual Business Plan have not been refreshed. As all documents have not been refreshed this means that there are issues with the plans being aligned and the 'golden thread'.
- iv. A bid has to be made each year for a budget to undertake Members' Training. If this bid was not supported then there would be a risk that Members would not have the appropriate skills and expertise to fulfil their decision making responsibilities and/or carry out their role as an elected Member. This could also affect succession planning. There is also an issue around Members not taking up the opportunities provided to them.
- v. The council's capacity to effectively undertake scrutiny is a concern, along with the management and strategic focus of their work programme. This could impact on the quality of decision making within the council.
- vi. Twyford Orchards is one of two council owned gypsy and traveller sites. There is overcrowding of the site and other issues, giving rise to concern over health and safety for residents of the site. Action has been taken to improve fire and road safety on the site to manage the risks. Action is also being taken to secure additional land for the site.
- vii. Officer's declaration of interest submissions are not readily available to the managers responsible meaning they are unaware of any conflicts that have been reported which could result in conflicts going unmanaged.

**5.3 Service Risks and Issues:**

- i. Governance and Democratic Services. Late notification to the Insurance Service in respect of new risks and changes. The requirement to insure them can mean that the Finance Regulations cannot be (properly) complied with and also that significant business decisions are being made without proper consideration of the insurance implications.
- ii. Community Care and Housing. In response to the national transformation programme 'Putting People First' we have re-engineered adult social care. Completely new systems have been designed and implemented. These followed sound project management principles and the changes have been agreed through the appropriate corporate governance channels including Executive approval. All due care has been taken to ensure that internal



**WOKINGHAM  
BOROUGH COUNCIL**

controls remain robust, however given the scale of changes it is not possible at this time to guarantee that internal controls have not been weakened. The new system has been audited and remains under constant review to ensure any weaknesses are highlighted and dealt with.

- iii. Community Care and Housing. The allocation of resources to meet need through a Resource Allocation System (RAS) is a new and largely untested technology, control mechanisms around budget management for personal budgets based on RAS are also new.
  - iv. Community Care and Housing. The Housing Revenue Account has done and continues to experience budget pressures. Consequently 6% of the councils housing stock does not meet the Decent Homes Standard with the position predicted to get worse in 2011/12. This year Connaught, a main supplier went into administration.
- 5.4 Internal controls are generally well progressed, although given the issues outlined above there is still scope to further strengthen the Council's internal control environment and overall assurance framework.
- 5.5 We propose over the coming year to take steps to address the above matters to further develop the Council's governance arrangements. The governance disclosures contained in this annual governance statement will be managed via the appropriate risk register in accordance with the councils risk management strategy. This will provide for more accountability, reduced bureaucracy and further embed enterprise risk management.

**Signed:**

**Leader of the Council:**

**Date:**

7/7/11

**Chief Executive:**

**Date:**

5/7/11

## 2. EXPLANATORY FOREWORD

This Statement of Accounts 2010/11 has been compiled in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom (The Code) and is the first 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 and Funding Basis under regulations (Note 7) line in the Movement in Reserves Statement.

## Cash Flow Statement

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

## Housing Revenue Account

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

## Collection Fund

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

## Group Accounts

Where an authority has material interests in subsidiaries, associates and / or jointly controlled entities, there is a requirement to prepare group accounts. Wokingham Enterprises Ltd (WEL) is a company wholly owned and set up by Wokingham Borough Council for the purpose of enabling the regeneration of the town centre of Wokingham. Although the company was set up in 2009, it had not commenced trading as at 31<sup>st</sup> March, 2010, therefore, on grounds of materiality, group accounts were not separately reported for 2009/10. The 2010/11 accounts will be the first to

incorporate summary group accounts for WEL which are presented in notes 51 to 57 of the Financial Statements. The main trading activity is that of property investment. The income is derived from the assets acquired in June 2010, which comprised a number of retail units collectively known as Peach Place

## **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**

As a result in the change of political administration in central government, a number of changes financial and otherwise have taken place. A reduction in grants during 2010/11 was applied. This impacted across the whole organisation in that plans for services had to be rapidly applied. Total Area Based Grant reduction in 2010/11 was £849k or 11.66% of total grant received. Further reductions to grant funding have occurred 2011/12 with many grants ceasing and being included in the overall grant settlement; a smaller number remain as specific grants.

The Council's transformation programme continues at pace. The traditional departments will cease to exist and a new structure based on being a commissioning led organisation will evolve. General Managers have been replaced by Strategic Directors with a new structure at high level being in place during February 2011. The traditional departments found within local authorities will be replaced by direct delivery units.

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

There was a change in investment managers this year as part of the Council's need to ensure value for money. Investment fund managers for 2010/11 were Investec and Scottish Widows Investment Partnership (SWIP). The tendering process delivered two fund managers for 2011/12 these being Royal London Asset Management and SWIP. Investment returns for 2010/11 have been modest given the financial climate and low level of returns possible. The Council continues legal action with the Icelandic banks (Landsbanki / Heritable) although 56.33% of our investment was reimbursed in 2010/11.

## General Fund Service Expenditure 2010/11

The following table analyses Wokingham Borough Council's outturn (actual) and budgeted net expenditure by service, as at 31<sup>st</sup> March, 2011:

Service	End of Year Position		
	Approved Budget £,000	Outturn Actual £,000	Net Over / (Under) Spend £,000
Business Services	8,266	7,747	(519)
Chief Executive and Communications	3,718	3,737	19
Children's Services	30,940	30,683	(257)
Community Care	39,683	39,551	(132)
Governance and Democratic	579	557	(22)
Place and Neighbourhoods	28,076	27,807	(269)
Policy and Partnerships	3,958	3,692	(266)
Transformation	960	715	(245)
<b>Net Expenditure before Carry Forwards</b>	<b>116,180</b>	<b>114,489</b>	<b>(1,691)</b>
Approved Carry Forwards	0	854	854
<b>Total Net Expenditure</b>	<b>116,180</b>	<b>115,343</b>	<b>(837)</b>

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

The Statement of Accounts has been prepared in accordance with IAS 19 – Retirement Benefits. Although IAS 19 has not directly affected the net outturn position in 2010/11, the accounts show a net pension liability of £94m. This has significantly reduced from the 2009/10 liability of £147m due to future pensions being increased in line with the Consumer Price Index rather than the Retail Price Index, which is accounted for as a past service gain. The deficit will be reviewed over the long-term as part of the next triennial actuarial valuation and, if necessary, will be addressed through increased employer and employee contributions to ensure the pension scheme returns to a 100% funding level over an appropriate period of time.

During 2010/11 the Council, as part of its 5 year rolling revaluation programme, has seen an increase in its value of land and buildings due to the revaluation of a number of properties. However, these increases have been offset by large impairments totalling £6m. The Council has also revalued all their investment properties and will continue to revalue these on an annual basis as per IFRS Guidelines. As a result, investment properties have, on balance, seen a decrease in their value. In addition, the estimate used for valuing council dwellings (HRA assets) has changed as per valuation guidance, resulting in a revaluation loss of £57m this year.

Early in October 2008, the Icelandic bank Landsbanki, Kaupthing and Glitnir collapsed and the UK subsidiaries of these banks, Heritable, Kaupthing Singer and Friedlander went into administration. The Council had £5m deposited across two of these institutions, with varying maturity dates and interest rates at that time. Based on the latest information available and, in accordance with accounting practice, the Council considered that it was appropriate to consider an impairment adjustment for the deposits in its 2008/09 accounts. The impairment has been reviewed during 2010/11 in accordance with CIPFA guidance. In relation to Heritable bank (with whom the Council invested £3m) the authority has received information that it will recover a total of 84.98% by the end of 2012/13 (the Council has received 56.33% to date). The impairment for Landsbanki (with whom the Council invested £2m) in 2008/09 had been based on the assumption that local authority deposits had priority status. This has now been challenged but legal advice remains that deposits have priority status under Icelandic Law. Although this is unlikely to be known until 2011/12, the

impairment for 2010/11 has been calculated on this basis with recovery expected to be 94.85% by December 2018.

The CIPFA Code of Practice for 2010 introduced IFRS and therefore the 2010/11 accounts are prepared in this format for the first time. As a result of these changes the 2009/10 accounts needed to be restated. Appendix A explains the impact of the adoption of IFRS, which includes:

- Accruing for annual leave earned but not taken
- Separating leases of land and buildings
- A change in timing for recognition of grant income for capital assets
- Review of classification of non current assets
- Reclassification of investments on short term deposits

The outstanding balance of loans amounts to £48m. There has been no additional borrowing during 2010/11. The current level of borrowing is comfortably within the authorised borrowing limit of £100m.

Wokingham Enterprise Limited (WEL) is a wholly owned subsidiary of Wokingham Borough Council. Incorporated as a trading company in December 2009, the main trading activity is that of a property investment. The income is derived from the assets acquired in June 2010 comprising of a number of retail units collectively known as Peach Place. In 2010/11 group accounts have been prepared for WEL for the first time (see notes 51 to 57).

Major acquisitions during the year relate to the granting of a loan to (ie, investing in) Wokingham Enterprise Ltd for the purchase of Peach Place, for which £9.7m was funded through realisation of investments rather than additional borrowing.

The combination of long term and short term investments has seen a reduction of £16m in available funds during 2010/11. The reduction is attributable to the Peach Place acquisition and liquidation of funds held by fund managers as at 31<sup>st</sup> March, 2011 in preparation of a payment in April 2011 for the prepayment of superannuation. Investment funds are expected to return to 2009/10 levels during the course of 2011/12, whilst still maintaining a low risk investment strategy.

## 3. STATEMENT OF RESPONSIBILITIES

### The Council's Responsibilities

The Council is required:

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

### The Responsibilities of the Strategic Director of Resources

The Strategic Director of Resources, in his capacity as the S151 Officer, is responsible for the preparation of the Council's Statement of Accounts which, in terms of the Chartered Institute of Public Finance and Accountancy (CIPFA) / Local Authority (Scotland) Accounts Advisory Committee (LASAAC) Code of Practice on Local Authority Accounting in United Kingdom, is required to present a true and fair view of the financial position of the Council at the accounting date and its income and expenditure for the year ended 31st March, 2011.

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

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

I hereby certify that the Statement of Accounts on pages 15 – 130 presents a true and fair view of the financial position of the Wokingham Borough Council at the accounting date and its income and expenditure for the year ended 31 March, 2011.



Signature:



**G.M.Ebers**  
**Strategic Director of Resources**  
**Date: 28<sup>th</sup> September, 2011**



Signature:



**Philip Mirfin**  
**Chairman of the Audit Committee**  
**Date: 28<sup>th</sup> September, 2011**



## 4. STATEMENT OF ACCOUNTING POLICIES

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

This Statement of Accounts has been prepared in accordance with the CIPFA Code of Practice on Local Authority Accounting in the United Kingdom Guidance Notes for Practitioners 2010/2011 (the Code). The statements comply with the CIPFA Best Value Accounting Code of Practice 2010/11 (BVACOP).

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

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

### 4.1 Accruals of Income and Expenditure

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

- Fees, charges and rents due from customers are accounted for as income at the date the Council provides the relevant goods or services

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

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

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

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

The Council does not have any discontinued operations.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

### **Local Government Pension Scheme**

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

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

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

Liabilities are discounted to their value at current prices, using a discount rate of 6.7% (based on the indicative rate of return on Merrill Lynch Non Gilt Sterling AA over 15 year Corporate Bond Index).

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

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

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

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

- current service cost – the increase in liabilities as result of years of service earned this year is allocated in the Comprehensive Income and Expenditure Statement to the revenue accounts of the services for which the employees worked
- past service cost – the increase in liabilities arising from current year decisions whose effect relates to years of service earned in earlier years – debited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs
- interest cost – the expected increase in the present value of liabilities during the year as they move one year closer to being paid – debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement
- expected return on assets – the annual investment return on the fund assets attributable to the Council, based on an average of the expected long-term return – credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement

- gains or losses on settlements and curtailments – the result of actions to relieve the Council of liabilities or events that reduce the expected future service or accrual of benefits of employees are debited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs
- actuarial gains and losses – changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions – debited to the Pensions Reserve
- contributions paid to the pension fund – cash paid as employer's contributions to the pension fund in settlement of liabilities are not accounted for as an expense

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

#### **Discretionary Benefits**

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

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

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

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

- **Adjusting Event**

The Statement of Accounts is adjusted to reflect events where there is evidence that conditions existed at the Balance Sheet date

- **Non-Adjusting Event**

Where an event is indicative of conditions that arose after the Balance Sheet date, the Statement of Accounts are not adjusted. However, the following will be disclosed for each material category of non-adjusting event:

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

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



## **4.10. Financial Instruments**

### **i. Financial Liabilities**

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

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

The Council does not issue bonds.

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

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

### **ii. Financial Assets**

Financial assets are classified into two types:

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

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

Loans and receivables are initially measured at fair value and are subsequently carried at their amortised cost. Annual credits to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument. For most of the loans that the Council has made, this means that the amount presented in the Balance Sheet is the outstanding principal receivable (plus accrued interest) and interest credited to the Comprehensive Income and Expenditure Statement is the amount receivable for the year in the loan agreement.

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

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

**b. Available for Sale Assets**

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

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

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

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

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

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

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

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

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

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

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

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

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

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

##### **i. Area Based Grant (ABG)**

ABG is a general grant allocated by central government directly to local authorities as additional revenue funding. It is non-ringfenced and is credited to Taxation and Non-Specific Grant Income in the Comprehensive Income and Expenditure Statement.

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

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

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

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

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

- technical feasibility of completing the asset so it will be available for use or sale;
- intention to complete the asset;
- ability to use or sell the asset;
- how the asset will generate future economic or service delivery benefits (by demonstrating a market for the asset or the usefulness of the asset);
- availability of adequate resources are to complete the asset; and

- ability to measure reliably the expenses attributable to the asset during the development phase only (research expenditure cannot be capitalised)

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

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

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

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

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

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

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

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

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

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

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

Under the Waste and Emissions Trading Act 2003, the Council as a waste disposal authority is issued with landfill allowance permits on an annual basis for the amount of biodegradable waste that it is allowed to landfill. If the amount of biodegradable waste sent to landfill exceeds the allowance in any one year then additional permits are required to be

purchased from other authorities or a cash penalty is paid to the government for the shortfall. The scheme is known as a 'cap and trade scheme'.

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

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

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

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

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

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

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

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

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

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

Investment properties are measured initially at cost and subsequently at fair value, based on the amount at which the asset could be exchanged between knowledgeable parties at arm's-length.



Properties are not depreciated but are revalued annually, according to market conditions at the year end. Gains and losses on revaluation or disposal are posted to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

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

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

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

#### **4.18. Leases**

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

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

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

###### **Finance Leases**

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

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

Rentals payable are apportioned between:

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

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

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

### **Operating Leases**

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

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

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

### **Finance Leases**

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

### **Operating Leases**

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

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

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

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

- Corporate and Democratic Core which are costs relating to the Council's status as a multi-functional, democratic organisation

- **Non-Distributed Costs.** These are costs of discretionary benefits awarded to employees retiring early and impairment losses chargeable on Assets Held for Sale

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

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

### i. Recognition

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

### ii. De-Minimis

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

### iii. Measurement

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

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

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

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

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

- The Council has good title free from encumbrances;
- There are no hazardous substances or latent defects in the properties and there is no contamination present;
- The properties have permanent planning permission and any other necessary statutory consent for their current use;
- Plant and machinery is included in the valuation of the property, where applicable;
- No special circumstances beyond those likely to be considered by a prospective purchaser in the open market have been taken into account;

- f) No allowance has been made for any liability to taxation, which may arise on disposal, nor for costs of acquisition or realisation.
- g) All transactions agree with the Council's de-minimis level

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

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

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

#### **iv. Depreciation**

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

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

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

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

#### **v. Impairment**

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

- a significant decline in an asset's market value during the period
- evidence of obsolescence or physical damage to the asset
- a significant adverse change in the statutory or other regulatory environment in which the Council operates

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

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

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

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

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

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

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

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

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



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

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

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

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

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

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

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

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

##### **i. Provisions**

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

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

Provisions are charged to the appropriate service line in the Comprehensive Income and Expenditure Statement in the year that the Council becomes aware of the obligation. The amount recognised as a provision is the best estimate taking into account the risks and uncertainties surrounding the events. When payments for expenditure are incurred to

which the provision relates they are charged direct to the provision carried in the Balance Sheet. Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate. If it is no longer probable that a transfer of economic benefits will be required to settle the obligation (or a lower settlement than anticipated is made), the provision is reversed and credited back to the relevant service.

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

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

## **ii. Contingent Liabilities**

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

## **iii. Contingent Assets**

Contingent assets are not recognised in the accounting statements; they are disclosed by way of notes if the inflow of a receipt or economic benefit is probable. The disclosures indicate the nature of the contingent asset and an estimate of its financial effect.

## **4.23. Reserves**

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

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

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

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

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

Revenue expenditure classified as capital under statute, formerly known as deferred charges, represents expenditure that may be capitalised but does not result in the creation of non-current assets. The expenditure has been charged to the relevant service in the Comprehensive Income and Expenditure Statement in the year. Where the Council has determined to meet the cost of this

expenditure from existing capital resources or by borrowing, a transfer in the Movement in Reserves Statement from the General Fund Balance to the Capital Adjustment Account then reverses out the amounts charged so there is no impact on the level of council tax.

#### **4.25. VAT**

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

#### **4.26. Group Accounts**

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

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

## 5. FINANCIAL STATEMENTS

### MOVEMENT IN RESERVES STATEMENT

	General Fund (GF) Balance	Earmarked GF Reserves	Housing Revenue Account (HRA)	Schools & Dedicated Schools Grant Reserves	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	Total Usable Reserves	Unusable Reserves	Total WBC Reserves
	£,000	£,000	£,000	£,000	£,000	£,000	£,000	£,000	£,000	£,000
<b>Restated Balance at 1st April, 2009</b>	(8,592)	(5,255)	(688)	(4,814)	(4,603)	(847)	(448)	(25,247)	(575,315)	(600,562)
<b>Movement in Reserves during 2009/10:</b>										
(Surplus) or Deficit on the Provision of Services	7,273	0	(921)	0	0	0	0	6,352	0	6,352
Other Comprehensive Income and Expenditure	0	0	0	0	0	0	0	0	(36,136)	(36,136)
<b>Total Comprehensive Income and Expenditure</b>	<b>7,273</b>	<b>0</b>	<b>(921)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>6,352</b>	<b>(36,136)</b>	<b>(29,784)</b>
Adjustments between Accounting Basis & Funding Basis under Regulations (Note 7)	(5,939)	0	304	0	(10)	(334)	(1,239)	(7,218)	7,137	(81)
<b>Net Increase / Decrease before Transfers to Earmarked Reserves</b>	<b>1,334</b>	<b>0</b>	<b>(617)</b>	<b>0</b>	<b>(10)</b>	<b>(334)</b>	<b>(1,239)</b>	<b>(866)</b>	<b>(28,999)</b>	<b>(29,865)</b>
Transfers to/from Earmarked Reserves (Note 8)	(658)	601	0	58	0	0	0	1	0	1
<b>Increase / Decrease in 2009/10</b>	<b>676</b>	<b>601</b>	<b>(617)</b>	<b>58</b>	<b>(10)</b>	<b>(334)</b>	<b>(1,239)</b>	<b>(865)</b>	<b>(28,999)</b>	<b>(29,864)</b>
<b>Balance at 31st March, 2010 carried forward</b>	<b>(7,916)</b>	<b>(4,654)</b>	<b>(1,305)</b>	<b>(4,756)</b>	<b>(4,613)</b>	<b>(1,181)</b>	<b>(1,687)</b>	<b>(26,112)</b>	<b>(604,314)</b>	<b>(630,426)</b>

	General Fund (GF) Balance	Earmarked GF Reserves	Housing Revenue Account (HRA)	Schools & Dedicated Schools Grant Reserves	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	Total Usable Reserves	Unusable Reserves	Total WBC Reserves
	£,000	£,000	£,000	£,000	£,000	£,000	£,000	£,000	£,000	£,000
<b>Balance at 31st March, 2010 brought forward</b>	(7,916)	(4,654)	(1,305)	(4,756)	(4,613)	(1,181)	(1,687)	(26,112)	(604,314)	(630,426)
<b>Movement in Reserves during 2010/11:</b>										
(Surplus) or Deficit on the Provision of Services	(26,177)	0	49,630	0	0	0	0	23,453	0	23,453
Other Comprehensive Income and Expenditure	0	0	0	0	0	0	0	0	(34,788)	(34,788)
<b>Total Comprehensive Income and Expenditure</b>	(26,177)	0	49,630	0	0	0	0	23,453	(34,788)	(11,335)
Adjustments between Accounting Basis & Funding Basis under Regulations (Note 7)	22,694	0	(49,641)	0	(5,108)	843	(4,971)	(36,183)	35,894	(289)
<b>Net Increase / Decrease before Transfers to Earmarked Reserves</b>	(3,484)	0	(11)	0	(5,108)	843	(4,971)	(12,731)	1,106	(11,625)
Transfers to/from Earmarked Reserves (Note 8)	2,078	517		(2,595)	0	0	0	0	0	0
<b>Increase / Decrease in 2010/11</b>	(1,406)	517	(11)	(2,595)	(5,108)	843	(4,971)	(12,731)	1,106	(11,625)
<b>Balance at 31st March 2011 carried forward</b>	(9,322)	(4,137)	(1,316)	(7,351)	(9,721)	(338)	(6,658)	(38,843)	(603,208)	(642,051)



# COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

2009/10			2010/11		
Gross Expenditure £,000	Gross Income £,000	Net Expenditure £,000	Gross Expenditure £,000	Gross Income £,000	Net Expenditure £,000
4,329	(2,629)	1,700	3,353	(3,336)	17
25,679	(5,319)	20,360	27,565	(5,656)	21,909
184,930	(136,251)	48,679	183,722	(146,308)	37,415
16,188	(3,678)	12,510	15,210	(2,559)	12,651
11,515	(12,444)	(929)	13,809	(14,697)	(888)
27,634	(25,341)	2,293	29,304	(27,404)	1,900
54,409	(17,819)	36,590	56,229	(16,405)	39,824
580	0	580	26,743	(1,474)	25,269
8,380	(3,857)	4,523	7,582	(3,816)	3,766
2,581	(345)	2,236	1,641	2,545	4,186
<b>336,225</b>	<b>(207,683)</b>	<b>128,542</b>	<b>365,158</b>	<b>(219,110)</b>	<b>146,048</b>
		3			0
		2,966			2,761
		6,238			9,925
		(131,397)			(135,281)
		<b>6,352</b>			<b>23,453</b>
		(103,503)			4,016
		67,367			(38,804)
		<b>(36,136)</b>			<b>(34,788)</b>
		<b>(29,784)</b>			<b>(11,335)</b>
		<b>Total Comprehensive Income and Expenditure</b>			

# BALANCE SHEET

1st April, 2009 £,000	31st March, 2010 £,000		Notes	31st March, 2011 £,000
717,697	817,454	Property, Plant & Equipment	12	761,641
19,878	24,095	Investment Property	13	27,460
837	748	Intangible Assets	14	690
0	0	Assets Held for Sale	19	0
11,450	7,966	Long Term Investments	15	12,479
10	11	Long Term Debtors	15	4
<b>749,872</b>	<b>850,274</b>	<b>Long Term Assets</b>		<b>802,274</b>
26,254	5,677	Short Term Investments	15	5,106
0	0	Assets Held for Sale	19	0
0	0	Inventories	16	0
0	268	Intangible Current Assets		0
11,541	16,558	Short Term Debtors	17	12,507
18,044	31,730	Cash and Cash Equivalents	18	37,207
<b>55,839</b>	<b>54,233</b>	<b>Current Assets</b>		<b>54,820</b>
(2,788)	(3,171)	Cash and Cash Equivalents	18	(2,508)
(5,230)	0	Short Term Borrowing	15	0
(27,820)	(30,828)	Short Term Creditors	20	(29,061)
(5,902)	(5,918)	Provisions	21	(5,492)
<b>(41,740)</b>	<b>(39,917)</b>	<b>Current Liabilities</b>		<b>(37,061)</b>
0	0	Long Term Creditors	15	0
(49,354)	(48,046)	Long Term Borrowing	15	(48,083)
(7,129)	(10,286)	PFI and Finance Lease Liabilities	15	(10,003)
(74,500)	(147,011)	Pensions Liability	46	(93,941)
(4)	0	Other Long Term Liabilities		0
(32,420)	(28,819)	Capital Grants Receipts in Advance	37	(25,955)
<b>(163,407)</b>	<b>(234,162)</b>	<b>Long Term Liabilities</b>		<b>(177,982)</b>
<b>600,564</b>	<b>630,428</b>	<b>Net Assets</b>		<b>642,051</b>
(25,249)	(26,114)	Usable Reserves	22	(38,843)
(575,315)	(604,314)	Unusable Reserves	23	(603,208)
<b>(600,564)</b>	<b>(630,428)</b>	<b>Total Reserves</b>		<b>(642,051)</b>

# CASH FLOW STATEMENT

2009/10 £,000		Notes	2010/11 £,000
6,351	Net (Surplus) or Deficit on the Provision of Services		23,453
(5,920)	Adjustments to Net Surplus or Deficit on the Provision of Services for Non-cash Movements		(64,880)
(6,446)	Adjustments for Items Included in the Net Surplus or Deficit on the Provision of Services that are Investing or Financing Activities		37,612
(6,015)	Net Cash Flows from Operating Activities		(3,814)
16,042	Investing Activities	25	(1,828)
(23,330)	Financing Activities	26	(497)
(13,303)	Net (Increase) or Decrease in Cash and Cash Equivalents		(6,140)
(15,256)	Cash and Cash Equivalents at the Beginning of the Reporting Period		(28,559)
<b>(28,559)</b>	<b>Cash and Cash Equivalents at the End of the Reporting Period</b>	<b>18</b>	<b>(34,699)</b>

## **6. NOTES TO THE ACCOUNTS**

### **NOTE 1 ACCOUNTING POLICIES**

The accounting policies used to complete this Statement of Accounts are produced in full in section 4.

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

#### **FRS 30 Heritage Assets: Impact of the Adoption of the New Standard on the Financial Statements - Effective for the 2011/12 Financial Year**

The Code of Practice on Local Authority Accounting in the United Kingdom 2011/12 (the Code) has introduced a change in accounting policy in relation to the treatment of heritage assets held by the Council, which will need to be adopted fully by the authority in the 2011/12 financial statements. The Council is required to disclose information relating to the impact of the accounting change on the financial statements as a result of the adoption by the Code of a new standard that has been issued, but is not yet required to be adopted by the Council, in this case, heritage assets. As is set out above, full adoption of the standard will be required for the 2011/12 financial statements. However, the Council is required to make disclosure of the estimated effect of the new standard in these (2010/11) financial statements. The new standard will require that a new class of asset, heritage assets, is disclosed separately on the face of the Council's Balance Sheet in the 2011/12 financial statements.

Heritage assets are assets that may be held by the Council principally for their contribution to knowledge or culture. Initial review has indicated that Wokingham Borough Council is not expected to recognise any material assets under this category in its 2011/12 financial statements although at present it does not have full management information available to make a reasonable estimate of the value of heritage assets. A full review of heritage assets will be undertaken in 2011/12.

### **NOTE 3 CRITICAL JUDGEMENTS IN APPLYING ACCOUNTING POLICIES**

In applying the accounting policies set out in earlier, 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:

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

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

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

Wokingham Borough Council has estimated an impairment of the investments in line with guidance from the administrators about the timing of recovery of the monies. The assumptions made are detailed in Note 42 of the Financial Statements. In cash terms, the Council has received £1.7m (56.33%) of the investment with Heritable to date and expects to receive, in total, up to £2.5m (84.98%) by the end of 2012/13. With regards to funds held by Landsbanki, legal advice remains that local authority deposits have priority status under Icelandic law. The Council expects to receive up to £1.9m (94.85%) by December 2018. Therefore, in total the Council expects to recover a total of £4,446,400 of the original £5m invested by December 2018.

The Council has interests in 4 Companies; Trading Standards South East Ltd (TSSEL), Berkshire Connexions Partnership (BCP), Flexible Home Improvements Loans Ltd (FHIL) and Wokingham Enterprise Ltd (WEL). It has been determined that the Council does not have control or significant influence over the activities of TSSEL, BCP 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 50 of the financial statements. The Council has full control over the operating activities of Wokingham Enterprise Ltd and as such classifies this company as a subsidiary. Notes 51 to 57 of the financial statements show the consolidated accounts for Wokingham Group.

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

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 2010/11 financial statements the Council has applied a materiality level of £200,000 when recognising assets and liabilities to be disclosed within the financial statements.

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

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

The items in the Council's Balance Sheet at 31<sup>st</sup> March, 2011 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 (PP&amp;E)</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 £0.4m for every year that useful lives had to be reduced.</p>
<b>Property, Plant and Equipment</b>	Under IAS 16, each part of an item of PP&E with a cost that is significant in relation to the total cost of the item shall be depreciated separately. WBC separately accounts for only those significant components that have different useful lives and/or depreciation methods to the remainder of the asset. Where a component is replaced or restored, the carrying amount of the old component is derecognised and the new component reflected in the carrying amount. Where it is not possible to determine the carrying amount of the replaced part of an item of PP&E, WBC uses the cost of the new part to estimate what the cost of the replaced part was at the time it was acquired or constructed. WBC has set the de-minimis level for individual assets as £1m, individual assets below the de-minimis level are disregarded for componentisation (except where a group of similar assets are collectively valued above £1m) on the basis that any adjustment to depreciation would not be material. Individual assets that are above the de-minimis level are considered for componentisation. WBC recognises component assets within its accounts if the value of the component is either 10% of the total asset value or greater	<p>If the cost of the new item of PP&amp;E differs from the carrying amount then the total value of assets on the Balance Sheet may be over or understated. It is not possible to quantify the effect of this difference in estimates on the Balance Sheet.</p> <p>If the useful life of component assets under 10% or £100k of the total value of the asset differs from the overall useful life of the asset depreciation will be understated. It is estimated that the annual depreciation charge for PPE would increase by £0.1m for every year that useful lives had to be reduced.</p>



Item	Uncertainties	Effect if Actual Results Differ from Assumptions
	<p>than £100k. Any amount below these levels would be considered immaterial for depreciation terms.</p>	
<b>Provisions</b>	<p>The Landfill Allowance Trading Scheme (LATS) is a scheme whereby Waste Disposal Authorities (WDAs) are allocated allowances for how much biodegradable waste can be landfilled within a 12 month period. WDAs are required to repay allowances to the value of actual biodegradable landfill usage to the government once the actual usage is determined at the end of September following the year end. At the 31/3/11 the authority estimates that it will have to surrender 10,880 LATS permits to DEFRA out of an allocation of 26,486, leaving the authority with a surplus of 15,606 permits. Surplus permits can either be carried forward into 2011/12 or sold. However, at 31st March, 2011 there has not been an active enough market for the trading of LATS permits between authorities to determine a fair value of permits.</p> <p>The Council has made provision for holiday and flexi leave entitlement owing to staff at the end of the financial year. The estimate within the accounts has been based on a sample of staff employed directly and equates to 1.25% of payroll costs. For staff based in schools a formula based on CIPFA guidance has been used.</p>	<p>WBC estimates the value to be £1 per permit and has therefore determined that the amounts are immaterial and not recognised on the Balance Sheet. The Council notes that DEFRA calculates the value to be £12.50. The fair value calculated by DEFRA ignores transactions undertaken at nil value. As WBC expects that it will have enough permits to cover its liability under LATS, the market value of permits only really affects the fair value that surplus assets could be held on the Balance Sheet. WBC does not think the fair value determined by DEFRA is a prudent estimate of the value of its surplus permits.</p> <p>A 1% change in the estimate of accumulating absences would result in approximately a £450,000 increase or decrease in the provision required for accumulating absences.</p>
<b>Pension Liability</b>	<p>Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. Actuaries Barnett</p>	<p>The effects on the net pensions liability of changes in individual assumptions can be measured. For example, a 0.1% increase in the discount rate assumption would result in a decrease in the pension liability of £5.3m.</p> <p>However, the assumptions interact in complex ways. During 2010/11, the</p>

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
	Waddington provide the Council with expert advice about the assumptions to be applied.	Council's actuaries advised that the net pensions liability had reduced by £53m. This was due to estimates being informed by experience and Government changes to link future price increases will be in line with Consumer Prices Index (CPI) rather than the Retails Price Index (RPI).
<b>PFI Liabilities</b>	The value of PFI service charge payable under the contract disclosed in Note 41 of the accounts is dependant upon assumptions regarding future inflation and tonnage rates.	A 1% increase in RPI would increase the total contract charge by £90,000 per annum of which Wokingham's share would be £33,000. Similarly a 1% increase in tonnages would increase the service charge by £138,000 per annum of which Wokingham's share would be £51,000.
<b>Arrears</b>	At 31 <sup>st</sup> March 2011, the Council had a balance of sundry debtors of £2.1m, and council tax debt of £2.9m. Following an assessment of debtors outstanding, a £261k increase in the sundry bad and doubtful debt provision and £521k increase in council tax bad and doubtful debt provision was appropriate. However, in the current climate it is not certain that such an allowance would be sufficient.	The provision set aside for bad debt increases according to the age of the debt.  If collection rates were to deteriorate, a 1% increase in the amount of the impairment of doubtful debts would require an additional £33k to set aside as an allowance for sundry debts and £30k from council tax from the revenue account and collection fund respectively.

## NOTE 5 MATERIAL ITEMS OF INCOME AND EXPENSE

Material Items of Income and Expense during 2010/2011 which related to the Council's Non-Current Assets included the following:

- Disposal of land at Old Addington School site. Sales proceeds totalled £4.9m against a Net Book Value of £4.0m resulting in a gain of £0.9m in the Comprehensive Income and Expenditure Statement, which in turn was reversed out of the General Fund as per the statutory arrangements.
- Capital Expenditure totalling £8.8m was spent on the Construction of Waingels College; this is part of a 3 year capital build programme due for completion in 2011/2012. Also, alongside this, capital expenditure of £1.3m was spent on IT Hardware at Waingels College.
- There were no other materials items of income or expense.

## Exceptional Items

Exceptional Items included are as follows:

2009/10 £,000		2010/11 £,000
443	Organisational and Business Change	728
137	Transformation Redundancy Costs	98
0	HRA Impairment of Council Housing Stock	50,226
0	VAT Claims - Fees	130
0	Past Pension Cost - Recalculation of Pension Liability	(24,439)
0	VAT Claims - Income	(1,312)
0	Berkshire County Council - Asset Disposal	(162)
<b>580</b>	<b>Total</b>	<b>25,269</b>

## NOTE 6 EVENTS AFTER THE BALANCE SHEET DATE

The Statement of Accounts was authorised for issue by the Strategic Director of Resources (S151 Officer) on 30th September, 2011. Events taking place after this date are not reflected in the financial statements or notes. Where events taking place before this date provided information about conditions existing at 31<sup>st</sup> March 2011, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

The financial statements and notes have not been adjusted for any post Balance Sheet events which took place after 31<sup>st</sup> March. However, two non-adjusting events have taken place as follows:

- On 6<sup>th</sup> June, 2011 the Council established a wholly owned subsidiary, Optalis Ltd, which is a company limited by shares. The purpose of the company is to provide community care services to members of the public on behalf of the Council and to the private sector. On set up of the company 328 staff were transferred under TUPE regulations and assets estimated at a value of £50k were also transferred to the company. This event will be included within the 2011/12 financial statements.
- Maiden Erlegh School became an Academy Status School from 1<sup>st</sup> April, 2011 and as a result is no longer under the control of the Council. Therefore the asset will be disposed of in the accounts in 2011/2012; the value of disposal will be approx £38m.

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

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

2010/11	Useable Reserves					Total Movement in Usable Reserves £,000	Movement in Unusable Reserves £,000
	General Fund (GF) Balance £,000	Housing Revenue Account (HRA) £,000	Capital Receipts Reserve £,000	Major Repairs Reserve £,000	Capital Grants Unapplied £,000		
<b>Adjustments primarily involving the Capital Adjustment Account:</b>							
<b>Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:</b>							
Charges for Depreciation and Impairment of Non-current Assets	(14,341)	(2,049)		53		(16,337)	16,337
Charges for Amortisation of Intangible Assets	(382)					(382)	382
Revaluation losses on Property, Plant and Equipment	(5,677)	(50,226)				(55,904)	55,904
Movements in the Market Value of Investment Properties	(723)					(723)	723
Capital Grants and Contributions Applied	16,639		(35)		4,278	20,882	(20,882)
Revenue Expenditure funded from Capital under Statute	(2,025)					(2,025)	2,025
Amounts of Non-current Assets Written Off on Disposal or Sale as part of the Gain/ Loss on Disposal to the Comprehensive Income and Expenditure Statement	(3,962)	(181)				(4,143)	4,143
<b>Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:</b>							
Statutory Provision for the Financing of Capital Investment	3,048	45				3,093	(3,093)
<b>Adjustments Primarily Involving the Capital Grants Unapplied Account:</b>							
Capital Grants and Contributions Unapplied credited to the Comprehensive Income and Expenditure Statement	9,249				(9,249)	0	0
Transfer of sale proceeds credited as part of the gain/loss on disposal to the CIES	4,675	398	(5,364)			(291)	0
<b>Adjustments Primarily Involving the Capital Receipts Reserve:</b>							
Contribution from the Capital Receipts Reserve to Finance the Payments to the Government Capital Receipts Pool		(291)	291			0	0

2010/11	Useable 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		
<b>Adjustment Primarily Involving the Major Repairs Reserve:</b>							
Reversal of Major Repairs Allowance credited to the HRA		1,996		(1,996)		0	0
Use of the Major Repairs Reserve to Finance New Capital Expenditure				3,186		3,186	(3,186)
Transfer (to) or from HRA		400		(400)		0	0
<b>Adjustment Primarily Involving the Financial Instruments Adjustment Account:</b>							
Amount by which Finance Costs Charged to the Comprehensive Income and Expenditure Statement are Different from Finance Costs Chargeable in the Year in Accordance with Statutory Requirements	1,168	414				1,582	(1,582)
<b>Adjustments Primarily Involving the Pensions Reserve:</b>							
Reversal of Items Relating to Retirement Benefits debited or credited to the Comprehensive Income and Expenditure Statement (see Note 46)	7,539	(117)				7,422	(7,422)
Employer's Pensions Contributions and Direct Payments to Pensioners payable in the Year	6,843					6,843	(6,843)
<b>Adjustments Primarily Involving the Collection Fund Adjustment Account:</b>							
Amount by which Council Tax Income credited to the Comprehensive Income and Expenditure Statement is Different from Council Tax Income Calculated for the Year in Accordance with Statutory Requirements	(114)					(114)	114

2010/11	Useable 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		
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						726	(726)
Total Adjustments 2010/11	22,693	(49,641)	(5,108)	843	(4,971)	(36,184)	35,894

2009/10 Comparative Figures	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		
<b>Adjustments primarily involving the Capital Adjustment Account:</b>							
<b>Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:</b>							
Charges for Depreciation and Impairment of Non- current Assets	(19,448)	(1,954)				(21,402)	21,402
Revaluation losses on Property, Plant and Equipment	(6,952)					(6,952)	6,952
Movements in the Market Value of Investment Properties	166					166	(166)
Amortisation of Intangible Assets	(236)					(236)	236
Capital Grants and Contributions Applied	24,768	0			548	25,316	(25,316)
Revenue Expenditure funded from Capital under Statute	(3,837)	0				(3,837)	3,837
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	(130)	(77)				(207)	207



2009/10 Comparative Figures	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>Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:</b>							
Statutory Provision for the Financing of Capital Investment	3,157	0				3,157	(3,157)
Capital Expenditure Charged against the General Fund and HRA Balances	236					236	(236)
<b>Adjustments Primarily Involving the Capital Grants Unapplied Account:</b>							
Capital Grants and Contributions Unapplied credited to the Comprehensive Income and Expenditure Statement	1,707				(1,707)	0	0
<b>Adjustments Primarily Involving the Capital Receipts Reserve:</b>							
Transfer of Cash Sale Proceeds credited as part of the Gain/Loss on Disposal to the Comprehensive Income and Expenditure Statement	448	0	(448)			0	0
Use of Capital Receipts Reserve to Finance New Capital Expenditure			336			336	(336)
Contribution from the Capital Receipts Reserve to Finance the Payments to the Government Capital Receipts Pool	(102)		102			0	0
Transfer from Deferred Capital Receipts Reserve upon Receipt of Cash			0		(80)	(80)	(1)
<b>Adjustment Primarily Involving the Major Repairs Reserve:</b>							
Reversal of Major Repairs Allowance credited to the HRA		1,903		(1,903)		0	0
Use of the Major Repairs Reserve to Finance New Capital Expenditure				1,569		1,569	(1,569)

2009/10 Comparative Figures	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 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						640	(640)
<b>Adjustments Primarily Involving the Pensions Reserve:</b> Reversal of Items Relating to Retirement Benefits debited or credited to the Comprehensive Income and Expenditure Statement (see Note 46)						(12,045)	12,045
Employer's Pensions Contributions and Direct Payments to Pensioners payable in the Year	6,889	12				6,901	(6,901)
<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						(343)	343
<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						(437)	437
<b>Total Adjustments 2009/10</b>	<b>(5,939)</b>	<b>304</b>	<b>(10)</b>	<b>(334)</b>	<b>(1,239)</b>	<b>(7,218)</b>	<b>7,137</b>

## NOTE 8 TRANSFERS TO/FROM EARMARKED RESERVES

This note details the amounts set aside from the General Fund and HRA balances in earmarked reserves to provide financing for future expenditure plans and the amounts posted back from earmarked reserves to meet General Fund and HRA expenditure in 2010/11.

	Balance at 1st April, 2009 £,000	Transfers Out 2009/10 £,000	Transfers In 2009/10 £,000	Balance at 31st March, 2010 £,000	Transfers Out 2010/11 £,000	Transfers In 2010/11 £,000	Balance at 31st March, 2011 £,000
<b>General Fund:</b>							
Balances held by Schools under a Scheme of Delegation:	(5,584)	397		(5,187)		(1,632)	(6,819)
Dedicated Schools Grant Reserve	770		(339)	431		(963)	(532)
Repairs and Renewals	(666)		(45)	(711)	79		(632)
Insurance Fund	(1,120)	505	(577)	(1,192)		(106)	(1,298)
Earmarked General Fund Reserves	(3,471)	721	(3)	(2,753)	546		(2,207)
<b>Total General Fund:</b>	<b>(10,071)</b>	<b>1,623</b>	<b>(964)</b>	<b>(9,412)</b>	<b>625</b>	<b>(2,701)</b>	<b>(11,488)</b>

## NOTE 9 OTHER OPERATING EXPENDITURE

2009/10 £,000		2010/11 £,000
3,347	Parish Council Precepts	3,400
102	Payments to the Government Housing Capital Receipts Pool	291
(543)	Unattached Capital Receipts	0
60	Gains / Losses on the Disposal of Non-current Assets	(930)
<b>2,966</b>	<b>Total</b>	<b>2,761</b>

## NOTE 10 FINANCING AND INVESTMENT INCOME AND EXPENDITURE

2009/10 £,000		2010/11 £,000
2,134	Interest Payable and Similar Charges on Debt	2,115
107	Interest Payable and Similar Charges on Finance Leases	107
465	Interest Payable and Similar Charges on Private Finance Initiatives	603
(104)	Impairment of Financial Instruments	1,292
5,216	Pensions Interest Cost and Expected Return on Pensions	5,952
(1,414)	Interest Receivable and Similar Income	(866)
(166)	Income and Expenditure in Relation to Investment Properties and Changes in their Fair Value	722
0	Other Investment Income	0
<b>6,238</b>	<b>Total</b>	<b>9,925</b>

## NOTE 11 TAXATION AND NON-SPECIFIC GRANT INCOME

2009/10 £,000		2010/11 £,000
(79,774)	Council Tax Income	(78,296)
(15,669)	Non-domestic Rates	(17,077)
(3,617)	Revenue Support Grant	(2,480)
(5,862)	Other Non-ringfenced Government Grants	(6,469)
(26,475)	Capital Grants and Contributions	(30,959)
<b>(131,397)</b>	<b>Total</b>	<b>(135,281)</b>

## NOTE 12 PROPERTY, PLANT AND EQUIPMENT

Movements in 2010/11:	Council Dwellings & Other HRA Assets £,000	Other Land and Buildings £,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
<b>Cost or Valuation</b>									
At 1st April, 2010	209,917	551,353	8,452	86,230	2,002	0	13,451	871,405	10,864
Additions	3,194	6,493	2,280	5,325	214	0	11,222	28,728	0
Revaluation Increases / (Decreases) Recognised in the Revaluation Reserve	(6,996)	853	0	0	0	0	0	(6,143)	0
Revaluation Increases / (Decreases) Recognised in the Surplus / Deficit on the Provision of Services	(50,227)	(2,844)	0	0	0	0	0	(53,071)	0
Derecognition - Disposals	(181)	0	(30)	0	0	0	0	(211)	0
Other Movements in Cost or Valuation	0	(18,656)	60	0	(60)	0	0	(18,656)	0
<b>At 31st March, 2011</b>	<b>155,707</b>	<b>537,199</b>	<b>10,762</b>	<b>91,555</b>	<b>2,156</b>	<b>0</b>	<b>24,673</b>	<b>822,052</b>	<b>10,864</b>
<b>Accumulated Depreciation and Impairment</b>									
At 1st April, 2010	6,373	37,717	2,376	7,485	0	0	0	53,951	394
Depreciation Charge	1,996	10,518	833	3,065	0	0	0	16,412	413
Impairment Losses / (Reversals) Recognised in the Revaluation Reserve	0	324	0	0	0	0	0	324	0

<b>Movements in 2010/11:</b>	<b>Council Dwellings &amp; Other HRA Assets £,000</b>	<b>Other Land and Buildings £,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>
Impairment Losses / (Reversals) Recognised in the Surplus / Deficit on the Provision of Services	0	2,834	0	0	0	0	0	2,834	0
Derecognition - Disposals	0	0	(22)	0	0	0	0	(22)	0
Other Movements in Depreciation and Impairment	0	(13,088)	0	0	0	0	0	(13,088)	0
<b>At 31st March, 2011</b>	<b>8,369</b>	<b>38,305</b>	<b>3,187</b>	<b>10,550</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>60,411</b>	<b>807</b>
<b>Net Book Value:</b>									
<b>At 31st March, 2011</b>	<b>147,338</b>	<b>498,894</b>	<b>7,575</b>	<b>81,005</b>	<b>2,156</b>	<b>0</b>	<b>24,673</b>	<b>761,641</b>	<b>10,057</b>
<b>At 31st March, 2010</b>	<b>203,544</b>	<b>513,636</b>	<b>6,076</b>	<b>78,745</b>	<b>2,002</b>	<b>0</b>	<b>13,451</b>	<b>817,454</b>	<b>10,470</b>
<b>Comparative Movements in 2009/10:</b>	<b>Council Dwellings and Other HRA Assets £,000</b>	<b>Other Land and Buildings £,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>Cost or Valuation</b>									
At 1st April, 2009	208,350	424,765	7,330	80,348	1,954	0	20,101	742,848	8,481
Additions	1,644	6,407	1,252	5,882	39	0	13,451	28,675	2,383
Revaluation Increases / (Decreases) Recognised in the Revaluation Reserve	0	103,976	0	0	0	0	0	103,976	0



Comparative Movements in 2009/10:	Council Dwellings and Other HRA Assets £,000	Other Land and Buildings £,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
Derecognition - Disposals	(77)	(115)	(54)	0	0	0	0	(246)	0
Other Movements in Cost or Valuation	0	16,320	(76)	0	9	0	(20,101)	(3,848)	0
<b>At 31<sup>st</sup> March, 2010</b>	<b>209,917</b>	<b>551,353</b>	<b>8,452</b>	<b>86,230</b>	<b>2,002</b>	<b>0</b>	<b>13,451</b>	<b>871,405</b>	<b>10,864</b>
<b>Accumulated Depreciation and Impairment</b>									
At 1st April, 2009	4,225	14,929	1,691	4,306	0	0	0	25,151	61
Depreciation Charge	1,954	15,546	723	3,179	0	0	0	21,402	333
Impairment Losses / (Reversals) Recognised in the Revaluation Reserve	194	492	0	0	0	0	0	686	0
Impairment Losses / (Reversals) Recognised in the Surplus / Deficit on the Provision of Services	0	6,987	0	0	0	0	0	6,987	0
Derecognition - Disposals	0	(9)	(30)	0	0	0	0	(39)	0
Other Movements in Depreciation and Impairment	0	(228)	(8)	0	0	0	0	(236)	0
<b>At 31st March, 2010</b>	<b>6,373</b>	<b>37,717</b>	<b>2,376</b>	<b>7,485</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>53,951</b>	<b>394</b>

### Depreciation

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

- |  |                     |
|--|---------------------|
| • Council Dwellings                      | MRA Allocation      |
| • Other Land and Buildings               | Average 25-30 years |
| • Vehicles, Plant, Furniture & Equipment | Average 5-15 years  |
| • Infrastructure, Roads & Highways       | 25 years            |

### Capital Commitments

The estimated commitments for capital expenditure for schemes that had started, or legal contracts entered into, by 31st March, 2011 are listed below:

	2010/11 £,000
• Strategic Capital Fund	10,561
• Waingels Rebuild	2,739
• St Nicholas Primary Alterations & Extension	1,887
• Coombes & Arborfield Amalgamation	1,827
• Hillside Primary Alterations & Extension	1,458
• Dementia Care Housing Schemes	721
• Transformation Project	655
• Waingels ICT Hardware	654
• All Saints Primary Amalgamation & Alterations	434
• First Time Buyer Equity Loan Scheme	414
• Maiden Erlegh School - Devolved Capital	290
• Part Night Lighting	268
• Devolved Capital Unallocated Budget	247
• Schools Broadband Upgrades	243
• Major Repairs Allowance	242
• Bulmershe School - Devolved Capital	231
• Hawthorns Primary Classroom Extension	223
• Maiden Erlegh School ICT Equipment	172
• Other Commitments Individually under £0.15m	6,717
<b>Total</b>	<b>29,983</b>

### Effects of Changes in Estimates

In 2010/11, the Council made the following material changes to its accounting estimates for Property, Plant and Equipment:

- The adjustment factor applied to calculate the existing use value for social housing was decreased to 32%, from 45% last year, as per guidance from CLG's 'Stock Valuation for Resource Accounting' published in January 2011.
- The method for calculating depreciation on Infrastructure Assets has changed to an asset life basis rather than the renewal method as per guidance from IFRS.

### Revaluations

The Council carries out a rolling programme that ensures that all Property, Plant and Equipment required to be measured at fair value is revalued at least every five years. All valuations were carried out internally. Valuations of land and buildings were carried out in accordance with the

methodologies and bases for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors. Valuations of vehicles, plant, furniture and equipment are based on depreciated historic cost.

There were no significant assumptions applied in estimating the fair values in 2010/2011.

	<b>Council Dwellings</b>	<b>Other Land and Buildings</b>	<b>Vehicles, Plant, Furniture &amp; Equipment</b>	<b>Infra-structure Assets</b>	<b>Community Assets</b>	<b>Surplus Assets</b>	<b>Total</b>
	<b>£,000</b>	<b>£,000</b>	<b>£,000</b>	<b>£,000</b>	<b>£,000</b>	<b>£,000</b>	<b>£,000</b>
Carried at Historical Cost	0	8,352	7,568	81,005	2,156	0	<b>99,270</b>
Valued at Fair Value as at:							
31st March, 2011	147,338	24,911	0	0	0	0	<b>172,060</b>
31st March, 2010	0	417,513	0	0	0	0	<b>417,513</b>
31st March, 2009	0	8,583	5	0	0	0	<b>8,588</b>
31st March, 2008	0	2,794	2	0	0	0	<b>2,796</b>
31st March, 2007	0	36,741	0	0	0	0	<b>36,741</b>
<b>Total Cost or Valuation</b>	<b>147,338</b>	<b>498,894</b>	<b>7,575</b>	<b>81,005</b>	<b>2,156</b>	<b>0</b>	<b>736,968</b>

## NOTE 13 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>2009/10</b>	<b>2010/11</b>
	<b>£,000</b>	<b>£,000</b>
Rental Income from Investment Property	1,272	1,214
Direct Operating Expenses arising from Investment Property	(393)	(390)
<b>Net Gain / (Loss)</b>	<b>879</b>	<b>824</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:

	2009/10 £,000	2010/11 £,000
Balance at the Start of the Year	19,878	24,095
Additions:		
• Purchases	0	0
• Construction	0	0
• Subsequent Expenditure	202	22
Disposals	0	0
Net Gains / Losses from Fair Value Adjustments	405	(723)
Transfers:		
• To / From Inventories	0	0
• To / From Property, Plant and Equipment	3,610	4,066
Other Changes	0	0
<b>Balance at the End of the Year</b>	<b>24,095</b>	<b>27,460</b>

## NOTE 14 INTANGIBLE ASSETS

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

The Council accounts for its software as intangible assets, to the extent that the software is not an integral part of a particular IT system and accounted for as part of the hardware item of Property, Plant and Equipment. The software included in intangible assets are purchased licenses only. Amortisation of £118k charged to revenue in 2010/11 was charged to the IT Administration cost centre and then absorbed as an overhead across all the service headings in the Net Expenditure of Services. It is not possible to quantify exactly how much of the amortisation is attributable to each service heading.

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

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

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

	2009/10			2010/11		
	Internally Generated Assets £,000	Other Assets £,000	Total £,000	Internally Generated Assets £,000	Other Assets £,000	Total £,000
Balance at the Start of the Year						
• Gross Carrying Amounts	0	3,761	3,761	0	4,104	4,104
• Accumulated Amortisation	0	(2,924)	(2,924)	0	(3,356)	(3,356)
<b>Net Carrying Amount at Start of the Year</b>	<b>0</b>	<b>837</b>	<b>837</b>	<b>0</b>	<b>748</b>	<b>748</b>
Additions:						
• Purchases	0	343	343	0	324	324
Amortisation for the Period	0	(432)	(432)	0	(382)	(382)
<b>Net Carrying Amount at End of the Year</b>	<b>0</b>	<b>748</b>	<b>748</b>	<b>0</b>	<b>690</b>	<b>690</b>
Comprising:						
Gross Carrying Amounts	0	4,104	4,104	0	4,428	4,428
Accumulated Amortisation	0	(3,356)	(3,356)	0	(3,738)	(3,738)
	<b>0</b>	<b>748</b>	<b>748</b>	<b>0</b>	<b>690</b>	<b>690</b>

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

	Carrying Amount as at: 31st March, 2010 £,000	Carrying Amount as at: 31st March, 2011 £,000
<b>LATS</b>	<b>(208)</b>	<b>0</b>

## NOTE 15 FINANCIAL INSTRUMENTS

### Categories of Financial Instruments

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

	Long Term		Current	
	31st March, 2010 £,000	31st March, 2011 £,000	31st March, 2010 £,000	31st March, 2011 £,000
<b>Investments</b>				
Loans and Receivables	7,966	12,479	5,677	5,106
Cash Equivalents (< 3 mths) (including available for Sale Financial Assets)	0	0	31,730	37,207
<b>Total Investments</b>	<b>7,966</b>	<b>12,479</b>	<b>37,407</b>	<b>42,313</b>
 <b>Debtors</b>				
Loans and Receivables	11	4	0	0
Financial Assets Carried at Contract Amounts	0	0	21,140	8,085
<b>Total Debtors</b>	<b>11</b>	<b>4</b>	<b>21,140</b>	<b>8,085</b>
 <b>Borrowings</b>				
Financial Liabilities at Amortised Cost	(48,046)	(48,083)	0	0
Financial Liabilities at Fair Value through Profit and Loss	0	0	0	0
<b>Total Borrowings</b>	<b>(48,046)</b>	<b>(48,083)</b>	<b>0</b>	<b>0</b>
 <b>Other Long Term Liabilities</b>				
PFI and Other Finance Lease Liabilities	(10,286)	(10,003)		
<b>Total Other Long Term Liabilities</b>	<b>(10,286)</b>	<b>(10,003)</b>		
 <b>Creditors</b>				
Financial Liabilities at amortised cost	0	0		
Financial Liabilities carried at contract amount	0	0	(24,829)	(26,998)
<b>Total Creditors</b>	<b>0</b>	<b>0</b>	<b>(24,829)</b>	<b>(26,998)</b>



## Income, Expense, Gains and Losses

	2009/10					2010/11				
	Financial Liabilities	Financial Assets		Assets and Liabilities at Fair Value through Profit and Loss	Total	Financial Liabilities	Financial Assets		Assets and Liabilities at Fair Value through Profit and Loss	Total
	Measured at Amortised Cost	Loans and Receivables	Available for Sale			Measured at Amortised Cost	Loans and Receivables	Available for Sale		
	£,000	£,000	£,000	£,000	£,000	£,000	£,000	£,000	£,000	£,000
Interest Expense	2,599				2,599	2,825				2,825
Impairment Losses	1,292				(104)	1,292				1,292
<b>Total Expense in Surplus or Deficit on the Provision of Services</b>	<b>2,495</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>2,495</b>	<b>4,117</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>4,117</b>
Interest Income	0	(1,106)	(308)	0	(1,414)	(866)	0	0	0	(866)
<b>Total Income in Surplus or Deficit on the Provision of Services</b>	<b>0</b>	<b>(1,106)</b>	<b>(308)</b>	<b>0</b>	<b>(1,414)</b>	<b>(866)</b>	<b>0</b>		<b>0</b>	<b>(866)</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>2,495</b>	<b>(1,106)</b>	<b>(308)</b>	<b>0</b>	<b>1,081</b>	<b>3,251</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>3,251</b>

### Fair Values of Assets and Liabilities

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

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

The fair values calculated are as follows:

	31st March, 2010		31st March, 2011	
	Carrying Amount £,000	Fair Value £,000	Carrying Amount £,000	Fair Value £,000
PWLB Debt	23,680	25,308	23,648	25,299
Non-PWLB Debt	24,366	25,231	24,435	25,227
<b>Total Debt</b>	<b>48,046</b>	<b>50,539</b>	<b>48,083</b>	<b>50,526</b>
Long-term Creditors	0	0	0	0
<b>Total Financial Liabilities</b>	<b>48,046</b>	<b>50,539</b>	<b>48,083</b>	<b>50,526</b>

The fair value as at 31<sup>st</sup> March, 2011 is greater than the carrying amount because the Council's portfolio of loans includes a number of fixed rate loans where the interest payable is higher than the rates available for similar loans in the market at the Balance Sheet date. This shows a notional future gain (based on economic conditions at 31st March, 2011) arising from a commitment to pay interest to lenders below current market rates.

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

	31st March, 2010		31st March, 2011	
	Carrying Amount £,000	Fair Value £,000	Carrying Amount £,000	Fair Value £,000
Money Market Loans < 1 year	36,117	36,117	42,218	42,218
Money Market Loans > 1 year	7,320	7,326	12,479	12,479
<b>Total Loans</b>	<b>43,437</b>	<b>43,443</b>	<b>54,697</b>	<b>54,697</b>
Long-term Debtors	7,050	7,050	3,550	3,550
<b>Total Financial Assets</b>	<b>50,487</b>	<b>50,493</b>	<b>58,247</b>	<b>58,247</b>

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

The fair values for loans and receivables have been determined by reference to the PWLB redemption rule which provides a good approximation for the fair value of a financial instrument, and includes accrued interest. The comparator market rates prevailing have been taken from indicative investment rates at each Balance Sheet date.

Available for sale assets and 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:

- Short term debtors and creditors are carried at cost as this is a fair approximation of their value.

## NOTE 16 INVENTORIES

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

## NOTE 17 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>1st April, 2009</b>	<b>31st March, 2010</b>	<b>31st March, 2011</b>
	<b>£,000</b>	<b>£,000</b>	<b>£,000</b>
Central Government Bodies	2,641	5,380	3,191
Other Local Authorities	222	1,448	1,105
NHS Bodies	0	0	2,065
Public Corporations & Trading Funds	0	0	0
Other Entities and Individuals	8,678	9,730	6,146
<b>Total</b>	<b>11,541</b>	<b>16,558</b>	<b>12,507</b>

The reduction in Central Government debtors was due to a receipt in year clearing VAT reclaims of £345k from HMRC and a £666k repayment received from Central Government due to overpaid business rates.

Following an assessment of debtors outstanding at the year end, a £257,514 increase in the bad and doubtful debt provision was affected in 2010/11 through the General Fund. This follows an increase in the level of provision of £50,162 in 2009/10. Provisions for council tax and business rates bad debts are charged to the Collection Fund and those in respect of council house rents are charged to the Housing Revenue Account. The provisions are set on the basis of outstanding debt and are required to safeguard against future under or non-recoveries. The movement in the bad debt provision has been charged to the net cost of the individual service areas within the Comprehensive Income & Expenditure Statement.

## NOTE 18 CASH AND CASH EQUIVALENTS

The following elements comprise Cash and Cash Equivalents:

1st April, 2009 £,000	31st March, 2010 £,000		31st March, 2011 £,000
2,457	1,937	Cash held by the Council	9,682
0	0	Bank Current Assets	0
370	10,562	Money Market Instruments	12,653
5,400	1,620	Cash Held by Fund Managers	14,872
9,818	17,611	Short-term Deposits with Building Societies	0
<b>18,044</b>	<b>31,730</b>	<b>Cash and Cash Equivalents</b>	<b>37,207</b>
(2,788)	(3,171)	Bank Current Liabilities	(2,508)
<b>15,256</b>	<b>28,559</b>	<b>Total Cash and Cash Equivalents</b>	<b>34,699</b>

## NOTE 19 ASSETS HELD FOR SALE

	Current		Non-Current	
	2009/10 £,000	2010/11 £,000	2009/10 £,000	2010/11 £,000
<b>Balance Outstanding at Start of the Year</b>	0	0	0	0
Assets newly classified as Held for Sale:				
• Other Assets / Liabilities in Disposal Groups	0	1,502	0	0
Revaluation Gains	0	2,452	0	0
Assets Sold	0	(3,954)	0	0
<b>Balance Outstanding at End of Year</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

## NOTE 20 CREDITORS

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

	1st April, 2009 £,000	31st March, 2010 £,000	31st March, 2011 £,000
Central Government Bodies	(252)	(912)	(2,603)
Other Local Authorities	0	(1,134)	(1,265)
NHS Bodies	0	0	(100)
Public Corporations & Trading Funds	0	0	0
Other Entities and Individuals	(27,568)	(28,782)	(25,093)
<b>Total</b>	<b>(27,820)</b>	<b>(30,828)</b>	<b>(29,061)</b>

Other creditors consist of trade creditors of £9m, capital creditors of £3.2m and sundry creditors of £8.6m. Receipts in Advance consist of £4.6m sundry receipts in advance (eg government grants carried forward) and £900k LAA Reward Grant held on behalf of the Local Strategic Partnership.

## NOTE 21 PROVISIONS

Provisions less than 1 year:	Outstanding Legal Cases	Provision for Accumulating Absences	Other Provisions	Total
	£,000	£,000	£,000	£,000
<b>Balance at 1 April, 2009</b>	(180)	(5,481)	(240)	(5,901)
Additional Provisions made in 2009/10	0	(5,918)	(208)	(6,126)
Amounts Used in 2009/10	180	5,481	240	5,901
<b>Balance at 31st March, 2010</b>	<b>0</b>	<b>(5,918)</b>	<b>(208)</b>	<b>(6,126)</b>
Additional Provisions made in 2010/11	(300)	(5,192)	0	(5,492)
Amounts Used in 2010/11	0	5,918	208	6,126
<b>Balance at 31st March, 2011</b>	<b>(300)</b>	<b>(5,192)</b>	<b>0</b>	<b>(5,492)</b>

### Provision for Legal Cases

The provision for legal cases relates to cases that were brought against the Council in 2010/11 or where the Council is in dispute with its contractors, an assessment of the Council's liability and the likelihood of the claimant's success has been undertaken and a provision has been set up accordingly.

### Provision for Accumulating Absences

At the end of the financial year some holiday entitlement and flexi leave remained to be taken by employees. Based on a sample approach, the Council estimated the value of the untaken annual leave to be approximately 1.25% 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 £5,192,798 at 31st March, 2011 (£5,917,945 for 2009/10 and £5,481,017 for 2008/09) for compensated absences.

### Other Provisions

The Landfill Allowance Trading Scheme (LATS) is a scheme whereby Waste Disposal Authorities (WDAs) are allocated allowances for how much biodegradable waste can be landfilled within a 12 month period. WDAs are required to repay allowances to the value of actual biodegradable landfill usage to the government once the actual usage is determined at the end of September following the year end. At the 31st March, 2011 the Council estimates that it will have to surrender 10,880 LATS permits to DEFRA out of an allocation of 26,486, leaving the Council with a surplus of 15,606 permits. Surplus permits can either be carried forward into 2011/12 or sold. However, at 31<sup>st</sup> March, 2011 there has not been an active enough market for the trading of LATS permits between authorities to determine a fair value of permits. Based on transactions undertaken on the market, WBC estimates the value to be £1 per permit however it notes that DEFRA calculates the value to be £12.50. DEFRA ignores transactions undertaken at nil value therefore WBC does not think the fair value determined by DEFRA to be a prudent estimate of the value of its surplus permits.

## NOTE 22 USABLE RESERVES

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

## NOTE 23 UNUSABLE RESERVES

31st March, 2010 £,000		31st March, 2011 £,000
(112,941)	Revaluation Reserve	(103,497)
(648,109)	Capital Adjustment Account	(601,184)
4,271	Financial Instruments Adjustment Account	2,688
0	Deferred Capital Receipts Reserve	0
147,010	Pensions Reserve	93,941
(463)	Collection Fund Adjustment Account	(349)
5,918	Accumulated Absences Account	5,192
<b>(604,314)</b>	<b>Total Unusable Reserves</b>	<b>(603,209)</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 1st 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, 2010 £,000			31st March, 2011 £,000
(12,450)	<b>Balance at 1st April</b>		(112,941)
(104,224)	Upward Revaluation of Assets	(6,045)	
721	Downward Revaluation of Assets and Impairment Losses not Charged to the Surplus or Deficit on the Provision of Services	10,060	
(103,503)	Surplus or Deficit on Revaluation of Non-current Assets not Posted to the Surplus or Deficit on the Provision of Services		4,015
3,012	Difference Between Fair Value Depreciation and Historical Cost Depreciation	2,976	
0	Accumulated Gains on Assets Sold or Scrapped	2,453	
3,012	Amount Written Off to the Capital Adjustment Account		5,429
<b>(112,941)</b>	<b>Balance at 31st March</b>		<b>(103,497)</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 as depreciation, impairment losses and amortisations are charged to the Comprehensive Income and Expenditure Statement (with reconciling postings from the Revaluation Reserve to convert fair value figures to a historical



cost basis). The account is credited with the amounts set aside by the Council as finance for the costs of acquisition, construction and enhancement.

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

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

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

31st March, 2010 £,000		31st March, 2011 £,000
(646,950)	<b>Balance at 1st April</b>	(648,109)
	Reversal of Items Relating to Capital Expenditure Debited or Credited to the Comprehensive Income and Expenditure Statement:	
21,402	• Charges for Depreciation and Impairment of Non-current Assets	16,337
6,952	• Revaluation Losses on Property, Plant and Equipment	55,904
236	• Amortisations of Intangible Assets	382
3,837	• Revenue Expenditure Funded from Capital under Statute	2,025
207	• Amounts of Non-current Assets to be Written Off on Disposal or Sale as part of the Gain / Loss on Disposal to the Comprehensive Income and Expenditure Statement	4,143
32,634		78,791
(3,012)	Adjusting Amounts Written Out of the Revaluation Reserve	(5,428)
29,622	Net Written Out Amount of the Cost of Non-current Assets Consumed in the Year	73,363
	Capital Financing Applied in the Year:	
(337)	• Use of Capital Receipts Reserve to Finance New Capital Expenditure	0
(1,569)	• Use of Major Repairs Reserve to Finance New Capital Expenditure	(3,186)
(24,768)	• Capital Grants and Contributions Credited to the Comprehensive Income and Expenditure Statement that have been Applied to Capital Financing	(20,881)
(548)	• Application of Grants to Capital Financing from the Capital Grants Unapplied Account	0
(3,157)	• Statutory Provision for the Financing of Capital Investment Charged against the General Fund and HRA Balances	(3,094)

31st March, 2010 £,000		31st March, 2011 £,000
(236)	• Capital Expenditure Charged against the General Fund and HRA Balances	0
(30,615)		(27,161)
(166)	Movements in the Market Value of Investment Properties Debited or Credited to the Comprehensive Income and Expenditure Statement	723
0	Movement in the donated Assets Account Credited to the Comprehensive Income and Expenditure Statement	0
<b>(648,109)</b>	<b>Balance at 31st March</b>	<b>(601,184)</b>

### Financial Instruments Adjustment Account

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

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

31st March, 2010 £,000		31st March, 2011 £,000
<b>4,910</b>	<b>Balance at 1st April</b>	<b>4,271</b>
(535)	Premiums Incurred in the Year and Charged to the Comprehensive Income and Expenditure Statement (549)	
(104)	Proportion of Premiums Incurred in Previous Financial Years to be Charged against the General Fund Balance in Accordance with Statutory Requirements (1,034)	
(639)	Amount by which Finance Costs Charged to the Comprehensive Income and Expenditure Statement are Different from Finance Costs Chargeable in the Year in Accordance with Statutory Requirements	(1,583)
<b>4,271</b>	<b>Balance at 31st March</b>	<b>2,688</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 service, updating the liabilities recognised to reflect inflation, changing assumptions and investment returns on any resources set aside to meet the costs. However, statutory arrangements require benefits earned to

be financed as the Council makes employer's contributions to pension funds, or eventually pays any pensions for which it is directly responsible. The debit balance on the Pensions Reserve therefore shows a substantial shortfall in the benefits earned by past and current employees and the resources the Council has set aside to meet them. The statutory arrangements will ensure that funding will have been set aside by the time the benefits come to be paid.

31st March, 2010 £,000		31st March, 2011 £,000
74,500	<b>Balance at 1st April</b>	147,010
67,367	Actuarial Gains or Losses on Pensions Assets and Liabilities	(38,804)
12,045	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	(7,422)
(6,902)	Employer's Pensions Contributions and Direct Payments to Pensioners Payable in the Year	(6,843)
<b>147,010</b>	<b>Balance at 31st March</b>	<b>93,941</b>

#### Collection Fund Adjustment Account

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

31st March, 2010 £,000		31st March, 2011 £,000
(806)	<b>Balance at 1st April</b>	(463)
343	Amount by which Council Tax Income Credited to the Comprehensive Income and Expenditure Statement is Different from Council Tax Income Calculated for the Year in Accordance with Statutory Requirements	114
<b>(463)</b>	<b>Balance at 31st March</b>	<b>(349)</b>

#### Accumulated Absences Account

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

31st March, 2010 £,000			31st March, 2011 £,000
5,481	<b>Balance at 1st April</b>		5,918
(5,481)	Settlement or Cancellation of Accrual made at the end of Preceding Year	(5,918)	
5,918	Amounts Accrued at the end of the Current Year	5,192	
437	Amount by which Officer Remuneration charged to the CI& E Statement on an Accrual Basis is different from Remuneration Chargeable in the Year in Accordance with Statutory Requirements		(726)
<b>5,918</b>	<b>Balance at 31st March</b>		<b>5,192</b>

## NOTE 24 CASH FLOW STATEMENT - OPERATING ACTIVITIES

The cash flows for operating activities include the following items:

31st March, 2010 £,000		31st March, 2011 £,000
1,899	Interest Received	719
(2,962)	Interest Paid	(1,311)
0	Dividends Received	0
<b>(1,063)</b>	<b>Net Cash Flows from Operating Interest</b>	<b>(592)</b>

## NOTE 25 CASH FLOW STATEMENT - INVESTING ACTIVITIES

31st March, 2010 £,000		31st March, 2011 £,000
(29,206)	Purchase of Property, Plant and Equipment, Investment Property and Intangible Assets	(26,813)
(5,089)	Purchase of Short-term and Long-term Investments	(12,691)
(3,837)	Other Payments for Investing Activities	(5,001)
197	Proceeds from the Sale of Property, Plant and Equipment, Investment Property and Intangible Assets	5,388
0	Proceeds from Short-term and Long-term Investments	15,354
22,955	Other Receipts from Investing Activities	25,591
<b>(14,980)</b>	<b>Net Cash Flows from Investing Activities</b>	<b>1,828</b>

## NOTE 26 CASH FLOW STATEMENT - FINANCING ACTIVITIES

31st March, 2010 £,000		31st March, 2011 £,000
0	Cash Receipts of Short and Long-term Borrowing	780
27,316	Other Receipts from Financing Activities	0
(5,293)	Repayments of Short and Long-term Borrowing	(283)
0	Other Payments for Financing Activities	0
<b>22,023</b>	<b>Net Cash Flows from Financing Activities</b>	<b>497</b>

## NOTE 27 AMOUNTS REPORTED FOR RESOURCE ALLOCATION DECISIONS

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

- no charges are made in relation to capital expenditure (whereas depreciation, revaluation and impairment losses in excess of the balance on the Revaluation Reserve and amortisations are charged to services in the Comprehensive Income and Expenditure Statement);

- the cost of retirement benefits is based on cash flows (payment of employer's pension contributions) rather than current service cost of benefits accrued in the year;
- expenditure on some support services is budgeted for centrally and not charged to directorates.

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

	2009/10 £,000	2010/11 £,000
Net Expenditure in the Analysis	98,788	97,678
Net Expenditure of Services and Support Services not Included in the Analysis	16,124	16,446
Amounts in the Comprehensive Income and Expenditure Statement not Reported to Management in the Analysis	14,797	63,158
Amounts Included in the Analysis not Included in the Comprehensive Income and Expenditure Statement	(1,746)	(4,481)
<b>Cost of Services in the Comprehensive Income and Expenditure Statement</b>	<b>127,963</b>	<b>172,801</b>

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

Reconciliation to Subjective Analysis	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	(34,836)	(7,289)	(1,983)	0	(44,108)	(14,322)	(58,430)
Surplus or Deficit on Associates and Joint Ventures	0	0	0	0	0	0	0
Interest and Investment Income	0	0	1,678	0	1,678	5,086	6,764
Income from Council Tax	0	0	0	0	0	(78,296)	(78,296)
Government Grants and Contributions	(34,814)	(773)	0	0	(35,587)	(42,664)	(78,251)
<b>Total Income</b>	<b>(69,650)</b>	<b>(8,062)</b>	<b>(305)</b>	<b>0</b>	<b>(78,017)</b>	<b>(130,196)</b>	<b>(208,213)</b>
Employee Expenses	33,642	13,939	(21,124)	0	26,457	0	26,457
Other Service Expenses	111,000	19,159	(341)	(1,560)	128,258	0	128,258
Support Service Recharges	22,686	(9,267)	0	0	13,419	0	13,419
Depreciation, Amortisation and Impairment	0	677	61,960	0	62,637	723	63,360
Interest Payments	0	0	(3,858)	(2,921)	(6,779)	4,117	(2,662)
Precepts & Levies	0	0	0	0	0	3,691	3,691
Payments to Housing Capital Receipts Pool	0	0	0	0	0	0	0
Gain or Loss on Disposal of Fixed Assets	0	0	74	0	74	(930)	(856)
<b>Total Expenditure</b>	<b>167,328</b>	<b>24,508</b>	<b>36,711</b>	<b>(4,481)</b>	<b>224,066</b>	<b>7,601</b>	<b>231,667</b>
<b>Surplus or (Deficit) on the Provision of Services</b>	<b>97,678</b>	<b>16,446</b>	<b>63,159</b>	<b>(4,481)</b>	<b>172,802</b>	<b>(122,595)</b>	<b>50,207</b>



<b>Service Information for the year ended 31st March 2010</b>	<b>Children's Services £,000</b>	<b>Adult Social Services £,000</b>	<b>Place and Neighbourhood Services £,000</b>	<b>Housing Revenue Account £,000</b>	<b>Total £,000</b>
Fees, Charges & Other Service Income	(1,260)	(15,680)	(4,285)	(12,383)	<b>(33,608)</b>
Government Grants and Contributions	(5,418)	(27,559)	(2,105)	0	<b>(35,082)</b>
<b>Total Income</b>	<b>(6,678)</b>	<b>(43,239)</b>	<b>(6,390)</b>	<b>(12,383)</b>	<b>(68,690)</b>
Employee Expenses	15,362	12,657	6,141	1,467	<b>35,627</b>
Other Service Expenses	13,921	64,015	22,153	10,348	<b>110,437</b>
Support Service Recharges	12,303	4,391	4,719	0	<b>21,413</b>
<b>Total Expenditure</b>	<b>41,586</b>	<b>81,063</b>	<b>33,013</b>	<b>11,815</b>	<b>167,477</b>
<b>Net Cost of Services</b>	<b>34,908</b>	<b>37,824</b>	<b>26,623</b>	<b>(568)</b>	<b>98,787</b>

Reconciliation to Subjective Analysis, Comparative Figures for 2009-10	Service Analysis	Services & Support Services not in Analysis	Amounts not Reported to Management for Decision Making	Amounts not Included in Comp Income & Expenditure Statement	Allocation of Recharges	Cost of Services	Corporate Amounts	Total
	£,000	£,000	£,000	£,000	£,000	£,000	£,000	£,000
Fees, Charges & Other Service Income	(33,607)	(6,936)	0	0	0	(40,544)	(543)	(41,087)
Surplus or Deficit on Associates and Joint Ventures	0	0	0	0	0	0	0	0
Interest and Investment Income	0	0	(56)	1,513	0	1,457	(1,580)	(123)
Income from Council Tax	0	0	0	0	0	0	(79,774)	(79,774)
Government Grants and Contributions	(35,082)	(833)	(60)	0	0	(35,975)	(51,623)	(87,597)
<b>Total Income</b>	<b>(68,689)</b>	<b>(7,770)</b>	<b>(116)</b>	<b>1,513</b>	<b>0</b>	<b>(75,061)</b>	<b>(133,520)</b>	<b>(208,581)</b>
Employee Expenses	35,626	13,711	399	0	0	49,736	0	49,736
Other Service Expenses	110,437	19,026	(5,869)	(660)	0	122,934	583	123,517
Support Service Recharges	7,589	(9,546)	0	0	0	(1,957)	0	(1,957)
Depreciation, Amortisation and Impairment	13,825	702	20,467	0	0	34,994	0	34,994
Interest Payments	0	0	(107)	(2,599)	0	(2,706)	7,818	5,112
Precepts & Levies	0	0	0	0	0	0	3,347	3,347
Payments to Housing Capital Receipts Pool	0	0	0	0	0	0	102	102
Gain or Loss on Disposal of Fixed Assets	0	0	23	0	0	23	60	83
<b>Total Expenditure</b>	<b>167,477</b>	<b>23,893</b>	<b>14,912</b>	<b>(3,259)</b>	<b>0</b>	<b>203,024</b>	<b>11,910</b>	<b>214,934</b>
<b>Surplus or (Deficit) on the Provision of Services</b>	<b>98,788</b>	<b>16,124</b>	<b>14,797</b>	<b>(1,746)</b>	<b>0</b>	<b>127,963</b>	<b>(121,610)</b>	<b>6,353</b>

## NOTE 28 ACQUIRED OPERATIONS

There were no acquired operations in 2010/11.

## NOTE 29 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:

	2009/10 £,000	2010/11 £,000
Turnover	(535)	(604)
Expenditure	627	557
<b>(Surplus) / Deficit</b>	<b>92</b>	<b>(47)</b>

The chargeable account, in its eleventh year of operation, made a surplus of £47,202. The account should take one financial year with another, and it is good practice to achieve break-even over a rolling period of three years. The account, at the end of its current three year period, has generated a deficit of £87,933. The deficit will be addressed in the next accounting period.

## NOTE 30 AGENCY SERVICES

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

	2009/10 £,000	2010/11 £,000
Agency Services		
Sensory Needs	682	653
<b>Total</b>	<b>682</b>	<b>653</b>

## NOTE 31 ROAD CHARGING SCHEMES UNDER THE TRANSPORT ACT 2000

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

## NOTE 32 POOLED BUDGETS

Section 31 of the Health Act 1999 and the NHS Bodies and Local Authorities Partnership Regulations 2000 enable the establishment of joint working arrangements between NHS bodies and local authorities to enable them to work collaboratively to provide services to address local health issues. Wokingham 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 Trust are members of the agreement with Slough Borough Council as the lead partner. The memorandum account for the fund is as follows:

	2009/10		2010/11	
	£,000	£,000	£,000	£,000
<b>Funding Provided to the Pooled Budget:</b>				
Wokingham Borough Council	(253)		(267)	
Slough Borough Council	(250)		(234)	
Other Berkshire Councils	(971)		(973)	
Berkshire Primary Care Trusts	(1,334)		(1,334)	
		(2,808)		(2,808)
<b>Expenditure Met from the Pooled Budget:</b>				
Royal Berkshire Ambulance Trust		2,808		2,808
<b>Net Surplus / (Deficit) Arising on the Pooled Budget During the Year</b>		<b>0</b>		<b>0</b>

## NOTE 33 MEMBERS' ALLOWANCES

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

	2009/10	2010/11
	£,000	£,000
Members Remuneration	569	572
	569	572

The amount paid to Members includes allowances and other remuneration.

## NOTE 34 OFFICERS' REMUNERATION

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>	2010/11	157,187	0	0	0	24,094	<b>181,281</b>
Susan Law	2009/10	157,479	0	0	0	23,622	<b>181,101</b>
<b>Strategic Director - Commissioning</b>	2010/11	112,727	9,579	5	0	18,708	<b>141,019</b>
Stuart Rowbotham	2009/10	112,695	6,801	0	0	17,924	<b>137,420</b>
<b>Strategic Director - Strategy &amp; Corporate Affairs</b>	2010/11	103,094	9,305	3	0	17,241	<b>129,643</b>
Heather Thwaites	2009/10	108,450	10,813	0	0	17,889	<b>137,152</b>
<b>Strategic Director - Resources</b>	2010/11	103,387	8,788	4	0	17,162	<b>129,341</b>
Graham Ebers	2009/10	103,383	7,754	0	0	16,671	<b>127,808</b>
<b>Strategic Director - Place Based Service Delivery</b>	2010/11	103,092	8,271	0	0	17,083	<b>128,446</b>
Mark Moon	2009/10	103,383	7,237	0	0	16,593	<b>127,213</b>
<b>Strategic Director - People Delivery Based Services</b>	2010/11	112,447	10,143	44	0	18,794	<b>141,428</b>
Andy Couldrick	2009/10	63,861	0	0	0	9,579	<b>73,440</b>
<b>Director of Transformation</b>	2010/11	89,714	5,286	4	0	14,579	<b>109,583</b>
Andrew Moulton	2009/10	90,001	6,681	0	0	14,502	<b>111,184</b>
<b>Manager - Governance &amp; Democratic Services</b>	2010/11	88,276	7,503	0	0	15,588	<b>111,367</b>
Susanne Nelson-Wehrmeyer	2009/10	94,865	7,235	0	0	15,901	<b>118,001</b>

The Strategic Director - People Delivery Based Services post was vacant for part of 2009/10 therefore the amount above relates to the part of the year the post was filled.

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

Remuneration Band	2010/11			2009/10		
	No of Employees			No of Employees		
	Council	School	Total	Council	School	Total
£50,000 - £54,999	23	27	50	27	38	65
£55,000 - £59,999	12	20	32	9	26	35
£60,000 - £64,999	7	17	24	10	15	25
£65,000 - £69,999	7	10	17	9	8	17
£70,000 - £74,999	4	1	5	1	1	2
£75,000 - £79,999	3	5	8	1	4	5
£80,000 - £84,999	2	1	3	2	3	5
£85,000 - £89,999	1	2	3	0	0	0
£90,000 - £94,999	0	0	0	0	2	2
£95,000 - £99,999	0	1	1	0	0	0
£100,000 - £104,999	0	0	0	0	2	2
£105,000 - £109,999	0	1	1	0	0	0
£110,000 - £114,999	0	0	0	0	0	0
£115,000 - £119,999	0	0	0	1	0	1
£120,000 - £124,999	0	0	0	0	1	1
£125,000 - £129,999	0	0	0	0	0	0
£130,000 - £134,999	0	1	1	0	0	0
	59	86	145	60	100	160

## NOTE 35 EXTERNAL AUDIT COSTS

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

	2009/10 £,000	2010/11 £,000
External Audit Services	244	259
Statutory Inspections	0	0
Certification of Grants and Returns	44	43
	288	302

## NOTE 36 DEDICATED SCHOOLS GRANT

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



	Central Expenditure £,000	Individual Schools Budget £,000	Total £,000
<b>Budget:</b>			
Final DSG for 2010/11			92,270
Brought Forward from 2009/10			(431)
Carried Forward to 2011/12 (agreed in advance)			(423)
<b>Agreed Budget Distribution in 2010/11</b>	<b>12,315</b>	<b>79,101</b>	<b>91,416</b>
<b>Actual:</b>			
Central Expenditure	12,206		12,206
ISB Deployed to Schools		79,101	79,101
WBC Contribution for 2010/11			0
<b>Total Actual Expenditure in 2010/11</b>	<b>12,206</b>	<b>79,101</b>	<b>91,307</b>
<b>Net Carried Forward to 2011/12</b>	<b>(109)</b>	<b>0</b>	<b>(532)</b>

## NOTE 37 GRANT INCOME

The Council credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement in 2010/11:

	2009/10 £,000	2010/11 £,000
<b>Credited to Taxation and Non-specific Grant Income:</b>		
Revenue Support Grant	(19,286)	(19,557)
Area Based Grant	(5,744)	(6,462)
Local Area Agreement Reward Grant (WBC Share)	(118)	(7)
Capital Grants	(24,780)	(16,603)
Capital Contributions	(1,695)	(14,356)
Donations	0	0
<b>Total</b>	<b>(51,623)</b>	<b>(56,985)</b>

	2009/10 £,000	2010/11 £,000
<b>Credited to Services:</b>		
Dedicated Schools Grant	(88,029)	(91,839)
Mandatory Rent Allowances: subsidy	(13,460)	(14,610)
Young People Learning Agency Grant	(11,688)	(11,154)
Standards Fund (excluding elements now in ABG)	(8,304)	(7,632)
Rent Rebates Granted to HRA Tenants: subsidy	(6,214)	(6,382)
Council Tax Benefit: subsidy	(4,499)	(5,143)
School Standards Grant (including Personalisation)	(4,402)	(4,482)
Sure Start, Early Years and Childcare Grant	(2,835)	(3,904)
Supporting People Grant - Social Care	(2,035)	0
Private Finance Initiative (PFI)	(1,109)	(1,109)
Pooled Treatment Grant	0	(594)
Housing Benefit and Council Tax Benefit Administration	(489)	(525)
Childrens Young People & Families Grant	0	(451)

**Credited to Services:**

Housing Planning Delivery Grant
Adult and Community Learning from Learning and Skills Council
Targeted Mental Health In Schools
Sports Partnership
Concessionary Fares
Diploma Specific Formula Grant
Crime and Disorder Reduction Partnerships
Social Care Reform
Think Family Grant
Flood Grant
Other Grants
<b>Total</b>

2009/10 £,000	2010/11 £,000
(554)	(345)
(439)	(320)
0	(273)
0	(265)
(219)	(224)
(133)	(216)
(425)	0
(232)	0
(290)	0
(293)	0
(897)	(992)
<b>(146,546)</b>	<b>(150,461)</b>

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

	1st April, 2009 £,000	31st March, 2010 £,000	31st March, 2011 £,000
<b>Capital Grants Receipt in Advance:</b>			
Primary Capital Grant (New Grant)	0	0	(5,378)
Devolved Finance Grant	(2,999)	(4,689)	(3,547)
Primary BSF Capital Fund	0	(2,991)	(1,631)
Harnessing Technology	(171)	(456)	(251)
Sure Start Grant	(203)	(1,078)	(294)
Other Grants	(18,407)	(7,305)	(1,210)
<b>Total</b>	<b>(21,780)</b>	<b>(16,519)</b>	<b>(12,311)</b>

	1st April, 2009 £,000	31st March, 2010 £,000	31st March, 2011 £,000
<b>Capital Contributions Receipt in Advance:</b>			
S106 Contributions	(10,640)	(12,092)	(13,644)
Other Contributions	0	0	0
<b>Total</b>	<b>(10,640)</b>	<b>(12,092)</b>	<b>(13,644)</b>
<b>Total Capital Grants and Contributions Receipts in Advance</b>	<b>(32,420)</b>	<b>(28,611)</b>	<b>(25,955)</b>

## NOTE 38 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 Legacy Operations Board, members of the Standards Committee and budget managers were asked to complete a disclosure statement in respect of themselves and their family members / close relatives, detailing any material transactions with related parties.

### **Central Government**

Central government has a direct influence over the general operations of the Council – it is responsible for providing the statutory framework within which the Council operates, provides a large amount of its funding in the form of grants and prescribes the terms of many of the transactions that the Council has with other parties (e.g. council tax bills, housing benefits). Grants received from government departments are set out in the subjective analysis in Note 27 on reporting for resources allocation decisions. Grant receipts outstanding at 31<sup>st</sup> March, 2011, are shown in Note 37.

### **Members**

Members of the Council have direct control over the Council's financial and operating policies. The total of member's allowances paid in 2010/11 is shown in Note 33. During 2010/11, works and services to the value of £2,179,170 were commissioned from companies in which 2 members had an interest. Contracts were entered into in full compliance with the Council's standing orders. In addition, grants and payments totalling £1,164,802 were paid to voluntary organisations and charities in which 5 members declared an interest. Payments of £90,944 were made to education establishments in which 3 members declared an interest.

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

### **Officers**

During 2010/11, works and services to the value of £11,746,433 were commissioned from companies in which 9 officers had an interest. Contracts were entered into in full compliance with the Council's standing orders. In addition, grants and payments totalling £94,900 were paid to voluntary organisations and charities in which 7 officers declared an interest.

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

### **Parish Councils**

Members of Wokingham Borough Council are also Councillors of the 17 Parish Councils within the Borough. Each Parish Council has the ability to levy a precept upon Wokingham Borough Council for the collection of council tax on behalf of the Parish Councils. In 2010/11, Wokingham Borough Council collected and paid over £3,400,398 in Council Tax to the Parish Councils.

## **NOTE 39 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.

	2009/10 £,000	2010/11 £,000
<b>Opening Capital Financing Requirement</b>	<b>79,019</b>	<b>81,087</b>
<b>Capital Investment:</b>		
Property, Plant and Equipment	28,675	28,727
Investment Properties	202	22
Intangible Assets	343	325
Revenue Expenditure Funded from Capital under Statute	3,837	5,001
<b>Sources of Finance:</b>		
Capital Receipts	(270)	0
Government Grants and Other Contributions	(27,608)	(27,198)
Sums Set Aside from Revenue:		
Direct Revenue Contributions	(372)	(260)
MRP / Loans Fund Principal	(2,739)	(2,833)
<b>Closing Capital Financing Requirement</b>	<b>81,087</b>	<b>84,871</b>

  

<b>Explanation of Movements in Year</b>		
Increase / (Decrease) in underlying need for supported borrowing	(386)	0
Increase / (Decrease) in underlying need for unsupported borrowing	2,454	3,784
Assets Acquired under Finance Leases	0	0
Assets Acquired under PFI / PPP Leases	0	0
<b>Increase / (Decrease in Capital Financing Requirement)</b>	<b>2,068</b>	<b>3,784</b>

## NOTE 40 LEASES

### The Council as Lessee

#### Finance Leases

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

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

	1st April, 2009 £,000	31st March, 2010 £,000	31st March, 2011 £,000
Council Dwellings	56	58	60
Other Land and Buildings	0	0	0
Vehicles, Plant, Equipment and Furniture	0	0	0
	<b>56</b>	<b>58</b>	<b>60</b>

The Council is committed to making the minimum payments under these leases comprising settlement of the long-term liability for the interest in the property acquired by the Council and finance

costs that will be payable by the Council in future years while the liability remains outstanding. The minimum lease payments comprise the following amounts:

	1st April, 2009 £,000	31st March, 2010 £,000	31st March, 2011 £,000
<b>Finance Lease Liabilities (Net Present Value of Minimum Lease Payments):</b>			
• Current	1,067	1,067	1,067
• Non-current	0	0	0
Finance Costs Payable in Future Years	9,451	9,345	9,238
<b>Minimum Lease Payments</b>	<b>10,518</b>	<b>10,411</b>	<b>10,305</b>

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

	<b>Minimum Lease Payments</b>			<b>Finance Lease Liabilities</b>		
	1st April, 2009 £,000	31st March, 2010 £,000	31st March, 2011 £,000	1st April, 2009 £,000	31st March, 2010 £,000	31st March, 2011 £,000
Not Later than One Year	107	107	107	0	0	0
Later than One Year and not Later than Five Years	427	427	427	0	0	0
Later than Five Years	9,878	9,878	9,771	1,067	1,067	1,067
	<b>10,412</b>	<b>10,412</b>	<b>10,305</b>	<b>1,067</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 2010/11 £183,810 contingent rents were payable by the Council (2009/10 £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, porterage and social services fleet vehicles

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

	1st April, 2009 £,000	31st March, 2010 £,000	31st March, 2011 £,000
<b>Not Later than One Year:</b>			
Land and Buildings	359	499	473
Vehicles, Plant and Equipment	75	97	104
Computer Equipment	74	48	50
<b>Later than One Year and not Later than Five Years:</b>			
Land and Buildings	1,593	1,457	1,488
Vehicles, Plant and Equipment	80	130	97
Computer Equipment	143	70	28
<b>Later than Five Years:</b>			
Land and Buildings	1,372	1,077	782
Vehicles, Plant and Equipment	0	0	0
Computer Equipment	0	0	0
	<b>3,696</b>	<b>3,378</b>	<b>3,023</b>

The Council has sub-let some of the Land and Buildings held under these operating leases. At 31st March, 2011 the minimum payments expected to be received under non-cancellable subleases was £120,488 (£43,656 at 31st March, 2010 and £0 at 31st March, 2009).

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

	2008/09 £,000	2009/10 £,000	2010/11 £,000
<b>Minimum Lease Payments:</b>			
Land and Buildings	300	363	538
Vehicles, Plant and Equipment	117	93	133
Computer Equipment	87	169	53
<b>Contingent Rents:</b>			
Land and Buildings	0	0	0
<b>Sub-lease Payments Receivable:</b>			
Land and Buildings	0	(44)	(120)
	<b>505</b>	<b>581</b>	<b>604</b>

## The Council as Lessor

### Finance Leases

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

### Operating Leases

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

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

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



	31st March, 2010	31st March, 2011
	£,000	£,000
<b>Not Later than One Year:</b>		
Shops	(21)	(21)
Industrial Premises	(367)	(329)
Offices	(197)	(120)
Other	(319)	(295)
<b>Later than One Year and not Later than Five Years:</b>		
Shops	(55)	(38)
Industrial Premises	(214)	(481)
Offices	(379)	(392)
Other	(863)	(842)
<b>Later than Five Years:</b>		
Shops	(5)	0
Industrial Premises	0	(345)
Offices	(619)	(485)
Other	(18,094)	(17,830)
	<b>(21,132)</b>	<b>(21,180)</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 2010/11 £5,031 contingent rents were receivable by the Council (2009/10 £42,994).

## NOTE 41 PRIVATE FINANCE INITIATIVES AND SIMILAR CONTRACTS

### Waste Disposal PFI Scheme

In 2006/07 the Council, together with Reading and Bracknell Forest Borough Councils, entered into a PFI contract with WRG (RE3 Ltd) for the disposal of waste. The total value of the contract is estimated to be £678m as at 31<sup>st</sup> March, 2011, to be shared between the councils based on relative throughput. Actual payments will depend upon the contractor's performance as well as that of the individual councils in waste collection. As part of the contract, the contractor has built a transfer station, materials recycling facility, civic amenity site & offices on land owned by Reading and Bracknell Councils. The contract will expire in December 2032.

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

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

Payments remaining to be made by Wokingham Borough Council under the PFI contract at 31<sup>st</sup> March, 2011 (excluding any estimation of inflation and availability / performance deductions) are as follows:

	Liability	Interest	Service Charges	Total
	£,000	£,000	£,000	£,000
Payable in 2011/12	279	585	7,491	8,355
Payable within Two to Five Years	957	2,181	32,460	35,597
Payable within Six to Ten Years	1,626	2,301	46,943	50,870
Payable within 11 to 15 Years	2,287	1,653	54,142	58,082
Payable within 16 to 20 Years	3,222	740	62,664	66,625
Payable After 20 Years	511	17	9,443	9,971
	<b>8,881</b>	<b>7,477</b>	<b>213,142</b>	<b>229,499</b>

The liability outstanding under the waste contract is as follows:

	2009/10	2010/11
	£,000	£,000
Balance Outstanding at Start of Year	(7,129)	(9,141)
Payments During the Year	372	260
New Liabilities Arising	(2,383)	0
Balance Outstanding at End of Year	<b>(9,140)</b>	<b>(8,881)</b>

In addition to the PFI contract, as at 31st March, 2011, the Council is committed to making payments under the following contracts:

- Payments estimated at £1.3m per annum under a contract with WSP Civils Ltd for the provision of highways and transportation consultancy. The contract will expire in March 2018.
- Payments estimated at £2.8m per annum under a contract with NHSPASA for the provision of energy. The contract will expire in April 2012.
- Payments estimated at £3.4m per annum under a contract with Balfour Beatty Infrastructure Services Ltd for highways reactive and planned maintenance. The contract will expire in March 2018.
- Payments estimated at £3.1m per annum under a contract with SITA for the collection of waste. The contract will expire in March 2012.
- Payments estimated at £1m per annum to Zurich Municipal for the provision of insurance services. The contract will expire in June 2011.
- Payments estimated at £1.8m per annum under a contract with Northgate Ltd for IT services. The contract will expire in December 2020.
- Various other contracts between £0.1m and £1m per annum totalling £27.6m with end dates between April 2011 and 2018.

## NOTE 42 IMPAIRMENT LOSSES

### Financial Instruments

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

Bank	Date Invested	Maturity Date	Amount Invested £,000	Interest Rate	Carrying Amount £,000	Impairment £,000
Heritable	01/11/2006	03/11/2008	2,000	5.45%	(335)	1,297
Heritable	01/09/2008	28/08/2009	1,000	6.20%	(184)	665
Landsbanki	01/08/2008	27/02/2009	1,000	6.05%	788	212
Landsbanki	01/09/2008	28/08/2009	1,000	5.50%	849	151
<b>Total</b>			<b>5,000</b>		<b>1,118</b>	<b>2,325</b>

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

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

Under the regulations, the Council must transfer the balance on the Financial Instruments Adjustment Account to the General Fund no later than 31st March, 2011, and must also credit the Financial Instruments Adjustment Account with the interest earned until such time as the balance has been transferred to the General Fund. The Council estimates that the following credits will be made to the Financial Instruments Adjustment Account:

Bank	Balance on FIAA at 31 <sup>st</sup> March, 2010 £,000	Maturity Interest during 2010/11 £,000	Amount of Change in Impairment £,000	Impairment Balance on FIAA at 31 <sup>st</sup> March, 2011 £,000
Heritable	309	25	900	1,234
Heritable	175	15	428	618
Landsbanki	305	36	19	360
Landsbanki	189	36	(55)	170
<b>Total</b>	<b>978</b>	<b>112</b>	<b>1,292</b>	<b>2,382</b>

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

The current situation with regards to recovery of the sums deposited varies between each institution. Based on the latest information available the Council considers it is appropriate to consider an impairment adjustment for the deposits, and has taken the action outlined below. As the available information is not definitive as to the amounts and timings of payments to be made by the administrators / receivers, it is likely that further adjustments will be made to the accounts in future years. The impairment has been calculated in line with FRS 25 and 26, however, in cash terms the Council currently expects to have recovered a total of £4,446,400 of the original £5m invested by December, 2018.

#### Heritable Bank

Heritable Bank is a UK registered bank under English law. The company was placed in administration on 7th October, 2008. A total repayment of £0.47m was received (8.8%) in 2010/11

and the revised impairment is based on the assumption that a further 34.9% will be received by the end of 2012/13, taking the total dividends expected to be paid to 84.98%.

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

Date	Repayment
Apr-11	6%
Jul-11	5%
Oct-11	5%
Jan-12	5%
Jul-12	5%
Oct-12	4%

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

### **Landsbanki**

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

The Glitnir Winding-Up Board (another of the Icelandic Banks in administration) has since expressed the view that local authority deposits do not have priority status. This may also impact on the Landsbanki position. Local authorities' legal advice remains that deposits have priority status under Icelandic law however decisions on the priority status of local authority deposits will be made by the Icelandic courts. It is unlikely that the position on priority status will be known until 2011/12 however the impairment for 2010/11 has been calculated on the basis that priority status will be confirmed and repayments of 94.85% received between December 2011 and December 2018.

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

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

Date	Repayment
Dec-11	22.17%
Dec-12	8.87%
Dec-13	8.87%
Dec-14	8.87%
Dec-15	8.87%
Dec-16	8.87%
Dec-17	8.87%
Dec-18	19.46%
Dec-15	8.87%

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

## **NOTE 43 CAPITALISATION OF BORROWING COSTS**

The Council did not capitalise any borrowing costs in 2010/11.

## **NOTE 44 TERMINATION BENEFITS**

The Council terminated the contracts of a number of employees in 2010/11, incurring liabilities of £247k (£760k in 2009/10). Of this total, £239k was payable to 14 officers across the Council who were made redundant as part of the Transformation project.

No directors were made redundant in 2010/11.

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

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

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

In 2010/11, the Council paid £6,961,334 to the Teachers' Pension Scheme in respect of teachers' retirement benefits, representing 14.1% of pensionable pay. The figures for 2009/10 were £6,761,000 and 14.1%.

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

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

### **Participation in Pension Schemes**

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

The Council participates in two schemes:

- The Local Government Pension Scheme (LGPS), administered by the Royal Borough of Windsor and Maidenhead – this is a funded scheme, which means that the Council and employees pay contributions into the fund, calculated at a level intended to balance the pensions liabilities with investment assets.

- Wokingham Borough Council is also responsible for a share of the former Berkshire County Council (BCC) Local Government Pension Scheme. The scheme is also administered by the Royal Borough of Windsor and Maidenhead Council. Although now closed, a liability remains for the pensioners that were in the scheme when BCC ceased to exist.

### Transactions Relating to Post-Employment Benefits

Wokingham Borough 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 Reserves Statement. The following transactions have been made in the Comprehensive Income and Expenditure Statement and the General Fund Balance via the Movement in Reserves Statement during the year:

#### Comprehensive Income and Expenditure Statement

Cost of Services:

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

Financing and Investment Income and Expenditure:

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

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

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

- Actuarial Gains and Losses

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

#### Local Government Pension Scheme

2009/10 £,000	2010/11 £,000
6,374	11,065
0	(24,429)
455	0
9,923	13,381
(6,100)	(8,524)
1,393	1,095
<b>12,045</b>	<b>(7,422)</b>
0	0
<b>12,045</b>	<b>(7,422)</b>

#### Movement in Reserves Statement

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

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

- Employer's Contributions Payable to Scheme

#### Local Government Pension Scheme

2009/10 £,000	2010/11 £,000
(12,045)	7,422
6,902	6,843
<b>(5,143)</b>	<b>14,265</b>

The cumulative amount of actuarial gains and losses recognised in the Comprehensive Income and Expenditure Statement to the 31st March, 2011 is a profit of £34,544,678.

A valuation of the Berkshire County Council LGPS was undertaken by the actuary, Barnett Waddington, who assessed the Net Pension Liability as at 31st March, 2010. The liability was shared

between the six Berkshire Councils on the basis of population as at 31<sup>st</sup> March, 1998. Wokingham Borough Council's percentage share is 19.0561% and amounts to £29,538,098 in 2010/11.

In the UK Budget Statement on 22nd June, 2010, the Chancellor announced that with effect from 1 April, 2011 public service pensions would be up-rated in line with the Consumer Price index (CPI) rather than the Retail Price Index (RPI).

This has the effect of reducing Wokingham Borough Council's liabilities in the Royal County of Berkshires Pension Fund by £24,439,000 and has been recognised as a past service gain in accordance with guidance set down in UITF Abstract 48, since the change is considered to be a change in benefit entitlement. There is no impact upon the General Fund (or Housing Revenue Account).

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

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

	Wokingham Borough Council's LGPS		Former Berkshire County Council's LGPS	
	2009/10 £,000	2010/11 £,000	2009/10 £,000	2010/11 £,000
<b>Opening Balance at 1st April</b>	<b>146,917</b>	<b>244,886</b>	<b>208,230</b>	<b>268,836</b>
Current Service Cost	6,374	11,065	0	0
Interest Cost	9,923	13,381	13,384	13,991
Contribution by Scheme Participants	2,898	2,957	0	0
Actuarial Gains and Losses	85,168	(33,698)	64,432	2,585
Benefits Paid	(6,681)	(5,298)	(16,063)	(17,003)
Past Service Costs	0	(24,439)	0	(21,474)
Entity Combinations	0	0	0	0
Curtailments	455	0	0	0
Settlements	0	0	0	0
Unfunded Pension Payments	(168)	(168)	(1,148)	(2,349)
<b>Total Liabilities at 31st March</b>	<b>244,886</b>	<b>208,686</b>	<b>268,835</b>	<b>244,586</b>
WBC share of BCC Liabilities at 19.0561%	51,230	46,608		
<b>Closing Balance at 31st March</b>	<b>296,116</b>	<b>255,294</b>		

Reconciliation of fair value of the scheme assets:



	<b>Wokingham Borough Council's LGPS</b>		<b>Former Berkshire County Council's LGPS</b>	
	<b>2009/10 £,000</b>	<b>2010/11 £,000</b>	<b>2009/10 £,000</b>	<b>2010/11 £,000</b>
<b>Opening Balance at 1st April</b>	<b>95,642</b>	<b>130,756</b>	<b>86,354</b>	<b>96,289</b>
Expected Rate of Return	6,100	8,524	4,924	5,895
Actuarial Gains and Losses	25,895	501	21,074	4,399
Employer Contributions	7,070	7,011	1,148	2,349
Contributions by Scheme Participants	2,898	2,957	0	0
Benefits Paid	(6,849)	(5,466)	(17,211)	(19,352)
Entity Combinations	0	0	0	0
Settlements	0	0	0	0
<b>Total Fair Value of Scheme Assets at 31st March</b>	<b>130,756</b>	<b>144,283</b>	<b>96,289</b>	<b>89,580</b>
WBC share of BCC Liabilities at 19.0561%	18,349	17,070		
<b>Closing Balance at 31st March</b>	<b>149,105</b>	<b>161,353</b>		
<b>Net Liability Closing Balance</b>	<b>147,011</b>	<b>93,941</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 return on scheme assets in the year was £9,869,000 (2009/10 £31,995,000).

### Scheme History

<b>Wokingham Borough Council Scheme</b>	<b>2006/07 Restated £,000</b>	<b>2007/08 Restated £,000</b>	<b>2008/09 £,000</b>	<b>2009/10 £,000</b>	<b>2010/11 £,000</b>
Present Value of Liabilities	(158,808)	(153,753)	(145,086)	(242,042)	(205,803)
Fair Value of Assets	135,375	132,346	95,642	130,756	144,283
Present Value of Unfunded Obligations	(2,148)	(1,996)	(1,831)	(2,844)	(2,883)
<b>Surplus / (Deficit) in the Scheme</b>	<b>(25,581)</b>	<b>(23,403)</b>	<b>(51,275)</b>	<b>(114,130)</b>	<b>(64,403)</b>

<b>Former Berkshire County Council Scheme</b>	<b>2006/07 Restated £,000</b>	<b>2007/08 Restated £,000</b>	<b>2008/09 £,000</b>	<b>2009/10 £,000</b>	<b>2010/11 £,000</b>
Present Value of Liabilities	(227,373)	(221,682)	(201,450)	(252,811)	(228,814)
Fair Value of Assets	170,040	141,669	86,354	96,289	89,580
Present Value of Unfunded Obligations	(7,726)	(7,689)	(6,780)	(16,025)	(15,772)
<b>Surplus / (Deficit) in the Scheme</b>	<b>(65,059)</b>	<b>(87,702)</b>	<b>(121,876)</b>	<b>(172,547)</b>	<b>(155,006)</b>

The liabilities show the underlying commitments that the Council has in the long term to pay post employment (retirement) benefits. The total liability of £93,941,098 has a substantial impact on the net worth of the Council as shown in the Balance Sheet. However, statutory arrangements for funding the deficit mean that the financial position of the authority remains healthy because the deficit on the local government scheme will be made good by increased contributions over the remaining working life of employees (ie before payments fall due), as assessed by the scheme actuary.

The total contributions expected to be made on the Local Government Pension Scheme by the Council in the year to 31st March, 2012 is £6,494,000.

### Basis for Estimating Assets and Liabilities

Liabilities have been assessed on an actuarial basis using the projected unit credit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels etc. Barnett Waddington, an independent firm of actuaries, assessed the liabilities as at 1st April, 2010. The principal assumptions used by the actuary are:

	2009/10	2010/11
Long-term Expected Rate of Return on Assets in the Scheme:		
Equity Investments	7.4%	7.9%
Gilts	4.0%	4.5%
Bonds	6.5%	5.5%
Property	5.5%	6.0%
Cash	3.0%	3.0%
Alternative Assets	n/a	5.0%
Expected Return on Assets	6.3%	6.5%
Mortality Assumptions:		
Longevity at 65 for Current Pensioners:		
• Men	21.27	22.70
• Women	24.33	25.40
Longevity at 65 for Future Pensioners:		
• Men	22.21	24.80
• Women	25.26	27.40
Rate of Inflation-RPI	3.9%	3.5%
Rate of Inflation-CPI	n/a	2.7%
Rate of Increase in Salaries	5.4%	4.8%
Rate of Increase in Pensions	3.9%	2.7%
Rate for Discounting Scheme Liabilities	5.5%	5.5%
Take-up Option to Convert Annual Pension into Retirement Lump Sum	50.0%	50.0%

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

	2009/10	2010/11
Equity Investments	44.0%	31.0%
Gilts	0.0%	0.0%
Bonds	29.0%	27.0%
Property	7.0%	8.0%
Cash	2.0%	5.0%
Alternative Assets	18.0%	29.0%
<b>Total</b>	<b>100.0%</b>	<b>100.0%</b>

### History of Experience Gains and Losses

The actuarial gains identified as movements on the Pensions Reserve in 2010/11 can be analysed into the following categories, measured as a percentage of assets or liabilities at 31st March, 2011:

	2006/07 %	2007/08 %	2008/09 %	2009/10 %	2010/11 %
Differences Between the Expected and Actual Return on Assets	(0.47)	95.06	97.13	(22.69)	(2.09)
Experience Gains and Losses on Liabilities	(1.14)	(1.59)	0.00	0.63	2.58

## NOTE 47 CONTINGENT LIABILITIES

There were no contingent liabilities in 2010/11.

## NOTE 48 CONTINGENT ASSETS

Following the House of Lords judgement in the case of HMRC vs. Conde Nast Publications Ltd and HMRC vs. Fleming, Wokingham Borough Council has submitted various voluntary disclosure claims in relation to overpaid tax in the areas of sporting services, excess parking charges, library income and off-street car parking that go back as far as 1973 in some cases. The Council received over £1m in relation to these claims in 2010/11 but is currently awaiting a response from HMRC on two final claims to see whether they will be successful. In the likelihood of success, the amount and timing of any refund due to the Council is uncertain but could amount to a maximum of £319,000 (excluding interest).

## NOTE 49 NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS

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

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

The Council's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the resources available to fund services. Risk management is carried out by a central treasury team, under policies approved by the Council in the annual Treasury Management Strategy. The Council provides written principles for overall risk management, as well as written policies covering specific areas such as interest rate risk, credit risk and the investment of surplus cash.

## 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 Strategy, which requires that deposits are not made with financial institutions unless they meet identified minimum credit criteria, as laid down by Fitch and Moody's Ratings Services. The Treasury Management Strategy also imposes a maximum sum to be invested with a financial institution located within each category.

The credit criteria in respect of financial assets held by the Council are detailed as follows:

- **Sovereign Rating for Foreign Countries – AAA.** This is the credit rating of a country and indicates the risk level of investment in that country. This is for the in-house team only as the fund managers have additional checks in place for selecting counterparties.
- **Banks 1 – Good Credit Quality.** The Council will only use banks which:
  - Are UK banks and or
  - Are non-UK and domiciled in a country which has a minimum Sovereign long term rating of AAA (in-house team only)
 And have, as a minimum, the following Fitch, Moody's and Standard and Poors credit rating (LCD approach only for in-house team) where rated.
  - **Short Term** – F1+ (highest rating)
  - **Long Term** – AA – (AAA is highest rating)
  - **Individual / Financial Strength** – B/C (Fitch / Moody's only)
  - **Support** – 2 (Fitch only)
- **Banks 2 – Guaranteed Banks with Suitable Sovereign Support.** In addition, the Council will use banks whose ratings fall below the criteria specified above if all of the following conditions are met:
  - Wholesale deposits in the bank are covered by a government guarantee
  - The government providing the guarantee is rated AAA by all three major rating agencies (Fitch, Moody's and Standard and Poors) and
  - The Council's investments with the bank are limited to amounts and maturities within the terms of the stipulated guarantee.
- **Banks 3 – Eligible Institutions.** The organisation is an Eligible Institution for the HM Treasury Credit Guarantee Scheme and meeting a minimum credit rating of A-. This was initially announced on 13th October, 2008. These institutions have been subject to suitability checks before inclusion and have access to HM Treasury liquidity if needed.
- **Banks 4 – The Council's own banker (Nat West).** For transactional purposes if the bank falls below the above criteria, although in this case balances will be minimised in both monetary size and time.
- **Group Limits.** For each banking group the following limits will apply dependent on the rating of the Parent Bank
  - **AAA** - £7m with a maximum average duration of 1 year
  - **AA** - £5m with a maximum average duration of 6 months
- **Building Societies.** The Council will only use Societies which are eligible to use the Bank of England's Credit Guarantee Scheme, subject to a minimum asset size of £5bn and a meeting credit rating of A- (where rated)

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 cannot be assessed generally because the risk of any institution failing to make interest

payments or repay the principal sum will be specific to each individual institution. Recent experience has shown that it is rare for such entities to be unable to meet their commitments. A risk of irrecoverability applies to all of the Council's deposits, but there was no evidence at 31st March, 2011 that this was likely to happen.

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

	Amount at 31st March, 2011 £,000 (a)	Historical Experience of Default % (b)	Historical Experience Adjusted for Market Conditions at 31st March, 2011 % (c)	Estimated Maximum Exposure to Default and Uncollectability at 31st March, 2011 £,000 (a) x (c)	Estimated Maximum Exposure at 31st March, 2010 £,000
Deposits with Banks and Financial Institutions:					
AAA Rated Counterparties	15,601	0.00	0.00	0	0
AA Rated Counterparties		0.03	0.03	0	3
A Rated Counterparties		0.08	0.08	0	0
Other Counterparties		0.24	0.24	0	32
Customers	1,051	Local	Local	Local	Local
<b>Total</b>	<b>16,652</b>			<b>0</b>	<b>35</b>

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

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

The Council does not generally allow credit for its customers, but £2.2m of the £8.8m balance is past its due date for payment. The past due but not impaired amount can be analysed by age as follows:

	31st March, 2010 £,000	31st March, 2011 £,000
Less than Three Months	465	624
Three to Six Months	393	300
Six Months to One Year	467	312
More than One Year	564	970
	<b>1,889</b>	<b>2,206</b>

## Liquidity Risk

The Council has a comprehensive cash flow management system that seeks to ensure that cash is available as needed. If unexpected movements happen, the Council has ready access to borrowings from the Money Markets and the Public Works Loans Board. 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 Council approved Treasury and Investment strategies address the main risks and the central treasury team addresses the operational risks within the approved parameters. This includes:

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

The maturity analysis of financial liabilities is as follows:

	31st March, 2010 £,000	31st March, 2011 £,000
Less than 15 Years	1,000	1,000
Between 15 and 20 Years	0	0
Between 21 and 25 Years	2,400	2,400
Between 26 and 30 Years	0	0
More than 30 Years	44,188	44,683
	<b>47,588</b>	<b>48,083</b>

The maturity analysis of financial assets is as follows:

	31st March, 2010 £,000	31st March, 2011 £,000
Less than One Year	36,117	3,125
Between One and Two Years	6,074	12,476
Between Two and Three Years	477	0
More than Three Years	769	0
	<b>43,437</b>	<b>15,601</b>

The table above assumes repayment of Icelandic investments according to the rates and timings shown in Note 42 Impairment Losses.

All trade and other payables are due to be paid in less than one year.

## Market Risk

### Interest Rate Risk

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

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



- investments at variable rates – the interest income credited to the Surplus or Deficit on the Provision of Services will rise;
- investments at fixed rates – the fair value of the assets will fall.

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

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

At 31st March, 2011, 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	2
Increase in Interest Receivable on Variable Rate Investments	0
Increase in Government Grant Receivable for Financing Costs	0
Impact on Surplus or Deficit on the Provision of Services	2
Share of overall impact debited to the HRA	0
Decrease in Fair Value of Fixed Rate Investment Assets	19
Impact on Other Comprehensive Income and Expenditure	19
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)	9,498

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

### Price Risk

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

### Foreign Exchange Risk

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



## NOTE 50 INVESTMENTS IN COMPANIES

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

This is a company set up by 19 local authority trading standards departments in the South East of England to provide a consumer helpline and regional intelligence unit for Trading Standards' functions, training to the member authorities and other joined up trading standards services. It was established in 2004/05 and is limited by guarantee of £1. Wokingham Borough Council has an equal 1/19th share in the company and is able to nominate one director on the board of the company. The latest financial statements for the company were prepared at 31st March, 2010 and show that turnover for 2009/10 was £2.079 million (£2.1m in 2008/09), the company made a profit of £1,548 (£8,404 in 2008/09) and had net assets of £23,697 (£22,149 in 2008/09). Wokingham Borough Council does not receive any dividend income from the company. The financial statements for the company for 2010/11 will be available in January 2012.

A full set of financial statements for the company can be obtained from the Company Secretary at the registered office: Surrey County Council, Trading Standards, Mid-Surrey Area Office, Bay Tree Avenue, Kingston Road, Leatherhead, Surrey, KT22 7SY.

### **Connexions Berkshire Partnership**

Connexions Berkshire Partnership is a charitable company set up between a wide range of partners such as the 6 Berkshire local authorities and other organisations from the health and voluntary sector to provide impartial advice and guidance services and learning and development services to young people. It was established in 2001 and is limited by guarantee of £10. Wokingham Borough Council is one of 32 partners who are able to nominate an officer as a trustee on the governing body of the company. The latest financial statements for the company were prepared as at 31st March, 2010 and show that the turnover for 2009/10 was £8.2m (£8.7m in 2008/09), the company made a surplus of £263,403 (£187,092 Deficit in 2008/09) and had net assets (before pension liabilities) of £1,504,429 (£1,326,036 in 2008/09) and net liabilities after pension scheme liabilities of £4,198,571 (net liabilities of £938,974 in 2008/09). Wokingham Borough Council does not receive any dividend income from the company. The financial statements for the company for 2010/11 will be available in October 2011.

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

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

This is a company set up by 17 local authorities across the South East of England to deliver small loans to homeowners to improve their property. The loans are targeted at vulnerable households to ensure they are in decent accommodation and therefore can remain in their own home rather than go into residential care. The company was established in March 2008 and is limited by guarantee of £10. Wokingham Borough Council has an equal 1/17th share in the company and is able to nominate one director on the board of the company. The draft financial statements for the company were prepared at 31st March, 2011 and show that turnover for 2010/11 was nil (2009/10 nil), the company made a loss of £73,135 (2009/10 £27,726) and had net assets of £7,206,889 (2009/10 £7,073,274). The company receives grant from central government and makes loans to local authority members which are then used to make loans to homeowners as such the grant income and loan investing maintains the company as a going concern. Wokingham Borough Council does not receive any dividend income from the company.

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

### **Wokingham Trading Enterprises Ltd**

(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.

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

### NOTE 51 GROUP ACCOUNTING POLICIES

The accounting policies applied to Wokingham Group Accounts are the same as those stated in Note 1 to the financial statements. However, Wokingham Enterprise Ltd prepared its accounts for 2010-11 under FRSSE. This departure from the accounting policies in Note 1 by WEL has been corrected on consolidation.

### NOTE 52 ADJUSTMENTS BETWEEN GROUP ACCOUNTS AND AUTHORITY ACCOUNTS

	Wokingham Authority £,000	Wokingham Enterprise Ltd £,000	Wokingham Group £,000
Adjustment for Investment in Subsidiary undertakings	9,400	0	
Adjustment for Long-term Borrowing	0	(9,400)	
Adjustment for Intra-group Transactions on the CI&E Statement	(348)	348	
Adjustment for Intra-group Sundry Creditors	0	0	
Adjustment for Intra-group Sundry Debtors	19	0	
<b>Total Adjustment between Group and Authority Accounts</b>	<b>9,071</b>	<b>(9,052)</b>	<b>19</b>

### NOTE 53 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:

	<b>Wokingham Authority £,000</b>	<b>Wokingham Enterprise Ltd £,000</b>	<b>Wokingham Group £,000</b>
Rental	0	(449)	(449)
Direct Operating Expenses	0	504	504
Changes in Fair Value	723	696	1,419
<b>Net (Gain) / Loss</b>	<b>723</b>	<b>751</b>	<b>1,474</b>

<b>Financing and Investment Income and Expenditure</b>	<b>Wokingham Authority £,000</b>	<b>Wokingham Enterprise Ltd £,000</b>	<b>Wokingham Group £,000</b>
Income and Expenditure and Changes in Fair Value in Relation to Investment Properties	723	751	1,474
Adjustment for Intra Group Income and Expenditure in Relation to Investment Properties	325	(349)	(24)
Income and Expenditure and Changes in Fair Value in Relation to Investment Properties	1,048	402	1,450
Other Financing and Investment Activities (as per Note 10)	9,202	0	9,202
<b>Financing and Investment Income and Expenditure</b>	<b>10,250</b>	<b>402</b>	<b>10,652</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:

	<b>Wokingham Authority £,000</b>	<b>Wokingham Enterprise Ltd £,000</b>	<b>Wokingham Group £,000</b>
<b>Balance as at 31<sup>st</sup> March, 2010</b>	<b>24,095</b>	<b>0</b>	<b>24,095</b>
Additions	22	9,416	9,438
Disposals	0	0	0
Gain / (Loss) on from Fair Value Adjustments	(723)	(697)	(1,420)
Transfers to/from Plant, Property and Equipment	4,066	0	4,066
Other Changes	0	0	0
<b>Balance as at 31<sup>st</sup> March, 2011</b>	<b>27,460</b>	<b>8,719</b>	<b>36,179</b>

## NOTE 54 FINANCIAL INSTRUMENTS (incl DEBTORS AND CREDITORS)

Notes 15, 17, 20 and 49 to the Financial Statements apply to the Group Financial statements. The following categories of financial instrument carried in the Group Balance Sheet are different to those amounts disclosed in the previous notes:

<b>Investments</b>	<b>Wokingham Authority £,000</b>	<b>Long Term</b>	<b>Wokingham Group £,000</b>
		<b>Consolidation Adjustment – Investment in WEL £,000</b>	
Loans and Receivables	12,479	(9,400)	3,079
Available for Sale Financial Assets	0	0	0
Financial assets at Fair Value through Profit and Loss	0	0	0
<b>Total Investments</b>	<b>12,479</b>	<b>(9,400)</b>	<b>3,079</b>

<b>Debtors</b>	<b>Wokingham Authority £,000</b>	<b>Wokingham Enterprise Ltd £,000</b>	<b>Wokingham Group £,000</b>
Other Entities and Individuals	6,146	40	6,186
Removal of Intra Group Balances	(19)	0	(19)
<b>Group Other Entities and Individuals</b>	<b>6,127</b>	<b>40</b>	<b>6,167</b>
Other Debtors Disclosed in Note 17	6,361	0	6,361
<b>Total Debtors in Group Balance Sheet</b>	<b>12,488</b>	<b>40</b>	<b>12,528</b>

<b>Creditors</b>	<b>Wokingham Authority £,000</b>	<b>Wokingham Enterprise Ltd £,000</b>	<b>Wokingham Group £,000</b>
Other Entities and Individuals	(25,092)	(522)	(25,614)
Central Government	(2,603)	(45)	(2,648)
Other Creditors Disclosed in Note 20	(1,365)	0	(1,365)
<b>Total Creditors in Group Balance Sheet</b>	<b>(29,060)</b>	<b>(568)</b>	<b>(29,627)</b>

## NOTE 55 RESERVES

The disclosures included within notes 22 and 23 apply to the Group Financial Statements, where amounts have been amended on consolidation, they are shown below:

	Wokingham Authority £,000	Wokingham Enterprise Ltd £,000	Wokingham Group £,000
General Fund	(9,322)	0	(9,322)
Adjustment for Intra Group Transactions	19	0	19
<b>Adjusted General Fund Balance</b>	<b>(9,303)</b>	<b>0</b>	<b>(9,303)</b>
Subsidiary Profit and Loss Account	0	750	750
Adjustment for Intra Group Transactions	0	0	0
<b>Adjusted Profit and Loss Account</b>	<b>0</b>	<b>750</b>	<b>750</b>
Other Useable Reserves in Note 22	(29,521)	0	(29,521)
<b>Total Useable Reserves</b>	<b>(38,824)</b>	<b>750</b>	<b>(38,074)</b>

	Wokingham Authority £,000	Wokingham Enterprise Ltd £,000	Wokingham Group £,000
Unusable Authority Reserves	(603,208)	0	(603,208)
Called up Share Capital	0	(3)	(3)
<b>Total Unusable Reserves</b>	<b>(603,208)</b>	<b>(3)</b>	<b>(603,211)</b>

## NOTE 56 AMOUNTS REPORTED FOR RESOURCE ALLOCATION DECISIONS

The disclosures included within Note 27 applies to the Group Financial Statements, where amounts have been amended on consolidation, they are shown below:

Service Information for the year ended 31 <sup>st</sup> March, 2011	Wokingham Authority £,000	Wokingham Enterprise Ltd £,000	Wokingham Group £,000
Fees, Charges & Other Service Income	(58,081)	(449)	(58,530)
Surplus or Deficit on Associates and Joint Ventures	0	0	0
Interest and Investment Income	6,764	0	6,764
Income from Council Tax	(78,296)	0	(78,296)
Government Grants and Contributions	(78,251)	0	(78,251)
<b>Total Income</b>	<b>(207,864)</b>	<b>(449)</b>	<b>(208,313)</b>
Employee Expenses	26,457	16	26,473
Other Service Expenses	128,258	139	128,397
Support Service Recharges	13,419	0	13,419
Depreciation, Amortisation and Impairment	63,359	696	64,055
Interest Payments	(2,663)	0	(2,663)
Precepts & Levies	3,691	0	3,691
Payments to Housing Capital Receipts Pool	0	0	0
Gain or Loss on Disposal of Fixed Assets	(857)	0	(857)
<b>Total Expenditure</b>	<b>231,664</b>	<b>851</b>	<b>232,515</b>
<b>(Surplus) or Deficit on the Provision of Services</b>	<b>23,802</b>	<b>402</b>	<b>24,204</b>

## NOTE 57 WOKINGHAM GROUP FINANCIAL STATEMENTS

### WOKINGHAM GROUP MOVEMENT IN RESERVES STATEMENT

	Wokingham Borough Council			Wokingham Enterprise Ltd			Group Total		
	Total Usable Reserves £,000	Unusable Reserves £,000	Total WBC Reserves £,000	Total Usable Reserves £,000	Unusable Reserves £,000	Total WEL Reserves £,000	Total Usable Reserves £,000	Unusable Reserves £,000	Total GROUP Reserves £,000
<b>Balance at 31st March 2010</b>	(26,112)	(604,314)	(630,426)	0	(3)	(3)	(26,112)	(604,317)	(630,429)
<b>Movement in Reserves during 2010/11</b>									
Surplus or (Deficit) on the Provision of Services	23,802	0	23,802	402	0	402	24,204	0	24,204
Other Comprehensive Income and Expenditure	0	(34,788)	(34,788)	0	0	0	0	(34,788)	(34,788)
<b>Total Comprehensive Income and Expenditure</b>	<b>23,802</b>	<b>(34,788)</b>	<b>(10,986)</b>	<b>402</b>	<b>0</b>	<b>402</b>	<b>24,204</b>	<b>(34,788)</b>	<b>(10,584)</b>
Adjustments between Group Accounts and Authority Accounts (Note 52)	(330)	0	(330)	348		348	18	0	18
Adjustments between Accounting Basis & Funding Basis under Regulations	(36,184)	35,894	(289)	0	0	0	(36,184)	35,894	(289)
<b>Net Increase / Decrease before Transfers to Earmarked Reserves</b>	<b>(12,712)</b>	<b>1,106</b>	<b>(11,606)</b>	<b>750</b>	<b>0</b>	<b>750</b>	<b>(11,962)</b>	<b>1,106</b>	<b>(10,856)</b>
Transfers to/from Earmarked Reserves	0	0	0	0	0	0	0	0	0
<b>Increase / Decrease in 2010/11</b>	<b>(12,712)</b>	<b>1,106</b>	<b>(11,606)</b>	<b>750</b>	<b>0</b>	<b>750</b>	<b>(11,962)</b>	<b>1,106</b>	<b>(10,856)</b>
<b>Balance at 31st March 2011 carried forward</b>	<b>(38,824)</b>	<b>(603,208)</b>	<b>(642,032)</b>	<b>750</b>	<b>(3)</b>	<b>747</b>	<b>(38,074)</b>	<b>(603,211)</b>	<b>(641,285)</b>



# WOKINGHAM GROUP COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

	Wokingham Borough Council			Wokingham Enterprise Ltd			Group Total		
	Gross Expenditure	Gross Income	Net Expenditure	Gross Expenditure	Gross Income	Net Expenditure	Gross Expenditure	Gross Income	Net Expenditure
	£,000	£,000	£,000	£,000	£,000	£,000	£,000	£,000	£,000
Central Service to the Public	3,353	(3,336)	17	0	0	0	3,353	(3,336)	17
Cultural, Environmental, Regulatory and Planning Services	27,565	(5,656)	21,909	0	0	0	27,565	(5,656)	21,909
Education and Children's Services	183,722	(146,308)	37,414	0	0	0	183,722	(146,308)	37,414
Highways and Transport Services	15,210	(2,559)	12,651	0	0	0	15,210	(2,559)	12,651
Local Authority Housing (HRA)	13,809	(14,697)	(888)	0	0	0	13,809	(14,697)	(888)
Other Housing Services	29,304	(27,404)	1,900	0	0	0	29,304	(27,404)	1,900
Adult Social Care	56,229	(16,405)	39,824	0	0	0	56,229	(16,405)	39,824
Exceptional Costs	26,743	(1,474)	25,269	0	0	0	26,743	(1,474)	25,269
Corporate and Democratic Core	7,582	(3,792)	3,790	0	0	0	7,582	(3,792)	3,790
Non-distributed Costs	1,641	2,545	4,186	0	0	0	1,641	2,545	4,186
<b>Cost of Services</b>	<b>365,159</b>	<b>(219,086)</b>	<b>146,072</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>365,159</b>	<b>(219,086)</b>	<b>146,072</b>
Acquired Operations			0			0			0
Other Operating Expenditure			2,761			0			2,761
Financing and Investment Income and Expenditure			10,250			402			10,652
Surplus or Deficit of Discontinued Operations			0			0			0
Taxation and Non-specific Grant Income			(135,281)			0			(135,281)
<b>(Surplus) or Deficit on Provision of Services</b>			<b>23,802</b>			<b>402</b>			<b>24,204</b>

	Wokingham Borough Council			Wokingham Enterprise Ltd			Group Total		
	Gross Expenditure £,000	Gross Income £,000	Net Expenditure £,000	Gross Expenditure £,000	Gross Income £,000	Net Expenditure £,000	Gross Expenditure £,000	Gross Income £,000	Net Expenditure £,000
Surplus or Deficit on Revaluation of Property, Plant and Equipment Assets			4,016			0			4,016
Surplus or Deficit on Revaluation of Available for Sale Assets			0			0			0
Actuarial Gains / Losses on Pension Assets / Liabilities			(38,804)			0			(38,804)
<b>Other Comprehensive Income and Expenditure</b>			<b>(34,788)</b>			<b>0</b>			<b>(34,788)</b>
<b>Total Comprehensive Income and Expenditure</b>			<b>(10,986)</b>			<b>402</b>			<b>(10,584)</b>



# WOKINGHAM GROUP BALANCE SHEET

		Wokingham Borough Council	Wokingham Enterprise Ltd	Group Total
	Notes	31st March, 2011 £,000	31st March, 2011 £,000	31st March, 2011 £,000
Property, Plant & Equipment		761,641	0	761,641
Investment Property	53	27,460	8,719	36,179
Intangible Assets		690	0	690
Assets Held for Sale		0	0	0
Long Term Investments	54	3,079	0	3,079
Long Term Debtors		4	0	4
<b>Long Term Assets</b>		<b>792,874</b>	<b>8,719</b>	<b>801,594</b>
Short Term Investments	54	5,106	0	5,106
Assets Held for Sale		0	0	0
Inventories		0	0	0
Intangible Current Assets		0	0	0
Short Term Debtors	54	12,488	39	12,528
Cash and Cash Equivalents		37,207	461	37,668
<b>Current Assets</b>		<b>54,801</b>	<b>500</b>	<b>55,302</b>
Cash and Cash Equivalents		(2,508)	0	(2,508)
Short Term Borrowing		0	0	0
Corporation Tax Liability		0	0	0
Short Term Creditors	54	(29,061)	(567)	(29,627)
Provisions		(5,492)	0	(5,492)
Liabilities in Disposal Groups		0	0	0
<b>Current Liabilities</b>		<b>(37,061)</b>	<b>(567)</b>	<b>(37,628)</b>
Long Term Creditors		0	0	0
Provisions		0	0	0
Long Term Borrowing		(48,083)	0	(48,083)
PFI and Finance Lease Liabilities		(10,003)	0	(10,003)
Pensions Liability		(93,941)	0	(93,941)
Other Long Term Liabilities		0	0	0
Donated Assets Account		0	0	0
Capital Grants Receipts in Advance		(25,955)	0	(25,955)
<b>Long Term Liabilities</b>		<b>(177,982)</b>	<b>0</b>	<b>(177,982)</b>
<b>Net Assets</b>		<b>632,632</b>	<b>8,653</b>	<b>641,285</b>
Usable Reserves	55	(38,824)	750	(38,074)
Unusable Reserves	55	(603,208)	(3)	(603,211)
<b>Total Reserves</b>		<b>(642,032)</b>	<b>747</b>	<b>(641,285)</b>

# WOKINGHAM GROUP CASHFLOW STATEMENT

	Wokingham Borough Council	Wokingham Enterprise Ltd	Group Total
	31st March, 2011 £,000	31st March, 2011 £,000	31st March, 2011 £,000
Net (Surplus) or Deficit on the Provision of Services	23,801	(294)	23,507
Adjustments to Net Surplus or Deficit on the Provision of Services for Non-Cash Movements	(64,880)	(1,279)	(66,159)
Adjustments for Items included in the Net Surplus or Deficit on the Provision of Services that are Investing or Financing Activities	37,612	0	37,612
<b>Net Cash Flow from Operating Activities</b>	<b>(3,467)</b>	<b>(1,573)</b>	<b>(5,040)</b>
Investing Activities	(11,228)	9,416	(1,813)
Financing Activities	(497)	0	(497)
<b>Net Increase or Decrease in Cash and Cash Equivalents</b>	<b>(15,192)</b>	<b>8,595</b>	<b>(6,597)</b>
Cash and Cash Equivalents at the beginning of the reporting period	(28,559)	(3)	(28,562)
<b>Cash and Cash Equivalents at the End of the Reporting Period</b>	<b>(43,571)</b>	<b>8,592</b>	<b>(35,160)</b>

## 8. HOUSING REVENUE ACCOUNT

### Introduction

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

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

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

### HRA Income and Expenditure Statement

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

### Movement on the HRA Statement

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

### Cash Flow Statement

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

# Housing Revenue Account Income and Expenditure Statement

2009/10 £,000		Notes	2010/11 £,000
	<b>Income</b>		
(11,516)	Dwelling Rents (gross)		(12,099)
(201)	Non-dwelling Rents (gross)		(204)
(613)	Charges for Services and Facilities		(822)
0	HRA Subsidy Receivable (including MRA)		0
0	Contributions Towards Expenditure		(87)
0	Reduced Provision for Bad or Doubtful Debts		0
0	Sums Directed by the Secretary of State that are Income in Accordance with IFRS		0
<b>(12,330)</b>			<b>(13,212)</b>
	<b>Expenditure</b>		
2,187	Repairs and Maintenance		2,833
2,402	Supervision and Management		2,326
86	Rents, Rates, Taxes and Other Charges		110
4,604	Negative Subsidy Payable to the Secretary of State	10	5,063
0	Negative Subsidy Transferable to the General Fund under the Transitional Arrangements		0
21	Increased Provision for Bad or Doubtful Debts	13	37
1,954	Depreciation	7	1,996
0	Impairment of Fixed Assets	8	50,227
1	Debt Management Costs		2
0	Sums Directed by the Secretary of State that are Expenditure in Accordance with IFRS		0
<b>11,255</b>			<b>62,594</b>
<b>(1,075)</b>	<b>Net Cost of Services included in the Whole Authority Comprehensive Income and Expenditure Statement</b>		<b>49,382</b>
0	HRA Services Share of Corporate and Democratic Core		0
0	HRA Share of other Amounts Included in the Whole Authority		0
<b>(1,075)</b>	<b>Net Cost of Services but not Allocated to Specific Services</b>		<b>49,382</b>
<b>(1,075)</b>	<b>Net Cost of HRA Services</b>		<b>49,382</b>
(66)	(Gain) or Loss on Sale of HRA Non-current Assets		74
16	Interest Payable and Similar Charges		42
(8)	HRA Interest and Investment Income		(14)
5	Accumulated Leave		29
12	Pension Interest Cost and Expected Return on Pension Assets		117
<b>(1,116)</b>	<b>(Surplus) or Deficit for the Year on HRA Services</b>		<b>49,630</b>

## Movement on the HRA Statement

2009/10 £,000		Notes	2010/11 £,000
(618)	<b>Balance on the HRA at the End of the Previous Year</b>		<b>(1,305)</b>
(1,116)	(Surplus) or Deficit for the Year on the HRA Income and Expenditure Statement		49,630
	Adjustments between Accounting Basis and Funding Basis under Statute:		
(1,954)	Depreciation	7	(1,996)
0	Impairment / Revaluation Loss	8	(50,227)
66	Gain / Loss on Disposal		(74)
(5)	Reversal of Accumulating Absences		(29)
0	MRP		46
(51)	Depreciation of HRA Leases		(53)
(12)	HRA Share of Contributions to or (from) the Pensions Reserve	11	(117)
431	Reversal of Financial Instrument Amortisation		414
<b>(2,641)</b>	<b>Net (Increase) or Decrease in the HRA Balance before Transfers to or from Reserves</b>		<b>(2,406)</b>
1,954	Reversal of MRA Credited to HRA		1,996
0	Transfers (to or from) the Major Repairs Reserves		400
<b>(687)</b>	<b>(Increase) or Decrease in Year on the HRA</b>		<b>(10)</b>
<b>(1,305)</b>	<b>Housing Revenue Account Balance Carried Forward</b>		<b>(1,315)</b>



## 9. NOTES TO THE HOUSING REVENUE ACCOUNT

### NOTE 1 HOUSING STOCK

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

	2009/10 Number of Properties	2010/11 Number of Properties
<b>Dwellings:</b>		
Low and Medium Rise Flats	674	672
Traditional Houses and Bungalows	1,397	1,396
Non-traditional Houses and Bungalows	357	356
<b>Sheltered Units:</b>		
Low and Medium Rise Flats	198	198
Traditional Houses and Bungalows	98	98
Non-traditional Houses and Bungalows	0	0
<b>Shared Equity Properties:</b>		
Low and Medium Rise Flats	8	8
Traditional Houses and Bungalows	39	39
Non-traditional Houses and Bungalows	0	0
<b>Total HRA Housing Stock</b>	<b>2,771</b>	<b>2,767</b>

### NOTE 2 HRA ASSET VALUATION

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

	Dwellings £,000	Operational Assets Other Land and Buildings £,000	Plant and Equipment £,000	Total £,000	Non-Operational Assets £,000
Gross Valuation at 31st March, 2010	208,738	543	637	209,918	2,340
Accumulated Depreciation and Impairment	(6,000)	(18)	(355)	(6,373)	(340)
<b>Net Book Value at 31st March, 2010</b>	<b>202,738</b>	<b>525</b>	<b>282</b>	<b>203,545</b>	<b>2,000</b>
Additions	3,194	0	0	3,194	0
Disposals	(181)	0	0	(181)	0
Revaluations	0	0	0	0	0
Depreciation	(1,892)	(12)	(93)	(1,997)	0
Impairments	(57,223)	0	0	(57,223)	(2,000)
<b>Net Book Value at 31st March, 2011</b>	<b>146,636</b>	<b>513</b>	<b>189</b>	<b>147,338</b>	<b>0</b>

## NOTE 3 VACANT POSSESSION

The vacant possession value of dwellings within the Council's HRA at 1st April, 2011 was £453,068,650.25.

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

## NOTE 4 MAJOR REPAIRS RESERVE

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

	2009/10 £,000	2010/11 £,000
<b>Balance at 1st April</b>	<b>(847)</b>	<b>(1,181)</b>
Transferred to the MRR of Major Repairs Allowance	(1,903)	(1,996)
Charges for depreciation		53
Revenue Contribution		(400)
Capital Expenditure on Land, Houses and Other Property within the HRA	1,569	3,187
<b>(Surplus) / Deficit</b>	<b>(334)</b>	<b>844</b>
<b>Balance at 31st March</b>	<b>(1,181)</b>	<b>(337)</b>

## NOTE 5 CAPITAL EXPENDITURE AND FUNDING

	2010/11 £,000
<b>Capital Expenditure within the Year:</b>	
Dwellings - Decent Homes	3,187
<b>Funded by:</b>	
Major Repairs Reserve	(3,124)
Revenue Contribution to Capital Expenditure	(400)
<b>(Surplus) / Deficit</b>	<b>(337)</b>

## NOTE 6 CAPITAL RECEIPTS

	2010/11 £,000
Disposal of 4 Dwellings	398
	<b>398</b>

## NOTE 7 DEPRECIATION

	2010/11 £,000
Operational Assets	53
Dwellings	1,943
	<b>1,996</b>

## NOTE 8 IMPAIRMENT CHARGES

There is a £50m impairment on dwelling houses due to a change in the reduction factor which is set by the Government. During 2010/11, the percentage rate was reduced from 46% to 32%.

## NOTE 9 REVENUE EXPENDITURE FUNDED FROM CAPITAL UNDER STATUTE

There was no revenue expenditure funded from capital under statute within the HRA for 2010/11.

## NOTE 10 HOUSING SUBSIDY

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

	2009/10 £,000	2010/11 £,000
Allowance for Management	1,374	1,416
Allowance for Maintenance	2,827	2,880
Allowance for Major Repairs	1,910	1,942
Charges for Capital	772	653
Guideline Rent Income	(11,489)	(11,874)
Adjustment for Final Audited Claim	2	0
<b>Housing Subsidy Payable to the Government</b>	<b>(4,604)</b>	<b>(4,983)</b>

The actual payment to government in 2010/11 was £5.063m as £82K related to the 2009/10 final claim. The additional payment was due to the low CRI (Consolidated Rate of Interest) which reduced the capital allowance entitlement.

## NOTE 11 CONTRIBUTIONS TO THE PENSION RESERVE

Pension costs of £117k are included in the Repairs and Maintenance and the Supervision and Management lines of the Income and Expenditure Statement.

## NOTE 12 RENT ARREARS

	2009/10 £,000	2010/11 £,000
Current Tenants	340	353
Former Tenants	123	146
	<b>463</b>	<b>499</b>

## NOTE 13 BAD DEBTS PROVISION

	2009/10 £,000	2010/11 £,000
Balance at 1st April	420	441
(Decrease) / Increase in Provision for the Year	21	37
	<b>441</b>	<b>478</b>

## NOTE 14 SUMS DIRECTED BY THE SECRETARY OF STATE

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

## NOTE 15 EXCEPTIONAL OR PRIOR YEAR ITEMS

No exceptional or prior year adjustments occurred in 2010/11.

## 10. COLLECTION FUND

### Introduction

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

### Collection Fund Statement

	2009/10 £,000	2010/11 £,000
<b>Amounts Required by Statute to be Credited to the Collection Fund:</b>		
Income from Council Tax Payers	(88,560)	(90,942)
Transfers from the General Fund:		
• Council Tax Benefits	(4,755)	(5,083)
• Transitional Relief	37	2,739
Income Collectable from Business Rate Payers	(51,886)	(53,071)
<b>Total Income</b>	<b>(145,164)</b>	<b>(146,357)</b>
<b>Amounts Required by Statute to be Debited to the Collection Fund:</b>		
Precepts and Demands:		
• Wokingham Borough Council	76,011	77,946
• Parish Councils	3,346	3,400
• Police Authority	9,774	10,029
• Fire Authority	3,561	3,618
Business Rates:		
• Payment to the National Pool	51,681	50,151
• Costs of Collection	186	184
Impairment of Debts / Appeals:		
• Write-off of Uncollectable Amounts	133	144
• Allowance for Impairment	(19)	520
Contribution Towards Previous Year's Estimated Collection Fund Surplus	894	500
<b>Total Expenditure</b>	<b>145,567</b>	<b>146,492</b>
<b>Movement on Fund Balance</b>	<b>403</b>	<b>135</b>
<b>Balance at 1st April</b>	<b>(948)</b>	<b>(545)</b>
<b>Balance at 31st March</b>	<b>(545)</b>	<b>(410)</b>

# 11. NOTES TO THE COLLECTION FUND

## NOTE 1 INCOME COLLECTABLE FROM BUSINESS RATE PAYERS

The total non-domestic rateable value at 31st March, 2011 was £136,256,137.

The national non-domestic rate multiplier for the year was 41.4p.

## NOTE 2 CALCULATION OF THE COUNCIL TAX BASE

Band	Chargeable Dwellings	Ratio	Band D Equivalent Dwellings	
			2009/10	2010/11
A	1321	6/9	865	881
B	2700	7/9	2,084	2,100
C	7935	8/9	6,977	7,053
D	15944	1	15,841	15,944
E	13361	11/9	16,209	16,330
F	8851	13/9	12,720	12,785
G	5491	15/9	9,090	9,152
H	385	18/9	754	770
<b>Total</b>			<b>64,540</b>	<b>65,015</b>
Add:	Adjustment for collection rates and other anticipated changes during the year		(18)	73
<b>Council Tax Base</b>			<b>64,997</b>	<b>64,613</b>

## NOTE 3 PRECEPTS AND DEMANDS ON THE COLLECTION FUND

	2009/10 Total £,000	Precept / Demand £,000	Share of Surplus £,000	2010/11 Total £,000
Wokingham Borough Council	76,474	77,946	425	78,371
Thames Valley Police Authority	9,834	10,029	55	10,084
Royal Berkshire Fire Authority	3,583	3,617	20	3,637
<b>Total</b>	<b>89,891</b>	<b>91,592</b>	<b>500</b>	<b>92,092</b>

## 12. IMPACT OF THE ADOPTION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS

The Statement of Accounts for 2010/11 is the first to be prepared on an IFRS basis. Adoption of the IFRS based CIPFA Code has resulted in the restatement of various balances and transactions, with the result that some amounts presented in the financial statements are different from the equivalent figures presented in the Statement of Accounts for 2009/10.

The notes below and the tables on the following pages explain the material differences between the amounts presented in the 2009/10 financial statements and the equivalent amounts presented in the 2010/11 financial statements.

### Notes Explaining the Material Differences

#### **Short-term Accumulating Compensated Absences**

Short-term accumulating compensated absences refers to benefits that employees receive as part of their contract of employment, entitlement to which is built up as they provide services to the Council. The most significant benefit covered by this heading is holiday pay. Employees build up an entitlement to paid holidays as they work. Under the Code, the cost of providing holidays and similar benefits is required to be recognised when employees render services that increase their entitlement to future compensated absences. As a result, the Council is required to accrue for any annual leave earned but not taken at 31st March each year. Under the previous accounting arrangements, no such accrual was required. The government has issued regulations that mean local authorities are only required to fund holiday pay and similar benefits when they are used, rather than when employees earn the benefits. Amounts are transferred to the Accumulated Absences Account until the benefits are used.

#### **Leases**

Under the Code, leases of property are accounted for as separate leases of land and buildings. Previously, each property lease would have been accounted for as a single lease. The change in accounting treatment can result in the land or buildings element of the lease being accounted for as an operating lease where it was previously treated as a finance lease; or as a finance lease where it was previously treated as an operating lease. The government has issued regulations and statutory guidance in relation to accounting for leases. Under these arrangements, the annual charge to the General Fund (where the Council is the lessee) remains unchanged. Where the Council is the lessor, the regulations allow the Council to continue to treat the income from existing leases in the same way as it accounted for the income prior to the introduction of the Code.

The Council has two property leases where the accounting treatment has changed following the introduction of the Code. The Council leases in various properties on the Hogwood Lane Industrial Estate for 125 years. The leases commenced in 1982. The lease was previously classified as an operating lease incorrectly under UK GAAP despite the asset being included in the Balance Sheet and depreciated accordingly. The opportunity to change the treatment has been sought under the Code. The financial statements have been amended to reflect the finance lease liability and the rentals paid under the lease have been split between the capital repayment of the liability and the interest charged on the lease.



## **Government Grants**

Under the Code, grants and contributions for capital schemes are recognised as income when they become receivable. Previously, grants were held in a grants deferred account and recognised as income over the life of the assets which they were used to fund. As a consequence of adopting the accounting policy required by the Code, the financial statements have been amended.

The changes mean that the balance on the Government Grants Deferred Account at 31st March, 2009 has been transferred to the Capital Adjustment Account in the opening 1st April, 2009 Balance Sheet. Portions of government grants deferred were previously recognised as income in 2009/10; these have been removed from the Comprehensive Income and Expenditure Statement in the comparative figures. A grant was received in 2009/10 but not used. Previously, no income was recognised in respect of this grant, which was shown in the Grants Unapplied Account within the Liabilities section of the Balance Sheet. Following the change in accounting policy, the grant has been recognised in full, and transferred to the Capital Grants Unapplied Account within the Reserves section of the Balance Sheet.

## **Asset Categorisation and Revaluation**

The CIPFA Code (which is based on IFRS 5) places criteria on classifying non-current assets as held for sale. The criteria state that:

- The asset must be available for immediate sale in its present condition;
- The sale must be highly probable; the appropriate level of management must be committed to a plan to sell the asset (or disposal group) and an active programme to locate a buyer and complete the plan must have been initiated;
- The asset must be actively marketed for a sale at a price that is reasonable in relation to its current fair value;
- 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.

On reviewing its classification of Surplus Assets Held for Sale in its UK GAAP accounts the Council has reclassified all of the assets held as surplus assets as investment properties on conversion to IFRS.

IAS 40 requires that investment properties are valued at fair value and the gain or loss is in the Comprehensive Income and Expenditure Statement. Under GAAP gains/losses on revaluation of investment property were recognised in the Revaluation Reserve. Adjustments have therefore been made to the Revaluation Reserve, Capital Adjustment Account and the Comprehensive Income and Expenditure Statement accordingly.

## **Cash and Cash Equivalents**

Under the Code, Cash is classed as cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are investments that mature in no more than three months or less from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value. Under UK GAAP the Council had classified investments on short term deposits under 3 months as investments. However on conversion to IFRS these deposits have been reclassified on the Balance Sheet. In the Cash Flow Statement, Cash and Cash Equivalents are shown net of bank overdrafts that are repayable on demand and form an integral part of the Council's cash management.

## **Private Finance Initiative (PFI)**

The Council adopted IFRIC 12 Service Concession Arrangements on the 1st April, 2008. The changes were reflected in the Council's 2009/10 financial statements as a Prior Period Adjustment. This adjustment has been repeated on the transition Balance Sheet as a difference between the

amount reported in the Council's 2008/09 published financial statements as at 31st March, 2009 and transition to IFRS at 1st April, 2009.

## **Other Adjustments**

Other adjustments include:

Prior period adjustments reported in the 2009/10 accounts in relation to 2008/09 that need to be reflected on the transition Balance Sheet.

A change in depreciation policy to use estimated useful life as the basis of depreciation for infrastructure assets rather than renewals accounting as used under UK GAAP.

## APPENDIX A

### RECONCILIATION OF NET WORTH REPORTED UNDER PREVIOUS GAAP TO NET WORTH UNDER IFRS AT THE DATE OF TRANSITION TO IFRS (1ST APRIL 2009)

Note ref	Previous GAAP £,000	Compensated Absences 1 £,000	Leases 2 £,000	Government Grants 3 £,000	Asset Categorisation 4 £,000	Cash & Cash Equivalents 5 £,000	PFI 6 £,000	Other 7 £,000	IFRS £,000
<b>LONG TERM ASSETS</b>									
<b>Property, Plant &amp; Equipment</b>									
Council Dwellings	204,014								204,014
Other Land and Buildings	403,411						6,481	(56)	409,836
Vehicles, Plant and Equipment	3,811						1,938		5,749
Infrastructure Assets	76,042								76,042
Community Assets	1,954								1,954
Investment Properties	9,797				10,081				19,878
Intangible Fixed Assets	837								837
Assets Held for Sale	10,081				(10,081)				0
Assets under Construction	20,101								20,101
Long Term Investments	2,107					9,344			11,451
Long Term Debtors	10								10
<b>TOTAL LONG TERM ASSETS</b>	<b>732,165</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>9,344</b>	<b>8,419</b>	<b>(56)</b>	<b>749,872</b>
<b>CURRENT ASSETS</b>									
Inventories	0								0
Short Term Debtors	12,900							(3,427)	9,473
Intangible Current Assets	0								0
Payments in Advance	2,068								2,068
Short Term Investments	51,186					(24,932)			26,254
Cash and Cash Equivalents	2,457					15,587			18,044
<b>TOTAL CURRENT ASSETS</b>	<b>68,611</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(9,345)</b>	<b>0</b>	<b>(3,427)</b>	<b>55,839</b>
<b>CURRENT LIABILITIES</b>									
Bank Overdraft	(2,788)								(2,788)
Short Term Creditors	(22,759)								(22,759)
Provisions (<1 year)	0	(5,481)						(421)	(5,902)
Short Term Borrowing	(5,230)								(5,230)
Receipts in Advance	(8,346)							3,285	(5,061)
<b>TOTAL CURRENT LIABILITIES</b>	<b>(39,123)</b>	<b>(5,481)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>2,864</b>	<b>(41,740)</b>

## APPENDIX A

Note ref	Previous GAAP £,000	Compensated Absences 1 £,000	Leases 2 £,000	Government Grants 3 £,000	Asset Categorisation 4 £,000	Cash & Cash Equivalents 5 £,000	PFI 6 £,000	Other 7 £,000	IFRS £,000
<b>LONG TERM LIABILITIES</b>									
Long Term Borrowing	(48,287)		(1,067)						(49,354)
PFI and Finance Lease Liabilities	0						(7,129)		(7,129)
Unapplied Grants & Contributions	(32,873)			32,869					(4)
S106 Receipts in Advance	0			(10,640)					(10,640)
Capital Grant Receipts in Advance	0			(21,780)					(21,780)
Other Long Term Liabilities	(50,502)			50,502					(0)
Pension Liability	(74,500)								(74,500)
Provisions	(421)							421	0
<b>TOTAL LONG TERM LIABILITIES</b>	<b>(206,583)</b>	<b>0</b>	<b>(1,067)</b>	<b>50,951</b>	<b>0</b>	<b>0</b>	<b>(7,129)</b>	<b>421</b>	<b>(163,407)</b>
<b>TOTAL ASSETS LESS LIABILITIES</b>	<b>555,070</b>	<b>(5,481)</b>	<b>(1,067)</b>	<b>50,951</b>	<b>0</b>	<b>(1)</b>	<b>1,290</b>	<b>(198)</b>	<b>600,564</b>
<b>FINANCED BY:</b>									
<b>Useable Reserves</b>									
Capital Receipts Reserve	(4,603)								(4,603)
Capital Grants Unapplied	0			(448)					(448)
Earmarked Capital Reserves	(619)								(619)
Earmarked Revenue Reserves	(4,640)								(4,640)
Major Repairs Reserve	(847)								(847)
General Fund	(8,592)		(0)						(8,592)
Collection Fund	(948)							948	0
Dedicated Schools Grant Reserve	770								770
School Balances	(5,584)								(5,584)
Housing Revenue Account	(686)								(686)
<b>TOTAL USEABLE RESERVES</b>	<b>(25,749)</b>	<b>0</b>	<b>(0)</b>	<b>(448)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>948</b>	<b>(25,249)</b>
<b>Unuseable Reserves</b>									
Revaluation Reserve	(16,208)				3,758				(12,450)
Capital Adjustment Account	(592,523)		1,067	(50,502)	(3,758)		(1,290)	56	(646,950)
Financial Instruments Adjustment Ac.	4,910								4,910
Pensions Reserve	74,500								74,500
Accumulated Absences Reserve	0	5,481							5,481
Collection Fund Adjustment Account	0							(806)	(806)
<b>TOTAL UNUSEABLE RESERVES</b>	<b>(529,321)</b>	<b>5,481</b>	<b>1,067</b>	<b>(50,502)</b>	<b>0</b>	<b>0</b>	<b>(1,290)</b>	<b>(750)</b>	<b>(575,315)</b>
<b>TOTAL RESERVES</b>	<b>(555,070)</b>	<b>5,481</b>	<b>1,067</b>	<b>(50,950)</b>	<b>0</b>	<b>0</b>	<b>(1,290)</b>	<b>198</b>	<b>(600,564)</b>

## APPENDIX A

### RECONCILIATION OF NET WORTH REPORTED UNDER PREVIOUS GAAP TO NET WORTH UNDER IFRS AT THE DATE OF THE LATEST PERIOD PRESENTED IN THE MOST RECENT FINANCIAL STATEMENTS UNDER PREVIOUS GAAP (31ST MARCH 2010)

Note ref	Previous GAAP £,000	Compensated Absences 1 £,000	Leases 2 £,000	Government Grants 3 £,000	Asset Categorisation 4 £,000	Cash & Cash Equivalents 5 £,000	Other 7 £,000	IFRS £,000
<b>LONG TERM ASSETS</b>								
<b>Property, Plant &amp; Equipment</b>								
Council Dwellings	203,542							203,542
Other Land and Buildings	513,637							513,637
Vehicles, Plant and Equipment	6,077							6,077
Infrastructure Assets	79,805						(1,060)	78,745
Community Assets	2,002							2,002
Investment Properties	13,863				10,232			24,095
Intangible Fixed Assets	748							748
Assets Held for Sale	10,081				(10,081)			0
Assets under Construction	13,451							13,451
Long Term Investments	7,320							7,320
Long Term Debtors	11							11
<b>TOTAL LONG TERM ASSETS</b>	<b>850,537</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>151</b>	<b>0</b>	<b>(1,060)</b>	<b>849,628</b>
<b>CURRENT ASSETS</b>								
Inventories (Stock and WIP)	0							0
Short Term Debtors	13,043			720				13,763
Intangible Current Assets	268							268
Payments in Advance	2,795							2,795
Short Term Investments	36,116					(28,486)		7,630
Cash and Cash Equivalents	1,937					28,486		30,423
<b>TOTAL CURRENT ASSETS</b>	<b>54,159</b>	<b>0</b>	<b>0</b>	<b>720</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>54,879</b>
<b>CURRENT LIABILITIES</b>								
Bank Overdraft	(3,171)							(3,171)
Short Term Creditors	(25,089)							(25,089)
Provisions (<1 year)	0	(5,918)					(208)	(6,126)
Short Term Borrowing	0							0
Receipts in Advance	(5,739)							(5,739)
<b>TOTAL CURRENT LIABILITIES</b>	<b>(33,999)</b>	<b>(5,918)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(208)</b>	<b>(40,125)</b>

## APPENDIX A

Note ref	Previous GAAP £,000	Compensated Absences 1 £,000	Leases 2 £,000	Government Grants 3 £,000	Asset Categorisation 4 £,000	Cash & Cash Equivalents 5 £,000	Other 7 £,000	IFRS £,000
<b>LONG TERM LIABILITIES</b>								
Long Term Borrowing	(48,046)							(48,046)
PFI and Finance Lease Liabilities	(9,219)		(1,067)					(10,286)
Unapplied Grants & Contributions (old)	(29,578)			29,573				(5)
S106 Receipts in Advance	0			(12,092)				(12,092)
Capital Grant Receipts in Advance	0			(16,513)				(16,513)
Revenue Contributions Unapplied	0			(1)				(1)
Government Grants Deferred	(70,253)			70,253				0
Pension Liability	(147,011)							(147,011)
Provisions	(208)						208	0
<b>TOTAL LONG TERM LIABILITIES</b>	<b>(304,315)</b>	<b>0</b>	<b>(1,067)</b>	<b>71,220</b>	<b>0</b>	<b>0</b>	<b>208</b>	<b>(233,953)</b>
<b>TOTAL ASSETS LESS LIABILITIES</b>	<b>566,382</b>	<b>(5,918)</b>	<b>(1,067)</b>	<b>71,940</b>	<b>151</b>	<b>0</b>	<b>(1,060)</b>	<b>630,428</b>
<b>FINANCED BY:</b>								
<b>Useable Reserves</b>								
Capital Receipts Reserve	(4,613)							(4,613)
Capital Grants Unapplied	0			(1,687)				(1,687)
Earmarked Capital Reserves	(668)							(668)
Earmarked Revenue Reserves	(3,988)							(3,988)
Repairs and Renewals Fund	0							0
Insurance Fund	0							0
Major Repairs Reserve	(1,181)							(1,181)
General Fund	(7,856)		(0)	(60)				(7,916)
Dedicated Schools Grant Reserve	431							431
School Balances	(5,187)							(5,187)
Housing Revenue Account	(1,305)							(1,305)
<b>TOTAL USEABLE RESERVES</b>	<b>(24,367)</b>	<b>0</b>	<b>(0)</b>	<b>(1,747)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(26,114)</b>
<b>Unuseable Reserves</b>								
Revaluation Reserve	(116,748)				3,773		35	(112,940)
Capital Adjustment Account	(576,085)		1,067	(70,193)	(3,924)		1,025	(648,110)
Financial Instruments Adjustment A/c	4,270							4,270
Pension Reserve	147,011							147,011
Accumulated Absences Reserve	0	5,918						5,918
Collection Fund Adjustment Account	(463)							(463)
<b>TOTAL UNUSEABLE RESERVES</b>	<b>(542,015)</b>	<b>5,918</b>	<b>1,067</b>	<b>(70,193)</b>	<b>(151)</b>	<b>0</b>	<b>1,060</b>	<b>(604,314)</b>

## APPENDIX A

Note ref	Previous GAAP £,000	Compensated Absences 1 £,000	Leases 2 £,000	Government Grants 3 £,000	Asset Categorisation 4 £,000	Cash & Cash Equivalents 5 £,000	Other 7 £,000	IFRS £,000
<b>TOTAL RESERVES</b>	<b>(566,382)</b>	<b>5,918</b>	<b>1,067</b>	<b>(71,940)</b>	<b>(151)</b>	<b>0</b>	<b>1,060</b>	<b>(630,428)</b>



## RECONCILIATION TO TOTAL COMPREHENSIVE INCOME AND EXPENDITURE UNDER IFRS FOR THE LATEST PERIOD IN THE MOST RECENT ANNUAL FINANCIAL STATEMENTS (YEAR ENDED 31ST MARCH 2010)

Note ref:-	Previous GAAP			Expenditure Adjustments				Income Adjusts	IFRS		
	Gross	Gross	Net	Asset	Govt	Compensated	Leases	Govt	Gross	Gross	Net
	Expend	Income	Expend	Categorisation	Grants	Absences		Grants	Expend	Income	Expend
	£,000	£,000	£,000	4	3	1	2	3	£,000	£,000	£,000
Gross Expenditure, Gross Income and Net Expenditure of Continuing Operations:											
Central Services to the Public	4,334	(2,629)	1,705			(5)			4,329	(2,629)	1,700
Cultural, Environmental, Regulatory and Planning Services	25,685	(5,259)	20,426			(6)		(60)	25,679	(5,319)	20,360
Education and Children's Services	181,003	(136,251)	44,752		3,470	457			184,930	(136,251)	48,679
Highways and Transport services	14,002	(3,678)	10,324	1,060	1,127	(1)			16,188	(3,678)	12,510
Local Authority Housing (HRA)	11,510	(12,444)	(934)			5			11,515	(12,444)	(929)
Other Housing Services	27,671	(25,341)	2,330	(35)		(2)			27,634	(25,341)	2,293
Adult Social Care	54,400	(17,819)	36,581		69	(60)			54,409	(17,819)	36,590
Corporate and Democratic Core	8,437	(3,857)	4,580			49	(107)		8,380	(3,857)	4,523
Non-distributed Costs	1,622	(345)	1,277		959	0			2,581	(345)	2,236
(All above per SeRCOP (BVACOP))									0	0	0
<b>Cost of Services Acquired Operations</b>	<b>328,664</b>	<b>(207,623)</b>	<b>121,041</b>	<b>1,025</b>	<b>5,625</b>	<b>437</b>	<b>(107)</b>	<b>(60)</b>	<b>335,645</b>	<b>(207,683)</b>	<b>127,962</b>
<b>Exceptional Items</b>			<b>580</b>								<b>580</b>
<b>Other Operating Expenditure:</b>											
Payments of Precepts to Parishes			3,347								3,347

Note ref:-	Previous GAAP			Expenditure Adjustments				Income Adjusts	IFRS		
	Gross	Gross	Net	Asset	Govt	Compensated	Leases	Govt Grants	Gross	Gross	Net
	Expend	Income	Expend	Categorisation and Valuation	Grants	Absences			Expend	Income	Expend
	£,000	£,000	£,000	4 £,000	3 £,000	1 £,000	2 £,000	3 £,000	£,000	£,000	£,000
Levies Payable											0
Payments to Hsg Capital Receipts to Govt Pool			102								102
Gain/loss on Disposal of Non-current Assets			60								60
Unattached Capital Receipts			(543)								(543)
Gain/loss on Disposal of Intangibles			0								0
Levies to National Police Services			0								0
<b>Financing and Investment Income and Expenditure:</b>											
Interest Payable on Debt			2,134								2,134
Interest Element of Finance Leases (lessee)			0				107				107
Interest Payable on PFI Unitary Payts			465								465
Premium on Early Repayment of Debt			0								0
Impairment of Financial Instruments			(104)								(104)
Pensions Interest Costs			9,923								9,923
Expected Return on Pension Assets			(4,707)								(4,707)
Investment Interest Income			(1,414)								(1,414)

Note ref:-	Previous GAAP			Expenditure Adjustments				Income Adjusts	IFRS		
	Gross	Gross	Net	Asset	Govt	Compensated	Leases	Govt Grants	Gross	Gross	Net
	Expend	Income	Expend	Categorisation and Valuation	Grants	Absences			Expend	Income	Expend
	£,000	£,000	£,000	4 £,000	3 £,000	1 £,000	2 £,000	3 £,000	£,000	£,000	£,000
Interest Received on Finance Leases (lessor)			0								0
Discount for Early Repayment of Debt			0								0
Rentals Received on Investment Properties			0								0
Expenses Incurred on Investment Properties			0								0
Changes in Fair Value of Investment Properties			0	(166)							(166)
Gains/loss on Disposal of Investment Properties			0								0
Dividends Receivable			0								0
Surplus/deficit on Trading Accounts (n/a to a service)											0
<b>Taxation and Non-Specific Grant Income:</b>											
Recognised Capital Grants and Contributions			0					(26,475)			(26,475)
Council Tax			(79,774)								(79,774)
NNDR			(15,669)								(15,669)
RSG			(3,617)								(3,617)
Non-service Related Govt Grants			(5,862)								(5,862)
(Gain) on Govt Pension Grant (fire)											0

Note ref:-	Previous GAAP			Expenditure Adjustments				Income Adjusts	IFRS		
	Gross	Gross	Net	Asset	Govt	Compensated	Leases	Govt Grants	Gross	Gross	Net
	Expend	Income	Expend	Categorisation and Valuation	Grants	Absences			Expend	Income	Expend
	£,000	£,000	£,000	4 £,000	3 £,000	1 £,000	2 £,000	3 £,000	£,000	£,000	£,000
Home Office Pension Grant (Police)											0
<b>(Surplus) or Deficit on Provision of Services</b>			25,965	859	5,625	437	(0)	(26,535)			6,352
<b>Surplus or Deficit on Revaluation of Non-current Assets:</b>											
Revaluation Gains			(104,239)	15							(104,224)
Revaluation Losses (chargeable to Revaluation Reserve)											0
Impairment Losses (chargeable to Revaluation Reserve)			686	35							721
<b>Note</b> does not equal movement in RR as depn and disposals are not included in this section											
<b>Surplus or Deficit on Revaluation of Available for Sale Financial Assets -</b>			0								0
Generally Movt in Available for Sale FI's											
<b>Actuarial Gains / Losses on Pension Assets / Liabilities-</b>			67,367								67,367
Matching the entry to the pensions reserve											
Share of Other Comprehensive Expenditure & Income of Associates & Joint Ventures			0								

Note ref:-	Previous GAAP			Expenditure Adjustments					Income Adjusts	IFRS		
	Gross	Gross	Net	Asset	Govt	Compensated	Leases	Govt		Gross	Gross	Net
	Expend	Income	Expend	Categorisation and Valuation	Grants	Absences		Grants		Expend	Income	Expend
	£,000	£,000	£,000	4 £,000	3 £,000	1 £,000	2 £,000	3 £,000		£,000	£,000	£,000
Other Comprehensive Income and Expend			(36,185)	50	0	0	0	0				(36,135)
Total Comprehensive Income and Expend			(10,220)	909	5,625	437	(0)	(26,535)				(29,784)

## **Opinion on the Authority and Group Accounting Statements**

I have audited the Authority and Group accounting statements of Wokingham Borough Council for the year ended 31 March 2011 under the Audit Commission Act 1998. The Authority and Group accounting statements comprise the Authority and Group Movement in Reserves Statement, the Authority and Group Comprehensive Income and Expenditure Statement, the Authority and Group Balance Sheet, the Authority and Group Cash Flow Statement, the Housing Revenue Account, the Movement on the Housing Revenue Account Statement, the Collection Fund, and the related notes. These accounting statements have been prepared under the accounting policies set out in the Statement of Accounting Policies.

This report is made solely to the members of Wokingham Borough Council in accordance with Part II of the Audit Commission Act 1998 and for no other purpose, as set out in paragraph 48 of the Statement of Responsibilities of Auditors and Audited Bodies published by the Audit Commission in March 2010.

### **Respective Responsibilities of the Strategic Director of Resources and Auditor**

As explained more fully in the Statement of Responsibilities, the Strategic Director of Resources is responsible for the preparation of the Authority and Group's Statement of Accounts in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom. My responsibility is to audit the accounting statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require me to comply with the Auditing Practices Board's Ethical Standards for Auditors.

### **Scope of the Audit of the Financial Statements**

An audit involves obtaining evidence about the amounts and disclosures in the accounting statements sufficient to give reasonable assurance that the accounting 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 Authority and Group; and the overall presentation of the accounting statements. I read all the information in the explanatory foreword to identify material inconsistencies with the audited accounting statements. If I become aware of any apparent material misstatements or inconsistencies I consider the implications for my report.

### **Opinion on Accounting Statements**

In my opinion, the accounting statements:

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

### **Opinion on Other Matters**

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

### **Matters on Which I Report by Exception**

I have nothing to report in respect of the Governance Statement on which I report to you if, in my opinion the Governance Statement does not reflect compliance with 'Delivering Good Governance in Local Government: a Framework' published by CIPFA/SOLACE in June 2007.

### **Conclusion on Authority's Arrangements for Securing Economy, Efficiency and Effectiveness in the Use of Resources**

#### **Authority's Responsibilities**

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

#### **Auditor's Responsibilities**

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

I report if significant matters have come to my attention which prevent me from concluding that the Authority has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources. I am not required to consider, nor have I considered, whether all aspects of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

#### **Basis of Conclusion**

I have undertaken my audit in accordance with the Code of Audit Practice, having regard to the guidance on the specified criteria, published by the Audit Commission in October 2010, as to whether the Authority has proper arrangements for:

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

The Audit Commission has determined these two criteria as those necessary for me to consider under the Code of Audit Practice in satisfying myself whether the Authority put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2011.

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

#### **Conclusion**

On the basis of my work, having regard to the guidance on the specified criteria published by the Audit Commission in October 2010, I am satisfied that, in all significant respects, Wokingham Borough Council put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2011.



### **Certificate**

I certify that I have completed the audit of the Authority and Group 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.

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