



WOKINGHAM BOROUGH COUNCIL

An Extraordinary Meeting of the **AUDIT COMMITTEE** will be held in David Hicks 1 - Civic Offices, Shute End, Wokingham RG40 1BN on **WEDNESDAY 30 MARCH 2022 AT 7.00 PM**

A handwritten signature in black ink, appearing to read 'Susan Parsonage', with a long, sweeping tail.

Susan Parsonage
Chief Executive

Published on 22 March 2022

Note: Although non-Committee Members and members of the public are entitled to attend the meeting in person, space is very limited due to the ongoing Coronavirus pandemic. You can however participate in this meeting virtually, in line with the Council's Constitution. If you wish to participate either in person or virtually via Microsoft Teams, please contact Democratic Services. The meeting can also be watched live using the following link:

<https://youtu.be/4CSpTWeTjPA>

Please note that other people may film, record, tweet or blog from this meeting. The use of these images or recordings is not under the Council's control.



WOKINGHAM BOROUGH COUNCIL

Our Vision

A great place to live, learn, work and grow and a great place to do business

Enriching Lives

- Champion outstanding education and enable our children and young people to achieve their full potential, regardless of their background.
- Support our residents to lead happy, healthy lives and provide access to good leisure facilities to complement an active lifestyle.
- Engage and involve our communities through arts and culture and create a sense of identity which people feel part of.
- Support growth in our local economy and help to build business.

Safe, Strong, Communities

- Protect and safeguard our children, young and vulnerable people.
- Offer quality care and support, at the right time, to prevent the need for long term care.
- Nurture communities and help them to thrive.
- Ensure our borough and communities remain safe for all.

A Clean and Green Borough

- Do all we can to become carbon neutral and sustainable for the future.
- Protect our borough, keep it clean and enhance our green areas.
- Reduce our waste, improve biodiversity and increase recycling.
- Connect our parks and open spaces with green cycleways.

Right Homes, Right Places

- Offer quality, affordable, sustainable homes fit for the future.
- Build our fair share of housing with the right infrastructure to support and enable our borough to grow.
- Protect our unique places and preserve our natural environment.
- Help with your housing needs and support people to live independently in their own homes.

Keeping the Borough Moving

- Maintain and improve our roads, footpaths and cycleways.
- Tackle traffic congestion, minimise delays and disruptions.
- Enable safe and sustainable travel around the borough with good transport infrastructure.
- Promote healthy alternative travel options and support our partners to offer affordable, accessible public transport with good network links.

Changing the Way We Work for You

- Be relentlessly customer focussed.
- Work with our partners to provide efficient, effective, joined up services which are focussed around you.
- Communicate better with you, owning issues, updating on progress and responding appropriately as well as promoting what is happening in our Borough.
- Drive innovative digital ways of working that will connect our communities, businesses and customers to our services in a way that suits their needs.

MEMBERSHIP OF THE AUDIT COMMITTEE

Councillors

Maria Gee

Imogen Shepherd-DuBey

Ian Shenton

Angus Ross

Shahid Younis (Vice-Chairman)

Daniel Sargeant (Chairman)

Abdul Loyes

ITEM NO.	WARD	SUBJECT	PAGE NO.
57.		APOLOGIES To receive any apologies for absence	
58.		DECLARATION OF INTEREST To receive any declarations of interest	
59.		PUBLIC QUESTION TIME To answer any public questions A period of 30 minutes will be allowed for members of the public to ask questions submitted under notice. The Council welcomes questions from members of the public about the work of this committee. Subject to meeting certain timescales, questions can relate to general issues concerned with the work of the Committee or an item which is on the Agenda for this meeting. For full details of the procedure for submitting questions please contact the Democratic Services Section on the numbers given below or go to www.wokingham.gov.uk/publicquestions	
60.		MEMBER QUESTION TIME To answer any member questions	
61.	None Specific	WOKINGHAM BOROUGH COUNCIL AUDIT RESULTS REPORT YEAR ENDED 31 MARCH 2021 To receive the Wokingham Borough Council Audit results report year ended 31 March 2021.	5 - 64
62.	None Specific	STATEMENT OF ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2021 To receive the Statement of Accounts for the year ended 31 March 2021	65 - 204
63.	None Specific	ANNUAL GOVERNANCE STATEMENT 2020/21 - UPDATE To receive the Annual Governance Statement 2020/21 – Update.	205 - 212

64.	None Specific	CORPORATE PLAN ANNUAL REVIEW To receive the Corporate Plan Annual Review.	213 - 228
65.	None Specific	2022/23 INTERNAL AUDIT CHARTER To receive the 2022/23 Internal Audit Charter.	229 - 238
66.	None Specific	2021-22 INTERNAL AUDIT AND INVESTIGATION PROGRESS REPORT (TO 28 FEBRUARY 2022) To receive the 2021-22 Internal Audit and Investigation Progress Report (to 28 February 2022).	239 - 258
67.	None Specific	2022/23 INTERNAL AUDIT INVESTIGATION PLAN AND STRATEGY To consider the 2022/23 Internal Audit Investigation Plan and Strategy.	259 - 278
68.	None Specific	DRAFT ANNUAL REPORT AUDIT COMMITTEE 2021-22 To receive the draft Audit Committee Annual Report 2021-22.	279 - 282

Any other items which the Chairman decides are urgent

A Supplementary Agenda will be issued by the Chief Executive if there are any other items to consider under this heading

CONTACT OFFICER

Madeleine Shopland
Tel
Email
Postal Address

Democratic & Electoral Services Specialist
0118 974 6319
madeleine.shopland@wokingham.gov.uk
Civic Offices, Shute End, Wokingham, RG40 1BN.

**Wokingham Borough
Council**

Audit results report

Year ended 31 March 2021

March 2022

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EY

Building a better
working world

Agenda Item 61.

22 March 2022



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

Dear Audit Committee Members

We are pleased to attach our audit results report, summarising the status of our audit for the forthcoming meeting of the Audit Committee. Our audit is substantially complete. However, there are two issues which will delay the final completion of the audit. Firstly, we are finalising our work in relation to the assurances received from the auditor of Berkshire Pension Fund (see page 21). Secondly, a national issue in relation to the accounting for infrastructure assets affecting all unsigned 2020/21 audits is being considered by CIPFA (see page 17). We will update the Audit Committee at its meeting scheduled for 30 March 2022 on further progress to that date and explain the remaining steps to the issue of our final opinion.

The audit is designed to express an opinion on the 2020/21 financial statements and address current statutory and regulatory requirements. This report contains our findings related to the areas of audit emphasis, our views on Wokingham Borough Council's accounting policies and judgements and material internal control findings. Each year sees further enhancements to the level of audit challenge and the quality of evidence required to achieve the robust professional scepticism that society expects. We thank the management team for supporting this process. We have also included an update on our work on value for money arrangements.

This report is intended solely for the information and use of the Audit Committee, other members of the Council and senior management. It is not intended to be and should not be used by anyone other than these specified parties.

We welcome the opportunity to discuss the contents of this report with you at the Audit Committee meeting on 30 March 2022.

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) issued the "Statement of responsibilities of auditors and audited bodies". It is available from the PSAA website (<https://www.psa.co.uk/audit-quality/statement-of-responsibilities/>). The 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 and further guidance (updated April 2018)" issued by the 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 in legislation, and covers matters of practice and procedure which are of a recurring nature.

This report is made solely to the Audit Committee and management of Wokingham Borough Council in accordance with the statement of responsibilities. Our work has been undertaken so that we might state to the Audit Committee, and management of Wokingham Borough Council those matters we are required to state to them in this report and for no other purpose. To the fullest extent permitted by law we do not accept or assume responsibility to anyone other than the Audit Committee and management of Wokingham Borough Council for this report or for the opinions we have formed. It should not be provided to any third-party without our prior written consent.



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01 Executive Summary

Executive Summary

Scope update

In our audit planning report and updated planning report presented to the 15 September 2021 and 30 November 2021 Audit Committee meetings respectively, 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 in materiality**

Due to the net impact of the misstatements identified in the accounting for Covid-19 grant income as detailed in section 2, we were required to revisit our materiality considerations and calculation. Consequently, our group planning materiality reduced from £8.15m to £7.68m. This results in updated group performance materiality, at 75% of overall materiality, of £5.76m, and an updated threshold for reporting misstatements of £383k. The reduction in materiality impacted on our testing thresholds for all accounts, and additional sampling was required.

▶ **Additional audit procedures as a result of Covid-19**

Other changes in the entity and regulatory environment as a result of Covid-19 that have not resulted in an additional risk, but result in the following impacts on our audit strategy for all local authorities were as follows:

- **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 Council's systems. We undertook the following to address this risk:

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

Status of the audit

Our audit work in respect of the audit opinion is substantially complete. The following items relating to the completion of our audit procedures were outstanding at the date of this report.

Detailed audit procedures:

- ▶ Final completion of additional work on Capital Receipts in Advance
- ▶ Final completion of our work on the revaluation of land and buildings classified as property, plant and equipment, investment property and surplus assets
- ▶ Final conclusions and adjustments for the accounting treatment of the Elms Field properties
- ▶ Final completion of our work on the net pension liability valuation as indicated on page 2
- ▶ Final completion of our work on the group consolidations workings and disclosures
- ▶ Resolution of the infrastructure assets accounting issue which is being considered by CIPFA as indicated on page 2.

Conclusion procedures:

- ▶ Final check of the updated financial statements and adjustments after completion of all outstanding procedures
- ▶ Final review of key working papers
- ▶ Update of our subsequent events procedures to the date of our opinion
- ▶ Receipt of a signed letter of management representation

In addition we cannot complete our work on the Whole of Government Accounts submission as we have yet to receive the NAO instructions on this for 2020/21.

Executive Summary

Auditor responsibilities under the new Code of Audit Practice 2020

Under the Code of Audit Practice 2020 we are required to consider whether the Council has put in place 'proper arrangements' to secure economy, efficiency and effectiveness on its use of resources. The 2020 Code requires the auditor to design their work to provide them with sufficient assurance to enable them to report to the Council a commentary against specified reporting criteria (see below) on the arrangements the Council has in place to secure value for money through economic, efficient and effective use of its resources for the relevant period.

The specified reporting criteria are:

- Financial sustainability
How the Council plans and manages its resources to ensure it can continue to deliver its services;
- Governance
How the Council ensures that it makes informed decisions and properly manages its risks; and
- Improving economy, efficiency and effectiveness:
How the Council uses information about its costs and performance to improve the way it manages and delivers its services.

Status of the audit - value for money

In the updated audit planning report presented to the Audit Committee on 30 November 2021, we reported that we had completed our value for money (VFM) risk assessment and not identified any risk of significant weakness against the three reporting criteria we are required to consider under the NAO's 2020 Code. We have revisited our assessment as part of our completion of the audit of the financial statements and we remain satisfied that we have not identified a risk of significant weakness. As a result, we have completed our planned VFM procedures and have no matters to report by exception in the auditor's report (see Section 03).

We plan to issue the VFM commentary as part of issuing the Auditor's Annual Report within three months of issuing the auditor's report.

Executive Summary

Audit differences

As at 18 March 2022:

- ▶ There are three unadjusted differences at 18 March 2022. We have set out these in more detail in Section 4 - Audit Differences.
- ▶ There are five misstatements greater than £5,756k at 18 March 2022 have been corrected by management. We have set out these in more detail in Section 4 - Audit Differences.
- ▶ A small number of amendments were made to components and disclosures in the financial statements as a result of our work.

As elements of our audit work are ongoing at the time of writing this report, further adjusted and unadjusted misstatements may be identified. We will update the Audit Committee at the meeting on 30 March 2022 if we identify any issues by the time of the meeting.

Other reporting issues

We have reviewed the information presented in the Annual Governance Statement for consistency with our knowledge of the Council.

We have not yet been able to perform the procedures required by the National Audit Office (NAO) on the Whole of Government Accounts submission. This is because HM Treasury are continuing to review the online 2020/21 WGA Data Collection Tool (DCT) and update the guidance that is available for preparers. Based on the last available update the DCT and guidance was not expected to be available until later in 2022. Therefore the 2020/21 WGA component data will not be available for auditors to review until after that. Group Audit Instructions and the timetable for 2020/21 will necessarily follow any changes HM Treasury make to the DCT and process. The delay in completion of our WGA procedures does not impact the audit opinion, but will delay the issue of our audit certificate.

We have no other matters to report as at 18 March 2022.

Executive Summary

Areas of audit focus

In our audit planning report, and subsequent update, we identified a number of key areas of focus for our audit of the financial report of the Council. This report sets out our observations and status in relation to these areas, including our views on areas which might be conservative and areas where there is potential risk and exposure. Our consideration of these matters and others identified during the period is summarised within the "Areas of Audit Focus" section of this report.

Fraud Risk	Findings & Conclusions
Misstatements due to fraud or error (management override)	We have not identified any material weaknesses in controls or evidence of material management override, instances of inappropriate judgements being applied; or any other transactions during our audit which appear unusual or outside the Council's normal course of business.
Risk of fraud in revenue and expenditure recognition, through inappropriate capitalisation of revenue expenditure	<p>Our work in this area is complete subject to review. From our sample testing of additions to PPE, we have:</p> <ul style="list-style-type: none"> • Found costs had been correctly classified as capital and included at the correct value. • Did not identify any revenue items that were incorrectly classified as capital. <p>Our review of judgements taken by management found them to be reasonable. Further details are set out in Section 2 of this report.</p>
<p>Valuation of Land & Buildings in Property, Plant & Equipment (PPE) and Investment Properties (IP)</p>	<p>Our work in this area is nearing completion as at 18 March 2022.</p> <p>From our work performed, we have identified unadjusted judgemental differences in the values of two properties included in PPE and one property in IP.</p> <p>A further issue was raised with the NAO LG technical network in March 2022 in relation to the accounting for infrastructure assets. Under the CIPFA Code of Local Authority Accounting, these assets are held at depreciated historic cost. Following more detailed consideration by auditors this year, it has been identified that whilst local authorities add expenditure incurred on replacing or enhancing such assets, most councils do not appear to be reviewing the Code requirement to establish whether this spend is a replacement of an asset, or a recognised component, and therefore, are not derecognising the old component. As a consequence gross cost/gross accumulation is therefore continually increasing, and the balance sheet may be misstated where the expenditure is a replacement for an asset/component not fully depreciated.</p> <p>We have reviewed the balance sheet for Wokingham Borough Council. In 2020/21, some £23.05m additions to infrastructure were recognised, and there were no derecognitions. In 2019/20, the equivalent figure was £9.91m additions and no derecognition. This would suggest the Council, like most others, may not be fully compliant with the Code. In common with other councils, there may not be sufficient information on which to comply.</p> <p>CIPFA has engaged positively with the issue, and are considering a potential Code amendment, although it is also clear that the amendment would not go so far as to say that authorities can do nothing. However, this will likely require a consultation period before a conclusion is reached on the way forward for councils and auditors. In discussion with management we have concluded that if CIPFA is considering a Code amendment we should pause completion of the audit to assess what form this takes and whether it allows councils to become Code compliant.</p> <p>Further details are set out in Sections 2 and 4 of this report.</p>

Executive Summary

Areas of audit focus

In our audit planning report, and subsequent update, we identified a number of key areas of focus for our audit of the financial report of the Council. This report sets out our observations and status in relation to these areas, including our views on areas which might be conservative and areas where there is potential risk and exposure. Our consideration of these matters and others identified during the period is summarised within the "Areas of Audit Focus" section of this report.

Area of audit focus / Inherent risk	Findings & Conclusions
Accounting for Covid-19 related government grants (Inherent risk)	From our work performed we have identified a number of grants that were incorrectly accounted as either the Council acting as principal instead of agent or vice versa. Further details are set out in Sections 2 and 4 of this report.
Pension Liability and Asset Valuation (Inherent risk)	<p>Our work in this area is well progress as at 18 March 2022. Further details are set out in Section 2 of this report.</p> <p>We have liaised with the auditors of the Berkshire Pension Fund and have identified the following:</p> <ul style="list-style-type: none"> ▶ These assurances contained a caveat stating that their work was ongoing at the time of its issuing and that there is still a risk of material matters arising. We are consulting with our professional practice department on the impact of this caveat for issuing our auditor's report. ▶ We identified differences in membership data used to compile the IAS19 reports by the Pension Fund actuaries. We have engaged our pensions expert to determine that the impact thereof on the pension fund liability value at year end. <p>As at 18 March 2022 these matters are with the audit team to conclude.</p> <p>Further details are set out in Section 2 of this report.</p>
Going Concern (Area of audit focus)	<p>We have reviewed management's going concern assessment and confirm their conclusion that the Council remains a going concern is based on reasonable and supportable assumptions.</p> <p>We have also reviewed management's going concern disclosure and confirmed it is sufficiently detailed, transparent and accurately reflects management's underlying going concern assessment.</p>
Accounting for Public Finance Initiative (PFI)	We reviewed the PFI entries and disclosures in the Council's accounts and concluded they are appropriately reported.
Cash and cash equivalents	We have completed our work and concluded that limited progress had been made to ensure that the Council's imprest bank accounts within its portfolio were reconciled on a regular basis. Further details are set out in Section 2 of this report.
Group Accounting	Our work in this area remains in progress as at 18 March 2022. Further details are set out in Section 2 of this report.

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Executive Summary

Areas of audit focus (cont.)

We request that you review these and other matters set out in this report to ensure:

- ▶ There are no residual further considerations or matters that could impact these issues
- ▶ You concur with the resolution of the issue
- ▶ There are no further significant issues you are aware of to be considered before the financial report is finalised

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

Control observations

We have adopted a fully substantive approach, and so have not tested the operation of controls. We have, however, updated our understanding of the key processes and the controls which are in place to detect or prevent error. Through this work, 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.

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Independence

Please refer to Section 7 for our update on Independence.



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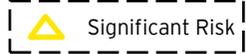
02 Areas of Audit Focus



Areas of Audit Focus

We have set out the significant risks (including fraud risks denoted by*) identified for the current year audit along with the audit procedures performed and conclusions formed for each 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 judgements are we focused on?

Our assessment of risk led us to create a series of criteria for the testing of journals, focusing specifically on areas that could be open to management manipulation. We have also focused specifically on capitalisation of assets as a potential area of manipulation, which is recorded as a separately identified significant risk - Inappropriate capitalisation of revenue expenditure.

Our work on estimates focussed on the valuation of land & buildings in Property Plant and Equipment (PPE) and Investment Property (IP) as significant risk and IAS19 pension estimates as areas of higher inherent risk and are reported further in this report.

What did we do?

We have performed the procedures described in our original audit plan. Please see the following page for full details.

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 Council'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 & buildings in PPE and IP and the IAS19 pension estimate. 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



Further details on procedures/work performed

We identified the key fraud risks at the planning stage of the audit and considered the effectiveness of management's controls that are designed to address the risk of fraud. We updated our understanding of the risks of fraud and the controls put in place to address them and made enquiries of Internal Audit, management and those charged with governance to support our understanding.

We have:

- ▶ Determined an appropriate strategy to address those identified risks of fraud which have been reflected in the significant risks in this document.
- ▶ 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.

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We have performed mandatory procedures regardless of specifically identified fraud risks, including:

- ▶ Testing the appropriateness of journal entries recorded in the general ledger and other adjustments made in the preparation of the financial statements.
- ▶ 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.
- ▶ Evaluating the business rationale for significant unusual transactions.

We utilised our data analytics capabilities to assist with our work.

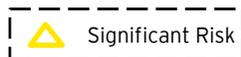
Having re-evaluated this risk we have considered whether we need to perform other audit procedures not referred to above. We continued to conclude that only those procedures included under 'Inappropriate capitalisation of revenue expenditure' were required - See the next page for further details.



Areas of Audit Focus

Significant risk

Risk of misstatements due to fraud or error – specifically in 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.

From our risk assessment, we have assessed that the risk manifests itself solely through the inappropriate capitalisation of revenue expenditure to improve the financial position of the general fund.

Capitalised revenue expenditure can be funded through borrowing with only minimal MRP charges recorded in the general fund, deferring the expenditure for 30+ years when the borrowing is repaid.

What judgements are we focused on?

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

What did we do?

Our approach focussed on:

- ▶ Testing 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.
- ▶ Identifying and testing 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.
- ▶ Testing a sample of revenue expenditure funded from capital under statute (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 conclusions?

Our work is completed subject to internal review. Based on the work performed:

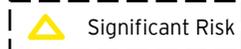
- ▶ Our sample testing of additions to property, plant and equipment found that they had been correctly classified as capital and included at the correct value.
- ▶ Our sample testing of additions to property, plant and equipment did not identify any revenue items that were incorrectly classified.
- ▶ Our data analytical procedures did not identify any journal entries that incorrectly moved expenditure into capital codes



Areas of Audit Focus

Significant risk

Valuation of Land & Buildings in Property Plant and Equipment (PPE) and Investment Property (IP)



What is the risk?

The value of land & buildings in PPE and in IP represent significant balances in the Council's accounts and are subject to valuation changes and impairment reviews. Management is required to make a high degree of material judgemental inputs and apply estimation techniques to calculate the year-end balances recorded in the balance sheet.

Given the nature of Covid-19 and the fact that 2020/21 was predominantly influenced by local and national lockdowns, we anticipate that the valuer will not be able to conduct site visits due to the restrictions that are in place and that the valuer will have to perform a remote approach to valuing the properties which will further increase the risk around these valuations.

Several misstatements were furthermore identified in property valuations during the prior year's audit that required subsequent material adjustments to PPE and IP balances.

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?

Our approach focused on:

- ▶ Considering the work performed by the Council'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.
- ▶ Consider the Council'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 as a result of the Covid-19 pandemic.
- ▶ Challenging the assumptions used by the Council'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.
- ▶ Sample testing key asset information used by the valuer in performing their valuation (e.g. building areas to support valuations based on price per square metre).
- ▶ Confirming that the valuation was undertaken to ensure all assets required to be valued in line with the Council's five year rolling programme had been completed, and that all investment property had been revalued in year as required by the Code.
- ▶ Assessing those assets not subject to valuation in 2020/21 to confirm that the remaining asset base is not materially misstated;
- ▶ Considering changes to the useful economic lives as a result of the most recent valuations and
- ▶ Tested the accounting entries posted via journal to ensure they have been correctly processed in the financial statements.



Areas of Audit Focus

Significant risk



What are our findings?

As at 18 March 2022 our work in this area is nearing completion.

From our work performed to date, we have:

- ▶ 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 largely in line with our expectations.
- ▶ 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.
- ▶ 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.
- ▶ Assessed those assets not subject to valuation in 2020/21 to confirm that the remaining asset base is not materially misstated.

Our work is nearing completion with our testing of the accounting entries posted via journal to ensure they have been correctly processed in the financial statements still ongoing.

From our work to date, we are satisfied with the valuation of Land and Buildings in PPE and IP, with the exception of:

1. PPE:
 - i. Valuation indexation incorrectly applied to properties already disposed of:

The Shinfield Infant School, Westende Junior School and Keep Hatch Primary School were incorrectly included as part of the valuation indexation applied to properties after they had been disposed of. This resulted in an overstatement of £6,332k in PPE which has been corrected by management. Further details have been set out in section 4 of this report.
 - ii. Incorrect classification of residential properties in the Elms Field Development:

Through our testing of the property valuations within the Elms Field Development, we identified a number of residential properties that had been incorrectly classified as operational land and buildings. These properties were constructed with the aim of being sold at market value and should therefore fall under the scope of IAS2, *Inventory*, rather than IAS16, *Property, Plant and Equipment*. These construction costs were consequently capitalised as Assets Under Construction in the current and prior years and subsequently require adjustments in both the current and prior periods to reclassify these as inventories. As at 18 March 2022, the audit team is in the process of determining the accuracy of these proposed adjustments.



Areas of Audit Focus

Significant risk



What are our findings?

iii. Use of EY Real Estate:

We asked our specialist to review 10 properties, selected from those assets revalued in 2020/21 within PPE. We challenged the valuation for 2 properties where the value fell outside a reasonable range of valuations established by EYRE for each asset:

- EYRE challenged several assumptions underpinning the Carnival Pool Multi Storey Car Park property valuation of £6.88m and disagreed with the methodology used in determining the property valuation. This valuation has not been adjusted as management is of the opinion that their valuation best reflects the value of this property at year end and their local knowledge. This valuation consequently remains outside our acceptable range as determined by EYRE of between £4.52m to £5.03m. We have therefore reported an unadjusted judgemental difference of £1.85m. See Section 4 - Audit Differences.
- EYRE challenged several assumptions underpinning the Civic Centre property valuation of £10.57m and disagreed with the length of void periods used in determining the property valuation. This valuation has not been adjusted as management is of the opinion that their valuation best reflects the value of this property at year end and their local knowledge. This valuation consequently remains outside of our acceptable range as determined by EYRE of £6.48m and £9.06m. We have therefore reported an unadjusted judgemental difference of £1.51m. See Section 4 - Audit Differences.

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IP:

i. Use of EY Real Estate:

We asked our specialist to review 2 assets. We challenged the valuation for 1 asset where the value fell outside a reasonable range established by EYRE for each asset:

- EYRE challenged several assumptions underpinning the Wickes Retail Unit property valuation of £12.00m and disagreed with the yield applied in determining the property valuation. This valuation has not been adjusted as management is of the opinion that their valuation best reflects the value of this property at year end. This valuation consequently remains outside our acceptable range determined by EYRE of £8.37m to £9.68m. We have therefore reported an unadjusted judgemental difference of £2.32m. See Section 4 - Audit Differences.

We assessed whether any of these differences had a wider impact on the valuation of PPE and IP, and in each case we concluded the assets had unique characteristics which allows us to conclude these judgemental differences are specific/unique to these assets.

2. Infrastructure assets:

Subsequent to issuing our audit plan, an issue was raised with the NAO LG technical network in March 2022 in relation to the accounting for infrastructure assets on a sector-wide basis. Under the CIPFA Code of Local Authority Accounting, these assets are held at depreciated historic cost. Following more detailed consideration by auditors this year, it has been identified that whilst local authorities add expenditure incurred on replacing or enhancing such assets, most do not appear to be reviewing the Code requirement to establish whether this spend is a replacement of an asset, or a recognised component, and therefore, are not derecognising the old component. As a consequence gross cost/gross accumulation is therefore continually increasing, and the balance sheet may be misstated where the expenditure is a replacement for an asset/component not fully depreciated.



Areas of Audit Focus

Significant risk



What are our findings?

We have reviewed the balance sheet for Wokingham Borough Council. In 2020/21, some £23.05m additions to infrastructure were recognised, and there were no derecognitions. In 2019/20, the equivalent figure was £9.91m additions and no derecognition. This would suggest the Council, like most others, may not be fully compliant with the Code. In common with other councils, there may not be sufficient information on which to comply.

CIPFA has engaged positively with the issue, and are considering a potential Code amendment, although it is also clear that the amendment would not go so far as to say that authorities can do nothing. However, this will likely require a consultation period before a conclusion is reached on the way forward for councils and auditors. In discussion with management we have concluded that if CIPFA is considering a Code amendment we should pause completion of the audit to assess what form this takes and whether it allows councils to become Code compliant.

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What are our conclusions?

We will provide an update at the Audit Committee 30 March 2022.

Other areas of audit focus

What is the area of focus?	What did we do?	What are our conclusions?
<p>Accounting for Covid-19 related government grants</p> <p>The Council has received a significant level of government funding in relation to Covid-19. Whilst there is no change in the CIPFA Code or accounting standard (IFRS 15) in respect of accounting for grant funding, the emergency nature of some of the grants received and in some cases the lack of clarity on any associated restrictions and conditions, means that the Council will need to apply a greater degree of assessment and judgement to determine the appropriate accounting treatment in the 2020/21 statements.</p>	<p>We considered the Council's judgement on material grants received in relation to whether it is acting as:</p> <ul style="list-style-type: none"> ▶ Agent, where it has determined that it is acting as an intermediary; or ▶ Principal, where the Council has determined that it is acting on its own behalf. <p>For grants received where the Council acted as principal, we have further considered whether any associated restrictions and conditions have been met and that grants have been claimed and recognised in accordance with the scheme rules.</p>	<p>From our work performed we identified a number of grants that were incorrectly accounted as either the Council acting as principal instead of agent or vice versa.</p> <p>The net impact of this adjustment reduced gross revenue expenditure and income by £23,799k which consequently led to the revision of our materiality calculation as detailed in section 1 of this report. These adjustments however had no impact on the General Fund balance itself. Further details are set out in sections 4 of this report.</p> <p>Following these adjustments, we are satisfied that the accounting treatment adopted for Covid-19 related government grants was correct and accorded with the Council's assessment of whether it was acting as agent or principal, the underlying conditions of the grant and whether those conditions had been met.</p>

Audit risks

Other areas of audit focus (continued)

What is the area of focus?

Net Pension Liability Valuation

The Local Authority Accounting Code of Practice and IAS19 require the Council to make extensive disclosures within its financial statements regarding its membership of the Berkshire Pension Fund, administered by the Royal Borough of Windsor and Maidenhead (RBWM).

The Council's pension fund liability is a material estimated balance and the Code requires that this liability be disclosed on the Council's balance sheet. At 31 March 2021 this totalled £358.0m.

The information disclosed is based on the IAS 19 report issued to the Council by the actuary.

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.

What did we do?

We have:

- ▶ Liaised with the auditors of the Berkshire Pension Fund, to obtain assurances over the information supplied to the actuary in relation to Wokingham Borough Council;
- ▶ Assessed the work of the Pension Fund actuary including the assumptions they have used by relying on the work of PWC - Consulting Actuaries commissioned by the National Audit Office for all local government sector auditors, and considering any relevant reviews by the EY actuarial team; and
- ▶ Reviewed and test the accounting entries and disclosures made within the Council's financial statements in relation to IAS19.
- ▶ Engaged our EY Pensions team to create a point estimate range based on their experience and understanding of defined benefit pension schemes.

We also considered outturn information available at the time we undertook our work after production of the Council's draft financial statements, for example the year-end actual valuation of pension fund assets. We used this to inform our assessment of the accuracy of estimated information included in the financial statements and whether any adjustments were required.

Other areas of audit focus (continued)

What are our conclusions?

As at 18 March 2022 our work in this area is well progressed with the remaining issues below with the audit team to conclude as at 18 March 2022.

From our work performed to date, we have identified the following:

▶ IAS 19 assurances:

- ▶ We liaised with the auditors of the Berkshire Pension Fund and reviewed the audit assurances received from them in mid January 2022. From these assurances we identified the following:
 - ▶ These assurances contained a caveat stating that their work was ongoing at the time of its issuing and that there is still a risk of material matters arising. We are consulting with our professional practice department on the impact of this caveat for issuing our auditor's report.
 - ▶ We identified differences in membership data used to compile the IAS19 reports by the Pension Fund actuaries. We have engaged our pensions expert to determine that the impact thereof on the pension fund liability value at year end.

These issues pertain to external reports used by the Council during the compilation of their Statement of Accounts.

- ▶ The Council requested an updated IAS19 report from the Berkshire Pension Fund actuary following the identification of a material adjustment to the Fund's Statement of Accounts. We assessed the work of the Pension Fund actuary, including the assumptions they used, by relying on the work of PWC - Consulting Actuaries commissioned by the National Audit Office for all local government sector auditors. We have also considered the relevant reviews by the EY actuarial team and have not identified any issues.
- ▶ We completed our review and testing the accounting entries and disclosures made within the financial statements in relation to IAS19 with no issues arising.
- ▶ The outcome from the EY Pension team's analysis was a difference between the actuary and EY Pensions Consulting of less than 1.5% for the Council's pension fund liability and less than 1.0% for Optalis Holdings Ltd. These both fell within our acceptable range, and provided us with corroborative assurance that the input control for the Council's actuarial model was working appropriately.

We will provide an update at the Audit Committee on 30 March 2022.

Audit risks

Other areas of audit focus (continued)

What is the area of focus?	What did we do?	What are our conclusions?
<p>Going Concern</p> <p>Covid-19 has created a number of financial pressures throughout local government, increasing service demand and expenditure. The Council has incurred additional expenditure in a number of areas of its operations and has experienced some income losses. The extent of support from MHCLG has developed over time, but does not include all financial consequences of Covid-19.</p> <p>2 2 CPFA's Code of Practice on Local Authority Accounting in the United Kingdom 2020/21 sets out that organisations that can only be discontinued under statutory prescription shall prepare their accounts on a going concern basis.</p> <p>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'.</p> <p>To do this, the auditor must review management's assessment of the going concern basis applying IAS1 Presentation of Financial Statements.</p>	<p>We have considered the adequacy of the Council's going concern assessment and its disclosure in the accounts by:</p> <ul style="list-style-type: none"> ▶ Challenging management's identification of events or conditions impacting going concern. ▶ Testing management's resulting assessment of going concern by evaluating supporting evidence (including consideration of the risk of management bias). ▶ Reviewing the cashflow forecast covering the foreseeable future, to ensure that it has sufficient liquidity to continue to operate as a going concern. ▶ Undertaking a 'stand back' review to consider all of the evidence obtained, whether corroborative or contradictory, when we draw our conclusions on going concern. ▶ Challenging the disclosure made in the accounts in respect of going concern and any material uncertainties. 	<p>Management's going concern assessment covers the period up to 31 March 2024. We have reviewed management's going concern assessments and confirm that their conclusion that the Council remains a going concern is based on reasonable and supportable assumptions.</p> <p>From our initial review of the going concern disclosure we identified areas for improvement which were addressed by management in its subsequent disclosure of the going concern. Based on our work performed the revised going concern disclosure is sufficiently detailed, transparent and accurately reflects management's underlying going concern assessment.</p>

Audit risks

Other areas of audit focus

What is the area of focus?	What did we do?	What are our conclusions?
<p>Accounting for Public Finance Initiative (PFI)</p> <p>The Council has one waste PFI arrangement with the Waste Recycling Group RE3 Limited. This is a joint PFI contract entered into with Reading and Bracknell Forest Councils in 2006/07 for the disposal of waste.</p> <p>The total outstanding value of the contract is estimated to be £101.5m as at 31 March 2021, to be shared between the Councils based on usage.</p> <p>Actual payments are based on the contractor's performance as well as that of the individual councils in waste collection. Estimated payments to be made by Wokingham Borough Council under the contract are £37.8m over the next 15 years of the contract.</p> <p>As part of the contract, the contractor built a transfer station, materials recycling facility, civic amenity site and offices. The Council's share of the assets, valued at £6.4m as at 31 March 2021, are recognised as Property, Plant and Equipment on the Council's Balance Sheet. The liability resulting from the contract, at the end of March 2021, was reported as £5.3m.</p>	<p>PFI is a complex area and we commissioned a detailed review of the RE3 arrangements, for the three councils involved, namely Bracknell Forest, Reading and Wokingham Borough Councils as part of the 2018/19 audit.</p> <p>Work conducted by our PFI specialist in 2018/19, included:</p> <ul style="list-style-type: none"> ▶ a review of the assumptions used in the RE3 PFI accounting model; and ▶ comment on local adjustments, if any, by Wokingham Council, made to the output from the RE3 model held by the host council, Reading Borough Council. <p>For the 2020/21 audit, our work focused on:</p> <ul style="list-style-type: none"> ▶ reviewing of the assumptions used in the Waste PFI accounting model; ▶ commenting on local adjustments, made by the Council, following any changes to the accounting model held by the host council, Reading Borough Council; ▶ reviewing the planned entries and disclosures for the Council's 2020/21 accounts. 	<p>Based on our work performed we have no issues to report as we found that the PFI entries and disclosures for the Council's 2020/21 accounts are appropriate.</p>

Audit risks

Other areas of audit focus

What is the area of focus?

Cash and cash equivalents

There are a number of imprest bank accounts to the value of £1.5m within the Council's current portfolio included in Cash and Cash Equivalents of £131.3m as at 31 March 2021.

In the prior year these imprest bank accounts contained a number of unreconciled differences between the Council's accounting records and statements from the relevant financial institutions. Although these differences were not material, there is a risk relating to appropriate record keeping and prevention of undetected irregularities in the absence of these reconciliations performed on a regular basis.

What did we do?

We have increased our focus on these imprest bank accounts to confirm that regular bank reconciliations are performed to ensure that there are no unexplained differences between the Council's accounting records and statements from the relevant financial institutions.

What are our conclusions?

Based on our work, limited progress has been made by the Council to ensure that regular bank reconciliations are performed and that there are no unexplained differences between the Council's accounting records and statements from the relevant institutions. Although the unexplained differences remained in 2020/21 the difference of £145k remains below our reporting thresholds.

We have repeated our control finding from last year on this in Section 7.

Audit risks

Other areas of audit focus

What is the area of focus?	What did we do?	What are our conclusions?
<p>Group Accounting</p> <p>IFRS 10, 11 and 12 set out the requirements which must be followed when assessing and disclosing group and joint arrangements. Where the Council has interests in other entities, it needs to undertake qualitative and quantitative assessments to inform its decisions as to whether group accounts are required.</p> <p>The Council is therefore required to prepare group accounts which involves consolidating the financial statements of its following subsidiaries:</p> <p>30 Optalis Holdings Ltd that provides Adult Social Care Services;</p> <ul style="list-style-type: none"> ▶ WBC Holdings (WBC) Ltd that provides social and affordable housing. (WBC also includes Wokingham Housing Ltd, Loddon Homes Ltd and Berry Brook Homes Ltd as its subsidiaries) <p>These subsidiaries contain accounting entries and balances that can be considered material or significant to the group, and will be classified as either full or specific scope audits.</p> <p>During the prior year, misstatements in group consolidation entries and workings, group cash flow calculations, and the misalignment of accounting policies between the group accounts and those of the subsidiaries required numerous corrections to the consolidated group accounts.</p> <p>This is consequently an area of potential complexity and judgment requiring regular review.</p>	<p>Our approach focused on:</p> <ul style="list-style-type: none"> ▶ Considering if these subsidiaries are individually material or significant to the group, and classify them either full or specific scope audits; ▶ Requesting that the auditors of these subsidiaries (Hazlewoods Ltd for Optalis Holdings Ltd; and Haslers for WBC Ltd and its subsidiaries) undertake a programme of work; ▶ Seeking assurances from the auditors of these subsidiaries to ensure their 2020/21 financial statements do not contain material misstatements which may impact the consolidated group financial statements; ▶ Reviewing consolidation entries and workings to ensure that financial performances and balances of the four subsidiaries have been appropriately consolidated into the Council's financial statements; and ▶ Reviewing the Group Cash Flow Statement in the consolidated group financial statements and its workings to ensure appropriate disclosure in accordance with IAS 7. 	<p>As at 18 March 2022 our work in this area is well progressed.</p> <p>From our work to date, we have:</p> <ul style="list-style-type: none"> ▶ <u>Optalis:</u> We have reviewed the work carried out by Hazlewoods Ltd and have no issues to report. ▶ <u>WBC Holdings Ltd:</u> We have reviewed the work carried out by Haslers Ltd and have no issues to report. ▶ <u>Group Consolidation:</u> We have reviewed the consolidation entries and underlying workings. Queries are remaining to be resolved on certain aspects of the consolidation process, which will then allow us to conclude our work. <p>We will provide an update at the Audit Committee on 30 March 2022.</p>



03 Audit Report



Audit Report

Draft audit report

Our draft 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 2021 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 2020/21.

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 2021 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 2020/21.

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 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.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the Deputy Chief Executive (S151 Officer)'s use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Authority's ability to continue as a going concern for a period of 24 months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the Deputy Chief Executive (S151 Officer) with respect to going concern are described in the relevant sections of this report. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the Authority's ability to continue as a going concern.

Other information

The other information comprises the information included in the Statement of Accounts 2020/21, other than the financial statements and our auditor's report thereon. The Deputy Chief Executive (S151 Officer) is responsible for the other information.



Audit Report

Draft audit report (cont.)

Our draft opinion on the financial statements

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.

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 course of 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 themselves. 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.

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

- ▶ we are not satisfied that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2021.

We have nothing to report in these respects.

Responsibility of the Deputy Chief Executive (S151 Officer)

As explained more fully in the Statement of the Deputy Chief Executive (S151 Officer) Responsibilities set out on page 11, 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 2020/21, and for being satisfied that they give a true and fair view and for such internal control as the members determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Chief Finance 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.



Audit Report

Draft audit report (cont.)

Our draft opinion on the financial statements

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.

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect irregularities, including fraud. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below. However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the entity and management.

- ▶ We obtained an understanding of the legal and regulatory frameworks that are applicable to the council and determined that the most significant are:
 - Local Government Act 1972,
 - School Standards and Framework Act 1998,
 - Local Government and Housing Act 1989 (England and Wales),
 - Local Government Finance Act 1988 (as amended by the Local Government Finance Act 1992),
 - Local Government Act 2003,
 - The Local Authorities (Capital Finance and Accounting) (England) Regulations 2003 as amended in 2018 and 2020,
 - The Local Government Finance Act 2012,
 - The Local Audit and Accountability Act 2014, and

- The Local Audit and Accountability Act 2014, and
- The Accounts and Audit Regulations 2015.

In addition, the Authority has to comply with laws and regulations in the areas of anti-bribery and corruption, data protection, employment legislation, tax legislation, general power of competence, procurement and health & safety.

- ▶ We understood how Wokingham Borough Council is complying with those frameworks by understanding the incentive, opportunities and motives for non-compliance, including inquiring of management, head of internal audit and those charged with governance, and obtaining and reading documentation relating to the procedures in place to identify, evaluate and comply with laws and regulations, and whether they are aware of instances of non-compliance. We corroborated this through our reading of the Authority's committee minutes. Based on this understanding we designed our audit procedures to identify non-compliance with such laws and regulations. Our procedures had a focus on compliance with the accounting framework through obtaining sufficient audit evidence in line with the level of risk identified and with relevant legislation.
- ▶ We assessed the susceptibility of the Authority's financial statements to material misstatement, including how fraud might occur by understanding the potential incentives and pressures for management to manipulate the financial statements, and performed procedures to understand the areas in which this would most likely arise. Based on our risk assessment procedures, we identified inappropriate capitalisation of revenue expenditure and management override of controls to be our fraud risks.
- ▶ To address our fraud risk of inappropriate capitalisation of revenue expenditure we tested the Authority's capitalised expenditure to ensure the capitalisation criteria were properly met and the expenditure was genuine.
- ▶ To address our fraud risk of management override of controls, we tested specific journal entries identified by applying risk criteria to the entire population of journals. For each journal selected, we tested specific transactions back to source documentation to confirm that the journals were authorised and accounted for appropriately. In addition, we assessed whether



Audit Report

Draft audit report (cont.)

Our draft opinion on the financial statements

the judgements made in making accounting estimates were indicative of a potential bias and evaluated the business rationale of any significant transactions that are unusual or outside of the normal course of business.

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

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We have undertaken our review in accordance with the Code of Audit Practice, having regard to the guidance on the specified reporting criteria issued by the Comptroller and Auditor General in April 2021, as to whether Wokingham Borough Council had proper arrangements for financial sustainability, governance and improving economy, efficiency and effectiveness. The Comptroller and Auditor General determined these criteria as those necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether the 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 2021.

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.

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.

Delay in certification of completion of the audit

We cannot formally conclude the audit and issue an audit certificate until we have completed the work necessary to issue our assurance statement in respect of the Authority's Whole of Government Accounts consolidation pack. We are satisfied that this work does not have a material effect on the financial statements or our work on value for money arrangements.

Until we have completed these procedures we are unable to certify that we have completed the audit of the accounts 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 the Authority and the Authority'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 £5.76m as at 18 March 2022 which will be corrected by management that were identified during the course of our audit:

37	Corrected misstatements 31 March 2021 (£'000)	Effect on the current period:		Net assets (Decrease)/Increase			
		OCI Debit/(Credit)	Comprehensive Income and Expenditure Statement Debit/(Credit)	Assets current Debit/ (Credit)	Assets non current Debit/ (Credit)	Liabilities current Debit/ (Credit)	Liabilities non- current Debit/ (Credit)
	Errors						
	Known differences:						
	<ul style="list-style-type: none"> ▶ Incorrect accounting treatment of the Grants received The following grants were incorrectly recognised either the Council being the principal instead of agent or vice versa <ul style="list-style-type: none"> ▶ Business support Grant (Recognised as principal instead of agent) ▶ LRS Grant (Recognised as principal instead of agent) ▶ Infectious Control Grant (Recognised as agent instead of principal) 		Income 19,205 Expenditure (19,205) Income 7,278 Expenditure (7,278) Income (2,684) Expenditure 2,684				

(Continued on next page)



Audit Differences

Summary of adjusted differences (Cont.)

We highlight the following misstatements greater than £5.76m which have been corrected by management that were identified during the course of our audit: #

Corrected misstatements 31 March 2021 (£'000)	Effect on the current period:		Net assets (Decrease)/Increase			
	OCI Debit/(Credit)	Comprehensive Income and Expenditure Statement Debit/(Credit)	Assets current Debit/ (Credit)	Assets non current Debit/ (Credit)	Liabilities current Debit/ (Credit)	Liabilities non- current Debit/ (Credit)
Errors						
Known differences:						
39 08 Valuation indexation incorrectly applied to properties already disposed of The Shinfield Infant School, Westende Junior School and Keep Hatch Primary School were incorrectly included in the valuation indexation applied to properties after their disposal.	4,178	2,154		(6,332)		
▶ Incorrect classification of properties developed to be sold at market value: Construction costs pertaining to the development of the Elms Field Development has been incorrectly classified as Assets Under Construction in PPE instead of Inventories			TBC	TBC		

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

As elements of our audit work are ongoing at the time of writing this report, further adjusted and unadjusted misstatements may be identified. We will update the Audit Committee at the meeting on 30 March 2022 if we identify any issues by the time of the meeting.



Audit Differences

Summary of unadjusted differences

In addition we highlight the following misstatements to the financial statements and/or disclosures which were not corrected by management. We request that these uncorrected misstatements be corrected or a rationale as to why they are not corrected be considered and approved by the Audit Committee and provided within the Letter of Representation:

Uncorrected misstatements 31 March 2021 (£'000) 		Effect on the current period: 	Net assets (Decrease)/Increase			
	OCI Debit/(Credit)	Comprehensive Income and Expenditure Statement Debit/(Credit)	Assets current Debit/ (Credit)	Assets non current Debit/ (Credit)	Liabilities current Debit/ (Credit)	Liabilities non- current Debit/ (Credit)
 Errors						
Projected differences:						
<ul style="list-style-type: none"> Capital Receipts in Advance Projected difference in the incorrect classification of receipts during the financial year under review. 		TBC				TBC
Judgemental differences:						
<ul style="list-style-type: none"> Land and Buildings included in PPE Judgemental differences identified in the valuation of Land and Buildings included in PPE 	3,360			(3,360)		
<ul style="list-style-type: none"> Land and Buildings included in IP Judgemental differences identified in the valuation of Land and Buildings included in PPE 		2,320		(2,320)		



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05 Value for Money



Value for money

The Council's responsibilities for value for money (VFM)

The Council is required to maintain an effective system of internal control that supports the achievement of its policies, aims and objectives while safeguarding and securing value for money from the public funds and other resources at its disposal.

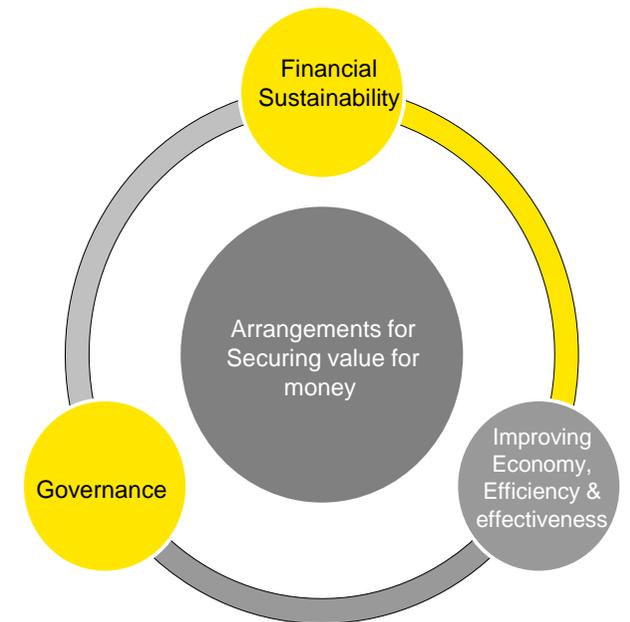
As part of the material published with its financial statements, the Council is required to bring together commentary on its governance framework and how this has operated during the period in a governance statement. In preparing its governance statement, the Council tailors the content to reflect its own individual circumstances, consistent with the requirements set out in the CIPFA code of practice on local authority accounting. This includes a requirement to provide commentary on its arrangements for securing value for money from their use of resources.

Risk assessment

We have previously reported to the Audit Committee the outcome of our assessment of the risk of significant weaknesses in the Council's VFM arrangements - that we had not identified any risks. We have revisited our risk assessment and have not identified any additional risks.

Status of our VFM work

We have completed our planned VFM procedures and have no matters to report by exception in the auditor's report (see Section 03). We plan to issue the VFM commentary as part of issuing the Auditor's Annual Report. This will be within three months of issuing the auditor's report.





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 Statement of Accounts 2020/21 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.

Financial information in the Statement of Accounts 2020/21 and published with the financial statements was consistent with the audited financial statements.

We have reviewed the Annual Governance Statement and can confirm it is consistent with other information from our audit of the financial statements and we have no other matters to report.

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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.

We have not yet been able to perform the procedures required by the NAO on the Whole of Government Accounts submission. This is because HM Treasury are continuing to review the online 2020/21 WGA Data Collection Tool (DCT) and update the guidance that is available for preparers. Based on the last available update the DCT and guidance was not expected to be available until later in 2022. Therefore the 2020/21 WGA component data will not be available for auditors to review until after that. Group Audit Instructions and the timetable for 2020/21 will necessarily follow any changes HMT make to the DCT and process.

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 Council 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.

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 Council'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 representations we have requested;
- Expected modifications to the audit report;
- Any other matters significant to overseeing the financial reporting process;
- Related parties;
- External confirmations;
- Going concern; and
- Consideration of laws and regulations.

Any significant difficulties encountered during the audit:

- The 2020/21 financial statements audit has taken longer than anticipated due to issues arising from our work on the valuation of Land & Buildings in PPE and IP and Pension Liability and Asset Valuation as detailed in section 2 and 4 above, as well as the sector-wide impact by the Covid-19 pandemic and working offsite. We have reported our findings to date with all necessary adjustments affected to the financial statements. We recognise this has been an very challenging year for the Council and its finance team as they have continued to be stretched in their response to Covid-19 issues.
- The auditors of the Berkshire Pension Fund provided the Council's IAS19 employee benefit local government Pension Fund assurances in mid-January 2022. As detailed in section 2 above, these assurances contained a caveat stating that their work was ongoing at the time of its issuing and that there is still a risk of material matters arising. We are consulting with our professional practice department on the impact of this caveat for issuing our auditor's report. These assurances further indicated that differences in membership data used by the Pension Fund actuaries existed, and consequently require further assessment by our pensions specialist to determine the potential impact thereof on the pension fund liability value at year end.

Other issues

The issue and what did we do?

Minimum Revenue Provision (MRP):

Wokingham Borough Council are required, under the 2003 Local Government Act, to charge Minimum Revenue Provision (MRP) to its revenue account in each financial year. In calculating a prudent provision, local authorities are required to have regard to statutory guidance issued periodically by DLUHC.

DLUHC consider that the methods of making prudent provision include the options set out in its guidance but does not rule out or preclude a local authority from using alternative methods of making prudent provision should it decide that is more appropriate. Whilst the Council has accounted for MRP in line with its own policy, this is not fully aligned to the suggested approach outlined in the regulations as:

1. The Council's policy does not require a charge for MRP on capital loans.
2. Only 10% of the investment property expenditure is being repaid through its MRP charge.
3. No charge is applied to capital expenditure for which funding is expected in future years.

 The policy has been agreed by Council with delegation to the Section 151 Officer, and Regulation 28 states it is for the Council to determine what constitutes a minimum revenue provision. However, in the light of expected revised guidance from DLUHC, the Council will need to review its current policy to ensure it meets future legislative requirements and good practice.

Capital Receipts in Advance:

Wokingham Borough Council recognises Section 106 grants and contributions in accordance with the Code requirements as either revenue or receipts in advance depending on conditions and restrictions attached to it. During our testing of the section 106 grants that were accounted for as Capital Receipts in Advance in the Council's Statement of Accounts, we identified two representative items incorrectly recognised as capital receipts in advance instead of revenue. We have extended our testing on this balance to assess the extent to which this could indicate a misstatement within the untested population. This work remains ongoing at 18 March 2022.



07

Assessment of Control Environment



Assessment of Control Environment

Financial controls

As part of our audit of the 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.

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.

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.

However, we have the following issues to bring to your attention.

Quality of the Statement of Accounts:

Although the Council published its Statement of Accounts published by the 30 July 2021, these had gaps in disclosed information due to the ongoing audit and finalisation of the 2019/20 Statement of Accounts at that stage. The finance department further continued to experience capacity constraints during the year with finance officers stretched during the preparation of these accounts. We are aware the Council has reviewed finance staff capacity and is recruiting new staff to improve resilience within the finance team. We have also agreed that we will carry out a review of the 2020/21 audit to assess what worked well, and what we can jointly improve, to ensure a smoother and more timely audit. Taken together, these measures should reduce the amount of time required for the audit.

Amendment to the cyclical PPE valuation programme

Following on from the 2020/21 audit, we understand that management still propose to employ an external valuer to value the Council's PPE assets for the 2021/22 financial statements, as it does for its annual valuation of its investment properties. The intention will be that the Council'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 Council's asset types each year (rather than by category type every 5 years) so that the Council has a benchmark for indexation should it need it.

Bank reconciliations of imprest bank accounts

Improvements to the processing and reconciliation of imprest bank accounts in the Council's portfolio were limited as these reconciliations were not performed on a regular basis which resulted in unexplained differences between the Council'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.

Group accounts

Our work is ongoing as at 18 March 2022 with the impact on the financial controls still to be confirmed.



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07

Independence

Relationships, services and related threats and safeguards

The FRC Ethical Standard requires that we provide details of all relationships between Ernst & Young (EY) and the Fund, and its members and senior management and its affiliates, including all services provided by us and our network to the Council, its members and 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.

There are no relationships from 1 April 2020 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

The table below sets out a summary of the fees that are due to us for the year ended 31 March 2021 in line with the disclosures set out in FRC Ethical Standard and in statute.

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.

	Final fee 2020/21	Planned fee 2020/21	Final Fee 2019/20
	£	£	£
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PSAA Scale Fee - Code work	81,325	81,325	81,325
Scale Fee Rebasing: Changes in work required to address professional and regulatory requirements and scope associated with risk (Note 1)	58,655	58,655	58,655
Revised Proposed Scale Fee	139,980	139,980	139,980
2019/20 fee variation submitted to PSAA (Note 2)	-	-	56,411
2020/21 PSAA expected additional minimal core fees (Note 3):			
• VFM	TBC	10,000	-
• ISA 540 accounting estimates		11,500	
2020/21 proposed fee variation - other (Note 4)	TBC	-	-
Total Scale Fee Variation	TBC	161,480	196,391
Non-audit work - Housing Benefit Subsidy claim	TBC	51,236 (est)	47,000
Total fees	TBC	212,716	243,391

Continued over

Relationships, services and related threats and safeguards

Note 1:

We outlined in our 2019/20 Annual Audit Letter (AAL) the basis on which the scale fees are set by PSAA. We also outlined a combination of factors which mean that we do not believe the existing scale fees provide a clear link with both a public sector organisation's risk and complexity and therefore it endangers the sustainability of local audit in the future.

Based on these factors, and in light of requests from PSAA to provide further detailed analysis we have estimated the impact on the Council, which has been shared with management but we did not reach agreement on that rebasing. This has been submitted to PSAA for review.

Note 2:

In order to meet regulatory and compliance audit requirements not present in the market at the time of our most recent bid to PSAA, we undertook additional work at a fee of £56,411 to deliver the audit in 2019/20. These additional fees were accepted by the Deputy Section 151 Officer in October 2021. The proposed fee variation has not yet been approved by PSAA.

Note 3:

In August 2021, PSAA published 'Additional information for 2020/21 audit fees'. PSAA commissioned external independent technical research for setting standardised fee variations to assess the expected impact on audit work programmes of a range of new and updated audit requirements. The figures included here are the minimum additional fee ranges set out in this document.

Note 4:

Any further additional fees (over and above VFM and ISA540) for 2020/21 will be communicated to the Section 151 Officer following the completion of the audit.

Other communications

EY Transparency Report 2021

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 2021:

[EY UK 2021 Transparency Report | EY UK](#)



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08 Appendices

Appendix A

Required communications with the Audit Committee

There are certain communications that we must provide to the those charged with governance of UK entities. 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 53	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 presented to the Audit Committee on 15 September 2021.
Planning and audit approach	Communication of the planned scope and timing of the audit, any limitations and the significant risks identified. When communicating key audit matters this includes the most significant risks of material misstatement (whether or not due to fraud) including those that have the greatest effect on the overall audit strategy, the allocation of resources in the audit and directing the efforts of the engagement team.	Audit Planning Report presented to the Audit Committee on 15 September 2021.
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 presented to the Audit Committee on 30 March 2022.

Appendix A

		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 related to going concern ▶ Whether the use of the going concern assumption is appropriate in the preparation and presentation of the financial statements ▶ The appropriateness of related disclosures in the financial statements 	No conditions or events were identified, either individually or together to raise any doubt about Wokingham Borough Council's ability to continue for the 12 months from the date of our report.
Misstatements	<ul style="list-style-type: none"> ▶ Uncorrected misstatements and their effect on our audit opinion, unless prohibited by law or regulation ▶ 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 presented to the Audit Committee on 30 March 2022.
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 presented to the Audit Committee on 30 March 2022.
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 entity ▶ 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 entity, 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 presented to the Audit Committee on 30 March 2022.

Appendix A

		 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 entity'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 entity 	Audit Results Report presented to the Audit Committee on 30 March 2022.
55 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 judgements are made about threats to objectivity and independence and the appropriateness of safeguards put in place.</p>	<p>Audit Planning Report presented to the Audit Committee on 15 September 2021.</p> <p>Audit Results Report presented to the Audit Committee on 30 March 2022.</p>
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 presented to the Audit Committee on 30 March 2022.
Consideration of laws and regulations	<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. 	Audit Results Report presented to the Audit Committee on 30 March 2022.

Appendix C

		Our Reporting to you
Required communications	 What is reported?	  When and where
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 presented to the Audit Committee on 30 March 2022.
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 presented to the Audit Committee on 30 March 2022.
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 presented to the Audit Committee on 30 March 2022.
Auditors report	<ul style="list-style-type: none"> ▶ Key audit matters that we will include in our auditor's report ▶ Any circumstances identified that affect the form and content of our auditor's report 	Audit Results Report presented to the Audit Committee on 30 March 2022.
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 presented to the Audit Committee on 15 September 2021.</p> <p>Audit Results Report presented to the Audit Committee on 30 March 2022.</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 financial statements of Wokingham Borough Council ("the Council") for the year ended 31 March 2021. 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 financial statements give a true and fair view of the Council financial position of Wokingham Borough Council as of 31 March 2021 and of its income and expenditure for the year then ended in accordance with CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21.

We understand that the purpose of your audit of our financial statements is to express an opinion thereon and that your audit was conducted in accordance with International Standards on Auditing (UK), 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 [the Accounts and Audit Regulations 2015 and CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21.
2. We acknowledge, as members of management of the Council, our responsibility for the fair presentation of the financial statements. We believe the 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 Council in accordance with [the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21, and are free of material misstatements, including omissions. We have approved the financial statements.
3. The significant accounting policies adopted in the preparation of the financial statements are appropriately described in the financial statements.
4. As members of management of the Council, we believe that the Council has 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 2020/21, 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 the aggregate, to the financial statements taken as a whole. We have

Management representation letter

Management Rep Letter

not corrected these differences identified by, and brought to the attention from, the auditor because xxx.

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

1. We acknowledge that we are responsible to determine that the Council's activities are conducted in accordance with laws and regulations and that we are responsible to identify and address 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 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 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 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 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 financial statements, including those related to the COVID-19 pandemic.
3. We have made available to you all minutes of the meetings of the Council, the Executive Committee and the Audit 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 of the Council on 24 March 2022; Executive Committee on 22 March 2022; and Audit Committee on 30 March 2022.
4. We confirm the completeness of information provided regarding the identification of related parties. We have disclosed to you the identity of the 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 period 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 financial statements.
5. We believe that the methods, significant assumptions and the data we used in making accounting estimates and related disclosures are appropriate and consistently applied to achieve recognition, measurement and disclosure that is in accordance with CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21.

Management representation letter

Management Rep Letter

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6. We have disclosed to you, and the Council has complied with, all aspects of contractual agreements that could have a material effect on the 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 at 16 December 2020 through the date of this letter we have disclosed to you any unauthorized 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 unauthorized 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 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 the financial statements all guarantees that we have given to third parties.

E. Going Concern

1. Note 3 to the financial statements discloses all the matters of which we are aware that are relevant to the 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.

F. Subsequent Events

1. Other than Note 5 to the financial statements, there have been no events, including events related to the COVID-19 pandemic, subsequent to period end which require adjustment of or disclosure in the financial statements or notes thereto.

G. Other information

1. We acknowledge our responsibility for the preparation of the other information. The other information comprises the Narrative Statement and Annual Governance Statement.
2. We confirm that the content contained within the other information is consistent with the financial statements.

H. Ownership of Assets

1. Except for assets capitalised under finance leases, the Council has satisfactory title to all assets appearing in the balance sheet, and there are no liens or encumbrances on the Council's assets, nor has any asset been pledged as collateral. All assets to which the Council has satisfactory title appear in the balance sheet.
2. All agreements and options to buy back assets previously sold have been properly recorded and adequately disclosed in the financial statements.
3. We have no plans to abandon lines of product or other plans or intentions that will result in any excess or obsolete inventory, and no inventory is stated at an amount in excess of net realisable value.
4. There are no formal or informal compensating balance arrangements with any of our cash and investment accounts. Except as disclosed in Notes 15 and 17 to the financial statements, we have no other line of credit arrangements.

Management representation letter

Management Rep Letter

I. Reserves

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

J. Use of the Work of a Specialist

1. We agree with the findings of the specialists that we engaged to evaluate the valuation of property, plant and equipment, investment property, HRA properties and IAS19 pension fund liability, and have adequately considered the qualifications of the specialists in determining the amounts and disclosures included in the 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.

K. Estimates

- i. **Revaluation of land and buildings classified as property, plant and equipment, investment property and HRA properties**
- ii. **Pension liability and asset valuation**

1. We confirm that the significant judgments made in making the revaluation of land and buildings classified as property, plant and equipment, investment property, and HRA properties, and the pension liability and asset valuation have taken into account all relevant information and the effects of the COVID-19 pandemic of which we are aware.
2. We believe that the selection or application of the methods, assumptions and data used by us have been consistently and appropriately applied or used in making the land and buildings classified as property, plant and equipment, investment property, and HRA properties, and the pension liability and asset valuation.

3. We confirm that the significant assumptions used in making the land and buildings classified as property, plant and equipment, investment property, and HRA properties, and the pension liability and asset valuation appropriately reflect our intent and ability to carry out these valuations on behalf of the entity.
4. We confirm that the disclosures made in the financial statements with respect to the accounting estimates, including those describing estimation uncertainty and the effects of the COVID-19 pandemic, are complete and are reasonable in the context of CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21.
5. We confirm that appropriate specialized skills or expertise has been applied in making the land and buildings classified as property, plant and equipment, investment property, and HRA properties, and the pension liability and asset valuation.
6. We confirm that no adjustments are required to the accounting estimates and disclosures in the financial statements, including due to the COVID-19 pandemic.

L. 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,

Appendix B

Management representation letter

Management Rep Letter

(Deputy Chief Executive - S151 Officer))

61 I confirm that this letter has been discussed and agreed at the Audit Committee on 30 March 2022.

(Chairman of the Audit Committee)

Appendix F

Implementation of IFRS 16 Leases

In previous reports to the Audit Committee, we have highlighted the issue of new accounting standards and regulatory developments. IFRS 16 introduces a number of significant changes which go beyond accounting technicalities. For example, the changes have the potential to impact on procurement processes as more information becomes available on the real cost of leases. The key accounting impact is that assets and liabilities in relation to significant lease arrangements previously accounted for as operating leases will need to be recognised on the balance sheet. IFRS 16 requires all substantial leases to be accounted for using the acquisition approach, recognising the rights acquired to use an asset.

IFRS 16 does not come into effect for the council until 1 April 2022. However, officers should be acting now to assess the council's leasing positions and secure the required information to ensure the council will be fully compliance with the 2022/23 Code. The following table summarises some key areas officers should be progressing. 

IFRS 16 theme	Summary of key measures
Data collection 62	Management should: <ul style="list-style-type: none"> ▶ Put in place a robust process to identify all arrangements that convey the right to control the use of an identified asset for a period of time. The adequacy of this process should be discussed with auditors. ▶ Classify all such leases into low value; short-term; peppercorn; portfolio and individual leases ▶ Identify, collect, log and check all significant data points that affect lease accounting including: the term of the lease; reasonably certain judgements on extension or termination; dates of rent reviews; variable payments; grandfathered decisions; non-lease components; and discount rate to be applied.
Policy Choices	The Council needs to agree on certain policy choices. In particular: <ul style="list-style-type: none"> ▶ Whether to adopt a portfolio approach ▶ What low value threshold to set and agree with auditors ▶ Which asset classes, if any, are management adopting the practical expedient in relation to non-lease components ▶ What is managements policy in relation to discount rates to be used?
Code adaptations for the public sector	Finance teams should understand the Code adaptations for the public sector. The Code contains general adaptations, (e.g. the definition of a lease); transitional interpretations (e.g. no restatement of prior periods) and adaptations that apply post transition (e.g. use of short-term lease exemption).
Transitional accounting arrangements	Finance teams should understand the accounting required on first implementation of IFRS 16. The main impact is on former operating leases where the council is lessee. However, there can be implications for some finance leases where the Council is lessee; and potentially for sub-leases, where the council is a lessor, that were operating leases under the old standard.
Ongoing accounting arrangements	Finance teams need to develop models to be able to properly account for initial recognition and subsequent measurement of right of use assets and associated liabilities. This is more complex than the previous standard due to more regular remeasurements and possible modifications after certain trigger events.
Remeasurements and modifications	Finance teams need to familiarise themselves with when the 'remeasurement' or 'modification' of a lease is required and what to do under each circumstance. A modification can lead to an additional lease being recognised. It is also important to know when remeasurements require a new discount rate is to be applied to the lease.

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ED None

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WOKINGHAM Borough Council

Statement of Accounts

For the Year Ended 31 March 2021

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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

Heading into the 2021/22 financial year, the financial standing of the Council remains robust. This has been achieved through good financial management, through which the Council has built up financial resilience and sustainability, despite years of austerity resulting in reductions in Central Government funding.

Following the start of the Covid-19 pandemic, the Council have reacted quickly to enhance financial management during the crisis. The Council's finance staff have worked closely with Directors and key stakeholders to challenge and update forecasts based on a continually changing climate.

Enhanced financial management arrangements have included:

- Ensuring there is clarity with regards to genuine expenditure decisions with regard to Covid-19 related spend (as opposed to the necessity to discharge our statutory responsibilities).
- Seeking to maximise opportunities to deliver on MTFP savings plans, recognising that staff remain significantly diverted to the Covid response phase.
- Exploring reduced expenditure opportunities arising as a result of Covid-19 or otherwise, including a review of Special Items.
- Maintaining a weekly financial review of the Covid-19 impact including collection rates and Direct Debit failure rates on major income streams.
- Initiating an early MTFP review process tailored to identify areas of relative financial certainty and high-risk areas of greater ambiguity.
- Reviewing non-General Fund balances to assess risks and potential options to transfer balances to the General Fund reserve (if the General Fund position becomes perilously low).
- Continuing to make representations for additional funding through Government Returns, Regional Conference calls and MPs.

As the financial impact from the pandemic continues, monitoring and reporting remains an important financial control. Further work is underway to understand the longer term financial implications

beyond the 21/22 financial year. Where known, implications were considered as part of budget setting for the 21/22 financial year and will also be considered in future budget setting rounds.

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/ieListDocuments.aspx?CId=129&MId=3988&Ver=4>

General Fund Service Expenditure 2020/21

The Council approved a revenue budget of £143.5m (£129.7m expenditure plus £13.8m depreciation) at its meeting on 20 February 2020. The approved budget figures shown below include agreed carry forwards from 2019/20 as well as supplementary estimates totalling c£1.8m approved during 2020/21. The following table analyses Wokingham Borough Council's actual outturn compared to its budgeted net expenditure by directorate, as at 31 March 2021, and reported to the Council's Executive on 24 June 2021 (see link below). The actual spend for 2020/21 was £0.8m favourable variance to budget.

For more information, see the Council's revenue monitoring outturn report: <https://wokingham.moderngov.co.uk/documents/g3987/Public%20reports%20pack%2024th-Jun-2021%2019.00%20Executive.pdf?T=10>

Directorate	End of year position		
	Approved budget	Actual spend	(Favourable) / adverse variance
	£,000	£,000	£,000
Adult Social Care	53,346	53,338	(8)
Chief Executive	9,215	9,226	11
Children's Services	36,004	37,266	1,262
Community, Insight & Change	8,774	9,270	496
Place & Growth	38,553	40,836	2,283
Resources & Assets	2,118	4,928	2,810
COVID – Other	0	1,714	1,714
COVID - Grant funding from Government	0	(9,356)	(9,356)
Net Expenditure (including carry forwards to 2021/22)	148,010	147,222	(788)

Material areas of favourable / adverse variances include:

- Adult Social Care – Underspend of £1.5m. As a result of the expert determination there is a reduction in the central management costs to the Council from Optalis of c£0.3m in 20/21. This efficiency has been achieved earlier than anticipated as this is built into the savings assumptions for 21/22 and beyond. Negotiations surrounding any further changes to central management costs in Optalis is ongoing. The £1.2m in relation the BAU budgets relates to good work from the staff in Adult Social Care in achieving higher than previously forecast

delivery against the services savings targets and a reduction in the number of people receiving care in older people's services. Covid-19 has had a significant impact on Adult Social Care services specifically relating to hospital discharges and supporting the vulnerable in our community. The £1.5m reflects the financial impact of supporting our customers and care market during the pandemic.

- Children's Services – Underspend of £0.1m for the year on BAU. Continued focus on social care placements has allowed earlier risks identified in the forecast to be well managed which, taken alongside reduced Home to School Transport costs during the spring term, has provided for a small underspend in year. The £1.4m covid pressure reflects the impact on the service in supporting and safeguarding vulnerable children and families during the pandemic.
- Communities, Insight & Change - Underspend of £0.1m, relates to savings in Library stock purchases, project costs and general operational spend. Covid pressures resulting in a net full year actual of c£0.6m. This includes lost income of c£0.3m across some facilities and land charges. Other cost pressures include support service costs such as IT, HR and benefit assessments and additional resources for Covid Communications.
- Place and Growth - Additional essential drainage work has resulted in £100k overspend with a further additional £620k in essential reactive highway maintenance, compounded by uplifts in the maintenance contract rates, this has in part been offset by lower than expected winter maintenance cost to the tune of £170k. These rate increases have been reflected in next year's budget (21/22) and agreed as growth through the MTFP. £1.8m Covid pressures consists mainly of lost income across car parking, licensing, planning and street works income.
- Resources and Assets - BAU – Over-achievement of income from Solar investments has been greater than anticipated. Across the directorate various smaller pressures have been contained by efficiencies. £2.9m Covid pressures include costs pressures of c£2.0m relating to our Leisure Services offset by £0.3m leisure grant. c£0.8m relating to our property portfolio including commercial, operational and regeneration. Other costs include c£0.4m on additional temporary accommodation provided during covid, a £0.07m contribution to a Berkshire wide temporary place of rest and smaller costs relating to additional cleaning, staff support, lost income, etc.
- Covid – Other - These costs include direct covid costs such as PPE, resources and other support over the past 12 months. Also included is provision for the impact on collection fund of Council Tax and Business Rates.
- Covid - Grant funding from Government - This includes the four tranches of emergency government grant received to support all covid costs incurred within each directorate.

Capital Expenditure in 2020/21

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 £123.5m (2019/20 £171.3m) as set out in report to the Council's Executive on 24 June 2021. See the capital programme outturn report for more information:

<https://wokingham.moderngov.co.uk/documents/g3987/Public%20reports%20pack%2024th-Jun-2021%2019.00%20Executive.pdf?T=10>

During 2020/21 the Council has invested in the following key areas.

MTFP category	Expenditure 2020/21 £m
Roads & Transport	£58.3m
Investment and Regeneration	£38.1m
Children Services and Schools	£14.7m
Climate Emergency	£5.3m
Environment	£5.0m
Internal Services	£1.1m
Adult Social Care	£1.0m
Total	£123.5m

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.

- 87% of children who attend a Wokingham state-funded school (Primary, Secondary or Special) which is Good or better
- 98% 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 is 100%
- The council tax collection rate was 99.0%.
- 83% of residents were satisfied with their new homes.

Further information can be found on the Council's website.

<https://wokingham.moderngov.co.uk/documents/g4087/Public%20reports%20pack%2016th-Jun-2021%2019.00%20Overview%20and%20Scrutiny%20Management%20Committee.pdf?T=10>

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 £357m at 31 March 2021 (£260m at 31 March 2020). 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 reduced from £216m to £192m during the year and short term borrowing increased from £64m to £339m. This planned increase in total borrowing is used to fund additional capital expenditure to support investment and development in the borough. The Council have taken advantage of low interest rates to secure some borrowing needed to fund the capital expenditure planned for 2021/22. The Council also received developer contributions earlier than expected which also increased the short term investment balances shown below.

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 2021 were £195m (£41m at 31 March 2020). Cash and Cash Equivalents were £130m (£59m at 31 March 2020).

Further information regarding treasury management can be found in the Treasury Management outturn report:

<https://wokingham.moderngov.co.uk/documents/g3997/Public%20reports%20pack%2023rd-Sep-2021%2019.30%20Council.pdf?T=10>

Balance sheet

The Council's balance sheet at 31 March 2021 had long term assets of £1.185b, current assets (including cash and short term investments) of £380m, current liabilities of £415m, long-term liabilities of £660m (which includes net pension liabilities of £357m and the Council's long-term borrowing of £192m). In addition, the Council had usable reserves of £164m.

The net assets of the Council have reduced slightly from £499m at 31 March 2020 to £490m at 31 March 2021.

Housing revenue account (HRA)

The Council's Housing Revenue Account (HRA) achieved an operating surplus of £2.0m compared to a surplus of £1.8m in 2019/20. There was an increase in the surplus in 2020/21 due an increase in rental income, an increase in net gain on disposals and a reduction in interest costs. 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 £0.8m.

HRA rental income was £15.2m in 2020/21, an increase on the £14.2m achieved in 2019/20. Expenditure on repairs and maintenance and housing management totalled £6.4m compared to

£6.2m in 2019/20. Capital expenditure totalled £3.0m in 2020/21, largely on refurbishment and improvement works, compared to £5.1m in 2019/20.

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. 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

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 <https://wokingham.moderngov.co.uk/documents/b12165/Medium%20Term%20Financial%20Plan%202021%2018th-Feb-2021%2018.30%20Executive.pdf?T=9>

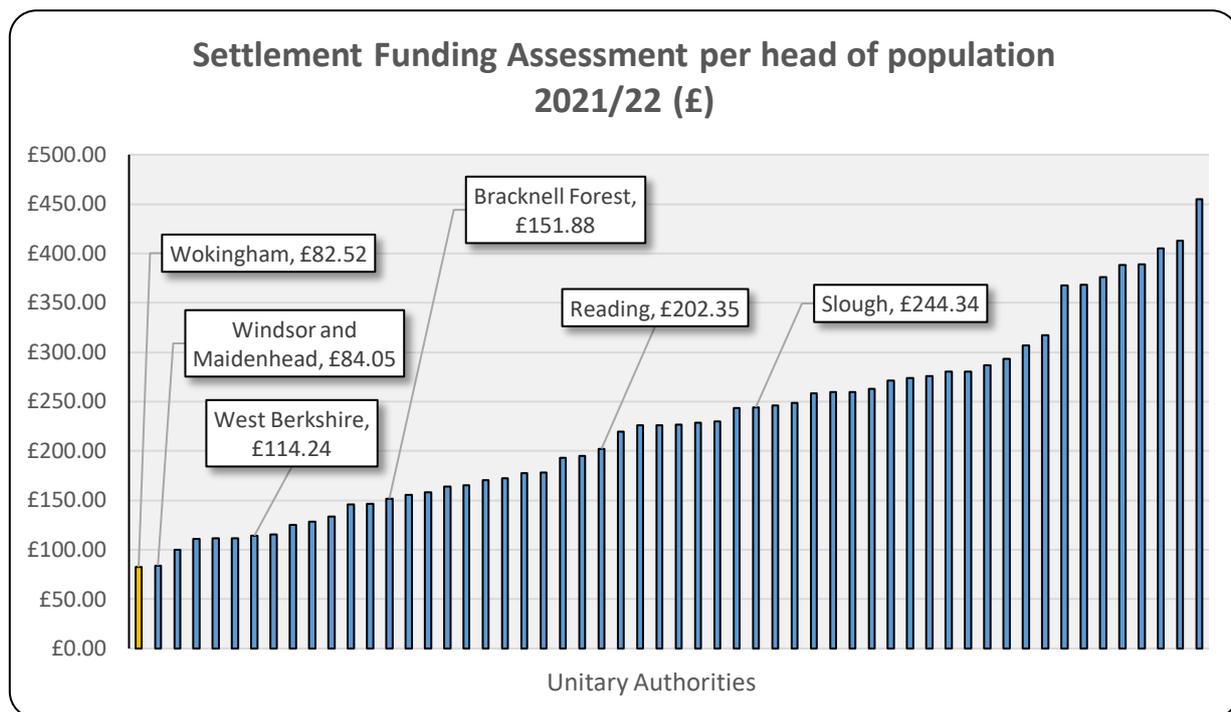
The Council continues to review opportunities for improvement and service development, most recently including the continuous improvement programme, looking to transform the way the Council operates and improve the availability of Council services through digital channels, enable residents to track the 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.

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 2021/22 (i.e.: the Council has to contribute funds back to Central Government), however, it was announced during the finance settlement in December 2020 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 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 2021/22 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 on the Councils website.



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 2021/22 and beyond.

Accounting developments for 2020/21

The most significant accounting developments for 2020/21 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 2020/21 financial accounts.

There are no other significant accounting developments for 2020/21. A full list of the Council’s accounting policies is at chapter 11 of these accounts

2. ANNUAL GOVERNANCE STATEMENT 2020/21

Scope of Responsibility

1. 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.

2. 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.

3. The Council has adopted a code of corporate governance (approved in November 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.

4. 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

5. 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.

6. 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.

7. 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.

8. The Council's governance framework has been in place for the year ended 31 March 2021 and up to the date that the statement of accounts was approved.

The Governance Framework

9. 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.

10. 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.

Review of Effectiveness

12. 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.

13. 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.

14. 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 Executive 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, Care Quality Commission (CQC), etc.

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

16. 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. In addition, the review covered the activities of the Council's subsidiaries, Optalis and Wokingham Holdings Ltd. 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 2020/21. 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.

17. 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 has been developed.

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:

**Susan Parsonage
Chief Executive**

Date:

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 2021 in accordance with proper practices as set out in the Chartered Institute of Public Finance and Accountancy (CIPFA) 2020/21 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 2021.

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

	2019/20			2020/21		
	Gross Expenditure £,000	Gross Income £,000	Net Expenditure £,000	Gross Expenditure £,000	Gross Income £,000	Net Expenditure £,000
81	2,885	(210)	2,675	1,477	(5)	1,471
	48,135	(27,474)	20,661	50,560	(38,981)	20,579
	51,680	(21,932)	29,748	50,505	(12,337)	38,168
	10,643	(15,231)	(4,588)	11,172	(15,764)	(4,592)
	59,109	(9,838)	49,271	83,810	(31,846)	51,964
	-	-	-	18,568	(2,627)	15,941
	58,078	(4,417)	53,661	36,364	(4,493)	31,871
	107,417	(102,981)	4,436	105,652	(101,938)	3,714
	337,947	(182,083)	155,864	367,108	(207,992)	159,116
			18,632			22,418
			13,935			6,599
			(199,788)			(215,001)
			(11,357)			(26,868)
			(40,903)			(49,417)
			(46,585)			82,457
			(87,488)			36,040
			(98,845)			9,172

GROUP COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

	2019/20			2020/21		
	Gross Expenditure	Gross Income	Net Expenditure	Gross Expenditure	Gross Income	Net Expenditure
	£,000	£,000	£,000	£,000	£,000	£,000
	2,885	(210)	2,675	1,477	(5)	1,472
	79,852	(66,347)	13,505	49,085	(31,949)	17,136
	51,680	(21,932)	29,748	50,505	(12,337)	38,168
	10,643	(15,231)	(4,588)	11,172	(15,764)	(4,592)
	59,109	(9,838)	49,271	129,553	(77,459)	52,094
	-	-	-	18,568	(2,627)	15,941
	58,078	(4,417)	53,661	36,364	(4,493)	31,871
	107,417	(102,981)	4,436	105,652	(101,938)	3,714
	369,662	(220,956)	148,708	402,376	(246,571)	155,804
			18,498			22,313
			14,638			7,589
		(201,116)				(215,748)
		(19,272)				(30,042)
		(4)				(16)
		(19,276)				(30,057)
		(40,903)				(46,417)
		(48,841)				85,815
		(89,744)				39,398
		(109,020)				9,341

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
Balance at 31st March, 2020 brought forward										
As previously reported	(12,240)	(91,523)	(2,091)	(381)	(2,386)	(1,558)	(22,254)	(132,433)	(366,275)	(498,708)
Reporting of Schools Budget Deficit to new Adjustment Account at 1 April 2020				(2,993)				(2,993)	2,993	0
Restated Balance at 1 April 2020	(12,240)	(91,523)	(2,091)	(3,374)	(2,386)	(1,558)	(22,254)	(135,426)	(363,282)	(498,708)
∞										
∞										
Movement in Reserves during 2020/21:										
(Surplus) or Deficit on the Provision of Services	(24,833)	0	(2,035)	0	0	0	0	(26,868)	0	(26,868)
Other Comprehensive Income and Expenditure	0	0	0	0	0	0	0	0	36,040	36,040
Total Comprehensive Income and Expenditure	(24,833)	0	(2,035)	0	0	0	0	(26,868)	36,040	9,172
Adjustments between Accounting Basis & Funding Basis under Regulations (note 5)	(5,613)	0	2,858	0	(2,777)	(1,340)	3,647	(3,225)	3,225	0
Net (Increase) / Decrease before Transfers to Earmarked Reserves	(30,446)	0	823	0	(2,777)	(1,340)	3,647	(30,093)	39,265	9,172
Transfers to/from Earmarked Reserves (Note 6)	30,717	(26,803)	0	(1,974)	0	0	0	1,940	(1,940)	0
(Increase) / Decrease in 2020/21	272	(26,803)	823	(1,974)	(2,777)	(1,340)	3,647	(28,152)	37,326	9,172
Balance at 31st March 2021 carried forward	(11,968)	(118,326)	(1,268)	(5,163)	(5,162)	(2,898)	(18,606)	(163,578)	(325,953)	(489,531)

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
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)
Prior year adjustment	-	-	-	-	-	-	-	-	-	-
As restated	(8,828)	(71,024)	(2,783)	(2,257)	(5,379)	(2,227)	(29,614)	(122,112)	(277,751)	(399,863)
Movement in Reserves during 2019/20:										
(Surplus) or Deficit on the Provision of Services	(9,550)	-	(1,807)	-	-	-	-	(11,357)	-	(11,357)
Other Comprehensive Income and Expenditure	-	-	-	-	-	-	-	-	(87,488)	(87,488)
Total Comprehensive Income and Expenditure	(9,550)	-	(1,807)	-	-	-	-	(11,357)	(87,488)	(98,845)
Adjustments between Accounting Basis & Funding Basis under Regulations (note 5)	(13,328)	-	2,368	-	2,993	669	7,360	62	(62)	-
Net (Increase) / Decrease before Transfers to Earmarked Reserves	(22,878)	-	561	-	2,993	669	7,360	(11,295)	(87,550)	(98,845)
Transfers to/from Earmarked Reserves (Note 6)	19,466	(20,499)	131	1,876	-	-	-	974	(974)	-
(Increase) / Decrease in 2019/20	(3,412)	(20,499)	692	1,876	2,993	669	7,360	(10,321)	(88,524)	(98,845)
Balance at 31st March 2020 carried forward	(12,240)	(91,523)	(2,091)	(381)	(2,386)	(1,558)	(22,254)	(132,433)	(366,275)	(498,708)

GROUP MOVEMENT IN RESERVES STATEMENT

	General Fund (GF) Balance	Earmarked GF Reserves	Housing Revenue Account (HRA)	Schools & DSG Reserves	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	Total Useable Reserves	Unusable Reserves	Total Authority Reserves	Authority's Share of Reserves of Subsidiary, Associates and Joint Ventures	Total Reserve
	£,000	£,000	£,000	£,000	£,000	£,000	£,000	£,000	£,000	£,000	£,000	£,000
Balance at 31st March, 2020 brought forward	(12,240)	(91,523)	(2,091)	(381)	(2,386)	(1,558)	(22,254)	(132,433)	(366,275)	(498,708)	(11,649)	(510,357)
<i>Reporting of Schools Budget Deficit to new Adjustment Account at 1 April 2020</i>				(2,993)				(2,993)	2,993	0		0
Restated Balance at 1 April 2020	(12,240)	(91,523)	(2,091)	(3,374)	(2,386)	(1,558)	(22,254)	(135,426)	(363,282)	(498,708)	(11,649)	(510,357)
Movement in reserves during 2020/21												
Surplus or (Deficit) on the Provision of Services	(39,272)	-	(2,035)	-	-	-	-	(41,307)	-	(41,307)	11,250	(30,057)
Other Comprehensive Income and Expenditure	-	-	-	-	-	-	-	-	36,040	36,040	3,358	39,398
Total Comprehensive Income and Expenditure	(39,272)	-	(2,035)	-	-	-	-	(41,307)	36,040	(5,267)	14,608	9,341
Adjustments between group accounts and authority accounts	14,439	-	0	-	-	-	-	14,439	-	14,439	(14,439)	0
Adjustments between accounting basis and funding basis under regulations	(5,613)	-	2,858	-	(2,777)	(1,340)	3,647	(3,224)	3,226	2	0	2
Net Increase/Decrease before Transfers to Earmarked Reserves	(30,446)	0	823	0	(2,777)	(1,340)	3,647	(30,093)	39,266	9,174	169	9,343
Transfers to/from Earmarked Reserves	30,717	(26,803)	0	(1,974)	0	0	0	1,940	(1,940)	0	0	0
Balance at 31st March 2021 carried forward	(11,969)	(118,326)	(1,268)	(5,348)	(5,163)	(2,898)	(18,607)	(163,579)	(325,955)	(489,534)	(11,481)	(501,015)

	General Fund (GF) Balance	Earmarked GF Reserves	Housing Revenue Account (HRA)	Schools & DSG Reserves	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	Total Useable Reserves	Unusable Reserves	Total Authority Reserves	Authority's Share of Reserves of Subsidiaries, Associates and Joint Ventures	Total Reserves
	£,000	£,000	£,000	£,000	£,000	£,000	£,000	£,000	£,000	£,000	£,000	£,000
Balance at 31st March, 2019 brought forward	(£8,828)	(£71,024)	(£2,783)	(£2,257)	(£5,379)	(£2,227)	(£29,614)	(£122,111)	(£277,751)	(£399,863)	(£1,476)	(£401,339)
Movement in reserves during 2019/20												
Surplus or (Deficit) on the Provision of Services	(£24,413)	-	(£1,807)	-	-	-	-	(£26,220)	-	(£26,220)	£6,948	(£19,274)
Other Comprehensive Income and Expenditure	-	-	-	-	-	-	-	-	(£87,488)	(£87,488)	(£2,256)	(£89,744)
Total Comprehensive Income and Expenditure	(£24,413)	-	(£1,807)	-	-	-	-	(£26,222)	(£87,488)	(£113,710)	£4,690	(£109,020)
Adjustments between group accounts and authority accounts	£14,865	-	-	-	-	-	-	£14,865	-	£14,865	(£14,865)	-
Adjustments between accounting basis and funding basis under regulations	(£13,328)	-	£2,368	-	£2,993	£669	£7,360	£62	(£62)	-	-	-
Net Increase/Decrease before Transfers to Earmarked Reserves	(£22,878)	-	£561	-	£2,993	£669	£7,360	(£11,294)	(£87,551)	(£98,845)	(£10,175)	(£109,020)
Transfers to/from Earmarked Reserves	£19,466	(£20,499)	£131	£1,876	-	-	-	£974	(£974)	-	-	-
Balance at 31st March 2020 carried forward	(£12,240)	(£91,523)	(£2,091)	(£381)	(£2,386)	(£1,558)	(£22,254)	(£132,431)	(£366,276)	(£498,708)	(£11,649)	(£510,357)

BALANCE SHEET

WBC 31st March, 2020 £,000	Group 31st March, 2020 £,000		Notes	WBC 31st March, 2021 £,000	Group 31st March, 2021 £,000
992,521	1,018,756	Property, Plant & Equipment	24	1,086,322	1,118,477
32,571	32,571	Investment Property	25	36,074	36,074
6,346	6,346	Intangible Assets	26	6,148	6,148
35,000	35,000	Long Term Investments	36	30,104	30,104
20,045	1,047	Long Term Debtors	30	26,225	1,165
1,086,483	1,093,720	Long Term Assets		1,184,873	1,191,967
40,506	40,506	Short Term Investments	36	195,336	195,336
-	1,039	Assets Held for Sale	35	692	3,261
-	1,778	Inventories		0	2,188
31,080	37,560	Short Term Debtors	30	52,322	58,830
60,603	62,627	Cash and Cash Equivalents	41	131,555	134,382
132,189	143,510	Current Assets		379,905	393,997
(1,995)	(1,995)	Cash and Cash Equivalents	41	(1,651)	(1,651)
(63,781)	(64,762)	Short Term Borrowing	36	(338,711)	(338,711)
(56,886)	(62,922)	Short Term Creditors	31	(65,907)	(71,501)
(7,858)	(7,858)	Provisions	32	(8,929)	(8,929)
(130,520)	(137,537)	Current Liabilities		(415,198)	(420,792)
(216,030)	(216,263)	Long Term Borrowing	36	(191,890)	(191,718)
(6,101)	(71)	Long Term Creditors	31	(5,431)	(404)
(8,149)	(8,149)	PFI and Finance Lease Liabilities	36	(7,604)	(7,604)
(259,601)	(265,143)	Pensions Liability	19	(357,174)	(366,330)
(99,563)	(99,563)	Capital Grants and Contributions Receipts in Advance	20	(97,950)	(97,950)
(589,444)	(589,189)	Long Term Liabilities		(660,049)	(664,006)
498,708	510,504	Net Assets		489,531	501,166
(132,433)	(141,953)	Usable Reserves	22	(163,578)	(169,762)
(366,275)	(368,404)	Unusable Reserves	23	(325,953)	(331,257)
(498,708)	(510,357)	Total Reserves		(489,531)	(501,019)
-	(147)	Minority Interest			(147)
(498,708)	(510,504)	Total Reserves Excluding Minority Interest		(489,531)	(501,166)

CASH FLOW STATEMENT

	Notes	WBC 2019/20 £,000	Group 2019/20 £,000	WBC 2020/21 £,000	Group 2020/21 £,000
Net Surplus or (Deficit) on the Provision of Services		11,357	19,276	26,868	30,057
Adjustments to Net Surplus or Deficit on the Provision of Services for Non-cash Movements	38	99,449	91,729	49,813	47,639
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		(1,745)	(1,745)	(7,349)	(7,349)
• Capital grants and contributions		(61,446)	(61,445)	(67,061)	(67,808)
Net Cash Flows from Operating Activities		47,615	47,815	2,271	2,539
Investing Activities	39	(97,271)	(97,020)	(184,277)	(182,357)
Financing Activities	40	58,422	58,727	253,302	251,917
Net Increase or (Decrease) in Cash and Cash Equivalents		8,766	9,522	71,296	72,099
Cash and Cash Equivalents at the Beginning of the Reporting Period		49,842	51,110	58,608	60,632
Cash and Cash Equivalents at the End of the Reporting Period	41	58,608	60,632	129,904	132,731

6. NOTES TO THE ACCOUNTS

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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.

	2019/20				2020/21		
	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
91	£,000	£,000	£,000	£,000	£,000	£,000	
	5,770	(3,095)	2,675	Chief Executive	639	832	1,471
	(836)	21,496	20,661	Resources and Assets	6,924	13,655	20,579
	21,706	8,042	29,748	Place and Growth	32,284	5,884	38,168
	(2,491)	(2,097)	(4,588)	Housing Revenue Account	(1,827)	(2,765)	(4,592)
	50,004	(733)	49,271	Adult Social Care	52,218	(254)	51,964
	28,964	24,697	53,661	Communities, Insight and Change	14,670	1,271	15,941
	1,697	2,739	4,436	Children's Services	29,054	2,817	31,871
				Children's Services - Schools Block	364	3,350	3,714
	104,814	51,049	155,864	Net Cost of Services	134,326	24,751	159,116
	(107,534)	(59,687)	(167,221)	Other Income & Expenditure	(133,233)	(52,751)	(185,984)
	(2,720)	(8,638)	(11,357)	Surplus/Deficit on provision of services	1,093	(27,961)	(26,868)
	(11,611)			Opening General Fund and HRA balance	(14,331)		
	(2,720)			Less/Plus Surplus or (Deficit) on General Fund and HRA Balance in Year	1,093		
	(14,331)			Closing General Fund and HRA balance at 31 March*	(13,237)		

* 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.

92	2019/20				<u>Expenditure and Funding Analysis Detail</u>	2020/21			
	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
	2,393	104	(5,592)	(3,095)	Chief Executive	818	25	(11)	832
	10,652	1,688	9,156	21,496	Resources and Assets	15,441	1,156	(2,941)	13,655
	4,581	1,356	2,105	8,042	Place and Growth	7,166	1,035	(2,317)	5,884
	(2,644)	545	2	(2,097)	Housing Revenue Account	(3,028)	205	57	(2,765)
	792	623	(2,148)	(733)	Adult Social Care	1,613	1,178	(3,044)	(254)
	25,828	1,059	(2,190)	24,697	Communities, Insight and Change	1,565	1,353	(1,647)	1,271
	2	3,076	(339)	2,739	Children's Services	2,981	1,561	(1,725)	2,817
					Children's Services - Schools Block	7	2,940	402	3,350
	41,604	8,451	994	51,049	Net Cost of Services	26,563	9,453	(11,226)	24,790
	14,253	-	-	14,253	Other Operating Expenditure	18,342	0	0	18,342
	1,630	6,462	-	8,092	Financing and Investment Income and Expenditure	0	5,663	0	5,663
	(66,194)	-	(15,838)	(82,032)	Taxation and Non-specific Grant Income	(66,845)	0	(9,911)	(76,756)
	(50,311)	6,462	(15,838)	(59,687)	Other Income & Expenditure	(48,503)	5,663	(9,911)	(52,751)
	(8,707)	14,913	(14,844)	(8,638)	Difference between General Fund surplus and deficit and Comprehensive Income and Expenditure Statement Surplus or deficit on the Provision of services	(21,940)	15,116	(21,137)	(27,961)

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 have been published but not included in the 2020/21 Code of Practice of Local Accounting in the United Kingdom:

- Definition of a Business: Amendments to IFRS 3 Business Combinations
- Interest Rate Benchmark Reform: Amendments to IFRS 9, IAS 39 and IFRS 7
- Interest Rate Benchmark Reform – Phase 2: Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16

All of these amendments to existing standards are unlikely to have a material impact on the Council's 2021/22 financial statements.

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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. The Council are awaiting a multi year funding settlement in December 2021. This will provide some certainty around funding streams however there still remains some uncertainty on the long term impact on the Council's financial position as a result 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 2021, and at 31 March 2020. 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 £6.4m at 31 March 2021) 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 five 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 2020/21 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 2021 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
95 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>In respect of the Council's operational and non-operational property portfolio, as at the valuation date (31.03.2021) we continue to be faced with an unprecedented set of circumstances caused by COVID-19 and an absence of relevant/sufficient market evidence on which to base our judgements.</p> <p>Our valuation of operational and non-operational property portfolio, is therefore reported as being subject to 'material valuation uncertainty' as set out in VPS 3 and VPGA 10 of the RICS Valuation – Global Standards. Consequently, in respect of these valuations less certainty – and a higher degree of caution – should be attached to our valuation than would normally be the case.</p> <p>This does not mean that the valuation cannot be relied upon. Rather, to ensure transparency and to provide further insight as to the market context under which the valuation opinion was prepared. In recognition of the potential for market conditions to move rapidly in response to changes in the control or future spread of COVID-19 we highlight the importance of the valuation date.'</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>

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
96 Provisions	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 4.1% of payroll costs. For staff based in schools a formula based on CIPFA guidance has been used.	A 1% change (i.e. using 3.1% or 5.1%) in the estimate of accumulating absences would result in an increase or decrease of approximately £0.6m in the provision required for accumulating absences in relation to non-school staff.
	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.	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.
	The Collection Fund includes provisions of £7.2m for appeals against business rates valuations as advised by DCLG guidance.	The provision at 31 March 2021 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 £3.5m.
Pension Liability	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.	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 £12.1m.
PFI Liabilities	The value of PFI service charge payable under the contract disclosed in note 29 of the accounts is dependent upon assumptions regarding future inflation and tonnage rates.	A 1% increase in RPI would increase Wokingham's contract charge by £1m. Similarly a 1% increase in tonnages would increase the service charge by £0.2m per annum.
Arrears	At 31 March 2020, the Council had a balance of total short term debtors of £52.3m, of which Council tax debt was £3.2m, and Government and other public sector debtors were £11.6m.	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 £17k and from the Collection Fund, for council tax, of £49k.

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
Corona Virus (Covid-19) 97	<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 2021 it is clear that the full impact of Covid-19 and any additional funding from Central Government will not be known. 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>

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

2020-21	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)	(14,787)	-	(329)	-	-	-	(15,116)	15,116
-Financial instruments (Transferred to the financial instruments adjustments account)	135	-	(1)	-	-	-	134	(134)
-Council Tax and NDR (Transferred (to) or from the Collection Fund Adjustment Account)	(5,169)	-	-	-	-	-	(5,169)	5,169
-Accumulated Absences (Transferred (to) or from the Accumulated Absences Account)	(1,656)	-	(56)	-	-	-	(1,712)	1,712
-Transfers (to) or from the Dedicated Schools Grant Adjustment Account	(2,833)	-	-	-	-	-	(2,833)	2,833
-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)	(58,379)	-	(4,464)	-	-	-	(62,843)	62,843
Total Adjustment to Revenue Resources	(82,689)	-	(4,850)	-	-	-	(87,539)	87,539
Adjustments between Revenue and Capital Resources								
Transfer of non-current asset sale proceeds from revenue to the capital receipts reserve	6,330	-	349	(6,679)	-	-	-	-
Payments to the government housing receipts pool (funded by a transfer from the capital receipts reserve)	-	-	-	-	-	-	-	-
Posting of HRA resources from revenue to the major repairs reserve	-	-	4,332	-	(4,332)	-	-	-
Statutory provision for the repayment of debt (transfer from the capital adjustment account)	3,900	-	3,028	-	-	-	6,928	(6,928)
Total adjustments between revenue and capital	10,230	-	7,709	(6,679)	(1,433)	-	6,928	(6,928)
Adjustments to Capital Resources								
Use of the capital receipts reserve to finance capital expenditure	-	-	-	4,912	-	-	4,912	(4,912)
Use of the major repairs reserve to finance capital expenditure	-	-	-	-	2,992	-	2,992	(2,992)
Repayment of long-term loans	-	-	-	(360)	-	-	(360)	360
Application of capital grants to finance capital expenditure	66,845	-	-	(650)	-	3,647	69,842	(69,842)
Total Adjustments to Resources	66,845	-	-	3,902	2,992	3,647	77,386	(77,386)
Total Adjustments 2020-21	(5,613)	-	2,858	(2,777)	1,340	3,647	(3,225)	3,225

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)	(58,038)	-	(5,086)	-	-	(812)	(64,936)	64,936
Total Adjustment to Revenue Resources	(78,375)	-	(5,415)	-	-	(812)	(84,602)	84,602
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	61,347	-	-	(132)	-	8,172	69,387	(69,387)
Total Adjustments to Resources	61,347	-	-	4,446	5,051	8,172	79,016	(79,016)
Total Adjustments 2019-20	(13,328)	-	2,368	2,993	669	7,360	62	(62)

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 2020/21

	Transfers Out 2019/20	Transfers In 2019/20	Restated Balance at 31st March, 2020	Transfers Out 2020/21 £,000	Transfers In 2020/21 £,000	Balance at 31st March, 2021 £,000
Balances held by Schools under a Scheme of Delegation	913	(777)	(3,373)	717	(2,691)	(5,347)
Dedicated Schools Grant Reserve	0	0	0	0	0	0
Earmarked General Fund Reserves	8,417	(28,917)	(91,524)	11,518	(38,231)	(118,327)
	9,330	(29,694)	(94,897)	12,235	(41,012)	(123,674)

For the 20/21 financial year, the accounting treatment for deficit balances in relation to the dedicated schools grant changed. This change requires any deficit to be shown in unusable reserves rather than earmarked reserves.

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

Material Items of Income and Expense during 2020/21, which are outside of the normal Council's business are as follows:

- The Council paid £0.4m and owed a further £1.3m in Section 106 receipts to our housing companies in 2020/21, on completion of affordable housing developments at Finch Road, Gorrick Square, Middlefields and Southlake Crescent (£6.7m in 2019/20)
- The Council advanced loans to its subsidiaries WBC Holdings Ltd, Wokingham Housing Ltd and Loddon Homes Ltd totalling £6.5m in 2020/21 (in 2019/20 the advance was £5.3m). The loans are to be used to fund housing developments
- Capital expenditure in the capital programme in 2020/21 was £123.5m (compared to £164.9m in 2019/20) a decrease of £41.4m.

NOTE 08 OTHER OPERATING EXPENDITURE

	2019/20 £,000	2020/21 £,000
Parish Council Precepts	4,379	4,746
Payments to the Government Housing Capital Receipts Pool	292	0
(Gains) / Losses on the Disposal of Non-current Assets	13,961	17,671
Total	18,632	22,418

NOTE 09 FINANCING AND INVESTMENT INCOME AND EXPENDITURE

	2019/20 £,000	2020/21 £,000
Interest Payable and Similar Charges on Debt (note 36)	6,840	7,719
Interest Payable and Similar Charges on Finance Leases (note 36)	107	107
Interest Payable and Similar Charges on Private Finance Initiatives (note 36)	581	531
Pensions Interest Cost and Expected Return on Pensions (note 19)	6,832	5,663
Interest Receivable and Similar Income (note 36)	(1,793)	(2,122)
Income and Expenditure in Relation to Investment Properties and Changes in their Fair Value (note 25)	1,369	(5,297)
Total	13,935	6,599

NOTE 10 TAXATION AND NON-SPECIFIC GRANT INCOME

	2019/20 £,000	2020/21 £,000
Council Tax Income	(110,781)	(117,080)
Retained Business Rates	(50,521)	(22,260)
Retained Business Rates tariff	36,200	20,242
Business Rates Levy	-	1,249
Revenue Support Grant	-	-
Other Non-ringfenced Government Grants	(13,239)	(30,091)
Capital Grants and Contributions	(61,446)	(67,061)
Total	(199,788)	(215,001)

Other non-ringfenced government grants include new home bonus, adult social care grant, business rates reliefs. In addition for 2020/21, covid grants such as Contain Outbreak Management Fund, Clinically Extremely Vulnerable and Hardship Fund.

NOTE 11 EXPENDITURE AND INCOME ANALYSED BY NATURE

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

	2019/20 £,000	2020/21 £,000
Expenditure		
Employee benefits expenses	109,828	129,342
Other service expenses	185,874	194,786
Support service recharges	(1,378)	1,756
Depreciation, amortisation, impairment	44,893	35,928
Interest payments	14,360	14,019
Precepts & Levies	4,379	4,746
Payments to Housing Capital Receipts Pool	292	0
Gain or Loss on Disposal of Non-Current Assets	14,059	17,671
Total Expenditure	372,307	398,248
Income		
Fees, charges & other service income	(69,324)	(61,078)
Interest and investment income	(1,793)	(2,122)
Income from council tax, NDR, district rate income	(125,103)	(117,849)
Government grants and contributions	(187,444)	(244,066)
Total Income	(383,664)	(425,115)
(Surplus) or Deficit on the Provision of Services	(11,357)	(26,868)

NOTE 11B REVENUE FROM CONTRACTS WITH SERVICE RECIPIENTS

Amounts in the Comprehensive Income and Expenditure Statement

	2019/20 £,000	2020/21 £,000
Fees, charges and other service income includes the following revenues from contracts with service recipients;		
Rents	(20,997)	(23,495)
Fees	(7,598)	(6,124)
Charges	(2,610)	(2,300)
Customer/client income	(6,657)	(6,095)
Car Parking income	(2,180)	(1,219)
Sales	(2,978)	(2,757)
Other	(2,135)	(2,386)
Total included in Fees, Charges and Other Service Income	(45,155)	(44,376)

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:

	2019/20 £,000	2020/21 £,000
Building Control Trading Account		
Turnover	(537)	(460)
Expenditure	541	483
(Surplus) / Deficit on Trading Account	4	23

The chargeable account made a deficit of £23k in 2020/21 compared to a £4k deficit in 2019/20. The account should take one financial year with another and should achieve break-even over a rolling period of three years ending March 2024. The reserves will be used to replace funding gaps over the 3 year period. The balance on the reserve at 31 March 2021 is a surplus of £58k.

NOTE 13 MEMBERS' ALLOWANCES

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

	2019/20	2020/21
	£,000	£,000
Members Remuneration	587	581
	587	581

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	2020/21	150,000	-	478	-	34,500	184,978
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
Director, Place & Growth (from 01 Jun 20 to 12 Mar 21)	2020/21	88,349	-	-	16,000	20,276	124,625
Director, Place & Growth (to 30 June 20)	2020/21	28,174	8,452	-	-	8,424	45,050
Director, Place & Growth ²	2019/20	112,695	3,934	160	-	22,703	139,492
Director, Communities, Insight & Change (from 26 May 20) ^a	2020/21	95,730	-	-	-	22,018	117,748
Director, Resources & Assets and Deputy Chief Executive ³	2020/21	120,000	9,000	297	-	29,670	158,967
Director of Corporate Services and Deputy Chief Executive	2019/20	120,000	8,015	502	-	24,883	153,399
Assistant Director, Governance	2020/21	98,386	-	263	-	22,629	121,278
Assistant Director, Governance	2019/20	115,415	-	806	-	18,771	134,992
Director of Adult Social Care & Health	2020/21	112,695	7,804	-	-	27,715	148,213
Director of Adult Social Care & Health ⁵	2019/20	103,930	-	-	-	20,266	124,196
Director, Children's Services	2020/21	112,695	8,452	90	-	27,864	149,101
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) ⁴	2019/20	37,199	-	-	-	-	37,199

2020/21

^a New post from 26 May 2020

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 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	2019/20				2020/21			
	No of Employees				No of Employees			
	Council	School	VA School	Total	Council	School	VA School	Total
£50,000 - £54,999	51	24	2	77	40	21	1	62
£55,000 - £59,999	22	10	2	34	34	14	3	51
£60,000 - £64,999	14	11	0	25	21	8	1	30
£65,000 - £69,999	11	7	0	18	11	10	1	22
£70,000 - £74,999	10	8	2	20	8	8	0	16
£75,000 - £79,999	5	5	0	10	7	5	1	13
£80,000 - £84,999	2	1	0	3	5	1	0	6
£85,000 - £89,999	1	2	0	3	3	2	0	5
£90,000 - £94,999	1	2	0	3	0	0	0	0
£95,000 - £99,999	0	0	0	0	1	2	0	3
Over £100,000	0	0	0	0	2	0	0	2
	117	70	6	193	132	71	7	210

NOTE 15 TERMINATION BENEFITS

The Council terminated the contracts of a number of employees in 2020/21. 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.

COUNCIL	Number of Compulsory redundancies		Number of other departures agreed		Total number of exit packages		Total cost of exit packages in each band	
	2019/20	2020/21	2019/20	2020/21	2019/20	2020/21	2019/20	2020/21
Exit package cost								
£0 - £20,000	5	1	6	8	11	9	£41,233	£74,350
£20,001 - £40,000	-	-	-	-	-	-	-	-
£40,001 - £60,000	1	-	-	-	1	-	51,871	-
£60,001 - £80,000	-	-	-	-	-	-	-	-
SCHOOLS	Number of Compulsory redundancies		Number of other departures agreed		Total number of exit packages		Total cost of exit packages in each band	
	2019/20	2020/21	2019/20	2020/21	2019/20	2020/21	2019/20	2020/21
Exit package cost								
£0 - £20,000	4	5	4	-	8	5	£52,846	£5,844
£20,001 - £40,000	1	-	1	-	2	-	£60,260	£0

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 2020/21 is shown in Note 13. During 2020/21, works and services to the value of £8.8m (£8.2m in 2019/20) were commissioned from companies in which 5 members had an interest (5 in 2019/20). Contracts were entered into in full compliance with the Council's standing orders. In addition, grants and payments totalling £3.4m (£4.1m in 2019/20) were paid to voluntary organisations and charities in which 6 members declared an interest (6 in 2019/20). Payments of £474k (£1.6m in 2019/20) were made to education establishments in which 2 members declared an interest (5 in 2019/20). Payments of £2.6m were made to local council bodies (£2.9m in 2019/20) in which 4 members had interests (5 in 2019/20). 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 £151k to these organisations at 31 March 2021 (£6.3m at 31 March 2020), while £1.2m was owed to Wokingham Borough Council by the relevant organisations at 31 March 2021 (£2.6m at 31 March 2020).

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 2020/21, works and services to the value of £12.7k (£14k in 2019/20) were commissioned from companies in which 1 officer had an interest (1 in 2019/20). The Council did not owe any amounts to the relevant organisations at 31 March 2021 (£0 at 31 March 2020), while £76k was owed to Wokingham Borough Council at 31 March 2020 (£3.050m at 31 March 2019). No payments were made to education establishments or Local Council Bodies 2020/21 or 2019/20, and no officers declared an interest in either year. 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 2020/21 Wokingham Borough Council collected and paid over £4.7m (£4.4m in 2019/20) 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 2020/21 was £10.9m (£10.2m in 2019/20). 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 2020/21 or 2019/20. During 2019/20 an existing loan of £1m was repaid.

Entities Controlled or Significantly Influenced by the Council

The Council had seven subsidiary companies at 31 March 2021 (seven at 31 March 2020), 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.

As at 31st March 2021, the Council had a long term debtor with WBC Holdings Ltd of £21.4m (£16.3m in 2019/20). The Council also held long term debtors with Loddon Homes Ltd of £1.1m (£1.0m in 2019/20) and Wokingham Housing Ltd of £3.6m (£2.7m in 2019/20).

Included within the Councils comprehensive income and expenditure statement for 2020/21 was spend of c£7.5m with Optalis. During 2020/21, the Council also paid £1.7m in grant to Loddon Homes Ltd and granted £6.4m in Capital Loans to Wokingham Holdings Ltd (£5.5m) and Wokingham Housing Ltd (£0.9m). In addition, the Council received c£180k from Loddon Homes Ltd for services provided, £48k from Wokingham Housing Ltd and £211k from Berry Brook Homes Ltd.

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:

	2019/20 £,000	2020/21 £,000
External Audit Services	81	98
Certification of Grants and Returns	20	26
	101	124

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 2020/21, the Council paid £6.404m to the Teachers' Pension Scheme in respect of teachers' retirement benefits representing 23.68% of pensionable pay. The figures for 2019/20 were £5,848m and 16.48% (April to August) and 23.68% (September to March) 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	2019/20			2020/21		
	WBC & BCC	Optalis	Total Group	WBC & BCC	Optalis	Total Group
	£,000	£,000	£,000	£,000	£,000	£,000
Service cost comprising:						
Current service costs	19,125	455	19,580	22,759	268	23,027
Administration costs	129	9	138	130	8	138
Financing and investment income and expenditure:						
Net interest on the defined liability	6,832	174	7,006	5,663	129	5,792
Total post-employment benefit charged to the surplus or deficit on the provision of services	26,086	638	26,724	28,552	405	28,957
Return on fund assets in excess of interest	16,119	556	16,675	(37,107)	(1,208)	(38,315)
Other actuarial gains/(losses) on assets	(2,573)	684	(1,889)	0	0	0
Change in financial assumptions	(47,722)	(1,895)	(49,617)	131,453	5,242	136,695
Change in demographic assumptions	(5,906)	(229)	(6,135)	(5,253)	(417)	(5,670)
Experience gain/(loss) on defined benefit obligation	(6,502)	(1,372)	(7,874)	(6,636)	(259)	(6,895)
Re-measurements on scheme assets	(46,584)	(2,256)	(48,840)	82,457	3,358	85,815
Total post-employment benefits charged to the Comprehensive Income and Expenditure statement	(20,498)	(1,618)	(22,116)	111,009	3,763	114,772

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

	2019/20			2020/21		
	WBC & BCC	Optalis	Total Group	WBC Inc BCC	Optalis	Total Group
	£,000	£,000	£,000	£,000	£,000	£,000
	(26,086)	(638)	(26,724)	(28,552)	(405)	(28,957)
	11,173	186	11,359	13,436	149	13,585
	(14,913)	(452)	(15,365)	(15,116)	(256)	(15,372)

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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

Present value of the defined benefit obligation

Fair value of plan assets

Sub-total

Present value of unfunded obligation

Net liability arising from defined benefit obligations

	2019/20			2020/21		
	WBC & BCC	Optalis	Total Group	WBC Inc BCC	Optalis	Total Group
	£,000	£,000	£,000	£,000	£,000	£,000
	(465,206)	(18,891)	(484,097)	(605,916)	(23,877)	(629,793)
	210,086	13,349	223,435	253,124	14,721	267,845
	(255,120)	(5,542)	(260,662)	(352,792)	(9,156)	(361,948)
	(4,481)	-	(4,481)	(4,382)	0	(4,382)
	(259,601)	(5,542)	(265,143)	(357,174)	(9,156)	(366,330)

Reconciliation of Opening and Closing Balances of the Fair Value of Scheme assets	2019/20			2020/21		
	WBC & BCC £,000	Optalis £,000	Total Group £,000	WBC Inc BCC £,000	Optalis £,000	Total Group £,000
Opening Fair Value of Scheme Assets	218,163	14,496	232,659	210,086	13,349	223,435
Interest on Assets	5,239	345	5,584	3,462	312	3,774
Return on Assets less Interest	(16,119)	(556)	(16,675)	37,107	1,208	38,315
Other actuarial gains(losses)	2,573	(684)	1,889	0	0	0
Administration Expenses	(129)	(9)	(138)	(130)	(8)	(138)
Contributions by Employer including Unfunded	11,173	186	11,359	13,436	149	13,585
Contributions by Scheme Participants and other Employers	3,480	53	3,533	3,765	44	3,809
Estimated Benefits Paid plus Unfunded Net of Transfers	(14,155)	(482)	(14,637)	(14,363)	(333)	(14,696)
Settlement prices received / (paid)	(139)	-	(139)	(239)	0	(239)
Closing Fair Value of Scheme Assets	210,086	13,349	223,435	253,124	14,721	267,845

	2019/20			2020/21		
	WBC & BCC	Optalis	Total Group	WBC Inc BCC	Optalis	Total Group
	£,000	£,000	£,000	£,000	£,000	£,000
Opening balance at 1 April	509,436	21,843	531,279	469,688	18,891	488,579
Current service cost	20,124	349	20,473	26,911	268	27,179
Interest cost	12,071	519	12,590	9,125	441	9,566
Change in financial assumptions	(47,723)	(1,895)	(49,618)	131,453	5,242	136,695
Change in demographic assumptions	(5,906)	(229)	(6,135)	(5,253)	(417)	(5,670)
Experience gain/(loss) on defined benefit obligation	(6,502)	(1,372)	(7,874)	(6,636)	(259)	(6,895)
Liabilities assumed/(extinguished) on settlements	(1,279)	-	(1,279)	(4,391)	0	(4,391)
Estimated benefits paid net of transfers in	(13,603)	(482)	(14,085)	(13,835)	(333)	(14,168)
Past service costs including curtailments	140	105	245	0	0	0
Contribution by scheme participants and other employers	3,480	53	3,533	3,765	44	3,809
Unfunded pension payments	(551)	-	(551)	(528)	0	(528)
Closing balance at 31 March	469,687	18,891	488,578	610,299	23,877	634,176

	2019/20			2020/21		
	WBC & BCC	Optalis	Total Group	WBC Inc BCC	Optalis	Total Group
	£,000	£,000	£,000	£,000	£,000	£,000
Equities	115,766	7,538	123,304	152,156	8,588	160,744
Other Bonds	26,486	1,243	27,729	41,339	2,484	43,823
Property	30,660	1,834	32,494	31,029	1,893	32,922
Cash and Cash Equivalents	21,217	1,576	22,793	11,310	835	12,145
Target Return Portfolio	9,218	562	9,780	10,224	622	10,846
Commodities	846	79	925	0	0	0
Infrastructure	18,680	1,094	19,774	20,599	1,181	21,780
Longevity Insurance	(12,787)	(577)	(13,364)	(13,533)	(882)	(14,415)
Total Assets	210,086	13,349	223,435	253,124	14,721	267,845

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 2021, the expected return is based on the discount rate, which was 2% and this rate has been used to determine the profit and loss charge for the year ended 31 March 2021, compared to a rate of 2.35% in the year 31 March 2020. . The discount rate was the same for Optalis Ltd for both years. 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:

	2019/20	2020/21
Expected Return on Assets (Equal to the discount rate)	2.35%	2%
Life Expectancy from age 65 if retiring now:		
Men	21.5	21.2
Women	24.1	23.9
Life expectancy at age 65 retiring in 20 years:		
Men	22.9	22.5
Women	25.5	25.4
Rate of Inflation-RPI	2.70%	3.20%
Rate of Inflation-CPI	1.90%	2.85%
Rate of Increase in Salaries	2.90%	3.85%
Rate of Increase in Pensions	1.90%	2.85%
Rate for Discounting Scheme Liabilities	2.35%	2.00%
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:

	2019/20	2020/21
Equity Investments	54%	60%
Other Bonds	13%	17%
Property	15%	12%
Cash	10%	4%
Target Return	4%	4%
Commodities	1%	0%
Infrastructure	9%	8%
Longevity Insurance	-6%	-5%
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	598,156	610,298	622,699
Projected service cost	27,460	28,268	29,096
Adjustment to long term salary increase	0.10%	0.00%	(0.10%)
Present value of total obligation	611,070	610,298	609,533
Projected service cost	28,283	28,268	28,252
Adjustment to pension increases and deferred revaluation	0.10%	0.00%	(0.10%)
Present value of total obligation	621,812	610,298	599,009
Projected service cost	29,087	28,268	27,469
Adjustment to life expectancy assumption	+ 1 Year	None	-1 Year
Present value of total obligation	637,448	610,298	584,349
Projected service cost	29,483	28,268	27,096

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 2022 is £11.855m (£10.765m to 31 March 2021).

The estimated employer's past service duration for Wokingham Borough Council is 21 years at 31 March 2021 (21 years 31 March 2020). In Optalis Ltd the estimated employer's past service duration is 21 years at 31 March 2021 (22 years at 31 March 2020).

NOTE 20 GRANT INCOME

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

	2019/20 Restated £,000	2020/21 £,000
Credited to Taxation and Non-specific Grant Income:		
New Homes Bonus	(5,714)	(7,461)
Emergency Covid 19 Support Grant	(2,575)	(6,782)
Covid 19 Contain Outbreak Management Fund	0	(4,095)
Adult Social Care Grant	0	(1,708)
Covid 19 Clinically Extremely Vulnerable	0	(379)
Council Tax Hardship Fund	0	(416)
Capital Grants	(30,656)	(32,057)
Capital Contributions	(30,790)	(35,003)
Sub Total	(69,735)	(87,901)

	2019/20 Restated £,000	2020/21 £,000
Credited to Directorates:		
Dedicated Schools Grant	(82,832)	(82,272)
Covid 19 Business Support Grants	0	(31,398)
Mandatory Rent Allowances: Subsidy	(11,749)	(11,023)
Public Health	(5,213)	(5,481)
Rent Rebates Granted to HRA Tenants: Subsidy	(5,569)	(5,404)
Teachers' Pension Grant	(1,263)	(2,315)
Pupil Premium	(2,125)	(1,995)
Covid 19 Compensation for lost sales, fees and charges	0	(1,849)
Universal Infant Free School Meals (UIFSM)	(1,827)	(1,620)
EFA 6 th Form Funding	(1,673)	(1,559)
The Private Finance Initiative (PFI)	(1,109)	(1,109)
Additional Grant for Schools	(786)	(936)
Covid 19 Infection Control	0	(850)
Bus Services Operators Grant	0	(584)
Improved Better Care Fund	(56)	(458)
Flexible Homelessness Support Grant	(338)	(449)
Adult Social Care Grant	(686)	(400)
Covid 19 Rapid Testing Grant	0	(396)
UASC UK Border Agency	(458)	(394)
Covid 19 Community Testing	0	(389)
Covid 19 Business Rates New Burden Admin Costs	0	(376)
Families First	(238)	(375)
Covid 19 Catch Up Premium	0	(350)
Covid 19 Sport England Compensation Claim	0	(332)
Rough Sleeping Initiative	0	(298)

Covid 19 Winter Grant Scheme	0	(281)
Independent Living Fund	(265)	(265)
Adult and Community Learning from Learning and Skills Council	(249)	(260)
Covid 19 Test and Trace Grant	0	(253)
Dedicated Home to School and College Transport Grant	0	(220)
Discretionary Housing Payment	0	(206)
Covid 19 Workforce Fund	0	(201)
Teachers' Pay Grant	(649)	0
Winter Pressures	(402)	0
EU Exit Funding	(210)	0
Distribution of Levy Account Surplus	(47)	0
Other Grants	(743)	(2,321)
Sub total	(118,487)	(156,619)
Total	(188,222)	(244,520)

The New Homes Bonus grant has increased between 2019/20 and 2020/21 due to more homes being built in the borough which qualify the Council for new homes bonus.

Capital Grants have increased due to the progression of major highways schemes in 2020/21 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 2020/21 were Arborfield Bypass, Winnersh Relief Road, Winnersh Triangle Parkway, Coppid Beech Park and Ride and works at Barkham Bridge. Capital Contributions have increased due to an increase in CIL contributions (£8.503m received in 2020/21 compared to £3.212m in 2019/20).

The main changes in revenue grants to Directorates are related to new grants given to Council in relation to Covid 19. The major grant in relation to Covid 19 was for business support grants which the Council have paid across many individual businesses during 2020/21. This grant will continue in 2021/22 however at a reduced amount.

The Council received some 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. These are treated as receipts in advance. The balances are shown below;

	31st March, 2020 £,000	31st March, 2021 £,000
Revenue Receipts in Advance:		
Covid 19 Business Support Grants	0	(5,273)
Covid 19 Test and Trace Grant	0	(368)
Small Business Rate Relief Grant	(3,289)	0
Other Grants	(10)	(581)
Total	(3,299)	(6,221)

Some Covid grants intended for 2021/22 have been received early. In 2019/20, due to the onset of the Covid-19 pandemic, the Small Business Rate Relief Grant was paid early by Central Government to help local authorities with cashflow.

	31st March, 2020 £,000	31st March, 2021 £,000
Capital Grants and Contributions Receipts in Advance:		
Thames Valley Berkshire Growth Deal - Wokingham Arborfield Cross Relief Road	(12,416)	(1,129)
Thames Valley Berkshire Growth Deal – Winnersh Relief Road Phase 2	(5,117)	0
Thames Valley Berkshire Growth Deal – Thames Valley Park and Ride	(29)	0
Thames Valley Berkshire Growth Deal – Sustainable Transport National Cycle Network	(1,960)	(1,699)
Devolved Formula Grant	(1,219)	(994)
Other Grants	(991)	(1,595)
S106 Contributions	(77,831)	(92,532)
Total	(99,563)	(97,949)

In addition to the S106 contributions receipts in advance of £92.5m as at 31 March 2021, the Council have £9.448m 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 2020/21 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 2020/21 before Academy Recoupment	(22,962)	(120,161)	(143,123)
Less Academy figure recouped for 2020/21	0	60,851	60,851
Total DSG after Academy recoupment for 2020/21	(22,962)	(59,310)	(82,272)
Brought forward from 2019/20	3,357	0	3,357
Carry-forward to 2020/21 agreed in advance	0	0	0
Agreed initial budget distribution in 2020/21	(19,605)	(59,310)	(78,915)
In year Adjustments	0	0	0
Final Budgeted distribution for 2020/21	(19,605)	(59,310)	(78,915)
Less Actual central expenditure	25,431		25,431
Less Actual ISB deployed to schools		59,310	59,310
Carry Forward to 2021/22	5,826	0	5,826

The £5,826k 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, 2020 £,000	31st March, 2021 £,000
Revaluation Reserve	(206,802)	(242,581)
Capital Adjustment Account	(426,387)	(460,433)
Financial Instruments Adjustment Account	1,357	1,223
Pensions Reserve	259,601	357,174
Collection Fund Adjustment Account	2,872	8,042
Accumulated Absences Account	3,084	4,796
Dedicated Schools Grant Adjustment Account	0	5,826
Total Unusable Reserves	(366,275)	(325,953)
Group unusable reserves	(2,129)	(5,304)
Minority interest	(147)	(147)
Total Group Unusable Reserves	(368,551)	(331,404)

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.

	2019/20 £,000	2020/21 £,000
Balance at 1st April	(172,568)	(206,802)
Upward Revaluation of Assets	(64,960)	(61,522)
Downward Revaluation of Assets and Impairment Losses not Charged to the Surplus or Deficit on the Provision of Services	24,057	15,105
Surplus or Deficit on Revaluation of Non-current Assets not Posted to the Surplus or Deficit on the Provision of Services	(40,903)	(46,418)
Difference Between Fair Value Depreciation and Historical Cost Depreciation	975	973
Accumulated Gains on Assets Sold or Disposed	5,694	9,666
Amount Written Off to the Capital Adjustment Account	6,669	10,639
Balance at 31st March	(206,802)	(242,581)

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.

	2019/20 £,000	2020/21 £,000
Balance at 1st April	(399,015)	(426,387)
Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:		
• Charges for depreciation of non-current assets	17,207	18,853
• Charges for impairment of non-current assets	-	293
• Revaluation losses on property, plant and equipment	23,575	19,121
• Amortisation of intangible assets	1,014	1,164
• Revenue expenditure funded from capital under statute	4,337	4,338
• 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	15,705	25,022
	61,838	68,790
Adjusting amounts written out of the revaluation reserve	(6,669)	(10,639)
Net written out amount of the cost of non-current assets consumed in the year	55,169	58,151
Capital financing applied in the year:		
• Use of capital receipts reserve to finance new capital expenditure	(4,578)	(4,912)
• Use of major repairs reserve to finance new capital expenditure	(5,051)	(2,992)
• Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	(68,454)	(49,523)
• Application of grants to capital financing from the capital grants unapplied account	(959)	(22,761)
• Statutory provision for the financing of capital investment charged against the general fund and HRA balances	(3,651)	(3,900)
Capital expenditure charged against the general fund and HRA Balances	(974)	(1,939)
Increase in fair value of investment property	3,098	(3,503)
Voluntary debt repayment - HRA	(1,998)	(3,028)
Equity loan redemption	26	0
Wokingham Housing Ltd loan repayment	-	360
	(82,541)	(92,197)
Balance at 31st March	(426,387)	(460,433)

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.

	2019/20 £,000	2020/21 £,000
Balance at 1st April	1,493	1,357
Proportion of Premiums Incurred in Previous Financial Years Charged against the General Fund Balance in Accordance with Statutory Requirements	(136)	(134)
Balance at 31st March	1,357	1,223

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.

	2019/20 £,000	2020/21 £,000
Balance at 1st April	291,272	259,601
Actuarial (Gains) or Losses on Pensions Assets and Liabilities	(54,359)	82,457
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	33,861	28,552
Employer's Pensions Contributions and Direct Payments to Pensioners Payable in the Year	(11,173)	(13,436)
Balance at 31st March	259,601	357,174

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.

	2019/20 £,000	2020/21 £,000
Balance at 1st April	(2,004)	2,872
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	4,876	5,170
Balance at 31st March	2,872	8,042

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.

	2019/20 £,000	2020/21 £,000
Balance at 1st April	3,071	3,085
Settlement or cancellation of accrual made at the end of preceding year	(3,071)	(3,085)
Amounts accrued at the end of the current year	3,085	4,796
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	14	1,712
Balance at 31st March	3,085	4,796

Dedicated Schools Grant Adjustment Account

The dedicated schools grant adjustment account has been created to provide a statutory basis for the separation of the deficits arising due to the DSG from the general fund, the Department for Education (DfE) established through the 2020 Regulations that a local authority must either deduct the deficit from its school budget, or carry forward the deficit to future financial years rather than fund it from other sources.

	2019/20 £,000	2020/21 £,000
Balance at 1st April	0	0
<i>Reporting of Schools Budget Deficit to new Adjustment Account at 1 April 2020</i>	0	2,993
Restated Balance at 1st April	0	2,993
Deficit in year (expenditure greater than income)	0	2,833
Balance at 31st March	0	5,826

Prior to 2020/21, the DSG deficit was held in a separate reserve and reported under usable reserves. Changes to the accounting arrangements now require these reserves to be shown as unusable reserves.

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 2020/21:	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, 2020	273,521	506,995	24,227	173,765	3,150	4,249	147,232	1,133,139	10,190
Additions	4,422	19,435	1,366	23,057	2	46	63,750	112,078	0
Revaluation Increases / (Decreases) Recognised in the Revaluation Reserve	20,341	22,181	(397)	0	0	(763)	0	41,363	(397)
Revaluation Increases / (Decreases) Recognised in the Surplus / Deficit on the Provision of Services	0	(26,899)	(669)	0	0	(81)	0	(27,650)	(2,563)
Impairment	(2,962)	(293)	0	0	0	0	0	(3,255)	0
De-recognition - Disposals	(132)	(24,855)	(162)	0	0	(378)	0	(25,527)	0
Assets reclassified (to) / from Held for Sale	(702)	0	0	0	0	0	0	(702)	0
Other asset reclassified and transferred in Cost or Valuation	744	28,486	67	18,078	2,897	0	(50,989)	(716)	0
At 31st March, 2021	295,232	525,049	24,432	214,900	6,050	3,073	159,994	1,228,731	7,230
Accumulated Depreciation and Impairment									
At 1st April, 2020	60,492	22,006	13,887	44,222	0	11	0	140,618	2,094
Depreciation Charge	4,008	7,056	1,792	5,984	0	12	0	18,852	426
Depreciation written out to the Revaluation Reserve	(4,008)	(3,948)	(59)	0	0	0	0	(8,015)	(59)
Depreciation written out to the Surplus/Deficit on the Provision of Services	0	(7,849)	(669)	0	0	(11)	0	(8,529)	(1,627)
Impairment Losses / (Reversals) Recognised in the Revaluation Reserve	0	0	0	0	0	0	0	0	0
Impairment Losses / (Reversals) Recognised in the Surplus / Deficit on the Provision of Services	0	0	0	0	0	0	0	0	0
Derecognition – Disposals	0	(440)	(55)	0	0	(12)	0	(507)	0
Assets reclassified (to) / from Held for Sale	(10)	0	0	0	0	0	0	(10)	0
Other movements in accumulated depreciation and impairments	0	0	0	0	0	0	0	0	0
	60,482	16,825	14,896	50,206	0	0	0	142,409	834
Net Book Value									
At 31st March, 2021	234,750	508,225	9,536	164,694	6,050	3,073	159,994	1,086,322	6,396
At 31 st March, 2020	213,029	484,989	10,340	129,543	3,150	4,238	147,232	992,521	7,096

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	33,204	2,669	9,915	1	199	79,876	136,440	0
Revaluation Increases / (Decreases) Recognised in the Revaluation Reserve	10,888	24,284	0	0	0	0	0	35,172	0
Revaluation Increases / (Decreases) Recognised in the Surplus / Deficit on the Provision of Services	0	(30,113)	0	0	0	-6	0	(30,119)	0
Impairment	0	0	0	0	0	0	0	0	0
De-recognition - Disposals	(911)	(14,350)	(551)	0	0	(198)	0	(16,010)	0
Assets reclassified (to) / from Held for Sale	0	0	0	0	0	0	0	0	0
Other movements in cost or valuation	1	(118)	0	0	0	0	0	(117)	0
Other asset reclassified and transferred in Cost or Valuation	800	16,868	32	5,048	0	(4)	(22,744)	0	0
At 31st March, 2020	273,521	506,995	24,227	173,765	3,150	4,249	147,232	1,133,139	10,190
Accumulated Depreciation and Impairment									
At 1st April, 2019	50,227	33,846	12,841	39,450	0	4	0	136,368	1,668
Depreciation Charge	3,404	7,545	1,476	4,772	0	10	0	17,207	426
Depreciation written out to the Revaluation Reserve	0	(12,608)	0	0	0	0	0	(12,608)	0
Depreciation written out to the Surplus/Deficit on the Provision of Services	0	(6,543)	0	0	0	0	0	(6,543)	0
Impairment Losses / (Reversals) Recognised in the Revaluation Reserve	6,875	0	0	0	0	0	0	6,875	0
Impairment Losses / (Reversals) Recognised in the Surplus / Deficit on the Provision of Services	0	0	0	0	0	0	0	0	0
Derecognition – Disposals	(14)	(116)	(430)	0	0	(3)	0	(563)	0
Assets reclassified (to) / from Held for Sale	0	0	0	0	0	0	0	0	0
Other assets reclassified and transferred in	0	(118)	0	0	0	0	0	(118)	0
	60,492	22,006	13,887	44,222	0	11	0	140,618	2,094

GROUP PROPERTY, PLANT AND EQUIPMENT

Movements in 2020/21:	Council Dwellings	Other Land and Buildings (Inc. HRA)	Vehicles, Plant, Furniture & Equipment	Infrastructure Assets	Community Assets	Surplus Assets	Assets under Construction	Total Property, Plant and Equipment
	£,000	£,000	£,000	£,000	£,000	£,000	£,000	£,000
Cost or Valuation								
At 1st April, 2020	273,522	529,310	24,396	173,765	3,150	4,249	151,362	1,159,755
Additions	4,422	19,435	1,369	23,057	2	46	69,420	117,752
Revaluation Increases / (Decreases) recognised in the Revaluation Reserve	20,341	22,181	(397)	0	0	(763)	0	41,363
Revaluation Increases / (Decreases) recognised in the Surplus / Deficit on the Provision of Services	0	(24,685)	(669)	0	0	(81)	0	(25,435)
Impairment	(2,962)	(293)	0	0	0	0	0	(3,255)
De-recognition - Disposals	(132)	(24,855)	(162)	0	0	(378)	(427)	(25,954)
Assets reclassified (to) / from Assets under Construction	(702)	0	0	0	0	0	0	(702)
Other movements in cost or valuation	744	32,364	67	18,078	2,897	0	(56,397)	(2,246)
At 31st March, 2021	295,233	553,458	24,603	214,900	6,050	3,073	163,959	1,261,277
Accumulated Depreciation and Impairment								
At 1st April, 2020	60,492	22,254	14,020	44,222	0	11	0	140,998
Depreciation Charge	4,008	7,050	1,799	5,984	0	12	0	18,854
Depreciation written out to the Revaluation Reserve	(4,008)	(3,948)	(59)	0	0	0	0	(8,015)
Depreciation written out to the Surplus/Deficit on the Provision of Services	0	(7,840)	(669)	0	0	(11)	0	(8,520)
Impairment Losses / (Reversals) Recognised in the Revaluation Reserve	0	0	0	0	0	0	0	0
De-recognition – Disposals	0	(440)	(55)	0	0	(12)	0	(507)
Assets reclassified (to) / from Assets under Construction	(10)	0	0	0	0	0	0	(10)
Other movements in accumulated depreciation and impairment	0	0	0	0	0	0	0	0
At 31st March, 2021	60,481	17,076	15,037	50,206	0	0	0	142,800
Net Book Value								
At 31st March, 2021	234,752	536,382	9,566	164,694	6,050	3,073	163,959	1,118,478
At 31st March, 2020	213,028	507,057	10,378	129,543	3,150	4,238	151,363	1,018,756

Movements in 2020/21:	Council Dwellings	Other Land and Buildings (Inc. HRA)	Vehicles, Plant, Furniture & Equipment	Infrastructure Assets	Community Assets	Surplus Assets	Assets under Construction	Total Property, Plant and Equipment
	£,000	£,000	£,000	£,000	£,000	£,000	£,000	£,000
At 1st April, 2019 Restated	252,167	497,737	22,228	158,802	3,149	4,258	93,793	1,032,134
Additions	10,576	33,204	2,668	9,915	1	199	79,876	142,178
Revaluation Increases / (Decreases) Recognised in the Revaluation Reserve	10,888	24,283	0	0	0	0	0	35,171
Revaluation Increases / (Decreases) Recognised in the Surplus / Deficit on the Provision of Services	0	(30,112)	0	0	0	6	0	(30,417)
De-recognition - Disposals	(911)	(14,351)	(551)	0	0	(198)	0	(16,540)
Assets reclassified (to) / from Held for Sale	800	16,868	32	5,048	0	(4)	(22,744)	0
Other movements in cost or valuation								(2,773)
At 31st March, 2020 Restated	273,520	529,311	24,395	173,765	3,150	4,249	151,363	1,159,753
Accumulated Depreciation and Impairment								
At 1st April, 2019 Restated	50,227	34,080	12,965	39,450	-	4	-	136,726
Depreciation Charge	3,404	7,399	1,482	4,772	-	10	-	17,068
Depreciation written out to the Revaluation Reserve	-	(12,608)	-	-	-	-	-	(12,608)
Depreciation written out to the Surplus/Deficit on the Provision of Services	-	(6,383)	-	-	-	-	-	(6,383)
Impairment Losses / (Reversals) Recognised in the Revaluation Reserve	6,875	-	-	-	-	-	-	6,875
Impairment Losses / (Reversals) Recognised in the Surplus / Deficit on the Provision of Services	(14)	(116)	(430)	-	-	(3)	-	(563)
De-recognition – Disposals	-	(118)	-	-	-	-	-	(118)
Assets reclassified (to) / from Held for Sale	60,492	22,254	14,017	44,222	-	11	-	140,996
At 31st March, 2020 Restated	213,028	507,057	10,378	129,543	3,150	4,238	151,363	1,018,756

Depreciation

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

• Council Dwellings	41 years
• Other, Land and Buildings	2-77 years
• Surplus Assets	2-27 years
• Vehicles, Plant, Furniture & Equipment	1-21 years
• Infrastructure, Roads & Highways	1-57 years

Capital Commitments

The estimated commitments for capital expenditure for schemes where orders had been placed, or legal contracts entered into, at 31 March 2021 are listed below:

	2020/21 £,000
• Major Road Schemes - Road infrastructure (SCAPE)	30,163
• Carnival Pool Area Redevelopment	28,189
• Nine Mile Ride Extension	12,315
• Gorse Ride Regeneration (Phase 1)	5,567
• Matthews Green School / Community Centre	3,558
• New Arborfield Primary	3,082
• Winnersh Triangle Parkway	2,655
• Coppid Beech Park & Ride	2,212
• Gorse Ride (Phase 2) Construction	1,600
• Cantley Park Enhancement	1,435
• Dinton Activity Centre Project	1,055
• Bulmershe Leisure Centre Redevelopment	926
• Land Acquisition for Major Road Schemes	615
• Toutley Highways Depot Modernisation	600
• Highways Carriageways Structural Maintenance	552
• Greenways	295
• Support Services Energy Reduction Schemes	258
• Solar Farm (Barkham)	136
• Highway Structures - Earley Station Footbridge (Prelim Design)	106
• California Crossroads	70
• Learning Disability Service Transformation – Ryeish Green flats	31
Total	95,420

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. Also each year a 'basket' of assets is selected for valuation, of sub-categories that would not otherwise be valued, to assess for any material variations. 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.

In respect of the Council's operational and non-operational property portfolio, as at the valuation date (31.03.2021) we continue to be faced with an unprecedented set of circumstances caused by COVID-19 and an absence of relevant/sufficient market evidence on which to base our judgements.

Our valuation of operational and non-operational property portfolio, is therefore reported as being subject to 'material valuation uncertainty' as set out in VPS 3 and VPGA 10 of the RICS Valuation – Global Standards. Consequently, in respect of these valuations less certainty – and a higher degree of caution – should be attached to our valuation than would normally be the case.

This does not mean that the valuation cannot be relied upon. Rather, to ensure transparency and to provide further insight as to the market context under which the valuation opinion was prepared. In recognition of the potential for market conditions to move rapidly in response to changes in the control or future spread of COVID-19 we highlight the importance of the valuation date.'

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 2021 libraries and waste PFI assets were revalued, while in other years there are larger 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	0	0	10,044	171,227	6,050	0	187,321
Valued at Fair Value as at 31 st March:-							
2021	234,752	310,012	0	0	0	3,072	547,836
2020	0	146,999	0	0	0	0	146,999
2019	0	18,329	0	0	0	0	18,329
2018	0	6,585	0	0	0	0	6,585
2017	0	19,254	0	0	0	0	19,254
Total Cost or Valuation	234,752	501,179	10,044	171,227	6,050	3,072	926,324

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:

	2019/20	2020/21
	£,000	£,000
Rental Income from Investment Property	1,827	1,803
Direct Operating Expenses arising from Investment Property	(98)	(9)
Net Gain / (Loss)	1,729	1,794

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: Not including Surplus Assets

	2019/20	2020/21
	£,000	£,000
Balance at the Start of the Year	17,077	32,571
Additions:		
Purchases	18,592	0
Disposals	0	0
Net Gains / (Losses) from Fair Value Adjustments	(3,098)	3,503
Transfers:		
(To) / From Inventories	0	0
(To) / from Property, Plant and Equipment	0	0
Balance at the End of the Year	32,571	36,074

Fair Value Hierarchy

Details of the authority's investment properties and information about fair value hierarchy as at 31/03/2021 are as follow: - Includes Surplus assets

	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 2021 £000
Recurring fair value				
Measurements using:				
Investment Properties	-	-	36,074	36,074
Surplus Assets	-	-	3,072	3,072
Total	-	-	39,146	39,146

2019/20 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 2020 £,000
Recurring fair value				
Measurements using:				
Investment Properties	-	-	32,571	32,571
Surplus Assets	-	-	4,238	4,238
Total	-	-	36,809	36,809

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 authority'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 authority'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

	2019/20 £,000	2020/21 £000
Opening balance	21,331	36,809
Transfers into Level 3	0	0
Transfers out of Level 3	(4)	0
Total gains (or losses) for the period included in Surplus or Deficit on the Provision of Services resulting from changes in the fair value	(3,104)	2,669
Additions	18,791	46
Disposals	(195)	(365)
Other Charges	(10)	(12)
Closing Balance	36,809	39,146

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 £1,164k charged to revenue in 2020/21 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:

	2019/20 £,000	2020/21 £,000
Balance at the Start of the Year		
Gross Carrying Amount	10,649	10,940
Accumulated Amortisation	(3,580)	(4,595)
Adjusted Gross Carrying amounts	7,069	6,345
Net Carrying Amount at Start of the Year		
Additions:		
Purchases	291	507
Other Changes	0	459
Amortisation for the Period	(1,014)	(1,164)
Net Carrying Amount at End of the Year	6,346	6,147
Comprising:		
Gross Carrying Amounts	10,941	11,906
Accumulated Amortisation	(4,595)	(5,759)
Closing Balance at 31 March	6,346	6,147

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.

	2019/20 £,000	2020/21 £,000
Opening Capital Financing Requirement	335,747	418,431
<i>Adjustment to Opening Balance – Waste PFI Addition</i>	<i>3,402</i>	<i>0</i>
Revised Opening Capital Financing Requirement	339,149	418,431
Capital Investment:		
Property, Plant and Equipment	136,440	112,079
Investment Properties	18,592	0
Intangible Assets	291	507
Revenue Expenditure Funded from Capital under Statute	4,338	4,338
Long Term Debtor	5,274	6,540
Sources of Finance:		
Capital Receipts	(4,548)	(4,912)
Government Grants and Other Contributions	(69,512)	(72,581)
Sums Set Aside from Revenue:		
Direct Revenue Contributions	(5,954)	(4,634)
MRP / Loans Fund Principal	(3,651)	(3,900)
Other Adjustments:		
Voluntary Debt Repayment - HRA	(1,988)	(3,028)
Closing Capital Financing Requirement	418,431	452,840

Explanation of Movements in Year

Increase / (Decrease) in underlying need for supported borrowing	-	-
Increase / (Decrease) in underlying need for unsupported borrowing	79,282	34,409
Increase / (Decrease) in Capital Financing Requirement	79,282	34,409

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, 2020 £,000	31st March, 2021 £,000
• Current	-	-
• Non-current	1,067	1,067
Finance Costs Payable in Future Years	8,278	8,171
Minimum Lease Payments	9,345	9,238

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

	Minimum Lease Payments		Finance Lease Liabilities	
	31st March, 2020 £,000	31st March, 2021 £,000	31st March, 2020 £,000	31st March, 2021 £,000
- Not Later than One Year	107	107	-	-
- Later than One Year and not Later than Five Years	427	427	-	-
- Later than Five Years	8,810	8,704	1,066	1,066
	9,344	9,238	1,066	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 2020/21 £186k contingent rents were payable by the Council (2019/20 £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, 2020 £,000	31st March, 2021 £,000
Not later than one year:		
Land and buildings	86	151
Vehicles, plant and equipment	41	21
Computer equipment	58	32
Later than one year and not later than five years:		
Land and buildings	264	206
Vehicles, plant and equipment	53	19
Computer equipment	47	16
Later than five years:		
Land and buildings	434	394
	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:

	2019/20 £,000	2020/21 £,000
Minimum lease payments:		
Land and buildings	214	185
Vehicles, plant and equipment	61	45
Computer equipment	122	59
Contingent rents:		
Land and buildings	0	0
	397	289

The Council as Lessor

Finance Leases

The Council did not enter into any finance leases in 2020/21 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:	2019/20 £,000	2020/21 £,000
Shops	(2,875)	(3,328)
Industrial Premises	(933)	(1,875)
Offices	(874)	(538)
Other	(716)	(1,390)
Total	(5,398)	(7,131)

The increase rental income from £5,398k in 2019/20 to £7,131k in 2020/21 is largely due to the full year effect of regeneration works taking place in Wokingham Town Centre. There have also been some reclassifications between categories as more information has become available.

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

	31st March, 2020 £,000	31st March, 2021 £,000
Not later than one year:		
Shops	(2,950)	(4,266)
Industrial premises	(1,382)	(1,582)
Offices	(635)	(342)
Other	(541)	(1,321)
Later than one year and not later than five years:		
Shops	(11,132)	(15,806)
Industrial premises	(4,335)	(5,305)
Offices	(1,723)	(1,053)
Other	(2,056)	(7,074)
Later than five years:		
Shops	(33,448)	(26,357)
Industrial premises	(12,600)	(13,155)
Offices	(480)	(171)
Other	(12,687)	(24,153)
Total	(83,970)	(100,585)

The increase in income as compared to 19/20 is due to 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 £101.5m as at 31 March, 2021, 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, 2021 (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	439	390	2,565	3,394
Payable within 2 to 5 Years	472	1,683	1,261	11,237	14,182
Payable within 6 to 10 Years	590	2,943	723	15,503	19,169
Payable within 11 to 15 Years	31	261	11	738	1,009
Total	1,211	5,326	2,384	30,044	37,755

The liability outstanding under the waste contract is as follows:

	Deferred Income		Lease Liability	
	31st March, 2020 £,000	31st March, 2021 £,000	31st March, 2020 £,000	31st March, 2021 £,000
Balance Outstanding at Start of Year	(1,447)	(1,329)	(6,245)	(5,754)
<i>Opening balance adjustment</i>	-	-	-	-
Adjusted Balance	(1,447)	(1,329)	(6,245)	(5,754)
Amortisation/Payments During the Year	118	118	491	428
Balance Outstanding at End of Year	(1,329)	(1,211)	(5,754)	(5,326)

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	Group	WBC	Group
	31st March, 2020 £,000	31st March, 2020 £,000	31st March, 2021 £,000	31st March, 2021 £,000
Repayable within One year				
Central Government Bodies	4,491	4,554	2,801	2,802
Other Local Authorities	4,252	9,052	6,644	12,827
NHS Bodies	892	892	2,106	2,114
Other Entities and Individuals	21,445	23,062	40,772	41,088
Total	31,080	37,560	52,322	58,830

Other Entities and Individuals have increased from £21.4m in 19/20 to £40.8m in 20/21. This is due to an increase 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	Business Rates	31st March, 2020	Council Tax	Business Rates	31 st March, 2021
	£,000	£,000	£,000	£,000	£,000	£,000
Less than 1 year	1,376	1,682	3,058	1,951	1,115	3,066
Between 1 and 2 years	562	556	1,118	803	250	1,053
More than 2 years	326	185	511	423	219	642
Total	2,264	2,423	4,687	3,177	1,584	4,761

LONG TERM DEBTORS

	31st March 2020 £,000	31 st March 2021 £,000
Repayable after one year		
Other entities and individuals	20,045	26,225
Total	20,045	26,225

Long term debtors have increased from £20m at 31 March 2020 to £26.2m at 31 March 2021. This is due to additional loans advanced to Wokingham Housing Ltd and WBC Holdings Ltd in 2020/21.

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, 2020 £,000	31st March, 2020 £,000	31st March, 2021 £,000	31st March, 2021 £,000
Central Government Bodies	(7,640)	(7,577)	(10,308)	(13,491)
Other Local Authorities	(2,580)	(7,761)	(2,371)	(1,129)
NHS Bodies	(328)	(328)	(468)	(468)
Charities	42	42	0	0
Other Entities and Individuals	(46,380)	(47,299)	(52,760)	(56,413)
Total	(56,886)	(62,922)	(65,907)	(71,413)

The increase in Central Government Bodies from £7.7m in 2019/20 to £10.3m in 2020/21 is primarily due to Covid related grants received in advance.

LONG TERM CREDITORS

Repayable after one year

Lease premium received in advance	(6,030)	(5,360)
Other Entities and Individuals	(71)	(71)
Total	(6,101)	(5,431)

	31st March, 2020 £,000	31st March, 2021 £,000
Lease premium received in advance	(6,030)	(5,360)
Other Entities and Individuals	(71)	(71)
Total	(6,101)	(5,431)

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, 2020 £,000	31st March, 2021 £,000
Short-term		
Within one year	(670)	(670)
Long-term		
Between one and two years	(670)	(670)
Between two and five years	(2,680)	(2,680)
Between five and ten years	(2,680)	(2,010)
Total Long-term	(6,030)	(5,360)

NOTE 32 PROVISIONS

All of the Council's provisions are short term.

Provisions than 1 year:	less	2019/20			2020/21		
		Provision for Accumulated Absences	Other Provisions	Total	Provision for Accumulated Absences	Other Provisions	Total
		£,000	£,000	£,000	£,000	£,000	£,000
Balance brought forward		(3,071)	(5,025)	(8,096)	(3,085)	(4,773)	(7,858)
Additional provisions made in year		(3,085)	(1,341)	(4,426)	(4,797)	(3,208)	(8,005)
Amounts used in year		-	1,593	1,593	3,085	3,849	6,934
Unused amounts reversed in year		3,071	-	3,071	0	0	0
Balance carried forward		(3,085)	(4,773)	(7,858)	(4,797)	(4,132)	(8,929)

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 £4.797m at 31 March 2021 (£3.085m at 31 March 2020) 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 £7.115m (£5.334m as at 31 March 2020) for successful appeals against business rates valuations, of which Wokingham's share is £3.506m (£3.947m as at 31 March 2020).

Dilapidation – A provision for dilapidation costs on buildings for Council lease of £0.217m (£0.217m as at 31 March 2020). 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 2020 £0.409m) is held for this purpose.

In 2020/21 the Council paid a claim, as a result of an employment tribunal, utilising the provision previously made for £0.2m.

NOTE 33 CONTINGENT LIABILITIES

Wokingham Borough Council has a number of subsidiary companies, which were operational during 2020/21. 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 2021 is £9.156m (£5.542m at 31 March 2020), 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.

NOTE 34 CONTINGENT ASSETS

The Council does not currently have any contingent assets.

NOTE 35 ASSETS HELD FOR SALE

	Current	
	2019/20 £,000	2020/21 £,000
Balance outstanding at start of the year	258	0
Assets newly classified as held for sale:		
Property, plant, and equipment	0	692
Assets sold	(258)	0
Transfers to Operational Assets - Not sold	0	0
Balance outstanding at end of year	0	692

As at 31 March 2021 there were 6 properties classified as assets held for sale (0 properties at 31 March 2020)

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, 2020 £,000	31st March, 2021 £,000								
Financial Assets										
At amortised cost	40,506	195,336	17,438	38,987	60,603	131,296	35,000	30,104	20,045	26,225
Total Financial Assets	40,506	195,336	17,438	38,987	60,603	131,296	35,000	30,104	20,045	26,225
Non-financial Assets										
Other	0	0	13,642	15,534	0	0	0	0	0	0
Total Non-financial Assets	0	0	13,642	15,534	0	0	0	0	0	0
Per Balance Sheet	40,506	195,336	31,080	54,520	60,603	131,296	35,000	30,104	20,045	26,225

Categories of Financial Instruments

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

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	<u>Current</u>						<u>Non-Current</u>			
	Borrowings		Creditors		Cash and Cash Equivalents		Borrowings		Creditors	
	31st March, 2020 £,000	31st March, 2021 £,000								
Financial Liabilities										
At amortised cost	(63,781)	(338,711)	(39,820)	(44,260)	(1,995)	(1,651)	(216,030)	(191,890)	(71)	(71)
Total Financial Liabilities	(63,781)	(338,711)	(39,820)	(44,260)	(1,995)	(1,651)	(216,030)	(191,890)	(71)	(71)
Non-financial Assets										
Other	0	0	(17,066)	(23,841)	0	0	0	0	(6,030)	(5,360)
Per Balance Sheet	(63,781)	(338,711)	(56,886)	(68,101)	(1,995)	(1,651)	(216,030)	(191,890)	(6,101)	(5,431)

Income, Expense, Gains and Losses

	2019/20			2020/21		
	Financial Liabilities Measured at Amortised Cost £,000	Financial Assets Measured at Amortised Cost £,000	Total £,000	Financial Liabilities Measured at Amortised Cost £,000	Financial Assets Measured at Amortised Cost £,000	Total £,000
Interest expense on external borrowing	6,840	0	6,840	7,719	0	7,719
Interest expense on PFI and finance lease liabilities	688	0	688	637	0	637
Impairment losses	0	0	0	0	0	0
Total expense in surplus or deficit on the provision of services	7,528	0	7,528	8,356	0	8,356
Interest income	0	(1,793)	(1,793)	0	(2,122)	(2,122)
Total income in surplus or deficit on the provision of services	7,528	(1,793)	5,735	8,356	(2,122)	6,234
Surplus / deficit arising on revaluation of financial assets in the comprehensive income and expenditure statement	0	0	0	0	0	0
Net (gain) / loss for the year	7,528	(1,793)	5,735	8,356	(2,122)	6,234

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 2020		31 March 2021	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
	£,000	£,000	£,000	£,000
Financial Assets Held at Amortised Cost				
Short-term Investments	40,506	40,506	195,336	195,336
Long-term Investments	35,000	35,000	30,104	30,491
Short-term Debtors	17,438	17,438	38,987	38,987
Long-term Debtors	20,045	20,045	26,225	26,225
Cash and Cash Equivalents	60,603	60,603	131,296	131,296
Total Financial Assets	173,591	173,591	421,947	422,335
Financial Liabilities Held at Amortised Cost				
Borrowings	(279,811)	(371,454)	(530,601)	(596,109)
Cash and Cash Equivalents	(1,995)	(1,995)	(1,651)	(1,651)
Other liabilities and creditors	(39,891)	(39,891)	(44,331)	(44,331)
	(321,697)	(413,340)	(576,583)	(642,091)
Other				
PFI and other Finance Lease Liabilities	(8,149)	(8,149)	(7,604)	(7,604)
	(8,149)	(8,149)	(7,604)	(7,604)
Total Financial Liabilities	(329,846)	(421,849)	(584,187)	(649,695)

The fair value of liabilities as at 31 March 2021 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 2021. 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, 2020 Other Significant Observable Inputs (Level 2) £,000	31st March, 2021 Other Significant Observable Inputs (Level 2) £,000
Financial Liabilities		
PWLB and LOBO loans	(139,512)	(136,014)
Borrowings with other local authorities	(140,299)	(394,512)
Other loans	0	(75)
PFI and finance lease liabilities	(8,149)	(7,604)
	(287,960)	(538,205)
Financial Assets		
Short-term investments with other local authorities	75,505	195,335
Investments with banks and other financial institutions	59,246	22,721
Other investments	20,045	26,225
	154,796	244,281

NOTE 37 NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS

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

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

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

The Annual Treasury Management and Investment strategy which incorporates the prudential indicators was approved by Council on 20 February 2020 and is available on the Council website.

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
2020-21 Movement	
Opening balance at 1 April 2020	(2,393)
Amounts written-off	546
Increase in allowance for credit losses	(553)
Other changes	0
Closing balance at 31 March 2021	(2,400)
2019-20 Movement	
Opening balance at 1 April 2019	(2,461)
Amounts written-off	159
Increase in allowance for credit losses	25
Other changes	0
Closing balance at 31 March 2020	(2,277)

The Council has the following exposure to credit risk at 31 March 2021:

	Gross Carrying Amount at 31 March, 2021 £,000
Deposits with banks and financial institutions:	
AAA Rated Counterparties	5,654
Deposits with banks and financial institutions:	
AA Rated Counterparties	332,667
Simplified Approach	
Customers	38,987
Total	377,308

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, 2020 £,000	31st March, 2021 £,000
Within one year	101,109	326,632
Between one and two years	35,000	30,104
	136,109	356,736

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 2020 £,000	31st March 2021 £,000
Short term borrowing		
Within one year	(63,781)	(338,711)
Long term borrowing		
Between 1 and 2 years	(75,342)	(49,493)
Between 2 and 5 years	(26,036)	(26,908)
Between 5 and 10 years	(11,180)	(31,799)
Between 10 and 15 years	(47,684)	(35,215)
Between 15 and 20 years	(11,600)	(4,000)
Between 25 and 30 years	(1,465)	(1,465)
More than 30 years	(42,723)	(43,010)
Total Long Term	(216,030)	(191,890)
Total Borrowing	(279,811)	(530,601)

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, 2020 £,000	31st March, 2021 £,000
Increase in interest payable on variable rate borrowings	-	-
Increase in interest receivable on variable rate investments	(252)	(308)
Impact on Surplus or Deficit on the Provision of Services	(252)	(308)
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	(252)	(308)
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:

	WBC	Group	WBC	Group
	31st	31st	31st	31st
	March	March	March	March
	2020	2020	2021	2021
	£,000	£,000	£,000	£,000
- Interest Received	(1,793)	(1,793)	(2,122)	(2,122)
- Interest Paid	7,527	7,527	8,356	8,356
	5,734	5,734	6,234	6,234

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

	WBC	Group	WBC	Group
	31st	31st	31st	31st
	March	March	March	March
	2020	2020	2021	2021
	£,000	£,000	£,000	£,000
- Depreciation of property, plant and Equipment	17,207	17,229	18,853	18,863
- Impairment and downward valuations	23,576	23,875	19,414	17,199
- Amortisation of intangible assets	1,015	1,015	1,164	1,164
- (Increase) / decrease in inventories	0	13	0	(410)
- Increase / (decrease) in impairment allowance for bad or doubtful debts	(175)	(175)	1,253	1,253
- Increase / (decrease) in creditors	3,901	(5,604)	(2,358)	(349)
- (Increase) / decrease in debtors	20,449	21,959	(22,329)	(24,555)
- Movement in pension liability	14,913	15,365	15,116	15,372
- Carrying amount of non-current assets, and non – current assets held for sale, sold or derecognised	15,705	15,976	25,276	25,703
- Other non-cash items charged to the net surplus or deficit on the provision of services	2,858	2,076	(6,576)	(6,601)
Total Non-Cash Movements	99,449	91,729	49,813	47,639

NOTE 39 INVESTING ACTIVITIES

	WBC 31st March 2020 £,000	Group 31st March 2020 £,000	WBC 31st March 2021 £,000	Group 31st March 2021 £,000
- Purchase of Property, Plant and Equipment, Investment Property and Intangible Assets	(139,739)	(144,613)	(105,100)	(109,242)
- Purchase of Short-term and Long-term Investments	(92,965)	(92,965)	(780,197)	(780,197)
- Other Payments for Investing Activities	(5,273)	(1,028)	(6,540)	(117)
- Proceeds from the Sale of Property, Plant and Equipment, Investment Property and Intangible Assets	1,745	1,745	7,349	7,349
- Proceeds from Short-term and Long-term Investments	68,610	69,490	630,623	630,263
- Other Receipts from Investing Activities	70,351	70,351	69,587	69,587
Net Cash Flows from Investing Activities	(97,271)	(97,020)	(184,277)	(182,357)

NOTE 40 FINANCING ACTIVITIES

	WBC 31st March 2020 £,000	Group 31st March 2020 £,000	WBC 31st March 2021 £,000	Group 31st March 2021 £,000
- Cash Receipts of Short and Long-term Borrowing	216,723	217,806	433,871	432,485
- Other Receipts or Payments for Financing Activities	6,772	6,772	3,057	3,057
- Cash Payments for the reduction of outstanding liabilities relating to Finance leases and on balance sheet PFI contracts	(610)	(610)	(545)	(545)
- Repayments of short and long-term borrowing	(164,463)	(165,240)	(183,080)	(183,080)
- Other Payments for Financing Activities	0	0	0	0
Net Cash Flows from Financing Activities	58,422	58,727	253,302	251,917

NOTE 41 CASH AND CASH EQUIVALENTS

	WBC 31st March, 2020 £,000	Group 31st March, 2020 £,000	WBC 31st March, 2021 £,000	Group 31st March, 2021 £,000
Cash held by the Council	64	64	1,650	1,650
Bank Current Assets	12,146	14,170	17,033	19,860
Money Market Instruments	47,750	47,750	112,218	112,218
Cash Held by Fund Managers	643	643	654	654
Cash and Cash Equivalents	60,603	62,627	131,555	134,382
Bank Current Liabilities	(1,995)	(1,995)	(1,651)	(1,651)
Total Cash and Cash Equivalents	58,608	60,632	129,904	132,731

NOTE 42 ACQUIRED AND DISCONTINUED OPERATIONS

There were no acquired or discontinued operations in 2020/21 or 2019/20.

NOTE 43 EVENTS AFTER THE BALANCE SHEET DATE

The financial statements have not been adjusted for any post balance sheet events which took place after 31 March 2021.

NOTE 44 AGENCY SERVICES

The Independent Mental Capacity Advocacy service contract concluded in 2019/20.

The Council operates a shared legal service and internal audit & investigations 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. The operational property service was operated with the Royal Borough of Windsor and Maidenhead until 31 March 2020. Some services already engaged were utilised during 2020/21. 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: operational property service

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	Independent Mental Capacity Advocate (IMCA)	Shared Legal Services	Internal Audit and Investigation	Building Control	Operational Property	Reprographics	Total
	£,000	£,000	£,000	£,000	£,000	£,000	£,000
2020-21							
Income							
Bracknell Forest	-	-	-	-	-	(71)	(71)
Windsor & Maidenhead	-	(582)	(378)	(567)	(169)	-	(1,696)
West Berkshire	-	-	-	(567)	-	-	(567)
Total Income	-	(582)	(378)	(1,134)	(169)	(71)	(2,334)
Expenditure	-	582	378	1,134	169	71	2,334
Net Expenditure/(Income)	-	0	0	0	0	0	0
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)	0	0	0	0	0	0	0

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:

	2019/20	2020/21
	£,000	£,000
Funding Provided to the Pooled Budget:		
Wokingham Borough Council	(691)	(679)
West Berkshire Council	(1,032)	(1,019)
Other Berkshire Councils	(2,096)	(2,581)
Berkshire Clinical Commissioning Groups	(6,034)	(6,278)
Other (Reading and Slough Children's Companies)	(177)	(139)
	(10,030)	(10,696)
Expenditure Met from the Pooled Budget:		
Management Fund Costs	117	121
Nottingham Rehab Supplies	9,913	10,575
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.

	2019/20 £,000	2020/21 £,000
Funding Provided to the Pooled Budget:		
Wokingham Borough Council	2,501	2,646
Wokingham CCG	8,288	8,711
	10,789	11,357
Expenditure Met from the Pooled Budget:		
Wokingham Borough Council	6,835	7,248
Wokingham CCG	3,900	4,108
	10,735	11,357
Net (Surplus) / Deficit Arising on the Pooled Budget During the Year	(54)	0

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 available for the company were prepared for the year ended 31 March 2020 and show net assets of £0.484m at 31 March 2020 (£0.538m at 31 March 2019). Wokingham Council does not receive any dividend income from the company. The financial statements for the company for the year ended 31 March 2021 will be available later in 2021. 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 2021 and reflect Nil turnover and investment income of £0.259m (£0.270m 2019/20) with a net profit after tax of £0.229m (2019/20: Profit after tax £0.215m). The company had net assets of £8.821m at 31 March 2021 (£8.592m at 31 March 2020). 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 £45.6m in 2020/21 (£46.8m in 2019/20), a net loss after tax of £493 (£Nil in 2019/20), and had net assets of £0.3m at 31 March 2021 (£0.3m net assets at 31 March 2020).

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. During 2020/21, WBC (Holdings) Ltd impaired the investment of £1.9m share capital in Wokingham Housing Ltd by £246k. 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 2020-21 WHL had a turnover of £5.9m (£7.3m in 2019/20) and the company had net assets of £1.7m at 31 March 2021 comprising £1.9m share capital and accumulated losses of £0.2m (accumulated losses were £0.4m at 31 March 2020).

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 2020-21 LHL had a turnover of £1.4m (£1.5m in 2019/20) and the company had net liabilities of £0.7m at 31 March 2021 comprising £1 share capital and accumulated losses of £0.7m (net liabilities were £0.7m at 31 March 2020).

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 2020-21 BBHL had turnover of £0.9m (£0.7m in 2019/20) and the company had net liabilities of £0.3m at 31 March 2021 comprising £3k share capital and accumulated losses of £0.3m (net liabilities were £0.3m at 31 March 2020).

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
2020/21							
- CIES - Cost of Services	(6,633)	7,018	(46)	0	(136)	(203)	0
2019/20							
- CIES - Cost of Services	(14,865)	8,599	(256)	0	(41)	6,563	0

2019/20 included c£6.7m of transactions between Berry Brook Homes Ltd and Wokingham Authority in relation to transfer of commuted sums.

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

2020/21

Net Interest on Pension Fund Defined Liability (assets)

2019/20

Net Interest on Pension Fund Defined Liability (assets)

	Wokingham Authority	Wokingham Subsidiaries	Wokingham Group
	£,000	£,000	£,000
Net Interest on Pension Fund Defined Liability (assets)	5,663	129	5,792
Net Interest on Pension Fund Defined Liability (assets)	6,832	174	7,006

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	2019/20 £,000	2020/21 £,000
Income			
Dwelling rents (gross)		(14,001)	(14,994)
Non-dwelling rents (gross)		(222)	(166)
Charges for services and facilities		(568)	(604)
Re-imburement of costs		(9)	0
		(14,800)	(15,764)
Expenditure			
Repairs and maintenance		3,051	3,286
Supervision and management		3,151	3,092
Rents, rates, taxes and other charges		157	139
Increased impairment allowance for bad or doubtful debts	11	0	150
Depreciation	7	3,736	4,332
Accumulated absences leave		0	56
Debt management costs		117	117
		10,212	11,172
Net Cost of HRA Services			
(Gain) or loss on sale of HRA non-current assets (Inc. Pooling Payment)		(54)	(217)
Interest payable and similar charges		2,719	2,660
HRA interest and investment income		(35)	(13)
Pension interest cost and expected return on pension assets	9	151	124
		(1,807)	(2,038)

Movement on the HRA Statement

	Notes	2019/20 £,000	2020/21 £,000
Balance on the HRA at the End of the Previous Year		(2,783)	(2,090)
(Surplus) or deficit for the year on the HRA income and expenditure statement		(1,807)	(2,038)
Adjustments between Accounting Basis and Funding Basis under Statute			
Depreciation	7	(3,736)	(4,332)
Impairment / revaluation loss		0	0
(Gain) / loss on disposal		54	217
Reversal of accumulating absences		(3)	(56)
Capital expenditure funded by the HRA (adjusted against the capital adjustment account)	5	5,051	2,992
Transfer to the capital adjustment account for voluntary debt repayment		1,998	3,028
HRA share of contributions (to) or from the pensions reserve	9	(327)	(329)
Financial instrument amortisation		1	(1)
Net (Increase) or Decrease in the HRA Balance before Transfers to or from Reserves		1,231	(519)
Transfer to capital reserves		645	0
Transfers to or (from) the major repairs reserve	4	(1,314)	1,341
Transfer to earmarked reserves		131	0
(Increase) or Decrease in Year on the HRA		693	822
Housing Revenue Account Balance Carried Forward		(2,090)	(1,268)

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 2020	31 March 2021
Dwellings:		
Low and medium rise flats	594	593
Traditional houses and bungalows	1,381	1,385
Non-traditional houses and bungalows	331	328
Sheltered Units:		
Low and medium rise flats	174	175
Traditional houses and bungalows	111	110
Shared Equity Properties:		
Low and medium rise flats	5	5
Traditional houses and bungalows	36	36
Total HRA Housing Stock	2,632	2,632

NOTE 2 HRA ASSET VALUATION

	Operational Assets			Total £,000
	Dwellings	Other Land and Buildings	Plant and Equipment	
	£,000	£,000	£,000	
Gross Valuation at 31 March, 2020	273,522	3,867	858	278,247
Accumulated Depreciation and Impairment	(60,492)	(918)	(735)	(62,145)
Net Book Value at 31 March, 2020	213,029	2,950	124	216,102
Additions	5,166	-	0	5,166
Disposals	(132)	-	-	(132)
Revaluations	24,352	-	-	24,352
Assets reclassified (to) / from Held for Sale	(692)	-	-	(692)
Other movements	-	-	-	-
Depreciation	(4,008)	(305)	(19)	(4,332)
Impairments	(2,962)	-	-	(2,962)
Net Book Value at 31 March, 2021	234,753	2,645	104	237,502

NOTE 3 VACANT POSSESSION

The vacant possession value of dwellings within the Council's HRA as at 31 March 2021 was £726.6m and as at 31 March 2020 was £643.1m.

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 2019/20).

NOTE 4 MAJOR REPAIRS RESERVE

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

	2019/20 £,000	2020/21 £,000
Balance at 1st April	(2,227)	(1,558)
Charges for depreciation	(3,737)	(4,332)
Capital expenditure on land, houses and other property within the HRA	5,051	2,991
Transfers (to) or from major repairs reserve	1,315	(1,340)
Revenue contribution to capital expenditure	(645)	0
Balance at 31st March	(1,558)	(2,899)

NOTE 5 CAPITAL EXPENDITURE AND FUNDING

	2019/20 £,000	2020/21 £,000
Capital Expenditure within the Year:		
Capital expenditure on land, houses and other property within the HRA	10,576	4,422
Funded by:		
Major repairs reserve	(4,881)	(2,983)
Capital receipts reserve	(3,356)	(229)
S106 developer contributions	(450)	0
HRA revenue	(170)	0
HRA Borrowing	(1,719)	(1,210)
(Surplus) / Deficit	0	0

NOTE 6 CAPITAL RECEIPTS

	2019/20 £,000	2020/21 £,000
Disposal receipts for one dwellings (eight in 2019/20)	1,705	349

In 2020/21 one properties were purchased for £0.7m.
 (In 2019/20 four properties were purchased for £1.1m).

NOTE 7 DEPRECIATION

	2019/20 £,000	2020/21 £,000
Operational assets (property, plant and equipment)	24	19
Other, land and buildings	308	305
Council dwellings	3,404	4,008
	3,736	4,332

NOTE 8 IMPAIRMENT CHARGES

There have been £2.962m impairments on council dwellings available for letting and other non-current HRA Assets during 2020/21. (In 2019/20, there was £6.9m of impairments).

NOTE 9 CONTRIBUTIONS TO THE PENSION RESERVE

Pension costs of £205k (£176k in 2019/20) and interest of £124k (£151k in 2019/20) are included in the '(surplus) or deficit for the year on HRA services' section of the income and expenditure statement.

NOTE 10 RENT ARREARS

	2019/20 £,000	2020/21 £,000
Current Tenants	542	366
Former Tenants	244	444
	786	810

NOTE 11 IMPAIRMENT ALLOWANCE FOR BAD DEBTS

	2019/20	2020/21
	£,000	£,000
Balance at 1st April	683	683
Drawdown of provision in year	0	(127)
(Decrease) / Increase in Provision for the Year	0	150
	683	706

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 six properties classed as 'assets held for sale' in the Council's balance sheet at 31 March 2021 (no properties at 31 March 2020).

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.

	2019/20			2020/21		
	Business rates £,000	Council tax £,000	Total £,000	Business rates £,000	Council tax £,000	Total £,000
INCOME	(72,775)	(130,838)	(203,613)	(49,990)	(138,567)	(188,557)
Total income	(72,775)	(130,838)	(203,613)	(49,990)	(138,567)	(188,557)
EXPENDITURE						
Prescribed amounts						
Wokingham Borough Council	59,550	104,137	163,687	28,130	111,162	139,292
Payments to Government	18,371	-	18,371	36,130	0	36,130
Parish Councils	-	4,379	4,379	0	4,746	4,746
Police and Crime Commissioner for Thames Valley	-	14,476	14,476	0	15,580	15,580
Royal Berkshire Fire and Rescue Authority	787	4,651	5,438	649	4,870	5,519
Cost of collection	203	-	203	201	0	201
Bad and doubtful debts						
Provisions	330	288	618	2,805	451	3,47
Write offs	-	169	169	0	219	219
Provisions for appeals	1,098	-	1,098	1,822	0	1,822
Transfer of collection fund surplus	-	293	293	0	592	592
Total expenditure	80,339	128,393	208,732	69,737	137,620	207,357
Deficit/(surplus) for the year	7,564	(2,445)	5,119	19,747	(947)	18,800
Balance at 1 April	2,159	(4,312)	(2,153)	9,723	(6,757)	2,966
Opening Balance Adjustment	-	-	-	0	0	0
Adjusted Balance at 1 April	2,159	(4,312)	(2,153)	9,723	(6,757)	2,966
Balance at 31 March	9,723	(6,757)	2,966	29,470	(7,704)	21,766

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 2021 was £175,367,091 (at 31 March 2020 £178,789,531). The national non-domestic rate multiplier for 2020/21 was 51.2p (for 2019/20 50.4p).

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 2020/21 was 72,036.5 band D equivalent properties (70,176.6 in 2019/20). The tax base for 2020/21 was approved at an Extraordinary Council meeting on 23 January 2020 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 23 January 2020.

Band	2019/20			2020/21		
	Chargeable Dwellings	Ratio	Band D Equivalent Dwellings	Chargeable Dwellings	Ratio	Band D Equivalent Dwellings
A	1,566	6/9	1,044	1,578	6/9	1,052
B	3,044	7/9	2,367	3,122	7/9	2,428
C	9,386	8/9	8,343	9,768	8/9	8,682
D	17,480	1	17,480	18,012	1	18,012
E	14,544	11/9	17,776	14,872	11/9	18,177
F	9,661	13/9	13,955	9,872	13/9	14,260
G	6,057	15/9	10,094	6,174	15/9	10,290
H	474	18/9	948	489	18/9	978
Total			72,007			73,879
Net effect of premiums and discounts			(1,830)			(1,842)
Council Tax Base			70,177			72,037

NOTE 3 COLLECTION FUND (SURPLUS) / DEFICIT

	Council Tax	Business Rates	2019/20	Council Tax	Business Rates	2020/21
	£,000	£,000	£,000	£,000	£,000	£,000
Wokingham Borough Council	(5,707)	8,579	2,872	(6,538)	14,579	8,041
Central Government	-	1,047	1,047	0	14,596	14,596
Police and Crime Commissioner for Thames Valley	(799)	-	(799)	(902)	0	(902)
Royal Berkshire Fire Authority	(250)	97	(153)	(264)	295	31
Total	(6,757)	9,723	2,966	(7,704)	29,470	21,766

During 2020/21, as part of COVID measures introduced by the Government, the Council were required to increase the amount of reliefs given to businesses which had the effect of reducing the income received into the collection fund. Under the statutory accounting arrangements, the amount of income withdrawn from the collection fund is based on an estimated amount at the start of the year rather than actual income, the impact of the extra reliefs has therefore created a significant increase in the business rates deficit position. However, the Government have compensated the Council in full for the extra reliefs granted during COVID in the form of a grant. This grant does not form part of the collection fund and is held in earmarked reserves (WBC share) to offset the deficit above in 2022/23.

11. STATEMENT OF ACCOUNTING POLICIES

The Statement of Accounts summarises the Council's and Group transactions for the 2020/21 financial year and its position at 31 March 2021. 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) 2020/21 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 2020/21 (up to 31 March 2021) 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 reduced. The outturn for financial year 2020/21 showed a favourable variance to budget of £0.8m. For 2021/22, although the impact of COVID is present in areas such as car parking income, leisure services and temporary accommodation, the Council are forecasting a small adverse variance to budget of £0.5m as part of the quarter three revenue monitoring.

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 includes some budgeted transfers to earmarked reserves for key risk areas.

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 will be set for 2022/23. The budget setting process is complete with budget bids being presented to overview and scrutiny committee during November and December with the final budget presented to Council in February 2022. 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 2020/21 accounts - £12.0m
- General fund balance as at 31 March 2022 - £9.9m
- General fund balance as at 31 March 2023 - £8.2m

- General fund balance as at 31 March 2024 - £9.0m
- General fund balance as at 31 March 2025 - £9.0m

The Council had a cash balance of £58m at the end of January 2022, compared to the 31 March 2021 year-end figure of £61m. The figures previously mentioned include money market funds. The Council has a further £225m in short and long term non-property investments. Whilst there is uncertainty on income, the Council remains confident in its ability to maintain sufficient cash for its services throughout the medium term. A detailed assessment of the Councils ongoing cashflow has been undertaken upto 31 March 2024 with sufficient levels of cash reserves being available through this period. 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 impacting 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 2021/22 and the production of a balanced budget in 2022/23 which maintains a prudent level of general fund balances over the three-year projection of the Medium Term Financial Plan to be agreed at Council on 17 February 2022.

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, Mr C Hoggeth, the Council’s Head of Estates 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:-

- a) The Council has good title free from encumbrances;
- b) There are no hazardous substances or latent defects in the properties and there is no contamination present;
- c) The properties have permanent planning permission and any other necessary statutory consent for their current use;
- d) Plant and machinery is included in the valuation of the property, where applicable;
- e) No special circumstances beyond those likely to be considered by a prospective purchaser in the open market have been taken into account;
- f) No allowance has been made for any liability to taxation, which may arise on disposal, nor for costs of acquisition or realisation.
- g) All transactions agree with the Council’s de-minimis 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, Investment Properties and Economic Regeneration (PPE) assets which are reviewed on an annual basis as per the Code’s requirements. Additionally each year a basket of assets is also selected for valuation from sub-category’s not otherwise valued, to assess for material variances (should an asset sub-category be identified as requiring a change in value an indexation calculation is applied to all assets in the category).

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 (i.e. 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.

Curtailed 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.

Agenda Item 63.

TITLE	Annual Governance Statement 2020/21 - Update
FOR CONSIDERATION BY	Audit Committee on 30 March 2022
WARD	None Specific
LEAD OFFICER	Chief Executive - Susan Parsonage

OUTCOME / BENEFITS TO THE COMMUNITY

Provides assurance on the Council's governance arrangements including any areas where improvement is required.

RECOMMENDATION

To note the update on the improvement actions arising from the 2020/21 Annual Governance Statement.

SUMMARY OF REPORT

At its meeting of 2 June 2021, the Audit Committee recommended the signing of the 2020/21 Annual Governance Statement (as part of the 2020/21 Statement of Accounts) and asked that update reports be provided to the Audit Committee summarising progress in achieving the governance action plan on those areas identified as requiring action.

The AGS identified nine improvement actions to the Council's governance arrangements. This update shows that eight of the nine improvement actions have been completed. The improvement actions focused on HR are ongoing and, although there is still much work to do, considerable progress has been made in this area over the past year. Further progress and actions will be monitored and addressed through the 2021/22 Annual Governance Statement improvement plan.

Background

1. The annual review of the council's governance framework is required under the Accounts and Audit Regulations 2015 which state that "A relevant authority must ensure that it has a sound system of internal control" (Regulation 3) and "each financial year conduct a review of the effectiveness of the system of internal control and prepare an annual governance statement" (Regulation 10).
2. The AGS is required to demonstrate that systems and processes are in place to ensure that council business is conducted lawfully and in accordance with proper standards and to identify areas where compliance could be improved.
3. The 2020/21 AGS was produced by the Corporate Leadership Team (CLT) in May 2021 and agreed at Audit Committee on 2 June 2021 prior to inclusion with the 2020/21 Statement of Accounts.

Analysis of Issues

4. The AGS included nine improvement actions (which also included the additional action of the function of the Audit Committee called for at the 2 June 2021 meeting of the Committee). The action plan is presented at appendix 1 which shows that seven of the eight improvement actions have been closed during 2021/22.
5. With regards to the Human Resources (HR) actions, although there is still much work to do, considerable progress has been made in this area over the past year as part of the HR Improvement Plan which is a significant organisational-wide priority. This includes the formulation and implementation of a new HR target operating model designed to shore up our HR practices and enhance our approach, particularly with regards to organisational development and organisational intelligence. Recruitment to the new model is underway and includes additional capacity to deliver on its objectives, already secured in the MTFP process. Furthermore, considerable work has been progressed on designing our workforce and our working environment of the future under the 'Workplace Reimagined' project. This will include the HR IT investment needed to achieve enhanced Council wide monitoring whilst embracing new hybrid ways of working.

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)	£0	Yes	Revenue

Next Financial Year (Year 2)	£0	Yes	Revenue
Following Financial Year (Year 3)	£0	Yes	Revenue

Other financial information relevant to the Recommendation/Decision
Good governance leads to good management, good performance and good stewardship of public money, good public engagement and ultimately good outcomes for residents and service users. However, there are costs associated with embedding and continuing good governance practices, and as the Council's organisational structures develop, the costs associated with governance need to be monitored to ensure they remain proportionate.

Cross-Council Implications
Achieving good governance impacts all aspects of the Council's services.

Public Sector Equality Duty
The Equality Act 2010 places a statutory duty on the council to ensure that when considering any new or reviewed strategy, policy, plan, project, service or procedure the impacts on particular groups, including those within the workforce and customer/public groups, have been considered. This report is a non decision-making report providing an overview of the Council's Governance arrangements.

Climate Emergency – <i>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</i>
This is an update report which has no direct implications to the Council priority of climate emergency.

Reasons for considering the report in Part 2
Not applicable.

List of Background Papers
CIPFA/SOLACE Delivering Good Governance in Local Government – Framework Annual Governance Statement 2020/21

Contact Andrew Moulton	Service Governance
Telephone No Tel: 07747 777298	Email andrew.moulton@wokingham.gov.uk

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	Area for Improvement	Action(s)	Owner	Timescale	Improvement Outcome	Update
1	Corporate Risks	<ul style="list-style-type: none"> Corporate Risk Register (CRR) monitored through CLT and Audit Committee 	As per CRR	Ongoing	Mitigation of key risks	Review of risk mitigations have been strengthened. Risk management group in place to improve holistic risk identification. Risk management improvement action plan being formulated. Audit Committee effectiveness self-assessment completed. Closed
2	Standards Committee Composition	<ul style="list-style-type: none"> Annual Council approved appointments 	Andrew Moulton	30/5/21	Compliance with Council Constitution	21/22 Standards Committee Membership aligns with Constitution. Closed.
3	Member Code of Conduct Complaints process	<ul style="list-style-type: none"> Re-organisation of resources to ensure complaints dealt with a 	Andrew Moulton	30/9/21	Compliance with Council Constitution	Andrew Moulton Closed
4	Statement of Accounts	<ul style="list-style-type: none"> Liaison with RBWM with regards production and audit of pension fund 	Graham Ebers	Ongoing	Compliance with publication dates of statutory accounts.	Graham Cable Closed
5	Procurement	<ul style="list-style-type: none"> Procurement Strategy approved by Executive with associated action plan. 	Graham Ebers	31/7/21 (for Strategy)	Effective and efficient procurement Practices	Graham Cable Closed
6	Rent Standard Compliance	<ul style="list-style-type: none"> WBC Policy in place on compliance to rent standards 	Steve Moore	30/9/21	Compliance with rent standards	Simon Price Closed
7	HR Policies (part of org-Wide HR Improvement Programme)	<ul style="list-style-type: none"> Policies to be updated including pay policy, market supplement as part of wider programme that has introduced new 	Susan Parsonage	2022/23	Compliance with policies.	Christine Bennett Ongoing

		operating model for HR and increased HR capacity.				
8	Equalities Plan Implementing and embedding the key actions flowing from the Equalities Plan agreed by Council in March 2021.	Implement action plan through cross-Council programme plan.	Susan Parsonage	Ongoing through 21/22.	Positive impact on residents and staff through the embedding of the Equalities Plan.	Sally Watkins Closed
9	Audit Committee	Review effectiveness of audit committee using CIPFA “best practice.”	Andrew Moulton	30/9/21	September 2021 Audit Committee considered results of self-assessment and agreed action plan to improve functioning of the Committee.	Andrew Moulton Closed

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TITLE	Corporate Plan - Annual Review
FOR CONSIDERATION BY	Audit Committee on 30 March 2022
WARD	None Specific
LEAD OFFICER	Graham Ebers – Deputy Chief Executive Officer

OUTCOME / BENEFITS TO THE COMMUNITY

This report demonstrates the Council's delivery against its strategic priorities which are set out in the Corporate Delivery Plan. These are:

- Safe, Strong Communities
- Enriching Lives
- Right Homes, Right Place
- Keeping the Borough Moving
- A Clean Green Borough
- Changing the Way We Work for You and Be the Best We Can Be

RECOMMENDATION

The Committee is asked to note the activity and output from the Council over the last year.

SUMMARY OF REPORT

This report is to allow the Audit Committee to note how the Council has delivered against the objectives set out in the Corporate Delivery Plan. It should be viewed in tandem with the Statement of Accounts which is published alongside this report and gives the financial context of the performance of the Council against its aims.

February 2020, we set out our vision of Wokingham Borough as "A great place to live, learn, work and grow and a great place to do business". Later that same month, the first case of Covid-19 was reported in the borough signalling the start of the most challenging 12 months we have faced as a local authority. Our vision is underpinned by our strategic priorities. There are five outward focused priorities:

- Safe, Strong Communities
- Enriching Lives
- Right Homes, Right Place
- Keeping the Borough Moving
- A Clean Green Borough

Additionally, there are two inward focused enablers:

- Being the best we can be
- Changing the way we work for you

These set our ambition to continuously improve, whilst effectively and proactively meeting the needs of our communities. This Annual Review sets out how we have risen to the challenge of Covid-19 and how we have made progress towards these priorities during 2020/21. It documents our achievement in the face of adversity.

The report can be found attached in appendix A

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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)	Nil	N/A	N/A
Next Financial Year (Year 2)	Nil	N/A	N/A
Following Financial Year (Year 3)	Nil	N/A	N/A

Other financial information relevant to the Recommendation/Decision
N/A

Cross-Council Implications

Public Sector Equality Duty
Please confirm that due regard to the Public Sector Equality Duty has been taken and if an equalities assessment has been completed or explain why an equalities assessment is not required.

Reasons for considering the report in Part 2
N/A

List of Background Papers
N/A

Contact Louise Griffin, Will Roper	Service Digital and Design
Telephone No Tel: 07802717583,	Email louise.griffin@wokingham.gov.uk, will.roper@wokingham.gov.uk



WOKINGHAM
BOROUGH COUNCIL

**CORPORATE PLAN:
ANNUAL REVIEW
2020/2021**

**ACHIEVEMENT IN THE
FACE OF ADVERSITY**





SECTION 1: INTRODUCTION:

In February 2020, we set out our vision of Wokingham Borough as "A great place to live, learn, work and grow and a great place to do business". Later that same month, the first case of Covid-19 was reported in the borough signalling the start of the most challenging 12 months we have faced as a local authority.

Our vision is underpinned by our strategic priorities.

There are five outward focused priorities:

- Safe, Strong Communities
- Enriching Lives
- Right Homes, Right Place
- Keeping the Borough Moving
- A Clean Green Borough

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- Changing the way we work for you

These set our ambition to continuously improve, whilst effectively and proactively meeting the needs of our communities.

This Annual Review sets out how we have risen to the challenge of Covid-19 and how we have made progress towards these priorities during 2020/21. It documents our achievement in the face of adversity.

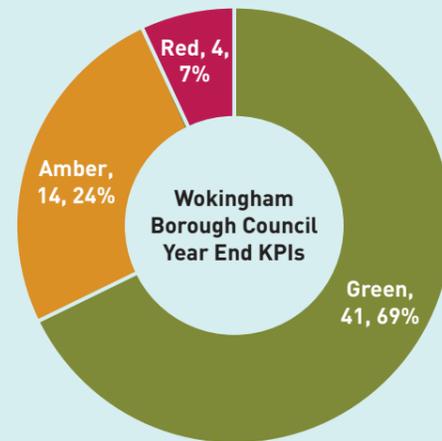
Summary of Operational Performance Indicators

Our key performance indicators (KPIs) show how we are performing against our priorities and statutory obligations. We have 59 KPIs, of which 55 were above or near target for the year 2020/21 despite the impact of Covid-19.

The 4 red results all had significant impact from Covid-19:

- Leisure Centre visitor numbers
- Leisure Centre participation
- Library visits
- People with long term care receiving a review

The first three of these were impacted through closure of the services.



SECTION 2: COVID-19 RESPONSE:

Through the spring and early summer of 2020, the need to respond to Covid-19 was almost all-encompassing for us and it continued to be a key area of focus throughout 2020/21, in particular in Adult Social Care.

- Adults Social Care along with 153 redeployed staff carried out 20,000 welfare checks to the vulnerable. Additionally, made 2,400 calls to adults known to social care were made and 500 calls to carers
- More 400,000 pieces of PPE distributed to frontline carers
- Care Home Taskforce created to rapidly put in place a cohesive protocol that could be immediately implemented to ensure providers were effectively supported to mitigate the risks of COVID. This ensured providers were well supported and enabled enduring relationships and partnerships to develop. This also enabled statutory oversight into care settings to be maintained

- The Public Health Team provide consistent Public Health and Health Protection data and advice to elected members, corporate leadership and the COVID Taskforce to ensure agile responses across the pandemic underpinned by evidence, national guidance and based on Public Health expertise
- Provided leadership in the management of outbreaks in high-risk settings across communities within the Borough
- Supported local children with free school meal provision during lockdown and over the school holiday periods
- 400 more people than the previous year were discharged from hospital back into the borough
- Voluntary and Community Sector action group was created to support the COVID response, in particular the development of the One Front Door initiative, access to prescriptions, social isolation and creation of the Food Hub - 5,000 food deliveries to 1,500 residents and more than 900 prescriptions delivered during the first lockdown





SECTION 3: SOUND FINANCES TO UNDERPIN ALL COUNCIL ACTIVITY:

- £53 million in support to local business through 1,147 separate grants worth £33 million and reliefs and discounts of £20 million
- 4,800 engagements with businesses through the Public Protection Partnership and COVID Marshall to businesses across the borough
- Provided accurate and timely information to residents with health advice, Government guidance and regulations, sign-posting to support and service update via Covid-19 e-newsletters with more than 40,000 subscriptions
- More than 500 volunteers worked at our vaccination clinics and 200 signed up to help at our rapid testing centres
- Public Health Co-leadership in the set up and running of the COVID data cell to ensure a data driven response considering the data and evidence to keep all communities within the Borough safe
- Test and trace - 1,292 calls made to residents who were self-isolating. 220 of these have been referred to One Front Door for additional support
- More than £360,000 paid out in the Covid Winter Grant Scheme
- Worked continuously with partners in the set up and ongoing planning and implementation of the COVID vaccination delivery programme for the protection of the health of our residents.
- Sourced emergency accommodation for care workers coming into the Borough to assist in our care homes
- Seamless move to almost all colleague working from home allowed for almost all services to continue uninterrupted
- Looked ahead by building a robust Recovery Strategy that will allow the community and local businesses to thrive.
- Retained face-to-face visits to the most vulnerable children and families, keeping them safe in unprecedented circumstances. This dual task was addressed through swift assessment and prioritisation of children and young people for retention of face-to-face visits, use of strict PPE and safety protocols, and introducing virtual visiting across the broad range of support activity. In 20/21 over 95% of visits to children subject to Child Protection Plans were conducted face-to-face, amounting to over 4000 visits.
- Enhanced support to schools to promote safe and effective learning. The Council provided a daily email update to all headteachers informing them of Department of Education guidance and legislative changes that affect schools in relation to COVID, weekly virtual drop in's for senior school leaders that have been well attended; weekly thematic sessions for teaching staff to support COVID related responses in schools; guidance in relation to accessing technology for pupils to support their remote learning, through periods of lockdown or bubble closure; support for Lateral Flow Testing arrangements and contact tracing (including outbreak management support); and celebrating the achievements of pupils, students and teachers who have worked tirelessly throughout these challenging times.
- During the early phase of Lockdown, our GP and Voluntary Sector Partners noted that people in the Borough were finding managing their mental health challenging. In response, a health and social care system wide Mental Health Training session was implemented
- Produced a library of free online workout videos for residents to help people stay healthy in lockdown

Following the start of the COVID pandemic, we 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 finance team prioritised the monitoring of the financial impact, working closely with all services to understand the implications. This was a complex task.

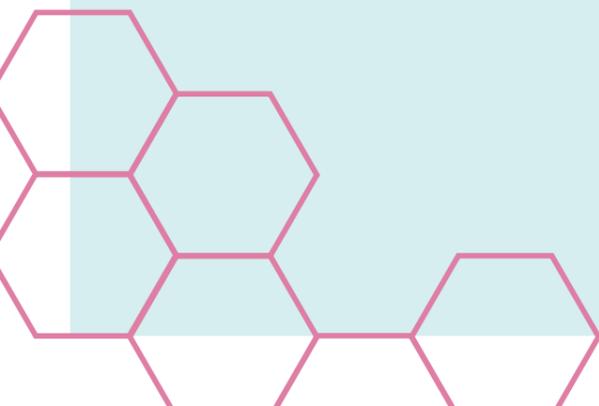
Where known, implications were considered as part of budget setting for the 21/22 financial year and will also be considered in future budget setting rounds.

Despite the impact of COVID the Council was able to deliver on its savings targets. A revenue budget of £143.5m (£129.7m expenditure plus £13.8m depreciation) was approved at its meeting on 20 February 2020. The actual spend for 2020/21 was £0.8m favourable variance to budget.

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 £123.5m (2019/20 £171.3m) as set out in report to the Council's Executive on 24 June 2021. Occupation levels in the Wokingham Town Centre Redevelopment site has remained on target with no losses of tenancy.

We adopted a sympathetic approach to the collection of both Council Tax and Business Rates through the pandemic that balanced the need to protect income streams against the pressures felt by residents and businesses. Collection of both of taxes has remained high, at similar levels to the year before, at a 99% collection rate with support mechanisms in place to implement government schemes for those in hardship.

For full details of the Council's financial performance please see the End of Year Statement of Accounts.





SECTION 4: DELIVERING ON OUR PRIORITIES



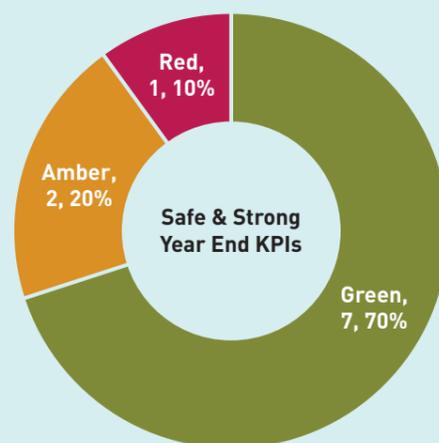
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SAFE, STRONG COMMUNITIES

Strong performance is shown in the KPIs set against this focus area, with nine out of ten KPIs on or near target. The single red KPI is as "Proportion of people receiving long term care who were subject to a review in the last 12 months" and this was due to a change of focus during COVID which has had an impact in the last quarter of the municipal year.



Formed the Adult Safeguarding Hub to improve the safety of vulnerable adults:

Adults Social Care maintained an average of 87% of safe guarding concerns raised having decisions assigned in 48hrs despite the number of safe guarding concerns increasing by 37.5% compared to the previous year.

Delivered core Adult Social Care responsibilities:

Adult Social Care managed 25% more demand, an increase of 1,193 contacts, whilst improving performance. Implemented a new way of working called the Strengths Based Approach. All staff have received training in an approach which enables them to spend more time with our customers to identify what is important to the person, to build on their own strengths and support networks, and to utilise the wealth of voluntary services available in the community. The emphasis of this approach is about positive outcomes for our residents.

Local Action Groups:

The Public Health team has facilitated the setting up and ongoing co-chairing of these groups to engage key partners and bring them together to deliver against health and wellbeing priorities.

Substance misuse provision:

Recommissioned a specialist substance misuse provision for local residents, including securing additional funding through successful bids.

Adult Healthy Weight Management programme and Active Movement Programme:

These two programmes have been recommissioned for schools, with national funding secured for additional local provision.

High Quality Care:

The borough has 52 care homes and 44 registered home care providers. These providers deliver a high level of quality and 100% of our nursing home providers were rated as either good or outstanding in their most recent Care Quality Commission inspections. 95% of residential care and 85% of home care providers are rated as either good or outstanding.

Adopted an Adult Social Care Strategy:

The strategy has four priorities

- Prevent, reduce and delay the need for formal care and support
- Keeping people safe
- Involve people in their care and support
- Work in partnership and commission services that deliver quality and value for money

Adopted our Learning Disability Strategy:

This aims to:

- Provide more social activities and social interactions for learning disability clients
- Improve housing for learning disability clients to maximise their independence
- Create a dedicated learning disability team within the Adults Social Care structure
- Create a transitions service that can help learning disability clients transition into adulthood safely.
- Improve partnerships with Health to ensure better health outcome for learning disability clients
- Support carers who care for learning disability clients

KEY ACHIEVEMENTS:

Launched 'Kooth' to provide online mental health support for young people:

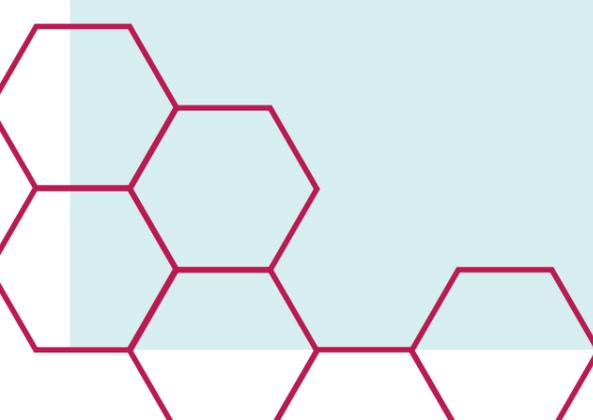
Kooth provides young people a safe and secure means of accessing support from a professional team of qualified counsellors, therapists and support workers. In the first nine months, the 1,295 young people in the region registered for Kooth logging in approximately 10,000 times. 97.8% of children and young people would recommend Kooth to a friend. 92% found it what they were looking for.

Increased spending to domestic abuse support:

Awarded the £1.5million contract to provide domestic abuse to Cranstoun. Additional funding was included to manage the increased demand for services.

Mental health support:

Launched 18-month pilot service with Berkshire Community Foundation and Oxfordshire MIND to help people suffering problems such as anxiety, isolation and stress.





SECTION 4: DELIVERING ON OUR PRIORITIES



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SAFE, STRONG COMMUNITIES

Adopted our Voluntary Sector Strategy:

This aims to prevent, reduce and delay the need for formal care and support by providing information, advice and the right support at the right time so people can remain independent for longer. In the last municipal year it has:

- Created a VCS action group & Wokingham Borough Community Response. Delivering welfare checks in partnership with the Link Visiting Scheme
- Established the VCS Partnership Board
- Delivered improvements through the MIND mental health service
- Retendered VCS including a service gap analysis to ensure the services the Council commissions meets the needs of residents.

Provided more specialist accommodation:

A programme launched to source specialist accommodation for people with Learning and/or Physical Disabilities or Mental Health needs. Working with Place Commissioning, Housing Services and providers to match people with suitable properties to meet their needs. This has delivered:

- A Specialist bungalow built and now occupied
- Identified 10 schemes that will provide specialist accommodation for 45 people with complex needs over the next 2 years

Home for Hospital:

Worked with health and other key partners to ensure that residents can be discharged from hospital into the right setting as quickly and safely as possible. This approach resulted in 400 more people discharged back into the borough compared to the previous year. The Council now has:

- Robust system wide governance and performance monitoring in place
- Implementation of the Rapid Community Discharge Team
- Launched an additional service run by AGE UK, a voluntary sector partner, on behalf of the Wokingham Integrated Partnership. As Winter Pressure on the Hospital increased, alongside the pressures of COVID, the partnership sought support to safely discharge people without a care need into their homes. AGE UK supported with ensuring the person returned home safely, had the heating on, had shopping in the cupboards and medication all ready. They also then contacted the person for several weeks after the discharge. Over 150 people have been supported since April, with 464 referrals to 35 organisation made.

Optalis – Council owned company providing direct care:

Optalis has continued to provide high levels of good quality support. This is supported by effective quality assurance and governance systems, resulting in 'GOOD' Care Quality Commission ratings. Supported employment service has remained no.1 in the South East for two years running and no.3 in the UK for Learning Disabilities employment outcomes

Mental Health Support Teams in schools:

As part of the National Pilot, the programme has supported 205 children across 12 schools in providing immediate mental health and emotional wellbeing support. It is anticipated that following the National Pilot, MHST's will be rolled out to all schools.

Domestic Abuse:

Domestic abuse is a high priority for the Council as we recognise the significant impact living with domestic abuse has on individuals, families and the whole community.

A report commissioned on our response led to the appointment of a Domestic Abuse coordinator in November 2020 and the decision to substantially increase our investment in the commissioning of specialist support services.

A review of the training offer on domestic abuse was undertaken with refreshed e-learning packages and virtual training sessions delivered to increase understanding of the unique ways in which domestic abuse affects individuals and their children.

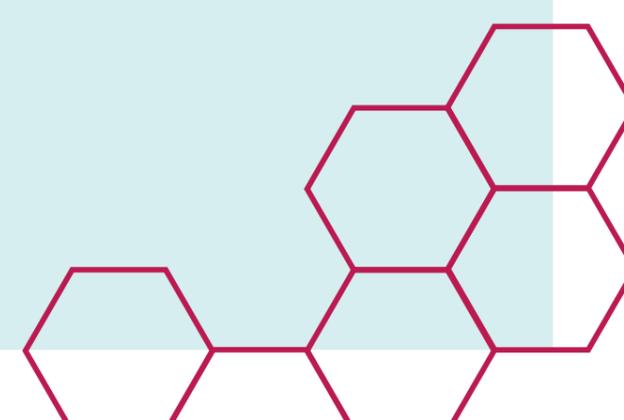
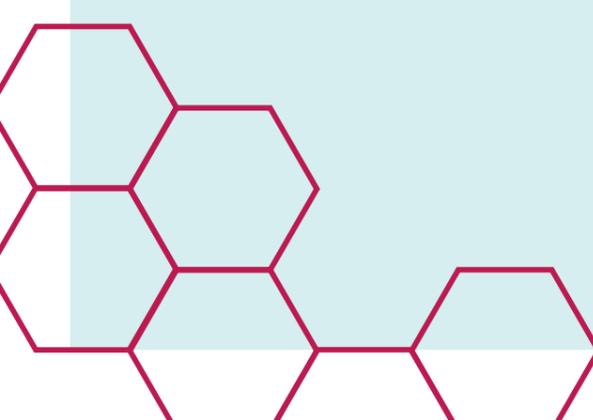
A new Partnership Board was formed to deliver expected new statutory duties linked to the Domestic Abuse Act 2021 and prepare for in depth analysis of how domestic abuse is affecting residents across Wokingham borough. To support our wider response, we also created a new Networking Group to bring together the over 40 agencies working in Wokingham borough who can make a real difference to the lives of the over 2000 residents who reported domestic abuse in this year.

Public Protection Partnership:

In March 2021, the council took the decision to withdraw from the Public Protection Partnership so it can better focus on the real issues affecting residents' quality of life.

Dealing with many environmental health issues such as low-level nuisances and anti-social behaviour including noise and illegal bonfires had been the responsibility of the Public Protection Partnership (PPP) with West Berkshire and Bracknell Forest councils.

But from April 2022, most services previously provided by the PPP will be provided by a new Wokingham Borough Council team that will focus on residents' priorities and improve responsiveness to address local issues. The new enforcement and safety service will include anti-social behaviour, animal wardens, health and safety, food hygiene, and licensing and will be designed to respond swiftly to concerns whenever and wherever they occur.





SECTION 4: DELIVERING ON OUR PRIORITIES



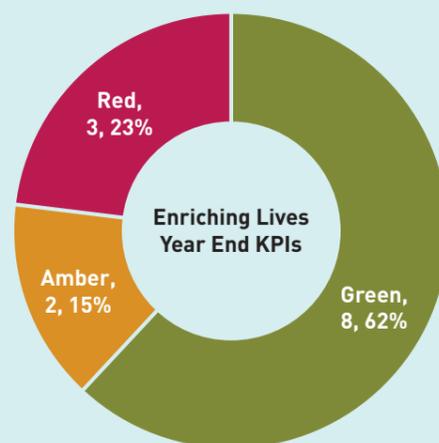
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ENRICHING LIVES

Ten of the 13 KPIs in this area are on or near target. The three that are not are a direct result of as a direct result of national restrictions caused by lockdown: usage of leisure centres, participation in leisure centre activities and number of visits to libraries.



Award for Addington expansion project:

The £4.4million expansion and new sixth form, which is allowing 50 more students with SEND to attend the school, won an Education Business Award in November 2020.

Alder Grove Church of England Primary School in Shinfield West:

The state-of-the-art school was built as part of the Shinfield West development and will grow to become a 420-place free school for pupils aged 4 to 11, with a 26 place nursery class. It opened in September 2020

California Country Park destination play area:

Work started in October 2020 on the new play area that includes new equipment, an inclusive sensory and water play area, a new woodland adventure trail and tree houses.

Dinton Activity Centre:

Work got underway in October 2020 on the £2.4million new centre that is the borough's first net zero carbon building project.

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KEY ACHIEVEMENTS:

Rebuilt Bulmershe Leisure Centre:

Opened ahead of schedule in April 2020, the £14.5million centre includes a six-lane 25-metre swimming pool, a teaching pool with movable floor, a bigger gym plus a 'live well' (long-term condition) gym, a four-court sports hall, and an additional studio and café.

Carnival Hub:

Work started on the multi-million pound Carnival Hub, the last phase of our Wokingham town centre regeneration, this new centre will become the local destination for culture, sport and leisure and will feature two swimming pools (a six-lane 25m pool and teaching pool with moveable depth floor and splash pad); a larger fitness suite and specialist group cycling studio; two large studios; a four-court sports hall; a health and wellbeing centre; larger café; and space for children's parties. There will also be a large library including space for events and activities, a lending library, fun children's zone and space for exhibitions.





SECTION 4: DELIVERING ON OUR PRIORITIES



ENRICHING LIVES

Improvements to Foundry College:

More space was created at the school in Budes Gardens thanks to the £1.7million project, with work completed to modify buildings, relocate the temporary classrooms and landscape around the school site. Foundry College was created in September 2011, and it provides education and support to pupils who have been permanently excluded or are at risk of permanent exclusion, as well as those with medical needs who cannot attend school regularly. It has 47 students who are educated there full time.

Kickstart scheme launched:

The scheme provides job opportunities for young people who are currently on Universal Credit and are at risk of long-term unemployment. Each job placement is completely new, lasting for six months and helping young people to build their confidence and experience in the workplace; all while earning a regular wage for up to 25 hours per week.

Stabilised the children’s social work workforce:

with recruitment of more permanent staff and a significantly reduced reliance on interim workers. Despite a national shortage of social workers, the proportion of interim social workers reduced this year from 37% to 30% and is projected to be 23% by September 2021

Deployed a new Compass Team which is achieving positive outcomes:

Since inception the compass team has successfully worked with 21 young people to reduce their risk of coming into care or placement breakdown. The team continues to work intensively with many more young people to address often complex issues.

Improved services for children and young people with SEND:

An Ofsted and Care Quality Commission revisit in early 2021 found that the Council have made sufficient progress in 5 of 6 areas, with a short Accelerated Progress Plan in place for the final area. The timeliness and quality of Education, Health and Care Plans has improved. It is now one of the strongest performing in the South East and higher than national average performance (86% EHCP’s completed within 20 weeks of referral as at Q1 2021/22). The Council has commenced a new SEND Innovation and Improvement Programme that will take on the lead from the SEND Improvement Board.

Expanded Virtual School supporting Children in Care to include children aged 0-25:

The Council now support looked after children as they start school and continue to provide support for learners beyond their formal post 16 further education and into higher education. In addition, a new Assistant Head of the Virtual School has been appointed to support the response to the newly expanded duties to champion the educational outcomes of all children and young people who have, or have had, a social worker. It is anticipated that this will close the gap on outcomes between children with a social worker and their peers.

Local Action Groups:

The Public Health team has facilitated the setting up and ongoing co-chairing of these groups to engage key partners and bring them together to deliver against health and wellbeing priorities

Substance misuse provision:

Recommissioned a specialist substance misuse provision for local residents, including securing additional funding through successful bids

Adult Healthy Weight Management programme and Active Movement Programme:

These two programmes have been recommissioned for schools, with national funding secured for additional local provision

Promoting Equality, Diversity and Inclusion:

We’ve adopted a four year plan to take forward the wider equality agenda and tackle inequality in the borough this is aligned to the equality framework for local government, supporting progress towards the “achieving” level. The delivery of the action plan will allow the Council to:

- Listen to and learn from our communities and use this to deliver services that work well for everyone
- Act on our commitments to equality, diversity and inclusion in the way we plan, deliver and shape our services
- Build a diverse and engaged workforce, where everyone is respected

Tackling social isolation through technology:

The Project ‘Joy’ app helps tackle social isolation by enabling individuals to access activities and it also enables referrals from a range of voluntary sector partners and adult social care.

Art and culture:

A new ten year strategy was approved in March with the focus of developing the quality and appeal of the cultural ‘offer’ across the borough. Launched the Wocca app to provide a one-stop real time guide to cultural events happening across the borough with a steady increase in take-up.





SECTION 4: DELIVERING ON OUR PRIORITIES



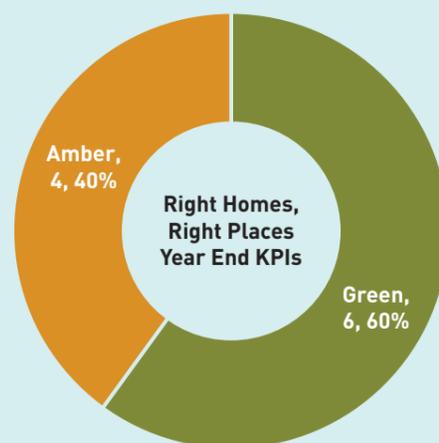
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RIGHT HOMES, RIGHT PLACES

All KPIs in this area were on or close to target. The amber KPIs are associated with the longer term planning: "New Home Survey", "Local Plan Update", "5 Year Housing Supply" and "Housing 1-4-5 Challenge". Even with these 4 amber KPIs the performance has been strong in this area.



The Central and East Berkshire Joint Minerals and Waste Local Plan:

The plan has been progressed with the publication consultation undertaken and subsequent submission of the plan to government for examination

South Wokingham major development:

Planning consent for 1,850 homes and accompanying facilities and infrastructure

Primary school building in Arborfield Green:

Progress on the new Farley Hill Primary. Hundreds of young people will be able to make the most of the new facilities, with space to expand for more than 600 pupils as and when it is needed.

Matthews Green Primary School:

construction progressing be ready for a potential opening in September 2022.

Work started on new community centre for Shinfield:

The community centre (a joint project with the parish council) is part of the Shinfield Parish major development which includes new homes and a district centre in Shinfield Village with a supermarket and other shops, as well as a neighbourhood centre in Spencers Wood. There are also two new primary schools, new playing fields and open spaces.

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KEY ACHIEVEMENTS:

Progress on the Local Plan Update:

Preparing a new Local Plan for the borough, including a revised strategy for consultation in autumn 2021, following the deliverability issues with the Grazeley garden town proposal which was a central plank of the Draft Local Plan consulted on in 2020:

- High level summary of responses to Draft Local Plan (2020) consultation published.
- Master planning work commissioned following cross party agreement.
- Technical evidence commissioned.
- New Local Development Scheme adopted in July 2021 outlining the revised programme, with commitment regarding the Local Plan Update to undertake a public consultation on a revised strategy in autumn 2021 and publication consultation of the full plan in summer 2022, with examination and adoption by the end of 2023.





SECTION 4: DELIVERING ON OUR PRIORITIES



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RIGHT HOMES, RIGHT PLACES

Wokingham Town Centre Regeneration:

The town centre regeneration continued to buck the national trend by attracting new businesses. 90% of council-owned regeneration units were occupied at the end of 2020/21, equating to approximately £2 million of committed income from Peach Place and Elms Field.

Homes and SEND school planned for Winnersh Farm:

Public engagement began on proposals to build a new SEND school alongside housing at Winnersh Farm

Housing Strategy 2020-24:

The strategy has an emphasis on COVID recovery, and assessing and addressing impacts. So far it has delivered:

- 187 affordable homes in 2020/21
- 61 houses in the 2nd year of the 1-4-5 programme with a further 139 units currently on site and an additional 890 units being progressed
- Completion of Gorrick Square scheme for learning disabled clients, with further specialist schemes currently being developed
- Over £1m funding secured to develop offer for rough sleepers
- Delivered an 18 unit key worker housing scheme in Wokingham

Gorse Ride redevelopment:

The regeneration is taking place in phases, progress in 2020/21:

- Phase One completion of the 10 houses for social rent and sale. These have been key for the relocation of residents living in following phases of the regeneration of the entire site
- Phase Two in preparation for future work, the Council relocated 11 Council tenants during the year and purchased two additional privately owned properties. Leaving 18 left to purchase across the site.

The Courts, Winnersh:

Demolished 75 garages in the Courts area of Winnersh and provided much needed car parking for the area.

Housing compliance:

Initiated after the social housing white paper was published, this project aims to monitor and ensure compliance within the council's housing service. As a result:

- Gas safety is at 100% compliance
- Reports were created highlighting impacts of the Social Housing White Paper. These were presented to the Tenant and Landlord Improvement Panel

Housing Ombudsman Complaints Code:

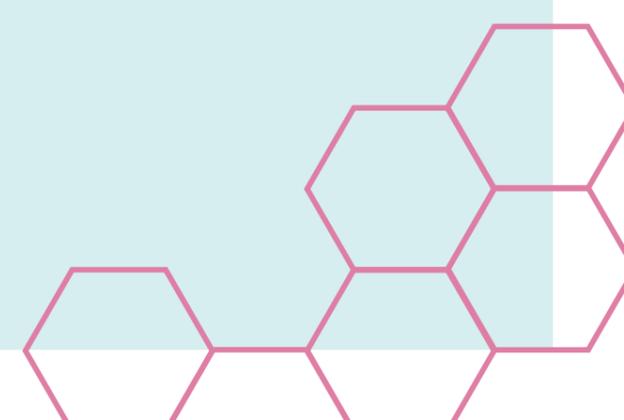
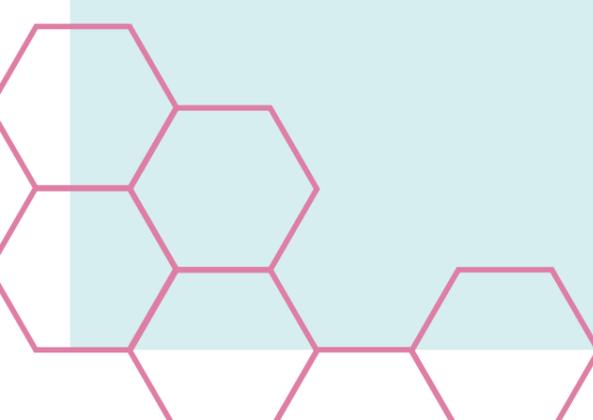
In 2020 the Housing Ombudsman launched the complaints code and linked new powers of determination along with closer relationship working with the Housing Regulator. Every Local Authority and Housing Association were asked to complete the self-assessment of their current complaints policy and procedures with a deadline of completion and publishing by the 31st December 2020.

- Self-assessment completed and published by 31st December 2020. A follow up one was completed recently and also published to ensure transparency.
- Full consultation completed on new proposed complaints policy with Involved Tenants and open to wider tenant base via website
- An Involved Tenant successfully applied and gained a place on the Housing Ombudsman resident panel.
- Staff and Involved Tenants attended Housing Ombudsman webinars on the new complaints code to ensure compliance

Housing First:

A government funded project to buy four self-contained properties for the borough's most entrenched rough sleepers, providing intense one to one support to enable tenants to sustain tenancies and make improvements in all areas of their lives as a result we have:

- Completed on 4 properties to meet their specific needs
- Commissioned support in place and actively supporting 5 residents who have been identified as potential Housing First tenants





SECTION 4: DELIVERING ON OUR PRIORITIES



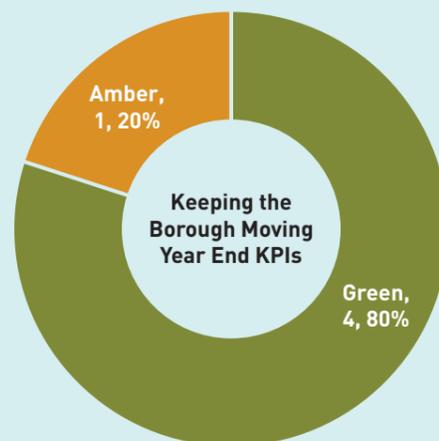
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KEEPING THE BOROUGH MOVING

During the COVID pandemic, the decrease in traffic levels combined with the proactive approach to address structural maintenance and improvements to the road network, detailed in the programmes below had a positive impact on these KPIs.



- Developed an Intelligent Transport Systems strategy including rolling out Smarter traffic signals that combined with CCTV cameras helping to respond to traffic demands throughout the day improving journey times

Greenways project: Ongoing project to create a network of generally traffic free routes connecting the new major developments to each other and to the existing communities and places of interest and employment. Progress through 2020/21 included:

- Completion of California Way
- Construction started on Cantley Park to Woosehill Greenway
- Consultation on Woosehill Meadow Greenway

Major new roads:

The £100million investment in new roads continued to deliver improvement with Observer Way (the Arborfield Cross Relief Road) opened, construction of the Winnersh Relief Road and North Wokingham Distributor Roads and the Eastern Gateway of the South Wokingham Distributor Road continuing.

My Journey:

A borough-wide active and sustainable travel behaviour change campaign that aims to help and inspire residents, employees and visitors to walk, scoot, cycle or use public transport. This year it has:

- Won the Bikeability Authority of the Year award
- Moved many of the borough's school-based programme online in response to lockdown
- Made bikes available to key workers

Local cycling and walking infrastructure plan:

Consulted residents and businesses on how we can encourage more walking and cycling throughout the borough.

Active Travel:

We continue to invest in cycling infrastructure with more than £6million spent since 2014. In 2020/21 we:

- Finished the London Road cycle scheme, which completing the borough's elements of the national cycle route 422 linking Newbury, Reading, Wokingham, Bracknell and Ascot on one single cycle route.
- Successfully bid for both the Emergency Active Travel Fund and implemented temporary social distancing measures in the Borough's town centres
- Successfully bid for Tranche 2 of Active Travel Fund and identified suitable schemes for initial consultation. Securing £650,000 from the ATF this year

KEY ACHIEVEMENTS:

Community Transport Programme:

This has successfully implemented a new structure for the Community Transport delivery model and supporting policies to minimise cost and ensure quality in the provision of needs-based transport for children and vulnerable adults. As a result the Council has:

- Established a new Community Transport Unit
- Strengthening stakeholder engagement and relationship in SEND and co-production of the Home to School Transport Policy
- Improved outcomes for Children and Young people with SEND

Structural Maintenance Programme:

Invested £8million in improving the borough's roads - double the investment compared to previous years. We used the reduction in road use during lockdowns to undertake improvement works completed on borough's key commuting routes

Congestion Project:

A £20million project to reduce congestion in the borough. So far it has:

- Completed construction of Thames Valley Park Park & Ride and secured planning permission for both Winnersh and Coppid Beech Park & Rides. Reducing congestion on the borough's key transport routes, improving key public transport infrastructure and helping to reduce the borough's carbon emissions
- Upgraded streetworks technology



SECTION 4: DELIVERING ON OUR PRIORITIES



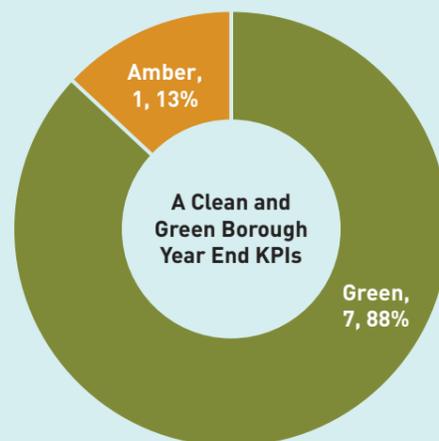
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A CLEAN AND GREEN BOROUGH

Performance in this space was overwhelmingly positive as we put significant effort into tackling the climate change emergency. One KPI, "Percentage of household waste reused, recycled and composted" was held back by a change to recycling wet cardboard, but we promptly introduced waterproof recycling bags to tackle this.



Adopt a Street programme:

This supports local communities to keep their areas clean and tidy through regular volunteer litter picking. During the year the number of streets participating in the scheme increased from 189 to 317.

Emerging Electric Vehicle Strategy:

The Electric Vehicles Strategy aims to develop a borough wide strategy to specify the infrastructure for Electric Vehicle charging point to encourage the uptake. As a result:

- New electric vehicle charging points have been installed
- Residents' have been consulted to assess off-street parking needs

Local Flood Risk Management Strategy:

This sets out how we will fulfil statutory obligations under the Flood and Water Management Act 2010 and provides a framework to actively manage and reduce flood risk across the borough and deliver sustainable regeneration and growth. This year it has led to:

- The adoption of the Land Drainage Byelaws.
- Development of Surface Water Management Plans for Shinfield and Lower Earley.
- Development of a live asset database of critical flood assets in the borough.
- Development of numerous S19 Flood Investigation Reports

- Production of the Sustainable Drainage Systems (SuDs) Strategy
- Smart drainage trials in a number of locations across the borough.
- Successful bid for Defra flood defence funding for a surface water drainage scheme in Church Lane, Shinfield, to reduce flood risk to the road and to properties.
- Delivery of numerous capital drainage schemes to reduce surface water flood risk to properties in high-risk areas.

Fly-Tipping Strategy:

This details how we will deter illegal dumping of waste by investigating rubbish that is fly-tipped and taking enforcement action wherever possible. As a result, 863 fly-tips were investigated during the year resulting in 83 fixed penalty notices being issued.

Waste and recycling:

Rolled out waterproof recycling bags to replace black boxes in order to keep paper and card dry and therefore allow it to be recycled. Continued to expand use of food waste recycling with more than 500 tonnes recycled each month.

KEY ACHIEVEMENTS:

Climate Emergency Action Plan (CEAP):

This sets out targets and actions for the borough to become net-zero carbon by 2030 and focuses on increasing awareness and educating residents about the importance of changing behaviours and adopting more sustainable lifestyles. In 2020/21 we:

- Started building Dinton Activity Centre as the first net-zero carbon building in the borough
- Approved our annual climate emergency action plan report
- Attracted more than £2 Million of external funding to support the CEAP projects

- Retrofitted 700 homes to improve energy performance through the Help to Heat Green Homes Grant schemes helping residents reduce energy bills, improve efficiency and decrease carbon emissions
- Retrofitted ten schools with improvements such as LED lighting, insulation measures, controls upgrades, heating upgrades
- Achieved a 56% reduction of the council's carbon footprint through home working
- Started the 250k tree planting project and successful bid for £300,000 grant from the Woodland Trust's Emergency Tree Fund.
- Submitted a planning application for solar farm, which would see solar panels installed on council-owned farmland adjacent to Barkham Ride (High Barn Farm and part of Brook Farm), would generate enough energy to power thousands of homes and businesses across the borough for years to come.



SECTION 4: DELIVERING ON OUR PRIORITIES



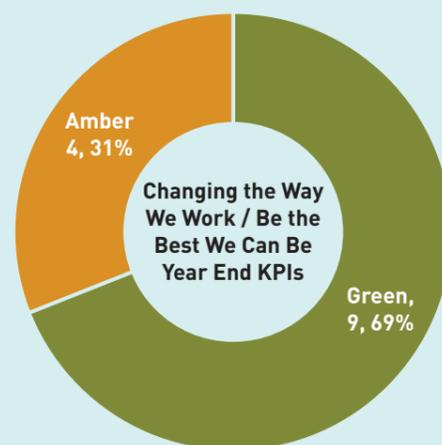
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CHANGING THE WAY WE WORK FOR YOU AND BEING THE BEST WE CAN BE

We are evolving how we work, moving to become a data-led organisation that focuses on what matters most to our residents, businesses and customers. The KPIs in the area show strong results.



Online Blue Badge Application:

We've improved our online offer to enable friends or family to apply on behalf of someone and made it easier to upload evidence, photos and pay. We've continued to provide a prompt service, delivering badges within five working days of a successful application. As a result, in August 80% of applications were made online, an increase of 30%.

Registrars Booking:

This booking system and improvements in processes has resulted in:

An online booking system to register a birth, arrange a citizenship ceremony and book a marriage notice appointment

- All death registrations can now be completed without the need for a face to face appointment using a phone call and online registration
- Approximately 50% of birth bookings are now made online
- 344 virtual citizenship ceremonies were held since the beginning of the first lockdown.

IT Improvements:

Investment in IT software and infrastructure to improve security, productivity, resilience and reliability has included:

- Continuously developed our website resulting in 37,000 customer transactions online and 961,404 individual visits.
- Seamless transition from office to home working for over 1,000+ staff
- Redevelopment of Customer Relationship Management system based on customer journey feedback resulting in 25% increase in uptake of online services that are delivered using this technology
- Improved infrastructure with better connectivity, utilising modern technology and technical capability
- Upgrades and adoption of Microsoft 365 cloud-based solution to support remote working for over 1,000 workers
- Programme of education, information and change across the Council to improve cyber security awareness & practice resulting in a 96% increase in password security in annual cyber security audit

KEY ACHIEVEMENTS:

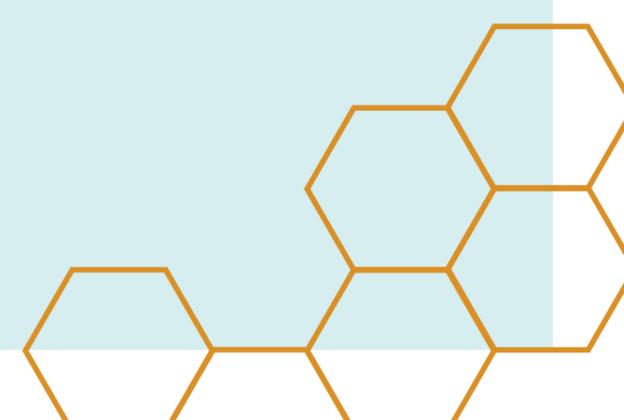
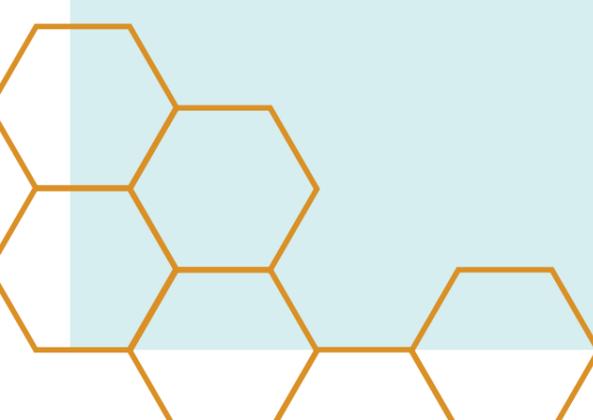
Customer Experience Development:

We have deployed a customer feedback tool to gather views, including on our website and everyone who calls our main number on a mobile telephone being given the opportunity to feed back on the quality of their service.

This allows us to target where improvements are needed and plan what is possible over short, medium and long term. Many improvements can be actioned immediately in real time, as soon as the feedback is available.

Improvements have included:

- Almost 120 broken internet links have been identified across the Council website and fixed
- When new recycling bags were delivered, some road names were missed from the website, this was quickly identified and fixed





SECTION 4: DELIVERING ON OUR PRIORITIES



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CHANGING THE WAY WE WORK FOR YOU AND BEING THE BEST WE CAN BE

People Strategy:

A package of colleague focused goals and plans which set out we will utilise the collective skill and talent of the Council's workforce. In 2020/21 it:

- Supported the COVID response by setting up redeployment processes to ensure the delivery teams were staffed. COVID response work included new internal health and safety measures for Council premises & school building and delivery of new wellbeing and remote working learning content to support employees
- Launch and delivery of new learning materials to support employees: management development of extended leadership team, new induction programme, performance management and wellbeing programme such as Mental health First Aiders
- Participated in the government's Kickstart scheme to support return to work
- Reviewed the current HR operating model
- Continued delivery of Apprenticeship programme
- Launch of new recruitment Application Tracking System in December 2020 to improve recruitment
- Improved employee engagement by launching open communication sessions with senior team such as 'the Big Chat'

The Graduate Academy:

In 2020/21, we recruited six National Management Trainee's via the Local Government Association's National Graduate Development Programme to our Graduate Academy, a 500% increase on the previous year.

This is not only the largest cohort in the Council's history, it is also the largest intake within Berkshire.

This Academy is set to grow and demonstrates the Council's determination and commitment to support and develop talent.

Continued Commercialisation:

During 2020/21 commercialisation projects included:

- The Grantfinder Scheme to enable officers to identify, bid and secure external funding
- The Premier Supplier Scheme enabling suppliers to be paid earlier for an agreed rebate on invoice charges.
- The ongoing success of the Community Investment Group, which has over £85 million invested in its portfolio that returns at over 5% per year gross

Digital Library Offer:

Providing more options to access services is a key element in continuing the increased usage of the library services. During 2020/21:

More than 300,000 items were accessed digitally, which is an increase of 135% on the previous year.

More than 11,000 pupils took part in the online Authors into Schools project.

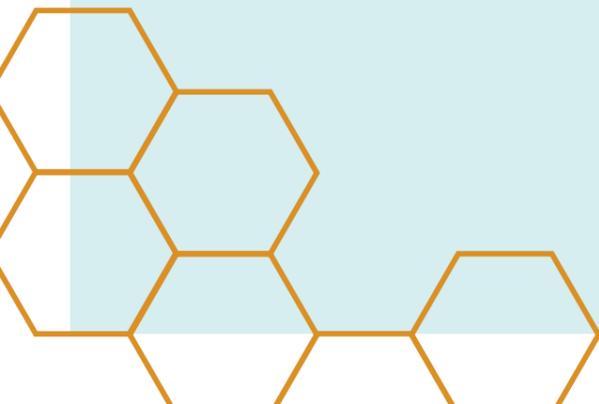
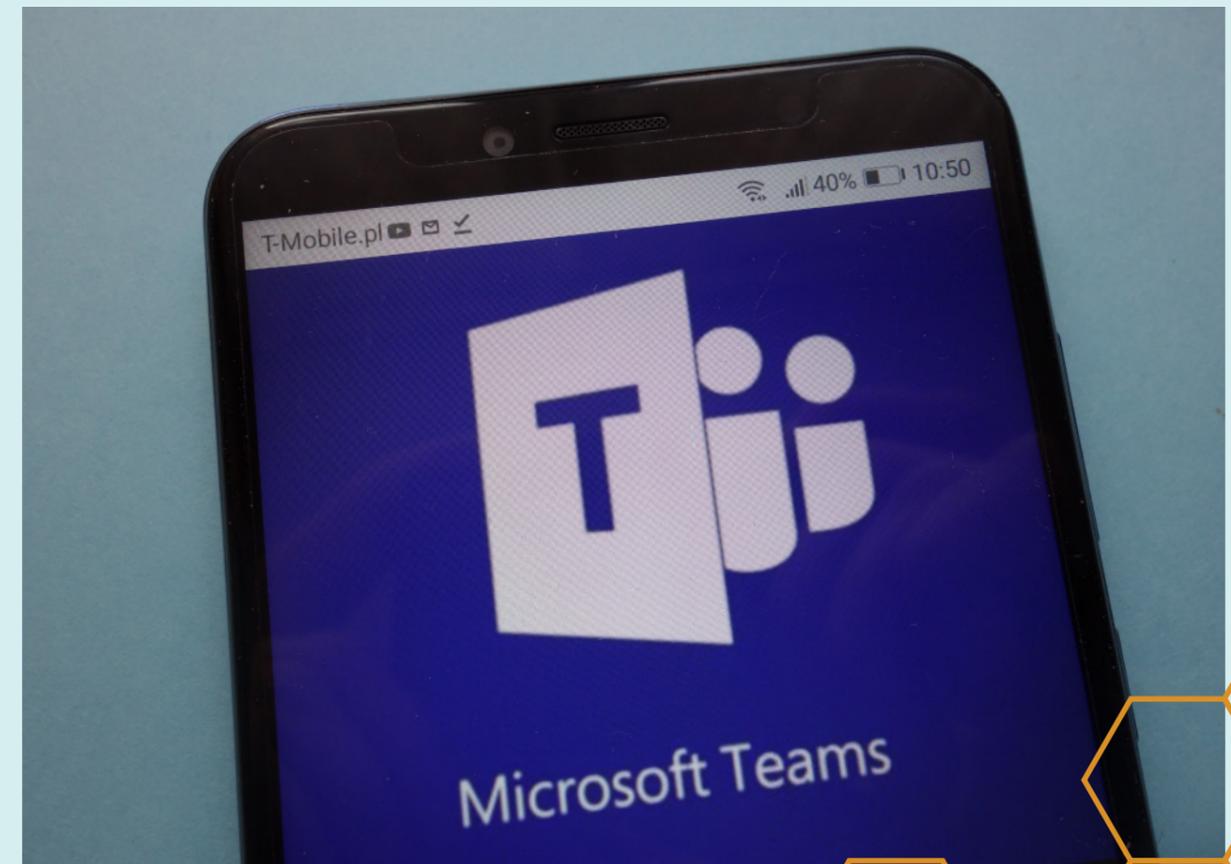
Communication and engagement:

Direct communication and engagement with residents was improved by the introduction of e-newsletters (Wokingham Borough Connect). As a result, by the end of 2020/21, Wokingham Borough Connect had

- 65,000 subscribers signed-up to receive at least one newsletter
- 150,000 subscriptions (due to subscribers signing up to multiple newsletters)
- An average open rate above 50%

Public protection services:

Decision to take the majority of these service back in-house (from the current Public Protection Partnership). Moving services such as tackling anti-social in-house will allow us to focus on local residents' concerns.





TITLE	2022/23 Internal Audit Charter
FOR CONSIDERATION BY	Audit Committee on 30 March 2022
WARD	None Specific
LEAD OFFICER	Deputy Chief Executive - Graham Ebers

OUTCOME / BENEFITS TO THE COMMUNITY

The Internal Audit Charter describes the purpose, authority, responsibilities and other relationships of the Council's Internal Audit and Investigation Service. As such, it is a key document in respect of the Council's internal control, risk management and corporate governance framework.

RECOMMENDATION

The Audit Committee is asked to consider and approve the Internal Audit Charter ([Appendix A](#) attached).

SUMMARY OF REPORT

With the establishment of a new Internal Audit and Investigation Service from 1 April 2022, an updated Internal Audit Charter is being presented for approval which incorporates the requirements of the Public Sector Internal Audit Standards 2017 and reflects the new arrangements going forward.

The recent Local Government Association (LGA) Corporate Peer Challenge (as reported to Executive on 7th March 2022) recommended that reporting lines for Internal Audit are clarified. This report and Charter address this recommendation.

The Internal Audit Charter shall be subject to annual review and approval by the Audit Committee.

Background

The Internal Audit Charter is a formal document that defines the internal audit activity's purpose, authority and responsibility. The Internal Audit Charter establishes the internal audit activity's position within the organisation, including the nature of the Chief Audit Executive's (role fulfilled by Head of Internal Audit and Investigation) functional reporting relationship with the "board" (Audit Committee); authorises access to records, personnel and physical properties relevant to the performance of engagements; and defines the scope of internal audit activities. Final approval of the Internal Audit Charter resides with the "board".

The Internal Audit Charter sets out to communicate key information around the following areas: -

- The purpose or authority of Internal Audit and its definition.
- The role, purpose and function of Internal Audit with a stress on the independence to preserve objectivity.
- The objectives of internal audit and the scope of the audit function.

- The professional standards and ethics to be followed by Internal Audit and its employees.
- Reference to the responsibilities retained by Council's management.
- Internal Audit style content including reference to a prepared audit protocol.
- Internal Audit resources and training.
- Internal Audit reporting.

Analysis of Issues

The Internal Audit Charter provides the authority for the practice of Internal Audit in the council and is a key governance document in this respect. The Audit Committee should consider whether the Internal Audit Charter provides Internal Audit with the necessary authority to enable it to fulfil its responsibilities in providing independent and objective assurance to the Audit Committee.

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)	£0	Yes	Revenue
Next Financial Year (Year 2)	£0	Yes	Revenue
Following Financial Year (Year 3)	£0	Yes	Revenue

Other financial information relevant to the Recommendation/Decision

Not applicable.

Cross-Council Implications

The work of Internal Audit impacts all parts of the Council and its operations.

Public Sector Equality Duty

The Internal Audit Charter takes into consideration of the Council's Equality and Diversity aims, policy and Law.

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***

The Internal Audit Charter ensures that the scope of Internal Audit includes the entire control environment, and strategic objectives, including the Council's climate emergency commitments.

Reasons for considering the report in Part 2

Not applicable

List of Background Papers

Public Sector Internal Audit Standards 2017

Contact Catherine Hickman	Service Governance
Telephone No Tel: 07885 983378	Email catherine.hickman@wokingham.gov.uk

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INTERNAL AUDIT CHARTER

1. Introduction

This Charter describes for the Council the purpose, authority and responsibilities of the Internal Audit function in accordance with the UK Public Sector Internal Audit Standards (PSIAS).

The PSIAS require that the Charter must be reviewed periodically and presented to “senior management” and the “board” for approval. For the purposes of this Charter “senior management” will be Corporate Leadership Team (CLT) and the “board” will be the Audit Committee.

The Charter will be reviewed annually and approved by CLT and the Audit Committee. The Head of Internal Audit and Investigation (fulfils the role of Chief Audit Executive) is responsible for applying this Charter and keeping it up to date.

2. Internal Audit Purpose

The mission of Internal Audit is to enhance and protect organisational value by providing risk-based and objective assurance, advice and insight.

Internal Audit is defined in the PSIAS as “an independent, objective assurance and consulting activity designed to add value and improve an organisation’s operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.”

Internal Audit supports the whole Council to deliver economic, efficient and effective services and achieve the Council’s vision of equality, priorities and values.

3. Statutory Requirement

Internal Audit is a statutory service in the context of the Accounts and Audit Regulations 2015 (as amended 2020 in respect of the Coronavirus Act requirements). Under these regulations, the “Council” ‘must ensure that it has a sound system of internal control which:

- (a) facilitates the effective exercise of its functions and the achievement of its aims and objectives;

- (b) ensures that the financial and operational management of the authority is effective; and
- (c) includes effective arrangements for the management of risk.

The Council 'must, each financial year (a) conduct a review of the effectiveness of the system of internal control' and '(b) prepare an annual governance statement.'

In addition, the Council 'must undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance', described below.

This statutory role is recognised and endorsed within the Council's Financial Regulations. In addition, the Council's S151 Officer has a statutory duty under Section 151 of the Local Government Act 1972 to establish a clear framework for the proper administration of the authority's financial affairs. To perform that duty the Section 151 Officer relies, amongst other things, upon the work of Internal Audit in reviewing the operation of systems of internal control and financial management.

4. Internal Audit Responsibilities and Scope

Annually, the Head of Internal Audit and Investigation is required to provide to the Audit Committee an overall opinion on the Council's internal control environment, risk management arrangements and governance framework to support the Annual Governance Statement.

Internal Audit is not responsible for control systems. Responsibility for effective internal control and risk management rests with the management of the Council.

Internal Audit activity must be free from interference in determining the scope of activity, performing work and communicating results.

The scope of Internal Audit includes the entire control environment and therefore all of the Council's operations, resources, services and responsibilities in relation to other bodies. In order to identify audit coverage, activities are prioritised based on risk, using a combination of Internal Audit and management risk assessment (as set out within Council risk registers). Consultation also takes place with key stakeholders and horizon scanning is undertaken to ensure audit activity is proactive and future focussed.

Internal audit activity will include an evaluation of the effectiveness of the organisation's risk management arrangements and risk exposures relating to:

- Achievement of the organisation's strategic objectives;
- Reliability and integrity of financial and operational information;
- Efficiency and effectiveness of operations and activities;

- Safeguarding of assets; and
- Compliance with laws, regulations, policies, procedures and contracts

5. Independence

Internal Audit will remain sufficiently independent of the activities that it audits to enable auditors to perform their duties in a way that allows them to make impartial and effective professional judgements and identify concerns. Internal auditors should have no operational responsibilities.

Internal Audit is involved in the determination of its priorities in consultation with those charged with governance. The Head of Internal Audit and Investigation has direct access to, and freedom to report in their own name and without fear or favour to, all officers and Members and particularly those charged with governance. This independence is further safeguarded by ensuring that the Head of Internal Audit and Investigation's formal appraisal/performance review is not inappropriately influenced by those subject to audit. This is achieved by ensuring that both the Chief Executive and the Chair of the Audit Committee have the opportunity to contribute to this performance review.

All Internal Audit staff are required to make an annual declaration of interest to ensure that objectivity is not impaired and that any potential conflicts of interest are appropriately managed.

6. Reporting Lines

Regardless of line management arrangements, the Head of Internal Audit and Investigation has free and unfettered access to report to the S151 Officer; the Monitoring Officer; the Chief Executive; the Chair of the Audit Committee; the Leader of the Council and the Council's External Auditor.

The Audit Committee will receive reports on a periodic basis – as agreed with the Chair of the Audit Committee – on the results of audit activity and details of Internal Audit performance, including progress on delivering the audit plan.

7. Fraud & Corruption

Managing the risk of fraud and corruption is the responsibility of management. Internal Audit will, however, be alert in all its work to risks and exposures that could allow fraud or corruption and will investigate allegations of fraud and corruption in line with the Council's Anti Fraud and Anti Corruption Strategy.

The Head of Internal Audit and Investigation should be informed of all suspected or detected fraud, corruption or irregularity in order to consider the adequacy of the relevant controls and evaluate the implication for their opinion on the control environment.

Internal Audit will promote an anti fraud and anti corruption culture within the Council to aid the prevention and detection of fraud.

8. Consultancy Work

Internal Audit may also provide consultancy services, generally advisory in nature, at the request of the organisation. In such circumstances, appropriate arrangements will be put in place to safeguard the independence of Internal Audit and, where this work is not already included within the approved audit plan and may affect the level of assurance work undertaken; this will be reported to the Audit Committee.

9. Resources

The work of Internal Audit is driven by the annual Internal Audit Plan, which is approved each year by the Audit Committee. The Head of Internal Audit and Investigation is responsible for ensuring that Internal Audit resources are sufficient to meet its responsibilities and achieve its objectives.

Internal Audit must be appropriately staffed in terms of numbers, grades, qualifications and experience, having regard to its objectives and to professional standards. Internal Auditors need to be properly trained to fulfil their responsibilities and should maintain their professional competence through an appropriate ongoing development programme.

The Head of Internal Audit and Investigation is responsible for appointing Internal Audit staff and will ensure that appointments are made in order to achieve the appropriate mix of qualifications, experience and audit skills. The Head of Internal Audit and Investigation may engage the use of external resources where it is considered appropriate, including the use of specialist providers.

10. Due Professional Care

The work of Internal Audit will be performed with due professional care and in accordance with the UK Public Sector Internal Audit Standards 2017 (PSIAS), the Accounts and Audit Regulations (2015), as amended 2020 and with any other relevant statutory obligations and regulations.

In carrying out their work, Internal Auditors must exercise due professional care by considering:

- The extent of work needed to achieve the required objectives;
- The relative complexity, materiality or significance of matters to which assurance procedures should be applied;
- The adequacy and effectiveness of governance, risk management and control processes;
- The probability of significant errors, fraud or non-compliance; and
- The cost of assurance in proportion to the potential benefits.

Internal Auditors will also have due regard to the Seven Principles of Public Life – Selflessness; Integrity, Objectivity; Accountability; Openness; Honesty; and Leadership.

11. Quality Assurance

The Head of Internal Audit and Investigation will control the work of Internal Audit at each level of operation to ensure that a continuously effective level of performance – compliant with the PSIAS is maintained.

A Quality Assurance Improvement Programme (QAIP) is in place which is designed to provide reasonable assurance to its key stakeholders that Internal Audit:

- Performs its work in accordance with its Charter;
- Operates in an effective and efficient manner; and,
- Is adding value and continually improving the service that it provides.

The QAIP requires an annual review of the effectiveness of the system of Internal Audit to be conducted. Instances of non-conformance with the PSIAS, including the impact of any such non-conformance, must be disclosed to the Audit Committee. Any significant deviations must be considered for inclusion in the Council's Annual Governance Statement.

March 2022

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TITLE 2021-22 Internal Audit and Investigation Progress Report (to 28 February 2022)

FOR CONSIDERATION BY Audit Committee on 30 March 2022

WARD None Specific

LEAD OFFICER Deputy Chief Executive - Graham Ebers

OUTCOME / BENEFITS TO THE COMMUNITY

Public assurance about the Council's risk, control and governance environment.

RECOMMENDATION

The Audit Committee (AC) is asked to note the progress of audit and investigation activity against the 2021/22 Work Programme to 28 February 2022 (attached as Appendix A).

SUMMARY OF REPORT

This report is presented for Members to note the progress in achieving the 2021/22 Internal Audit and Investigation Work Programme as at 28 February 2022. This recommendation is being made to ensure that the Council has adequate Internal Audit and Investigation coverage for 2021/22 and that it meets its legislative requirements. In addition, to meet the requirements of the AC's Terms of Reference and enable the Chief Audit Executive (role fulfilled by Head of Internal Audit and Investigation) to give an overall opinion on the Council's internal control and risk framework at the end of the financial year. This report contributes to the production of the overall annual 2021/22 Internal Audit and Investigation Report.

Background

The overall 2021/22 Internal Audit Strategy, outlining the role, scope and purpose of Internal Audit, the 2021/22 Audit Planning process, resourcing, reporting arrangements and Internal Audit's requirements to conform to the Public Sector Internal Audit Standards (PSIAS) 2017, was presented to AC on 22 February 2021. This included agreement to move to a quarterly planning cycle rather than an annual one due to the impact of the Covid-19 pandemic on the Council's services and the associated internal audit work programme. In addition, to enable the service to continue to remain flexible and agile in planning its work and to be responsive to changes during the period of the Covid-19 pandemic and the recovery process.

The AC initially approved the Quarter 1 and 2 Work Programmes on 22 February 2021 and 28 July 2021 respectively. As working arrangements began to normalise, AC approved on 15 September 2021, the internal audit work programme for the full year, incorporating audits previously agreed for Quarters 1 and 2.

This report presents, for Members to note, the progress in achieving the 2021/22 Work Programme to 28 February 2022. The previous report of progress to 31 October 2021 was presented to AC on 30 November 2021.

These recommendations are being made to ensure the Council has adequate Internal Audit and Investigation coverage for 2021/22 and that the Council meets its legislative requirements. In addition, to meet the requirements of the AC's Terms of Reference and to enable the Chief Audit Executive (Head of Internal Audit and Investigation) to give an overall opinion on the Council's internal control and risk framework at the end of the financial year.

Appendix A updates Members on the status of work against the approved 2021/22 Audit and Investigation Plan as at 28 February 2022 and where audits have been completed, the overall audit opinion given.

For work completed during the year to date, there have been no audits where the audit assurance was less than level 2, i.e., internal controls "substantially complete and effective." For the work completed, there are no matters of significance to bring to the Committee's attention.

New Internal Audit and Investigation Service

The team has been progressing through a period of transition due to the dissolution of the Shared Audit and Investigation Service, which is to take place on 31 March 2022 and the new Internal Audit and Investigation Service will be established from 1 April 2022.

A new Internal Audit Charter has also been prepared that sets out the purpose, authority and responsibility on internal audit and this is presented as a separate report to this AC meeting for approval.

Analysis of Issues

The AC should ensure that it receives the coverage, performance and results of Internal Audit and Investigation activity and any other appropriate additional assurances.

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)	£0	Yes	Revenue
Next Financial Year (Year 2)	£0	Yes	Revenue
Following Financial Year (Year 3)	£0	Yes	Revenue

Other financial information relevant to the Recommendation/Decision

None.

Cross-Council Implications

Not applicable.

Public Sector Equality Duty
The Equality Act 2010 places a statutory duty on the Council to ensure that when considering any new or reviewed strategy, policy, plan, project, service or procedure the impacts on particular groups, including those within the workforce and customer/public groups, have been considered. This report is a non-decision making report providing an update on the work of audit and investigations.

Climate Emergency – <i>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</i>
This report has a positive impact on the climate emergency agenda, as it provides public assurance about the Council's risk, control and governance environment and includes specific reviews of key corporate risks that have been undertaken in respect of Net-Zero Carbon (Climate Emergency).

Reasons for considering the report in Part 2
Not applicable

List of Background Papers
N/a

Contact Catherine Hickman	Service Governance
Telephone No Tel: 07885 983378	Email catherine.hickman@wokingham.gov.uk

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Internal Audit and Investigation Service

2021/22 Audit and Investigation Progress Report (1 April 2021 to 28 February 2022)

1. INTRODUCTION

- 1.1 This report summarises the work of the Internal Audit and Investigation Service for the period 1 April 2021 to 28 February 2022, as part of our regular reporting of progress to Audit Committee (AC).
- 1.2 At their meeting on 22 February 2021, the AC agreed the move to a quarterly audit and investigation planning cycle for the 2021/22 financial year rather than an annual one due to the ongoing impact of the Covid-19 pandemic on the Council's services and the associated internal audit work programme.
- 1.3 The AC initially approved the Quarter 1 and 2 Work Programmes on 22 February 2021 and 28 July 2021 respectively. As working arrangements began to normalise, AC approved the internal audit work programme for the full 2021/22 financial year on 15 September 2021, incorporating audits previously agreed for Quarters 1 and 2.
- 1.4 This report presents progress made against achieving the full year plan to 28 February 2022.

2. INTERNAL AUDIT

- 2.1 Appendix A(I) updates AC on the status of work against the approved 2021/22 Audit and Investigation Plan as at 28 February 2022 and where audits have been completed, the overall audit opinion given.
- 2.2 Table 1 below summarises the status of those audits and includes audits completed from the 2020/21 financial year.

Table 1: Status of audits

Audit Status	Number of audits
Final Report	10
Draft Report	2
Fieldwork In Progress	4
Grant Certifications	8
Total	24

2.3 Table 2 below summarises the audit opinions awarded for those audits finalised in the year 2021/22 to date, where an Audit Opinion has been awarded. It is pleasing to note that no audits achieved the lowest two categories of audit opinion.

Table 2 : Summary of audit opinions awarded

Overall Opinion	Summary of Audit Opinion	Number of Audits
1	Complete and Effective	1
2	Substantially Complete and Generally Effective	6
3	Range of Risk Mitigation Controls is incomplete and risks are not effectively mitigated	0
4	There is no effective Risk Management process in place	0
	Advisory – No Opinion	3
Total		10

2.4 Management is given one month between the draft and final reporting stage to address any countermeasures and, where applicable, improve the overall audit opinion. There were no audits where this option was utilised by management. However, six out of seven audits completed fell into the Category 2 opinion.

2.5 Since the last progress report to AC on the work of the team to 31 October 2021, work has progressed on a number of Key Corporate Risks areas, Key Financial Systems, Covid Grant work and Grant Certifications.

Key Corporate Risk Audits

2.6 Specific reviews of Key Corporate Risks have been undertaken in respect of Net Zero (Climate Emergency), Public Protection Partnership, Adults Safeguarding, Data and Equalities. All are currently at draft report stage with actions being discussed with management and the outcomes of those reviews will be reported as part of the 2021/22 Annual Audit and Investigation Report. However, for the audits of Net Zero (Climate Emergency) and Public Protection Partnership, whilst they have not been formally concluded, as the audits were requested by the AC, a brief summary of work to date is provided below.

Net Zero (Climate Emergency) Audit

- This audit was undertaken under a Co-sourced audit Framework agreement with Price Waterhouse Coopers in order to engage their specialist skills and expertise in this area and to share best practice. The review was a high level review of the Council's governance, management and reporting arrangements in relation to Climate Emergency.
- The Director Sponsor has been briefed on the findings of the review and indications from the exit meeting are that good progress has been made by the Service.
- The overall audit assurance rating is Category 2 with some suggested Improvement Opportunities. This outcome supports what officers in the Service has reported during the course of their activities and in reporting to Members.
- This outcome is further supported by the results of the recent independent assessment by Climate Emergency UK, a leading independent organisation who benchmark all local authority Climate Action Plans across the UK and Northern Ireland. In their recent analysis, WBC was assessed as having the 22nd best Climate Emergency Action Plan of more than 400 local authorities in the UK & Northern Ireland.

- The draft report is currently being prepared and the more detailed outcome of this audit will be reported as part of the 2021/22 Annual Internal Audit and Investigation Report.

Public Protection Partnership (PPP)

- AC commissioned an audit to provide assurances regarding any potential outstanding risks to the Council following the dissolution of the PPP arrangement on 31 March 2022.
- A high level desk top exercise has been undertaken and an audit overview has been maintained in the latter part of the financial year as the project has progressed. This has included update meetings with the Service Director and his team at various stages of progression, and interviews with key officers from Finance, Legal, IT and the Project Lead.
- From discussions with officers and review of supporting documentation, risks appear to have been properly considered as part of Corporate Risks and Operational Risk Registers and the Project Management and implementation documentation is well documented, overseen and regularly reported. There is a clear Plan for going forward with the new service and at this stage there is nothing specific to alert AC to with that has not already been reported through appropriate channels with regard to this area.
- Internal Audit will continue to keep an overview and have included provision within the 2022/23 Internal Audit and Investigation Plan for a review of the New Enforcement and Safety Service, that will replace the PPP, over each of the four quarters of 2022/23 to assess whether the expectations of the new service are being met.

2.7 An audit of IT Controls (Cyber Security) has commenced in the form of a Self-Assessment Questionnaire that has been issued to response to emerging threats. The 2022/2023 audit planning process recognises this as a key Corporate IT risk and preparatory audit fieldwork is underway.

Key Financial Systems

2.8 Work has also been undertaken in respect of a number key financial systems audits, Council Tax, NNDR and Housing Benefits to ensure sufficient coverage of these key systems, especially after the impact of Covid that had delayed these audits from being completed.

Grant Certifications

2.9 An increased number of Grant Certifications have been audited during the period as a result of Covid. The team carries out work to verify and certify amounts that the Council can claim. Without this certification, grants may become repayable. Grants certified include: -

- Supporting Families Grant Programme (Quarters 1, 2 and 3)
- DfT Transport Capital Grant
- Bus Subsidy Operators Grant
- Disabled Facilities Grant
- Rough Sleepers Initiative – Covid Related Grant
- DfT - LTA Bus Recovery Grant – Covid related Grant
- DfE - Additional Home to School Transport Grant
- DfT – Covid-19 Bus Service Support Grant

Outstanding management responses

2.10 There are no outstanding management responses to audit reports.

Deferred Audits

2.11 One audit has been deferred during the period in relation to Children's Services Special Educational Needs and Disability (SEND) due to staff changes within the directorate and this audit will be reconsidered as part 2022/23 Internal Audit and Investigation planning process. The audit was replaced by a senior management request to undertake a review of Children's and Adults Safer Recruitment to determine whether the controls over the operation of the recruitment policy, with specific regard to the safer recruitment process across the Council, are effective. This work is currently in progress.

3 FRAUD AND IRREGULARITIES

- 3.1 There have been no incidences of material fraud, irregularities or corruption discovered or reported during the year.
- 3.2 The work undertaken by the team has included re-active investigations as well as developing pro-active fraud drives. A summary of the key areas activity since we last reported is provided below:-

Pro-active Exercises - Empty Property Relief - During the first part of the year an exercise to investigate Council Tax Empty Property Relief was undertaken. The number of letters sent out for the empty property review was 515 with 337 (65.4%) returned of which 168 (49.85%) of these, reporting changes in circumstances. It should be noted that the properties identified in the Council Tax Empty Property Relief exercise as occupied that were previously shown as unoccupied feed into the New Homes Bonus Scheme formula and may result in extra income into the Council through liable charges being raised for previous Council tax liability.

National Fraud Initiative Data Matching Exercise - The bi-annual upload of data for the National Fraud Initiative has taken place and the data matches returned are being reviewed as part of the 2021/22 financial year Work Programme. The results of this exercise will be reported in our 2021/22 Annual Internal Audit and Investigation Report.

Covid grant post payment assurance work - Evidence has been obtained and submitted to the Department for Business, Energy and Industry Strategy in accordance with the requirements of Covid grant conditions for various Covid business grants paid.

Police DPA requests - These requests are received on an ad hoc basis and require immediate response to ensure that we are working efficiently with the Police for the prevention and detection of crime, the prosecution and/or apprehension of offenders and/or protecting the vital interests of a person. The annual number of DPA requests will be reported to this Committee in the 2021/22 annual report.

Freedom of Information / Data Protection Act Requests - We aim to ensure that these requests are responded to within the legal timescale requirements, freedom of information requests related to internal audit and investigation work, including fraud and whistleblowing. The annual number of Data Protection Act requests will be reported to this Committee in the annual report.

Regulation of Investigatory Powers Act (RIPA) – No investigation cases have been undertaken to date that have required RIPA surveillance approval to be requested.

4 NEW INTERNAL AUDIT AND INVESTIGATION SERVICE

- 4.1 Work has continued over the year in taking forward the redesign proposal for the new Internal Audit and Investigation Service that will be formally established with effect from 1 April 2022. This has included the preparation of a new 2022/23 Internal Audit and Investigation Strategy and Plan for the Service that reflects key audit review areas to ensure the right balance and focus of audit work for the new service. This has and continues to include engagement with key stakeholders as we further develop and design the new service going forward.
- 4.2 The redesign of the Internal Audit and Investigation Service has presented us with an opportunity to look at a different approach to providing Internal Audit and Investigation Services at WBC. Although the new Service has not yet commenced formally, the Service already has a higher profile, a clear and more engaging approach, which is manifesting itself through the feedback we are receiving from our key stakeholders.
- 4.3 As part of the establishment of the new Service we are reviewing our protocols, procedures and reporting templates to ensure that they are current and effective.
- 4.4 A new Internal Audit Charter (Terms of Reference) has also been prepared that sets out the purpose authority and responsibility of internal audit and this is presented as a separate report to this committee meeting for approval.
- 4.5 This work will also enable the team to prepare for an External review of the new service against the Public Sector Internal Audit Standards (PSIAS), a requirement for all local authorities every five years, the last External review at WBC being undertaken in 2018.
- 4.6 A recruitment campaign has commenced to recruit to permanent posts, with two vacant roles currently being covered by interim resource to assist the team with the smooth delivery of the audit and investigation Work Programme. We aim to develop expertise in the team, supported by a co-sourced arrangement under an Audit Framework and also a Guest Auditor programme. This will also provide technical support and resilience and enhance development opportunities within the team.

4.7 Further, we aim to develop and implement succession plans that are underpinned by the principle of growing our own skilled professionals through the apprenticeship and graduate trainee route. This approach does not only support the Council's wider objectives but also helps to address difficulties currently faced nationally in recruiting experienced and qualified internal audit staff.

5. CONCLUSION

5.1 The intention of this report is to appraise AC of the activity of the Internal Audit and Investigation Service on a regular basis throughout the year and to bring items of significance to Members' attention. This will culminate in the production of the 2021/22 Annual Audit and Investigation Report summarising the work of the year and will be presented to AC in June 2022. This report will include the Chief Audit Executive's (Head of Internal Audit and Investigation) Annual Audit Opinion on the Council's governance, internal control and risk management framework and this will also support the production of the 2021/22 Annual Governance Statement.

Details**Section 1- Corporate Risks**

With reference to the Council's Corporate Risk Register, these audits are intended to provide assurance to management that the expected mitigating actions and controls to manage risks are operating as expected. All key corporate risks are expected to be covered over a two-to-three-year period.

Audit	Reason for Audit	Outline Scope	Progress to 28 February 2022	Audit Opinion Category (Completed Audits)
Climate Emergency	Key Corporate Risk	To provide assurance on the application and delivery of the Council's climate emergency programme. High level review to cover governance, management and reporting arrangements	Draft report	
Special Educational Needs and Disability (SEND) Reforms	Key Corporate Risk	To provide assurance on the efficacy of the mitigating actions being taken to address this corporate risk	Initial scoping meetings held. Audit deferred due to officer changes and to accommodate review of Children's and Adult Services Recruitment and Safeguarding at request of management	
Corporate Governance	Key Corporate Risk	To provide assurance on the application of the Council's Local Code of Corporate Governance	Final Report	2
Adult Services - Safeguarding	Key Corporate Risk	To provide assurance on the efficacy of the mitigating actions being taken to address these corporate risks	Final Report	2
Diversity and Equality – 2020/21 Follow up	Key Corporate Risk/Management Request	To ascertain progress on implementing countermeasures from 2020/21 audit review	Final Report	2

Audit	Reason for Audit	Outline Scope	Progress to 28 February 2022	Audit Opinion Category (Completed Audits)
Diversity and Equalities - Equalities Framework	Key Corporate Risk/Management Request	To assess the Council against the LGA Equalities Framework	Final Report	N/a – Advisory - independent review of self assessment
Diversity and Equalities - Data Collection	Key Corporate Risk/Management Request	To review the collection of equalities data across the Council to support the delivery of the Equality Plan and supports the Council in delivering services for all	Fieldwork in progress	
Information and Data Management	Key Corporate Risk	To undertake a verification of the Council's self assessment against the Information Commissioner's Office Self-Assessment ("Accountability Tracker") to provide a reasonableness check	Final Report	n/a – Advisory
Public Protection Partnership	Key Corporate Risk	Request of the Audit Committee. High level desk top exercise to review progress addressing the risks during the period of transition to an in-house service	Fieldwork in progress	

Section 2- Key Financial Systems

The Service will be continually reviewing this coverage in consultation with the Deputy Chief Executive (section 151 officer) and Assistant Director Finance (Deputy S151 Officer) in year to ensure that audit coverage is relevant and focused correctly.

Audit	Reason for Audit	Outline Scope	Progress to 28 February 2022	Audit Opinion (Completed Audits)
Income Systems & Debtors	Key financial system	To provide assurance on Income Systems & Debtors operations	Terms of Reference issued	
Purchase Ledger / Creditors Consultancy	Key financial system/management request (Deputy S151 Officer)	To provide advisory/consultancy review following the introduction of automatic invoice matching and the introduction of early payment programme (EPP)	Final Report	n/a – Advisory
General Ledger	Key financial system	To provide assurance on General Ledger operations	Final Report	2
Housing Rents	Key financial system	To provide assurance on Housing Rents operations	Terms of Reference prepared	
Benefits/CTRS	Key financial system	To provide assurance on Benefit/CTRS operations	Draft report	
Council Tax & NNDR	Key financial system	To provide assurance on Council tax and NNDR collection and recovery processes	Final report	1
Capital Accounting	Key financial system	To provide assurance on Capital Accounting processes and controls	To commence in March 2022	

Section 3 - Governance Building Blocks				
These reviews cover the key governance elements and are necessary for the formation of the Chief Audit Executive (CAE) and Annual Governance Statement (AGS)				
Audit	Reason for Audit	Outline Scope	Position to 28 February 2022	Audit Opinion (Audits Completed)
Annual Governance Statement 2021/22	Governance Building Block	To support and advise management on the completion of the AGS 2021/22 and provide assurance on the 2020/21 follow-up actions	Completed in respect of 2020/21 AGS process and preparation. Work to commence for preparation of 2021/22 AGS and Action Plan	n/a

Section 4 - Fraud and Investigation				
Audit	Reason for Audit	Outline Scope	Progress to 28 February 2022	Audit Opinion (Completed Audits)
Reactive Investigations	Fraud referrals including, Council Tax Reduction Scheme; Housing; Whistleblowing and disciplinary, procurement etc	Specific to individual investigation/investigation exercise	Ongoing, as required	n/a

Audit	Reason for Audit	Outline Scope	Progress to 28 February 2022	Audit Opinion (Completed Audits)
Proactive counter fraud work	Empty Property Relief Exercise	Requested by management, results to feed into New Homes Bonus	Completed	n/a
	Covid-19 Grants, e.g. Restart Grants	Support to management process to reduce potential for fraud and returns to BEIS	Ongoing	n/a
	Department for Business, Energy & Industry Strategy Fraud Risk Assessments	Central Government return required for assessment of fraud risk in respect of Covid-19 grants	Completed	n/a
National Fraud Initiative	Management of Council's provision of data and investigation of matches	Mandatory national data matching exercise	Investigation of data matches in progress	

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Section 5 - Auditor Judgement and Servicing the Business				
Audit	Reason for Audit	Outline Scope	Progress to 28 February 2022	Audit Opinion (Completed Audits)
Reconciliations	Management request	Review all financial and non financial reconciliations to ensure they have been identified and are being undertaken, as required	Fieldwork in progress	
Children's and Adult Services Recruitment and Safeguarding	Management request	Review of recruitment controls during Covid period	Fieldwork in progress	

Audit	Reason for Audit	Outline Scope	Progress to 28 February 2022	Audit Opinion (Completed Audits)
Supporting Families Grant Programme	Grant Certification	Mandatory certification of grants received from central government	Quarterly <ul style="list-style-type: none"> - Quarter 1 Certification completed - Quarter 2 Certification completed - Quarter 3 Certification completed - Quarter 4 Grant claim planned 	n/a n/a n/a
DfT Transport Capital Grant	Grant Certification	Mandatory certification of grants received from central government	Certification completed	n/a
Bus Subsidy Operators Grant	Grant Certification	Mandatory certification of grants received from central government	Certification completed	n/a
Disabled Facilities Grant	Grant Certification	Mandatory certification of grants received from central government	Certification completed	n/a
Rough Sleepers Initiative – Covid Related Grant	Grant Certification	New Covid related grant certification for grant received from central government	Certification completed	n/a
DfT - LTA Bus Recovery Grant – Covid related Grant	Grant Certification	New Covid related grant certification for grant received from central government	Certification completed	n/a
DfE - Additional Home to School Transport Grant	Grant Certification	New Covid related grant certification for grant received from central government	Certification completed	n/a
DfT – Covid-19 Bus Service Support Grant	Grant Certification	New Covid related grant certification for grant received from central government	Certification completed	n/a
Advice on demand	Requests for ad-hoc advice on control, risk management and governance issues	Advice to support the assurance, internal control and governance framework, as required	Ongoing	n/a

Audit	Reason for Audit	Outline Scope	Progress to 28 February 2022	Audit Opinion (Completed Audits)
Racism at Work Council Workstream	Audit advice, at request of management, in reviewing all Council Diversity and Equalities Policies/setting up corporate training	Audit input to support the Governance process in this workstream	Ongoing	n/a
Follow up countermeasures and testing	Very high/high priority only to monitor progress in implementing management actions	To ensure high priority issues identified from internal audit work are being addressed by management within agreed timescales	Ongoing	n/a

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Section 7 – 2020/21 Audits Carried Forward – audits carried forward and completed during 2021/22 financial year				
Audit	Reason for Audit	Outline Scope	Progress to 28 February 2022	Audit Opinion (Completed Audits)
Cash and Bank Reconciliation	Key financial system	To provide assurance on Cash and Bank Reconciliation operations	Final Report	2
Treasury Management	Key financial system	To provide assurance on Treasury Management operations	Final Report	2

Audit Opinion – Legend

1. Complete and Effective	<ul style="list-style-type: none"> • All necessary Treatment Measures are in place and are operating effectively. • Residual risks have been reduced to an acceptable level • There are no unacceptable financial implications. • Concerns reported are minor. (Risk management processes are strong and controls are adequate and effective).
2. Substantially Complete and Generally Effective	<ul style="list-style-type: none"> • Most key Treatment Measures are in place and these operate effectively. • The majority of residual risks have been reduced to an acceptable level. • There are some unacceptable financial implications. • The majority of concerns are of a predominately moderate impact/likelihood. (Risk management processes are good and controls are adequate although only partially effective).
3. Range of Risk Mitigation Controls is incomplete and risks are not effectively mitigated	<ul style="list-style-type: none"> • Not all key Treatment Measures are in place and / or do not operate effectively • Residual risks have not all been reduced to an acceptable level • There are some unacceptable financial implications associated with more than one risk mitigation control or because of a lack of risk mitigation control. • There are a number of concerns that are predominantly of a major impact/likelihood. (Risk management processes and controls are adequate but not effective in mitigating the identified risks).
4. There is no effective Risk Management process in place	<ul style="list-style-type: none"> • There are no appropriate Treatment Measures in place. • Residual risks remain at an unacceptable level • Reported concerns are predominantly of a catastrophic or major impact/likelihood. (Risk management processes and controls are weak).
C	Certification
E	Exemption

TITLE	2022/23 Draft Internal Audit Investigation Plan and Strategy
FOR CONSIDERATION BY	Audit Committee on 30 March 2022
WARD	None Specific
LEAD OFFICER	Deputy Chief Executive - Graham Ebers

OUTCOME / BENEFITS TO THE COMMUNITY

Public assurance about the Council's risk, control, and governance environment.

RECOMMENDATION

The Audit Committee is asked to consider and approve the 2022/23 draft Internal Audit and Investigation Plan and Strategy (attached as Appendices AI and AII).

SUMMARY OF REPORT

This report recommends that the Audit Committee considers and approves the draft Internal Audit and Investigation Plan and Strategy for the 2022/23 financial year. This recommendation is being made to ensure that the Internal Audit and Investigation Service plans its work to assist the Council to meet its statutory requirements and ensures an ongoing focus on the Council's key corporate priorities and risks, whilst also remaining flexible and agile in the planning of its work.

Background

Internal Audit supports the Council's S151 Officer (Deputy Chief Executive) in discharging his statutory duties: -

- I. Section 151 of the Local Government Act 1972. The Council's Section 151 Officer is responsible under the Local Government Act for ensuring that there are arrangements in place for the proper administration of the authority's financial affairs. The work of internal audit is an important source of information for the S151 Officer in exercising their responsibility for financial administration. Reliance upon Internal Audit and their annual programme of work in reviewing the operation of systems of internal control and financial management is fundamental to the fulfilment of that responsibility.
- II. The Accounts and Audit Regulations (2015) state that: 'A relevant authority must undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance'.

Each financial year, a relevant authority must:-

- a) Conduct a review of the effectiveness of the system of internal control required by Regulation 3; and
- b) Prepare an annual governance statement.

The draft Internal Audit and Investigation Plan provides the mechanism through which the Chief Audit Executive (role fulfilled by Head of Internal Audit and Investigation) can ensure the most appropriate use of internal audit resources to provide a clear statement of assurance on the Council's risk management, internal control and governance arrangements.

Internal Audit provides an independent and objective opinion to the Council on the level to which the internal control environment supports and promotes the achievement of the Council's objectives. Internal audit contributes to the Council achieving its key priorities by helping to promote a secure and robust internal control environment, which enables a focus on achieving the key priorities.

The 2022/23 draft Internal Audit and Investigation Plan and Strategy are attached as Appendices A and A(l) to this report. The Strategy (Appendix A) outlines the role, scope and purpose of Internal Audit, the 2022/23 Audit Planning process, resourcing, reporting arrangements and Internal Audit's requirements to conform with the Public Sector Internal Audit Standards (PSIAS), 2017.

Developing the programme of work has included managements' assessment of risk, as well as our own risk assessment of the Council's major systems, strategic and operational areas, other auditable areas and work undertaken to date. It has involved consultation with Corporate Leadership Team, Directorate Management teams, the review of risk registers and external guidance, where appropriate, the Annual Governance Statement Improvement Plan, 2021/22 Peer Review Action Plan and comparison with other authorities and Audit Group Networks.

Appendix A(l) presents the audit topic areas identified during the audit planning process.

The 2022/23 Draft Internal Audit and Investigation Plan and Strategy, once approved, will come into effect from 1 April 2022. Progress on delivering the Plan will be reported to the Committee on a regular basis in line with the Council's reporting cycle.

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)	£0	Yes	Revenue
Next Financial Year (Year 2)	£0	Yes	Revenue
Following Financial Year (Year 3)	£0	Yes	Revenue

Other financial information relevant to the Recommendation/Decision
None

Cross-Council Implications
Internal Audit works across all areas of the Council – effective internal audit is one of the ways assurance is provided that the Council’s key priorities and objectives will be achieved.

Public Sector Equality Duty
The Equality Act 2010 places a statutory duty on the council to ensure that when considering any new or reviewed strategy, policy, plan, project, service or procedure the impacts on particular groups, including those within the workforce and customer/public groups, have been considered. In undertaking our audit and investigative work, we ensure we have regard for equalities.

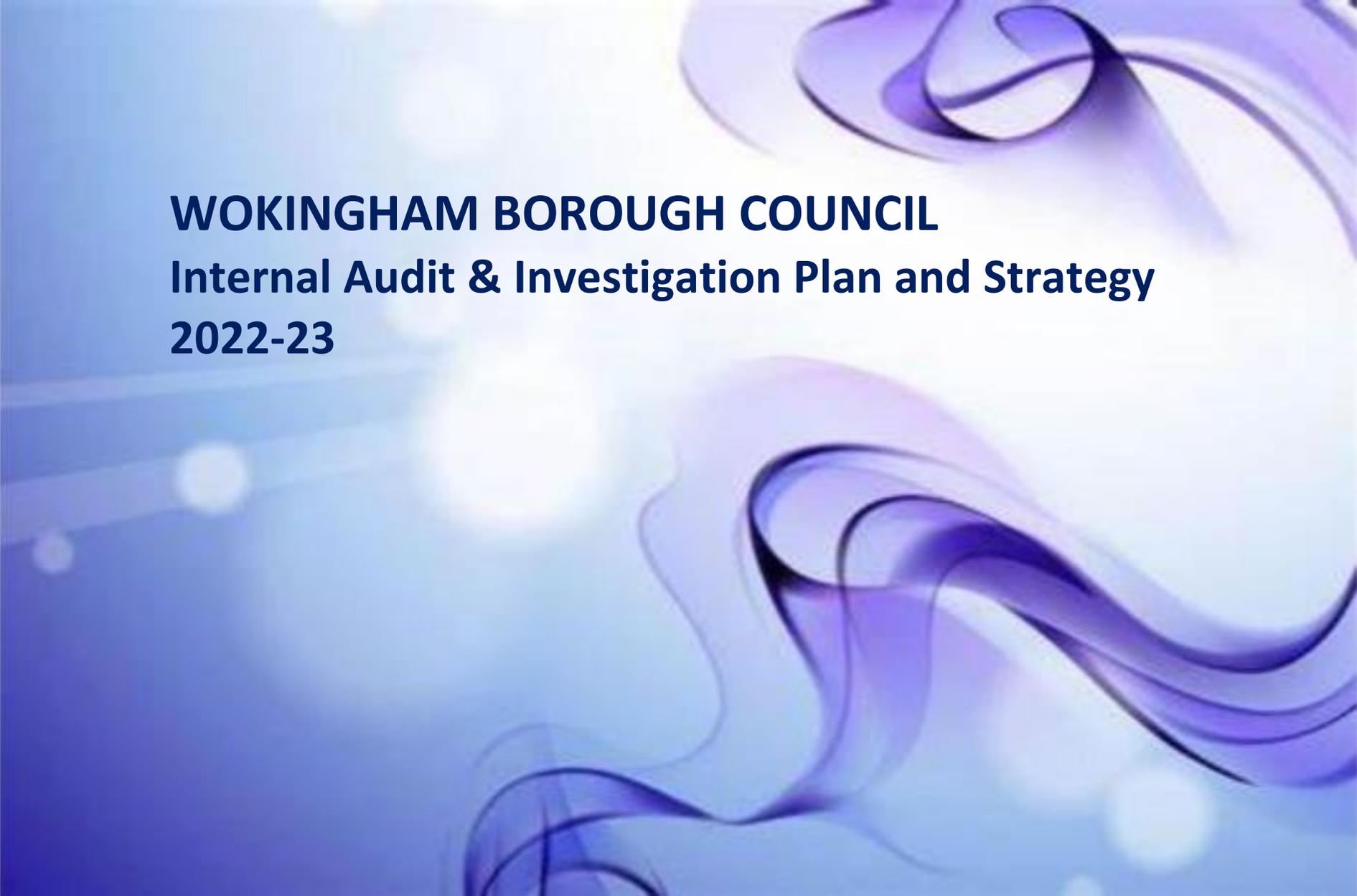
Climate Emergency – <i>This Council has declared a climate emergency and is committed to playing as full a role as possible – leading by example as well as by exhortation – in achieving a carbon neutral Wokingham Borough by 2030</i>
This report has a positive impact on the climate emergency agenda, as it provides public assurance about the Council’s risk, control and governance environment and includes specific reviews of key corporate risks that have been undertaken in respect of Net-Zero Carbon (Climate Emergency).

Reasons for considering the report in Part 2
Not applicable.

List of Background Papers
2022/23 Internal Audit and Investigation Strategy - Appendix A 2022/23 Draft Internal Audit and Investigation Plan - Appendix A(I) 2022/23 Internal Audit Charter – separate report to this meeting

Contact Catherine Hickman	Service Governance
Telephone No Tel: 07885 983378	Email catherine.hickman@wokingham.gov.uk

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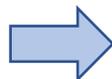
WOKINGHAM BOROUGH COUNCIL
Internal Audit & Investigation Plan and Strategy
2022-23

The Internal Audit Plan Strategy

This report provides an overview of Internal Audit's proposed work plan and strategy for 2022/23 for the newly established Internal Audit Service which will come into effect from 1 April 2022.

The internal audit programme of work aims to provide sufficient and appropriate coverage to enable the Head of Internal Audit and Investigation (fulfils the role of Chief Audit Executive) to provide a well-informed and comprehensive year-end annual internal audit opinion on the Council's governance, internal control and risk management framework.

This feeds into the Annual Governance Statement and provides assurances on the implementation of the Council's Local Code of Corporate Governance.



Introduction and Objective

Internal Audit is an independent, objective assurance and consulting activity designed to add value and improve an organisation's operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes.

The Internal Audit and Investigation Plan provides the mechanism through which the Head of Audit and Investigation can ensure most appropriate use of internal audit resources to provide a clear statement of assurance on risk management, internal control, and governance arrangements. In addition, the work of internal audit aims to provide an independent and objective opinion to the Council on the level to which the internal control environment supports and promotes the achievement of the Council's objectives.

Prior to the start of each financial year, the Head of Audit and Investigation, in conjunction with senior management, put together a proposed plan of audit work. The objective of our planning process enables the service to provide a well-informed and comprehensive annual audit opinion, based on sufficient and appropriate coverage of key business objectives, associated risks, and risk management processes.

The outcomes of each of the audits in our planned programme of work, will provide senior management and Members with assurance that the current risks faced by the Council in these areas are adequately controlled and managed.

Internal audit is only one source of assurance, and the outcomes of internal audit reviews should be considered alongside other assurance sources.

The Internal Audit Plan Strategy

Methodology

In developing the Internal Audit Plan, a review has been undertaken of the potential risk areas for review including consideration of:

- Risk in Focus 2022: Hot topics for internal auditors published by a consortium of institutes of internal auditors that includes the Chartered Institute of Internal Auditors (UK & Ireland)
- Council Corporate Plan and Vision
- Council Corporate and Directorate Risk Registers
- Annual Governance Statement Improvement Plan
- WBC Governance Toolkit
- 2021/22 Council Peer Review Action Plan
- Various Council Inspection Reports and Lessons Learned re Governance
- Audit Group Networks, Better Governance Forum for 'hot topic' areas

Additionally, consultation has been undertaken with officers to confirm our assessment of the risks, determine areas of audit input that can add value to managers and to ensure a clear understanding of how Internal Audit work fits with other known sources of assurance:

- The Corporate Leadership Team (CLT)
- Directorate Management Teams
- Section 151 Officer
- Monitoring Officer

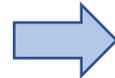


The Internal Audit Plan Strategy

Resources should be appropriate, sufficient, and effectively deployed to achieve the approved plan.

The Internal Audit Plan will be delivered by the in-house team, who will deliver the Internal Audit Service re-design proposal for the Council from April 2022.

The service will be developed over the coming year and as part of establishing the new team and opportunities have been made to further enhance the internal audit product.



Resources

The aim will be to focus on the council's key Corporate and Directorate risks and develop expertise in these areas supported by a co-sourced arrangement and a Guest Auditor programme. This will also provide technical support and resilience and enhance development opportunities within the team.

In addition, to further build resilience within the service by developing and implementing succession plans that are underpinned by the principle of growing our own skilled professionals through the apprenticeship and graduate trainee route. This approach does not only support the Council's wider objectives but also helps to address difficulties currently faced in recruiting experienced and qualified internal audit staff.

Appendix A(l) sets out the proposed coverage for 2022/23. It should be noted that this could change in the event of new risks emerging during the year.

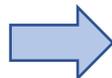
Risk assessment is used to inform the amount of staff resource dedicated to each area and the extent, frequency and depth of testing undertaken, with the high-risk areas being examined more frequently.

In addition to the WBC Audit and Investigation activity, internal audit work is undertaken for our three client councils under S113 Agreements.

The Internal Audit Plan Strategy

The internal audit activity must evaluate and contribute to the improvement of the organisation's governance, risk management, and control processes using a systematic, disciplined, and risk-based approach. Internal audit credibility and value are enhanced when auditors are proactive, and their evaluations offer new insights and consider future impact.

Risk-based plans need to be developed to determine the priorities of the internal audit activity, consistent with the organisation's goals.



The Audit Plan Key Features

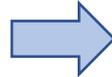
The Internal Audit Plan reflects some of the highest risk areas to the Council and is designed to ensure that assurance is targeted effectively to enable provision of an opinion on the governance, risk, and control framework. Significantly, this year, approaches include:

- **Wokingham Centric** – focus on key priorities and key corporate assurances for the Council, for 2022/23, for example, Budget and Financial Resilience, Climate Change, Information Governance & Cyber Security.
- **Strategic Focus** – Audit will focus on management assurance on key risks verses reliance on Internal Audit to provide direct assurance. Audits based on quality outcomes that increase likelihood that Community Vision is delivered.
- **Proactive Risk Identification** – identifying potential and emerging risks to the Council through horizon scanning and working with partners. Suggesting emerging risks to senior managers from insights from other clients, professional networks, and case studies of other local authorities.
- **Governance Arrangements:** Internal Audit have a key role in assessing the effectiveness of governance arrangements by comparison with principles contained in the CIPFA/SOLACE Governance Framework. A number of audits will support this assessment and will take account of any emerging governance arrangements, for example, Risk Management to review of the Council's Risk Management arrangements to assess how embedded they are across the Council and how this can be driven forward.

The Internal Audit Plan Strategy

The internal audit activity must evaluate and contribute to the improvement of the organisation's governance, risk management, and control processes using a systematic, disciplined, and risk-based approach. Internal audit credibility and value are enhanced when auditors are proactive, and their evaluations offer new insights and consider future impact.

Risk-based plans need to be developed to determine the priorities of the internal audit activity, consistent with the organisation's goals.

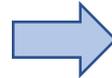


The Audit Plan Key Features Contd./...

- **Consultancy and Value Added** – Management periodically identifies areas where audit input is beneficial e.g. new system/procedures/controls developments. This work is designed to support management in delivering aspirations and problem resolution and as such is included, not as work that will support the annual audit opinion but as value added work. No assurance opinions will be given in consultancy engagements.
- **Grant Certifications** – Mandatory certification of grants received from Central Government.
- **Advisory and Support** - Periodic briefings for CLT on governance internal control, risk management, for example, Lessons learnt from review of recent financial failures in local government
- **Fraud, Corruption and Financial Irregularities:** The service will investigate fraud and irregularity arising during the year. A Corporate Fraud Plan will be developed for the new service, and this will include a programme of proactive fraud exercises as well as reactive fraud investigation work.
- **Follow up work:** Follow up work on outstanding 'Management actions' will be regularly undertaken. Where Internal Audit reports conclude that a Category 3 or 4 assurance level (bottom two categories of audit opinion), the reviews will be revisited at an appropriate time to establish the effectiveness of agreed management actions in improving control and mitigation of risks. Progress will be reported to Audit Committee.

The Internal Audit Plan Strategy

Performance against completion of the internal annual plan will be measured and reported in Internal Audit Activity reports.



Plan Monitoring

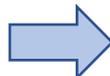
Potential performance indicators are: -

- **Percentage Key Corporate Risks audited**
 - Focus of internal audit activity on key corporate/operational risks of council
- **Delivery of Internal Audit Plan**
 - % Audits completed to at least draft report stage 90%
- **Compliance with Public Sector Internal Audit Standards**
 - Annual Self-assessment
 - Five Year External independent review of Internal Audit Service against the PSIAS (Quarter 3, 2022/23)
- **Client Satisfaction**
 - Level of agreed management actions fully implemented 85%
 - Quarterly/Annual management survey re benefits and value of audit service
- **Audit Effectiveness (Making a Difference)**
 - Annual like for like comparison of audit opinions over previous 3 years

The Internal Audit Plan Strategy

The Head of Internal and Investigation (fulfils the role of Chief Audit Executive) must deliver an annual internal audit opinion and report that can be used by the organisation to inform its governance statement. The annual internal audit opinion must conclude on the overall adequacy and effectiveness of the organisation's framework of governance, risk management and control.

Regular periodic updates will be provided to CLT and Audit Committee throughout the year that will culminate in the production of an annual report and Annual Head of Internal Audit Opinion on the council's governance, internal control, and risk management framework.



Reports to Corporate Leadership Team and Audit Committee

A status report on internal audit work will be presented to the CLT and Audit Committee on a regular basis throughout the year. The purpose of these reports is to provide an update on the progress made against the delivery of the 2022/23 Internal Audit and Investigation Plan, the status of audits, i.e., those completed to date, at draft stage or work in progress, with the audit assurance opinions given. The reports will also provide a summary of internal audit performance, the planning and resourcing position.

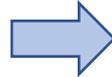
Annual Assurance Report

A formal annual report to the Audit Committee, presenting the Head of Audit and Investigation (fulfils the role of Chief Audit Executive) opinion on the overall adequacy and effectiveness of the framework of governance, risk management and control, will be published to enable it to be taken into account within the annual review of the effectiveness of the system of internal audit and in preparing the Annual Governance Statement.

The Internal Audit Plan Strategy

The Public Sector Internal Audit Standards (PSIAS), as revised in April 2017, define the service and professional standards for public sector internal audit services.

Compliance will be monitored on a regular basis, as part of the review process for individual audits and as part of annual self-assessment review of the internal audit service and for 2022/23, an External review of the Service, as required to be undertaken every five years, in accordance with the PSIAS.



Compliance with Public Sector Internal Audit Standards

The PSIAS, as revised in April 2017, define the service and professional standards for public sector internal audit services.

Key, specific PSIAS provisions include:

PSIAS: 2010 - *“The Chief Audit Executive must establish risk-based plans to determine the priorities of the internal audit activity, consistent with the organisation’s goals.”*

PSIAS: 2450 – *“The Chief Audit Executive must deliver an annual internal audit opinion and report that can be used by the organisation to inform its governance statement. The annual internal audit opinion must conclude on the overall adequacy and effectiveness of the organisation’s framework of governance, risk management and control.”*

The Internal Audit Service is designed to conform to the PSIAS. Under the PSIAS there is a requirement for audit services to have an external quality assessment every five years. The last external review was undertaken in 2018, with an ongoing self-assessment exercise being undertaken annually. A further external review of the Service against the PSIAS is planned for Quarter 3 of 2022/23.

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Details**ASSURANCE ACTIVITY**

Section 1- Corporate Risks		
With reference to the Council's Corporate Risk Register, these audits are intended to provide assurance to management that the expected mitigating actions and controls to manage risks are operating as expected. All key corporate risks are expected to be covered over a two-to-three-year period.		
Audit	Reason for Audit	Outline Scope
Financial Resilience/Compliance with CIPFA Financial Management Code	Budget & Financial Resilience (Key Corporate Risk 1)	The CIPFA Financial Management Code (FM Code) is designed to support good practice in financial management and to assist local authorities in demonstrating their financial sustainability. The FM Code, therefore, for the first time, sets the standards of financial management for local authorities. This review will give assurance on the internal controls, risk management and governance against the CIPFA Financial Management Code
Financial Monitoring	Budget & Financial Resilience (Key Corporate Risk 1)	Review of controls and processes in respect of the council's Revenue and Capital Budget Monitoring arrangements
Key Financial Systems	Budget & Financial Resilience (Key Corporate Risk 1; AGS 21.6 – Rent Standard Compliance)	To determine specific audits using risk-based approach to identify specific areas (Link into Financial Systems Assurance Mapping). Potential areas for 2022/23 and reason (reviewing areas of weakness to ensure they have/are being dealt with/ or where management think controls are strong to test the robustness: -_ <ul style="list-style-type: none"> • Debtors (previously Category 3 Audit Opinion) • Housing Rents (previously Category 3 Audit Opinion) • Treasury Management
Corporate Governance	Corporate Governance (Key Corporate Risk 2) & Peer Review	Provide assurance on the application of the Local Code of Corporate Governance (using new Governance Monitoring Toolkit), reviewing evidence to validate assessment strands. Reviewing areas of strength to confirm that assessment is correct or looking at areas of weakness to provide assurance that they are being addressed

Audit	Reason for Audit	Outline Scope
Climate Emergency	Climate Emergency (Key Corporate Risk 9)	The Council's response to the climate emergency and the Climate Emergency Action Plan (CEAP) were audited in 2021/22 and initial feedback is that the Council's overall governance for the planning and delivery of the CEAP is robust. Data sets/information and knowledge in the industry is not sufficiently mature and for 2022/23, we will continue to research and monitor the treatment of Carbon accounting, how the market develops to inform what we are doing locally and to learn from best practice in this area
Children's Services - High Needs Block	Children's Services (Key Corporate Risk 5)	Review of commissioning and control of placements – specific scope to be agreed
New Enforcement & Safety Service	Place & Growth DMT Request	Review of new service over four quarters of 2022/23 and to assess whether we are meeting the expectations for the new service
Self-Assessment of Council's Arrangements Information Governance and Cyber Security Arrangements	Information Governance & Cyber Security (Key Corporate Risk Ref 10)	Self-Assessment of Council's arrangements against the National Audit Office Cyber Security and Information Risk Guidance, National Cyber Security Centre guidance, ISO27001:2013 and good practice, designed to surface any gaps in control to bring to the attention of management and to inform internal audit activity going forward
Project Delivery	Information Governance & Cyber Security (Key Corporate Risk Ref 10)	To provide assurance that the planned IT Programme of work aligns to the Council's digital strategy, is regularly monitored, and that the IT projects are being planned and managed, identifying project risks to quality, time and cost

Section 2- Key Operational Systems

With reference to the Council's Directorate Risk Registers, these audits are intended to provide assurance to management that the expected mitigating actions and controls to manage risks are operating as expected. All key directorate risks are expected to be covered over an agreed time period.

Audit	Reason for Audit	Outline Scope
Public Health	Adults Service and Health Management Request	Review to give management assurances on risk management and control framework e.g., Governance arrangements, Public Health contracts/arrangements, Budgets, Financial procedures, Performance Management
Asylum Seeking Children	Children's Services DMT Management Request	To review systems and controls in light of Home Office directive to all local authorities
Use of Finance Functionality & System	Children's Services DMT Management Request	Link to Commissioning and Control of Placements review. Up front involvement in development of finance functionality and systems controls
S106 Contributions	Place & Growth DMT Management Request	To undertake a follow up review of progress implementing 2020/21 agreed audit countermeasures
Contract / Client Management Compliance	Place & Growth DMT Management Request	To ensure processes are robust and effective and are in accordance with best practice, identify lessons learned to be identified and shared

Section 3 - Governance Building Blocks

These reviews cover the key governance elements and are necessary for the formation of the Chief Audit Executive (CAE) and Annual Governance Statement (AGS)

Audit	Reason for Audit	Outline Scope
Risk Management	AGS Improvement Plan Ref. 21.1	Follow up of actions from Peer Review in respect of Risk Management. To assess how well embedded Risk Management is across the organisation and how that can be driven forward
Annual Governance Statement (AGS) 2021/22	Governance Building Block	To support and advise management on the completion of the 2021/22 AGS and provide assurance on the follow-up actions taken in respect of the 2021/22 AGS

Section 4 - Fraud and Investigation	
Activity	Outline Scope
Reactive Investigations	To include for example Whistleblowing, Council Tax Reduction Scheme, Housing investigations etc.
Proactive Investigations	Government Covid Business Rate Grants assurance work and associated risk assessments - new or emerging Covid related risks
Proactive Investigations	For example, Empty Property Relief Exercise (Request of Head of Income and Assessments)
National Fraud Initiative Data Matching Exercises	Management of Council's provision of data and investigation of matches
Other Fraud Activities	Development of Counter Fraud Plan for new Service
	Anti-Fraud and Anti-Corruption Fraud Policies Refresh for new Service
	Corporate and Specific Fraud Awareness and Training
	Provision of fraud statistics for relevant external and internal bodies e.g., Transparency Statistics, Investigatory Powers Commissioner's Office statistics
	Police Information & Data Protection Requests
	Regulation of Investigatory Powers Act Monitoring and review

Section 5 - Auditor Judgement and Servicing the Business	
Activity	Outline Scope
Grant Certifications	Mandatory certification of grants received from central government e.g., Troubled Families Grants, Disabled Facilities Grants
Effectiveness of System of Internal Audit (Public Sector Internal Audit Standards)	Ongoing self-assessment against Public Sector Internal Audit Standards in preparation for External review of compliance for new Internal Audit Service in Q3 2022/23 (requirement of PSIAS every 5 years)
Advice on demand	Requests for ad-hoc advice on control, risk management and governance issues
Contingency	Member/Management requests
Follow up countermeasures/ testing	Very high/High priority only

Section 6 – Advisory Activity	
Activity	Outline Scope
Corporate Leadership Team (CLT) Briefings	Periodic briefings for CLT on governance internal control, risk management, for example, lessons learnt from review of recent financial failures in local government
Statutory Officer Group	Quarterly Corporate Governance Toolkit updates

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WOKINGHAM BOROUGH COUNCIL

Audit Committee Annual Report 2021/22

1. ROLE OF THE AUDIT COMMITTEE

The Audit Committee is required to provide to those charged with governance, independent assurance on the adequacy of the Council's risk management framework, the internal control environment and the integrity of the financial reporting and annual governance processes, in place. In addition, the Committee monitors the implementation of the Councils' complaints process.

The effectiveness of the Committee was considered earlier in the year. This annual report forms an important assessment of the added value that the Committee has brought to the Council through its work in 2021/22 which is set out below.

(a) Internal and External Audit

Internal Audit and Investigations

The Audit Committee monitors the Council's internal controls and governance arrangements. In the previous municipal year, it had been agreed that the Shared Internal Audit and Investigation Service would move to a quarterly planning cycle rather than an annual one, due to the pressures of the pandemic. The Committee received the Quarter 2 work programme in July. The Committee received the internal audit work programme for the full year and progress made to September 2021, in September 2021, as work arrangements began to normalise once more.

The Committee considered the 2021/22 Internal Audit and Investigation Work Programme update to 31 October 2021, at its November meeting. Members noted that a number of audits of key corporate risks, including the Council's Governance Arrangements, were being undertaken.

External Audit

Members were updated and asked questions about the work of the Council's external auditors, Ernst & Young, throughout the year.

(b) Risk Management

The Committee has continued to review the Corporate Risk Register at each Committee meeting as part of its role in monitoring the Council's risk management arrangements. Directors were invited to highlight the corporate risks which were specific to their area and what measures were being put in place to mitigate against these risks. Members considered and challenged how individual risks were being managed and mitigated against and suggested where they felt improvements could be made.

Going forwards the Committee will continue to invite the Directors to future meetings to update on the risks in their areas, to enable the Committee to best understand the Council's approach to risk management. It will review the Council's Risk Management Guidance and Policy in the near future.

(c) Statement of Accounts

The Audit Committee is required to approve the annual Statement of Accounts for 2020/21 on behalf of the Council. The Statement of Accounts will be considered at an extraordinary meeting in March 2022.

Officers have kept the Committee up-to-date on the progress of the Statement of Accounts. Members will consider if the appropriate accounting policies have been followed and if they have concerns arising from the audit or the financial statements which Full Council should be informed of.

(d) Corporate Governance

Reviewing the Council's arrangements for corporate government and considering any required actions to ensure compliance with best practice, is a key function of the Audit Committee.

At an extraordinary meeting in March 2022, the Committee will consider an update on the 2020/21 Annual Governance Statement, as part of its consideration of the Statement of Accounts. Members will consider any improvements and exceptions identified during the process and determine if they are satisfied that the Annual Governance Statement reflects the Council's risk environment and any necessary actions required to improve it.

(e) Treasury Management

In September 2021, the Committee considered the Treasury Management outturn report 2020-21, which detailed the Council's treasury management operations during the 2020/21 financial year and highlighted the balances at the year end. Members sought further clarification around various elements including adhering to the prudential indicators, the internal funded borrowing move between the Mid-Year and the Outturn report, and asset valuation.

In November 2021, the Committee considered received the Treasury Management Mid-Year Report 2021-22 and recommended to Full Council for approval. The Mid Year report was at the 30 September 2021 and gave a summary of where the Council was with its Prudential Indicators and the likely outturn at the end of the financial year in terms of level of debt, level of borrowing, and the return on investments. Members asked questions on and sought clarification on issues including revaluation losses, and losses on sales and capital expenditure.

In February 2022 the Committee considered and recommended the Treasury Management Strategy 2022-25, to Council.

(f) Council's Corporate Complaints process

The Committee received the 2020-21 annual report on corporate complaints and compliments, at its meeting in July 2021.

(g) Self-Assessment – review of the effectiveness of the Audit Committee

In September 2021, the Committee undertook a self-assessment against CIPFA's best practice which provided detailed guidance on the features of an effective local authority audit committee. The Committee found substantial evidence of compliance against best practice but identified five areas for further development – this included

the appointment of an independent member to the Committee which is recommended to full Council in March 2022.

2. FORWARD LOOK

Early in the new municipal year, the Committee plans to undertake a review of its training and development needs as part of the self-assessment referred to above. This will provide a roadmap for further development and improvement.