

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,

[Q1 Executive Monitoring Reports](#)

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:

[Revenue Monitoring Outturn Report](#)

Directorate	End of year position			(Favourable) / Adverse Variance split into:	
	Approved budget	Actual spend	(Favourable) / adverse variance	BAU Variance	Covid Impact
	£,000	£,000	£,000	£,000	£,000
Adult Social Care	53,346	53,338	(8)	(1,484)	1,476
Chief Executive	9,215	9,226	11	11	0
Children's Services	36,004	37,266	1,262	(124)	1,386
Community, Insight & Change	8,774	9,270	496	(52)	548
Place & Growth	38,553	40,836	2,283	531	1,752
Resources & Assets	2,118	4,928	2,810	(102)	2,912
COVID – Other	0	1,714	1,714	0	1,714
COVID - Grant funding from Government	0	(9,356)	(9,356)	0	(9,356)
Net Expenditure (including carry forwards to 2021/22)	148,010	147,222	(788)	(1,220)	432

BAU – Business as Usual

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:

[Capital Programme Outturn Report](#)

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.

[Wider Council Performance](#)

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 (£259.6m 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:

[Treasury Management Outturn Report](#)

Balance sheet

The Council's balance sheet at 31 March 2021 had long term assets of £1.157b, current assets (including cash and short term investments) of £390m, current liabilities of £416m, 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 £163m.

The net assets of the Council have reduced slightly from £499m at 31 March 2020 to £471m 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

[Medium Plan Financial Plan](#)

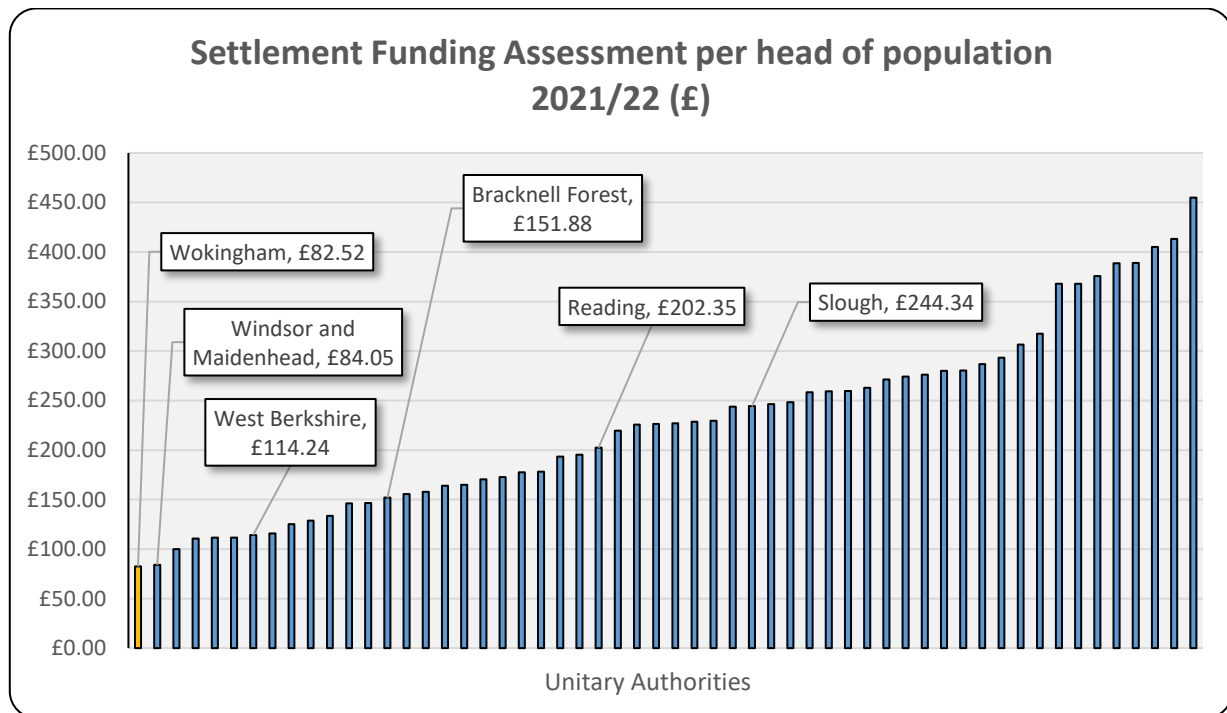
The Council continues to review opportunities for improvement and service development, most recently including the continuous improvement programme, looking to transform the way the Council operates and improve the availability of Council services through digital channels, enable residents to track the 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 further, until 2024/25, and therefore does not impact on the 2020/21 financial accounts.

For 2020/21 the Update to the Code on infrastructure assets offers a temporary relief, this note does not include disclosure of gross cost and accumulated depreciation for infrastructure assets because

historical reporting practices and resultant information deficits mean that this would not faithfully represent the asset position to the users of the financial statements.

The authority has chosen not to disclose this information as the previously reported practices and resultant information deficits mean that gross cost and accumulated depreciation are not measured accurately and would not provide the basis for the users of the financial statements to take economic or other decisions relating to infrastructure assets.

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:

**Clive Jones,
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

	Restated 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)	1,471
	48,232	(27,473)	20,759	68,076	(37,167)	30,910
	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
	338,044	(182,082)	155,962	375,624	(206,177)	169,447
			18,632			22,310
			13,935			6,599
			(199,788)			(215,001)
			(11,259)			(16,646)
			(40,903)			(37,853)
			(46,585)			82,457
			(87,488)			44,604
			(98,747)			27,958

GROUP COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

	Restated 2019/20			2020/21		
	Gross Expenditure	Gross Income	Net Expenditure	Gross Expenditure	Gross Income	Net Expenditure
	£,000	£,000	£,000	£,000	£,000	£,000
91	2,885	(210)	2,675	1,477	(5)	1,472
	79,950	(66,347)	13,603	57,601	(30,135)	27,466
	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
	369,762	(220,956)	148,806	410,892	(244,758)	166,134
			18,498			22,205
			14,638			7,589
			(201,116)			(215,748)
			(19,174)			(19,820)
			(4)			(16)
			(19,178)			(19,836)
			(40,903)			(37,853)
			(48,841)			85,815
			(89,744)			47,962
			(108,922)			28,125

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)	(366,178)	(498,611)
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)	(363,185)	(498,611)
Movement in Reserves during 2020/21:										
Surplus) or Deficit on the Provision of Services	(14,611)	0	(2,035)	0	0	0	0	(16,646)	0	(16,646)
Other Comprehensive Income and Expenditure	0	0	0	0	0	0	0	0	44,604	44,604
Total Comprehensive Income and Expenditure	(14,611)	0	(2,035)	0	0	0	0	(16,646)	44,604	27,958
Adjustments between Accounting Basis & Funding Basis under Regulations (note 5)	(15,578)	0	2,858	0	(2,777)	(1,340)	3,647	(13,190)	13,190	0
Net (Increase) / Decrease before Transfers to Earmarked Reserves	(30,189)	0	823	0	(2,777)	(1,340)	3,647	(29,836)	57,793	27,958
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	528	(26,803)	823	(1,974)	(2,777)	(1,340)	3,647	(27,895)	55,853	27,958
Balance at 31st March 2021 carried forward	(11,712)	(118,327)	(1,268)	(5,347)	(5,162)	(2,898)	(18,606)	(163,321)	(307,326)	(470,647)

MOVEMENT IN RESERVES STATEMENT - Restated

	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	(9,452)	-	(1,807)	-	-	-	-	(11,259)	-	(11,259)
Other Comprehensive Income and Expenditure	-	-	-	-	-	-	-	-	(87,488)	(87,488)
Total Comprehensive Income and Expenditure	(9,452)	-	(1,807)	-	-	-	-	(11,259)	(87,488)	(98,747)
Adjustments between Accounting Basis & Funding Basis under Regulations (note 5)	(13,427)	-	2,368	-	2,993	669	7,360	(36)	36	-
Net (Increase) / Decrease before Transfers to Earmarked Reserves	(22,878)	-	561	-	2,993	669	7,360	(11,295)	(87,452)	(98,747)
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)	(88,426)	(98,747)
Balance at 31st March 2020 carried forward	(12,240)	(91,523)	(2,091)	(381)	(2,386)	(1,558)	(22,254)	(132,433)	(366,178)	(498,611)

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 Usable 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)	(366,178)	(498,611)	(11,649)	(510,260)
<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)	(363,185)	(498,611)	(11,649)	(510,260)
Movement in reserves during 2020/21												
Surplus or (Deficit) on the Provision of Services	(29,050)	-	(2,035)	-	-	-	-	(31,085)	-	(31,085)	11,249	(19,836)
Other Comprehensive Income and Expenditure	-	-	-	-	-	-	-	-	44,604	44,604	3,358	47,962
Total Comprehensive Income and Expenditure	(29,050)	-	(2,035)	-	-	-	-	(31,085)	44,604	13,519	14,608	28,126
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	(15,578)	-	2,859	-	(2,777)	(1,340)	3,647	(13,189)	13,189	0	0	0
Net Increase/Decrease before Transfers to Earmarked Reserves	(30,189)	0	824	0	(2,777)	(1,340)	3,647	(29,836)	57,793	27,958	169	28,126
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	(11,712)	(118,326)	(1,268)	(5,348)	(5,163)	(2,898)	(18,607)	(163,322)	(307,327)	(470,649)	(11,485)	(482,134)

	General Fund (GF) Balance	Earmarked GF Reserves	Housing Revenue Account (HRA)	Schools & DSG Reserves	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	Total Usable 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	(8,830)	(71,024)	(2,783)	(2,257)	(5,379)	(2,227)	(29,614)	(122,114)	(277,751)	(399,865)	(1,475)	(401,340)
Movement in reserves during 2019/20												
Surplus or (Deficit) on the Provision of Services	(24,315)	-	(1,807)	-	-	-	-	(26,122)	-	(26,122)	6,948	(19,174)
Other Comprehensive Income and Expenditure	-	-	-	-	-	-	-	-	(87,488)	(87,488)	(2,256)	(89,744)
Total Comprehensive Income and Expenditure	(24,315)	-	(1,807)	-	-	-	-	(26,122)	(87,488)	(113,610)	4,692	(108,918)
95 Adjustments between group accounts and authority accounts	14,865	-	-	-	-	-	-	14,865	-	14,865	(14,865)	-
Adjustments between accounting basis and funding basis under regulations	(13,426)	-	2,368	-	2,993	669	7,360	(36)	36	-	-	-
Net Increase/Decrease before Transfers to Earmarked Reserves	(22,878)	-	561	-	2,993	669	7,360	(11,293)	(87,452)	(98,745)	(10,175)	(108,920)
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)	(132,433)	(366,177)	(498,610)	(11,650)	(510,260)

BALANCE SHEET

WBC 31st March, 2020 £,000 Restated	Group 31st March, 2020 £,000 Restated		Notes	WBC 31st March, 2021 £,000	Group 31st March, 2021 £,000
977,626	1,003,862	Property, Plant & Equipment	24	1,058,237	1,090,392
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	1,164
1,071,588	1,078,826	Long Term Assets		1,156,788	1,163,882
40,506	40,506	Short Term Investments	36	195,336	195,336
-	1,039	Assets Held for Sale	35	692	3,260
14,797	16,575	Inventories	49	9,457	11,645
31,080	37,560	Short Term Debtors	30	52,938	59,446
60,603	62,627	Cash and Cash Equivalents	41	131,555	134,381
146,986	158,307	Current Assets		389,978	404,068
(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	(66,779)	(72,372)
(7,858)	(7,858)	Provisions	32	(8,929)	(8,929)
(130,520)	(137,537)	Current Liabilities		(416,070)	(421,663)
(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)
498,610	510,407	Net Assets		470,647	482,282
(132,433)	(141,953)	Usable Reserves	22	(163,321)	(169,505)
(366,177)	(368,307)	Unusable Reserves	23	(307,326)	(312,630)
(498,610)	(510,260)	Total Reserves		(470,647)	(482,135)
-	(147)	Minority Interest		-	(147)
(498,610)	(510,407)	Total Reserves Excluding Minority Interest		(470,647)	(482,282)

CASH FLOW STATEMENT

	Notes	Restated WBC 2019/20 £,000	Restated Group 2019/20 £,000	WBC 2020/21 £,000	Group 2020/21 £,000
Net Surplus or (Deficit) on the Provision of Services		11,259	19,178	16,646	19,836
Adjustments to Net Surplus or Deficit on the Provision of Services for Non-cash Movements	38	99,547	91,827	58,326	55,987
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	562	666
Investing Activities	39	(97,271)	(97,020)	(182,568)	(180,484)
Financing Activities	40	58,422	58,727	253,302	251,916
Net Increase or (Decrease) in Cash and Cash Equivalents		8,766	9,522	71,296	72,098
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	132,730

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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	Restated Adjustments between Funding and Accounting Basis	Net Expenditure in the Comprehensive Income and Expenditure Statement		Net Expenditure Chargeable to the General Fund and HRA Balances	Adjustments between Funding and Accounting Basis	Net Expenditure in the Comprehensive Income and Expenditure Statement
	£,000	£,000	£,000		£,000	£,000	£,000
100	5,770	(3,095)	2,675	Chief Executive	639	832	1,471
	(836)	21,594	20,759	Resources and Assets	7,181	23,729	30,910
	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	51,147	155,962	Net Cost of Services	134,584	34,863	169,447
	(107,534)	(59,687)	(167,221)	Other Income & Expenditure	(133,233)	(52,859)	(186,092)
	(2,720)	(8,540)	(11,259)	Surplus/Deficit on provision of services	1,350	(17,996)	(16,646)
	(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	1,350		
	(14,331)			Closing General Fund and HRA balance at 31 March*	(12,980)		

* 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.

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
10,750	1,688	9,156	21,594	Resources and Assets	25,514	1,156	(2,941)	23,729
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)
				Communities, Insight and Change	1,565	1,353	(1,647)	1,271
101 25,828	1,059	(2,190)	24,697	Children's Services	2,981	1,561	(1,725)	2,817
				Children's Services - Schools Block	7	2,940	402	3,350
2	3,076	(339)	2,739					
41,702	8,451	994	51,147	Net Cost of Services	36,636	9,453	(11,226)	34,863
14,253	-	-	14,253	Other Operating Expenditure	18,234	0	0	18,234
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	(48,611)	5,663	(9,911)	(52,859)
(8,609)	14,913	(14,844)	(8,540)	Difference between General Fund surplus and deficit and Comprehensive Income and Expenditure Statement Surplus or deficit on the Provision of services	(11,975)	15,116	(21,137)	(17,996)

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
Valuation of Land & Buildings	Assets are depreciated over useful lives that are dependent on assumptions about the level of repairs and maintenance that will be incurred in relation to individual assets. The current economic climate makes it uncertain that the Council will be able to sustain its current spending on repairs and maintenance, bringing into doubt the useful lives assigned to assets.	<p>If the useful life of assets is reduced, depreciation increases and the carrying amount of the assets falls.</p> <p>It is estimated that the annual depreciation charge for buildings would increase by approximately £0.6m 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>
	Investment properties are subject to changing market conditions, which can lead to some uncertainties within their valuations. These market conditions are monitored closely on a regular basis.	Any changes in fair value of investment properties will impact the value of the assets held on the Balance Sheet, and result in a gain or loss posted to the income and expenditure statement.
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.

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
	<p>The Collection Fund includes provisions of £7.2m for appeals against business rates valuations as advised by DCLG guidance.</p>	<p>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.</p>
Pension Liability	<p>Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. The actuaries Barnett Waddingham LLP provide the Council with expert advice about the assumptions to be applied.</p>	<p>The effects on the net pension's liability of changes in individual assumptions can be measured and seen in note 19. For example, a 0.1% decrease or increase in the discount rate assumption would result in an increase or decrease in the pension liability of £12.1m.</p>
PFI Liabilities	<p>The value of PFI service charge payable under the contract disclosed in note 29 of the accounts is dependent upon assumptions regarding future inflation and tonnage rates.</p>	<p>A 1% increase in RPI would increase Wokingham's contract charge by £1m. Similarly a 1% increase in tonnages would increase the service charge by £0.2m per annum.</p>
Arrears	<p>At 31 March 2021, the Council had a balance of total short term debtors of £52.9m, of which Council tax debt was £3.2m, and Government and other public sector debtors were £10.3m.</p>	<p>The provision set aside for bad debt increases according to the age of the debt. If collection rates for debtors (excluding public sector debtors) were to deteriorate, a 1% increase in the amount of the impairment of doubtful debts would require an additional allowance for sundry debts from the revenue account of £17k and from the Collection Fund, for council tax, of £49k.</p>

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
106 Corona Virus (Covid-19)	<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

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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)	(70,788)	-	(4,464)	-	-	-	(75,252)	75,252
Total Adjustment to Revenue Resources	(95,098)	-	(4,850)	-	-	-	(99,948)	99,948
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)	(4,332)	-	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	69,289	-	-	(650)	-	3,647	72,286	(72,286)
Total Adjustments to Resources	69,289	-	-	3,902	2,992	3,647	79,830	(79,830)
Total Adjustments 2020-21	(15,578)	-	2,858	(2,777)	(1,340)	3,647	(13,190)	13,190

2019-20 Restated	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)	(58,137)	-	(5,086)	-	-	(812)	(65,035)	65,035
Total Adjustment to Revenue Resources	(78,474)	-	(5,415)	-	-	(812)	(84,701)	84,701
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	(13,427)	-	2,368	2,993	669	7,360	(36)	36

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	(38,321)	(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	17,563
Total	18,632	22,310

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 Restated £,000	2020/21 £,000
Expenditure		
Employee benefits expenses	109,828	129,342
Other service expenses	185,874	195,042
Support service recharges	(1,378)	1,756
Depreciation, amortisation, impairment	44,991	44,188
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	17,563
Total Expenditure	372,405	406,655
Income		
Fees, charges & other service income	(69,324)	(56,124)
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)	(247,204)
Total Income	(383,664)	(423,301)
(Surplus) or Deficit on the Provision of Services	(11,259)	(16,646)

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 No of Employees				2020/21 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.

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COUNCIL	Number of Compulsory redundancies		Number of other departures agreed		Total number of exit packages		Total cost of exit packages in each band	
	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 2021 (£3.050m at 31 March 2020). No payments were made to 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

	2019/20			2020/21		
	WBC & BCC	Optalis	Total Group	WBC Inc BCC	Optalis	Total Group
	£,000	£,000	£,000	£,000	£,000	£,000
Present value of the defined benefit obligation	(465,206)	(18,891)	(484,097)	(605,916)	(23,877)	(629,793)
Fair value of plan assets	210,086	13,349	223,435	253,124	14,721	267,845
Sub-total	(255,120)	(5,542)	(260,662)	(352,792)	(9,156)	(361,948)
Present value of unfunded obligation	(4,481)	-	(4,481)	(4,382)	0	(4,382)
Net liability arising from defined benefit obligations	(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	2020/21
	£,000	£,000
Credited to Taxation and Non-specific Grant Income:		
New Homes Bonus	(5,714)	(7,461)
Emergency Covid 19 Support Grant	0	(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	(67,160)	(87,901)

	2019/20	2020/21
	£,000	£,000
Credited to Directorates:		
Dedicated Schools Grant	(82,832)	(82,272)
Mandatory Rent Allowances: Subsidy	(11,840)	(11,023)
Public Health	(5,213)	(5,481)
Rent Rebates Granted to HRA Tenants: Subsidy	(5,791)	(5,404)
Covid 19 Business Support Grants	0	(4,915)
Covid 19 Infection Control	0	(3,535)
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)
Small Business Rate Relief *	(1,798)	0
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)
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	(1,441)	(2,321)
Sub total	(121,296)	(132,821)
Total	(188,455)	(220,722)

* For 20/21, grant moved to note 10 Other non-ringfenced government grants

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	(5,214)
Covid 19 Test and Trace Grant	0	(368)
Small Business Rate Relief Grant	(3,289)	0
Other Grants	(10)	(581)
Total	(3,299)	(6,163)

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

	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)

Central Government to help local authorities with cashflow.

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 Restated	31st March, 2021 £,000
Revaluation Reserve	(206,802)	(237,586)
Capital Adjustment Account	(426,290)	(446,801)
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	(366,178)	(307,326)
Group unusable reserves	(2,129)	(5,304)
Minority interest	(147)	(147)
Total Group Unusable Reserves	(368,454)	(312,777)

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)	(51,898)
Downward Revaluation of Assets and Impairment Losses not Charged to the Surplus or Deficit on the Provision of Services	24,057	14,045
Surplus or Deficit on Revaluation of Non-current Assets not Posted to the Surplus or Deficit on the Provision of Services	(40,903)	(37,853)
Difference Between Fair Value Depreciation and Historical Cost Depreciation	975	973
Accumulated Gains on Assets Sold or Disposed	5,694	6,096
Amount Written Off to the Capital Adjustment Account	6,669	7,069
Balance at 31st March	(206,802)	(237,586)

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)	(426,290)
Restated as at 1st April 2020		(426,290)
Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:		
• Charges for depreciation of non-current assets	17,192	18,866
• Charges for impairment of non-current assets	-	293
• Charges for impairment of inventories	-	1,814
• Revaluation losses on property, plant and equipment	23,687	27,367
• 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	19,678
• Amounts of inventories written-off on disposal or sale as part of the gain / loss on disposal to the Comprehensive Income and Expenditure Statement	0	5,235
	61,935	78,755
Adjusting amounts written out of the revaluation reserve	(6,669)	(7,069)
Net written out amount of the cost of non-current assets consumed in the year	55,266	71,686
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)	(92,198)
(426,290)	(446,801)

Balance at 31st March

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	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
Cost or Valuation								
Restated as at 1st April 2020	223,294	505,181	24,227	3,150	4,249	134,138	894,239	10,190
Additions	4,422	19,435	1,366	2	46	62,041	87,312	0
Revaluation Increases / (Decreases) Recognised in the Revaluation Reserve	10,063	13,680	(397)	0	(763)	0	22,583	(397)
Revaluation Increases / (Decreases) Recognised in the Surplus / Deficit on the Provision of Services	0	(35,208)	(669)	0	(81)	0	(35,958)	(2,563)
Impairment	(2,962)	(293)	0	0	0	0	(3,255)	0
De-recognition - Disposals	(118)	(19,512)	(162)	0	(378)	0	(20,170)	0
Assets reclassified (to) / from Held for Sale	(702)	0	0	0	0	0	(702)	0
Other asset reclassified and transferred in Cost or Valuation	754	27,556	575	2,897	0	(53,405)	(21,623)	0
At 31st March, 2021	234,751	510,839	24,940	6,049	3,073	142,774	922,426	7,230
Accumulated Depreciation and Impairment								
Restated as at 1st April 2020	10,265	21,992	13,887	0	11	0	46,155	2,094
Depreciation Charge	4,008	7,008	1,792	0	12	0	12,820	426
Depreciation written out to the Revaluation Reserve	(7,412)	(3,884)	(59)	0	0	0	(11,355)	(59)
Depreciation written out to the Surplus/Deficit on the Provision of Services	0	(7,849)	(669)	0	(11)	0	(8,529)	(1,627)
Impairment Losses / (Reversals) Recognised in the Revaluation Reserve	(6,875)	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
Derecognition – Disposals	14	(440)	(55)	0	(12)	0	(493)	0
Assets reclassified (to) / from Held for Sale	0	0	0	0	0	0	0	0
Other movements in accumulated depreciation and impairments	0	0	0	0	0	0	0	0
	0	16,827	14,896	0	0	0	31,723	834
Net Book Value								
At 31st March, 2021	234,751	494,012	10,044	6,049	3,073	142,774	890,703	6,396
At 31st March, 2020	213,029	483,189	10,340	3,150	4,238	134,138	848,084	8,096

Movements in 2019/20:	Council Dwellings	Other Land and Buildings (Inc. HRA)	Vehicles, Plant, Furniture & Equipment	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
Cost or Valuation								
Restated as at 1st April 2019	205,211	477,219	22,077	3,149	4,258	90,100	802,014	10,190
Additions	10,576	31,502	2,669	1	199	66,782	111,729	0
Revaluation Increases / (Decreases) Recognised in the Revaluation Reserve	7,617	24,284	0	0	0	0	31,901	0
Revaluation Increases / (Decreases) Recognised in the Surplus / Deficit on the Provision of Services	0	(30,225)	0	0	(6)	0	(30,231)	0
Impairment	0	0	0	0	0	0	0	0
De-recognition - Disposals	(911)	(14,350)	(551)	0	(198)	0	(16,010)	0
Assets reclassified (to) / from Held for Sale	0	0	0	0	0	0	0	0
Other movements in cost or valuation	0	(118)	0	0	0	0	(118)	0
Other asset reclassified and transferred in Cost or Valuation	800	16,868	32	0	(4)	(22,744)	(5,048)	0
At 31st March, 2020	223,294	505,181	24,227	3,150	4,249	134,138	894,239	10,190
Accumulated Depreciation and Impairment								
Restated as at 1st April 2019	3,271	33,845	12,841	0	4	0	49,961	1,668
Depreciation Charge	3,404	7,546	1,476	0	10	0	12,436	426
Depreciation written out to the Revaluation Reserve	(3,271)	(12,608)	0	0	0	0	(15,879)	0
Depreciation written out to the Surplus/Deficit on the Provision of Services	0	(6,558)	0	0	0	0	(6,558)	0
Impairment Losses / (Reversals) Recognised in the Revaluation Reserve	6,875	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
Derecognition – Disposals	(14)	(115)	(430)	0	(3)	0	(562)	0
Assets reclassified (to) / from Held for Sale	0	0	0	0	0	0	0	0
Other assets reclassified and transferred in	0	(118)	0	0	0	0	(118)	0
At 31st March, 2020	10,265	21,992	13,887	0	11	0	46,155	2,094

GROUP PROPERTY, PLANT AND EQUIPMENT

Movements in 2020/21:	Council Dwellings	Other Land and Buildings (Inc. HRA)	Vehicles, Plant, Furniture & Equipment	Community Assets	Surplus Assets	Assets under Construction	Total Property, Plant and Equipment
	£,000	£,000	£,000	£,000	£,000	£,000	£,000
Cost or Valuation							
At 1st April, 2020	223,294	527,321	24,396	3,150	4,249	138,268	920,678
Additions	4,422	19,435	1,369	2	46	67,711	92,985
Revaluation Increases / (Decreases) recognised in the Revaluation Reserve	10,063	13,680	(397)	0	(763)	0	22,583
Revaluation Increases / (Decreases) recognised in the Surplus / Deficit on the Provision of Services	0	(32,830)	(669)	0	(81)	0	(33,580)
Impairment	(2,962)	(293)	0	0	0	0	(3,255)
De-recognition - Disposals	(118)	(19,512)	(162)	0	(378)	(427)	(20,597)
Assets reclassified (to) / from Assets under Construction	(702)	0	0	0	0	0	(702)
Other movements in Cost or Valuation	0	0	0	0	0	(1,530)	(1,530)
Other asset reclassified and transferred in Cost or Valuation	754	31,433	575	2,897	0	(57,283)	(21,624)
At 31st March, 2021	234,751	539,235	25,112	6,050	3,073	146,740	954,961
Accumulated Depreciation and Impairment							
At 1st April, 2020	10,265	22,230	14,019	0	11	0	46,525
Depreciation Charge	4,008	7,001	1,799	0	12	0	12,820
Depreciation written out to the Revaluation Reserve	(7,412)	(3,885)	(59)	0	0	0	(11,356)
Depreciation written out to the Surplus/Deficit on the Provision of Services	0	(7,840)	(669)	0	(11)	0	(8,520)
Impairment Losses / (Reversals) Recognised in the Revaluation Reserve	(6,875)	0	0	0	0	0	(6,875)
De-recognition – Disposals	14	(440)	(55)	0	(12)	0	(493)
Assets reclassified (to) / from Assets under Construction	0	0	0	0	0	0	0
Other movements in accumulated depreciation and impairment	0	0	0	0	0	0	0
At 31st March, 2021	0	17,067	15,036	0	0	0	32,103



Movements in 2020/21:	Council Dwellings	Other Land and Buildings (Inc. HRA)	Vehicles, Plant, Furniture & Equipment	Community Assets	Surplus Assets	Assets under Construction	Total Property, Plant and Equipment
	£,000	£,000	£,000	£,000	£,000	£,000	£,000
Net Book Value							
At 31st March, 2021	234,752	522,168	10,077	6,050	3,073	146,740	922,860
At 31st March, 2020	213,029	505,091	10,378	3,150	4,239	138,268	874,155
At 1st April, 2019 Restated	205,211	497,736	22,228	3,149	4,258	92,002	824,584
Additions	10,576	31,502	2,687	1	199	72,502	117,467
Revaluation Increases / (Decreases) Recognised in the Revaluation Reserve	7,617	24,284	0	0	0	0	31,901
Revaluation Increases / (Decreases) Recognised in the Surplus / Deficit on the Provision of Services	0	(30,524)	0	0	(6)	0	(30,530)
De-recognition - Disposals	(911)	(14,350)	(551)	0	(198)	(529)	(16,538)
Other movements in cost or valuation	0	(118)	0	0	0	(1,039)	(1,157)
Assets reclassified (to) / from Held for Sale	800	18,792	32	0	(4)	(24,668)	(5,048)
At 31st March, 2020 Restated	223,293	527,321	24,396	3,150	4,249	138,268	920,678
Accumulated Depreciation and Impairment							
At 1st April, 2019 Restated	3,271	34,079	12,968	0	4	0	50,320
Depreciation Charge	3,404	7,860	1,482	0	10	0	12,756
Depreciation written out to the Revaluation Reserve	(3,271)	(12,608)	0	0	0	0	(15,879)
Depreciation written out to the Surplus/Deficit on the Provision of Services	0	(6,867)	0	0	0	0	(6,867)
Impairment Losses / (Reversals) Recognised in the Revaluation Reserve	6,875	0	0	0	0	0	6,875
Impairment Losses / (Reversals) Recognised in the Surplus / Deficit on the Provision of Services	0	0	0	0	0	0	0
De-recognition – Disposals	(14)	(115)	(430)	0	(3)	0	(562)
Other movements in accumulated depreciation and impairments	0	(118)	0	0	0	0	(118)
At 31st March, 2020 Restated	10,265	22,231	14,020	0	11	0	46,526

INFRASTRUCTURE ASSETS

Movements on balances

In accordance with the temporary relief offered by the update to the Code on infrastructure assets, this note does not include disclosure of gross cost and accumulated depreciation for infrastructure assets because historical reporting practices and resultant information deficits mean that this would not faithfully represent the asset position to the users of the financial statements.

The authority has chosen not to disclose this information as the previously reported practices and resultant information deficits mean that gross cost and accumulated depreciation are not measured accurately and would not provide the basis for the users of the financial statements to take economic or other decisions relating to infrastructure assets.

Movement on balances Infrastructure Assets	2019/20 £'000	2020/21 £'000
Net book value (modified historical cost)		
At 1 April	119,351	129,541
Additions	9,915	23,057
Derecognition	0	0
Depreciation	(4,773)	(5,983)
Impairment	0	0
Other movements in cost	5,048	20,917
Net Book Value at 31 March	129,541	167,533

Reconciling note for PPE	2019/20 £'000	2020/21 £,000
Infrastructure assets	129,541	167,533
Other PPE assets	848,084	890,703
Total PPE assets	977,625	1,058,236

The authority has determined in accordance with Regulations (30M England) of the Local Authority (Capital Finance and Accounting) (England) (Amendment) Regulations 2022 that the carrying amounts to be derecognised for infrastructure assets when there is replacement expenditure is nil.

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, apart from properties purchased from the 'Investment Fund' which are valued by various external valuers. 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	167,534	6,050	0	183,628
Valued at Fair Value as at 31 st March:-							
2021	234,751	302,026	0	0	0	3,072	539,849
2020	0	146,999	0	0	0	0	146,999
2019	0	18,329	0	0	0	0	18,329
2018	0	7,405	0	0	0	0	7,405
2017	0	19,254	0	0	0	0	19,254
Total Cost or Valuation	234,751	494,013	10,044	167,534	6,050	3,072	915,464

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 31March	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	2020/21
	£,000	£,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	121,643	110,113
Investment Properties	18,592	0
Intangible Assets	291	507
Inventories	14,797	1,709
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	452,583

Explanation of Movements in Year

Increase / (Decrease) in underlying need for supported borrowing	-	-
Increase / (Decrease) in underlying need for unsupported borrowing	79,282	34,152
Increase / (Decrease) in Capital Financing Requirement	79,282	34,152

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	31st March, 2020	31st March, 2021	31st March, 2021
	£,000	£,000	£,000	£,000
Repayable within One year				
Central Government Bodies	4,491	4,554	3,673	3,674
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	40,515	40,833
Total	31,080	37,560	52,938	59,448

Other Entities and Individuals have increased from £21.4m in 19/20 to £40.5m 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	31 st March 2021
	£,000	£,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)	(11,180)	(14,364)
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)	(56,412)
Total	(56,886)	(62,922)	(66,779)	(72,373)

The increase in Central Government Bodies from £7.7m in 2019/20 to £11.2m 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:

	31 st March, 2020 £,000	31 st 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	31st March, 2020 £,000	31st March, 2021 £,000	31st March, 2020 £,000	31st March, 2021 £,000	31st March, 2020 £,000	31st March, 2021 £,000	31st March, 2020 £,000	31st March, 2021 £,000
Financial Assets										
At amortised cost	40,506	195,336	17,438	40,060	60,603	131,296	35,000	30,104	20,045	26,225
Total Financial Assets	40,506	195,336	17,438	40,060	60,603	131,296	35,000	30,104	20,045	26,225
Non-financial Assets										
Other	0	0	13,642	12,878	0	0	0	0	0	0
Total Non-financial Assets	0	0	13,642	12,878	0	0	0	0	0	0
Per Balance Sheet	40,506	195,336	31,080	52,938	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	31st March, 2020 £,000	31st March, 2021 £,000	31st March, 2020 £,000	31st March, 2021 £,000	31st March, 2020 £,000	31st March, 2021 £,000	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)	(22,519)	0	0	0	0	(6,030)	(5,360)
Per Balance Sheet	(63,781)	(338,711)	(56,886)	(66,779)	(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	40,060	40,060
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	423,021	423,408
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 31st March 2020 £,000	Group 31st March 2020 £,000	WBC 31st March 2021 £,000	Group 31st March 2021 £,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

	Restated WBC 31st March 2020 £,000	Restated Group 31st March 2020 £,000	WBC 31st March 2021 £,000	Group 31st March 2021 £,000
- Depreciation of property, plant and Equipment	17,207	17,229	18,804	18,814
- Impairment and downward valuations	23,674	23,973	27,722	25,344
- Amortisation of intangible assets	1,015	1,015	1,164	1,164
- (Increase) / decrease in inventories	0	13	5,340	4,929
- Increase / (decrease) in impairment allowance for bad or doubtful debts	(175)	(175)	1,253	1,253
- Increase / (decrease) in creditors	3,901	(5,604)	(1,485)	(1,672)
- (Increase) / decrease in debtors	20,449	21,959	(22,945)	(22,973)
- 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	19,934	20,361
- Other non-cash items charged to the net surplus or deficit on the provision of services	2,858	2,076	(6,577)	(6,605)
Total Non-Cash Movements	99,547	91,827	58,326	55,987

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)	(103,391)	(107,370)
- 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)	(182,568)	(180,484)

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	251,916

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 £,000	2020/21 £,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	2020/21
	£,000	£,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							
Expenditure	(7,590)	(518)	(48)	0	(6,072)	(211)	(14,439)
Income	957	7,536	5,894	0	44	8	14,439
- CIES - Cost of Services	(6,633)	7,018	5,846	0	(6,028)	(203)	0
2019/20							
Expenditure	(15,480)	0	(256)	0	(222)	(137)	(16,095)
Income	615	8,599	0	0	181	6,700	16,095
- 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

NOTE 48 PRIOR PERIOD ADJUSTMENTS

The following prior period adjustments have been identified during the preparation of the 2020/21 financial accounts. These adjustments relate to the following and have been adjusted in the financial statements.

The areas of adjustments relate to:

- Town centre regeneration development, Elms Field and Rose Street assets. Any assets which have been constructed solely for market sale had been recognised as property, plant and equipment however under the accounting code, these assets should be treated as current assets, inventories. Any costs, depreciation and revaluations associated with these assets have been reversed in the comprehensive income and expenditure statement (CIES), movement in reserves statement (MIRS) and the balance sheet with the assets now being shown under inventories (see note 49).

- Treatment of accumulated depreciation and impairments on the housing revenue account assets. On revaluation of assets, accumulated balances need to also be written out as part of the revaluation movement. This had previously not been completed and has been corrected. There is no impact on the comprehensive income and expenditure statement (CIES), movement in reserves statement (MIRS) and the balance sheet. The net book value of the assets are unchanged. The only adjustment is within note 24 between the “cost / valuation” and “accumulated depreciation and impairment balances”.

RESTATED 2019/2020 COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

	(Previously reported)			(Prior period adjustment)			(Restated)		Net Expenditure
	Gross Expenditure	Gross Income	Net Expenditure	Gross Expenditure	Gross Income	Net Expenditure	Gross Expenditure	Gross Income	
	£,000	£,000	£,000	£,000	£,000	£,000	£,000	£,000	£,000
Chief Executive	2,885	(210)	2,675	0	0	0	2,885	(210)	2,675
Corporate Services	48,135	(27,474)	20,661	98	0	98	48,223	(27,474)	20,749
Customer and Localities Services	51,680	(21,932)	29,748	0	0	0	51,680	(21,932)	29,748
Housing Revenue Account	10,643	(15,231)	(4,588)	0	0	0	10,643	(15,231)	(4,588)
Adult Social Care	59,109	(9,838)	49,271	0	0	0	59,109	(9,838)	49,271
Children's Services	58,078	(4,417)	53,661	0	0	0	58,078	(4,417)	53,661
Children's Services - Schools Block	107,417	(102,981)	4,436	0	0	0	107,417	(102,981)	4,436
Cost of Services	337,947	(182,083)	155,864	98	0	98	338,045	(182,083)	155,962
- Other Operating Expenditure (Note 8)			18,632			0			18,632
- Financing and Investment Income and Expenditure (Note 9)			13,935			0			13,935
- Taxation and Non-specific Grant Income (Note 10)			(199,788)			0			(199,788)
(Surplus) or Deficit on Provision of Services			(11,357)			98			(11,259)
- (Surplus) or Deficit on Revaluation of Property, Plant and Equipment Assets charged to the revaluation reserve			(40,903)			0			(40,903)
- Actuarial (Gains) / Losses on Pension Assets / Liabilities			(46,585)			0			(46,585)
Other Comprehensive Income and Expenditure			(87,488)			0			(87,488)
Total Comprehensive Income and Expenditure			(98,845)			98			(98,747)

RESTATED 2019/2020 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 (previously reported)	(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: <u>(Surplus) or Deficit on the Provision of Services</u>										
- Previously reported	(9,550)	0	(1,807)	0	0	0	0	(11,357)	0	(11,357)
- Prior period adjustments	98	0	0	0	0	0	0	98	0	98
Restated	(9,452)	0	(1,807)	0	0	0	0	(11,259)	0	(11,259)
<u>Other Comprehensive Income and Expenditure</u>										
- Previously reported	0	0	0	0	0	0	0	0	(87,488)	(87,488)
- Prior period adjustments	0	0	0	0	0	0	0	0	0	0
Restated	0	0	0	0	0	0	0	0	(87,488)	(87,488)
<u>Adjustments between Accounting Basis & Funding Basis under Regulations (note 5)</u>										
- Previously reported	(13,328)	0	2,368	0	2,993	669	7,360	62	(62)	0
- Prior period adjustments	(98)	0	0	0	0	0	0	(98)	98	0
Restated	(13,426)	0	2,368	0	2,993	669	7,360	(36)	36	0
<u>Transfers to/from Earmarked Reserves (Note 6)</u>										
- Previously reported	19,466	(20,499)	131	1,876	0	0	0	974	(974)	0
- Prior period adjustments	0	0	0	0	0	0	0	0	0	0
Restated	19,466	(20,499)	131	1,876	0	0	0	974	(974)	0
Balance at 31st March 2020 carried forward										
- Previously reported	(12,240)	(91,523)	(2,091)	(381)	(2,386)	(1,558)	(22,254)	(132,433)	(366,275)	(498,708)
- Prior period adjustments	0	0	0	0	0	0	0	0	98	98
Restated	(12,240)	(91,523)	(2,091)	(381)	(2,386)	(1,558)	(22,254)	(132,433)	(366,177)	(498,610)

RESTATED 2019/2020 BALANCE SHEET

	Notes	31st March, 2020 £,000 (Previously reported)	31st March, 2020 £,000 (Prior period adjustment)	31st March, 2020 £,000 (Restated)
Property, Plant & Equipment	24	992,521	(14,895)	977,626
Investment Property	25	32,571	0	32,571
Intangible Assets	26	6,346	0	6,346
Long Term Investments	36	35,000	0	35,000
Long Term Debtors	30	20,045	0	20,045
Long Term Assets		1,086,483	(14,895)	1,071,588
Short Term Investments	36	40,506	0	40,506
Assets Held for Sale	35	0	0	0
Inventories	49	0	14,797	14,797
Short Term Debtors	30	31,080	0	31,080
Cash and Cash Equivalents	41	60,603	0	60,603
Current Assets		132,189	14,797	146,986
Cash and Cash Equivalents	41	(1,995)	0	(1,995)
Short Term Borrowing	36	(63,781)	0	(63,781)
Short Term Creditors	31	(56,886)	0	(56,886)
Provisions	32	(7,858)	0	(7,858)
Current Liabilities		(130,520)	0	(130,520)
Long Term Borrowing	36	(216,030)	0	(216,030)
Long Term Creditors	31	(6,101)	0	(6,101)
PFI and Finance Lease Liabilities	36	(8,149)	0	(8,149)
Pensions Liability	19	(259,601)	0	(259,601)
Capital Grants and Contributions Receipts in Advance	20	(99,563)	0	(99,563)
Long Term Liabilities		(589,444)	0	(589,444)
Net Assets		498,708	(98)	498,610
Usable Reserves	22	(132,433)	0	(132,433)
Unusable Reserves	23	(366,275)	98	(366,177)
Total Reserves		(498,708)	98	(498,610)
Minority Interest				
Total Reserves Excluding Minority Interest		(498,708)	98	(498,610)

RESTATED 2019/2020 NOTE 24 – PROPERTY, PLANT AND EQUIPMENT (PPE)

The impact of the prior period adjustments on property, plant and equipment (note 24) are shown below.

	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 31st March, 2020 - Previously reported	273,521	506,995	24,227	173,765	3,150	4,249	147,232	1,133,139
<i>Prior period adjustments</i>	<i>(50,227)</i>	<i>(1,815)</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>(13,094)</i>	<i>(65,136)</i>
At 31st March, 2020 - Restated	223,294	505,180	24,227	173,765	3,150	4,249	134,138	1,068,003
<u>Lines within "cost or valuation" that have changed due to prior period adjustments</u>								
<u>At 1st April, 2019</u>								
Previously reported	252,167	477,220	22,077	158,802	3,149	4,258	90,100	1,007,773
<i>Prior period adjustments</i>	<i>(46,956)</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>(46,956)</i>
Restated	205,211	477,220	22,077	158,802	3,149	4,258	90,100	960,817
<u>Additions</u>								
Previously reported	10,576	33,204	2,669	9,915	1	199	79,876	136,440
<i>Prior period adjustments</i>	<i>0</i>	<i>(1,702)</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>(13,094)</i>	<i>(14,797)</i>
Restated	10,576	31,502	2,669	9,915	1	199	66,782	121,643
<u>Revaluation Increases / (Decreases) recognised in the Revaluation Reserve</u>								
Previously reported	10,888	24,284	0	0	0	0	0	35,172
<i>Prior period adjustments</i>	<i>(3,271)</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>(3,271)</i>
Restated	7,617	24,284	0	0	0	0	0	31,901

	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
<u>Revaluation Increases / (Decreases) recognised in the Surplus / Deficit on the Provision of Services</u>								
Previously reported	0	(30,113)	0	0	0	(6)	0	(30,119)
Prior period adjustments	0	(112)	0	0	0	0	0	(112)
Restated	0	(30,225)	0	0	0	(6)	0	(30,231)
Accumulated Depreciation and Impairment								
At 31st March, 2020 - Previously reported								
	60,492	22,006	13,887	44,222	0	11	0	140,618
Prior period adjustments	(50,227)	(14)	0	0	0	0	0	(50,241)
At 31st March, 2020 - Restated	10,265	21,992	13,887	44,222	0	11	0	90,377
<u>Lines within "accumulated depreciation and impairment" that have changed due to prior period adjustments</u>								
At 1st April, 2019								
Previously reported	50,227	33,846	12,841	39,450	0	4	0	136,368
Prior period adjustments	(46,956)	0	0	0	0	0	0	(46,956)
Restated	3,271	33,846	12,841	39,450	0	4	0	89,412
<u>Depreciation written out to the Revaluation Reserve</u>								
Previously reported	0	(12,608)	0	0	0	0	0	(12,608)
Prior period adjustments	(3,271)	0	0	0	0	0	0	(3,271)
Restated	(3,271)	(12,608)	0	0	0	0	0	(15,879)
<u>Depreciation written out to the Surplus / Deficit on the Provision of Services</u>								
Previously reported	0	(6,543)	0	0	0	0	0	(6,543)
Prior period adjustments	0	(14)	0	0	0	0	0	(14)
Restated	0	(6,557)	0	0	0	0	0	(6,557)

	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
Net Book Value								
At 31st March, 2020 - Previously reported	213,029	484,989	10,340	129,543	3,150	4,238	147,232	992,521
<i>Prior period adjustments</i>	0	(1,800)	0	0	0	0	(13,094)	(14,895)
At 31st March, 2020 – Restated	213,029	483,189	10,340	129,543	3,150	4,238	134,138	977,626

NOTE 49 INVENTORIES

The Council have the following inventories included under current assets in the balance sheet. Inventories relate to costs incurred developing assets to sell on the open market. The Councils current inventories are in relation to the residential properties in the town centre regeneration development (Elms Field and Rose Street).

These balances are restated in relation to prior year adjustments which are explained further in note 48.

	2019/20 £,000 Restated	2020/21 £,000 Restated
Balance at 1st April	0	14,797
Additions	14,797	1,709
Impairment	0	(1,814)
Disposals	0	(5,235)
Balance at 31st March	14,797	9,457

Impairments are required under the accounting code to ensure the value of inventories is the lower of cost vs net realisable value.

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	3,256
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 Council's ongoing cashflow has been undertaken up to 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 impacted during the pandemic and has seen demand for its services increase. The other companies are solely owned housing delivery companies whose primary aim is to support the Council in the delivery of its housing strategies and providing social and affordable housing. These companies are underwritten by the Council and as such have a guarantee of support from the Council.

These accounts have been prepared on a going concern basis, following the projection of a largely break-even outturn in 2022/23 and the production of a balanced budget in 2023/24, 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 16 February 2023.

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
- unlisted 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:-

- The Council has good title free from encumbrances;
- There are no hazardous substances or latent defects in the properties and there is no contamination present;
- The properties have permanent planning permission and any other necessary statutory consent for their current use;
- Plant and machinery is included in the valuation of the property, where applicable;

- e) No special circumstances beyond those likely to be considered by a prospective purchaser in the open market have been taken into account;
- f) No allowance has been made for any liability to taxation, which may arise on disposal, nor for costs of acquisition or realisation.
- g) All transactions agree with the Council's de-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.

vii) Accounting Policy for Highways Infrastructure Assets

Highways infrastructure assets

Highways infrastructure assets include carriageways, footways and cycle tracks, structures (eg bridges), street lighting, street furniture (eg illuminated traffic signals, bollards), and traffic management systems which together form a single integrated network.

Recognition

Expenditure on the acquisition or replacement of components of the network is capitalised on an accrual basis, provided that it is probable that the future economic benefits associated with the item will flow to the authority and the cost of the item can be measured reliably.

Measurement

Highways infrastructure assets are generally measured at depreciated historical cost. However, this is a modified form of historical cost – opening balances for highways infrastructure assets were originally recorded in balance sheets at amounts of capital undischarged for sums borrowed as at 1 April 1994, which was deemed at that time to be historical cost.

Where impairment losses are identified, they are accounted for by the carrying amount of the asset being written down to the recoverable amount.

Depreciation

Depreciation is provided on the parts of the highways network infrastructure assets that are subject to deterioration or depletion and by the systematic allocation of their depreciable amounts over their useful lives. Depreciation is charged on a straight-line basis.

Annual depreciation is the depreciation amount allocated each year.

Useful lives of the various parts of the highways network are assessed by liaising with the Assistant Director for Highways, and using industry standards where applicable as follows:

Part of the highways network	Useful life (years)
Carriageways	23
Footways and Cycletracks	23
Street Furniture	23
Traffic Management Systems	23
Structures	58
Highways Lighting	23

Disposals and derecognition

When a component of the network is disposed of or decommissioned, the carrying amount of the component 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 (if any) are credited to the same line in the Comprehensive Income and

Expenditure Statement, also as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal).

The written-off amounts of disposals are not a charge against council tax, as the cost of non-current assets is fully provided for under separate arrangements for capital financing. Amounts are transferred to the capital adjustment account from the General Fund Balance in the Movement in Reserves Statement.

Componentisation

Each part of an item of highway infrastructure with a cost that is significant in relation to the total cost of the item should be depreciated separately.

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 value of the asset and the value of the asset itself is greater than £5m. Any amounts below these levels would not be considered material enough for componentisation purposes.

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.