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To:- All Committee Members

AUDIT COMMITTEE - MONDAY, 22ND MARCH, 2021

I am now able to enclose, for consideration at the next Monday, 22nd March, 2021 meeting of the Audit Committee, the following reports that were marked as 'to follow' on the agenda sent out recently.

Agenda No Item

55. **Wokingham Borough Council Audit Results Report Year ended 31 March 2020 (Pages 3 - 68)**

To receive the Wokingham Borough Council Audit Results Report Year ended 31 March 2020.

56. **Statement of Accounts 2019-20 (Pages 69 - 222)**

To receive the Statement of Accounts 2019-20.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Susan Parsonage'.

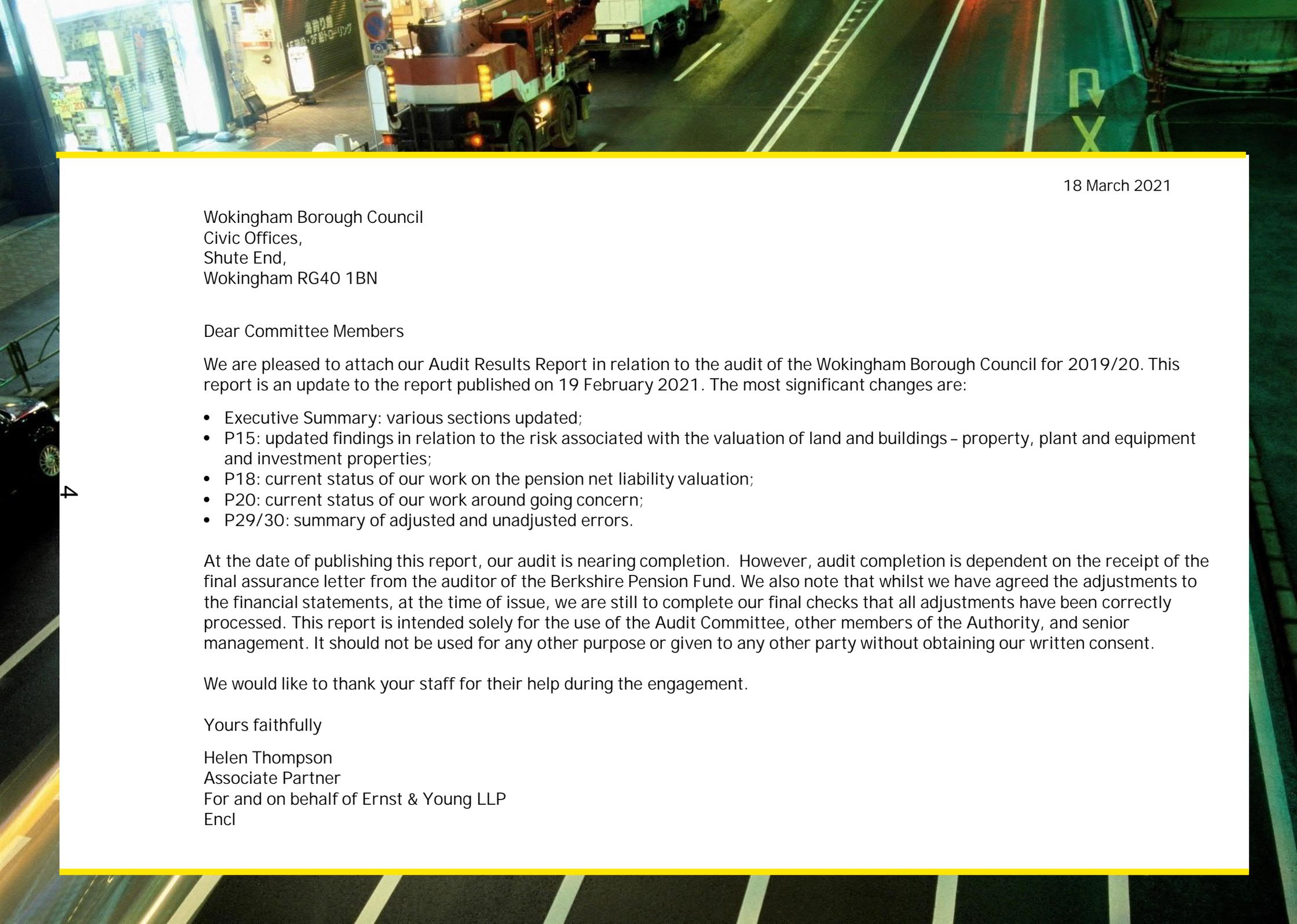
Susan Parsonage
Chief Executive

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Wokingham Borough
Council
Audit results report

Year ended 31 March 2020
March 2021

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18 March 2021

Wokingham Borough Council
Civic Offices,
Shute End,
Wokingham RG40 1BN

Dear Committee Members

We are pleased to attach our Audit Results Report in relation to the audit of the Wokingham Borough Council for 2019/20. This report is an update to the report published on 19 February 2021. The most significant changes are:

- Executive Summary: various sections updated;
- P15: updated findings in relation to the risk associated with the valuation of land and buildings – property, plant and equipment and investment properties;
- P18: current status of our work on the pension net liability valuation;
- P20: current status of our work around going concern;
- P29/30: summary of adjusted and unadjusted errors.

At the date of publishing this report, our audit is nearing completion. However, audit completion is dependent on the receipt of the final assurance letter from the auditor of the Berkshire Pension Fund. We also note that whilst we have agreed the adjustments to the financial statements, at the time of issue, we are still to complete our final checks that all adjustments have been correctly processed. This report is intended solely for the use of the Audit Committee, other members of the Authority, and senior management. It should not be used for any other purpose or given to any other party without obtaining our written consent.

We would like to thank your staff for their help during the engagement.

Yours faithfully

Helen Thompson
Associate Partner
For and on behalf of Ernst & Young LLP
Encl

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Public Sector Audit Appointments Ltd (PSAA) have issued a 'Statement of responsibilities of auditors and audited bodies'. It is available from the Chief Executive of each audited body and via the PSAA website (www.psa.co.uk). This Statement of responsibilities serves as the formal terms of engagement between appointed auditors and audited bodies. It summarises where the different responsibilities of auditors and audited bodies begin and end, and what is to be expected of the audited body in certain areas.

The 'Terms of Appointment (updated April 2018)' issued by PSAA sets out additional requirements that auditors must comply with, over and above those set out in the National Audit Office Code of Audit Practice (the Code) and statute, and covers matters of practice and procedure which are of a recurring nature.

This Audit Results Report is prepared in the context of the Statement of responsibilities. It is addressed to the Members of the audited body, and is prepared for their sole use. We, as appointed auditor, take no responsibility to any third party.

Our Complaints Procedure – If at any time you would like to discuss with us how our service to you could be improved, or if you are dissatisfied with the service you are receiving, you may take the issue up with your usual partner or director contact. If you prefer an alternative route, please contact Hywel Ball, our Managing Partner, 1 More London Place, London SE1 2AF. We undertake to look into any complaint carefully and promptly and to do all we can to explain the position to you. Should you remain dissatisfied with any aspect of our service, you may of course take matters up with our professional institute. We can provide further information on how you may contact our professional institute.



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01 Executive Summary

Executive Summary

Scope update

In our audit planning report presented to the Audit Committee meeting in June 2020, we provided you with an overview of our audit scope and approach for the audit of the financial statements. We carried out our audit in accordance with this plan, with the following exceptions:

Changes to reporting timescales

As a result of Covid-19, new regulations, the Accounts and Audit (Coronavirus) (Amendment) Regulations 2020 No. 404, were published and came into force on 30 April 2020. This announced a change to publication date for final, audited accounts from 31 July to 30 November 2020 for all relevant authorities.

Changes to our risk assessment as a result of Covid-19

- Valuation of Property Plant and Equipment (Land and Buildings) and Investment Property - The Royal Institute of Chartered Surveyors (RICS), the body setting the standards for property valuations, issued guidance to valuers highlighting that the uncertain impact of Covid-19 on markets might cause a valuer to conclude that there is a material uncertainty. Caveats around this material uncertainty were included in the year-end valuation reports produced by the Authority's external valuer. We consider that the material uncertainties disclosed by the valuer gave rise to an additional risk relating to disclosures on the valuation of land and building and investment property.
- Disclosures on Going Concern - Financial plans for 2020/21 and medium term financial plans required revision for Covid-19. We considered the unpredictability of the current environment gave rise to a risk that the Authority would not appropriately disclose the key factors relating to going concern, underpinned by management's assessment with particular reference to Covid-19 and the Authority's actual year end financial position and performance.
- Events after the balance sheet date - We identified an increased risk that further events after the balance sheet date concerning the current Covid-19 pandemic might need to be disclosed. The amount of detail required in the disclosure needed to reflect the specific circumstances of the Authority.

Changes to the scope of our audit as a result of Covid-19

- There have been no other changes to the scope of our audit as a result of Covid-19.

Changes in materiality.

We updated our planning materiality assessment using the draft financial statements and also reconsidered our risk assessment. Based on our 2% materiality measure of gross expenditure on provision of services, we updated our overall materiality assessment to £6.665 million (£6.353m in the Audit Planning Report). This results in updated performance materiality, at 75% of overall materiality, of £4.999 million (£4.764 million in the Audit Planning Report), and an updated threshold for reporting misstatements of £333k (£318k in the Audit Planning Report).

Executive Summary

Scope update (continued)

Information Produced by the Entity (IPE): We identified an increased risk around the completeness, accuracy, and appropriateness of information produced by the entity due to the inability of the audit team to verify original documents or re-run reports on-site from the Authority's systems. We undertook the following to address this risk:

- Used the screen sharing function of Microsoft Teams to evidence re-running of reports used to generate the IPE we audited; and
- Agree IPE to scanned documents or other system screenshots.

Additional EY consultation requirements concerning the impact on auditor reports because of Covid-19. The changes to audit risks, audit approach and auditor reporting requirements changed the level of work we needed to perform. Our work is not yet complete in this regard as we require assurance up until the date of our audit opinion.

Status of the audit

We are in the process of completing our audit of Wokingham Borough Council's financial statements for the year ended 31 March 2020 and have performed the procedures outlined in our audit planning report.

Key outstanding areas are:

- Pension fund testing on the IAS19 assurances provided by the Pension Fund auditor;
- Completion of the consultation process in relation to the Authority's disclosures on going concern;
- Completion of engagement manager and partner review of the audit work papers where work is not yet completed;
- Final review of the revised statement of accounts with agreed amendments;
- Completion of our subsequent events review;
- Receipt of the signed financial statements and letter of representation once all outstanding issues have been resolved.

Subject to satisfactory completion of those matters, we expect to issue an unqualified opinion on the Authority's financial statements in the form which appears at Section 3. However until work is complete, further amendments may arise.

We expect to issue the audit certificate at the same time as the audit opinion.

Executive Summary

Areas of audit focus

Our Audit Planning Report identified the key areas of focus for our audit of Wokingham Borough Council's financial statements. This report sets out our observations and conclusions, including our views on areas which might be conservative, and where there is potential risk and exposure. We summarise our consideration of these matters, and any others identified, in the "Areas of Audit Focus" (section 2) of this report.

Significant risk: Misstatements due to fraud or error

We have not identified any evidence that management has overridden controls in order to prepare fraudulent financial statement balances or postings within the financial statements from the work completed.

Significant risk: Risk of fraud in revenue and expenditure recognition, through inappropriate capitalisation of revenue expenditure

We have not identified any evidence of manipulation of expenditure through incorrect capitalisation of revenue expenditure.

Significant risk: Valuation of land and buildings – Property, Plant & Equipment and Investment Properties

We employed the use of our own expert to support the work in relation to the valuation of land, buildings and investment properties, and to assess the impact of the material uncertainty issued by the Authority's valuer in their valuation report due to the impact of Covid-19. Our detailed work is largely complete: we have agreed the majority of the changes required to the valuations, but we need to confirm that all required changes have been processed in the fixed asset register and the statement of accounts. Further details are included in Sections 2 and 4 of this report .

Significant risk: Pension liability valuation

Our work is ongoing. We have agreed the accounting entries associated with the Authority's pension liability valuation and assessed the work of the Authority's actuary, Barnett Waddingham. However, we have not yet received the final assurance letter from the auditor of Berkshire Pension Fund.

Area of audit focus: Going concern – Compliance with ISA 570

Our work is ongoing. Management has provided a revised disclosure, and supporting documentation, including a cash flow forecast to 31 March 2022. We are waiting for a further update to the cashflow to cover the period April/May 2022. We expect to have submitted our conclusions into our formal internal consultation process before the Committee.

Area of audit focus: PFI Accounting

We reviewed the PFI entries and disclosures in the Authority's accounts and concluded they are appropriately reported.

Area of audit focus: Group accounting

Our work is ongoing. We are currently reviewing the requested amendments on the Group Account consolidation and the Group disclosures.

We ask you to review these and any other matters in this report to ensure:

- There are no other considerations or matters that could have an impact on these issues;
- You agree with the resolution of the issue;
- There are no other significant issues to be considered.

There are no matters, apart from those reported by management or disclosed in this report, which we believe should be brought to the attention of the Committee.

Executive Summary

Audit differences

If we identify any audit differences, we either ask for them to be corrected or a rationale given as to why they are not corrected, which is approved by the Audit Committee and included in the Letter of Representation. If applicable, we set out the aggregated impact of unadjusted audit differences and whether we agree with management's assessment that the impact is not material.

There is one unadjusted judgemental difference which we set out in more detail in Section 4 Audit Differences.

We also identified a number of significant amendments from our work to date, the most significant of which relate to the valuation of land and buildings. Details can be found in Section 4 Audit Differences.

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Value for money

Our work in relation to the value for money conclusion is complete. We raised the following two significant risks within our audit planning report in relation to the Authority's ability to deploy resources in a sustainable manner.

- Commercialisation and the purchase of investment properties
- Effectiveness of the Authority's governance and risk management framework

We were satisfied that we have no matters to report in respect of the Authority's value for money conclusion. Our detailed findings are set out in section 5 of this report.

Executive Summary

Other reporting issues

We have reviewed the information presented in the Annual Governance Statement (AGS) for consistency with our knowledge of the Authority. We have suggested an update to the AGS, as set out on page 38 of this report.

In terms of the Whole of Government Accounts, we have completed our work. The Authority is below the threshold for full assurance procedures and we have no other matters to report. Our findings are set out in section 6 of this report.

Control observations

We have adopted a fully substantive approach, so we have not tested the operation of controls. During our substantive testing we have not identified any significant deficiencies in the design or operation of an internal control that might result in a material misstatement in your financial statements and which is unknown to you.

→ However, we have reported on a number of control observations in Section 7 of this report.

Independence

We have one independence issue to bring to the attention of the Committee. A previous manager on the audit is an approved foster carer for the Authority. We have concluded that the nature the role does not compromise the firm's integrity, objectivity or independence. Further details are included in Section 9 within our update on Independence.



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02 Areas of Audit Focus



Areas of Audit Focus

Significant risk

Misstatements due to fraud or error

What is the risk?

The financial statements as a whole are not free of material misstatements whether caused by fraud or error. As identified in ISA (UK and Ireland) 240, management is in a unique position to perpetrate fraud because of its ability to manipulate accounting records directly or indirectly and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. We identify and respond to this fraud risk on every audit engagement.

What did we do?

In response to this risk, we:

- identified fraud risks during the planning stages, which reflect the significant fraud risk recognised in this report (the risk of incorrect capitalisation of expenditure).
- inquired of management about risks of fraud and the controls put in place to address those risks.
- understood the oversight given by those charged with governance of management's processes over fraud.
- considered the effectiveness of management's controls designed to address the risk of fraud.
- determined an appropriate strategy to address those identified risks of fraud which is reflected in the significant risks documented on this file.
- performing mandatory procedures regardless of specifically identified fraud risks, including:
 - testing journals at year-end to ensure there are no unexpected or unusual postings. This included searching for inappropriate journals posted by senior officers; journals with certain narrative descriptions which may allude to override; journals that do not balance to £Nil; and journals relating to our specific risk of management override (see next page). We were satisfied that those journals tested did not contain evidence of management override.
 - undertaking a detailed review of accounting estimates for evidence of bias (such as the valuation of land, buildings and investment property) and substantively testing unusual or unexpected transactions. No evidence of override was identified, and no unusual transaction have been identified from work completed to date.

What judgements are we focused on?

We focused on aspects of the financial statements which are open to estimation and judgment, which would facilitate management overriding controls:

- Journal entries subject to specific narrative descriptors, posted at certain times of the financial year or by certain individuals, and journals which exceed certain values;
- Material accounting estimates, such as the valuation of property, plant and equipment and investment property; and
- Unusual transactions anywhere in the financial statements.

What are our conclusions?

Our audit work has not identified any material issues, inappropriate judgements or unusual transactions which indicated that there had been any misreporting of the Authority's financial position, or that management had overridden control.

We have completed our journals testing. We are satisfied that journal entries had been posted properly and for genuine business reasons.

We have reviewed material estimates, such as the valuation of land and buildings and investment properties. Our work in these areas has resulted in amendment to the financial statements, but no indication of fraud was identified.

There were no unusual transactions identified.



Areas of Audit Focus

Significant risk

Risk of fraud in revenue and expenditure recognition, through inappropriate capitalisation of revenue expenditure

What is the risk?

Under ISA 240 there is a presumed risk that revenue may be misstated due to improper revenue recognition. In the public sector, this requirement is modified by Practice Note 10 issued by the Financial Reporting Council, which states that auditors should also consider the risk that material misstatements may occur by the manipulation of expenditure recognition.

We believe the risk of manipulation is most likely to manifest in the incorrect capitalisation of revenue expenditure through either inappropriate additions to Property, Plant and Equipment (PPE) and Investment Property (IP) or incorrect classification of expenditure as Revenue Expenditure Funded from Capital Under Statute (REFCUS), as there is an incentive to reduce expenditure which is funded from Council Tax.

What judgements are we focused on?

We focused on the Authority's judgements to classify expenditure as either revenue or capital in nature. We tested a sample of items to confirm that the Authority's judgement was supported by sufficient evidence and was genuinely capital in nature.

What did we do?

In response to this risk, we:

- Tested a sample of PPE and IP additions to ensure that the expenditure incurred and capitalised is clearly capital in nature and that the transaction was supported by sufficient evidence to verify its value and the period it related to.
- Identified and tested significant journals transferring expenditure from revenue to capital codes on the general ledger at the end of the year. This provided assurance that the transactions were adequate, supported by evidence and valid.
- Tested a sample of REFCUS, to ensure that it is appropriate for the revenue expenditure incurred to be financed from ring fenced capital resources. As with PPE additions, we also ensured these items were supported by sufficient evidence to verify the value and the period it related to.



Areas of Audit Focus

Significant risk

What are our findings?

Based on the work completed:

- we are satisfied that the PPE and IP transactions tested were supported by evidence which confirmed the valuation, nature of the expenditure, period to which it related to and confirmed that it was appropriately capitalised.
- our review of journal items provided assurance that the transactions posted were adequate, supported by evidence and valid.

We note the following issues identified from our work in this area:

REFCUS

- The Authority's draft accounts recorded a material REFCUS balance of £9.7 million (at Note 27). This included £6.7 million paid by the Authority to one of its subsidiaries, Berry Brook Homes, for a lease premium for its Peach Place affordable housing scheme. The grant paid to Berry Brook Homes would appear to meet the REFCUS criteria. However, the lease premium is for an asset owned by the Authority and therefore the treatment as REFCUS was not compliant with the CIPFA Code. Officers have agreed to amend the accounts and reclassify this as a revenue grant.

Flexible Use of Capital Receipts

- We challenged the Authority's use of £1.3 million of capital receipts on revenue expenditure for staff salaries for people working on the Authority's 21st Century Transformation Project as normally salary expenditure for officers would be a service revenue expense. However, we agreed that the capitalisation of these salaries was appropriate for this "invest to save" project in line with the guidance on the flexible use of capital receipts to generate service efficiencies.
- The legislation and guidance for use of these flexibilities requires that the strategy for the flexible use of capital receipts should be approved in advance. The Authority included details of the transformation projects in the 2019/20 Medium Term Financial Plan; and the flexible use of capital receipts formed part of the agreement to the four-year financial settlement with MHCLG. For completeness, officers agreed the use of the £1.3 million of capital receipts used under this initiative would be reported retrospectively in the 2021/22 Capital Strategy. This was approved at the February 2021 Council meeting.

What are our conclusions?

In terms of our significant risk of "Risk of fraud in revenue and expenditure recognition, through inappropriate capitalisation of revenue expenditure", following the adjustment noted above, we are satisfied that the Authority's judgements on the classification of expenditure as either revenue or capital in nature is appropriate and supported by sufficient evidence.



Areas of Audit Focus

Significant risk

Valuation of Land and Buildings – Property, Plant and Equipment and Investment Properties

What is the risk?

The nature, complexity and size of the Authority's asset base means the valuation of land, buildings and investment property represents a significant risk. The fair value of Property, Plant and Equipment (PPE) and Investment Properties (IP) represents two significant balances, at £1.081 billion and £34.2 million respectively, in the Authority's accounts as at 31 March 2020 and are subject to valuation changes, impairment reviews and depreciation charges.

The valuation of land and buildings is complex and is subject to a number of assumptions and judgements. A small movement in these assumptions can have a material impact on the financial statements. We focused on those assumptions that directly impact the valuation of these assets – such as the use of information based on areas of the economy under stress (such as retail), location factors, useful lives and estimation of year on year valuation movements. In light of the market volatility brought about by Covid-19, and the inclusion of a material uncertainty paragraph in the external valuer's report we have determined that the valuation of land, buildings, dwellings and investment properties should be treated as a significant risk.

What judgements are we focused on?

We focused on those assumptions that directly impact the valuation of these assets – such as the use of information based on areas of the economy under stress (such as retail), location factors, useful lives and estimation of year on year valuation movements.

What did we do?

In response to this risk, we planned to undertake the following procedures:

- Challenged the assumptions used by the Authority's valuer by reference to external evidence and our valuation specialists. This included considering significant or unusual movements in valuation and investments in areas of the economy under stress, such as retail. The work of our EY valuation specialist was extended, as set out on the next page, to consider also the material uncertainty disclosed by the Authority's valuer's in their valuation report to the Authority which arose due to Covid-19.
- Considered the work performed by the Authority's internal valuer and confirmed that the scope of the work performed is adequate, they had the appropriate professional capabilities to complete the work and the results of their work is in line with our expectations.
- Sample tested key asset information used by the valuer in performing their valuation (e.g. building areas to support valuations based on price per square metre).
- Confirmed that the valuation was undertaken to ensure all assets required to be valued in line with the Authority's five year rolling programme had been completed, and that all investment property had been revalued in year as required by the Code.



Areas of Audit Focus

Significant risk

What did we do? (cont)

- Assessed those assets not subject to valuation in 2019/20 to confirm that the remaining asset base is not materially misstated; and
- Tested the accounting entries posted via journal to ensure they have been correctly processed in the financial statements.

We also undertook the following audit procedures in response to the Covid-19 pandemic:

- considered the Authority's asset base by type of asset and valuation methodology, as impacts are likely to be more significant for assets valued on the basis of data from market transactions.
- ensured the appropriate disclosure has been made in the accounts concerning the material uncertainty included in the Authority's valuation report which arose due to the Covid-19 pandemic.

What are our findings?

We completed our planned procedures as set out above and on the preceding page. We have the following findings to report.

Assumptions used by the valuer

- In undertaking the testing of our selected sample, we identified deficiencies in the evidence for some assets underpinning the assumptions used by the valuer in relation to assets valued at depreciated replacement cost (DRC). As a consequence, the Estates team undertook an exercise to corroborate and correct, where necessary, the supporting evidence for the valuations. This has contributed to the total adjustment to the downward valuation of other land and buildings of some £45m to £50m.

Assets not valued at 31 March 2020

- There were four assets valued at 31 March 2020 as part of the property investment group valuation exercise. However, these had not been updated in the fixed asset register or the statement of accounts. This forms part of the total adjustment to the downward valuation of other land and buildings of some £45m to £50m.
- During 2019/20, there were material additions to the Peach Place development. However, those additions should be revalued to existing value in use, as required by the CIPFA Code. This is currently being reviewed by the Estates team and will be adjusted if required.
- In addition, there were significant transfers from assets under construction to other land and buildings, these were transferred at cost. The CIPFA accounting code requires operational assets to be valued on either existing use value (where there is an active market) or depreciated replacement cost using the instant build approach where there is not active market. We discussed this with officers who stated that this is in line with the Authority's accounting policy whereby these assets are valued a year after transfer to operational assets. This policy is not included within the Statement of Accounting Policies in 2019/20, and it is not in line with the Code. The assets have now been revalued to reflect their existing value in use and this forms part of the total adjustment to other land and buildings of some £45m to £50m.



Areas of Audit Focus

Significant risk

What are our findings?

Assets not valued at 31 March 2020 (cont)

There was no review of those assets not revalued as at 31 March 2020, in total some £222 million. We would expect management to review these assets to ensure the value is materially correct at the balance sheet date of 31 March 2020. The Estates team carried out a review of DRC assets; we reviewed this and undertook a further assessment of assets valued under existing use value. As a result of our challenges, the Estates team agreed to revalue three schools which had been valued at either 31 March 2016 or 31 March 2017, and make appropriate adjustments to the valuations within the financial statements. This forms part of the total downward adjustment to the valuation of other land and buildings of some £45m to £50m.

Council dwellings

- Included in the Council Dwelling valuation report were assets that had previously been derecognised, this resulted in an overstatement of the Council Dwellings shown the account.
- In addition, the shared ownership properties had been valued at 100% ownership, rather than the percentage owned by the Council.

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Use of EY Real Estate

We asked our specialist to review 11 assets, selected from those assets revalued in 2019/20 within Land and Buildings and Investment Property. We challenged the valuation for four assets which we initially found to have a value outside of a reasonable range of valuations established by EYRE for each asset.

- Two assets, valued under depreciated replacement cost (DRC) methodology, were outside the reasonable range calculated by EYRE due to salvage values included in the obsolescence calculation and professional fees excluded from the obsolescence calculation. Following further discussions, the DRC valuations have been revised by the internal valuer to exclude the salvage value included within original calculations. In addition, the professional fees included in the DRC valuations have been included within the obsolescence calculations.
- One asset, an investment property, had been included in the accounts based upon an asset valuation as at 1 April 2019 and had not been reviewed as at 31 March 2020. Our valuer assessed a range between £10.25m and £10.8m, the value was included in the accounts at £12.1m. The Estates team agreed to review the valuation of the asset in light of our challenges and made a downward valuation adjustment of £1.42m. This brings the asset in line with our potential range.
- One asset, Carnival Pool Multi Storey Car Park: our specialist challenged a number of the assumptions underpinning the valuation of the car park at £11.7m. Following a number of discussions between our specialist and the Estates team, the asset was revalued to reflect some changes in the assumptions used around income and turnover. This reduced the valuation by £1.7m. This remains outside our range of £4.5m to £5.35m. We will report this as an unadjusted judgemental difference. See Section 4 – Audit Differences.



Areas of Audit Focus

Significant risk

What are our findings?

PPE and IP Valuation – Emphasis of Matter

Subject to consultation, we will include an Emphasis of Matter within our audit report to draw the attention of the reader of the accounts to the Authority's disclosure relating to the material uncertainty included in the valuer's report. The financial statements have been updated to include relevant disclosures within Notes 4: Major sources of estimation uncertainty, Note 24: PPE and Note 25: Other Non Current Assets of the financial statements. We note this is not a qualification of the audit opinion.

Adequacy of challenge of PPE and IP valuation

Whilst appreciating that valuations are a matter of professional judgement, management should critically appraise the information provided to valuers to ensure it is accurate and understood, assess the methods and assumptions used against the accepted accounting practices and challenge where potential anomalies arise. Management should then document their challenge of the significant estimates made by experts so they can satisfy themselves that the entries in the financial statements are reasonable.

Amendment to the cyclical PPE valuation programme

We understand that management are proposing to employ an external valuer to value the Authority's PPE assets for the 2020/21 financial statements as it does for its annual valuation of its investment properties. The intention will be that the Authority's internal valuer will provide an initial challenge of the external specialist's assumptions, and provide greater assurance to the finance team preparing the financial statements. We agree this will provide the opportunity for additional challenge as set out above. We also recommend the valuer values a proportion of all the Authority's asset types each year (rather than by category type every 5 years) so that the Authority has a benchmark for indexation should it need it.

What are our conclusions?

Subject to the finalisation of all agreed amendments to the valuations as set out above, we are satisfied that the valuations of land and buildings in property plant and equipment and investment property are not materially misstated.



Areas of Audit Focus

Significant risk

Pension Net Liability Valuation

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What is the risk?

The Local Authority Accounting Code of Practice and IAS19 require the Authority to make extensive disclosures within its financial statements regarding its membership of the Berkshire County Council Local Government Pension Scheme, administered by the Royal Borough of Windsor and Maidenhead (RBWM). At 31 March 2020 the pension fund deficit totalled £259.6m.

Accounting for this scheme involves significant estimation and judgement and therefore management engages an actuary to undertake the calculations on their behalf. ISAs (UK) 500 and 540 require us to undertake procedures on the use of management experts and the assumptions underlying fair value estimates.

In the prior year, the 'McCloud' judgement impacted the estimate and resulted in an amendment of the net pension liability. We anticipate this will again be a key assumption in estimating the pension liability. We would expect the Authority's actuary to be basing their assumptions taking into account the Authority's specific membership profile and how it has been impacted by the judgement. We also note that there may be further developments in this area, potentially again coming after the balance sheet date.

What judgements are we focused on?

We review the assurances over the information supplied to the actuary by the pension fund administrators, the work of the pension fund actuary and the accounting entries and disclosures in the Authority's financial statements.

What did we do?

In response to this risk, we planned to undertake the following procedures:

- assess the work of the Pension Fund actuary (Barnett Waddingham) including the assumptions they have used by relying on the work of PWC - Consulting Actuaries commissioned by Public Sector Auditor Appointments for all local government sector auditors, and considering any relevant reviews by the EY actuarial team; and
- review and test the accounting entries and disclosures made within the Authority's financial statements in relation to IAS19.
- liaise with the auditors of the Berkshire County Council Pension Fund, to obtain assurances over the information supplied to the actuary in relation to Wokingham Borough Council.

We have had ongoing discussions with the Pension Fund auditor to understand the timetable for their work; and we received a draft assurance letter at the end of January 2021. However, the letter indicated that their work was incomplete and therefore this did not provide us with the required assurance for our audit.



Areas of Audit Focus

Our response to areas of audit focus

What are our findings?

Pension accounting entries and disclosures:

The Authority requested an updated IAS19 report from the Berkshire Pension Fund actuary following the identification of a downward valuation of about £31.5m in the value of the Pension Fund assets arising from Covid-19 and a lag in pricing of the Pension Fund's alternative investments as at 31 March 2020. The updated report also included a revised longevity insurance contract value as at 31 March 2020, based on updated member data, updated market conditions and updated premium schedule. This insurance contract value was significantly lower than was used in the previous accounting report and contributed to the increase in liability. We have reviewed the amended pension accounting entries and disclosures within the Authority's financial statements and concluded the increase of £7.775m in the total pension liability is appropriate.

IAS 19 assurances:

We reviewed the draft audit assurances received from the Berkshire Pension Fund auditors in late January 2021 and raised a number of queries on the work that has been carried out. We anticipate receiving the final letter on completion of the Royal Borough of Windsor and Maidenhead and Berkshire Pension Fund audits, expected to be late March 2021.

What are our conclusions?

In terms of our significant risk for the Pension Net Liability Valuation, there is outstanding work on the IAS19 assurances that we are seeking from the pension fund auditor for three of our clients who are admitted bodies for the Berkshire Pension Fund, one of which is Wokingham Borough Council.



Areas of Audit Focus

Our response to areas of audit focus

Disclosures on Going Concern

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What is the risk?

Going Concern Compliance with ISA 570: The revised standard increases the work we are required to perform when assessing whether the Authority is a going concern. It means UK auditors will follow significantly stronger requirements than those required by current international standards; and we have therefore judged it appropriate to bring this to the attention of the Audit Committee.

Covid-19: The Covid-19 pandemic has created a number of financial pressures throughout local government, creating financial stress in either, or a combination of, increasing service demand leading to increased expenditure in specific services, and reductions in income sources. There is currently no clear statement of financial support from MHCLG that covers all financial consequences of Covid-19.

There have been a number of media stories in both the national press and trade publications raising the possibilities of an increase in chief financial officers using their s114 powers. This could be under s114(3), insufficient resources to fund likely expenditure. CIPFA's Code of Practice on Local Authority Accounting in the United Kingdom 2019/20 sets out that organisations that can only be discontinued under statutory prescription shall prepare their accounts on a going concern basis. However, International Auditing Standard 570 Going Concern, as applied by Practice Note 10: Audit of financial statements of public sector bodies in the United Kingdom, still requires auditors to undertake sufficient and appropriate audit procedures to consider whether there is a material uncertainty on going concern that requires reporting by management within the financial statements, and within the auditor's report.

We are obliged to report on such matters within the section of our audit report 'Conclusions relating to Going Concern'. To do this, the auditor must review management's assessment of the going concern basis applying IAS1 Presentation of Financial Statements.

The auditor's report in respect of going concern covers a 12-month period from the date of the audit report, therefore the Authority's assessment will also need to cover this period.

What judgements are we focused on?

In light of the revised Going Concern standard and then unprecedented nature of Covid-19, its impact on the funding of public sector entities and uncertainty over the form and extent of government support, we sought a documented and detailed consideration to support management's assertion regarding the going concern basis and particularly with a view whether there are any material uncertainties for disclosure.



Areas of Audit Focus

Our response to areas of audit focus

What are our conclusions?

This work is ongoing

We held a discussion with the Head of Finance to understand how the Authority concluded that the use of the going concern assumption was appropriate. Our work included discussion and detailed review of the Authority's updated medium term financial plans and cash flow forecasts, which form the basis of the Authority's consideration of the use of the going concern assumption.

We reviewed your updated going concern disclosures within the financial statements under IAS1, and associated financial viability disclosures. In doing this we considered the current and developing operating environment; liquidity (operational and funding); mitigating factors; management information; forecasting and sensitivities and stress testing.

The draft accounts did not include a detailed disclosure on going concern. Officers have used the assessment of the impact of Covid-19 on the Authority's finances to draft a new going concern disclosure note. We have scrutinised the financial assessment, cashflow, liquidity and borrowing forecasts, known outcomes, sensitivities, mitigating actions and key assumptions. We reviewed and further challenged the revised going concern disclosure, which appears at Note 1 in the Statement of Accounting Policies (Section 11 within the Statement of Accounts), and are satisfied that it is an adequate reflection of management's assessment that it remains appropriate to prepare the financial statements on a going concern basis. We have considered the need to draw the attention of a reader of the accounts to the Council's updated disclosure through the inclusion of an emphasis of matter paragraph in our audit report. We have concluded this is not necessary, but this remains subject to our internal consultation process.

Audit risks

Other areas of audit focus

We have identified other areas of the audit, that have not been classified as significant risks, but are still important when considering the risks of material misstatement to the financial statements and disclosures and therefore may be key audit matters we will include in our audit report.

What is the risk/area of focus?

PFI Accounting

PFI (Private Finance Initiative) is a complex area of accounting. This year, we followed up on our 2018/19 detailed review of the Waste Recycling Group RE3 arrangements, for the three councils involved, namely Wokingham, Bracknell Forest and Reading Borough Councils.

Our work:

- included a review of the assumptions used in the Waste PFI accounting model;
- commented on local adjustments, made by the Authority, following the changes to the accounting model held by the host council, Reading Borough Council;

 reviewed the planned entries and disclosures for the Authority's 2019/20 accounts.

Group Accounting

The Authority prepares group accounts which involves consolidating the financial statements of its following four subsidiaries;

- Optalis Holdings Ltd provides Adult Social Care Services;
- WBC Holdings (WBCH) Ltd provides social and affordable housing. WBCH also includes Wokingham Housing Ltd, Loddon Homes Ltd and Berry Brook Homes Ltd and

These subsidiaries contain accounting entries and balances that can be considered material or significant to the group, and we classified these as either full or specific scope audits, as discussed in Appendix D.

We requested that the auditors of these subsidiaries (Hazlewoods Ltd for Optalis and Haslers for WBCH Ltd) undertake a programme of work. We sought assurances from them to ensure the 2019/20 financial statements do not contain material misstatement which may arise within the consolidated financial statements.

We also review whether the balances from the four subsidiaries have been properly consolidated into the Authority's financial statements.

What we found

We have no issues to report as we found that the PFI entries and disclosures for the Authority's 2019/20 accounts are appropriate.

Optalis

We have reviewed the work carried out by Hazlewoods Ltd, and we have no issues to report .

WBC Holdings Ltd

We have reviewed the work carried out by Haslers Ltd and we have no issues to report

Group Consolidation

Officers are amending the group accounts so that the Authority and the subsidiaries' accounting policies are aligned. We have yet to receive the revised figures and disclosure notes.



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03 Audit Report

Audit report

As set out in the Executive Summary, we are unable to conclude on the final form of our audit report until all procedures are completed, especially those relating to Going Concern disclosures. We may include an emphasis of matter relating to the Authority's Going Concern disclosures or other impacts of Covid-19 in addition to the form and content set out below. We have included a proposed emphasis of matter in relation to the valuation of property, plant and equipment and investment property. However, this remains subject to our internal consultation process.

Our opinion on the financial statements

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

Opinion

We have audited the financial statements of Wokingham Borough Council for the year ended 31 March 2020 under the Local Audit and Accountability Act 2014. The financial statements comprise the Authority Comprehensive Income and Expenditure Statement, Group Comprehensive Income and Expenditure Statement, Authority and Group Movement in Reserves Statement, Authority and Group Balance Sheet, Authority and Group Cash Flow Statement and the related notes 1 to 47; Housing Revenue Account Income and Expenditure Statement, Movement on the HRA Statement and the related notes 1 to 13; the Collection Fund and the related notes 1 to 3; and the Authority and Group Statement of Accounting Policies.

The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20.

In our opinion the financial statements:

- give a true and fair view of the financial position of Wokingham Borough Council and Group as at 31 March 2020 and of its expenditure and income for the year then ended; and
- have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report below. We are independent of the Wokingham Borough Council and Group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard and the Comptroller and Auditor General's AGN01, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of matter – Property, Plant and Equipment and Investment Property valuation

We draw attention to Note 4, Assumptions made about the future and other major sources of estimation uncertainty; Note 24, Property, plant and equipment; and Note 25, Other Non-Current Assets of the financial statements; which describe the valuation uncertainty the Authority is facing as a result of COVID-19 in relation to property valuations. Our opinion is not modified in respect of this matter.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- Deputy Chief Executive (S151 Officer)'s use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or



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- the Deputy Chief Executive (S151 Officer) has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Authority's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

The other information comprises the information included in the Statement of Accounts for the year ended 31 March 2020, other than the financial statements and our auditor's report thereon. The Deputy Chief Executive (S151 Officer) is responsible for the other information.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

Opinion on other matters prescribed by the Local Audit and Accountability Act 2014

Arrangements to secure economy, efficiency and effectiveness in the use of resources

In our opinion, based on the work undertaken in the course of the audit, having regard to the guidance issued by the Comptroller and Auditor General in April 2020, we are satisfied that, in all significant respects, Wokingham Borough Council put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2020.

Matters on which we report by exception

We report to you if:

- in our opinion the annual governance statement is misleading or inconsistent with other information forthcoming from the audit or our knowledge of the Council;
- we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014;
- we make written recommendations to the audited body under Section 24 of the Local Audit and Accountability Act 2014;
- we make an application to the court for a declaration that an item of account is contrary to law under Section 28 of the Local Audit and Accountability Act 2014;
- we issue an advisory notice under Section 29 of the Local Audit and Accountability Act 2014; or



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- we make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014.

We have nothing to report in these respects.

Responsibility of Deputy Chief Executive (S151 Officer)

As explained more fully in the Statement of the Responsibilities set out on page 13, the Deputy Chief Executive (S151 Officer) is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20, and for being satisfied that they give a true and fair view.

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In preparing the financial statements, the Deputy Chief Executive (S151 Officer) is responsible for assessing the Authority's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Authority either intends to cease operations, or have no realistic alternative but to do so.

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 for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

Scope of the review of arrangements for securing economy, efficiency and effectiveness in the use of resources

We have undertaken our review in accordance with the Code of Audit Practice, having regard to the guidance on the specified criterion issued by the Comptroller and Auditor General in April 2020, as to whether Wokingham Borough Council had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people. The Comptroller and Auditor General determined this criterion as that necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether Wokingham Borough Council put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2020.



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

We are required under Section 20(1)(c) of the Local Audit and Accountability Act 2014 to satisfy ourselves that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the National Audit Office requires us to report to you our conclusion relating to proper arrangements.

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

Certificate

We certify that we have completed the audit of the accounts of Wokingham Borough Council in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice issued by the National Audit Office.

Use of our report

This report is made solely to the members of Wokingham Borough Council, as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014 and for no other purpose, as set out in paragraph 43 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than Wokingham Borough Council and Wokingham Borough Council's members as a body, for our audit work, for this report, or for the opinions we have formed.

Helen Thompson (Key Audit Partner)
Ernst & Young LLP (Local Auditor)
Southampton
Date



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04 Audit Differences



Audit Differences

In the normal course of any audit, we identify misstatements between amounts we believe should be recorded in the financial statements and the disclosures and amounts actually recorded. These differences are classified as “known” or “judgemental”. Known differences represent items that can be accurately quantified and relate to a definite set of facts or circumstances. Judgemental differences generally involve estimation and relate to facts or circumstances that are uncertain or open to interpretation.

Summary of adjusted differences

We highlight the following misstatements greater than £4.99m which have been corrected by management that were identified during the course of our audit.

Balance sheet

- BS and Note 24 - Land & building valuations: the final value of amendments is yet to be quantified. However, the impact will be a material downward valuation of other land and buildings.
- **ω** BS and Note 24 - Council Dwellings valuations: £7.24m downward revaluation due to Council Dwellings included in the revaluation report which have previously been disposed of and are no longer included in the Housing Revenue Account
- BS and Note 19 - Defined benefit pension schemes: an increase in the net pension liability of £7.775m
- BS and Note 36 - Investments: £5 million reclassification from Short Term to Long Term Investments

We also identified an adjustment in relation to £6.7 million of REFUS expenditure which should be classified as revenue expenditure; the grant was for revenue purposes and therefore does not meet the criteria for REFUS classification. The resulting entry impacts the movement in reserves between the General Fund and the Capital Adjustment Account.

There were a number of other amendments to the primary statements and notes to the accounts which have been corrected as a result of our audit but are below our reporting threshold

Amendments to disclosures

A number of other additions and amendments were also made to disclosures appearing in the financial statements as a result of our work.

Statement of accounting policies

Note 1 - Going Concern: revised narrative setting out the Authority's Covid-19 going concern impact assessment.



Audit Differences

Summary of adjusted differences cont.

Amendments to disclosures (continued)

Notes to the accounts

- Note 4 - Assumptions made about the future and other major sources of estimation uncertainty, Note 24 Property Plant and Equipment, Note 25 Other Non Current Assets: additional narrative included in all three notes to reflect the material uncertainty caveat included in the valuer's reports arising from Covid-19.
- Note 5 - Adjustments between accounting and funding basis: amendments required to this note to reflect the incorrect REFCUS transaction of £6.7 million and the associated S106 grant previously charged to the Capital Adjustment Account
- Note 36 - Financial instruments: the disclosures have been updated to correct a combination of casting errors, entries not updated from the prior year and inconsistencies with other areas of accounts.

Collection Fund

- NDR income on the face of the collection fund statement incorrectly included the movement in the NDR appeals provision. The movement in the provision should be disclosed separately within the Collection Fund statement. Income amended to £72.775 million and the movement in the NDR appeals provision disclosed as £1.098 million.
- Note 1 - Income collectable from business rate payers: disclosure amended to correct the multiplier and the rateable value.

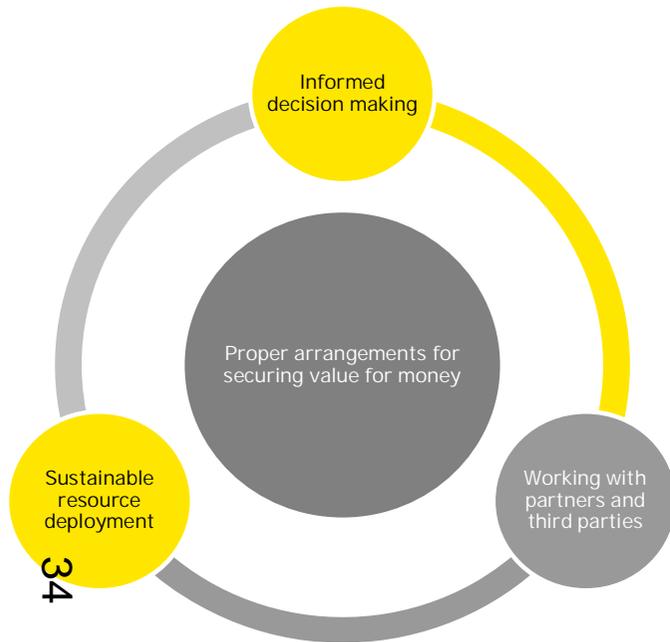
Summary of unadjusted differences

We challenged a number of the assumptions underpinning the valuation of the Carnival Pool car park, and the asset was revalued. The valuation falls outside our range by £4.615m, which results in a potential overstatement of the asset value. We understand that this will not be corrected in the accounts and we therefore report this as an unadjusted judgemental difference, based on a difference in assumptions used by our specialist and your own valuer. We have therefore sought and received management representations setting out the reasons for not making an adjustment.



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05 Value for Money



Background

We are required to consider whether the Authority has put in place ‘proper arrangements’ to secure economy, efficiency and effectiveness on its use of resources. This is known as our value for money conclusion.

For 2019/20 this is based on the overall evaluation criterion:

“In all significant respects, the audited body had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people”

Proper arrangements are defined by statutory guidance issued by the National Audit Office. They comprise your arrangements to:

- Take informed decisions;
- Deploy resources in a sustainable manner; and
- Work with partners and other third parties.

In considering your proper arrangements, we draw on the requirements of the CIPFA/SOLACE framework for local government to ensure that our assessment is made against a framework that you are already required to have in place and to report on through documents such as your annual governance statement.

Impact of covid-19 on our Value for Money assessment

On 16 April 2020, the National Audit Office published an update to auditor guidance in relation to the 2019/20 value for money assessment in the light of Covid-19. This clarified that in undertaking the 2019/20 value for money assessment auditors should consider local authorities’ response to Covid-19 only as far as it relates to the 2019/20 financial year. Only where clear evidence comes to the auditor’s attention of a significant failure in arrangements as a result of Covid-19 during the financial year, would it be appropriate to recognise a significant risk in relation to the 2019-20 arrangements conclusion. No additional risk has been identified.

Overall conclusion

We identified the two following significant risks around these arrangements in respect of the Authority’s ability to deploying resources in a sustainable manner.

- Commercialisation and the purchase of investment properties
- Effectiveness of the Authority’s Governance and Risk Management Framework

Our work in relation to these risks are complete. We were satisfied that we have no matters to report in respect of the Authority’s value for money conclusion. Our detailed findings are set out on the following pages.



Value for Money Risks

What is the significant value for money risk?	What arrangements did the risk affect?	What will we do?
<p>Commercialisation and the purchase of investment properties</p> <p>The Authority has plans to develop some £85 million of significant commercial and investment opportunities to generate more income. The Authority's 21st Century transformational change programme is critical in enabling the Authority to delivering the level of savings needed for a sustainable financial future. Progress has been made against the target of £3.3 million of savings over 2019/20, which is in additional to some 22.8 million of savings delivered in the past four years.</p> <p>Paragraph 46 of the Statutory Guidance on Local Government Investments states that 'Authorities must not borrow more than or in advance of their needs purely in order to profit from the investment of the extra sums borrowed'. However, para 47 of the Statutory Guidance also states that where a local authority has chosen to disregard the Prudential Code and the Guidance, additional explanations and disclosures will be required, including risk management. The Guidance also requires investments to have regard to Security, Liquidity and Yield in that order.</p> <p>Additionally, the Statutory Guidance on Minimum Revenue Provision (MRP) applying from 1 April 2019 includes the requirement to establish an MRP policies, and paragraph 45 states that the duty to make MRP extends to investment properties where their acquisition has been funded by an increase in borrowing or credit arrangements. The Guidance's commentary sets out this is to ensure Authority's provide for debt taken on to finance the asset over the period of that debt, with a maximum period of 50 years, consistent with the maximum period of PWLB borrowing.</p>	<p>Deploy resources in a sustainable manner</p>	<p>We will review:</p> <ul style="list-style-type: none"> • the underlying rationale for the Authority's proposed investments and clarity on how this sits with the Authority's strategy and objectives; • legal powers and other advice obtained e.g. tax, investment decisions; • compliance with sections 46 and 47 of Statutory Guidance on Local Authority Investments and the Prudential Code; • the Authority's MRP policy; • clarity of governance arrangements for the Authority's decision making with regard to their investment property purchases; • recognition and reporting of risks in the corporate/strategic risk register. <p>We will also consider the extent to which the Authority has demonstrated the key Prudential Code considerations:</p> <ul style="list-style-type: none"> • existence of capital expenditure plans and a clear strategy that has regard to have regard to; service objectives, stewardship of assets, value for money, prudence and sustainability, affordability and practicality • demonstrating value for money in borrowing decisions • security of borrowed funds • extent of borrowing for investments and borrowing overall • the nature of the investment • risks involved, including falling capital values, borrowing costs, illiquidity of assets.



What are our findings?

The Authority's key strategic documents are well aligned, with both the Investment and Capital strategies showing planned increases to future investment. The Authority's investment portfolio is well developed, with a portfolio of £79m returning a net yield of 5.25%. The overall aims of the Authority with regards to commercialisation are consistent, with targets clearly outlined.

Property purchases are supported by clearly defined process, utilising desktop appraisals, Property Investment Group (PIG) review, purchase proposals, and cost & yield analysis. In addition to this, the Authority also has a Treasury Management Strategy. This strategy highlights the potential risks and market fluctuations, delivering insights in relation to any considerations that need to be made around external borrowing. The Authority obtained reputable external advice to generate this strategy, which facilitates more robust and accurate decision making. Additionally, external legal and property advice is sought throughout the purchase process to supplement the due diligence undertaken.

There is a clear governance structure in place for key decision making. The 2017 Investment Strategy provides the Deputy Chief Executive and S.151 Officer with the authority to make investment decisions, and he is supported by key individuals within the Authority, who all attend PIG meetings throughout the year. This ensures the involvement of the Leader, Executive Member for Finance & Housing, Executive Member for Business & Economic Development, Lead Specialist Finance & Deputy S.151 Officer, Assistant Director of Commercial Property and the Head of Investment in all decisions in respect of property acquisitions pursuant to the Investment Strategy, irrespective of value.

The acquisition of the Denmark St Car Park investment property was supported by detailed information, including desktop appraisals and purchase proposal documents. Detailed financial analysis was prepared by external parties providing the PIG with valuable information, allowing for informed decisions. We were also provided with internal workings by the Head of Investment, whose high level calculations to determine the yield were in line with the work done by external parties. The Denmark St property was returning a 4.69% net yield based on the November PIG statement, slightly below the average for the wider portfolio.

The Authority has a Treasury Management Strategy that assesses the requirements of the Prudential Code, and provides necessary information to address these requirements, ensuring compliance with the statutory investment guidance and the Code. This allows the Authority to comply with the guidance and make informed decisions on financial investments, which in turn allows for sustainable resource deployment. As above, the Authority obtained reputable external advice and insight in relation to the Treasury Management Strategy, allowing it to make any necessary considerations around external borrowing. Obtaining external advice allows for more robust and accurate decision making. The Authority is prudent and puts aside MRP of 10% of the value of the asset over 15 year to cover any reduction in value if needed.

We suggest that the Authority should consider formalising its process for analysing decisions to retain or sell properties, to manage the risk of any loss in market value of the investment. The Authority should also establish a risk register for the new Community Investment Group to review as part of its Terms of Reference and highlight and record any issues that need to be considered at a strategic level in the Corporate Risk Register.

Value for Money Risks

What is the significant value for money risk?

What arrangements did the risk affect?

What will we do?

Effectiveness of the Authority's Governance and Risk Management Framework

The Authority's Local Code of Corporate Governance (LCCG) is a useful tool outlining the design of the Authority's Governance and Risk Management Framework. The Authority's Annual Governance Statement (AGS) states that governance is operating in accordance with its LCCG. However, from our audit planning work we have identified some areas where governance procedures could be more effective, the strengths and areas for improvement could be better disclosed in the 2019/20 Annual Governance Statement.

In term of more effective governance, we found, to date, that:

- the Risk Management Strategy and Guidance do not reflect the current role of the Audit Committee in risk management;
- risk management may be better embedded if corporate risks are aligned to the delivery of the Authority's strategic objectives in the Council Delivery Plan;
- the Authority's risk profile is high with 11 of 13 risks at high (8) or very high (3), which is contrary to the Authority's low risk targets in the Risk Register;
- there are few clear actions documented on the Corporate Risk Register on how risk is to be effectively managed down to the lower targets.

Adequate risk management is required for members and officers to take informed decisions. We will, therefore, review the effectiveness of the Authority's Risk Management Framework and how this may be further improved.

The disclosures in the 2019/20 AGS could be improved so that the AGS better describes the effectiveness of the Authority's governance arrangements in year, any significant weaknesses and action plans for the resolution of prior year issues and issues going forward. The Authority should be disclosing how the Authority's Assurance Framework complies with its LCCG with a clearer statement on how the Authority is achieving its strategic objectives and addressing areas for improvement.

Informed decision making

Our approach will focus on:

- review of the adequacy of the Authority's risk management arrangements;
- compliance with the Authority's Local Code of Corporate Governance;
- disclosures to be made in the Authority's 2019/20 Annual Governance Statement on the effectiveness of the Authority's Governance and Risk Management Framework.



What are our findings?

The Authority's 2019/20 Annual Governance Statement states that there has been "a renewed focus on organisational risks and are overseen by the Risk Management Strategy, Corporate Risk Register and Directorate / Service risk registers. ". There has been an improvement in the Authority's arrangements and it is commendable that a risk management champions group, comprising representatives from across the Authority, has been established in 2020/21 to help drive and co-ordinate the Authority's approach to risk management. However, risk management needs to be better embedded in the day to day business and reporting of the Authority as follows:

- The risks to the delivery of the Authority's strategic objectives, in the Community Vision and the Council Delivery Plan should be recorded on the Corporate Risk Register on a strategic objective by objective basis. Work is underway to develop a new service plan template for 2021/22 which will align directly to the Council Plan priorities and Key Performance Indicators (KPIs). We suggest that the Corporate Risk Register and underpinning service risk registers, as part of the new service planning process, are also aligned to these objectives. This will allow for the Authority's risk management arrangements to be integrated into the Authority's Performance Management Framework for a holistic view of the effectiveness of service delivery and reflect the Enterprise Risk Management approach that the Authority aspires to in its Risk Management Guidance.
- The Risk Management Policy & Guidance sets out the Authority's approach to risk appetite, however the Corporate Risk Register does not clearly record the Authority's residual risk (i.e. the actual risk after controls, clear mitigating actions and definite timescales have been applied) so it is difficult to see whether the Authority is operating within its risk tolerance. The Corporate Risk Register, on page 1, currently records (pre-mitigation) 5 Very High Risks, 9 High risks and 5 Medium risks which is a significant level of risk. The Corporate Risk Register does not record the "Risk Appetite" for each risk as suggested by the Authority's Risk Management Policy & Guidance (page 8).
- Embedding and developing the role of the Audit Committee in providing overall assurance to the Executive over the effectiveness of the Authority's Risk Management Framework arrangements rather than taking an active deep dive and scrutiny of risks in the Corporate Risk Register. The active deep dive and scrutiny of risks may be better covered through the work of the O&S Committee.
- The Audit Committee's work programme for the year should be revisited so that it covers all CIPFA audit committee best practice requirements, in particular an Audit Committee self-assessment of its effectiveness and the timely production of an annual report of its achievements relating to the financial year in question. The Audit Committee's 2019/20 Annual Report to Council, on 6 July 2020, reported on the adequacy of the assurance underpinning the 2018/19 Annual Governance Statement and the Head of Internal Audit Opinion for 2018/19 rather than those papers relating to 2019/20. This delay was, in part, due to the impact on timely reporting because of the pandemic. This should be rectified for the Audit Committee's 2020/21 Annual Report to Council in July 2021.
- The Authority would benefit from an overarching assurance framework which is a structured means of identifying and mapping the main sources of assurance, and co-ordinating them to best effect. The Authority could use this to effectively manage performance and risk through identifying and reporting on continuous improvement and areas where management need to focus their attention. A good assurance framework, if reported to the Audit Committee will provide wider assurance than controls, integrating financial, risk and performance measurements and independent assurance with value for money outcomes. It also underpins planning, performance management and risk management leading to a good understanding of how the Authority achieves its objectives and addresses areas for improvement.



06 Other reporting issues

Other reporting issues

Consistency of other information published with the financial statements, including the Annual Governance Statement

We must give an opinion on the consistency of the financial and non-financial information in the accounts for the year 2019/20 with the audited financial statements.

- We concluded that financial information in the accounts for the year 2019/20 and published with the financial statements was consistent with the audited financial statements.

We must also review the Annual Governance Statement for completeness of disclosures, consistency with other information from our work, and whether it complies with relevant guidance.

- We have reviewed the Authority's Annual Governance Statement (AGS) and concluded that is consistent with other information from our audit of the financial statements.
- We asked the Authority to clarify that its review of the effectiveness of the internal control and risk environment covers the activities of its subsidiaries, Optalis and Wokingham Holdings Ltd . This has been added to the final version of the AGS.

40 We have recommended that the Council that the AGS could better reflect the governance issues around the highest risk issues identified in the corporate risk register in future years. The Assistant Director Governance has agreed to consider this for 2020/21.

Whole of Government Accounts

Alongside our work on the financial statements, we also review and report to the National Audit Office on your Whole of Government Accounts return. The extent of our review, and the nature of our report, is specified by the National Audit Office.

The National Audit Office (NAO) released the group audit instructions in relation to the Whole of Government Accounts in November 2020. These instructions confirm that for 2019/20, the Authority is below the threshold for which detailed audit procedures need to be completed.

We therefore expect to issue our audit certificate at the same time as our audit report.

Other reporting issues

Other reporting issues

Other powers and duties

We have a duty under the Local Audit and Accountability Act 2014 to consider whether to report on any matter that comes to our attention in the course of the audit, either for the Authority to consider it or to bring it to the attention of the public (i.e. "a report in the public interest"). We did not identify any issues which required us to issue a report in the public interest.

We also have a duty to make written recommendations to the Authority, copied to the Secretary of State, and take action in accordance with our responsibilities under the Local Audit and Accountability Act 2014. We did not identify any issues.

Other matters

As required by ISA (UK&I) 260 and other ISAs specifying communication requirements, we must tell you significant findings from the audit and other matters if they are significant to your oversight of the Authority's financial reporting process. They include the following:

- ✚ Significant qualitative aspects of accounting practices including accounting policies, accounting estimates and financial statement disclosures;
- Any significant difficulties encountered during the audit;
- Any significant matters arising from the audit that were discussed with management;
- Written representation we have requested;
- Expected modifications to the audit report;
- Any other matters significant to overseeing the financial reporting process;
- Findings and issues around the opening balance on initial audits (if applicable);
- Related parties;
- External confirmations;
- Going concern;
- Consideration of laws and regulations; and
- Group audits.

We have the following comments overleaf:

Other reporting issues

Other matters (continued)

Any significant difficulties encountered during the audit;

- The 2019/20 financial statements audit has taken longer than anticipated. We have reported our findings to date; and the outstanding issues which need to be resolved are summarised in Appendix C. We recognise this has been an very challenging year for the Authority and its finance team as they have been stretched beyond capacity in their response to Covid-19 issues.
- We worked flexibly around the Authority's finance team commitments since our first audit visit on 22 July which lasted five weeks. We paused the audit three times since then and have re-engaged, after agreed breaks, on 28 September for 3 weeks, 16 November for 3 weeks and 9 January for 6 weeks until 26th February. This extended audit time will impact on our audit fee which we discuss with officers following the completion of the audit.
- The auditors of the Berkshire Pension Fund sent us the Authority's IAS19 employee benefit local government Pension Fund assurances at the end of January. This work remains outstanding.

Expected modifications to the audit report;

- Prior to issuing our audit report, we will complete an internal consultation process which may result in the inclusion of an emphasis of matter paragraph in respect of the material valuation uncertainty related to the Authority's land, buildings and investment property. As previously noted in this report, we had extensive discussions with management in relation to going concern which resulted in increased disclosures within the financial statements.

We have nothing to report in respect of the remaining items.



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Assessment of Control Environment

Assessment of Control Environment

Financial controls

It is the responsibility of the Authority to develop and implement systems of internal financial control and to put in place proper arrangements to monitor their adequacy and effectiveness in practice. Our responsibility as your auditor is to consider whether the Authority has put adequate arrangements in place to satisfy itself that the systems of internal financial control are both adequate and effective in practice.

As part of our audit of the Authority's financial statements, we obtained an understanding of internal control sufficient to plan our audit and determine the nature, timing and extent of testing performed. Although our audit was not designed to express an opinion on the effectiveness of internal control we are required to communicate to you significant deficiencies in internal control.

We have not identified any significant deficiencies in the design or operation of an internal control that might result in a material misstatement in your financial statements of which you are not aware. As we have adopted a fully substantive approach, we have not tested the operation of controls.

We considered whether circumstances arising from Covid-19 resulted in a change to the overall control environment of effectiveness of internal controls, for example due to significant staff absence or limitations as a result of working remotely. We identified no issues which we wish to bring to your attention.

Adequacy of challenge of PPE and IP valuation

The number of adjustments to the accounts arising from the PPE valuation audit work is high. Whilst appreciating that valuations are a matter of professional judgement, management should critically appraise the information provided to valuers to ensure it is accurate and understood, assess the methods and assumptions used against the accepted accounting practices and challenge where potential anomalies arise. Management should then document their challenge of the significant estimates made by experts so they can satisfy themselves that the entries in the financial statements are reasonable.

Amendment to the cyclical PPE valuation programme

We understand that management are proposing to employ an external valuer to value the Authority's PPE assets for the 2020/21 financial statements, as it does for its annual valuation of its investment properties. The intention will be that the Authority's internal valuer will provide an initial challenge of the external specialist's assumptions, and provide greater assurance to the finance team preparing the financial statements. We agree this will provide the opportunity for additional challenge as set out above. We recommend that the valuer values a proportion of all the Authority's asset types each year (rather than by category type every 5 years) so that the Authority has a benchmark for indexation should it need it.

Capacity of the finance department.

We have found that the finance officers have been stretched during both the preparation and the audit of the Authority's financial statements, exacerbated by the level of work associated with Covid-19 reporting. We suggest that senior management review the finance department's deliverables and staff capacity so the two are fairly aligned. This will improve the Authority's accounts production process and reduce the amount of time required for the audit.

Assessment of Control Environment (Continued)

Financial controls

Bank reconciliations of imprest bank accounts

There are a number of imprest bank accounts in the Authority's portfolio that are not reconciled on a regular basis, resulting in unexplained differences between the Authority's accounting records and statements from the relevant financial institutions. Whilst appreciating that these differences are not material, reconciliations should be performed on a regular basis to ensure appropriate record keeping and prevent any undetected irregularities.

Approval of transfers to/from earmarked reserves

Transfers to/from earmarked reserved are generally processed in the accounting records without proper substantiating approval at the appropriate level. Proper documented approval mechanisms should to be implemented by management to substantiate reported approvals to/from earmarked reserves in the accounting records.

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08 Data Analytics



Use of Data Analytics in the Audit

Data analytics

Analytics Driven Audit

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Data analytics

We used our data analysers to enable us to capture entire populations of your financial data. These analysers:

- help identify specific exceptions and anomalies which can then be the focus of our substantive audit tests; and
- give greater likelihood of identifying errors than traditional, random sampling techniques.

In 2019/20, our use of these analysers in the Authority's audit included testing journal entries, to identify and focus our testing on those entries we deem to have the highest inherent risk to the audit.

We capture the data through our formal data requests and the data transfer takes place on a secured EY website. These are in line with our EY data protection policies which are designed to protect the confidentiality, integrity and availability of business and personal information.

Journal Entry Analysis

We obtain downloads of all financial ledger transactions posted in the year. We perform completeness analysis over the data, reconciling the sum of transactions to the movement in the trial balances and financial statements to ensure we have captured all data. Our analysers then review and sort transactions, allowing us to more effectively identify and test journals that we consider to be higher risk, as identified in our audit planning report.

Payroll Analysis

We also use our analysers in our payroll testing. We obtain all payroll transactions posted in the year from the payroll system and perform completeness analysis over the data, including reconciling the total amount to the General Ledger trial balance. We then analyse the data against a number of specifically designed procedures. These include analysis of payroll costs by month to identify any variances from established expectations, as well as more detailed transactional interrogation.



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Independence

Confirmation and analysis of Audit fees

Independence confirmation

We confirm there are no changes in our assessment of independence since our confirmation in our Audit Planning Report in June 2020. We complied with the APB Ethical Standards. In our professional judgement the firm is independent and the objectivity of the audit engagement partner and audit staff has not been compromised within the meaning of regulatory and professional requirements. We consider that our independence in this context is a matter that should be reviewed by both you and ourselves. It is therefore important that you and your Audit Committee consider the facts of which you are aware and come to a view. If you wish to discuss any matters concerning our independence, we will be pleased to do so at the forthcoming meeting of the Audit Committee in February 2021.

Audit fees

	Final Fee 2019/20	Planned Fee 2019/20	Final Fee 2018/19
	£	£	£
49 Scale Fee – Code work - Note 1	81,325	81,325	81,325
Additional procedures – Code work - Note 2	Tbc – Note 2	0	16,600
Non-audit work – Housing Benefit Subsidy claim – Note 3	Tbc – Note 3	14,326	20,490
Total fees			118,415

The final fee for our Code work will be confirmed upon completion of the audit. We will report the final fee to the Audit Committee in our Annual Audit Letter. For 2019/20, the final fee has been impacted by a range of factors which has resulted in additional work. We set out an estimate of the potential additional fee for this below which we will discuss in detail with Deputy Chief Executive (S151 officer) and will be subject to approval by PSAA.

Note 1: Our fee above does not include the scale fee review which is currently under review with PSAA to agree whether the scale fees for local government need to be rebased to account for the increased audit and quality requirements as well as increased regulatory challenge on the depth and quality of assurance provided by audit suppliers. There is now greater pressure on firms to deliver higher quality audits by requiring auditors to demonstrate greater professional scepticism when carrying out their work. This has resulted in auditors needing to exercise greater challenge to the areas where management makes judgements or relies upon advisers, for example, in relation to estimates and related assumptions within the accounts. Discussions with PSAA remain ongoing.

Note 2: There will be additional fees for 2019/20 because of the additional work required because of Covid-19 on the following:

- Using EY Real Estate experts to assess the impact of Covid-19 on land and building valuations and the material uncertainty clause in the

Confirmation and analysis of Audit fees (continued)

Authority's valuation report; to review a sample of valuations of investment properties and other land and buildings valued on the basis of existing use value assets, 17 assets in total.

- Reviewing governance arrangements and testing of Covid-19 expenditure;
- Extended testing of unrecorded liabilities and subsequent events;
- Additional procedures to consider the Authority's going concern assessment;
- Consultation requirements concerning the impact on the auditor's report from the land and building valuations material uncertainty clause and going concern assessment.
- Additional work in respect of the Authority's value for money significant risk.

Note 3: From 2018-19 onwards the Housing Benefit subsidy audit work falls outside the PSAA regime and is subject to a separate fee proposal and engagement terms. We have been contracted to undertake agreed upon procedures (AuP) by the Authority in order to certify the housing benefit subsidy claim. We started these procedures in January 2021. The final fee charged for this work will be dependent upon the level of error and additional testing we are required to undertake in response. This level of work varies year on year and we cannot provide a reliable estimate at this stage.

Relationships, services and related threats and safeguards

The FRC Ethical Standard requires that we provide details of all relationships between Ernst & Young (EY) and your Authority, senior management and its affiliates, including all services provided by us and our network to your Authority, senior management and its affiliates, and other services provided to other known connected parties that we consider may reasonably be thought to bear on the our integrity or objectivity, including those that could compromise independence and the related safeguards that are in place and why they address the threats.

We have one issue to bring to the attention of the Audit Committee.

Malcolm Haines, a manager in our Government & Public Sector audit team, is an approved foster carer for Wokingham Borough Council. Malcolm was also previously the audit manager on this audit. Malcolm had informed the Engagement Lead of his intention to undertake foster caring duties for WBC and, as a safeguard measure, he was removed from that audit. Malcolm has also consulted the EY's UK Independence team to report this matter & confirmed that he is no longer a covered person for the audit. Whilst holding a role as a foster carer may be perceived as a conflict, we do not believe this would pose an independence concern as the work of the employee as a 'foster carer' is peripheral to the work performed on the audit by the firm and tangential to the work of the Authority. On the basis that Malcolm had taken the necessary actions and that the duties involved in being a foster carer would not impact the audit, we believe that the threat to independence is minimal and there is no compromise to the firm's objectivity, integrity whilst the individual is performing a dual role as a foster carer and an employee of EY.

There are no other relationships from 1 April 2019 to the date of this report, which we consider may reasonably be thought to bear on our independence and objectivity.

Services provided by Ernst & Young

On the previous slides, we have included a summary of the fees that are due to us in relation to the year ended 31 March 2020 in line with the disclosures set out in FRC Ethical Standard and in statute. Full details of the services that we have provided and the related threats and safeguards are included in the slides above.

This includes our certification of the Authority's Housing Benefit claim, the fee for which is reported on the previous slide.

We confirm that none of the services listed has been provided on a contingent fee basis.

As at the date of this report, there are no future services which have been contracted and no written proposal to provide non-audit services has been submitted.

New UK Independence Standards

The Financial Reporting Council (FRC) published the Revised Ethical Standard 2019 in December and it will apply to accounting periods starting on or after 15 March 2020. A key change in the new Ethical Standard will be a general prohibition on the provision of non-audit services by the auditor (and its network) which will apply to UK Public Interest Entities (PIEs). A narrow list of permitted services will continue to be allowed.

Summary of key changes

- Extraterritorial application of the FRC Ethical Standard to UK PIE and its worldwide affiliates
- A general prohibition on the provision of non-audit services by the auditor (or its network) to a UK PIE, its UK parent and worldwide subsidiaries
- A narrow list of permitted services where closely related to the audit and/or required by law or regulation
- Absolute prohibition on the following relationships applicable to UK PIE and its affiliates including material significant investees/investors:
 - Tax advocacy services
 - Remuneration advisory services
 - Internal audit services
 - Secondment/loan staff arrangements
- An absolute prohibition on contingent fees.
- Requirement to meet the higher standard for business relationships i.e. business relationships between the audit firm and the audit client will only be permitted if it is inconsequential.
- Permitted services required by law or regulation will not be subject to the 70% fee cap.
- Grandfathering will apply for otherwise prohibited non-audit services that are open at 15 March 2020 such that the engagement may continue until completed in accordance with the original engagement terms.
- A requirement for the auditor to notify the Audit Committee where the audit fee might compromise perceived independence and the appropriate safeguards.
- A requirement to report to the Audit Committee details of any breaches of the Ethical Standard and any actions taken by the firm to address any threats to independence. A requirement for non-network component firm whose work is used in the group audit engagement to comply with the same independence standard as the group auditor. Our current understanding is that the requirement to follow UK independence rules is limited to the component firm issuing the audit report and not to its network. This is subject to clarification with the FRC.

Next Steps

We will continue to monitor and assess all ongoing and proposed non-audit services and relationships to ensure they are permitted under FRC Revised Ethical Standard 2016 which will continue to apply until 31 March 2020 as well as the recently released FRC Revised Ethical Standard 2019 which will be effective from 1 April 2020. We will work with you to ensure orderly completion of the services or where required, transition to another service provider within mutually agreed timescales.

We do not provide any non-audit services which would be prohibited under the new standard.

Other communications

EY Transparency Report 2020

Ernst & Young (EY) has policies and procedures that instil professional values as part of firm culture and ensure that the highest standards of objectivity, independence and integrity are maintained.

Details of the key policies and processes in place within EY for maintaining objectivity and independence can be found in our annual Transparency Report which the firm is required to publish by law. The most recent version of this Report is for the year end 30 June 2020:

https://www.ey.com/en_uk/who-we-are/transparency-report-2020



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Appendices

Appendix A

Outstanding matters

The following items relating to the completion of our audit procedures are outstanding at the date of the release of this report:

Outstanding item	Actions to resolve	Responsibility
Follow up of the work on the IAS19 assurances from the auditors of Berkshire Pension Fund	The Pension Fund auditor to provide a final letter of assurance.	EY and Pension Fund auditor
Covid-19 Going concern consultation process	EY and management	EY and management
Reworking of the group consolidation	Query with management	Management and EY
Review procedures	Final Engagement Leader and Manager review of the final position on concluded work, audit adjustments and reporting	EY
Statement of accounts	Review of the final version of the accounts	EY
Management representation letter	Receipt of signed management representation letter	Management and Audit Committee
Subsequent events review	Completion of subsequent events procedures to the date of signing the audit report	EY and management

Appendix B

Required communications with the Audit Committee

There are certain communications that we must provide to the Audit Committees of UK clients. We have detailed these here together with a reference of when and where they were covered:

		Our Reporting to you
Required communications	What is reported?	When and where
Terms of engagement	Confirmation by the Audit Committee of acceptance of terms of engagement as written in the engagement letter signed by both parties.	The statement of responsibilities serves as the formal terms of engagement between the PSAA's appointed auditors and audited bodies.
Our responsibilities	Reminder of our responsibilities as set out in the engagement letter.	Audit planning report – June 2020 Audit Committee.
Planning and audit approach	Communication of the planned scope and timing of the audit, any limitations and the significant risks identified.	Audit planning report – June 2020 Audit Committee.
Significant findings from the audit	<ul style="list-style-type: none"> • Our view about the significant qualitative aspects of accounting practices including accounting policies, accounting estimates and financial statement disclosures • Significant difficulties, if any, encountered during the audit • Significant matters, if any, arising from the audit that were discussed with management • Written representations that we are seeking • Expected modifications to the audit report • Other matters if any, significant to the oversight of the financial reporting process 	Audit results report – February 2021 Audit Committee.

Appendix B

		Our Reporting to you
Required communications	What is reported?	When and where
Going concern	<p>Events or conditions identified that may cast significant doubt on the entity’s ability to continue as a going concern, including:</p> <ul style="list-style-type: none"> • Whether the events or conditions constitute a material uncertainty • Whether the use of the going concern assumption is appropriate in the preparation and presentation of the financial statements • The adequacy of related disclosures in the financial statements 	Audit results report – February 2021 Audit Committee.
Misstatements	<ul style="list-style-type: none"> • Uncorrected misstatements and their effect on our audit opinion • The effect of uncorrected misstatements related to prior periods • A request that any uncorrected misstatement be corrected • Material misstatements corrected by management 	Audit results report – February 2021 Audit Committee.
Subsequent events	<ul style="list-style-type: none"> • Enquiry of the Audit Committee where appropriate regarding whether any subsequent events have occurred that might affect the financial statements. 	Audit results report – February 2021 Audit Committee.
Fraud	<ul style="list-style-type: none"> • Enquiries of the Audit Committee to determine whether they have knowledge of any actual, suspected or alleged fraud affecting the Authority • Any fraud that we have identified or information we have obtained that indicates that a fraud may exist • Unless all of those charged with governance are involved in managing the Authority, any identified or suspected fraud involving: <ol style="list-style-type: none"> a. Management; b. Employees who have significant roles in internal control; or c. Others where the fraud results in a material misstatement in the financial statements. • The nature, timing and extent of audit procedures necessary to complete the audit when fraud involving management is suspected • Any other matters related to fraud, relevant to Audit Committee responsibility. 	Audit results report – February 2021 Audit Committee.

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Appendix B

		Our Reporting to you
Required communications	What is reported?	When and where
Related parties	<p>Significant matters arising during the audit in connection with the Authority's related parties including, when applicable:</p> <ul style="list-style-type: none"> • Non-disclosure by management • Inappropriate authorisation and approval of transactions • Disagreement over disclosures • Non-compliance with laws and regulations • Difficulty in identifying the party that ultimately controls the Authority 	Audit results report – February 2021 Audit Committee
Independence	<p>Communication of all significant facts and matters that bear on EY's, and all individuals involved in the audit, objectivity and independence.</p> <p>Communication of key elements of the audit engagement partner's consideration of independence and objectivity such as:</p> <ul style="list-style-type: none"> • The principal threats • Safeguards adopted and their effectiveness • An overall assessment of threats and safeguards • Information about the general policies and process within the firm to maintain objectivity and independence <p>Communications whenever significant judgments are made about threats to objectivity and independence and the appropriateness of safeguards put in place.</p>	<p>Audit planning report – June 2020 Audit Committee.</p> <p>Audit results report – February 2021 Audit Committee</p>

Appendix B

		Our Reporting to you
Required communications	What is reported?	When and where
External confirmations	<ul style="list-style-type: none"> Management's refusal for us to request confirmations Inability to obtain relevant and reliable audit evidence from other procedures. 	Audit results report – February 2021 Audit Committee
Consideration of laws and regulations 59	<ul style="list-style-type: none"> Subject to compliance with applicable regulations, matters involving identified or suspected non-compliance with laws and regulations, other than those which are clearly inconsequential and the implications thereof. Instances of suspected non-compliance may also include those that are brought to our attention that are expected to occur imminently or for which there is reason to believe that they may occur Enquiry of the Audit Committee into possible instances of non-compliance with laws and regulations that may have a material effect on the financial statements and that the Audit Committee may be aware of 	We have asked management and those charged with governance. We have not identified any material instances or non-compliance with laws and regulations.
Significant deficiencies in internal controls identified during the audit	<ul style="list-style-type: none"> Significant deficiencies in internal controls identified during the audit. 	Audit results report – February 2021 Audit Committee

Appendix B

		 Our Reporting to you
Required communications	 What is reported?	  When and where
Group Audits	<ul style="list-style-type: none"> • An overview of the type of work to be performed on the financial information of the components • An overview of the nature of the group audit team's planned involvement in the work to be performed by the component auditors on the financial information of significant components • Instances where the group audit team's evaluation of the work of a component auditor gave rise to a concern about the quality of that auditor's work • Any limitations on the group audit, for example, where the group engagement team's access to information may have been restricted • Fraud or suspected fraud involving group management, component management, employees who have significant roles in group-wide controls or others where the fraud resulted in a material misstatement of the group financial statements. 	<p>Audit planning report – June 2020 Audit Committee.</p> <p>Audit results report – February 2021 Audit Committee</p>
Written representations we are requesting from management and/or those charged with governance	<ul style="list-style-type: none"> • Written representations we are requesting from management and/or those charged with governance 	Audit results report – February 2021 Audit Committee
Material inconsistencies or misstatements of fact identified in other information which management has refused to revise	<ul style="list-style-type: none"> • Material inconsistencies or misstatements of fact identified in other information which management has refused to revise 	Audit results report – February 2021 Audit Committee
Auditors report	<ul style="list-style-type: none"> • Any circumstances identified that affect the form and content of our auditor's report 	Audit results report – February 2021 Audit Committee
Fee Reporting	<ul style="list-style-type: none"> • Breakdown of fee information when the audit planning report is agreed • Breakdown of fee information at the completion of the audit • Any non-audit work 	<p>Audit planning report – June 2020 Audit Committee.</p> <p>Audit results report – February 2021 Audit Committee</p>

Management representation letter

Management Representation Letter

[To be prepared on the entity's letterhead]

[Date]

Helen Thompson
Ernst & Young LLP
Grosvenor House,
Grosvenor Square,
Southampton
SO15 2BE,

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This letter of representations is provided in connection with your audit of the consolidated and council financial statements of the Wokingham Borough Council ("the Group and Council") for the year ended 31 March 2020. We recognise that obtaining representations from us concerning the information contained in this letter is a significant procedure in enabling you to form an opinion as to whether the consolidated and council financial statements give a true and fair view of the Group and Council financial position of the Wokingham Borough Council as of 31 March 2020 and of its financial performance (or operations) and its cash flows for the year then ended in accordance with, for the Group and Council, CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20.

We understand that the purpose of your audit of our consolidated and council financial statements is to express an opinion thereon and that your audit was conducted in accordance with International Standards on Auditing, which involves an examination of the accounting system, internal control and related data to the extent you considered necessary in the circumstances, and is not designed to identify - nor necessarily be expected to disclose - all fraud, shortages, errors and other irregularities, should any exist.

Accordingly, we make the following representations, which are true to the best of our knowledge and belief, having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves:

A. Financial Statements and Financial Records

1. We have fulfilled our responsibilities, under the relevant statutory authorities, for the preparation of the financial statements in accordance with, for the Group and Council, the Accounts and Audit Regulations 2015 and CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20.

2. We acknowledge, as members of management of the Group and Council, our responsibility for the fair presentation of the consolidated and council financial statements. We believe the consolidated and council financial statements referred to above give a true and fair view of the financial position, financial performance (or results of operations) and cash flows of the Group and Council in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20 and are free of material misstatements, including omissions. We have approved the consolidated and Council financial statements.

3. The significant accounting policies adopted in the preparation of the Group and Council financial statements are appropriately described in the Group and Council financial statements.

4. As members of management of the Group and Council, we believe that the Group and Council have a system of internal controls adequate to enable the preparation of accurate financial statements in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20 for the Group and Council that are free from material misstatement, whether due to fraud or error. We have disclosed to you any significant changes in our processes, controls, policies and procedures that we have made to address the effects of the COVID-19 pandemic on our system of internal controls.

5. We believe that the effects of any unadjusted audit differences, summarised in the accompanying schedule, accumulated by you during the current audit and pertaining to the latest period presented are immaterial, both individually and in

Management representation letter

Management Representation Letter

the aggregate, to the consolidated and council financial statements taken as a whole. We have not corrected these differences identified and brought to our attention by the auditor because [specify reasons for not correcting misstatement].

B. Non-compliance with law and regulations, including fraud

1. We acknowledge that we are responsible for determining that the Group and Council's activities are conducted in accordance with laws and regulations and that we are responsible for identifying and addressing any non-compliance with applicable laws and regulations, including fraud.

2. We acknowledge that we are responsible for the design, implementation and maintenance of internal controls to prevent and detect fraud.

3. We have disclosed to you the results of our assessment of the risk that the consolidated and Council financial statements may be materially misstated as a result of fraud.

4. We have no knowledge of any identified or suspected non-compliance with laws or regulations, including fraud that may have affected the Group or Council (regardless of the source or form and including without limitation, any allegations by "whistleblowers"), including non-compliance matters:

- involving financial statements;
- related to laws and regulations that have a direct effect on the determination of material amounts and disclosures in the consolidated or Council's financial statements;
- related to laws and regulations that have an indirect effect on amounts and disclosures in the financial statements, but compliance with which may be fundamental to the operations of the Group or Council's activities, its ability to continue to operate, or to avoid material penalties;
- involving management, or employees who have significant roles in internal controls, or others; or
- in relation to any allegations of fraud, suspected fraud or other non-compliance with laws and regulations communicated by employees, former employees,

analysts, regulators or others.

C. Information Provided and Completeness of Information and Transactions

1. We have provided you with:

- Access to all information of which we are aware that is relevant to the preparation of the financial statements such as records, documentation and other matters;
- Additional information that you have requested from us for the purpose of the audit; and
- Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.

2. All material transactions have been recorded in the accounting records and all material transactions, events and conditions are reflected in the consolidated and council financial statements, including those related to the COVID-19 pandemic.

3. We have made available to you all minutes of the meetings of the Group, and committees (or summaries of actions of recent meetings for which minutes have not yet been prepared) held through the year to the most recent meeting on the following date: [list date] and of the Council, and committees (or summaries of actions of recent meetings for which minutes have not yet been prepared) held through the year to the most recent meeting on the following date: [list date].

4. We confirm the completeness of information provided regarding the identification of related parties. We have disclosed to you the identity of the Group and Council's related parties and all related party relationships and transactions of which we are aware, including sales, purchases, loans, transfers of assets, liabilities and services, leasing arrangements, guarantees, non-monetary transactions and transactions for no consideration for the year ended, as well as related balances due to or from such parties at the year end. These transactions have been appropriately accounted for and disclosed in the consolidated and council financial statements.

5. We believe that the significant assumptions we used in making accounting estimates, including those measured at fair value, are reasonable.

Management representation letter

Management Representation Letter

6. We have disclosed to you, and the Group and Council has complied with, all aspects of contractual agreements that could have a material effect on the consolidated and council financial statements in the event of non-compliance, including all covenants, conditions or other requirements of all outstanding debt.

7. From the date of our last management representation letter dated 12 March 2020 through the date of this letter we have disclosed to you any unauthorised access to our information technology systems that either occurred or to the best of our knowledge is reasonably likely to have occurred based on our investigation, including of reports submitted to us by third parties (including regulatory agencies, law enforcement agencies and security consultants), to the extent that such unauthorised access to our information technology systems is reasonably likely to have a material impact to the financial statements, in each case or in the aggregate

D. Liabilities and Contingencies

1. All liabilities and contingencies, including those associated with guarantees, whether written or oral, have been disclosed to you and are appropriately reflected in the consolidated and council financial statements.

2. We have informed you of all outstanding and possible litigation and claims, whether or not they have been discussed with legal counsel.

3. We have recorded and/or disclosed, as appropriate, all liabilities related to litigation and claims, both actual and contingent, and have disclosed in Note 33 to the consolidated and council financial statements all guarantees that we have given to third parties.

E. Subsequent Events

1. There have been no subsequent events, including events related to the COVID-19 pandemic, subsequent to year end which require adjustment of or disclosure in the consolidated and council financial statements or notes thereto.

F. Group audits

1. Necessary adjustments have been made to eliminate all material intra-group transactions amongst council and its subsidiary undertakings.

G. Other information

1. We acknowledge our responsibility for the preparation of the other information. The other information comprises Narrative Statement and Annual Governance Statement.

2. We confirm that the content contained within the other information is consistent with the financial statements.

H. Going Concern

1. **Note x** to the consolidated and Council financial statements discloses all the matters of which we are aware that are relevant to the Group and Council's ability to continue as a going concern, including significant conditions and events, our plans for future action, and the feasibility of those plans.

I. Ownership of Assets

1. Except for assets recognised as right-of-use assets in accordance with IFRS 16 Leases, the Group and Council has satisfactory title to all assets appearing in the balance sheet(s), and there are no liens or encumbrances on the Group and Council's assets, nor has any asset been pledged as collateral. All assets to which the Group and Council has satisfactory title appear in the balance sheet.

J. Reserves

1. We have properly recorded or disclosed in the consolidated and Council financial statements the useable and unusable reserves.

Management representation letter

Management Representation Letter

K. Contingent Liabilities

We are unaware of any violations or possible violations of laws or regulations the effects of which should be considered for disclosure in the consolidated and council financial statements or as the basis of recording a contingent loss (other than those disclosed or accrued in the consolidated and council financial statements).

We are unaware of any known or probable instances of non-compliance with the requirements of regulatory or governmental authorities, including their financial reporting requirements, and there have been no communications from regulatory agencies or government representatives concerning investigations or allegations of non-compliance, except as follows:

(1) Matters of routine, normal, recurring nature (e.g., examinations by bank and insurance examiners and examinations by taxing authorities none of which involves any allegations of non-compliance with laws or regulations that should be considered for disclosure in the consolidated and council financial statements or as a basis for recording a loss contingency.

L. Use of the Work of a Specialist

1. We agree with the findings of the specialists that we engaged to evaluate the valuation of land, buildings and investment properties, and a pensions specialist to evaluate the IAS 19 pension entries and have adequately considered the qualifications of the specialists in determining the amounts and disclosures included in the consolidated and council financial statements and the underlying accounting records. We did not give or cause any instructions to be given to the specialists with respect to the values or amounts derived in an attempt to bias their work, and we are not otherwise aware of any matters that have had an effect on the independence or objectivity of the specialists.

M. Estimates

Valuation of Land, Buildings and Investment Properties Estimate

1. We believe that the measurement processes, including related assumptions and models, used to determine the accounting estimate has been consistently applied and are appropriate in the context of CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20.

2. We confirm that the significant assumptions used in making the valuation of land, buildings and investment properties estimate appropriately reflect our intent and ability to provide a valuation for these assets in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20

Public Finance Initiative (PFI) Estimate

1. We believe that the measurement processes, including related assumptions and models, used to determine the accounting estimate has been consistently applied and are appropriate in the context of CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20.

2. We confirm that the significant assumptions used in making the PFI estimate appropriately reflect our intent and ability to provide a valuation for these assets in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20

IAS 19 Pensions Liability Estimate

1. We believe that the measurement processes, including related assumptions and models, used to determine the accounting estimate has been consistently applied and are appropriate in the context of CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20.

Management representation letter

Management Representation Letter

2. We confirm that the significant assumptions used in making the IAS 19 Pensions Liability estimate appropriately reflect our intent and ability to provide a valuation for these assets in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20

We confirm that the disclosures made in the consolidated and Council financial statements with respect to the accounting estimates is complete, including the effects of the COVID-19 pandemic on the valuation and made in accordance with CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20.

We confirm that no adjustments are required to the accounting estimates and disclosures in the consolidated and Council financial statements due to subsequent events.

N. Retirement benefits

1. On the basis of the process established by us and having made appropriate enquiries, we are satisfied that the actuarial assumptions underlying the scheme liabilities are consistent with our knowledge of the business. All significant retirement benefits and all settlements and curtailments have been identified and properly accounted for.

Yours faithfully,

(Deputy Chief Executive & S151 Officer)

(Chairman of the Audit Committee)

Scoping of the group audit

We report on the scope of the audit of each of the Authority's subsidiaries below.

Scope of the audit of the Authority's subsidiaries

Our audit approach is risk based. The table below sets out the scoping details of all of the Authority's subsidiaries. We set audit scopes for each subsidiary which, when taken together, enables us to form an opinion on the group accounts. We take into account the size, risk profile, changes in the business environment, and other factors when assessing the level of work to be performed for each component.

Detailed scoping

In scope entities	Audit scope	Rationale	Statutory audit performed by	Current year rationale for scoping	
				Size	Risk
99 Optalis Ltd	Full scope	Optalis is a full scope audit as it is significant in size with service expenditure of £47.1 million which is 13.5% of group spend.	Hazlewoods Ltd	Yes	Yes
WBC (Holdings) Ltd including: <ul style="list-style-type: none"> Wokingham Housing, Loddon Homes Berry Brook Homes 	Specific scope	<p>Specific scope audit as the only material income is for housing at £7.355m. Debtors at £15.1 million. Also, material balances for:</p> <ul style="list-style-type: none"> Wokingham Housing: Current assets of £5.7m Loddon Homes: PPE of £22.7 m and Long Term liabilities of £20.7 m. Berry Brook Homes: PPE of £25.5m and Long Term Liabilities of £25.4m. 	Haslers Ltd	No	Yes

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ED None

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TITLE	Statement of Accounts 2019-20
FOR CONSIDERATION BY	Audit Committee on Monday 22 March 2021
WARD	None Specific;
LEAD OFFICER	Deputy Chief Executive - Graham Ebers
LEAD MEMBER	Executive Member for Finance and Housing - John Kaiser

PURPOSE OF REPORT (INC STRATEGIC OUTCOMES)

This report is to introduce the annual Statement of Accounts for the financial year 2019-20 in preparation for signing post-audit by the external auditors.

RECOMMENDATION

That the Committee:

- 1) Review the annual Statement of Accounts in conjunction with Annual Audit Report produced by the external auditor (EY) to ensure the accounts have been compiled correctly and in accordance with the Council's accounting policies (contained with the Statement).
- 2) Note that accounts are substantially complete except for a review of the work of the external auditors of the Berkshire Pension Fund,
- 3) Note that EY need to complete their internal consultation around the going concern disclosures and proposed emphasis of matter in relation to the material uncertainty caveat attached to the property valuations undertaken at 31 March 2020.
- 4) Delegate to the Chair of the Committee the authority to sign the Statement of Accounts and the Letter of Representation subject to there being no significant changes from the final review by the external auditors.

SUMMARY

Audit Committee is charged with reviewing the annual Statement of Accounts and ensuring that they have been compiled in accordance with the Council's accounting policies. The accounts are compiled under International Financial Reporting Standards (IFRS) as amended by the CIPFA Code of Practice for Local Authorities (the 'Code'). The reason why the accounts differ from standard private sector accounts under IFRS is that certain items in the accounts have to be reported differently to negate the in-year impact on local taxpayers.

In reviewing the accounts, the Committee is expected to place reliance on the Annual Audit Report from Ernst Young (EY), who are the appointed external auditors for the Council. This report is on the same agenda. The EY review is to ensure the numbers in the report are materially free from error or mis-statement and also to ensure the Council's officers have compiled the accounts in accordance with the 'Code'.

As there is an item outstanding in the accounts which is the final assurance from the Berkshire Pension Fund auditors, it is not possible confirm the final Audit Report and thus the accounts themselves. Committee is therefore asked to approve delegation to the Chair to sign the accounts once the final Audit Report is received (subject to there being no significant amendments).

The external auditors also need to complete their internal consultation around the going concern disclosures and proposed emphasis of matter in relation to the material uncertainty caveat attached to the property valuations undertaken at 31 March 2020.

The Committee is also asked to note the Letter of Representation that the Council is to provide and approve delegation to the Chair to also sign this letter.

Committee should note that the Statement of Accounts and the Letter of Representation will also be signed by the Councils Deputy Chief Executive as Chief Financial Officer.

There will be a signed audit summary from EY in the final published accounts.

FINANCIAL IMPLICATIONS OF THE RECOMMENDATION

The Council faces severe funding pressures, particularly in the face of the COVID-19 crisis. It is therefore imperative that Council resources are focused on the vulnerable and on its highest priorities.

	How much will it Cost/ (Save)	Is there sufficient funding – if not quantify the Shortfall	Revenue or Capital?
Current Financial Year (Year 1)	Not applicable		
Next Financial Year (Year 2)	Not applicable		
Following Financial Year (Year 3)	Not applicable		

Other Financial Information

- None

Stakeholder Considerations and Consultation

None

Public Sector Equality Duty

This is a statutory report and is not requesting any funding or service changes that would impact on any members of the community and thus has no equalities impact.

Climate Emergency – This Council has declared a climate emergency and is committed to playing as full a role as possible – leading by example as well as by exhortation – in achieving a carbon neutral Wokingham Borough by 2030

Not applicable

Reasons for considering the report in Part 2

Not applicable

List of Background Papers

None

Contact Bob Watson – Assistant Director Finance	Service Finance
Telephone Tel: 0118 974 6151 07801 664389	Email bob.watson@wokingham.gov.uk

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INFORMATION FOR AUDIT COMMITTEE ON 22 MARCH 2021

Financial Accounts 2019/20 - Adjustments from Draft Accounts

The following pages summarise the financial adjustments identified since the draft accounts were produced at the end of August 2020.

For the purposes of updating the Committee of the changes, these have been summarised and shown across the four main financial statements.

- COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT
- MOVEMENT IN RESERVES STATEMENT
- BALANCE SHEET
- CASH FLOW STATEMENT

The associated notes have not been updated and will be once all adjustments have been agreed with the auditors.

There are currently two areas of adjustments which remain outstanding and are in final discussions with our auditors, these include;

- 1) Asset Valuations - there are currently a number of revaluation differences identified between the Council and the auditors. These include updated valuation of depreciated replacement cost (DRC) assets, valuation of shared equity and leasehold council dwellings, revaluation of assets that have recently become operational assets after moving from assets under construction, updated revaluation of economic and regeneration assets with a 31st March 20 valuation rather than the Council's valuation policy of 1st April 19 for property, plant & equipment. The Council estimate these adjustments will result in a downward revaluation in the region of 4% to 5% (£45m - £50m).
- 2) Asset Valuations on Group Consolidation - under the CIPFA code, upon group consolidation, the accounting policies of the subsidiary companies must be aligned to the Council's accounting policies. The main area this affects is the asset valuation method used by the subsidiary companies compared to the valuation methods used by the Council. The Council estimate this adjustment to be approx. £15m reduction in the asset values upon consolidation.

Once these adjustments have been agreed with the auditors, the four main financial statements will be updated, the group balances will also be updated and finally all the supporting notes to the accounts will be updated to include the changes.

Financial Accounts 2019/20 - Adjustments from Draft Accounts

COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

		Adj. 1	Adj. 2	Adj. 3	Adj. 4	Adj. 5	Adj. 6	Final Accounts	
	Draft Accounts	Miscode of Pension Interest	Impact from revised Pension report	Flexible Use Policy - Treat spend as REFCUS rather than AUC	Recognise funding of a grant to Subsidiary as direct revenue funding rather than REFCUS funding	Clear off miscodes / unreconciled items on debtors balances	Clear off miscodes / unreconciled items on creditors balances		
	£,000	£,000	£,000	£,000	£,000	£,000	£,000	£,000	
	Cost of Services								
	Gross Expenditure	313,577	370	0	1,333	0	572	20	315,872
	Gross Income	(190,925)	0	0	0	6,700	0	(403)	(184,628)
	Net Expenditure	122,652	370	0	1,333	6,700	572	(382)	131,244
	Other Operating Expenditure (Note 8)	20,385	0	0	0	0	0	0	20,385
74	Financing and Investment Income and Expenditure (Note 9)	12,675	(370)	0	0	0	0	0	12,305
	Taxation and Non-specific Grant Income (Note 10)	(193,088)	0	0	0	(6,700)	0	0	(199,788)
	(Surplus) or Deficit on Provision of Services	(37,376)	0	0	1,333	0	572	(382)	(35,854)
	(Surplus) or Deficit on Revaluation of Property, Plant and Equipment Assets charged to the revaluation reserve	(63,791)	0	0	0	0	0	0	(63,791)
	Actuarial (Gains) / Losses on Pension Assets / Liabilities	(54,360)	0	7,775	0	0	0	0	(46,585)
	Other Comprehensive Income and Expenditure	(118,151)	0	7,775	0	0	0	0	(110,376)
	Total Comprehensive Income and Expenditure	(155,527)	0	7,775	1,333	0	572	(382)	(146,230)

Financial Accounts 2019/20 - Adjustments from Draft Accounts

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 WBC Usable Reserves	WBC Unusable Reserves	Total WBC Reserves
	£,000	£,000	£,000	£,000	£,000	£,000	£,000	£,000	£,000	£,000
Draft Accounts - Balance at 31st March 2020 carried forward	(£12,430)	(£91,523)	(£2,091)	(£381)	(£2,386)	(£1,558)	(£22,254)	(£132,623)	(£422,767)	(£555,390)
(Surplus) or Deficit on the Provision of Services										
- Adj. 3 - Flexible Use Policy - Treat spend as REFCUS rather than AUC	£1,333	£0	£0	£0	£0	£0	£0	£1,333	£0	£1,333
- Adj. 5 - Clear off miscodes / unreconciled items on debtors balances	£572	£0	£0	£0	£0	£0	£0	£572	£0	£572
- Adj. 6 - Clear off miscodes / unreconciled items on creditors balances	(£382)	£0	£0	£0	£0	£0	£0	(£382)	£0	(£382)
Other Comprehensive Income and Expenditure										
- Adj. 2 - Impact from revised Pension report	£0	£0	£0	£0	£0	£0	£0	£0	£7,775	£7,775
								£0		£0
Adjustments between Accounting Basis & Funding Basis under Regulations (note 5)								£0		£0
- Adj. 3 - Flexible Use Policy - Treat spend as REFCUS rather than AUC	(£1,333)	£0	£0	£0	£0	£0	£0	(£1,333)	£1,333	£0
Transfers to/from Earmarked Reserves (Note 6)										
Final Accounts - Balance at 31st March 2020 carried forward	(£12,241)	(£91,523)	(£2,091)	(£381)	(£2,386)	(£1,558)	(£22,254)	(£132,434)	(£413,659)	(£546,093)

Financial Accounts 2019/20 - Adjustments from Draft Accounts

BALANCE SHEET

	Draft Accounts	Adj. 2	Adj. 3	Adj. 5	Adj. 6	Adj. 8	Adj. 9	Adj. 10	Adj. 11	Final Accounts
	£,000	Impact from revised Pension report	Flexible Use Policy - Treat spend as REFUS rather than AUC	Clear off miscodes / unreconciled items on debtors balances	Clear off miscodes / unreconciled items on creditors balances	Reclass-ification of investment from short term to long term	Reclass-ification of investment interest from debtors to investment	Reclass-ification of interest owed from creditors to borrowing	Recognition of 3rd party deposit accounts	£,000
Property, Plant & Equipment	1,039,608		(1,333)							1,038,275
Investment Property	34,201									34,201
Intangible Assets	6,346									6,346
Long Term Investments	30,000					5,000				35,000
Long Term Debtors	20,045									20,045
Long Term Assets	1,130,200	0	(1,333)	0	0	5,000	0	0	0	1,133,867
Short Term Investments	44,991					(5,000)	515			40,506
Assets Held for Sale	0									0
Inventories	0									0
Short Term Debtors	32,857			(572)	(690)		(515)			31,080
Cash and Cash Equivalents	60,319								284	60,603
Current Assets	138,167	0	0	(572)	(690)	(5,000)	0	0	284	132,190
Cash and Cash Equivalents	(1,995)									(1,995)
Short Term Borrowing	(63,482)							(299)		(63,781)
Short Term Creditors	(57,973)				1,072			299	(284)	(56,886)
Provisions	(7,858)									(7,858)
Current Liabilities	(131,308)	0	0	0	1,072	0	0	0	(284)	(130,520)
Long Term Borrowing	(216,030)									(216,030)
Long Term Creditors	(6,101)									(6,101)
PFI and Finance Lease Liabilities	(8,149)									(8,149)
Pensions Liability	(251,826)	(7,775)								(259,601)
Capital Grants and Contributions Receipts in Advance	(99,563)									(99,563)
Long Term Liabilities	(581,669)	(7,775)	0	0	0	0	0	0	0	(589,444)
Net Assets	555,390	(7,775)	(1,333)	(572)	382	0	0	0	0	546,093
Usable Reserves	(132,623)			572	(382)					(132,434)
Unusable Reserves	(422,767)	7,775	1,333							(413,659)
Total Reserves	(555,390)	7,775	1,333	572	(382)	0	0	0	0	(546,093)

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Financial Accounts 2019/20 - Adjustments from Draft Accounts

CASH FLOW STATEMENT

	Adj. 3	Adj. 5	Adj. 6	Adj. 8	Adj. 9	Adj. 10	Adj. 11	Final Accounts
Draft Accounts	Flexible Use Policy - Treat spend as REFCUS rather than AUC	Clear off miscodes / unreconciled items on debtors balances	Clear off miscodes / unreconciled items on creditors balances	Reclass-ification of investment from short term to long term	Reclass-ification of investment interest from debtors to investment	Reclass-ification of interest owed from creditors to borrowing	Recognition of 3rd party deposit accounts	
£,000	£,000	£,000	£,000	£,000	£,000	£,000	£,000	£,000
Net Surplus or (Deficit) on the Provision of Services	37,376	(1,333)	(572)	382	0	0	0	35,854
Adjustments to Net Surplus or Deficit on the Provision of Services for Non-cash Movements	74,263	0	572	(382)	0	515	(299)	74,953
Adjustments for Items Included in the Net Surplus or Deficit on the Provision of Services that are Investing or Financing Activities								0
- Proceeds from disposal of property, plant and equipment, investment property and intangible assets and other capital receipts	(1,745)	0	0	0	0	0	0	(1,745)
- Capital grants and contributions	(59,279)	0	0	0	0	0	0	(59,279)
Net Cash Flows from Operating Activities	50,615	(1,333)	0	0	0	515	(299)	49,783
Investing Activities	(100,256)	1,333	0	0	0	(515)	0	(99,438)
Financing Activities	58,123	0	0	0	0	299	0	58,422
Net Increase or (Decrease) in Cash and Cash Equivalents	8,482	0	0	0	0	0	284	8,766
Cash and Cash Equivalents at the Beginning of the Reporting Period	49,842							49,842
Cash and Cash Equivalents at the End of the Reporting Period	58,324	0	0	0	0	0	284	58,608

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WOKINGHAM

Borough Council

Statement of Accounts

For the Year Ended 31 March 2020

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1. NARRATIVE REPORT

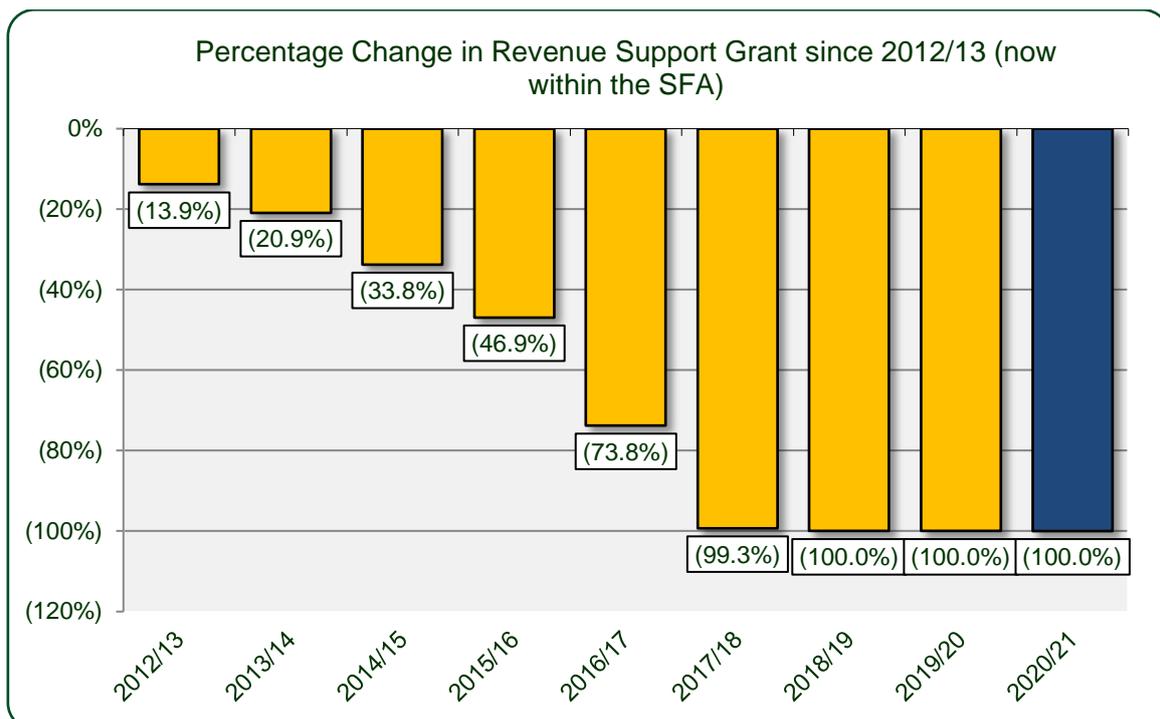
Organisational structure

Wokingham Borough Council delivers a wide range of services for the residents and businesses in Wokingham including education, environmental health, highways, housing, leisure, libraries, planning, social care, transport and waste collection and disposal. The Council is made up of 54 elected Councillors representing 25 wards across the borough, one of whom is elected as Leader. The Leader appoints up to 10 Councillors who make up the Executive which is responsible for the development and implementation of policy on behalf of the Council. Decisions made by the Executive are scrutinised by a number of Overview and Scrutiny Committees.

Officers are employees of the Council, and give advice to elected Councillors, implement decisions and manage the day to day delivery of services. The Corporate Leadership Team is made up of the Chief Executive, and other senior employees, as shown in note 14. The Directors report to the Chief Executive and have responsibility for delivering services.

Financial context

The percentage changes in Government Funding since 2012/13 are shown below. Following the December 2010 Local Government Finance Settlement, Wokingham suffered a reduction in RSG for the first time in 2011/12, that is followed by reductions cumulatively as shown in the graph below. In 2018/19 and 2019/20 RSG had reduced to zero. It was expected that by 2019/20 the grant would be cut still further with some authorities required to pay a 'negative RSG'. However, following consistent representations made by this authority, we have been informed again through the finance settlement that negative RSG will not be enacted in 2020/21 (similar to 2019/20). The funding position is unclear from 2021/22 onwards and Wokingham will need to continue to make representations with regard to the new methodology for financing local authorities to ensure we secure a fair and viable ongoing funding settlement from the Government.



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

Covid-19 Pandemic

Leading up to the Covid-19 pandemic, the Council had a strong financial standing. Achieved through good financial management, the Council has built up financial resilience and sustainability, despite years of austerity from Central Government funding. However, like all councils across the country, Wokingham have been impacted by the Covid-19 pandemic. This unprecedented event has had immediate financial implications (for example spend on PPE to support the local community, loss of income from closed services) and has longer lasting financial implications (health of national / local economy). Central Government have been pro-active in supporting Local Authorities with emergency funding and upfront grant payments to ease cashflow.

With regards to the response of the pandemic, the Council took immediate action to set up robust, enhanced financial monitoring and reporting. Financial trackers were introduced across all Directorates with a Council wide tracker developed at both a summary level and a detail level. The Council's finance team have prioritised the monitoring of the financial impact, working closely with all services across the Council to understand the implications. This has been a complex task, not least with the situation emerging on a daily basis at a national level but also the significant impact the pandemic has had across all services of the Council.

As the pandemic looks to be moving into the recovery phase, the financial monitoring and reporting has continued, and now further work is underway to understand the longer term financial implications beyond the 20/21 financial year. Implications will need to be considered as part of budget setting for the 21/22 financial year.

Further information regarding the financial impact from Covid-19 can be found in the quarter one Executive monitoring reports available on the Council's website, <https://wokingham.moderngov.co.uk/documents/g3669/Public%20reports%20pack%2030th-Jul-2020%2019.00%20Executive.pdf?T=10>

The financial impact from Covid-19 has improved from the position reported in quarter one. The latest update is available in the quarter three Executive monitoring report available on the Council's website, <https://wokingham.moderngov.co.uk/ieListDocuments.aspx?CId=129&MId=3673&Ver=4>

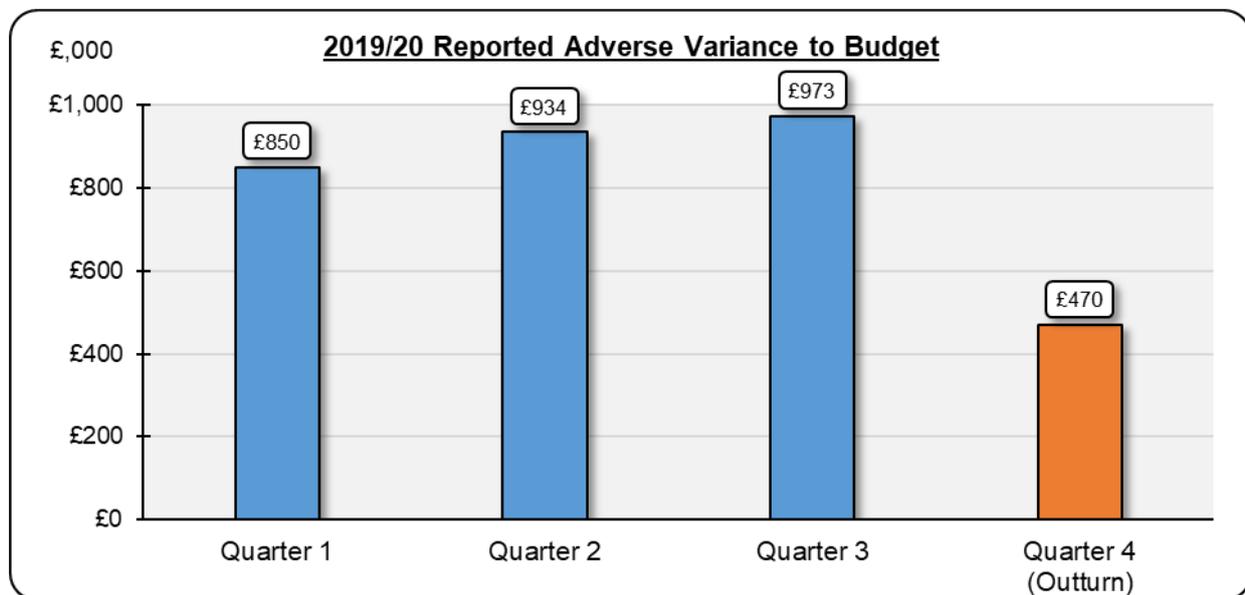
General fund service expenditure 2019/20

The Council approved a revenue budget of £134.3m (£121.2m expenditure plus £13.1m depreciation) at its meeting on 21 February 2019. The following table analyses Wokingham Borough Council's actual outturn compared to its budgeted net expenditure by directorate, as at 31 March 2020, and reported to the Council's Executive on 28 May 2020 (see link below). The approved budget figures shown below include agreed carry forwards from 2018/19 as well as supplementary estimates totalling c£1.0m approved during 2019/20.

For more information, see the Council's revenue monitoring outturn report:

<https://wokingham.moderngov.co.uk/ieListDocuments.aspx?CId=129&MId=3400&Ver=4>

Directorate	End of year position		
	Approved budget	Actual spend	(Favourable) / adverse variance
	£,000	£,000	£,000
Adult Social Services	49,994	49,553	(441)
Chief Executive	6,234	6,354	120
Children's Services	26,384	28,483	2,099
Corporate Services	13,443	12,609	(834)
Customer & Localities	28,209	27,735	(474)
Net Expenditure (including carry forwards to 2020/21)	124,264	124,734	470



The end of year position represents an adverse variance of £470k on the General Fund, however this is a favourable movement of £0.5m from the forecast position reported to Executive in January 2020. For more information see the Council's revenue monitoring as at the end of December 2019, see:

<https://wokingham.moderngov.co.uk/ieListDocuments.aspx?CId=129&MId=3339&Ver=4>

Material areas of favourable / adverse variances include:

- Adult Social Services – net favourable variance of £441k. Most of the underspend consists of one-off benefit, including backdated income from health and one-off income from Optalis. Through 2019/20 the service has enhanced the financial monitoring and control of budgets. This has contributed to the containment of the increasing cost of care and numbers of clients entering the service. Improvements made through the Adult Social Care transformation programme together with achieving savings has enabled delivery of better outcomes for clients whilst staying within the overall budget.
- Chief Executive – net adverse variance of £120k. Unbudgeted one-off costs due to redundancy pay and other specialist / consultancy services spend.
- Children’s Services – net adverse variance of £2.1m. This reflects demand led pressures in Children’s social care staffing budgets (£0.8m), and significant pressures in both placements (£1.3m) and legal costs (£0.6m). In addition, the Service has experienced significant pressures on Home to School Transport budgets, particularly in relation to children and young people with special educational needs and disabilities (SEND) (£0.6m). Pressures have in part been offset through mitigating actions taken by Children’s Leadership Team (£1.2m), through a combination of dragging vacancies not related to case holding social workers, slowing spend in non-statutory areas, and utilising non-recurring budget opportunities.
- Corporate Services – net favourable variance of £834k due to additional income from commercial properties and savings in debt management costs due to delayed external borrowing costs. One off costs in relation to decanting tenant for Toutley site masterplan.
- Customer and Localities – net favourable variance of £474k. The management team have worked in conjunction with the finance specialists to tighten up budgetary spend, delivering cost reductions where possible and increasing income targets in order to keep within overall budget. Furthermore, efficiencies have been derived from the delivery of the new waste management contract, particularly with regard to the introduction of food waste collection, and the resulting reduction in residual waste.

Capital expenditure in 2019/20

The Council continues to invest in its asset base in order to improve services to residents and to support the financial sustainability of the organisation. Capital expenditure in the year totalled £171.3m (2018/19 £132.2m) as set out in report to the Council’s Executive on 28 May 2020.

See the capital programme outturn report for more information:

<https://wokingham.moderngov.co.uk/documents/g3400/Public%20reports%20pack%2028th-May-2020%2019.00%20Executive.pdf?T=10>

The major schemes in 2019/20 were:

Asset type	£,000
Investment Properties	43,116
Roads and Highways	40,894
Town Centre Regeneration	27,375
Residential Real Estate	25,678
Leisure Facilities	11,205
School	7,366
Non-Residential Real Estate	4,085

Plant and Equipment	3,973
Information Technology	3,475
Bridges	2,782
Sport / Play Area	1,056
Street Furniture including Street Lighting	250
Furniture, Fixtures and Equipment	47
Land	20

The Council's capital expenditure was financed through a mixture of capital receipts, developer contributions, third party contributions and grant income, contributions from revenue, a mix of internal and external borrowing. In addition, the Council also financed previous year's capital expenditure through minimum revenue provision and HRA debt repayment. See Note 27 for further analysis of capital expenditure.

Wider Council performance

The Council's wider performance can be read about in the quarterly performance management report. A selection of information from the report is provided below.

- 88% of primary schools have a current Ofsted rating of good or better.
- 99% of early year's settings have a current Ofsted rating of good or better.
- The percentage of housing stock that meets the decent homes standard remains at 99% (Gorse Ride South and Tape Lane properties excluded).
- The council tax collection rate was 99.5%.
- 86% of residents were satisfied with their new homes.

Further information can be found on the Council's website

<https://wokingham.moderngov.co.uk/ieListDocuments.aspx?CId=142&MId=3844>

Pension fund

The Council records costs related to its pension schemes when they are earned by employees. However, the charge that the Council is required to make to the General Fund is based on the cash payable in the year. In accordance with International Accounting Standard (IAS) 19, the Council's balance sheet recognises a liability of £251.8m at 31 March 2020 (£291.3m at 31 March 2019). More information about the costs and accounting treatment for the Council's pension schemes is set out below and in Note 19.

Treasury management

Long term borrowing increased from £199.5m to £216.0m during the year. This planned increase is used to fund additional capital expenditure to support development in the borough.

The Council maintains cash reserves arising from grants received in advance, general fund and other reserves, and from cash flow management. Short term investments at 31 March 2020 were £44.9m (£53.4m at 31 March 2019). Cash and Cash Equivalents were £58.3m (£49.8m at 31 March 2019). Further information can be found in the Treasury Management outturn report:

<https://wokingham.moderngov.co.uk/documents/g3669/Public%20reports%20pack%2030th-Jul-2020%2019.00%20Executive.pdf?T=10>

Balance sheet

The Council's balance sheet at 31 March 2020 had long term assets of £1,130.2m, current assets (including cash and short term investments) of £138.6m, current liabilities of £131.3m, long-term liabilities of £581.7m (which includes net pension liabilities of £251.8m and the Council's long-term borrowing of £216.0m). In addition, the Council had usable reserves of £132.6m.

The net assets of the Council have increased by £155.5m, to £555.4m at 31 March 2020 from £399.9m at 31 March 2019. This is largely due to an increase in the value of the Council's long-term assets.

Housing revenue account (HRA)

The Council's Housing Revenue Account (HRA) achieved an operating surplus of £1.8m compared to a surplus of £0.8m in 2018/19. There was an increase in the surplus in 2019/20 due to reduced losses on disposal of HRA assets offset partly by an expected reduction in rental income. The surplus was used to fund capital expenditure and to repay debt, and after removing statutory accounting adjustments resulted in an overall decrease in the HRA balance of £0.7m.

HRA rental income was £14.2m in 2019/20, a decrease on the £14.6m achieved in 2018/19 attributable to the 1% reduction in rent in line with Central Government's compulsory 1% reduction in Social and Affordable rents. Expenditure on repairs and maintenance and housing management totalled £6.0m compared to £6.3m in 2018/19. Capital expenditure totalled £4.8m in 2019/20, largely on refurbishment and improvement works, compared to £9.7m in 2018/19.

Group accounts

The Council are in the fourth year of joint working with the Royal Borough of Windsor and Maidenhead (RBWM) through our company, Optalis. Jointly with the Royal Borough, WBC is able to control the operating, governance and financial policies of the organisation, and also able to appoint the board of directors of the company.

The Council's housing companies have continued to grow, with further development work increasing their net assets. Berry Brook Homes Ltd provides affordable, subsidised housing to rent in Wokingham Borough and it has grown substantially this year. Loddon Homes Ltd also provides social and affordable housing and is a for-profit registered provider. Wokingham Housing Limited is a housing developer providing high quality affordable, social and market homes for local people in Wokingham.

Key risks and opportunities

The Council's corporate leadership team (CLT) is responsible for identifying and managing the Council's risks and opportunities. CLT is also responsible for identifying, analysing and profiling high-level strategic and cross-cutting risks on a regular basis. The Council's corporate risk register is considered by the audit committee. The most significant risks identified in the report to audit committee in February 2020 include the safeguarding risks to vulnerable children, young people

and adults for with whom the council is working or has a responsibility for. Delivering the Council's special education needs role and working within Ofsted guidelines are also highlighted on the risk register. A wide range of policies, procedures, training and governance help control this risk, with further detail available in the documentation discussed at that meeting (link below). The other key risk is that the Council fails to deliver key investment priorities. The Council reviews its capital programme to reduce spend in line with receipts, closely monitor schemes, with regular updates on the capital programme reported to the Executive quarterly.

Link to report –

<https://wokingham.moderngov.co.uk/ieListDocuments.aspx?CId=129&MId=3270&Ver=4>

Risks are reviewed and quantified as part of the financial planning processes. This analysis is available within the Council's medium term financial plan (MTFP) approved at annual budget-setting Council in February each year and is available at

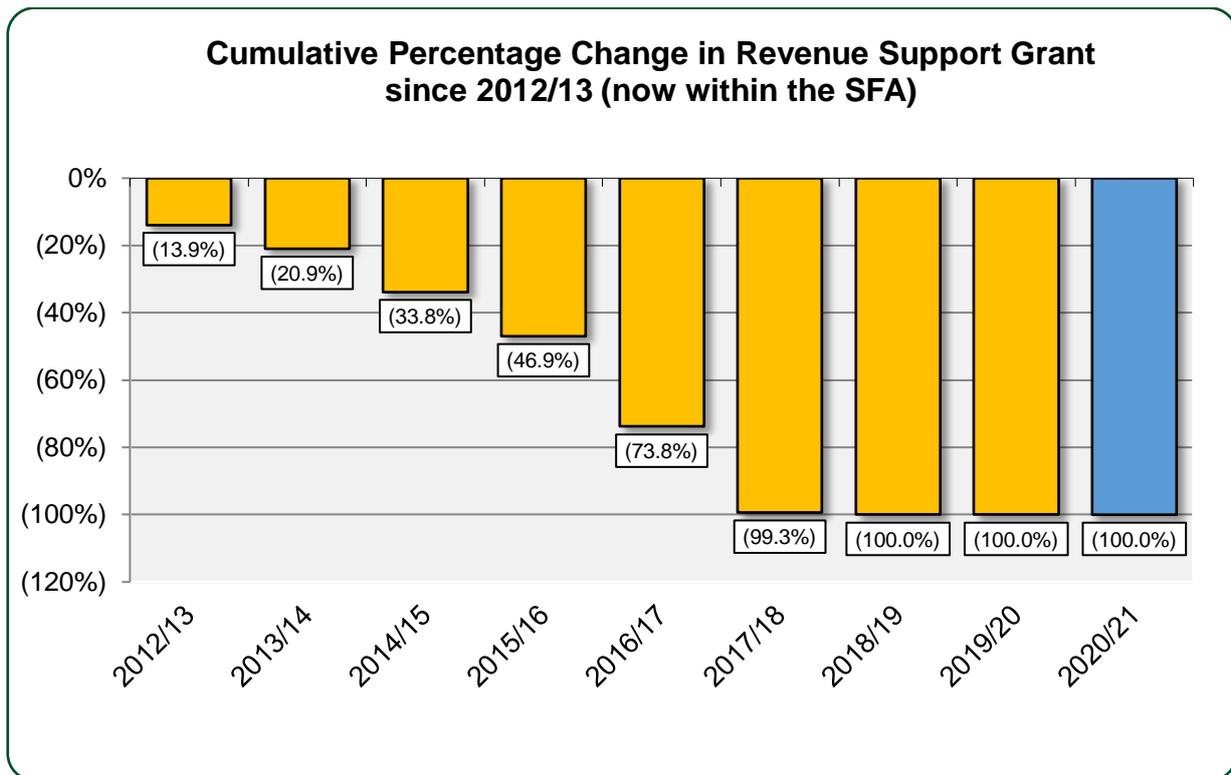
<http://www.wokingham.gov.uk/council-and-meetings/open-data/plans-policies-and-strategies/?categoryesct191f252ff-550d-4cfa-a838-92ef2cb5f83c=7742>

The Council continues to review opportunities for improvement and service development, most recently including the 21st Century council programme, looking to transform the way the Council operates and improve the availability of Council services through digital channels, enable residents to track the progress of their issue as it is resolved more efficiently by the Council, a greater focus on problem-solving and customer responsiveness, and a leaner, more effective and efficient Council costing significantly less to run. This programme has evolved and is now referred to as the Continuous Improvement Programme.

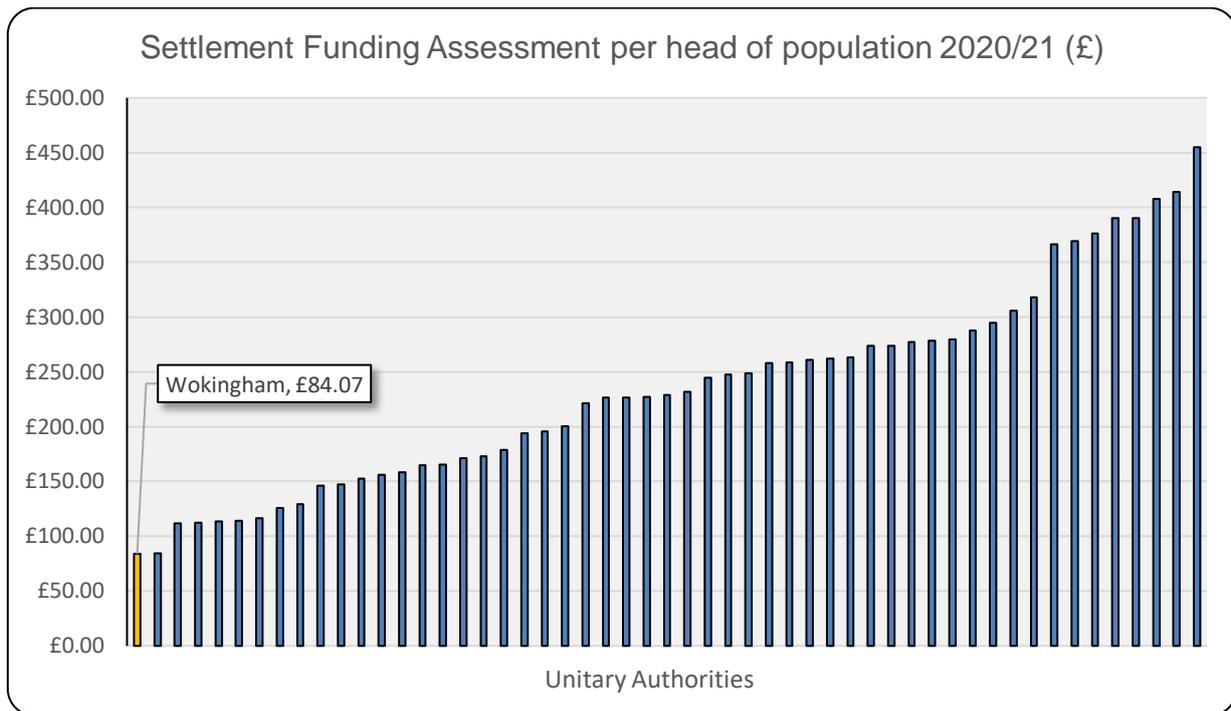
Future financial outlook

The overall financial climate continues to be uncertain and is expected to remain so for a number of years. Wokingham, as one of the lowest funded English unitary authorities, will face a particularly difficult challenge. The Council has pressures arising from reductions in Revenue Support Grant which were forecast to be negative in 2020/21 (i.e.: the Council has to contribute funds back to Central Government), however, it was announced during the finance settlement in December 2019 that there would be no negative grant payments for Councils. This means that there is much uncertainty around future settlements in terms of duration and the actual amount of funding Wokingham will receive. This uncertainty in funding comes at the same time as needing to meet the cost of extra pressures on statutory services such as adult social care, waste collection and disposal, highways and overall population and demographic growth.

The graph below shows the cumulative impact of reductions in grant funding for Wokingham.



In addition to the grant received, the Council also receives business rates income, which together forms the settlement funding assessment. The chart below compares Wokingham's settlement funding assessment per head of population in 2020/21 to all other unitary authorities, illustrating the low level of funding received by Wokingham. More detailed analysis of the financial context is available in the latest medium term financial plan (MTFP) which is available at <http://www.wokingham.gov.uk/council-and-meetings/open-data/plans-policies-and-strategies/?assetdet91f252ff-550d-4cfa-a838-92ef2cb5f83c=474134&categoryesct91f252ff-550d-4cfa-a838-92ef2cb5f83c=7742>



Regeneration, investment and strategic developments

Although the Council faces significant financial pressures, it is continuing the development of Wokingham Town Centre to ensure that it remains an attractive location for businesses to locate, and for people to live in and visit for shopping and recreational purposes. In addition, the Council has identified four Strategic Development Locations (SDLs) where new housing and employment opportunities will be located. More recently, the Council has invested in commercial assets which generate much needed revenue income for the Council. The Council's Medium Term Financial Plan (MTFP) provides for considerable investment in these areas in 2020/21 and beyond.

Accounting developments for 2019/20

The most significant accounting developments for 2019/20 were expected to be IFRS 16 Leases. The implementation of the new standard has been delayed a further year and therefore does not impact on the 2019/20 financial accounts.

There are no other significant accounting developments for 2019/20. A full list of the Council's accounting policies is at chapter 11 of these accounts.

2. ANNUAL GOVERNANCE STATEMENT 2019/20

ANNUAL GOVERNANCE STATEMENT - 2019-20

Scope of Responsibility

Wokingham Borough Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards. It needs to ensure that public money is safeguarded, 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.

In meeting this overall responsibility, the Council must put in place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions, including arrangements for the management of risk.

The Council has adopted a code of corporate governance (last reviewed in June 2020) which is consistent with the principles of the CIPFA (Chartered Institute of Public Finance and Accounting)/IFAC (International Federation of Accountants): *International Framework: Good Governance in the Public Sector*.

This statement explains how the Council delivers good governance and reviews the effectiveness of these arrangements. It also meets the requirements of the Accounts and Audit Regulations (2015), as amended by the Accounts and Audit (Coronavirus) (Amendment) Regulations 2020, which require the council to conduct a review, at least once a year, on the effectiveness of its system of internal control and include an Annual Governance Statement reporting on the review with the Statement of Accounts.

The Purpose of the Governance Framework

The Governance Framework comprises the systems and processes, culture and values by which the Council is directed and controlled and its activities through which it accounts to, engages with and leads the community. It enables the Council to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost-effective services.

The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risks of failure to achieve policies, aims and objectives, and therefore provides reasonable assurance of effectiveness.

The system of internal control is based on an on-going process designed to identify and prioritise the risks to the achievement of the Council's policies, aims and objectives. The system is designed to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.

The Council's governance framework has been in place for the year ended 31 March 2020 and up to the date that the statement of accounts was approved.

The Governance Framework

At Wokingham Borough Council good governance is everyone's responsibility however the Leader of the Council and Chief Executive acknowledge their leadership role in relation to good governance.

The Council's governance framework has evolved over successive years and is defined in its *Local Code of Corporate Governance*. This is reviewed annually to ensure its continuing effectiveness with regard to the principles of the *International Framework: Good Governance in the Public Sector* in delivering good governance, which are:

- Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law.
- Ensuring openness and comprehensive stakeholder engagement.
- Defining outcomes in terms of sustainable economic, social and environmental benefits.
- Determining the interventions necessary to optimise the achievement of the intended outcomes.
- Developing the Council's capacity, including the capability of its leadership and the individuals within it.
- Managing risks and performance through robust internal control and strong financial management.
- Implementing good practices in transparency, reporting and audit, to deliver effective accountability.

A brief description of the key elements of Governance Framework in place at Wokingham Borough Council is included as Appendix A.

Review of Effectiveness

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 system of internal control is a significant part of the framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness.

The review of effectiveness is informed by the work of the senior managers within the council who have responsibility for the development and maintenance of the governance environment, the Chief Audit Executive's (Assistant Director-Governance) annual report, and by comments made by the external auditors and other review agencies and inspectorates.

The key elements of the review of effectiveness are:

- The council's internal management processes, such as performance monitoring and reporting; the staff performance appraisal framework; internal surveys of awareness of corporate policies; monitoring of policies, such as the corporate complaints and health and safety policies; and the corporate budget challenge process.
- The role of the Cabinet and committees, including overview & scrutiny panels, the Audit Committee and Standards Committee
- An annual self-assessment and management assurance statement signed by directors, confirming that the Code of Conduct, Financial Standing Orders, Financial Regulations and other corporate governance processes, e.g. Health & Safety, equalities duties, have operated as intended within their directorates throughout the year. This also includes the Council's trading companies.
- The work of the Council's overview & scrutiny panels.
- The work of EY, the Council's external auditor.
- The annual report of the Chief Audit Executive provides an opinion to members on the adequacy and effectiveness of the internal control system and on the adequacy and effectiveness of the council's risk management, control and governance process
- The work of the audit, governance and standards committee which includes responsibility for monitoring the development and operation of corporate governance in the council.
- Other review agencies and inspectorates, e.g. Ofsted, CQC, etc.

The review has been led by the Chief Audit Executive in collaboration with the Chief Executive, the Corporate Leadership Team and Directorate Leadership Teams.

The review has considered the following evidence:

- a) Management Assurance Statements – Each Director, in conjunction with their Assistant Directors, has completed a self-assessment covering the effectiveness of governance arrangements in their area. The self-assessments, which have been reviewed by Internal Audit, have been used to identify areas for improvement both at a service level and, where, applicable, corporate level and inclusion in the improvement plan at Appendix 2.
- b) The annual opinion of the Lead Specialist-Audit and Investigation, on the Council’s control framework, delivered to the Audit Committee, as the body charged with governance.
- c) Based upon the results of work undertaken during the year, it is the Lead Specialist overall opinion that the Council has an adequate and effective governance, risk management and control framework for 2019/20. Areas for improvement were identified in a number of reviews and action plans agreed with senior management to resolve the control / governance deficiencies identified.
- d) External audit reports issued and reports from other agencies and inspectorates.

The review has concluded that arrangements are fit for purpose and working effectively. A small number of governance issues have been identified and in order to further strengthen arrangements, an improvement plan to address these issues is set out in Appendix B.

18. Review of 2018-19 Governance Issues
Table 1

	Governance issue	Current status
AGS19 1	Internal Audits of the following areas concluding a third level of assurance indicating that a range of risk mitigation controls were incomplete and risks not effectively managed. Action plans are in place to improve these areas o Housing Rent o Debtors o Shared Building Services	Progress has been made in all three areas, with the 2019-20 internal audits identifying an improvement in the overall audit opinion for Housing Rent and Debtors, and the Shared Building Services key concerns were addressed, leading up to the ceasing of the shared arrangement with RBWM in April 2020.
AGS19 2	A delay in the implementation of the finance module for Technology Forge has limited the information of rental payments due impacting the effective management of the property portfolio.	Due to the priority of other corporate IT projects during 2019-20 this has progressed. The system should be ready for User Acceptance Testing at the end of July 2020 and with successful testing, this should be live in early August.
AGS19 3	In Children’s Services, staffing turnover and the use of agency staff has adversely impacted the service.	A permanent director and permanent ADs are now in place. Over the past 12 months, the use of agency staff has remained steady, however, the staff turnover dropped

		noticeably in 2019-20 Quarter 2 and this has been maintained.
AGS19 4	In Adult Social Care, the fragmented statutory pathway has meant a less effective service for residents. The Executive decision in June 2019 to transfer some functions from Optalis to the Council is designed to address this.	In November 2019 the transfer of functions and officers took place and helped mitigate the statutory pathway issues. During the year, governance has been further strengthened through recruitment to senior management roles.
AGS19 5	During the last year, the Council's senior leadership team has seen significant turnover and positions occupied by interim staff. However, all posts (Chief Executive and Director level) are now filled by permanent appointments.	An updated five directorate corporate structure was introduced in February 2020, and all posts are filled by permanent appointments.

19. **2019-20 Governance Issues**
Table 2

	Governance issue
AGS 20.1	HR Policies Use of Market Supplements and Honorariums across the organisation are not always in line with policy.
AGS 20.2	Public Sector Equality Duty The Council has made progress in 2019/20 with all key decisions taken in the context of Equality Impact Assessments. However, further embedding of the Public Sector Equality Duty is required including review of equality objectives.
AGS 20.3	Tree inspection The approach to tree inspection on the highway set out in the Wokingham Highways Inspection Policy (WHIP) was not in accordance with the Council's adopted Tree Inspection Framework (2016). The operational practice has since been addressed and now consistent with the existing policy but further work is underway to the review the existing policy.
AGS 20.4	Home to School Transport Appeals The Ombudsman recommended an appeal process be introduced for Home to School Transport appeals. This has since been put in place.
AGS 20.5	Property Development During 2019/20, the Council took over the management of former WHL development sites which has identified governance areas for improvement.
AGS 20.6	Local Code of Corporate Governance With the refresh of the Local Code of Corporate Governance, awareness needs to be embedded with officers and Members, including training.

Conclusion

The Chief Executive has identified the actions required to strengthen these areas of governance and will monitor their implementation.

Overall, the governance arrangements are substantially complete and generally effective but with some improvements required. This is a reflection of the Council's governance framework and the management assurance statements, together with assurances from the Shared Audit and Investigation work and External Audit, and supported by the systems and procedural controls in place against identified risks and mitigating treatment measures.

The Council therefore concludes that its governance arrangements are fit for purpose.

Signed:

**John Halsall,
Leader of the Council:**

Date: 2020

Susan Parsonage

Chief Executive:

Date: 2020

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 Deputy Chief Executive.
- 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 Deputy Chief Executive

The Deputy Chief Executive, in his capacity as the S151 Officer, is responsible for the preparation of the Council's Statement of Accounts for the year ended 31 March 2019 in accordance with proper practices as set out in the Chartered Institute of Public Finance and Accountancy (CIPFA) 2019/20 Code of Practice on Local Authority Accounting in United Kingdom (the Code).

In preparing this Statement of Accounts, the Deputy Chief Executive has:

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

I hereby certify that the Statement of Accounts presents a true and fair view of the financial position of Wokingham Borough Council at the accounting date and its income and expenditure for the year ended 31 March 2020.

Signature:

Signature:

Graham Ebers
Deputy Chief Executive
(s.151 officer)

Chairman of the Audit Committee

Date:

Date:

4. DRAFT AUDIT OPINION

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

To be added once the audit has been completed.

5. FINANCIAL STATEMENTS

The following financial statements include the Comprehensive Income and Expenditure Statement (CIES), the Movement in Reserves Statement (MiRS), the Balance Sheet (BS) and the Cash Flow Statement (CFS).

COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

Restated 2018/19			2019/20			
Gross Expenditure	Gross Income	Net Expenditure		Gross Expenditure	Gross Income	Net Expenditure
£,000	£,000	£,000		£,000	£,000	£,000
1,920	(105)	1,815	Chief Executive	2,885	(210)	2,675
46,679	(29,094)	17,585	Corporate Services	47,041	(27,474)	19,567
46,783	(23,201)	23,582	Customer and Localities Services	50,027	(21,932)	28,095
10,403	(15,242)	(4,839)	Housing Revenue Account	10,643	(15,231)	(4,588)
56,867	(12,170)	44,697	Adult Social Care	59,109	(9,838)	49,271
31,852	(4,024)	27,828	Children's Services	36,205	(4,417)	31,788
103,978	(102,297)	1,681	Children's Services - Schools Block	107,417	(102,981)	4,436
298,482	(186,133)	112,349	Cost of Services	313,327	(182,083)	131,244
		3,411	Other Operating Expenditure (Note 8)			20,385
		12,965	Financing and Investment Income and Expenditure (Note 9)			12,305
		(169,578)	Taxation and Non-specific Grant Income (Note 10)			(199,788)
		(40,853)	(Surplus) or Deficit on Provision of Services			(35,854)
		(2,455)	(Surplus) or Deficit on Revaluation of Property, Plant and Equipment Assets charged to the revaluation reserve			(63,791)
		(1,158)	Actuarial (Gains) / Losses on Pension Assets / Liabilities			(46,585)
		(3,613)	Other Comprehensive Income and Expenditure			(110,376)
		(44,466)	Total Comprehensive Income and Expenditure			(146,230)

GROUP COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

Note for Committee – all group balances will be updated once all adjustments have been agreed.

	Restated 2018/19			2019/20		
	Gross Expenditure	Gross Income	Net Expenditure	Gross Expenditure	Gross Income	Net Expenditure
	£,000	£,000	£,000	£,000	£,000	£,000
	1,920	(105)	1,815	2,885	(210)	2,675
	82,389	(64,005)	18,384	77,841	(72,830)	5,011
	46,783	(23,201)	23,582	49,756	(21,932)	27,824
66	10,403	(15,242)	(4,839)	10,643	(15,231)	(4,588)
	55,867	(12,170)	44,697	58,668	(9,839)	48,829
	31,852	(4,024)	27,828	35,313	(4,417)	30,896
	103,978	(102,297)	1,681	108,731	(104,294)	4,437
	334,192	(221,044)	113,148	343,837	(228,753)	115,084
			3,267			20,922
			13,164			13,057
			(173,612)			(193,088)
			(44,033)			(44,025)
			-			(4)
			(39,999)			(44,029)
			(2,455)			(63,791)
			(2,116)			(48,841)
			(4,571)			(112,632)
			(48,604)			(156,661)

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 WBC Usable Reserves	WBC Unusable Reserves	Total WBC Reserves	Total Group Usable Reserves	Unusable Group Reserves	Total Group Reserves
	£,000	£,000	£,000	£,000	£,000	£,000	£,000	£,000	£,000	£,000	£,000	£,000	£,000
Balance at 31st March, 2019 brought forward													
As previously reported	(8,828)	(71,024)	(2,783)	(2,257)	(5,379)	(2,227)	(29,614)	(122,112)	(277,751)	(399,863)	(119,063)	(272,160)	(391,223)
Prior year adjustment	-	-	-	-	-	-	-	-	-	-	-	(23,487)	(23,487)
As restated	(8,828)	(71,024)	(2,783)	(2,257)	(5,379)	(2,227)	(29,614)	(122,112)	(277,751)	(399,863)	(119,063)	(295,647)	(414,710)
Movement in Reserves during 2019/20:													
(Surplus) or Deficit on the Provision of Services	(34,047)	-	(1,807)	-	-	-	-	(35,854)	-	(35,854)	(44,029)	-	(44,029)
Other Comprehensive Income and Expenditure	-	-	-	-	-	-	-	-	(110,376)	(110,376)	-	(120,407)	(120,407)
Total Comprehensive Income and Expenditure	(34,047)	-	(1,807)	-	-	-	-	(35,854)	(110,376)	(146,230)	(44,029)	(120,407)	(164,436)
Adjustments between Accounting Basis & Funding Basis under Regulations (note 5)	11,168	-	2,369	-	2,993	669	7,360	24,558	(24,558)	-	26,761	(26,761)	-
Net (Increase) / Decrease before Transfers to Earmarked Reserves	(22,879)	-	561	-	2,993	669	7,360	(11,296)	(134,934)	(146,419)	(17,268)	(147,168)	(164,436)
Transfers to/from Earmarked Reserves (Note 6)	19,466	(20,499)	131	1,876	-	-	-	974	(974)	-	974	(974)	-
(Increase) / Decrease in 2019/20	(3,413)	(20,499)	692	1,876	2,993	669	7,360	(10,511)	(135,908)	(146,419)	(16,294)	(148,142)	(164,436)
Balance at 31st March 2020 carried forward	(12,241)	(91,523)	(2,091)	(381)	(2,386)	(1,558)	(22,254)	(132,434)	(413,659)	(546,093)	(135,357)	(443,789)	(579,146)

2018/19

	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 WBC Usable Reserves	WBC Unusable Reserves	Total WBC Reserves	Total Group Usable Reserves	Unusable Group Reserves	Total Group Reserves
	£,000	£,000	£,000	£,000	£,000	£,000	£,000	£,000	£,000	£,000	£,000	£,000	£,000
Balance at 31st March, 2018 brought forward													
As previously reported	(9,124)	(48,946)	(4,057)	(2,254)	(5,567)	(3,454)	(26,397)	(99,799)	(255,598)	(355,397)	(97,160)	(249,493)	(346,653)
Prior year adjustment	-	-	-	-	-	-	-	-	-	-	-	(19,453)	(19,453)
As restated	(9,124)	(48,496)	(4,057)	(2,254)	(5,567)	(3,454)	(26,397)	(99,799)	(255,598)	(355,397)	(97,160)	(268,946)	(366,106)
Movement in Reserves during 2018/19:													
(Surplus) or Deficit on the Provision of Services	(40,055)	-	(798)	-	-	-	-	(40,853)	-	(40,853)	(43,603)	(430)	(44,033)
Other Comprehensive Income and Expenditure	-	-	-	-	-	-	-	-	(3,613)	(3,613)	-	(4,571)	(4,571)
Total Comprehensive Income and Expenditure	(40,055)	-	(798)	-	-	-	-	(40,853)	(3,613)	(44,466)	(43,603)	(5,001)	(48,604)
Adjustments between Accounting Basis & Funding Basis under Regulations (note 5)	(18,218)	52	3,298	-	188	1	(3,217)	18,540	(18,540)	-	21,700	(21,700)	-
Net (Increase) / Decrease before Transfers to Earmarked Reserves	(21,837)	52	2,500	-	188	-	(3,217)	(22,313)	(22,153)	(44,466)	(21,903)	(26,701)	(48,604)
Transfers to/from Earmarked Reserves (Note 6)	22,133	(22,130)	(1,226)	(3)	-	1,226	-	-	-	-	-	-	-
(Increase) / Decrease in 2018/19	296	(22,078)	1,274	(3)	188	1,227	(3,217)	(22,313)	(22,153)	(44,466)	(21,903)	(26,701)	(48,604)
Balance at 31st March 2019 carried forward	(8,828)	(71,024)	(2,783)	(2,257)	(5,379)	(2,227)	(29,614)	(122,112)	(277,751)	(399,863)	(119,063)	(295,647)	(414,710)

BALANCE SHEET

WBC 31st March, 2019 £,000 (Restated)	Group 31 st March, 2018 £,000 (Restated)	Group 31st March, 2019 £,000 (Restated)	Notes	WBC 31st March, 2020 £,000	Group 31st March, 2020 £,000	
871,405	808,743	909,416	Property, Plant & Equipment	24	1,038,275	1,079,437
17,077	6,121	17,077	Investment Property	25	34,201	34,201
7,069	3,677	7,069	Intangible Assets	26	6,346	6,346
35	35	35	Long Term Investments	36	35,000	30,000
12,477	-	40	Long Term Debtors	30	20,045	1,034
908,063	818,576	933,637	Long Term Assets		1,133,867	1,151,018
53,410	51,403	51,996	Short Term Investments	36	40,506	44,991
258	1,847	258	Assets Held for Sale	35	-	-
-	-	-	Inventories		-	1,268
73,156	43,481	80,488	Short Term Debtors	30	31,080	38,456
51,967	16,214	53,235	Cash and Cash Equivalents	41	60,603	62,343
178,791	112,945	185,977	Current Assets		132,190	147,058
(2,125)	(2,580)	(2,125)	Cash and Cash Equivalents	41	(1,995)	(1,995)
(28,045)	(6,010)	(28,045)	Short Term Borrowing	36	(63,781)	(64,463)
(58,460)	(54,985)	(67,238)	Short Term Creditors	31	(56,886)	(63,118)
(8,096)	(5,713)	(8,096)	Provisions	32	(7,858)	(7,858)
(96,726)	(69,288)	(105,504)	Current Liabilities		(130,520)	(137,434)
(199,505)	(142,288)	(200,414)	Long Term Borrowing	36	(216,030)	(216,200)
(71)	(4,276)	(804)	Long Term Creditors	31	(6,101)	(70)
(8,759)	(8,127)	(8,759)	PFI and Finance Lease Liabilities	36	(8,149)	(8,149)
(291,272)	(287,373)	(298,618)	Pensions Liability	19	(259,601)	(265,143)
(90,658)	(53,940)	(90,658)	Capital Grants and Contributions Receipts in Advance	20	(99,563)	(99,563)
(590,265)	(496,004)	(599,253)	Long Term Liabilities		(589,444)	(589,125)
399,863	366,229	414,857	Net Assets		546,093	570,184
(122,112)	(97,160)	(119,063)	Usable Reserves	22	(132,434)	(135,356)
(277,751)	(268,946)	(295,647)	Unusable Reserves	23	(413,659)	(434,681)
(399,863)	(366,106)	(414,710)	Total Reserves		(546,093)	(570,037)
-	(123)	(147)	Minority Interest		-	(147)
(399,863)	(366,229)	(414,857)	Total Reserves Excluding Minority Interest		(546,093)	(570,184)

CASH FLOW STATEMENT

Note for Committee – Group figures below still to be updated with the changes in the WBC figures and the adjustments identified for group consolidation purposes.

	Notes	WBC 2018/19 £,000	Group 2018/19 £,000	WBC 2019/20 £,000	Group 2019/20 £,000
Net Surplus or (Deficit) on the Provision of Services		40,853	44,033	35,854	44,029
Adjustments to Net Surplus or Deficit on the Provision of Services for Non-cash Movements	38	29,639	29,743	74,953	67,806
Adjustments for Items Included in the Net Surplus or Deficit on the Provision of Services that are Investing or Financing Activities					
• Proceeds from disposal of property, plant and equipment, investment property and intangible assets and other capital receipts		(2,173)	(2,789)	(1,745)	(2,408)
• Capital grants and contributions		(47,153)	(47,153)	(59,279)	(59,279)
Net Cash Flows from Operating Activities		21,166	23,834	49,783	50,148
Investing Activities	39	(55,874)	(60,618)	(99,438)	(99,276)
Financing Activities	40	73,391	74,260	58,422	58,366
Net Increase or (Decrease) in Cash and Cash Equivalents		38,683	37,476	8,766	9,238
Cash and Cash Equivalents at the Beginning of the Reporting Period		11,159	13,634	49,842	51,110
Cash and Cash Equivalents at the End of the Reporting Period	41	49,842	51,110	58,608	60,348

6. NOTES TO THE ACCOUNTS

Note for committee – all notes to the accounts will be updated once all final adjustments have been agreed and will reconcile back to the 4 main financial statements.

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NOTE 01 EXPENDITURE AND FUNDING ANALYSIS

This note shows the link between the net expenditure chargeable to the general fund and HRA balances and the net expenditure in the comprehensive income and expenditure statement. The net expenditure chargeable to the general fund and HRA balances differs from the outturn figures stated in the explanatory forward, as the outturn figures include carry forwards and depreciation.

Restated 2018 /19				2019/20			
Net Expenditure Chargeable to the General Fund and HRA Balances	Adjustments between Funding and Accounting Basis	Net Expenditure in the Comprehensive Income and Expenditure Statement		Net Expenditure Chargeable to the General Fund and HRA Balances	Adjustments between Funding and Accounting Basis	Net Expenditure in the Comprehensive Income and Expenditure Statement	
£,000	£,000	£,000		£,000	£,000	£,000	
106	2,274	(459)	1,815	Chief Executive	1,967	708	2,675
	17,585	(28)	17,557	Corporate Services	13,100	(151)	12,949
	46,931	(23,349)	23,582	Customer and Localities Services	31,006	(3,182)	27,824
	(2,158)	(2,681)	(4,839)	Housing Revenue Account	(2,123)	(2,465)	(4,588)
	44,593	132	44,725	Adult Social Care	46,584	2,245	48,829
	24,197	3,631	27,828	Children's Services	26,709	4,187	30,896
	(116)	1,797	1,681	Children's Services - Schools Block	(211)	4,648	4,437
	133,306	(20,957)	112,349	Net Cost of Services	117,032	5,990	123,022
	(131,736)	(21,466)	(153,202)	Other Income & Expenditure	(119,942)	(40,456)	(160,398)
	1,570	(42,423)	(40,853)	Surplus/Deficit on provision of services	(2,910)	(34,466)	(37,376)
	(13,181)			Opening General Fund and HRA balance	(11,611)		
	1,570			Less/Plus Surplus or (Deficit) on General Fund and HRA Balance in Year	(2,910)		
	(11,611)			Closing General Fund and HRA balance at 31 March*	(14,521)		

* A breakdown between the general fund and HRA balance is available in the movement in reserves statement.

The adjustments between accounting and funding basis column in the table above is analysed further on the table below.

2018/19				<u>Expenditure and Funding Analysis Detail</u>	2019/20			
Adjustment for Capital Purposes	Net Change for Pensions Adjustments	Other Differences	Total Adjustments		Adjustment for Capital Purposes	Net Change for Pensions Adjustments	Other Differences	Total Adjustments
£,000	£,000	£,000	£,000		£,000	£,000	£,000	£,000
(144)	46	(361)	(459)	Chief Executive	818	104	(214)	708
(262)	1,112	(878)	(28)	Corporate Services	4,434	1,688	(6,273)	(151)
(15,845)	1,090	(8,593)	(23,349)	Customer and Localities Services	2,928	1,354	(7,464)	(3,182)
(4,049)	144	1,224	(2,681)	Housing Revenue Account	(2,644)	177	2	(2,465)
354	313	(535)	132	Adult Social Care	2,204	624	(583)	2,245
2,007	1,918	(295)	3,631	Children's Services	3,063	1,059	65	4,187
107	0	1,540	1,797	Children's Services - Schools Block	2	3,075	1,571	4,648
(17,939)	6,163	(9,181)	(20,957)	Net Cost of Services	10,805	8,081	(12,896)	5,990
781	-	-	781	Other Operating Expenditure	16,006	-	-	16,006
155	6,761	-	6,916	Financing and Investment Income and Expenditure	-	6,832	-	6,832
(24,617)	-	(4,546)	(29,163)	Taxation and Non-specific Grant Income	(61,346)	-	(1,948)	(63,294)
(23,681)	6,761	(4,546)	(21,466)	Other Income & Expenditure	(45,340)	6,832	(1,948)	(40,456)
(41,620)	12,924	(13,727)	(42,423)	Difference between General Fund surplus and deficit and Comprehensive Income and Expenditure Statement Surplus or deficit on the Provision of services	(34,535)	14,913	(14,844)	(34,466)

NOTE 02 ACCOUNTING STANDARDS THAT HAVE BEEN ISSUED BUT HAVE NOT YET BEEN ADOPTED, AND DISCLOSURE OF A CHANGE IN ACCOUNTING POLICY

The Council should apply changes in accounting policy retrospectively unless transitional arrangements allow for alternative treatments, as well as disclosing accounting standards which have been issued, but not yet adopted in this year's accounts.

At the balance sheet date, the following amendments to existing accounting standards or new interpretations have been published but not included in the 2019/20 Code of Practice of Local Authority Accounting in the United Kingdom:

- Amendments to IAS 28 Investment Property: Long-Term Interests in Associates and Joint Ventures.
- Annual Improvements to IFRS Standards 2015-2017 Cycle
 - Amendments to IAS 19 Employment Benefits: Plan Amendment, Curtailment or Settlement

All of these amendments to existing standards or new interpretations are unlikely to have a material impact on the Council's 2020/21 financial statements.

NOTE 03 CRITICAL JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

In applying the accounting policies set out in chapter 11, the Council has had to make certain judgements about complex transactions or those involving uncertainty about future events. The critical judgements made in the Statement of Accounts are set out in the following paragraphs.

Future Funding

There is a high degree of uncertainty about future levels of funding for local government. This uncertainty has increased significantly as a result of the impact on the Council's financial position of the Corona Virus (Covid-19). 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.

Group Boundaries

The Council had interests in nine companies at 31 March 2020, and at 31 March 2019. Depending on the Council's ability to influence control different accounting treatments are applied. Details regarding these companies and their assessments are disclosed in note 46 to the financial statements.

Private Finance Initiative (PFI)

The Council is deemed to jointly control the services provided under the Private Finance Initiative (PFI) contract with WRG (RE3 Ltd) for the disposal of waste. Control of the services is shared with Reading and Bracknell Forest Borough Councils. Wokingham Borough Council has reviewed the application of the control tests within IFRIC 12 to determine whether the assets within the contract should be on-balance sheet. The accounting policies for PFI schemes and similar

contracts have been applied to the arrangement and the assets (valued at approximately £8.1m at 31 March 2020) 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.

Investment Properties

Properties that are held for solely to earn rental income and/or capital appreciation are, in terms of the Code of Practice, to be classified as investment properties. If such properties are used in any way for the provision of services as well as earning rental and/or capital appreciation they do not meet the criteria for classification for investment property and are, accordingly, classified as property, plant and equipment. Properties owned by the Council that are located within the Borough of Wokingham that earn rental income are classified as property, plant and equipment as these properties have an element of economic development or regeneration. Properties owned by the Council that meet the criteria and are located outside the Borough of Wokingham are classified as investment properties.

Schools Non-Current Assets

The Council recognises Schools non-current assets in line with the appropriate accounting standards, and they are recognised on the Balance Sheet only if the future economic benefits or service potential associated with the schools will flow to the Council. The Council considers that the economic benefits or service potential of a school's assets normally flows to the Council where it has the ability to employ the staff and is able to set the admission criteria. There are currently 5 types of school within the Council as follows:

- Community Schools - The Council both appoints the staff and sets the admission criteria. The assets of these schools are, therefore, recognised on the Council's Balance Sheet.
- Voluntary controlled (VC) and Voluntary aided (VA) Schools - The Council both appoints the staff and sets the admissions criteria, however, the legal ownership of the school land and buildings belong to a charity, normally a religious body. The Council considers that it does not receive the economic benefit/service potential of the school and the assets are not recognised on the Council's Balance Sheet.
- Academy Schools - The staff are appointed by the schools governing body, which also sets the admission criteria, therefore, the Council does not receive the economic benefit or service potential of these schools and does not recognise them on the Council's Balance Sheet. The transfer of school assets are recognised as a disposal from the Council's Balance Sheet on the date the school converts to Academy status. No impairment is recognised by the Council prior to the transfer.
- Foundation Trust Schools - Referred to as either a Foundation Trust School or a Foundation School. The ownership of schools in this category are held within a charitable trust, and the assets are not recognised on the Council's Balance Sheet.

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 2019/20 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 04 ASSUMPTIONS MADE ABOUT THE FUTURE AND OTHER MAJOR SOURCES OF ESTIMATION UNCERTAINTY

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

The items in the Council's Balance Sheet at 31 March 2020 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
110 Property, Plant and Equipment	<p>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> <p>The outbreak of the Novel Coronavirus (COVID-19) has impacted global financial markets. Market activity is being impacted in many sectors. As at the valuation date, we consider that we can attach less weight to previous market evidence for comparison purposes, to inform opinions of value. Indeed, the current response to COVID-19 means that we are faced with an unprecedented set of circumstances on which to base a judgement. The valuations are therefore reported on the basis of 'material valuation uncertainty' as per VPS 3 and VPGA 10 of the RICS Red Book Global. Consequently, less certainty – and a higher degree of caution – should be attached to our valuation than would normally be the case.'</p>	<p>If the useful life of assets is reduced, depreciation increases and the carrying amount of the assets falls.</p> <p>It is estimated that the annual depreciation charge for buildings would increase by approximately £0.6m for every year that useful lives had to be reduced.</p> <p>Any changes in valuation will impact on the value of the Council assets held on balance sheet. Increases in asset value will lead to an increase in the revaluation reserve and future depreciation charges. Reductions in value will reduce the revaluation reserves and may result in losses posted to the income and expenditure statement.</p>

Provisions	<p>The Council has made provision for holiday and flexi leave entitlement owing to staff at the end of the financial year. The estimate within the accounts has been based on an assumption of approximately 1.6% of payroll costs. For staff based in schools a formula based on CIPFA guidance has been used.</p>	<p>A 1% change (i.e. using 0.6% or 2.6%) in the estimate of accumulating absences would result in an increase or decrease of approximately £0.5m in the provision required for accumulating absences in relation to non-school staff.</p>
	<p>The Council has made a provision for dilapidation costs for buildings the Council lease, to return them to their original condition at the end of the lease, and to fund any outstanding leasing costs.</p>	<p>There may be other buildings which the Council lease that have been altered, needing significant work to return them to their original condition, which are not presently known.</p>
	<p>The Collection Fund includes provisions of £5.3m for appeals against business rates valuations as advised by DCLG guidance.</p>	<p>The provision at 31 March 2020 has been calculated using information provided by a company specialising in business rate calculations including provisions for appeals. Their calculation has been reviewed and is estimated to be reasonable. The Council's share of this provision is £3.9m.</p>
Pension Liability	<p>Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. The actuaries Barnett Waddingham LLP provide the Council with expert advice about the assumptions to be applied.</p>	<p>The effects on the net pension's liability of changes in individual assumptions can be measured and seen in note 19. For example, a 0.1% decrease or increase in the discount rate assumption would result in an increase or decrease in the pension liability of £9.4m.</p>
PFI Liabilities	<p>The value of PFI service charge payable under the contract disclosed in note 29 of the accounts is dependent upon assumptions regarding future inflation and tonnage rates.</p>	<p>A 1% increase in RPI would increase Wokingham's contract charge by £1.1m. Similarly a 1% increase in tonnages would increase the service charge by £0.2m per annum.</p>
Arrears	<p>At 31 March 2020, the Council had a balance of total debtors of £32.2m, of which Council tax debt was £2.9m, and Government and other public sector debtors were £10.2m.</p>	<p>The provision set aside for bad debt increases according to the age of the debt. If collection rates for debtors (excluding public sector debtors) were to deteriorate, a 1% increase in the amount of the impairment of doubtful debts would require an additional allowance for sundry debts from the revenue account of £52k and from the Collection Fund of £29k.</p>

<p>Corona Virus (Covid-19)</p>	<p>Covid-19 is a worldwide pandemic and, to date, has had a significant impact on the UK economy as well as additional cost pressures on health services and local authorities. The impact on the Council's finances are as follows:</p> <ul style="list-style-type: none"> ▪ Additional costs primarily in adult social care. ▪ Inability to achieve budget savings due to a change in priorities to deal with the crisis. ▪ Reduction in income mainly in respect of fees and charges and potential reduction in Business rates and Council Tax income. ▪ Potential increase in the non-collectability of debtors ▪ Potential reduction in rental and interest income ▪ Potential reduction in value of properties, including investment properties, particularly those based on rental income. ▪ Reduction in pension fund assets and consequent increase in net pension fund liability. <p>Additional emergency funding has been provided by Central Government and further funding is expected post crisis, however, there is uncertainty as to the amount.</p>	<p>At 31 March 2020 it is clear that the full impact of Covid-19 and any additional funding from Central Government will not be known for several months. It is possible that some of the assumptions referred to above will need to be revised in the next financial year. These are primarily those relating to provisions, arrears and the pension fund liability. Property values, including investment properties, may also be adversely impacted.</p>
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NOTE 05 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 arrive at the resources that are specified by statutory provisions as being available to the Council to meet future capital and revenue expenditure.

Please see the tables on the following pages

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2019-20	General Fund (GF) Balance £,000	Earmarked Reserves £,000	Housing Revenue Account (HRA) £,000	Capital Receipts Reserve £,000	Major Repairs Reserve £,000	Capital Grants Unapplied £,000	Total Movement in Usable Reserves £,000	Movement in Unusable Reserves £,000
Adjustment to Revenue Resources								
Amounts by which income and expenditure included in the comprehensive income and expenditure statement are different from revenue for the year calculated in accordance with statutory requirements:								
-Pensions costs (transferred (to) or from the pensions reserve)	(14,586)	-	(327)	-	-	-	(14,913)	14,913
-Financial instruments (Transferred to the financial instruments adjustments account)	135	-	1	-	-	-	136	(136)
-Council Tax and NDR (Transferred (to) or from the Collection Fund Adjustment Account)	(4,876)	-	-	-	-	-	(4,876)	4,876
-Accumulated Absences (Transferred (to) or from the Accumulated Absences Account)	(11)	-	(3)	-	-	-	(14)	14
-Reversal of entries included in the surplus or deficit on the provision of services in relation to capital expenditure (Charged to the Capital Adjustment Account)	(33,208)	-	(5,086)	-	-	1,853	(36,441)	36,441
Total Adjustment to Revenue Resources	(52,546)	-	(5,415)	-	-	1,853	(56,108)	56,108
Adjustments between Revenue and Capital Resources								
Transfer of non-current asset sale proceeds from revenue to the capital receipts reserve	49	-	1,696	(1,745)	-	-	-	-
Payments to the government housing receipts pool (funded by a transfer from the capital receipts reserve)	-	-	(292)	292	-	-	-	-
Posting of HRA resources from revenue to the major repairs reserve	-	-	4,382	-	(4,382)	-	-	-
Statutory provision for the repayment of debt (transfer from the capital adjustment account)	3,651	-	1,998	-	-	-	5,649	(5,649)
Total adjustments between revenue and capital	3,700	-	7,784	(1,453)	(4,382)	-	5,649	(5,649)
Adjustments to Capital Resources								
Use of the capital receipts reserve to finance capital expenditure	-	-	-	4,578	-	-	4,578	(4,578)
Use of the major repairs reserve to finance capital expenditure	-	-	-	-	5,051	-	5,051	(5,051)
Repayment of long-term loans	-	-	-	-	-	-	-	-
Application of capital grants to finance capital expenditure	61,346	-	-	(132)	-	5,507	66,721	(66,721)
Total Adjustments to Resources	61,346	-	-	4,446	5,051	5,507	76,350	(76,350)
Total Adjustments 2020	12,500	-	2,369	2,993	669	7,360	25,891	(25,891)

2018-19	General Fund (GF) Balance £,000	Earmarked Reserves £,000	Housing Revenue Account (HRA) £,000	Capital Receipts Reserve £,000	Major Repairs Reserve £,000	Capital Grants Unapplied £,000	Total Movement in Usable Reserves £,000	Movement in Unusable Reserves £,000
Adjustment to Revenue Resources								
Amounts by which income and expenditure included in the comprehensive income and expenditure statement are different from revenue for the year calculated in accordance with statutory requirements:								
-Pensions costs (transferred (to) or from the pensions reserve)	(12,780)	-	(144)	-	-	-	(12,924)	12,924
-Financial instruments (Transferred to the financial instruments adjustments account)	135	-	1	-	-	-	136	(136)
-Council Tax and NDR (Transferred (to) or from the Collection Fund Adjustment Account)	(7,334)	-	-	-	-	-	(7,334)	7,334
-Accumulated Absences (Transferred (to) or from the Accumulated Absences Account)	(364)	-	1	-	-	-	(363)	363
-Reversal of entries included in the surplus or deficit on the provision of services in relation to capital expenditure (Charged to the Capital Adjustment Account)	(14,921)	52	(6,389)	2	-	1,873	(19,383)	19,383
Total Adjustment to Revenue Resources	(35,264)	52	(6,531)	2	-	1,873	(39,868)	39,868
Adjustments between Revenue and Capital Resources								
Transfer of non-current asset sale proceeds from revenue to the capital receipts reserve	391	-	1,781	(2,172)	-	-	-	-
Payments to the government housing receipts pool (funded by a transfer from the capital receipts reserve)	-	-	(292)	292	-	-	-	-
Posting of HRA resources from revenue to the major repairs reserve	-	-	6,056	-	(6,056)	-	-	-
Statutory provision for the repayment of debt (transfer from the capital adjustment account)	5,937	-	2,284	-	-	-	8,221	(8,221)
Total adjustments between revenue and capital	6,328	-	9,829	(1,880)	(6,056)	-	8,221	(8,221)
Adjustments to Capital Resources								
Use of the capital receipts reserve to finance capital expenditure	10	-	-	5,800	-	-	5,810	(5,810)
Use of the major repairs reserve to finance capital expenditure	-	-	-	-	6,057	-	6,057	(6,057)
Repayment of long-term loans	-	-	-	(3,734)	-	-	(3,734)	3,734
Application of capital grants to finance capital expenditure	47,144	-	-	-	-	(5,090)	47,144	(47,144)
Total Adjustments to Resources	47,154	-	-	2,066	6,057	(5,090)	50,187	(50,187)
Total Adjustments 2018-19	18,218	52	3,298	188	1	(3,217)	18,540	(18,540)

NOTE 06 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 2019/20

	Balance at 31st March, 2018	Transfers Out 2018/19	Transfers In 2018/19	Balance at 31st March, 2019	Transfers Out 2019/20	Transfers In 2019/20	Balance at 31st March, 2020
	£,000	£,000	£,000	£,000	£,000	£,000	£,000
Balances held by Schools under a Scheme of Delegation	(2,837)	1,032	(1,704)	(3,509)	913	(777)	(3,373)
Dedicated Schools Grant Reserve	583	1,296	(627)	1,252	-	1,741	2,993
Earmarked General Fund Reserves	(48,946)	6,883	(28,961)	(71,024)	8,417	(28,917)	(91,523)
	(51,200)	9,211	(31,292)	(73,281)	9,330	(27,953)	(91,904)

See note 21, dedicated schools grant, for more on schools expenditure in year.

NOTE 07 MATERIAL ITEMS OF INCOME AND EXPENSES AND PRIOR YEAR ADJUSTMENTS

Material Items of Income and Expense during 2019/20, which are outside of the normal Council's business are as follows:

- The Council paid a £6.7m Section 106 receipt to our housing companies in 2019/20, on completion of affordable housing developments in particular at Peach Place, Wokingham (£3.8m in 2018/19). Revenue expenditure funded from capital under statute was £9.7m (compared to £5.7m in 2018/19).
- New long-term loans of £75m were taken out in 2019/20 compared to £60m taken in 2018/19.
- The Council advanced loans to WBC Holdings Ltd, to be used to fund housing developments by the Council's group companies, £5.3m in 2019/20 (in 2018/19 the advance was £4.8m).
- Capital expenditure in the capital programme in 2019/20 was £171.6m (compared to £132.2m in 2018/19) an increase of over £39m. There was large expenditure in the following categories:- Assets Under Construction of £81.2m (including Highways projects £34.7, and Wokingham Town Centre Regeneration project for £21.5m), Land and Buildings of £33.2m (including the purchase of Waitrose, Twyford for £15.9m and 14-28 Denmark St for £8.5m), and Investment Properties - Stapletons Peterborough, of £18.5m.

During the year under review, adjustments were made in the current year relating to prior year balances as follows:

- During the year under review a number of budget areas were transferred from the Chief Executive Directorate to the Corporate Services directorate. In order to provide comparability of the amounts reflected in the Comprehensive Income and Expenditure Statement prior year amounts have been restated to reflect the new arrangement in 2019-20. In addition grant income of £5.4m and related expenditure of £5.3m in respect of the Public Health grant were reflected under Corporate Services, however, in 2019-20 this was included under Adult Social Care. In order to achieve comparability the prior year amounts have been adjusted to reflect the income and expenditure for Public Health under Adult Social Care. The comparative amounts for the Expenditure and Funding Analysis in Note 1 to the Statement of Accounts have also been restated. The impact of these changes on the prior year figures is to decrease income and expenditure for Corporate Services by £2.5m and increase income by £2.1m respectively with a reduction in income and expenditure for Chief Executive of £2.8m and £3.3m respectively and income and expenditure for Adult Social Care being increased by £5.3m and £5.4m respectively in the Comprehensive Income and Expenditure Statement. These restatements only impact on the individual elements of the Net Cost of Services section of the Comprehensive Income and Expenditure Statement with the total Net Cost of Services remaining unchanged. (Refer to the CIES and Note 1).
- During the year under review an amount of £0.7m was written-off in respect of a difference with regard to Business Rates arrears. The full amount of this difference relates to 2018-19 and prior years. As the amount involved is not considered material this has not been accounted for as a prior period adjustment and included in the 2019-20 amounts.
- During the completion of the accounts of some of the subsidiary companies there were a number of items that were treated as prior year period adjustments. These relate primarily relate to the reclassification of some Balance Sheet headings and adjustments relating to income and expenditure with a net charge of £399k . The reclassification items relate primarily to group balances which eliminate on consolidation and the CIES impact is considered to be not material. Accordingly no prior period adjustments are required in the group accounts for these items.
- The accounting policy for two of the subsidiaries, Loddon Homes Limited and Berry Brook Homes Limited, with regard to capital grants received is to recognise capital grants initially as deferred income with the grant being recognised in income over the remaining useful life of the relevant asset. From a group accounts perspective this is not in compliance the Code of Practice. No adjustments have been made to the group accounts in prior years in respect of these grants. In the 2019-20 group accounts an adjustment has been made to account for the capital grants in the subsidiaries to comply with the requirements of the Code of Practice. The net effect of the adjustments effectively transfer an amount of £24.815m from short and long-term creditors to the Capital Adjustment Account with corresponding entries in the Comprehensive Income and Expenditure Statement and the Movement in Reserves Statement. As the amounts relating to the prior years are material the group adjustments for these years have been recognised as a prior year adjustment. Details of the various lines effected in the core statements, including the CIES restatements as referred to above, are as follows:

EFFECT ON PRIOR YEAR COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

	Net Expenditure as Previously Reported 2018-19 £,000	Re-Allocation between service lines £,000	Restatements-Capital Grants £,000	Net Expenditure as Restated 2018-19 £,000
Chief Executive	1,330	485	-	1,815
Corporate Services	18,841	(457)	-	18,384
Adult Social Care	44,725	(28)	-	44,697
Cost of Services	113,148	-	-	113,148
Taxation and non-specific grant income	(169,578)	-	(4,034)	(173,612)
(Surplus) or Deficit on Provision of Services	(39,999)	-	(4,034)	(44,033)
Total Comprehensive Income and Expenditure	(44,570)	-	(4,034)	(48,604)

EFFECT ON PRIOR YEAR MOVEMENT IN RESERVES STATEMENT

	Usable Reserves			Unusable Reserves		
	As Previously Reported 2018-19 £,000s	Restated-Capital Grants £,000s	As Restated 2018-19 £,000s	As Previously Reported 2018-19 £,000s	Restated-Capital Grants £,000s	As Restated 2018-19 £,000s
Balance at 31 March 2018				(249,493)	(19,453)	(268,946)
Movement in Reserves 2018-19						
(Surplus)/deficit on Provision of Services	(39,569)	(4,034)	(43,603)			
Total Comprehensive Income and Expenditure	(44,570)	(4,034)	(48,604)			
Adjustments between Accounting Basis and Regulations	17,666	4,034	21,700	(17,666)	(4,034)	(21,700)
Net Increase/Decrease before transfers to Earmarked Reserves	(26,904)	-	(26,904)	(22,667)	(4,034)	(26,701)
(Increase)/decrease in 2018-19				(22,667)	(4,034)	(26,701)
Balance at 31 March 2019 carried forward				(272,160)	(23,487)	(295,647)

EFFECT ON PRIOR YEAR BALANCE SHEETS

	As Previously Reported 31 March 2018	Restate ments-Capital Grants	Restated Balance Sheet at 31 March 2018	As Previously Reported 31 March 2019	Restate ments-Capital Grants	Restated Balance Sheet at 31 March 2019
Short-term creditors	(55,603)	618	(54,985)	(68,385)	1,147	(67,238)
Current Liabilities	(69,906)	618	(69,288)	(106,651)	1,147	(105,504)
Long-term borrowing	(150,731)	8,443	(142,288)	(203,374)	2,960	(200,414)
Long-term creditors	(14,668)	10,392	(4,276)	(20,184)	19,380	(804)
Long-term Liabilities	(514,839)	18,835	(496,004)	(621,593)	22,340	(599,253)
Net Assets	346,776	19,453	366,229	391,370	23,487	414,857
Unusable Reserves	(249,493)	(19,453)	(268,946)	(272,160)	(23,487)	(295,647)
Total Reserves	(346,653)	(19,453)	(366,106)	(391,223)	(23,487)	(414,710)
Total Reserves Excluding Minority Interest	(346,776)	(19,453)	(366,229)	(391,370)	(23,487)	(414,857)

NOTE 08 OTHER OPERATING EXPENDITURE

	2018/19 £,000	2019/20 £,000
Parish Council Precepts	4,154	4,379
Payments to the Government Housing Capital Receipts Pool	292	292
(Gains) / Losses on the Disposal of Non-current Assets	(1,035)	15,714
Total	3,411	20,385

The increase in losses on asset disposals in 2019/20 is mainly due to the disposals of 4 schools being transferred to academies whereas in 2018/19 there were no academy disposals.

NOTE 09 FINANCING AND INVESTMENT INCOME AND EXPENDITURE

	2018/19 £,000	2019/20 £,000
Interest Payable and Similar Charges on Debt (note 36)	5,077	6,840
Interest Payable and Similar Charges on Finance Leases (note 36)	107	107
Interest Payable and Similar Charges on Private Finance Initiatives (note 36)	2,704	581
Pensions Interest Cost and Expected Return on Pensions (note 19)	6,816	6,832

Interest Receivable and Similar Income (note 36)
 Income and Expenditure in Relation to Investment Properties
 and Changes in their Fair Value (note 25)
Total

(1,549)	(1,793)
(190)	(262)
12,965	12,305

The 2019-20 PFI interest charge is significantly lower than the previous year due to additional interest being charged in 2018-19 following revisions to the accounting model which includes additional interest in years prior to 2018-19.

See note references for further information.

NOTE 10 TAXATION AND NON-SPECIFIC GRANT INCOME

	2018/19 £,000	2019/20 £,000
Council Tax Income	(104,512)	(110,781)
Retained Business Rates	(69,163)	(50,521)
Retained Business Rates tariff	55,970	36,200
Business Rates Levy	-	-
Revenue Support Grant	-	-
Other Non-ring fenced Government Grants	(4,720)	(6,539)
Capital Grants and Contributions	(47,153)	(61,446)
Total	(169,578)	(193,088)

The reduction in retained business rates and retained business rates tariff is due to the Council changing from the 2018/19 100% Business rates retention pilot scheme to 75% Business rates retention pilot scheme. Under the pilot scheme, the Business rates levy % is 0%.

NOTE 11 EXPENDITURE AND INCOME ANALYSED BY NATURE

This note provides a subjective analysis of the Council's main income and expenditure statement.

	2018/19 £,000	2019/20 £,000
Expenditure		
Employee benefits expenses	107,359	109,828
Other service expenses	175,085	184,030
Support service recharges	(1,814)	(1,378)
Depreciation, amortisation, impairment	17,851	19,876
Interest payments	14,704	14,360
Precepts & Levies	4,154	4,379
Payments to Housing Capital Receipts Pool	292	292
Gain or Loss on Disposal of Non-Current Assets	(1,035)	15,812
Total Expenditure	316,596	347,199
Income		
Fees, charges & other service income	(65,122)	(70,235)
Interest and investment income	(1,549)	(1,793)
Income from council tax, NDR, district rate income	(117,705)	(125,103)
Government grants and contributions	(173,073)	(187,444)
Total Income	(357,449)	(384,575)
(Surplus) or Deficit on the Provision of Services	(40,853)	(37,376)

NOTE 11B REVENUE FROM CONTRACTS WITH SERVICE RECIPIENTS

Amounts in the Comprehensive Income and Expenditure Statement

	2018/19 £,000	2019/20 £,000
Fees, charges and other service income includes the following revenues from contracts with service recipients;		
Rents	(18,130)	(20,997)
Fees	(7,225)	(7,598)
Charges	(2,968)	(2,610)
Customer/client income	(5,031)	(6,657)
Car Parking income	(2,216)	(2,180)
Sales	(2,664)	(2,978)
Other	(1,244)	(2,135)
Total included in Fees, Charges and Other Service Income	(39,478)	(45,155)

NOTE 12 TRADING OPERATIONS

The Council has established one trading unit where the service manager is required to operate in a commercial environment and balance their budget by generating income from other parts of the Council 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:

	2018/19 £,000	2019/20 £,000
Building Control Trading Account		
Turnover	(537)	(537)
Expenditure	531	541
(Surplus) / Deficit on Trading Account	(6)	4

The chargeable account made a deficit of £4k in 2019/20 compared to a £6k surplus in 2018/19. The account should take one financial year with another and should achieve break-even over a rolling period of three years ending March 2022. The reserves will be used to replace funding gaps over the 3 year period. The balance on the reserve at 31 March 2020 is a surplus of £126k.

NOTE 13 MEMBERS' ALLOWANCES

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

	2018/19	2019/20
	£,000	£,000
Members Remuneration	575	587
	575	587

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

NOTE 14 OFFICERS' REMUNERATION

The Council paid the following amounts to its senior employees:

Post Title	Year	Salary, Fees and Allowances	Performance Related Pay	Expenses	Compensation for Loss of Office	Pension Contribution	Total
		£	£	£	£	£	£
Chief Executive Susan Parsonage	2019/20	150,000	-	5,586	-	29,250	184,836
Chief Executive (up to 30 Apr 19) ¹	2019/20	10,620	3,320	-	51,871	-	65,811
Chief Executive Susan Parsonage (from 25 Mar 19)	2018/19	2,823	-	-	-	522	3,345
Acting Chief Executive (from 10 Oct 18) *	2018/19	55,194	-	-	-	-	55,194
Chief Executive Manjeet Gill (up to 31 Oct 18) *	2018/19	85,167	-	384	60,833	-	146,384
Director, Place & Growth ²	2019/20	112,695	3,934	160	-	22,703	139,492
Director, Locality and Customer Services (from 1 Oct 18)	2018/19	56,348	-	-	-	10,424	66,772
Director, Locality and Customer Services (up to 30 Sept 18)	2018/19	56,348	7,889	113	-	11,805	76,154
Director of People Services Paul Senior (up to 29 Jun 18) **	2018/19	70,482	-	-	-	-	70,482
Director, Resources & Assets and Deputy Chief Executive ³	2019/20	120,000	8,015	502	-	24,883	153,399
Director of Corporate Services and Deputy Chief Executive	2018/19	114,796	7,889	637	-	22,618	145,940
Assistant Director, Governance	2019/20	115,415	-	806	-	18,771	134,992
Assistant Director, Governance	2018/19	97,341	-	30	-	17,529	114,900
Assistant Director, Commercial Property ⁴	2018/19	91,620	-	1,358	-	16,950	109,927
Director, 21st Century Council Programme (up to 9 Oct 18) *	2018/19	47,259	7,100	-	-	-	54,359
Director of Adult Social Care & Health ⁵	2019/20	103,930	-	-	-	20,266	124,196
Director of Adult Services (from 1 Aug 18) ***	2018/19	-	-	-	-	-	-
Interim Director of Adult Services (from June 18 to Oct 18) ****	2018/19	55,291	-	-	-	-	55,291
Director, Children's Services	2019/20	112,695	3,264	379	-	22,579	138,917
Director, Children's Services (from 01 Jul 19 to 26 Jul 19 and 27 Aug 19 to 27 Sept 19) ⁶	2019/20	37,199	-	-	-	-	37,199
Director, Children's Services (from 1 Nov 18)	2018/19	46,956	-	146	-	8,687	55,789
Interim Director, Children's Services Jim Leivers (from 13 Aug 18 to 26 Oct 18) ****	2018/19	61,807	-	-	-	-	61,807
Acting Director, Children's Services (from 29 May 18 to 18 Sept 18)	2018/19	34,717	-	207	-	6,423	41,347

2019/20

¹ 0.8 FTE

² Previously Director, Locality and Customer Services, Job Title changed to Director, Place & Growth Mar 2020

³ Previously Director of Corporate Services and Deputy Chief Executive, Job Title changed to Director, Resources & Assets and Deputy Chief Executive Mar 2020

⁴ Assistant Director, Commercial Property no longer reports in to the Chief Executive

⁵ Previously Director of Adult Services, Job Title changed to Director of Adult Social Care & Health Mar 2020

⁶ Total amount paid inclusive of agency costs

2018/19

¹ 0.80 FTE

** £70,482 total amount paid inclusive of agency costs. Director of People Services position replaced with Director of Adult Services & Director of Children Services posts

*** Shared arrangement with Royal Borough of Windsor & Maidenhead where full costs are shown in accounts

**** Total amount paid inclusive of agency costs

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	2018/19 No of Employees				2019/20 No of Employees			
	Council	School	VA School	Total	Council	School	VA School	Total
£50,000 - £54,999	29	24	3	56	51	24	2	77
£55,000 - £59,999	22	12	0	34	21	10	2	33
£60,000 - £64,999	9	10	1	20	15	11	0	26
£65,000 - £69,999	8	9	2	19	11	7	0	18
£70,000 - £74,999	7	3	-	10	9	8	2	19
£75,000 - £79,999	4	3	-	7	5	5	-	10
£80,000 - £84,999	1	2	-	3	2	1	-	3
£85,000 - £89,999	-	2	-	2	1	2	-	3
£90,000 - £94,999	-	-	-	0	1	2	-	3
£95,000 - £99,999	-	1	-	1	-	-	-	-
Over £100,000	1	-	-	1	-	-	-	-
	81	66	6	153	116	70	6	192

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NOTE 15 TERMINATION BENEFITS

The Council terminated the contracts of a number of employees in 2019/20. These were mainly due to officers who were made redundant as part of the reorganisation of services at the Council.

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

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COUNCIL	Number of Compulsory redundancies		Number of other departures agreed		Total number of exit packages		Total cost of exit packages in each band	
	2018/19	2019/20	2018/19	2019/20	2018/19	2019/20	2018/19	2019/20
Exit package cost								
£0 - £20,000	7	5	1	6	8	11	43,283	41,233
£20,001 - £40,000	1	-	1	-	2	-	60,050	-
£40,001 - £60,000	4	-	-	-	4	-	182,196	-
£60,001 - £80,000	-	-	1	-	1	-	60,833	-
SCHOOLS	Number of Compulsory redundancies		Number of other departures agreed		Total number of exit packages		Total cost of exit packages in each band	
	2018/19	2019/20	2018/19	2019/20	2018/19	2019/20	2018/19	2019/20
Exit package cost								
£0 - £20,000	7	4	5	4	12	8	96,519	52,846
£20,001 - £40,000	-	1	-	1	-	2	-	60,260

NOTE 16 RELATED PARTIES

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

All Councillors, officers in the Corporate Leadership Team, Directors, Assistant Directors, Monitoring and Deputy Monitoring Officers, Borough Solicitor and all employees Tier 4 and above were asked to complete a disclosure statement in respect of themselves and their family members / close relatives, detailing any material transactions with related parties.

Central Government

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

Members

Members of the Council have direct control over the Council's financial and operating policies. The total of member's allowances paid in 2019/20 is shown in Note 13. During 2019/20, works and services to the value of £8.2m (£11.8m in 2018/19) were commissioned from companies in which 5 members had an interest (8 in 2018/19). Contracts were entered into in full compliance with the Council's standing orders. In addition, grants and payments totalling £4.1m (£4.0m in 2018/19) were paid to voluntary organisations and charities in which 6 members declared an interest (10 in 2018/19). Payments of £1.6m (£1.2m in 2018/19) were made to education establishments in which 5 members declared an interest (7 in 2018/19). Payments of £2.9m were made to local council bodies (£2.2m in 2018/19) in which 5 members had interests (9 in 2018/19) mainly relating to the Council's pension arrangements. The payment to the Berkshire pension fund is in respect of pensions as outlined in note 19; the Council appoints a Councillor as a representative on the Berkshire Pension Fund Advisory Panel. The Council owed £6.265m to these organisations at 31 March 2020 (£24k at 31 March 2019), while £2.6m was owed to Wokingham Borough Council by the relevant organisations at 31 March 2019 (£14.7m at 31 March 2019).

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 2019/20, works and services to the value of £14.036k (£100 in 2018/19) were commissioned from companies in which 1 officer had an interest (1 in 2018/19). The Council did not owe any amounts to the relevant organisations at 31 March 2020 (£2.99k at 31 March 2019), while £3.050m was owed to Wokingham Borough Council at 31 March 2020 (£36k at 31 March 2019). No payments (£186k in 2018/19) were made to education establishments in which officers declared an interest (1 in 2018/19). There were no payments to Local Council Bodies (None in 18/19), no officers declared an interest (None in 2018/19). Contracts were entered into in full compliance with the Council's standing orders. The relevant officers did not take part in any discussion or decision relating to the grants and payments.

Town and Parish Councils

Certain Members of Wokingham Borough Council are also councillors of the 17 Town and Parish Councils within the Borough. Each Town or Parish Council has the ability to levy a precept upon Wokingham Borough Council for the collection of council tax on behalf of the Town or Parish Councils. In 2019/20 Wokingham Borough Council collected and paid over £4.4m (£4.2m in 2018/19) in precepts and grants to the Town or Parish Councils.

Other Public Bodies

The Council entered into a PFI contract with Waste Recycling Group (re3 Ltd) in 2006/07 for the disposal of waste together with Reading and Bracknell Forest Borough Councils, see note 29 for further details. The Council's contribution for 2019/20 was £10.2m (£9.8m in 2018/19). The Council also operates a number of shared services with other local authorities details of which are set out in note 44.

Local Enterprise Partnership

No long-term loans were raised from the Local Enterprise Partnership (LEP) in 2019/20 (none in 2018/19). During 2019/20 an existing loan of £1m was repaid (2018/19: None repaid).

Entities Controlled or Significantly Influenced by the Council

The Council had seven subsidiary companies at 31 March 2020 (seven at 31 March 2019), which are owned in full either directly or through existing subsidiaries apart from Optalis which has a shared ownership with the Royal Borough of Windsor and Maidenhead (see note 46 for more details), and each had a Board of Directors on which Council members serve. Their accounts are incorporated in the main body of the Council's accounts with separate disclosures where material differences occur. See note 46 for more information on the Council's companies.

NOTE 17 EXTERNAL AUDIT COSTS

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

	2018/19 £,000	2019/20 £,000
External Audit Services	81	81
Certification of Grants and Returns	4	-
	85	81

NOTE 18 PENSION SCHEMES ACCOUNTED FOR AS DEFINED CONTRIBUTION SCHEMES

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

The scheme is a multi-employer defined benefit scheme, however, the scheme is unfunded and the Department for Education uses a notional fund as the basis for calculating the employers' contribution rate paid by local authorities. The Council is not able to identify its share of the underlying financial position and the performance of the scheme with sufficient

reliability for accounting purposes. For the purposes of the Statement of Accounts it is, therefore, accounted for on the same basis as a defined contribution scheme.

In 2019/20, the Council paid £5.848m to the Teachers' Pension Scheme in respect of teachers' retirement benefits representing 16.48% of pensionable pay from April 2019 to August 2019 and 23.68% from September 2019 to March 2020. The figures for 2018/19 were £4,620m and 16.48% respectively.

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

NOTE 19 DEFINED BENEFIT PENSION SCHEMES

Participation in Pension Schemes

As part of the terms and conditions of employment of its officers, the Council makes contributions towards the cost of post-employment benefits. Although these benefits will not actually be payable until the employees retire, the Council has a commitment to make the payments (for those benefits) and to disclose them at the time the 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 defined benefit final salary scheme, meaning that the Council and employees pay contributions into the fund, calculated at a level intended to balance the pensions liabilities with investment assets.
- Wokingham Borough Council is also responsible for a share (19.0561%) of the former Berkshire County Council (BCC) Local Government Pension Scheme. The scheme is also administered by the Royal Borough of Windsor and Maidenhead. Although now closed, a liability remains amongst the six Berkshire Councils for the pensioners that were in the scheme when BCC ceased to exist. In prior years a separate valuation report was produced annually for this fund and the Council's share of 19.0561% disclosed separately in the tables below. In the year ended 31 March 2020 a single valuation report was produced incorporating the Council's figures and its share of the BCC fund. Accordingly only the combined amounts are reflected in the tables below for both the 2018-19 and 2019-20 years.
- Optalis Ltd (a Group company) is an admitted member of the Local Government Pensions Scheme (LGPS).

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

Transactions Relating to Post-Employment Benefits

The Council recognises the cost of post-employment 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 post-employment/retirement benefits is reversed out of the General Fund via the Movement in Reserves Statement. During the year the following transactions for the Wokingham scheme (WBC) including WBC's share of those for Berkshire County Council (BCC), have been made in the Comprehensive Income and

Expenditure Statement and the General Fund Balance via the Movement in Reserves Statement. The Optalis Ltd figures which related to Wokingham Borough Council have been added to the total of Wokingham to give the overall Group figures.

Comprehensive Income and Expenditure Statement	2018/19			2019/20		
	WBC & BCC	Optalis	Total Group	WBC & BCC	Optalis	Total Group
	£,000	£,000	£,000	£,000	£,000	£,000
Service cost comprising:						
Current service costs	15,878	411	16,289	19,125	455	19,580
Administration costs	146	8	154	129	9	138
Financing and investment income and expenditure:						
Net interest on the defined liability	6,816	199	7,015	6,832	174	7,006
Total post-employment benefit charged to the surplus or deficit on the provision of services	22,840	618	23,458	26,086	638	26,724
Return on fund assets in excess of interest	(3,021)	(857)	3,878	16,119	556	16,675
Other actuarial gains/(losses) on assets	-	-	-	(2,573)	684	(1,889)
Change in financial assumptions	30,438	1,128	(31,566)	(47,722)	(1,895)	(49,617)
Change in demographic assumptions	(28,575)	(1,229)	29,804	(5,906)	(229)	(6,135)
Experience gain/(loss) on defined benefit obligation				(6,502)	(1,372)	(7,874)
Re-measurements on scheme assets	(1,158)	(958)	(2,116)	(46,584)	(2,256)	(48,840)
Total post-employment benefits charged to the Comprehensive Income and Expenditure statement	21,682	(340)	21,342	(20,498)	(1,618)	(22,116)

Current service costs represent the cost to the employer of benefits earned by active members in the accounting year and added to the liabilities. It is calculated using assumptions at the start of the year which is not a fixed percentage of payroll and is expected to vary from year to year as assumptions change.

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 for the employer's contributions payable to scheme

	2018/19			2019/20		
	WBC & BCC	Optalis	Total Group	WBC Inc BCC	Optalis	Total Group
	£,000	£,000	£,000	£,000	£,000	£,000
	(22,840)	(618)	(23,458)	(26,086)	(638)	(26,724)
	9,916	181	10,097	11,173	186	11,359
	(12,924)	(437)	(13,361)	(14,913)	(452)	(15,365)

The amount included in the balance sheet arising from the Council's obligation in respect of its defined benefit scheme is as follows:

Pension assets and liabilities recognised in the balance sheet

	2018/19			2019/20		
	WBC & BCC	Optalis	Total Group	WBC Inc BCC	Optalis	Total Group
	£,000	£,000	£,000	£,000	£,000	£,000
Present value of the defined benefit obligation	(502,848)	(21,843)	(524,691)	(465,206)	(18,891)	(484,097)
Fair value of plan assets	218,164	14,497	232,661	210,086	13,349	223,435
Sub-total	(284,684)	(7,346)	(292,030)	(255,120)	(5,542)	(260,662)
Present value of unfunded obligation	(6,588)	-	(6,588)	(4,481)	-	(4,481)
Net liability arising from defined benefit obligations	(291,272)	(7,346)	(298,618)	(259,601)	(5,542)	(265,143)

Reconciliation of Opening and Closing Balances of the Fair Value of Scheme assets	2018/19			2019/20		
	WBC & BCC £,000	Optalis £,000	Total Group £,000	WBC Inc BCC £,000	Optalis £,000	Total Group £,000
Opening Fair Value of Scheme Assets	210,152	13,555	223,707	218,163	14,496	232,659
Interest on Assets	5,351	342	5,693	5,239	345	5,584
Return on Assets less Interest	3,020	857	3,877	(16,119)	(556)	(16,675)
Other actuarial gains(losses)	-	-	-	2,573	(684)	1,889
Administration Expenses	(146)	(8)	(154)	(129)	(9)	(138)
Contributions by Employer including Unfunded	9,916	181	10,097	11,173	186	11,359
Contributions by Scheme Participants and other Employers	3,121	64	3,185	3,480	53	3,533
Estimated Benefits Paid plus Unfunded Net of Transfers	(12,974)	(495)	(13,469)	(14,155)	(482)	(14,637)
Settlement prices received / (paid)	(277)	-	(277)	(139)	-	(139)
Closing Fair Value of Scheme Assets	218,163	14,496	232,659	210,086	13,349	223,435

	2018/19			2019/20		
	WBC & BCC	Optalis	Total Group	WBC Inc BCC	Optalis	Total Group
	£,000	£,000	£,000	£,000	£,000	£,000
Opening balance at 1 April	489,658	21,422	511,080	509,436	21,843	531,279
Current service cost	17,670	411	18,081	20,124	349	20,473
Interest cost	12,112	541	12,653	12,071	519	12,590
Change in financial assumptions	30,439	1,128	31,567	(47,723)	(1,895)	(49,618)
Change in demographic assumptions	(28,576)	(1,229)	(29,805)	(5,906)	(229)	(6,135)
Experience gain/(loss) on defined benefit obligation	-	-	-	(6,502)	(1,372)	(7,874)
Liabilities assumed/(extinguished) on settlements	(6,178)	-	(6,178)	(1,279)	-	(1,279)
Estimated benefits paid net of transfers in	(12,398)	(495)	(12,893)	(13,603)	(482)	(14,085)
Past service costs including curtailments	4,163	-	4,163	140	105	245
Contribution by scheme participants and other employers	3,121	64	3,185	3,480	53	3,533
Unfunded pension payments	(576)	0	(576)	(551)	-	(551)
Closing balance at 31 March	509,435	21,842	531,277	469,687	18,891	488,578

	2018/19			2019/20		
	WBC & BCC £,000	Optalis £,000	Total Group £,000	WBC Inc BCC £,000	Optalis £,000	Total Group £,000
Equities	117,167	7,354	124,521	115,766	7,538	123,304
Other Bonds	30,102	2,176	32,278	26,486	1,243	27,729
Property	30,809	2,013	32,822	30,660	1,834	32,494
Cash and Cash Equivalents	17,949	1,151	19,100	21,217	1,576	22,793
Target Return Portfolio	10,460	754	11,214	9,218	562	9,780
Commodities	1,695	111	1,806	846	79	925
Infrastructure	20,858	1,366	22,224	18,680	1,094	19,774
Longevity Insurance	(10,876)	(428)	(11,304)	(12,787)	(577)	(13,364)
Total Assets	218,164	14,497	232,661	210,086	13,349	223,435

All scheme assets have quoted prices in active markets.

Expected returns on equity investments reflect long-term real rates of return experienced in the respective markets.

Basis for Estimating Assets and Liabilities

For the year to 31 March 2019, the expected return is based on the discount rate, which was 2.35% and this rate has been used to determine the profit and loss charge for the year ended 31 March 2020, compared to a rate of 2.40% in the year 31 March 2019. The equivalent figures for the former Berkshire scheme are 2.35% for 31 March 2020 and 2.25% for 31 March 2019 and for Optalis Ltd 2.35% for 31 March 2020 and 2.40% for 31 March 2019. The discount rate is the annualised yield at the 20 year point. The 12 year point is used for Berkshire scheme due to shorter estimated scheme duration and for Optalis Ltd the annualised yield used is 22 years. The Merrill Lynch AA rated corporate bond yield curve has been chosen to meet the requirements of IAS 19 and with consideration of the duration of the employer's liabilities.

Barnett Waddingham LLP, an independent firm of actuaries, assessed the liabilities as at 31 March 2019. The principal assumptions used by the actuary for the Wokingham scheme are:

	2018/19	2019/20
Expected Return on Assets (Equal to the discount rate)	2.40%	2.35%
Life Expectancy from age 65 if retiring now:		
Men	22.0	21.5
Women	24.0	24.1
Life expectancy at age 65 retiring in 20 years:		
Men	23.7	22.9
Women	25.8	25.9
Rate of Inflation-RPI	3.40%	2.70%
Rate of Inflation-CPI	2.40%	1.90%
Rate of Increase in Salaries	3.90%	2.90%
Rate of Increase in Pensions	2.40%	1.90%
Rate for Discounting Scheme Liabilities	2.40%	2.35%
Take-up Option to Convert Annual Pension into Retirement Lump Sum	50%	50%
Take-up Option to pay 50% contributions for 50% of benefits	10%	10%

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

	2018/19	2019/20
Equity Investments	54%	54%
Other Bonds	14%	13%
Property	14%	15%
Cash	8%	10%
Target Return	5%	4%
Commodities	1%	1%
Infrastructure	9%	9%
Longevity Insurance	-5%	-6%
Total	100%	100%

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

Impact on the Defined Benefit Obligation in the Scheme

	Increase £,000	Current £,000	Decrease £,000
Adjustment to discount rate	0.10%	0.00%	(0.10%)
Present value of total obligation	460,734	469,687	479,198
Projected service cost	17,833	18,300	18,780
Adjustment to long term salary increase	0.10%	0.00%	(0.10%)
Present value of total obligation	470,629	469,687	469,110
Projected service cost	18,300	18,300	18,300
Adjustment to pension increases and deferred revaluation	0.10%	0.00%	(0.10%)
Present value of total obligation	478,650	469,687	460,901
Projected service cost	18,782	18,300	17,830
Adjustment to life expectancy assumption	+ 1 Year	None	-1 Year
Present value of total obligation	488,016	469,687	452,082
Projected service cost	18,874	18,300	17,744

Impact on the Council's Cash Flows

The objectives of the scheme are to keep employers' contributions at as constant a rate as possible. Funding levels are monitored on an annual basis. A fund valuation was carried out on the 31 March 2019 to set contributions for the period 1 April 2020 to 31 March 2023, and is a triennial event, the next valuation being due to be completed on 31 March 2022.

The total contributions expected to be made on the Local Government Pension Scheme by the Council in the year to 31 March 2021 is £10.8m (£9.3m to 31 March 2020).

The estimated employer's past service duration for Wokingham Borough Council is 21 years at 31 March 2020 (20 years 31 March 2019) and for the Berkshire scheme is 12 years at 31 March 2020 (12 years at 31 March 2019). In Optalis Ltd the estimated employer's past service duration is 22 years at 31 March 2020 (22 years at 31 March 2019).

NOTE 20 GRANT INCOME

The Council credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement in 2019/20:

	2018/19 £,000	2019/20 £,000
Credited to Taxation and Non-specific Grant Income:		
New Homes Bonus	(4,201)	(5,714)
Capital Grants	(12,809)	(30,656)
Capital Contributions	(34,344)	(30,790)
Sub Total	(51,354)	(67,160)
	2018/19 £,000	2019/20 £,000
Credited to Directorates:		
Dedicated Schools Grant	(81,811)	(82,832)
Mandatory Rent Allowances: Subsidy	(13,384)	(11,749)
Public Health	(5,354)	(5,213)
Rent Rebates Granted to HRA Tenants: Subsidy	(6,160)	(5,569)
Pupil Premium	(2,175)	(2,125)
Universal Infant Free School Meals (UIFSM)	(1,909)	(1,827)
Small Business Rate Relief	(2,242)	(1,798)
EFA 6 th Form Funding	(2,109)	(1,673)
Teachers' Pension Grant	-	(1,263)
The Private Finance Initiative (PFI)	(1,109)	(1,109)
Additional Grant for Schools	(823)	(786)
Adult Social Care Grant	(251)	(686)
Teachers' Pay Grant	(300)	(649)
UASC UK Border Agency	(399)	(458)
Winter Pressures	(402)	(402)
Flexible Homelessness Support Grant	(307)	(338)
Independent Living Fund	(273)	(265)
Adult and Community Learning from Learning and Skills Council	(261)	(249)
Families First	(290)	(238)
EU Exit Funding	-	(210)
Distribution of Levy Account Surplus	(213)	(47)
Other Grants	(1,948)	(798)
Sub total	(121,719)	(120,284)
Total	(173,073)	(187,444)

The New Homes Bonus grant has increased between 2018/19 and 2019/20 due to more homes being built in the Borough. Capital Grants have increased from 2018/19 due to the progression of major highways schemes in 2019/20 that were funded by Local Enterprise Partnership grants (provided through the Thames Valley Growth Deal). LEP grants are treated as receipts in advance and are credited to the CIES when the grant is spent, and the conditions are met. Major highways schemes funded by LEP in 2019/20 were Arborfield Bypass, South Wokingham Bypass, Thames Valley Park and Ride and works at Barkham Bridge.

The main changes in revenue grants to Directorates are: an increase in Designated Schools Grant (DSG) due to increased pupil numbers and the unit funding rate; and a reduction in both rent allowances and rent rebates due to a drop in caseload as a result of the natural migration of claimants to Universal Credit. The Council also received several new grants in 2019/20 including the Teachers' Pension Grant and EU Exit Funding.

The Council received a few grants and contributions that have yet to be recognised as income because they have conditions attached to them that may require the monies or property to be returned to the grantor. The balances at 31 March 2020 are:

	31st March, 2019 £,000	31st March, 2020 £,000
Revenue Receipts in Advance:		
Small Business Rate Relief Grant	-	(3,289)
Other Grants	(56)	(10)
Total	(56)	(3,299)

Due to the onset of the Covid-19 pandemic in 2019/20, the Small Business Rate Relief Grant was paid early by Central Government to help local authorities with cashflow.

	31st March, 2019 £,000	31st March, 2020 £,000
Capital Grants and Contributions Receipts in Advance:		
Thames Valley Berkshire Growth Deal - Wokingham Arborfield Cross Relief Road:	-	(12,416)
Thames Valley Berkshire Growth Deal – Winnersh Relief Road Phase 2	(2,521)	(5,117)
Thames Valley Berkshire Growth Deal – Thames Valley Park and Ride	(1,962)	(29)
Thames Valley Berkshire Growth Deal – Sustainable Transport National Cycle Network	(1,411)	(1,960)
Devolved Formula Grant	(1,400)	(1,219)
Other Grants	(182)	(991)
S106 Contributions	(83,182)	(77,831)
Total	(90,658)	(99,563)

In addition to the S106 contributions receipts in advance of £77.8m as at 31 March 2020, the Council have £9.346m S106 contributions in earmarked reserves, which relate to S106 commuted sums and SANG (Suitable Alternative Natural Greenspace) contributions to maintain green spaces around developments.

NOTE 21 DEDICATED SCHOOLS GRANT

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

Details of the deployment of the DSG receivable for 2019/20 are as follows and comprise the DSG figure as issued by the Department for Education:

	Central Expenditure £,000	ISB £,000	Total £,000
Final DSG for 2019/20 before Academy Recoupment	(22,854)	(111,822)	(134,676)
Less Academy figure recouped for 2019/20	-	51,844	51,844
Total DSG after Academy recoupment for 2018/19	(22,854)	(59,978)	(82,832)
Brought forward from 2018/19	1,572	-	1,572
Carry-forward to 2019/20 agreed in advance	-	-	-
Agreed initial budget distribution in 2019/20	(21,282)	(59,978)	(81,260)
In year Adjustments	-	-	-
Final Budgeted distribution for 2019/20	(21,282)	(59,978)	(81,260)
Less Actual central expenditure	24,639	-	24,639
Less Actual ISB deployed to schools	-	59,978	59,978
Carry Forward to 2020/21	3,357	-	3,357

The £3,357k deficit is mainly due to the growth in demand for children with special needs in addition to the brought forward deficit. The deficit is being addressed with our DSG Deficit Recovery Plan.

NOTE 22 USABLE RESERVES

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

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

NOTE 23 UNUSABLE RESERVES

	31st March, 2019 £,000	31st March, 2020 £,000
Revaluation Reserve	(172,568)	(229,186)
Capital Adjustment Account	(399,015)	(452,720)
Financial Instruments Adjustment Account	1,493	1,357
Pensions Reserve	291,272	259,601
Collection Fund Adjustment Account	(2,004)	2,872
Accumulated Absences Account	3,071	3,084
Total Unusable Reserves	(277,751)	(414,992)
Group unusable reserves	5,591	3,797
Minority interest	(147)	(147)
Total Group Unusable Reserves	(272,307)	(411,342)

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

	2018/19 £,000	2019/20 £,000
Balance at 1st April	(170,522)	(172,568)
Upward Revaluation of Assets	(18,605)	(78,789)
Downward Revaluation of Assets and Impairment Losses not Charged to the Surplus or Deficit on the Provision of Services	16,149	14,998
Surplus or Deficit on Revaluation of Non-current Assets not Posted to the Surplus or Deficit on the Provision of Services	(2,456)	(63,791)
Difference Between Fair Value Depreciation and Historical Cost Depreciation	963	1,479
Accumulated Gains on Assets Sold or Disposed	(553)	5,694
Amount Written Off to the Capital Adjustment Account	410	7,173
Balance at 31st March	(172,568)	(229,186)

The estimated value of the Council's assets increased by £56.6m in 2019/20 (including assets revalued upwards of £78.8m). The main assets revalued in the rolling programme were Primary and Nursery Schools, and Leisure Centres. Investment Properties and Council Dwellings are revalued very year.

The types of assets revalued in the 2019/20 rolling programme also affected the downward revaluations of assets which was £15.0m in 2019/20 compared to £16.1m in 2018/19.

The £5.7m accumulated revaluation gain written off on assets sold or disposed in 2019/20 consists mainly of the disposal of 1 primary school and land at 3 other schools which converted to academy status. In comparison, there were no transfers to academies or material disposals in 2020/19.

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 also contains revaluation gains accumulated on Property, Plant and Equipment before 1 April 2007, the date the Revaluation Reserve was created to hold such gains. Note 5 provides details of the source of all the transactions posted to the account, apart from those involving the Revaluation Reserve.

	2018/19 £,000	2019/20 £,000
Balance at 1st April	(359,581)	(399,015)
Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:		
• Charges for depreciation of non-current assets	15,937	18,513
• Charges for impairment of non-current assets	2,119	-
• Revaluation losses on property, plant and equipment	(256)	(2,352)
• Amortisation of intangible assets	285	1,014
• Revenue expenditure funded from capital under statute	5,732	9,705
• Amounts of non-current assets written-off on disposal or sale as part of the gain / loss on disposal to the Comprehensive Income and Expenditure Statement	1,137	17,459
	24,954	44,339
Adjusting amounts written out of the revaluation reserve	(410)	(7,173)
Net written out amount of the cost of non-current assets consumed in the year	24,544	37,166
Capital financing applied in the year:		
• Use of capital receipts reserve to finance new capital expenditure	(5,812)	(4,578)
• Use of major repairs reserve to finance new capital expenditure	(6,057)	(5,051)
• Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	(25,996)	(75,174)
• Application of grants to capital financing from the capital grants unapplied account	(21,384)	(959)
• Statutory provision for the financing of capital investment charged against the general fund and HRA balances	(5,937)	(3,651)
Capital expenditure charged against the general fund and HRA Balances	(434)	(974)
Increase in fair value of investment property	155	1,468
Voluntary debt repayment - HRA	(2,284)	(1,998)
Equity loan redemption	36	26
Wokingham Housing Ltd loan repayment	3,735	-
	(63,978)	(90,871)
Balance at 31st March	(399,015)	(452,720)

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 has increased in 2019/20 by £16m due to disposal of building and land assets for primary schools being transferred to academies.

Depreciation and amortisation charges have increased due to increased capital expenditure in the capital programme over recent years, backlog depreciation charges to increased revaluations (especially primary schools), has also increased the charge.

There were no impairment charges in 2019/20 (compared to £2.1m impairments in 2018/19).

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.

	2018/19 £,000	2019/20 £,000
Balance at 1st April	1,629	1,493
Proportion of Premiums Incurred in Previous Financial Years Charged against the General Fund Balance in Accordance with Statutory Requirements	(136)	(136)
Balance at 31st March	1,493	1,357

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 debit balance on the Pensions Reserve 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.

	2018/19 £,000	2019/20 £,000
Balance at 1st April	279,506	291,272
Actuarial (Gains) or Losses on Pensions Assets and Liabilities	(1,158)	(46,584)
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	22,840	26,086
Employer's Pensions Contributions and Direct Payments to Pensioners Payable in the Year	(9,916)	(11,173)
Balance at 31st March	291,272	259,601

Collection Fund Adjustment Account

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

	2018/19 £,000	2019/20 £,000
Balance at 1st April	(9,338)	(2,004)
Amount by which Council Tax and Retained Business Rates Income Credited to the Comprehensive Income and Expenditure Statement is Different from Council Tax and Retained Business Rates Income Calculated for the Year in Accordance with Statutory Requirements	7,334	4,876
Balance at 31st March	(2,004)	2,872

Accumulated Absences Account

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

	2018/19 £,000	2019/20 £,000
Balance at 1st April	2,708	3,071
Settlement or cancellation of accrual made at the end of preceding year	(2,708)	(3,701)
Amounts accrued at the end of the current year	3,071	3,085
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accrual basis is different from remuneration chargeable in the year in accordance with statutory requirements	363	14
Balance at 31st March	3,071	3,085

Group unusable reserves

The group unusable reserves are calculated based on the consolidation of the subsidiary accounts on a consistent financial reporting basis to the main accounts.

Minority interest

Accounting standards require the Council to consolidate Optalis at 100% and declare a minority interest for the proportion for which it is not the sole shareholder, 45%. This represents the share of Optalis owned by RBWM. See also note 46.

NOTE 24 PROPERTY, PLANT AND EQUIPMENT

Movements in 2019/20:	Council Dwellings	Other Land and Buildings (Inc. HRA)	Vehicles, Plant, Furniture & Equipment	Infrastructure Assets	Community Assets	Surplus Assets	Assets under Construction	Total Property, Plant and Equipment	PFI Assets Included in Property, Plant and Equipment
	£,000	£,000	£,000	£,000	£,000	£,000	£,000	£,000	£,000
Cost or Valuation									
At 1st April, 2019	252,167	477,220	22,077	158,802	3,149	4,258	90,100	1,007,773	10,190
Additions	10,576	33,205	2,668	9,915	1	199	81,209	137,773	-
Revaluation Increases / (Decreases) recognised in the Revaluation Reserve	18,128	43,329	-	-	-	-	-	61,457	-
Revaluation Increases / (Decreases) recognised in the Surplus / Deficit on the Provision of Services	-	(1,477)	-	-	-	(6)	-	(1,483)	-
De-recognition - Disposals	(911)	(16,225)	(551)	-	-	(198)	-	(17,885)	-
Assets reclassified (to) / from Assets under Construction	800	24,415	32	5,048	-	(4)	(30,291)	-	-
Other movements in cost or valuation	1	(118)	-	-	-	-	-	(117)	-
At 31st March, 2020	280,761	560,349	24,226	173,765	3,150	4,249	141,018	1,187,518	10,190
Accumulated Depreciation and Impairment									
At 1st April, 2019	50,227	33,846	12,841	39,450	-	4	-	136,368	1,668
Depreciation Charge	3,404	8,851	1,476	4,772	-	10	-	18,513	426
Depreciation written out to the Revaluation Reserve	-	(9,209)	-	-	-	-	-	(9,209)	-
Depreciation written out to the Surplus/Deficit on the Provision of Services	-	(3,835)	-	-	-	-	-	(3,835)	-
Impairment Losses / (Reversals) Recognised in the Revaluation Reserve	6,875	-	-	-	-	-	-	6,875	-
De-recognition – Disposals	(14)	(237)	(430)	-	-	(3)	-	(684)	-
Other movements in accumulated depreciation and impairment	-	(118)	-	-	-	-	-	(118)	-
At 31st March, 2020	60,492	29,298	13,887	44,222	-	11	-	147,910	2,094
Net Book Value									
At 31st March, 2020	220,269	531,051	10,339	129,543	3,150	4,238	141,018	1,039,608	8,096
At 31st March, 2019	201,940	443,374	9,236	119,352	3,149	4,254	90,100	871,405	8,522

Movements in 2019/20:	Council Dwellings	Other Land and Buildings (Inc. HRA)	Vehicles, Plant, Furniture & Equipment	Infrastructure Assets	Community Assets	Surplus Assets	Assets under Construction	Total Property, Plant and Equipment	PFI Assets Included in Property, Plant and Equipment
	£,000	£,000	£,000	£,000	£,000	£,000	£,000	£,000	£,000
Cost or Valuation									
At 1st April, 2018	252,121	433,573	20,787	146,816	3,139	5,427	40,223	902,086	9,799
Additions	8,779	30,663	1,274	11,986	10	341	57,904	110,958	3,402
Revaluation Increases / (Decreases) Recognised in the Revaluation Reserve	(7,535)	5,998	(705)	-	-	-	-	(2,243)	(1,097)
Revaluation Increases / (Decreases) Recognised in the Surplus / Deficit on the Provision of Services	-	(3,338)	-	-	-	11	-	(3,327)	(1,914)
De-recognition - Disposals	(2,788)	2,905	235	-	-	-	(1,027)	(674)	-
Assets reclassified (to) / from Held for Sale	1,590	7,300	486	-	-	(1,521)	(7,001)	855	-
At 31st March, 2019	252,168	477,102	22,077	158,802	3,149	4,258	90,100	1,007,656	10,190
Accumulated Depreciation and Impairment									
At 1st April, 2018	53,471	25,764	11,415	35,358	-	3	-	126,011	851
Depreciation Charge	3,313	7,098	1,425	4,092	-	9	-	15,937	817
Depreciation written out to the Revaluation Reserve	(6,515)	(315)	(234)	-	-	(1)	-	(7,065)	-
Depreciation written out to the Surplus/Deficit on the Provision of Services	-	(3,576)	-	-	-	(7)	-	(3,583)	-
Impairment Losses / (Reversals) Recognised in the Revaluation Reserve	-	2,367	-	-	-	-	-	2,367	-
Impairment Losses / (Reversals) Recognised in the Surplus / Deficit on the Provision of Services	-	2,119	-	-	-	-	-	2,119	-
De-recognition – Disposals	(43)	271	235	-	-	-	-	462	-
Assets reclassified (to) / from Held for Sale	1	-	-	-	-	-	-	1	-
At 31st March, 2019	50,227	33,728	12,841	39,450	-	4	-	136,250	1,668

Depreciation

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

- Council Dwellings 43 years
- Other, Land and Buildings 2-80 years
- Surplus Assets 26-38 years
- Vehicles, Plant, Furniture & Equipment 1-25 years
- Infrastructure, Roads & Highways 1-62 years

Capital Commitments

The estimated commitments for capital expenditure for schemes where orders had been placed, or legal contracts entered into, at 31 March 2020 are listed below:

	2019/20 £,000
• Major Road Schemes - Road infrastructure (SCAPE)	114,101
• Wokingham Town Centre Regeneration - Construction of leisure centre and library	21,490
• Wokingham Town Centre Regeneration - Elms Field (Construction)	3,500
• Land Acquisition for Major Road Schemes	2,600
• Shinfield SDL Community Centre	1,868
• Thames Valley Park - Park & Ride	1,808
• Bulmershe Leisure Centre Redevelopment	1,302
• Wokingham Borough Cycle Network	1,200
• New Arborfield Primary	1,178
• Addington School Expansion	1,170
• Matthews Green Sch/Community Centre	950
• Enhanced accommodation for the Foundry PRU	888
• Nine Mile Ride Extension	800
• Toutley Highways Depot Modernisation and Contract Mobilisation	422
• Adult Social Care and Optalis Transformation Programme	67
Total	153,344

Revaluations

The Council carries out a rolling programme which 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.

The outbreak of the Novel Coronavirus (COVID-19) has impacted global financial markets. Market activity is being impacted in many sectors. As at the valuation date, we consider that we can attach less weight to previous market evidence for comparison purposes, to inform opinions of value. Indeed, the current response to COVID-19 means that we are faced with an unprecedented set of circumstances on which to base a judgement. The valuations are therefore reported on the basis of 'material valuation uncertainty' as per VPS 3 and VPGA 10 of the RICS Red Book Global. Consequently, less certainty – and a higher degree of caution – should be attached to our valuation than would normally be the case.'

The table below shows the value of assets against the year they were revalued. The difference between years are due to the number and types of assets revalued as per the rolling programme i.e. at 31 March 2020 secondary schools and leisure centres were revalued, while in other years there are fewer material assets revalued.

	Council Dwellings	Other, Land and Buildings (Inc. HRA)	Vehicles, Plant, Furniture & Equipment	Infra-structure Assets	Community Assets	Surplus Assets	Total
	£,000	£,000	£,000	£,000	£,000	£,000	£,000
Carried at Historical Cost	-	46	10,339	129,543	3,150	-	143,078
Valued at Fair Value as at 31 st March							
2020	220,270	308,277	-	-	-	4,238	532,785
2019	-	50,382	-	-	-	-	50,382
2018	-	54,147	-	-	-	-	54,147
2017	-	91,435	-	-	-	-	91,435
2016	-	26,763	-	-	-	-	26,763
Total Cost or Valuation	220,270	531,050	10,339	129,543	3,150	4,238	898,590

NOTE 25 OTHER NON CURRENT ASSETS

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:

	2048/19	2019/20
	£,000	£,000
Rental Income from Investment Property	427	1,827
Direct Operating Expenses arising from Investment Property	(82)	(98)
Net Gain / (Loss)	345	1,729

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:

	2018/19	2019/20
	£,000	£,000
Balance at the Start of the Year	6,121	17,077
Additions:		
Purchases	12,638	18,592
Net Gains / (Losses) from Fair Value Adjustments	(155)	(1,468)
Transfers:		
(To) / from Property, Plant and Equipment	(1,527)	-
Balance at the End of the Year	17,077	34,201

The outbreak of the Novel Coronavirus (COVID-19) has impacted global financial markets. Market activity is being impacted in many sectors. As at the valuation date, we consider that we can attach less weight to previous market evidence for comparison purposes, to inform opinions of value. Indeed, the current response to COVID-19 means that we are faced with an unprecedented set of circumstances on which to base a judgement. The valuations are therefore reported on the basis of 'material valuation uncertainty' as per VPS 3 and VPGA 10 of the RICS Red Book Global. Consequently, less certainty – and a higher degree of caution – should be attached to our valuation than would normally be the case.'

Fair Value Hierarchy

Details of the Council's investment properties and surplus assets and information about fair value hierarchy as at 31 March 2020 are as follows:

	Quoted prices in Active markets for identical Assets (Level 1) £000	Other significant Observable inputs (Level 2) £000	Significant Unobservable inputs (Level 3) £000	Fair value as at 31 March 2020 £000
Recurring fair value Measurements using:				
Investment Properties	-	-	34,201	34,201
Surplus Assets	-	-	4,238	4,238
Total	-	-	38,439	38,439

2018/2019 Comparatives

	Quoted prices in Active markets for identical Assets (Level 1) £,000	Other significant Observable inputs (Level 2) £,000	Significant Unobservable inputs (Level 3) £,000	Fair value as at 31 March 2019 £,000
Recurring fair value Measurements using:				
Investment Properties	-	-	17,077	17,077
Surplus Assets	-	-	4,254	4,254
Total	-	-	21,331	21,331

Transfers between Levels of the Fair Value Hierarchy

There were no transfers between Levels 1, 2 and 3 during the year.

Valuation Techniques used to Determine Level 3 Fair Values for Investment Properties

Significant Unobservable Inputs – Level 3

The office and commercial units and Investment Properties located in the local authority area are measured using the income approach, by means of the discounted cash flow method, where the expected cash flows from the properties are discounted (using a market-derived discount rate) to establish the present value of the net income stream. The approach has been developed using the Council's own data requiring it to factor assumptions, such as the duration and timing of cash inflows and outflows, rent growth, occupancy levels, bad debt levels, maintenance costs, etc.

The Council's office and commercial units are therefore categorised as Level 3 in the fair value hierarchy as the measurement technique uses significant unobservable inputs to determine the fair value measurements (and there is no reasonably available information that indicated that market participants would use different assumptions).

Highest and Best Use of Investment Properties

In estimation the fair value of the authority's investment properties, the highest and best use of the properties is their current use.

**Reconciliation of Fair Value Measurements (using Significant Unobservable Inputs)
 Categorised within Level 3 of Fair Value Hierarchy
 Office buildings categorised within Level 3**

	31 st March 2019 £,000	31 st March 2020 £000
Opening Balance	11,545	21,331
Transfers out of Level 3	(3,048)	(4)
Total gains (or losses) for the period included in Surplus or Deficit on the Provision of Services resulting from changes in the fair value	(144)	(1,474)
Additions	12,978	18,791
Disposals	-	(195)
Other Charges	-	(10)
Closing Balance	21,331	38,439

Gains or Losses arising from changes in the fair value of investment properties are recognised in Surplus or Deficit in the Provision of Services – Financing and Investment Income and Expenditure line.

NOTE 26 INTANGIBLE ASSETS

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

The Council accounts for its software as intangible assets to the extent that the software is not an integral part of a particular IT system and accounted for as part of the hardware item of Property, Plant and Equipment. Amortisation of £1,014k charged to revenue in 2019/20 was charged to the IT Administration cost centre and then absorbed as an overhead across all the service headings in the Net Expenditure of Services. It is not possible to quantify exactly how much of the amortisation is attributable to each service heading. The remaining amortisation was charged directly to the service using the asset.

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

Term	Internally Generated Assets	Other Assets
5 Years	None	I-Procurement, Human Resources Management Information Systems, E-mail and Schools e-learning, GIS Mapping Software, Wokingham Strategic Transport Model (WSTM) 2015 Base Update, Planning System, 21 st Century Implementation
15 Years	None	Housing Management System
10 Years	None	Enterprise Resource Planning (ERP) System
25 Years	None	Transition of WBC's ICT to a mixed economy model (migration to cloud), Customer Service System and self-service technology

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

	2018/19	2019/20
	£,000	£,000
Balance at the Start of the Year		
Gross Carrying Amount	6,971	10,649
Accumulated Amortisation	(3,295)	(3,580)
Net Carrying amount	3,676	7,069
Additions		
Purchases	1,416	291
Reclassifications (to)/from assets under construction	2,262	-
Amortisation for the Period	(285)	(1,014)
Net Carrying Amount at End of the Year	7,069	6,346
Comprising:		
Gross Carrying Amounts	10,649	10,941
Accumulated Amortisation	(3,580)	(4,595)
Closing Balance at 31 March	7,069	6,346

NOTE 27

CAPITAL EXPENDITURE AND CAPITAL FINANCING

The total amount of capital expenditure incurred in the year is shown in the table below (including the value of assets acquired under finance leases and PFI), 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.

	2018/19 £,000	2019/20 £,000
Opening Capital Financing Requirement	271,462	335,747
Capital Investment:		
Property, Plant and Equipment	107,556	137,773
Investment Properties	12,638	18,592
Intangible Assets	1,416	291
Revenue Expenditure Funded from Capital under Statute	5,732	9,705
Long Term Debtor	4,846	5,274
Sources of Finance:		
Capital Receipts	(5,812)	(4,548)
Government Grants and Other Contributions	(47,377)	(76,212)
Sums Set Aside from Revenue:		
Direct Revenue Contributions	(6,493)	(5,954)
MRP / Loans Fund Principal	(5,937)	(3,651)
Other Adjustments:		
Voluntary Debt Repayment - HRA	(2,284)	(1,988)
Closing Capital Financing Requirement	335,747	415,029

Explanation of Movements in Year

Increase / (Decrease) in underlying need for supported borrowing	-	-
Increase / (Decrease) in underlying need for unsupported borrowing	64,285	79,282
Increase / (Decrease) in Capital Financing Requirement	64,285	79,282

NOTE 28 LEASES

The Council as Lessee

Finance Leases

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

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

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

Finance Lease Liabilities (Net Present Value of Minimum Lease Payments):	31st March, 2019 £,000	31st March, 2020 £,000
• Current	-	-
• Non-current	1,067	1,067
Finance Costs Payable in Future Years	8,384	8,278
Minimum Lease Payments	9,451	9,345

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

	Minimum Lease Payments		Finance Lease Liabilities	
	31st March, 2019 £,000	31st March, 2020 £,000	31st March, 2019 £,000	31st March, 2020 £,000
- Not Later than One Year	107	107	-	-
- Later than One Year and not Later than Five Years	427	427	-	-
- Later than Five Years	8,917	8,810	1,067	1,066
	9,451	9,344	1,067	1,066

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 2019/20 £186k contingent rents were payable by the Council (2018/19 £186k).

Operating Leases

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

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

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

	31st March, 2019 £,000	31st March, 2020 £,000
Not later than one year:		
Land and buildings	133	86
Vehicles, plant and equipment	47	41
Computer equipment	111	58
Later than one year and not later than five years:		
Land and buildings	369	264
Vehicles, plant and equipment	59	53
Computer equipment	133	47
Later than five years:		
Land and buildings	553	434
	1,405	983

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

	2018/19 £,000	2019/20 £,000
Minimum lease payments:		
Land and buildings	130	214
Vehicles, plant and equipment	46	61
Computer equipment	128	122
Contingent rents:		
Land and buildings	-	-
	307	397

Increase in Land and buildings due to additional properties added in 2019/20.

The Council as Lessor

Finance Leases

The Council did not enter into any finance leases in 2019/20 as a lessor.

The Council as Lessor

Operating Leases

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

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

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

Rental Income receivable:	2018/19 £,000	2019/20 £,000
Shops	(333)	(2,875)
Industrial Premises	(918)	(933)
Offices	(28)	(874)
Other	(680)	(716)
Total	(1,959)	(5,398)

The increase in shop rental income from £333k in 2018/19 to £2,875k in 2019/20 is largely due to the regeneration works taking place in Wokingham Town Centre along with income from recently purchased Investment Properties.

Similarly the increase in office rental income from £28k in 2018/19 to £874k in 2019/20 was the result of recently purchased Investment Properties.

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

	31st March, 2019 £,000	31st March, 2020 £,000
Not later than one year:		
Shops	(376)	(2,950)
Industrial premises	(538)	(1,382)
Offices	(21)	(635)
Other	(462)	(541)
Later than one year and not later than five years:		
Shops	(317)	(11,132)
Industrial premises	(626)	(4,335)
Offices	-	(1,723)
Other	(1,660)	(2,056)
Later than five years:		
Shops	(465)	(33,448)
Industrial premises	-	(12,600)
Offices	-	(480)
Other	(19,524)	(12,687)
Total	(23,989)	(83,970)

The increase in income as compared to 2018/19 is due to recently purchased Investment Properties and the Town Centre regeneration.

NOTE 29 PRIVATE FINANCE INITIATIVES AND SIMILAR CONTRACTS

Waste Disposal PFI Scheme

In 2006/07 the Council, together with Reading and Bracknell Forest Borough Councils, entered into a PFI contract with WRG (RE3 Ltd) for the disposal of waste. The total outstanding value of the contract is estimated to be £111.3m as at 31 March, 2020, to be shared between the councils based on usage. Actual payments will depend upon the contractor's performance as well as that of the individual councils in waste collection and recycling. As part of the contract, the contractor has built a transfer station, materials recycling facility, civic amenity site and offices on land owned by Reading and Bracknell Forest Borough Councils. The contract will expire in December 2031.

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

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

Payments remaining to be made by Wokingham Borough Council under the PFI contract at 31 March, 2020 (excluding any estimation of inflation and availability / performance deductions) are as follows:

	Income Amortisation	Liability	Interest	Service Charges	Total
	£,000	£,000	£,000	£,000	£,000
Payable in 2020/21	118	428	421	2,513	3,362
Payable within 2 to 5 Years	472	1,662	1,387	10,994	14,043
Payable within 6 to 10 Years	590	2,774	932	15,275	18,981
Payable within 11 to 15 Years	149	890	65	4,060	5,015
Total	1,329	5,754	2,805	32,842	41,401

The liability outstanding under the waste contract is as follows:

	Deferred Income		Lease Liability	
	31st March, 2019 £,000	31st March, 2020 £,000	31st March, 2019 £,000	31st March, 2020 £,000
Balance Outstanding at Start of Year	-	(1,447)	(7,060)	(6,245)
<i>Opening balance adjustment</i>	(1,565)	-	362	-
Adjusted Balance	(1,565)	(1,447)	(6,698)	(6,245)
Amortisation/Payments During the Year	118	118	453	491
Balance Outstanding at End of Year	(1,447)	(1,329)	(6,245)	(5,754)

NOTE 30 DEBTORS

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

SHORT TERM DEBTORS	WBC 31st March, 2019 £,000	Group 31st March, 2019 £,000	WBC 31st March, 2020 £,000	Group 31st March, 2020 £,000
Repayable within One year				
Central Government Bodies	4,508		4,491	
Other Local Authorities	10,488		4,767	
NHS Bodies	1,222		892	
Other Entities and Individuals	56,938		22,707	
Total	73,156		32,857	

Amounts owed by other Local Authorities has decreased from £10.5m in 18/19 to £4.8m in 19/20. This is due to some large invoices relating to capital projects which were part funded by the LEP in 18/19.

Other Entities and Individuals have decreased from £56.9m in 18/19 to £22.1m in 19/20. This is due to a large payment in advance for the purchase of a commercial property of £21.8m in the previous year and a reduction in amounts owing in respect of developer contributions owed to the Council.

DEBTORS FOR LOCAL TAXATION

The debtors which were due to the Council in full at the end of the accounting year, net of bad debt provision, for local taxation (council tax and non-domestic rates (business rates)) can be analysed by age as follows:

	Council Tax £,000	Business Rates £,000	31st March, 2019 £,000	Council Tax £,000	Business Rates £,000	31st March, 2020 £,000
Less than 1 year	1,175	1,780	2,955	1,376	1,682	3,058
Between 1 and 2 years	454	393	847	562	556	1,118
More than 2 years	274	179	453	326	185	511
Total	1,903	2,352	4,255	2,264	2,423	4,687

LONG TERM DEBTORS

	31st March,2019	31st March, 2020
	£,000	£,000
Repayable after one year		
Other entities and individuals	12,813	20,045
Total	12,813	20,045

Long term debtors have increased from £12.5m at 31 March 2019 to £20.0m at 31 March 2020. This is due to additional loans advanced to Wokingham Housing Ltd and WBC Holdings Ltd in 2019/20.

NOTE 31 CREDITORS

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

	WBC	Group	WBC	Group
	31st March, 2019 £,000	31st March, 2019 £,000	31st March, 2020 £,000	31st March, 2020 £,000
Central Government Bodies	(2,872)		(7,640)	
Other Local Authorities	(4,227)		(2,879)	
NHS Bodies	(327)		(328)	
Charities	42		42	
Other Entities and Individuals	(51,076)		(47,168)	
Total	(58,460)		(57,973)	

The increase in Central Government Bodies from £2.8m in 2018-19 to £7.4m in 2019-20 is primarily due to a grant of £3.2m received in advance.

LONG TERM CREDITORS

Repayable after one year

Less premium received in advance		
Other Entities and Individuals	(71)	(71)
Total	(71)	(6,101)

	31st March, 2019 £,000	31st March, 2020 £,000
	-	(6,030)
	(71)	(71)
Total	(71)	(6,101)

The long-term creditor of £71k is in respect of funds received from a developer for a deposit relating to a section 38 agreement, which will be returned to the developer at the end of the development if all conditions are met.

During the year the Council leased out a number of residential properties in respect of the Peach Place regeneration project to a subsidiary company, Berry Brook Homes Limited. There are 3 leases each of which has a 30 year term with a break clause after 10 years and lease premiums totalling £6.7m were received by the Council at the inception of the lease. The leases do not transfer all the risks and rewards of ownership to the lessee and, accordingly, these leases have been classified as operating leases. The lease premium is to be recognised in income over the initial lease term of 10 years as follows:

	31st March, 2019 £,000	31st March, 2020 £,000
Short-term		
Within one year	-	(670)
Long-term		
Between one and two years	-	(670)
Between two and five years	-	(2,860)

Between five and ten years
Total Long-term

-	(2,860)
-	(6,030)

NOTE 32 PROVISIONS

All of the Council's provisions are short term.

Provisions than 1 year:	less	2018/19			2019/20		
		Provision for Accumulated Absences	Other Provisions	Total	Provision for Accumulated Absences	Other Provisions	Total
		£,000	£,000	£,000	£,000	£,000	£,000
Balance brought forward		(2,708)	(3,005)	(5,713)	(3,071)	(5,025)	(8,096)
Additional provisions made in year		(3,071)	(2,745)	(5,816)	(3,085)	(1,341)	(4,426)
Amounts used in year		-	725	725	-	1,593	1,593
Unused amounts reversed in year		2,708	-	2,708	3,071	-	3,071
Balance carried forward		(3,071)	(5,025)	(8,096)	(3,085)	(4,773)	(7,858)

Provision for Accumulating Absences

Officers can carry forward holiday and flexi leave entitlement at the end of the financial year, however, they are not financially compensated if they leave the Council's employment before taking up their entitlement. The Council made a provision of £3.085m at 31 March 2020 (£3.071m at 31 March 2019) for compensated absences.

Other Provisions

Provision for Non Domestic Rates successful appeals against valuations - Following guidance from the Department of Communities and Local Government (DCLG), and in line with proper accounting practice, the Collection Fund has made a provision of £5.334m (£4.236m as at 31 March 2019) for successful appeals against business rates valuations, of which Wokingham's share is £3.947m (£4.193m as at 31 March 2019).

Dilapidation – A provision for dilapidation costs on buildings for Council lease of £0.217m (£0.217m as at 31 March 2019). As contracts may specify the building must be returned to their original condition at the end of the lease. This also includes terminating leases where necessary.

Wokingham Borough Council is a Member of the MMI (Municipal Mutual Insurance) Scheme of Arrangement, which was put in place following MMI's insolvency in 1992. It relates to historic insurance claims for mesothelioma caused by asbestos and those claims that may have been incurred but not yet reported. A provision of £0.409m (31 March 2019 £0.425m) is held for this purpose.

In 2019-20 the Council has received a claim in respect of an employment tribunal amounting to £0.584m, however, the legal team estimates that the amount likely to be paid is approximately £0.2m and a provision has been raised for this amount.

NOTE 33 CONTINGENT LIABILITIES

Wokingham Borough Council has a number of subsidiary companies, which were operational during 2019/20. The Council funds any operating losses reported by the companies from its working balances as loans to the companies. The losses are carried forward in the profit and loss reserves of the companies (see the main financial statements and note 46 for more information). In addition, it acts as guarantor for any losses or liabilities incurred by the companies, particularly any residual losses that may be incurred by the companies if they were to cease trading and were wound up.

In relation to Optalis Ltd, the Council has an additional contingent liability in relation to staff transferred from the Council to the company under TUPE arrangements. The Council remains liable for the pension liabilities of the staff transferred, for costs associated with future redundancies and for pension strain costs arising from service closures and future modernisations if they were to occur. The Optalis pension deficit at 31 March 2020 is £5.542m (£7.346m at 31 March 2019), as can be seen in note 19.

In August 2019 the Employee Appeal Tribunal made a judgement that holiday pay for permanent employees whose work patterns are varied across the year should be calculated based on the average earnings for the 12 weeks prior to the holiday as opposed to the average earnings on an annual basis. There is a possibility that an appeal may be made against this ruling although this would appear unlikely and there is a lack of clarity with regard to the basis of any potential claims and the period, if any, to be backdated. In view of this and the lack of current data available the Council is unable to estimate the likely financial impact of any claims that may arise.

The Council has received claims in respect of Deprivation of Liberty and Home to School Transport. Should any of these claims progress, and ultimately prove to be founded, there is the possibility that compensation payments may become due. It is not possible at this stage to reliably place an estimate on the likelihood of success of these claims and the amount of any potential liability.

NOTE 34 CONTINGENT ASSETS

The Council does not currently have any contingent assets.

NOTE 35 ASSETS HELD FOR SALE

	Current	
	2018/19 £,000	2019/20 £,000
Balance outstanding at start of the year	1,847	258
Assets newly classified as held for sale:		
Property, plant and equipment	258	-
Assets sold	-	(258)
Transfers to Operational Assets – Not Sold	(1,847)	-
Balance outstanding at end of year	258	-

As at 31 March 2020 there were no properties classified as assets held for sale (3 properties at 31 March 2019).

NOTE 36 FINANCIAL INSTRUMENTS

Categories of Financial Instruments

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

	<u>Current</u>						<u>Non-Current</u>			
	Investments		Debtors		Cash and Cash Equivalents		Investments		Debtors	
	31st March, 2019 £,000	31st March, 2020 £,000								
Financial Assets										
At amortised cost	53,410	44,991	39,542	18,325	51,966	60,319	35	30,000	12,477	20,045
Total Financial Assets	53,410	44,991	39,542	18,325	51,966	60,319	35	30,000	12,477	20,045
Non-financial Assets										
Other	-	-	33,614	14,532	-	-	-	-	-	-
Total Non-financial Assets	-	-	33,614	14,532	-	-	-	-	-	-
Per Balance Sheet	53,410	44,991	73,156	32,857	51,966	60,319	35	30,000	12,477	20,045

Categories of Financial Instruments

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

	<u>Current</u>						<u>Non-Current</u>			
	Borrowings		Creditors		Cash and Cash Equivalents		Borrowings		Creditors	
	31st March, 2019 £,000	31st March, 2020 £,000								
Financial Liabilities										
At amortised cost	(28,045)	(63,482)	(42,119)	(40,907)	(2,125)	(1,995)	(199,505)	(216,030)	(71)	(71)
Total Financial Liabilities	(28,045)	(63,482)	(42,119)	(40,907)	(2,125)	(1,995)	(199,505)	(216,030)	(71)	(71)
Non-financial Assets										
Other	-	-	(16,341)	(17,066)	-	-	-	-	-	(6,030)
Per Balance Sheet	(28,045)	(63,482)	(58,460)	(57,973)	(2,125)	(1,995)	(199,505)	(216,030)	(71)	(6,101)

Income, Expense, Gains and Losses

	2018/19		Total £,000	2019/20		Total £,000
	Financial Liabilities Measured at Amortised Cost £,000	Financial Assets Measured at Amortised Cost £,000		Financial Liabilities Measured at Amortised Cost £,000	Financial Assets Measured at Amortised Cost £,000	
Interest expense on external borrowing	5,077	-	5,077	6,840	-	6,840
Interest expense on PFI and finance lease liabilities	2,811	-	2,811	688	-	688
Impairment losses	-	-	-	-	-	-
Total expense in surplus or deficit on the provision of services	7,888	-	7,888	7,528	-	7,528
Interest income	-	(1,549)	(1,549)	-	(1,793)	(1,793)
Total income in surplus or deficit on the provision of services	7,888	(1,549)	6,339	7,528	(1,793)	5,735
Surplus / deficit arising on revaluation of financial assets in the comprehensive income and expenditure statement	-	-	-	-	-	-
Net (gain) / loss for the year	7,888	(1,549)	6,339	7,528	(1,793)	5,735

Fair Values of Financial Assets and Financial Liabilities

All financial assets and financial liabilities of the Council are carried in the Balance Sheet at amortised cost. The fair values calculated for financial assets and liabilities are as follows:

Financial liabilities, financial assets represented by loans and receivables and long-term debtors and creditors are carried in the Balance Sheet at amortised cost. 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.

	31 March 2019		31 March 2020	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
	£,000	£,000	£,000	£,000
Financial Assets Held at Amortised Cost				
Short-term Investments	53,410	53,410	44,991	44,991
Long-term Investments	35	35	30,000	30,000
Short-term Debtors	39,542	39,542	18,325	18,325
Long-term Debtors	12,477	12,477	20,045	20,045
Cash and Cash Equivalents	51,966	51,966	60,319	60,319
Total Financial Assets	157,430	157,430	173,679	173,679
Financial Liabilities Held at Amortised Cost				
Borrowings	(227,550)	(290,333)	(279,512)	(371,155)
Cash and Cash Equivalents	(2,125)	(2,125)	(1,995)	(1,995)
Other liabilities and creditors	(42,190)	(42,190)	(40,978)	(40,978)
	(271,865)	(334,648)	(322,485)	(414,128)
Other				
PFI and other Finance Lease Liabilities	(8,759)	(8,759)	(8,149)	(8,149)
	(8,759)	(8,759)	(8,149)	(8,149)
Total Financial Liabilities	(280,624)	(343,407)	(330,634)	(422,277)

The fair value of liabilities as at 31 March 2020 is greater than the overall carrying amount because the Council's portfolio of loans from the Government's Public Works Loans Board (PWLB) and other sources includes a number of fixed rate loans where the interest payable is higher than the rates available for similar loans in the market at the Balance Sheet date.

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

The differences are attributable to fixed interest instruments payable being held by the Council whose interest rate is slightly lower than the prevailing rate estimated to be available at 31 March 2020. This increases the fair value of loans and receivables.

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

Fair Value Hierarchy for Financial Assets and Financial Liabilities that are not measured at Fair Value

	31st March, 2019 Other Significant Observable Inputs (Level 2) £,000	31st March, 2020 Other Significant Observable Inputs (Level 2) £,000
Financial Liabilities		
PWLB and LOBO loans	(141,550)	(139,512)
Borrowings with other local authorities	(85,000)	(140,000)
Other loans	(1,000)	-
PFI and finance lease liabilities	(8,759)	(8,149)
	(236,309)	(287,661)
Financial Assets		
Short-term investments with other local authorities	91,258	74,991
Investments with banks and other financial institutions	8,637	58,962
Other investments	2,326	20,045
	102,221	153,998

NOTE 37 NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS

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

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

The Council's overall risk management procedures focus on the unpredictability of financial markets, and are structured to implement suitable controls to minimise these risks. The procedures for risk management are set out through a legal framework. These require the Council to comply with the CIPFA Prudential Code, the CIPFA Code of Practice on Treasury Management in the Public Services and investment guidance issued through the Local Government Act 2003. Overall, these procedures require the Council to manage risk, which it does through the following means.

The Annual Treasury Management and Investment strategy which incorporates the prudential indicators was approved by Council on 21 February 2019 and is available on the Council website at

<https://wokingham.moderngov.co.uk/documents/s31780/Treasury%20Management%20Strategy%20report.pdf>

Credit risk

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

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

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

Amounts Arising from Expected Credit Losses

The changes in the loss allowance for financial assets at amortised cost are as follows:

	Lifetime Expected Credit Losses- Credit Impaired Simplified Approach £,000
2019-20 Movement	
Opening balance at 1 April 2019	(2,461)
Amounts written-off	159
Increase in allowance for credit losses	25
Other changes	-
Closing balance at 31 March 2020	(2,277)
2018-19 Movement	
Opening balance at 1 April 2018	(2,160)
Amounts written-off	2
Increase in allowance for credit losses	(307)
Other changes	4
Closing balance at 31 March 2019	(2,461)

The Council has the following exposure to credit risk at 31 March 2020:

	Gross Carrying Amount at 31 March, 2020 £,000
Deposits with banks and financial institutions:	
AAA Rated Counterparties	15,384
Deposits with banks and financial institutions:	
AA Rated Counterparties	108,000
Simplified Approach	
Customers	18,325
Total	141,709

No breaches of the Council's counterparty criteria occurred during the reporting period and the Council does not expect any losses from non-performance by any of its counterparties in relation to deposits and bonds.

Liquidity risk

The Council manages its liquidity position through the risk management procedures above (the setting and approval of prudential indicators and the approval of the annual treasury and investment strategy), as well as through a comprehensive cash flow management system, as required by the CIPFA Code of Practice. This seeks to ensure that cash is available when needed. The Council has ready access to borrowings from the money markets to cover any day to day cash flow need, and the PWLB and money markets for access to longer term funds. The Council is also required to provide a balanced budget through the Local Government Finance Act 1992, which ensures sufficient monies are raised to cover annual expenditure. There is therefore no significant risk that it will be unable to raise finance to meet its commitments under financial instruments.

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

The maturity analysis of financial assets is as follows:

	31st March, 2019 £,000	31st March, 2020 £,000
Within one year	105,376	105,310
Between one and two years	-	30,000
	105,376	135,310

Maturity and refinancing risk

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

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

The maturity analysis of financial liabilities is as follows:

	31st March 2019 £,000	31st March 2020 £,000
Short term borrowing		
Within one year	(28,045)	(63,482)
Long term borrowing		
Between 1 and 2 years	(37,679)	(75,342)
Between 2 and 5 years	(34,492)	(26,036)
Between 5 and 10 years	(23,233)	(11,180)
Between 10 and 15 years	(40,620)	(47,684)
Between 15 and 20 years	(19,000)	(11,600)
Between 25 and 30 years	(1,465)	(1,465)
More than 30 years	(43,016)	(42,723)
Total Long Term	(199,505)	(216,030)
Total Borrowing	(227,550)	(279,512)

Market risk

Interest rate risk

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

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

Borrowings are not carried at fair value on the Balance Sheet, so nominal gains and losses on fixed rate borrowings would not impact on the surplus or deficit on the provision of services or other comprehensive income and expenditure. However, changes in interest payable and receivable on variable rate borrowings and investments will be posted to the surplus or deficit on the provision of services and affect the general fund balance. Movements in the fair value of fixed rate investments that have a quoted market price will be reflected in other comprehensive income and expenditure.

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

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

	31st March, 2019 £,000	31st March, 2020 £,000
Increase in interest payable on variable rate borrowings	-	-
Increase in interest receivable on variable rate investments	(230)	(252)
Impact on Surplus or Deficit on the Provision of Services	(230)	(252)
Share of overall impact debited/(credited) to the HRA	-	-
Decrease in Fair Value of Fixed Rate Investment Assets	-	-
Impact on Other Comprehensive Income and Expenditure	(230)	(252)
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)	-	-

There is nil impact on the cost of borrowing of a 1% change as all the loans are at fixed rates. The impact of a 1% fall in interest rates would be as above but with the movements being reversed. Fund Managers investments are not considered as variable rate investments.

Price risk

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

NOTE 38 OPERATING ACTIVITIES

The cash flows for operating activities include the following items:

	31st March, 2019 £,000	31st March, 2020 £,000
Interest Received	(1,549)	(1,793)
Interest Paid	7,988	7,527
	6,339	5,734

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

	31st March, 2019 £,000	31st March, 2020 £,000
Depreciation of property, plant and equipment	15,936	18,513
Impairment and downward valuations	1,863	(2,352)
Amortisation of intangible assets	285	1,015
Increase/(decrease) in impairment allowance for bad or doubtful debts	291	(175)
Increase/(decrease) in creditors	8,342	4,988
(Increase)/decrease in debtors	(13,678)	18,672
Movement in pension liability	12,924	14,913
Carrying amount of non-current assets, and non – current assets held for sale, sold or derecognised	1,137	17,459
Other non-cash items charged to the net surplus or deficit on the provision of services	2,539	1,231
Total Non-Cash Movements	29,639	74,263

NOTE 39 INVESTING ACTIVITIES

	31st March, 2019 £,000	31st March, 2020 £,000
Purchase of Property, Plant and Equipment, Investment Property and Intangible Assets	(140,249)	(141,073)
Purchase of Short-term and Long-term Investments	(51,084)	(92,965)
Other Payments for Investing Activities	(4,845)	(5,271)
Proceeds from the Sale of Property, Plant and Equipment, Investment Property and Intangible Assets	1,780	1,745
Proceeds from Short-term and Long-term Investments	54,259	69,125
Other Receipts from Investing Activities	84,265	68,184
Net Cash Flows from Investing Activities	(55,874)	(100,256)

NOTE 40 FINANCING ACTIVITIES

	31st March, 2019 £,000	31st March, 2020 £,000
Cash Receipts of Short and Long-term Borrowing	142,035	216,425
Other Receipts or Payments for Financing Activities	216	6,772
Cash Payments for the reduction of outstanding liabilities relating to Finance leases and on balance sheet PFI contracts	631	(610)
Repayments of short and long-term borrowing	(62,741)	(164,463)
Other Payments for Financing Activities	(6,750)	-
Net Cash Flows from Financing Activities	73,391	58,123

NOTE 41 CASH AND CASH EQUIVALENTS

	WBC 31st March, 2019 £,000	Group 31st March, 2019 £,000	WBC 31st March, 2020 £,000	Group 31st March, 2020 £,000
Cash held by the Council	3,155	3,155	64	64
Bank Current Assets	-	1,268	11,862	13,886
Money Market Instruments	48,178	48,178	47,750	47,750
Cash Held by Fund Managers	634	634	643	643
Cash and Cash Equivalents	51,967	53,235	60,319	62,343
Bank Current Liabilities	(2,125)	(2,125)	(1,995)	(1,995)
Total Cash and Cash Equivalents	49,842	51,110	58,324	60,348

NOTE 42 ACQUIRED AND DISCONTINUED OPERATIONS

There were no acquired or discontinued operations in 2019/20 or 2018/19.

NOTE 43 EVENTS AFTER THE BALANCE SHEET DATE

The draft Statement of Accounts was authorised for issue by the Deputy Chief Executive (S.151 Officer) on 31 August 2020. Events taking place after this date are not reflected in the financial statements or notes. Where events taking place before this date provided information about conditions existing at 31 March 2020, 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 have not been adjusted for any post balance sheet events which took place after 31 March 2020.

NOTE 44 AGENCY SERVICES

The Council performs an Independent Mental Capacity Advocacy service on behalf of a number of other unitary authorities in Berkshire. Slough and Bracknell Forest councils left the contract in 17/18 and West Berkshire left the contract during 18/19. The other authorities reimburse the Council for this work, including a contribution towards administrative costs. The contract with the service provider concluded in 2019-20 and a new advocacy partnership with the Royal Borough of Windsor and Maidenhead was commissioned in August 2019. The Council operates a shared legal service, internal audit & investigations service and operational property service with the Royal Borough of Windsor and Maidenhead, a building control service with Royal Borough Windsor and Maidenhead and West Berkshire, and a reprographics service with Bracknell Forest Council. A summary of expenditure incurred and income received, in respect of agency services, which is not included within the Comprehensive Income and Expenditure Statement, is as follows:

	Independent Mental Capacity Advocate (IMCA) £,000	Shared Legal Services £,000	Internal Audit and Investigation £,000	Building Control £,000	Operational Property £,000	Reprographics £,000	Total £,000
2019-20							
Income							
Bracknell Forest	-	-	-	-	-	(104)	(104)
Windsor & Maidenhead	(8)	(474)	(408)	(651)	(685)	-	(2,226)
West Berkshire	9	-	-	(651)	-	-	(642)
Total Income	1	(474)	(408)	(1,302)	(685)	(104)	(2,972)
Expenditure	(1)	474	408	1,302	685	104	2,972
Net Expenditure/Income	-	-	-	-	-	-	-

	Independent Mental Capacity Advocate (ICMA) £,000	Shared Legal Services £,000	Internal Audit and Investigation £,000	Building Control £,000	Operational Property £,000	Reprographics £,000	Total £,000
2018-19							
Income							
Reading	(80)	-	-	-	-	-	(80)
Bracknell Forest	-	-	-	-	-	(100)	(100)
Windsor & Maidenhead	(71)	(557)	(414)	(626)	(806)	-	(2,474)
West Berkshire	(24)	-	-	(626)	-	-	(650)
Total Income	(175)	(557)	(414)	(1,252)	(806)	(100)	(3,304)
Expenditure	175	557	414	1,252	806	100	3,304
Net Expenditure/(Income)	-	-	-	-	-	-	-

NOTE 45 POOLED BUDGETS

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

Joint Equipment Stores Agreement

The Joint Equipment Stores Agreement uses NRS Healthcare as an agent to provide the services. The six Berkshire Unitary Authorities and the Berkshire Clinical Commissioning Groups are members of the agreement with West Berkshire Council as the lead partner. The memorandum account for the fund is as follows:

	2018/19	2019/20
	£,000	£,000
Funding Provided to the Pooled Budget:		
Wokingham Borough Council	(551)	(691)
West Berkshire Council	(1,103)	(1,032)
Other Berkshire Councils	(2,018)	(2,096)
Berkshire Clinical Commissioning Groups ¹²	(5,381)	(6,034)
Other (Reading and Slough Children's Companies)	-	(177)
	(9,053)	(10,030)
Expenditure Met from the Pooled Budget:		
Management Fund Costs	106	117
Nottingham Rehab Supplies	8,947	9,913
Net (Surplus) / Deficit Arising on the Pooled Budget During the Year	-	-

Better Care Fund (BCF)

Wokingham Borough Council and Wokingham Clinical Commissioning Group (Wokingham CCG) are partners in the provision of services to support the following aims and benefits:

- improve the quality and efficiency of Health and Social Care Services;
- meet the National Conditions set by NHS England and Local Objectives set;
- make more effective use of resources through the establishment and maintenance of an aligned fund for revenue expenditure on the Services;
- ensure that people in Wokingham will remain independent, avoid hospital admission or are discharged quickly with a joined up package of care and support, and;
- for those that need it, to develop an integrated health and care system that enables people to proactively manage their own care with the support of their family, community and the right professionals at the right time in a properly joined up system.

The BCF provides various services to residents of Wokingham who benefit from specific targeted interventions,

The services provided include:

- Support for carers;
- Extended social care provision hours;
- Re-ablement services, and
- Intermediate care and support.

	2018/19 £,000	2019/20 £,000
Funding Provided to the Pooled Budget:		
Wokingham Borough Council	2,086	2,501
Wokingham CCG	7,925	8,288
	10,011	10,789
Expenditure Met from the Pooled Budget:		
Wokingham Borough Council	6,210	6,835
Wokingham CCG	3,769	3,900
	9,979	10,735
Net Surplus Arising on the Pooled Budget During the Year	(32)	(54)

NOTE 46 INVESTMENTS IN COMPANIES

Trading Standards South East Ltd (TSSEL)

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 Directors of the company. It has been determined that the Council does not have control or significant influence over the activities of TSSEL and, accordingly, the company has not been treated as a subsidiary, joint entity or associate of the Council. The latest financial statements for the company were prepared for the year ended 31 March 2019 and show net assets of £0.563m at 31 March 2019 (£0.601m at 31 March 2018). Wokingham Council does not receive any dividend income from the company. The financial statements for the company for the year ended 31 March 2020 will be available later in 2020. 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, Fairmount House, Bull Hill, Leatherhead, Surrey, KT22 7AY.

Flexible Home Improvement Loans Ltd (FHILL)

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 to the Board of Directors. It has been determined that the Council does not have control or significant influence over the activities of FHILL and, accordingly, the company has not been treated as a subsidiary, joint entity or associate of the Council. The latest financial statements prepared for the company were for the year ended 31 March 2019 and reflect Nil turnover and investment income of £269k (£0.269m 2017/18) with a net profit after tax of £170k (2017/19: Net profit after tax £0.16m). The company had net assets of £8.376m at 31 March 2019 (£8.207m at 31 March 2018). The purpose of the company is to receive grants from Central Government and make loans to local authority members which, when repaid, are then also used to make loans to homeowners. Any grant income and investment income, therefore, maintain the company as a going concern. Wokingham Council does not receive any dividend income from the company. A full set of financial statements for the company can be obtained from Head of Finance, Royal Borough of Windsor and Maidenhead, Town Hall, St. Ives Road, Maidenhead, SL6 1RF.

Optalis Holdings Ltd

Optalis Ltd (OL) is a company set up by Wokingham Borough Council (WBC) for the purposes of providing Adult Social Care Services. The company was established in 2011 and is limited by shares. On 01 April 2014 Optalis Holdings Ltd (OHL) was set up and 100% of the shareholding in OL was transferred by WBC to OHL. On the same date OHL issued 50,000 preference shares of £1 and 1 ordinary share of £1 to which WBC (Holdings) Ltd subscribed 100%. Also on 01 April 2014, Optalis Wokingham Ltd (OWL) was set up as a wholly owned subsidiary of OHL. Its purpose is to assist service delivery and tax management. In preparation for the commencement of a new arrangement with the Royal Borough of Windsor and Maidenhead (RBWM), 100% of WBC (Holdings) Ltd shareholding in OHL was transferred back to WBC. At the same time the 50,000 preference shares were re-designated as ordinary shares and 99 additional ordinary shares were issued. A share sale took place on 31 March 2017 with RBWM purchasing 22,545 shares in OHL for £771k, representing a 45% interest, with new services starting and the TUPE of staff into Optalis Ltd on 03 April 2017. Jointly with RBWM, WBC is able to control the operating, governance and financial policies of the organisation, and also able to appoint the Board of Directors of the company. The Company is accounted for as a partially owned subsidiary of WBC however, as WBC's interest in Optalis arose as a result of the formation of the company no goodwill arose. Optalis Holdings had a turnover of £46.8m in 2019/20 (£45.5m in 2018/19), a net profit after tax of Nil (£54k in 2018/19), and had net assets of £0.3m at 31 March 2020 (£0.3m net assets at 31 March 2019).

WBC (Holdings) Ltd (WBCH)

WBCH is a company wholly owned and set up by Wokingham Borough Council (WBC) for the purposes of providing housing services. The company was established in January 2012 and is limited by shares and started trading during 2012-13. The company has issued a total of 1.9m ordinary £1 shares and the Council subscribed to all of them at a cost of £1.9m, however, the ownership of these shares was transferred to the Council's holding company, WBC (Holdings) Ltd, in 2014/15 in line with Council policy. The Council is able to control the operating, governance and financial policies of the company as well as the ability to appoint the Board of Directors of the company. The Company is accounted for as a wholly owned subsidiary of WBC. As WBC's interest in WBCH arose as a result of the formation of the company no goodwill has arisen.

Wokingham Housing Ltd (WHL)

Wokingham Housing Ltd (WHL) is accounted for as a wholly owned subsidiary of WBC providing high quality affordable housing and market housing. In 2019-20 WHL had a turnover of £7.3m (£3.6m in 2018/19) and the company had net assets of £1.5m at 31 March 2020 comprising £1.9m share capital and accumulated losses of £0.4m (net assets were £0.8m at 31 March 2019).

Loddon Homes Ltd (LHL)

Loddon Homes Ltd (LHL) is accounted for as a wholly owned subsidiary of WBC. Loddon Homes Ltd is a provider of social and affordable housing, accredited with Homes England as a for-profit registered provider. In 2019-20 LHL had a turnover of £1.3m (£1.0m in 2018/19) and the company had net liabilities of £0.7m at 31 March 2020 comprising £1 share capital and accumulated losses of £0.7m (net liabilities were £0.8m at 31 March 2019).

Berry Brook Homes Ltd (BBHL) (formerly known as Wokingham Enterprises Ltd (WEL))

Berry Brook Homes Ltd (BBHL) is accounted for as a wholly owned subsidiary of WBC. The company was formerly known as Wokingham Enterprises Ltd (WEL), which had not undertaken any trading activity since March 2013. WEL was renamed BBHL in 2017/18 and the shareholding transferred to WBC Holdings Ltd to be used within the portfolio of housing companies. In 2019-20 BBHL had turnover of £0.7m (£0.7m in 2018/19) and the company had net liabilities of £0.2m at 31 March 2020 comprising £3k share capital and accumulated losses of £0.2m (net liabilities were £0.2m at 31 March 2019).

NOTE 47 ADJUSTMENTS BETWEEN GROUP ACCOUNTS AND AUTHORITY ACCOUNTS

Details of intra group transactions between entities within the Group, eliminated out of the consolidation of the group accounts.

Adjustment for Intra - group transactions in Net Cost of Sales	Wokingham Authority	Optalis Ltd	Wokingham Housing Ltd	WBC (Holdings) Ltd	Loddon Homes Ltd	Berry Brook Homes Ltd	Total
	£,000	£,000	£,000	£,000	£,000	£,000	£,000
2019/20							
- Corporate Services	(10,512)	7,872	2,905	(41)	(87)	(137)	-
2018/19							
- Corporate Services	(12,394)	9,149	3,390	(150)	(42)	47	-

Details of all Financing and Investment Income and Expenditure transactions put through the Comprehensive Income and Expenditure Account on consolidation

Financing and Investment Income and Expenditure

2019/20

Net Interest on Pension Fund Defined Liability (assets)

Wokingham Authority	Wokingham Subsidiaries	Wokingham Group
£,000	£,000	£,000
6,832	174	7,006

2018/19

Net Interest on Pension Fund Defined Liability (assets)

6,816	199	7,015
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7. HOUSING REVENUE ACCOUNT

Introduction

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

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

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

HRA Income and Expenditure Statement

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

Movement on the HRA Statement

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

Housing Revenue Account Income and Expenditure Statement

	Notes	2018/19 £,000	2019/20 £,000
Income			
Dwelling rents (gross)		(14,321)	(14,001)
Non-dwelling rents (gross)		(232)	(222)
Charges for services and facilities		(594)	(568)
Re-imbusement of costs		(12)	(9)
		(15,159)	(14,800)
Expenditure			
Repairs and maintenance		3,028	3,052
Supervision and management		3,269	3,152
Rents, rates, taxes and other charges		158	157
Increased impairment allowance for bad or doubtful debts	11	16	-
Depreciation	7	3,644	3,736
Revaluation or impairment of fixed assets		-	-
Debt management costs		117	117
		10,232	10,214
Net Cost of HRA Services			
(Gain) or loss on sale of HRA non-current assets (Inc. Pooling Payment)		1,256	(54)
Interest payable and similar charges		2,762	2,717
HRA interest and investment income		(32)	(35)
Accumulated leave		(1)	-
Pension interest cost and expected return on pension assets	9	144	151
		(798)	(1,807)

Movement on the HRA Statement

	Notes	2018/19 £,000	2019/20 £,000
Balance on the HRA at the End of the Previous Year		(4,057)	(2,783)
(Surplus) or deficit for the year on the HRA income and expenditure statement		(798)	(1,807)
Adjustments between Accounting Basis and Funding Basis under Statute			
Depreciation	7	(3,644)	(3,736)
Impairment / revaluation loss		-	-
(Gain) / loss on disposal		(1,256)	54
Reversal of accumulating absences		1	(3)
Capital expenditure funded by the HRA (adjusted against the capital adjustment account)	5	6,057	5,050
Transfer to the capital adjustment account for voluntary debt repayment		2,284	1,998
HRA share of contributions (to) or from the pensions reserve	9	(144)	(327)
Reversal of financial instrument amortisation		1	1
Net (Increase) or Decrease in the HRA Balance before Transfers to or from Reserves		2,501	3,037
Transfer to capital reserves		1,186	646
Transfers to or (from) the major repairs reserve	4	(2,413)	(1,315)
Transfer to earmarked reserves		-	131
(Increase) or Decrease in Year on the HRA		(1,227)	692
Housing Revenue Account Balance Carried Forward		(2,783)	(2,091)

8. 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:

	Number of Properties	
	31 March 2019	31 March 2020
Dwellings:		
Low and medium rise flats	589	594
Traditional houses and bungalows	1,371	1,381
Non-traditional houses and bungalows	328	331
Sheltered Units:		
Low and medium rise flats	178	174
Traditional houses and bungalows	117	111
Shared Equity Properties:		
Low and medium rise flats	7	5
Traditional houses and bungalows	35	36
Total HRA Housing Stock	2,625	2,632

NOTE 2 HRA ASSET VALUATION

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

	Operational Assets				Total £,000
	Dwellings	Other Land and Buildings	Plant and Equipment	Surplus Assets	
	£,000	£,000	£,000	£,000	
Gross Valuation at 31 March, 2019	252,167	3,867	859	(0)	256,893
Accumulated Depreciation and Impairment	(50,227)	(612)	(711)	0	(51,550)
Net Book Value at 31 March, 2019	201,940	3,255	148	(0)	205,343
Additions	10,576	-	-	-	10,576
Disposals	(897)	-	-	(195)	(1,092)
Revaluations	18,128	-	-	-	18,128
Assets reclassified (to) / from Held for Sale	800	-	-	-	800
Other movements	-	-	-	198	198
Depreciation	(3,404)	(305)	(24)	(3)	(3,736)
Impairments	(6,875)	-	-	-	(6,875)

Net Book Value at 31 March, 2020	220,268	2,950	124	0	223,342
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NOTE 3 VACANT POSSESSION

The vacant possession value of dwellings within the Council's HRA as at 31 March 2020 was £666.8m and as at 31 March 2019 was £604.3m.

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 (EUV) for social housing rate. This is an open market rate with an adjustment factor that recognises the fact that the dwellings are tenanted properties let at affordable rents without vacant possession. The adjustment factor is set by the Government and is currently 33% of open market value (33% in 2018/19).

NOTE 4 MAJOR REPAIRS RESERVE

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

	2018/19 £,000	2019/20 £,000
Balance at 1st April	(3,454)	(2,227)
Charges for depreciation	(3,644)	(3,736)
Capital expenditure on land, houses and other property within the HRA	6,057	5,051
Transfers (to) or from major repairs reserve	2,413	1,315
Revenue contribution to capital expenditure	(1,186)	(646)
Balance at 31st March	(2,227)	(1,558)

NOTE 5 CAPITAL EXPENDITURE AND FUNDING

	2018/19 £,000	2019/20 £,000
Capital Expenditure within the Year:		
Capital expenditure on land, houses and other property within the HRA	9,672	10,576
Funded by:		
Major repairs reserve	(6,057)	(4,881)
Capital receipts reserve	(1,549)	(3,356)
S106 developer contributions	(2,066)	(450)
HRA revenue	-	(170)
HRA Borrowing	-	(1,719)
(Surplus) / Deficit	(9,672)	(10,576)

NOTE 6 CAPITAL RECEIPTS

Disposal receipts for eight dwellings (ten in 2018/19)

2018/19 £,000	2019/20 £,000
1,781	1,705

In 2019/20 four properties were purchased for £1.1m.
(In 2018/19 fifteen properties were purchased for £4.4m).

NOTE 7 DEPRECIATION

Operational assets (property, plant and equipment)
Other, land and buildings
Council dwellings

2018/19 £,000	2019/20 £,000
26	24
305	308
3,313	3,404
3,644	3,736

NOTE 8 IMPAIRMENT CHARGES

There have been £6,875k impairments on council dwellings available for letting and other non-current HRA Assets during 2019/20. (In 2018/19 there were no impairments).

NOTE 9 CONTRIBUTIONS TO THE PENSION RESERVE

Pension costs of £176k (£144k in 2018/19) and interest of £151k (Nil in 2018/19) are included in the '(surplus) or deficit for the year on HRA services' section of the income and expenditure statement.

NOTE 10 RENT ARREARS

Current Tenants
Former Tenants

2018/19 £,000	2019/20 £,000
575	542
231	244
806	786

NOTE 11 IMPAIRMENT ALLOWANCE FOR BAD DEBTS

Balance at 1st April

2018/19 £,000	2019/20 £,000
667	683

(Decrease) / Increase in Provision for the Year

16	-
683	683

NOTE 12 SUMS DIRECTED BY THE SECRETARY OF STATE

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

NOTE 13 ASSETS HELD FOR SALE

The HRA has no properties classed as 'assets held for sale' in the Council's balance sheet at 31 March 2020 (three properties at 31 March 2019).

9. COLLECTION FUND

Introduction

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

	2018/19			2019/20		
	Business rates	Council tax	Total	Business rates	Council tax	Total
	£,000	£,000	£,000	£,000	£,000	£,000
INCOME	(71,555)	(122,149)	(193,704)	(72,775)	(130,838)	(203,613)
Total income	(71,555)	(122,149)	(193,704)	(72,775)	(130,838)	(203,613)
EXPENDITURE						
Prescribed amounts						
Wokingham Borough Council	76,860	98,464	175,324	59,550	104,137	163,687
Payments to Government	5,698	-	5,698	18,371	-	18,371
Parish Councils	-	4,154	4,154	-	4,379	4,379
Police and Crime Commissioner for Thames Valley	-	12,517	12,517	-	14,476	14,476
Royal Berkshire Fire and Rescue Authority	834	4,420	5,254	787	4,651	5,438
Cost of collection	196	-	196	203	-	203
Bad and doubtful debts						
Provisions	600	211	811	330	288	618
Write offs	-	159	159	-	169	169
Provisions for appeals	-	-	-	1,098	-	1,098
Transfer of collection fund surplus	-	823	823	-	293	293
Total expenditure	84,188	120,748	204,936	80,339	128,393	208,732
Deficit/(surplus) for the year	12,633	(1,401)	11,232	7,564	(2,445)	5,119
Balance at 1 April	(13,985)	(2,911)	(16,896)	2,159	(4,312)	(2,153)
Opening Balance Adjustment	3,511	-	3,511	-	-	-
Adjusted Balance at 1 April	(10,474)	(2,911)	(13,385)	2,159	(4,312)	(2,153)
Balance at 31 March	2,159	(4,312)	(2,153)	9,723	(6,757)	2,966

See note 3 to the collection fund to see Wokingham Borough Council's share of the deficit / (surplus) on the collection fund.

10. NOTES TO THE COLLECTION FUND

General

The Council has a statutory requirement as a billing authority to operate a collection fund as a separate account from the general fund. The purpose of the collection fund is to separately identify the income and expenditure relating to council tax and business rates.

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

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

The code of practice requires the collection fund income and expenditure account to be included in the Council's accounts, and the collection fund balance sheet is incorporated into the Council's consolidated balance sheet.

NOTE 1 INCOME COLLECTABLE FROM BUSINESS RATE PAYERS

Each Council which is a billing authority collects Non-Domestic Rates (NDR) for its area based on local rateable values provided by the Valuation Office Agency (VOA) multiplied by the business rates multiplier set nationally by Central Government.

The total business (non-domestic) rateable value at 31 March 2020 was £178,789,531 (at 31 March 2019 £179,311,906). The national non-domestic rate multiplier for 2019/20 was 50.4p (for 2018/19 49.3p).

For 2019/20, Wokingham continued in the pilot scheme under a 75% retention arrangement but for 2020/21, this will revert back to the 50% retention.

NOTE 2 CALCULATION OF THE COUNCIL TAX BASE

Council tax is charged according to the value of residential properties, which are classified into 8 valuation bands (A to H) for this specific purpose. Individual charges are calculated by estimating the amount of income required to be taken from the collection fund by the Council for the forthcoming year and dividing this by the council tax base (i.e. the equivalent numbers of Band D dwellings).

The council tax base for 2019/20 was 70,176.6 band D equivalent properties (68,669.1 in 2018/19). The tax base for 2019/20 was approved at an Extraordinary Council meeting on 14 December 2018 and was calculated as set out in the table below. The council tax reduction scheme which must be approved each year, was approved by Council on 24 January 2019.

Band	2018/19			2019/20		
	Chargeable Dwellings	Ratio	Band D Equivalent Dwellings	Chargeable Dwellings	Ratio	Band D Equivalent Dwellings
A	1,556	6/9	1,037	1,566	6/9	1,044
B	2,971	7/9	2,311	3,044	7/9	2,367
C	9,048	8/9	8,043	9,386	8/9	8,343
D	17,084	1	17,084	17,480	1	17,480
E	14,194	11/9	17,348	14,544	11/9	17,776
F	9,472	13/9	13,681	9,661	13/9	13,955
G	6,014	15/9	10,023	6,057	15/9	10,094
H	468	18/9	936	474	18/9	948
Total			70,463			72,007
Net effect of premiums and discounts			(1,792)			(1,830)
Council Tax Base			68,667			70,177

NOTE 3 COLLECTION FUND (SURPLUS) / DEFICIT

	Council Tax	Business Rates	2018/19	Council Tax	Business Rates	2019/20
	£,000	£,000	£,000	£,000	£,000	£,000
Wokingham Borough Council	(3,679)	1,676	(2,003)	(5,707)	8,579	2,872
Central Government	-	461	461	-	1,047	1,047
Police and Crime Commissioner for Thames Valley	(468)	-	(468)	(799)	-	(799)
Royal Berkshire Fire Authority	(165)	22	(143)	(250)	97	(153)
Total	(4,312)	2,159	(2,153)	(6,757)	9,723	2,966

11. STATEMENT OF ACCOUNTING POLICIES

The Statement of Accounts summarises the Council's and Group transactions for the 2019/20 financial year and its position at 31 March 2020. The Council is required to prepare an annual Statement of Accounts by the Accounts and Audit Regulations 2015, which require them to be prepared in accordance with proper accounting practices.

The Statement of Accounts have been prepared in accordance with the CIPFA Code of Practice on Local Authority Accounting in the United Kingdom (the Code) 2019/20 supported by International Financial Reporting Standards (IFRS) and have been produced in accordance with the statutory framework established by sections 3 and 20 of the Local Audit and Accountability Act 2014.

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

The accounts have been prepared on a going concern basis, under the assumption that the Council will continue in existence for the foreseeable future.

The single entity financial statements are also defined as including the income, expenditure, assets, liabilities, reserves and cash flows of the local authority maintained schools within the control of the Council. Local authority maintained schools are those schools categorised in the School Standards and Framework Act 1998, i.e. community, voluntary controlled, voluntary aided, foundation, community special, foundation special and nursery schools.

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

- **Accruals Basis** – 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. This is explained in more detail on the next page.
- **Understandability** – the financial 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 only disclose items of a certain value and nature such that they provide a fair presentation of the financial position and transactions of the Council. Where

there are items below this threshold or are considered to have no impact on fair presentation in the accounts they are not included.

- **Legality** – where the accounting principles and specific legislation requirements are in conflict, the financial statements have been prepared to reflect legislative requirements.

Where the Council is acting as an agent for another party (e.g. in the collection of business rates and council tax), income and expenditure items are recognised only to the extent that commission is receivable by the Council for the agency services or the Council incurs expenses directly on its own behalf in rendering the services.

1. Statement on Wokingham Borough as a ‘Going Concern’

The annual accounts for 2019/20 (up to 31 March 2020) have been prepared on a ‘going concern’ basis in that the authority will continue in operational existence for the foreseeable future.

The provisions in the Code of Audit Practice in respect of ‘going concern’ reporting requirements reflect the economic and statutory environment in which local authorities operate. These provisions confirm that, as authorities cannot be created or dissolved without statutory prescription, they must prepare their financial statements on a going concern basis of accounting. Local authorities carry out functions essential to the local community and are themselves revenue-raising bodies (with limits on their revenue-raising powers arising only at the discretion of central government). If an authority were in financial difficulty, the prospects are thus that alternative arrangements might be made by central government either for the continuation of the services it provides or for assistance with the recovery of a deficit over more than one financial year (eg: as with Northamptonshire County Council in 2018). It would not therefore be appropriate for local authority financial statements to be provided on anything other than a ‘going concern’ basis. Accounts drawn up under the CIPFA Code therefore assume that a local authority’s services will continue to operate for the foreseeable future.

The Council recognises that its financial position deteriorated in the early months of 2020/21, having reported in quarter one a £5.7m forecast deficit for the financial period ending 31 March 2021. The initial deterioration was only due to the impact of Covid-19 and as more government support has become apparent through the year, the assessment of the financial impact of the pandemic on the Council has reduced. The Council is now predicting an adverse outturn variance of under ten thousand pounds.

At its Budget Council meeting on 18 February 2021, the Council has set its budget for the forthcoming financial year (21/22) and indicative budgets for a further two years. The budget set is balanced and in fact there is a small surplus of income over expenditure which has allowed a contribution to reserves to replenish the General Fund Balance to offset the demands placed on it by the Covid-19 pandemic.

However, since the budget was set, the emergence of Covid-19 has fundamentally changed the priorities of the Council and its financial regime through the current financial year. During this period, the Council has incurred approximately £17m of additional expenditure to date (31 December 2020) and has seen income fall by approximately £5m due to services such as leisure and parking being closed. Rents from the Council’s property portfolio have also been deferred in accordance with central government direction and legislation as we support our tenants. Government support for lost income has been provided and has partially offset these losses.

Due the diversion of staff effort to the pandemic, some anticipated spend on business as usual activities has been deferred. The forecast underspend in 2020/21 is a projection of £0.8m, with an adverse Covid-19 impact of around £0.8m. The Council has received in the region £25m to date from Government and the CCG as grant funding towards the cost of Covid-19. The Council has

already made plans to make some service areas that were closed more sustainable in the future. The 2021/22 budget is also balanced with a contribution to replenish usable reserves anticipated; the improved forecast outturn position anticipated for 31 March 2021 will also allow the Council to further provide for the impact of the pandemic in 2021/22. Government support is anticipated to continue in a limited form during the first financial quarter of 2021/22.

As part of the normal revenue budget setting, all service areas are reviewing their budgets during the current year to identify options for delivering efficiency savings or generating increased income; a balanced budget has been set in 2021/22. In-year budget management has mitigated the Covid-19 overspend in 2020/21. The future challenge is the longer term impact of the pandemic and potential recession on Council balances, but it is considered that Wokingham Borough Council has sufficient general fund reserves over the next MTFP to cover this. The estimated impact for our reserves is therefore:

- General fund balance as per the 2019/20 accounts - £12.2m
- General fund balance as at 31 March 2021 - £9.7m
- General fund balance as at 31 March 2022 - £8.7m
- General fund balance as at 31 March 2023 - £9.0m
- General fund balance as at 31 March 2024 - £9.0m

Furthermore, the Council has revisited the 2020/21 capital programme and is postponing non-essential capital projects that will further protect the levels of cash and useable reserves or where there is an anticipated delay in funding. The revised programme has reduced by £161m to £160m, focusing on projects that produce a positive financial revenue return as well as those where there are health and safety requirements or were already in progress and could not be postponed without incurring significant costs.

The Council had a cash balance of £8.0m at the end of December 2020, compared to the 31 March 2020 year-end figure of £0.1m. The Council also has £4.5m in money market funds available in two to three days and a further £274m in longer term non-property investments, also available within a few days. Whilst there is uncertainty on income, the Council remains confident in its ability to maintain sufficient cash for its services throughout the medium term. The Council is of course also able to borrow short term for revenue purposes if ever needed.

The Council has a number of subsidiary companies. The main subsidiary is a 'Teckal' company providing adult social care services to both this Council and the neighbouring Royal Borough of Windsor and Maidenhead (RBWM). This company has not been adversely impacted during the pandemic and has seen demand for its services increase. The other companies are solely owned housing delivery companies whose primary aim is to support the Council in the delivery of its housing strategies and providing social and affordable housing. These companies are underwritten by the Council and as such have a guarantee of support from the Council.

These accounts have been prepared on a going concern basis, following the projection of a largely break-even outturn in 2020/21 and the production of a balanced budget in 2021/22 which maintains a prudent level of general fund balances over the three-year projection of the Medium Term Financial Plan agreed at Council on 18 February 2021.

2. 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:

- Revenue from contracts with service recipients, whether for services or the provision of goods, is recognised when the goods or services are transferred to the service recipient in accordance with the performance obligations in the contract.
- 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
- Expenses in relation to services received, including services provided by employees, are recorded as expenditure when the services are received rather than when payments are made.
- 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

3. 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 highly liquid 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. 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.

5. 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 period adjustment.

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

6. Charges to Revenue for Non-Current Assets

Service accounts, support services and trading accounts are charged with the following amounts to record the cost of holding non-current 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 relevant service.

The Council is not required to raise council tax to fund depreciation, revaluation and impairment losses or amortisation. It is required, however, to make an annual contribution from revenue towards the reduction in its overall borrowing requirement equal to an amount calculated on a prudent basis by the Council in accordance with the approved Minimum Revenue Provision policy. Depreciation, revaluation and impairment losses and amortisations are, therefore, replaced by the Minimum Revenue Provision (MRP). This adjusting transaction is included in the Movement in Reserves Statement with the Capital Adjustment Account being charged with the difference between the two.

7. Employee Benefits

i. Benefits Payable During Employment

Short term employee benefits are those to be settled within 12 months of the year end, for example wages and salaries, paid annual and sick leave, bonuses and non-monetary benefits such as cars. They are charged to the accounts in the period within which the employees worked. An accrual is made for the cost of any leave earned but not taken before the year end and which can be carried forward by the employee into the next financial year. The accrual is made at the wages and salaries rate in the new financial year as that will be when the employee will benefit. The charge is made to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement and then reversed out by a credit to the Accumulating Compensated Absences Adjustment Account through the Movement in Reserves Statement, allowing the benefit to be charged to revenue in the period in which 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 Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement at the earlier of when the Council can no longer withdraw the offer of those benefits or when the Council recognises costs for a restructuring.

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

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

iii. Post-Employment Benefits

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

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

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

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

Local Government Pension Scheme

The Local Government Pension Scheme provides members of the scheme with defined benefits related to pay and service. The level of the employer's contribution is determined by a triennial actuarial valuation. The latest review was undertaken as at 31 March 2019. 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 fund's assets and liabilities that relate to the Council. Employer contributions will be adjusted in future years to account for any projected deficit.

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

Liabilities are discounted to their value at current prices, using a discount rate determined by the actuary, which has been chosen to meet the requirements of IAS 19 and with consideration of the duration of the employer's liabilities. This is consistent with the approach used at the previous accounting date.

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

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

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

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

Service cost comprising:

- current service cost – the increase in liabilities as a result of years of service earned this year is allocated in the Comprehensive Income and Expenditure Statement to the revenue accounts of the services for which the employees worked.

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

Re-measurement comprising:

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

Contributions paid to the Berkshire County Council Pension Scheme – cash paid as employer’s contributions to the pension fund in settlement of liabilities is not accounted for as an expense.

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

Discretionary Benefits

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

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

8. 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. The following, however, 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.

9. Financial Instruments

i. Financial Liabilities

Financial liabilities are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and 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 based on a classification and measurement approach that reflects the business model for holding the financial assets and their cash flow characteristics. There are three main classes of financial assets measured at:

- amortised cost;
- fair value through profit or loss (FVPL), and
- fair value through other comprehensive income (FVOCI)

The Council's business model is to hold investments to collect contractual cash flows. Financial assets are therefore classified as amortised cost, except for those whose contractual payments are not solely payment of principal and interest (i.e. where the cash flows do not take the form of a basic debt instrument). The Council does not hold any financial assets that are measured at FVPL and FVOCI.

Financial Assets Measured at Amortised Cost

Financial assets measured at amortised cost are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value. They are subsequently measured at their amortised cost. Annual credits to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement (CIES) 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 financial assets held by the Council, this means that the amount presented in the Balance Sheet is the outstanding principal receivable (plus accrued interest) and interest credited to the CIES is the amount receivable for the year in the loan agreement.

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

Expected Credit Loss Model

The Council recognises expected credit losses on all of its financial assets held at amortised cost, either on a 12-month or lifetime basis. The expected credit loss model also applies to lease receivables and contract assets. Only lifetime losses are recognised for trade receivables (debtors) held by the Council.

Impairment losses are calculated to reflect the expectation that the future cash flows might not take place because the borrower could default on their obligations. Credit risk plays a crucial part in assessing losses. Where risk has increased significantly since an instrument was initially recognised, losses are assessed on a lifetime basis. Where risk has not increased significantly or remains low, losses are assessed on the basis of 12-month expected losses.

Financial Assets Measured at Fair Value through Profit of Loss

Financial assets that are measured at FVPL are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured and carried at fair value. Fair value gains and losses are recognised as they arise in the Surplus or Deficit on the Provision of Services.

The fair value measurements of the financial assets are based on the following techniques:

- instruments with quoted market prices – the market price

- other instruments with fixed and determinable payments – discounted cash flow analysis.

The inputs to the measurement techniques are categorised in accordance with the accounting policy set out in section 1.27 Fair Value Measurement.

Any gains and losses that arise on the derecognition of a financial asset are credited or debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

10. 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 if there are no conditions or 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 transferred to the Capital Grants Unapplied reserve. When an amount in the Grants Unapplied Reserve is applied to fund capital expenditure, it is transferred to the Capital Adjustment Account through the Movement in Reserves Statement. 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.

Community infrastructure levy

The Council has elected to charge a community infrastructure levy (CIL). The levy will be charged on new builds (chargeable developments for the Council) with appropriate planning consent. The Council charges for and collects the levy, which is a planning charge. The income from the levy will be used to fund a number of infrastructure projects (these include transport, flood defences and schools) to support the development of the area. The CIL is received without outstanding conditions; it is therefore recognised at the commencement date of the chargeable development in the Comprehensive Income and Expenditure Statement in accordance with the accounting policy for government grants and contributions set out above. CIL charges will be largely used to fund capital expenditure, however, a proportion of the charges may be used to fund administration expenditure.

11. Intangible Assets

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 in Property, Plant and Equipment. Expenditure on the development of websites is not capitalised if the enhancement is primarily intended to promote or advertise the Council's goods or services. Intangible assets include purchased licenses. Expenditure on application software is capitalised as an intangible asset when it will bring benefits to the Council for more than one reporting period. Intangible assets are recognised where they have a cost in excess of £10,000.

The intangible assets held by the Council are measured at depreciated historical cost as readily ascertainable market values are not available. Intangible assets are amortised on a straight-line basis over their remaining useful lives varying between 5 years and 25 years and charged to the relevant service lines in the Comprehensive Income and Expenditure Statement.

An asset is tested for impairment whenever there is an indication that the asset might be impaired. Any losses recognised as a result of impairment are treated as follows:

- Where there is a balance of revaluation gains for the 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 lines 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.

12. Interests in Companies and Other Entities

The Council has 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.

13. Long-Term Contracts

A long-term contract is 'A contract entered into for the design, manufacture or construction of a single substantial asset or the provision of a service (or of a combination of assets or services which together constitute a single project) where the time taken substantially to complete the contract is such that the contract activity falls into different accounting periods'. 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.

14. 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. Where the Council acquires properties for rental income but have an element of economic development and/or regeneration these

are classified as operational land and buildings as such properties are not solely used for investment purposes.

Refer to Note 25 in the Statement of Accounts for explanations of the basis of the valuation of properties, and the categorisation required under IFRS 13.

Investment properties are measured initially at cost and subsequently at fair value (Highest and Best Use), 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 with the carrying value of the asset transferred to the Capital Adjustment Account and the sale proceeds above £10,000 transferred to the Capital Receipts Reserve.

15. 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 the lower of 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 an expense in the periods in which they are incurred.

Rentals payable are apportioned between:

- a charge for the acquisition of the interest in the asset-applied to write-down the lease liability, and
- a finance charge (debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement).

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 lease 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

The Council has not entered into any finance leases as lessor.

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 Comprehensive Income and Expenditure Statement on a straight-line basis over the term of the lease even if this does not match the pattern of payments (e.g. there is a premium paid at the commencement of the lease).

This is a change in accounting policy from the previous years where rental income was recognised as the income was received. This is as a result of leases entered into in the current year where material lease premiums were received. There is no material impact as a result of this change on existing leases accordingly the prior year accounts have not been restated.

16. Overheads and Support Services

The costs of overheads and support service costs (e.g., legal, human resources and finance) are charged to the relevant teams and departments (i.e., the front line service departments) in accordance with the Council's arrangements for accountability and financial performance. 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.

17. Property, Plant and Equipment (PPE)

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

i. Recognition

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

ii. De-Minimis

Capitalisation of expenditure on PPE is not necessary where the amounts involved are not material to the true and fair presentation of the financial position and transactions of the authority and to an understanding of the Statement of Accounts by a reader. The Council has agreed a de-minimis level of £10,000 for expenditure to be capitalised, with the exception of capital works for schools where the de-minimis level is £1,000, and in order to utilise ring-fenced funding no de-minimis is applied.

iii. Measurement

Assets are disclosed and valued on the Balance Sheet using the following bases:

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

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

A full valuation of a property is conducted by the Council's internal valuer, Mrs I Kearns, the Council's Senior Estates Surveyor 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;

- e) No special circumstances beyond those likely to be considered by a prospective purchaser in the open market have been taken into account;
- f) No allowance has been made for any liability to taxation, which may arise on disposal, nor for costs of acquisition or realisation.
- g) All transactions agree with the Council's de-minimus level

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

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

Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains. Exceptionally, gains might be credited to the Surplus or Deficit on the Provision of Services where they arise from the reversal of a loss previously charged to a service.

Where decreases in value are identified, they are accounted for by:

- where there is a balance of revaluation gains for the 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)
- where there is no balance in the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant service line(s) in the Comprehensive Income and Expenditure Statement.

The Revaluation Reserve contains revaluation gains recognised since 1 April 2007 only, the date of its formal implementation. Gains arising before that date have been consolidated into the Capital Adjustment Account.

iv. Depreciation

Depreciation is provided for on all Property Plant and Equipment by the allocation of their depreciable amounts over their useful lives, in line with IAS 16. An exception is made for assets without a determinable useful life (e.g. freehold land and some community assets) and assets not yet available for use (e.g. assets under construction). The useful lives of assets are estimated on a realistic basis and are reviewed on a regular basis and, where necessary, revised. Where the useful life of a fixed asset is revised, the carrying amount of the fixed asset is depreciated over the revised remaining useful life. Revaluation gains are also depreciated, with an amount equal to the difference between current value depreciation charged on assets and the depreciation that would have been charged based on their historical cost being transferred from the Revaluation Reserve to the Capital Adjustment Account.

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

- All assets are depreciated on the straight line basis over the useful life of the asset taking into account land value and residual value. The range of estimated lives of each asset is set out in note 24.

- Investment Properties are not depreciated as per the Code's guidance; instead they are revalued on an annual basis.
- Newly acquired assets are not depreciated in the year of acquisition, while assets under construction are only depreciated once the asset becomes operational.
- Community assets are also exempt from depreciation requirements as a determinable finite useful life cannot be obtained.
- Assets are depreciated for a full year in the year of disposal.

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

Componentisation

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

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

v. Impairment

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

Events and changes in circumstances that indicate a reduction in value may have incurred include:

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

Where impairment losses are identified, they are accounted for as follows:

- Where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance, up to the amount of the accumulated gains
- If there is insufficient or no balance in the Revaluation Reserve, the carrying amount of the asset is written down against the relevant service line(s) in the Comprehensive Income and Expenditure Statement

Where an impairment loss is subsequently reversed, the reversal is credited to the relevant service line(s) in the Comprehensive Income and Expenditure Statement, up to the amount

of the original loss, adjusted for depreciation that would have been charged if the loss had not been recognised.

vi. Disposals and Non-Current Assets Held for Sale

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

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

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

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

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

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

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

The written-off value of disposals is not a charge against council tax because the cost of fixed assets is fully provided for under separate arrangements for capital financing.

Amounts are appropriated to the Capital Adjustment Account from General Fund Balance in the Movement in Reserves Statement.

18. 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 contract 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 7.5% 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 and Expenditure 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 – these are included within the fair value of services and not recognised as additions to Property, Plant and Equipment as the amounts involved are not material and details of the actual spend is not readily available.

19. Provisions, Contingent Liabilities and Contingent Assets

i. Provisions

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

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

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

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

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

ii. Contingent Liabilities

A contingent liability arises where an event has taken place that gives the Council a possible obligation whose existence will only be confirmed by the occurrence of uncertain future events not wholly within the control of the Council. Contingent liabilities also arise in circumstances where a provision would otherwise be made but either it is not probable that an outflow of resources will be required or the amount of the obligation cannot be measured reliably.

Contingent liabilities are not recognised in the Balance Sheet but disclosed in the notes to the accounts.

Contingent Assets

A contingent asset arises where an event has taken place that gives the Council a possible asset whose existence will only be confirmed by the occurrence of uncertain future events not wholly within the control of the Council. Contingent assets are not recognised in the Balance Sheet but disclosed in the notes to the accounts.

20. Reserves

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

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

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

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

21. 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.

22. 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.

23. Group Accounts

The Code requires the Council to consider all of its interests and to prepare a full set of group accounting statements where there are material interests in subsidiaries, associates and joint ventures. The Council has investigated all potential interests that could qualify for group accounts and has determined it has five group relationships which qualify for the preparation of, and inclusion in, group accounts. The companies all operate the same financial year and follow the same accounting policies as Wokingham Borough Council.

The Council has a holding company, WBC (Holdings) Ltd, whose main purpose is to enable group tax relief to be claimed, and in addition to coordinate the management of the Council's interests in the companies included in the group accounts, which are summarised below. The company is 100% owned by the Council. WBC (Holdings) Ltd wholly owns three housing companies: Wokingham Housing Ltd, Loddon Homes Ltd and Berry Brook Homes Ltd. All of these companies' accounts are consolidated into the group accounts.

Optalis Ltd is a partially owned subsidiary of Wokingham Borough Council with the other 45% owned by the Royal Borough of Windsor and Maidenhead. The company was established in June 2011 and became operational during 2011/12. 2017/18 has been the first year of joint operation with the Royal Borough of Windsor and Maidenhead. Optalis Ltd is consolidated on a subsidiary basis at 100%, with RBWM's 45% share disclosed as a minority interest on the group balance sheet.

24. Heritage Assets

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

25. Tax Income (Council Tax, and Non-Domestic Rates)

The Council acts as agents, collecting council tax and non-domestic rates (NDR) on behalf of the major preceptors (including Central Government for NDR) and, as principals, collecting council tax and NDR for themselves. The Council is required by statute to maintain a separate fund (ie the Collection Fund) for the collection and distribution of amounts due in respect of council tax and NDR. Under the legislative framework for the Collection Fund, billing authorities, major preceptors and Central Government share proportionately the risks and rewards that the amount of council tax and NDR collected could be less or more than predicted.

Non-Domestic rates (NDR)

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

Council Tax

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

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

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

26. Fair Value Measurement

The Council measures some of its non-financial assets such as surplus assets and investment properties and some of its financial instruments such as equity shareholdings at fair value at each reporting date. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement assumes that the transaction to sell the asset or transfer the liability takes place either:

- a) in the principal market for the asset or liability, or
- b) in the absence of a principal market, in the most advantageous market for the asset or liability.

The Council measures the fair value of an asset or liability using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

When measuring the fair value of a non-financial asset, the Council takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Council uses valuation techniques that are appropriate in the circumstances and for which sufficient data is available, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

Inputs to the valuation techniques in respect of assets and liabilities for which fair value is measured or disclosed in the Council's financial statements are categorised within the fair value hierarchy, as follows:

- Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities that the Council can access at the measurement date
- Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly
- Level 3 – Unobservable inputs for the asset or liability.

12. GLOSSARY OF TERMS

Accounting Code of Practice

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

Accounting policies

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

Accounting standards

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

Accruals

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

Actuarial gain/losses

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

Acquisitions

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

Amortisation

The equivalent of depreciation for intangible assets.

Appointed auditors

Public Sector Audit Appointments appoints external auditors to local authorities, from one of the major firms of registered auditors.

Asset

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

Assets held for sale

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

Assets under construction

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

Balances and reserves

Balances and reserves are maintained to fund future years' expenditure, or specific projects, and to provide a cushion against expenditure being higher or income lower than expected. Contributions to balances and reserves can be either a planned contribution from the revenue budget to set aside monies for a specific purpose or a transfer of any revenue surplus at the year-end. The maintenance of an appropriate level of general balances is a fundamental part of prudent financial management.

Budget

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

Capital expenditure

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

Capital adjustment account (CAA)

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

The account is debited with the cost of acquisition, construction or enhancement of assets, as depreciation, impairment losses and amortisation 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.

Capital financing

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

Capital financing requirement

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

Capitalisation

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

Capital receipts

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

Chartered Institute of Public Finance and Accountancy (CIPFA)

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

Collection fund

A statutory account into which council tax and non-domestic rates are paid, and from which amounts are paid to the local authority and the precepting bodies.

Community assets

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

Community infrastructure levy (CIL)

CIL is a statutory charge on proposals for buildings based upon the type, size and location of development. As a charging Authority for the purposes of Part 11 of the Planning Act 2008 the Council may therefore charge the Community Infrastructure Levy (CIL) in respect of development in its administrative area.

Comprehensive Income and Expenditure Statement (CIES)

As statement that shows the accounting cost in the year of providing the services in accordance with generally accepted accounting practices.

Contingent assets

Potential assets whose outcome depends on future events.

Contingent liabilities

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

Creditors

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

Current service cost (pensions)

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

Curtailment costs (pensions)

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

Debtors

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

Depreciation

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

Earmarked reserves

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

Exceptional item

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

Fair value

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

Fair value hierarchy

IFRS 13 requires investment properties, assets held for sale and surplus assets to be valued at fair value. A hierarchy has been established that categorises into three levels the inputs to valuation techniques used to measure fair value. The levels of inputs are as follows:-

Level 1 inputs – observable, unadjusted quoted prices in active markets

Level 2 inputs – observable, other than quoted prices in active markets

Level 3 inputs – unobservable inputs

Valuation techniques shall aim to maximise the use of observable inputs and minimise the use of unobservable inputs.

Finance lease & operating leases

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

Financial instrument

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

Financial instrument 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.

Financial year

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

Fixed assets

An asset that yields benefits to the Council and the services it provides for a period of more than one year. Tangible fixed assets have a physical form e.g. buildings or land.

General fund

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

Government grants

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

Heritage assets

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

Historic cost

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

Housing revenue account (HRA)

The Housing Revenue Account Balance reflects the statutory obligation to maintain a revenue account for local authority council housing. It contains the balance of income and expenditure that is available to fund future expenditure in connection with the Council's landlord function or (where in deficit) that is required to be recovered from tenants in future years.

Impairment

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

Infrastructure assets

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

Intangible assets

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

Investment properties

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

Lessee

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

Lessor

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

Liability

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

Major repairs reserve

Contains an element of the capital resources limited being used on capital expenditure by the HRA. The balance shows the capital resources that have yet to be applied at the year-end.

Minimum revenue provision

The way in which capital expenditure which is financed by borrowing or credit arrangements is paid for by council tax payers. Local authorities must set aside some of their revenue each year as provision for this debt.

Net book value

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

Net realisable value

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

Non-domestic rate (NDR) income

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

Non-operational assets

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

Observable inputs

See 'fair value hierarchy'. Inputs that are developed using market data, such as publicly available information about actual events or transactions, and reflect the assumptions that market participants would use when pricing the asset or liability.

Operational assets

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

Past service cost (pensions)

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

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.

Precept

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

Prior period adjustments

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

Private finance initiative (PFI)

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

Provisions

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

Public Works Loans Board (PWLB)

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

Revaluation reserve

This account contains the balance on the revaluation of fixed assets previously shown in the accounts arising from revaluations or disposals of those assets. The balance is reduced when assets with accumulated gains are:

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

The reserve contains revaluation gains accumulated since 1 April, 2007, the date that the reserve was created. Accumulated gains arising before that date are consolidated into the balance on the capital adjustment account. The balance on the account cannot be used.

Revenue expenditure

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

Revenue expenditure funded from capital under statute (REFCUS)

Expenditure that is treated under the Local Government Act 2003, as capital expenditure but which does not meet the definition of capital expenditure in the statement of recommended practice. Therefore the expenditure is not carried on the Balance Sheet as a fixed asset.

Revenue support grant (RSG)

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

Surplus assets

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

Unobservable inputs

See 'fair value hierarchy'. Inputs for which market data are not available and that are developed using the best information available about the assumptions that market participants would use when pricing the asset or liability.

Unusable reserves

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

Usable reserves

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

Useful life (of assets)

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

Write-offs

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