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Royal Borough of Windsor & Maidenhead

CORPORATE OVERVIEW & SCRUTINY PANEL

TUESDAY, 30TH JULY, 2019

At 6.30 pm

in the

DESBOROUGH 2 & 3 - TOWN HALL, MAIDENHEAD

SUPPLEMENTARY AGENDA

PART I

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Report Title:	**Statement of Accounts 2018-19**
Contains Confidential or Exempt Information?	No - Part 1
Member reporting:	Councillor Hilton, Lead Member for Finance and Ascot
Meeting and Date:	Corporate Overview and Scrutiny 30th July 2019
Responsible Officer(s):	Robert Stubbs, Deputy Director and Head of Finance
Wards affected:	All

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Royal Borough of Windsor & Maidenhead

REPORT SUMMARY

1. The report presents RBWM's Draft Statement of Accounts for 2018-19.
2. The responsible financial officer is required to re-confirm the presentation of the Statement of Accounts before the relevant authority approves it. Regulation 9 of the Accounts and Audit Regulations 2015 requires that the Statement of Accounts should be signed and dated by the member presiding at the meeting at which approval is given. It also requires authorities to publish the Statement of Accounts with any certificate or report issued by the auditor.
3. Both approval and publication are required to take place no later than 31 July in the relevant financial year or as soon as reasonably practicable after the receipt of the auditor's final findings (if later).
4. The audit of the accounts has not yet been completed and the work of our auditors are ongoing. As the audit has yet to be concluded, the report asks the panel to discuss the report and auditors comments to date and a special meeting will be arranged where both the completed audit opinion and any further changes to the statements will be presented for approval.

1. DETAILS OF RECOMMENDATION(S)

RECOMMENDATION: That Corporate Services Overview and Scrutiny Panel:

i) **notes the report and agrees to hold a special meeting once the audit has been concluded.**

2. REASON(S) FOR RECOMMENDATION(S) AND OPTIONS CONSIDERED

2.1 Because of the statutory requirement for the Council to produce audited and signed accounts no other options are considered in producing this report.

2.2 The format and content of the accounts is subject to legislation and guidance contained in the Code of Practice on Local Authority Accounting. Members of the Panel can however, ask questions of the Council's officers and auditors (Deloitte LLP) and make recommendations that may assist a reader of the Statement of Accounts.

3. KEY IMPLICATIONS

Table 1: Key Implications

Outcome	Unmet	Met	Exceeded	Significantly Exceeded	Date of delivery
Date when accounts are published, the audit opinion and the number of changes required by auditors	Published later than 31 July or receive a qualified opinion or > 5 material changes.	Published on or before 31 July with an unqualified opinion and 1-4 material changes.	Published on or before 31 July with an unqualified opinion and no changes.	N/A	30 July 2019

4. FINANCIAL DETAILS / VALUE FOR MONEY

4.1 Under Regulation 9 of the Accounts and Audit Regulations 2015 the responsible financial officer in each authority is required to sign and date the Statement of Accounts and confirm that they are satisfied that they present a true and fair view of the financial position of the authority at the end of the relevant financial year and the authority's income and expenditure for that financial year, prior to the commencement of the period of exercise of public rights (which must include the first 10 working days in June). This was completed on 31 May 2019.

4.2 Regulation 9 of the regulation also requires that the Statement of Accounts should be signed and dated by the member presiding at the meeting at which approval is given. It also requires the authority to publish the Statement of Accounts with any certificate or report issued by the auditor.

4.3 Both approval and publication are required to take place no later than 31 July in the relevant financial year or as soon as reasonably practicable after the receipt of the auditor's final findings (if later).

4.4 This report does not include the details of Deloitte LLP's findings as these are contained in a separate draft report (ISA260) which will also be presented to the Panel on the 30th of July 2019.

4.5 A special meeting of the Corporate Services Overview and Scrutiny Panel will be convened once the audit has been concluded.

5. LEGAL IMPLICATIONS

5.1 In producing, reviewing, auditing and approving the accounts the Council is meeting its obligations.

6. RISK MANAGEMENT

6.1 Any risks around material misstatements in the statement of accounts will be discussed at the meeting and any further changes identified at the conclusion of the audit will be brought to the next meeting.

7. POTENTIAL IMPACTS

None

8. CONSULTATION

8.1 A public notice dated 17 April 2019 was put onto the Council's website giving the residents the opportunity to inspect the accounts and related transactions and correspondence.

9. TIMETABLE FOR IMPLEMENTATION

9.1 The section is not applicable.

10. BACKGROUND DOCUMENTS

10.1 This report is supported by one appendix.

- Appendix A Statement of Accounts 2018-19

11. CONSULTATION (MANDATORY)

Name of consultee	Post held	Date sent	Date returned
Cllr Hilton	Lead Member for Finance and Ascot	26/07/19	26/0/19
Duncan Sharkey	Managing Director	26/07/19	26/07/19
Russell O'Keefe	Executive Director	26/07/19	
Andy Jeffs	Executive Director	26/07/19	26/07/19
Elaine Browne	Interim Head of Law and Governance	26/07/19	
Nikki Craig	Head of HR and Corporate Projects	26/07/19	
Louisa Dean	Communications	26/07/19	26/07/19
Kevin McDaniel	Director of Children's Services	26/07/19	26/07/19
Hilary Hall	Deputy Director of Commissioning and Strategy	26/07/19	

REPORT HISTORY

Decision type: Non-key decision	**Urgency item?** No	**To Follow item?**
Report Author: Rob Stubbs, Deputy Director and Head of Finance, 01628 796222.		

Financial Statements 2018/19

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IN UNITATE FELICITAS

Royal Borough of Windsor & Maidenhead

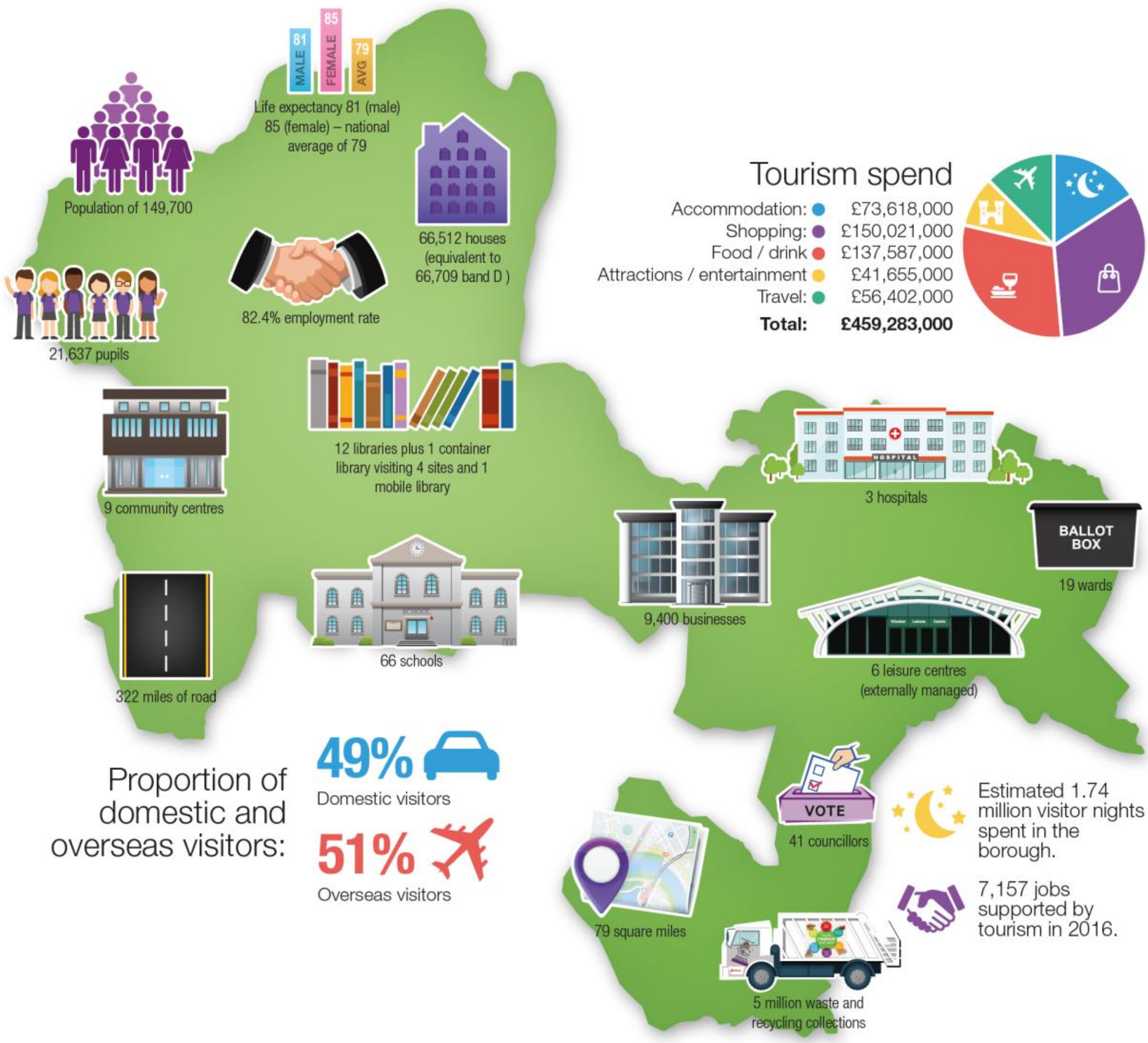
CONTENTS

GROUP STATEMENT OF ACCOUNTS
FOR THE YEAR ENDED 31st MARCH 2019

Narrative report

Introduction

At the heart of everything the council does is our dual commitment to both an excellent customer experience and providing value for money. These golden threads run through every decision and action the council takes and are central to how we deliver services to residents. As well as thinking about how progress is achieved, the strategic priorities focus on what is important to residents. Healthy, skilled and independent residents; safe and vibrant communities; a growing economy with affordable housing and an attractive, well-connected borough - these are equally important for the council to deliver its vision to build a borough for everyone.



The Statement of Accounts has been prepared in accordance with the requirements of the Chartered Institute of Public Finance and Accountancy (CIPFA).

The aim of the accounts is to enable members of the public, residents, council members, partners and other stakeholders to understand the financial position of the council as at 31 March 2019 and also be assured that it can demonstrate financial resilience moving forward.

The council's financial statements for the year are set out on the following pages. The accounts are supported by the Statement of Accounting Policies, and various notes to the accounts.

The accounts provide reassurance to residents and other stakeholders that the public money for which the council is responsible has been accounted for properly.

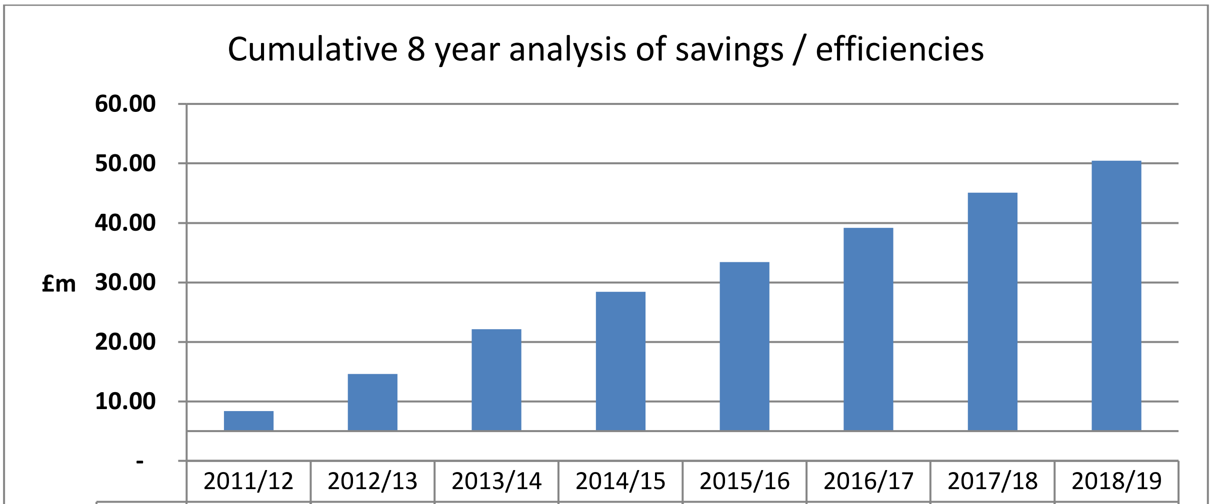
Background

The Council approved a four year plan in July 2017 through to March 2021 (Building a Borough for Everyone) and this has informed the 2018/19 Annual Service Plans. Together these documents help the Council focus on its six strategic objectives.

- Healthy, skilled and independent residents
- Safe and vibrant communities.
- Growing economy, affordable housing.
- Attractive and well-connected borough.
- Well-managed resources delivering value for money.
- An excellent customer experience.

The 2018/19 net budget for the Royal Borough was £85.336m. Within the revenue budget for 2018/19 we have been able to reduce costs through a savings programme. However we have also seen historical savings and income budgets come under pressure. Since 2011 we have made efficiencies of over £50m and have been able to ensure our residents have the services they expect.

Chart 1



	2011/12	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19
Series1	8.34	14.62	22.12	28.39	33.42	39.15	45.09	50.48

Expenditure on services is classified into two main types, revenue expenditure and capital expenditure. Revenue expenditure is, broadly, day to day expenditure e.g. salaries, wages, rents etc. whilst capital expenditure creates or contributes to the acquisition of assets, e.g. land, buildings, vehicles etc. Current accounting policies require that the council calculates an annual charge for the use of capital assets and these annual charges form part of the revenue expenditure of the council.

We continue to provide cost effective quality services that our residents need and we are able to maintain the lowest levels of council tax outside London at £1,008 for a Band D property in 2018/19 including the adult social care precept. Chart 2 below shows the comparison of all unitary authorities' equivalent Band D council tax for 2018/19.

Chart 2

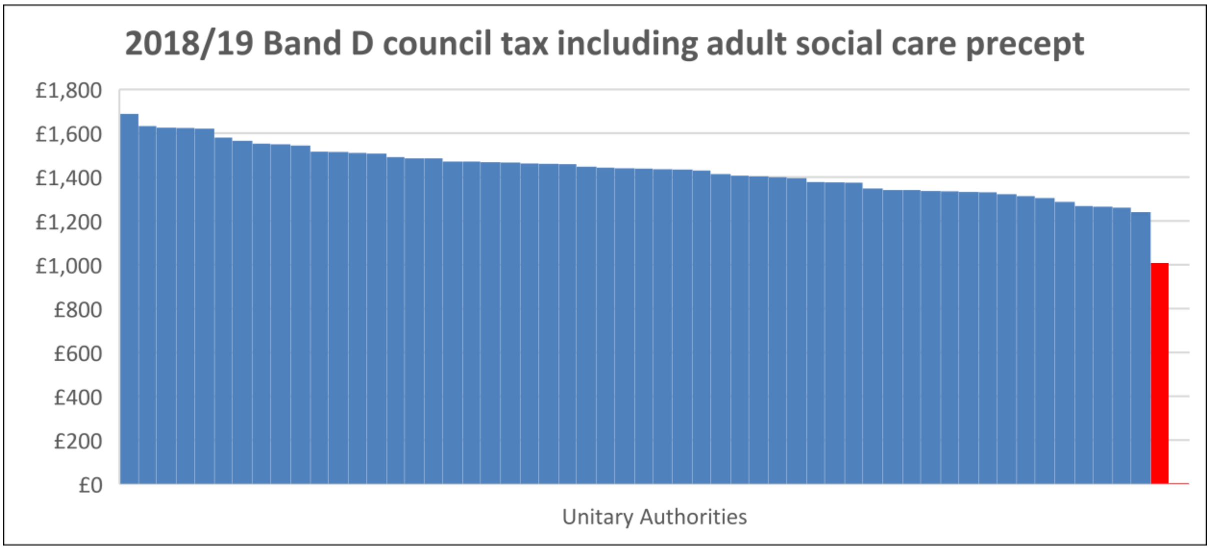
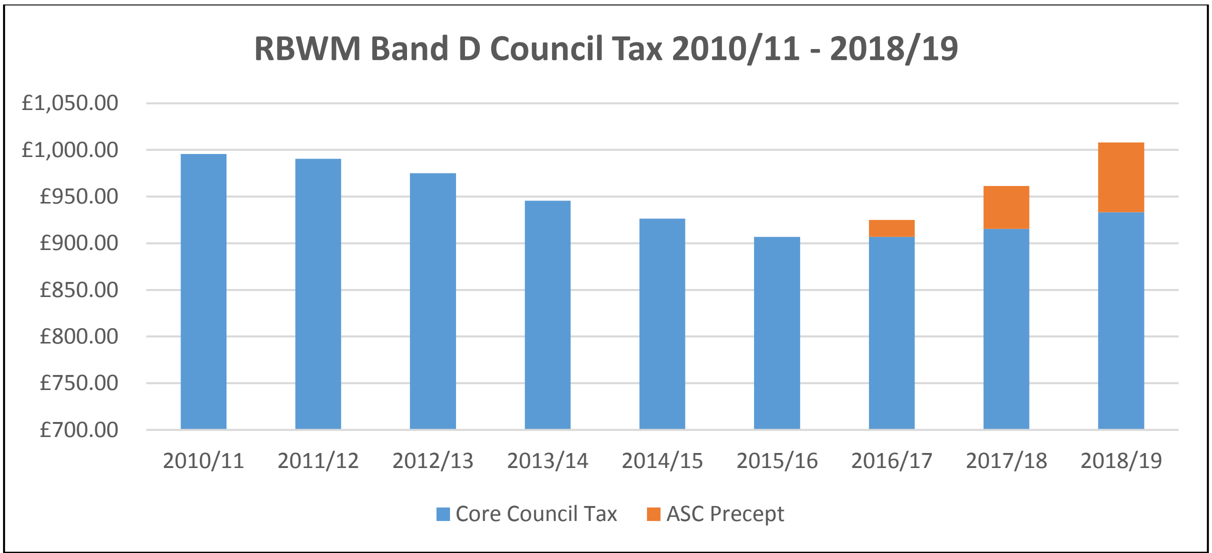


Chart 3 shows the average Band D level of council tax set by the council since the financial year 2010/11.

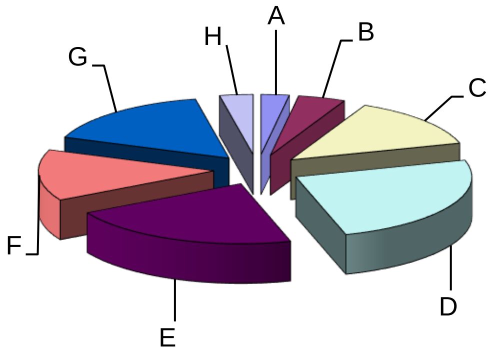
Chart 3



Although Band D is used as a comparator across councils, in fact each property is assigned one of eight bands based on property value, and the tax is set as a fixed amount for each band. The following diagram provides an analysis of council tax by property band.

Domestic Properties eligible for Council Tax

Charge Band	No.	%
A	1,448	2.6%
B	2,437	4.4%
C	7,597	13.6%
D	13,931	24.9%
E	12,040	21.5%
F	7,677	13.7%
G	9,098	16.2%
H	1,723	3.1%
Total Properties	55,951	100.0%



Source: Internal analysis, figures are from the collection fund notes.

Performance

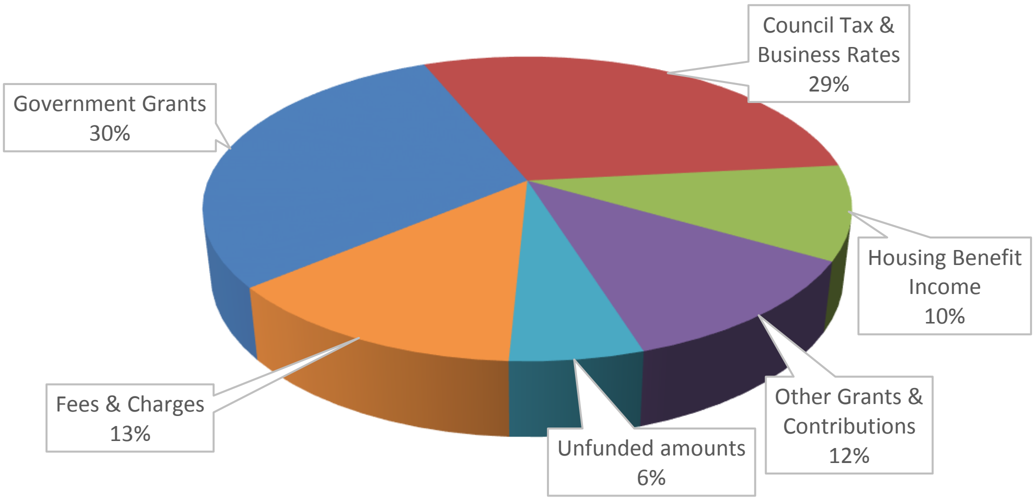
The Council ended the year with General Fund Reserves of £7.922m (9.28% of budget) in excess of the £5.860m (6.87% of budget) recommended minimum level set at Council in February 2018.

The Council operates continuous monitoring of both income and expenditure. This ensures that services are delivered and value for money is achieved for our residents. The council manages cash flows and assets by:

- Collecting over £92 million in business rates. The council only retains a proportion of this.
- Collecting over £87 million in council tax each year.
- Administering the Royal County of Berkshire Pension Fund, which provides pensions to over 17,763 pensioners and has 24,203 active members.
- Spending approximately £283 million each year on council services.
- Accounting for over £29 million per annum of fees and charges that are used to help deliver services and minimise the level of council tax.

Recent years have been challenging and this year has been no different and we expect this to continue into future years. Our income comes from three main sources; government funding (although this continues to reduce), council tax and business rates. Chart 4 below illustrates the sources of income we received throughout 2018/19.

Chart 4



Source: Comprehensive Income and Expenditure Statement, Notes 13 & 8

There has been a number of challenges during 2018/19 in particular the increasing costs of providing social care placements for children and housing benefit subsidy. Against these challenges the financial result for services for the year is an overspend of £4.094 million (£2.058 million when including non-service areas). Table 1. shows the outturn for service across each of the three directorates.

Table 1

Directorate	Approved Estimate	Outturn	Variance
	£'000	**£'000**	**£'000**
Managing Director	71,363	74,500	3,137
Place	3,614	3,206	(408)
Communities	4,445	5,810	1,365
Total	**79,422**	**83,516**	**4,094**

The increasing costs of supporting our vulnerable, under-achievement of income and historical savings regimes have all contributed towards the significant overspend in 2018/19. A significant amount of work was undertaken during the year to manage this level to its minimum.

The Council continued support local business by maintaining local discretionary business rate reliefs and other reliefs. Building of the new leisure centre at Braywick Park is underway with expected completion during 2019 along with other Maidenhead town centre regeneration projects.

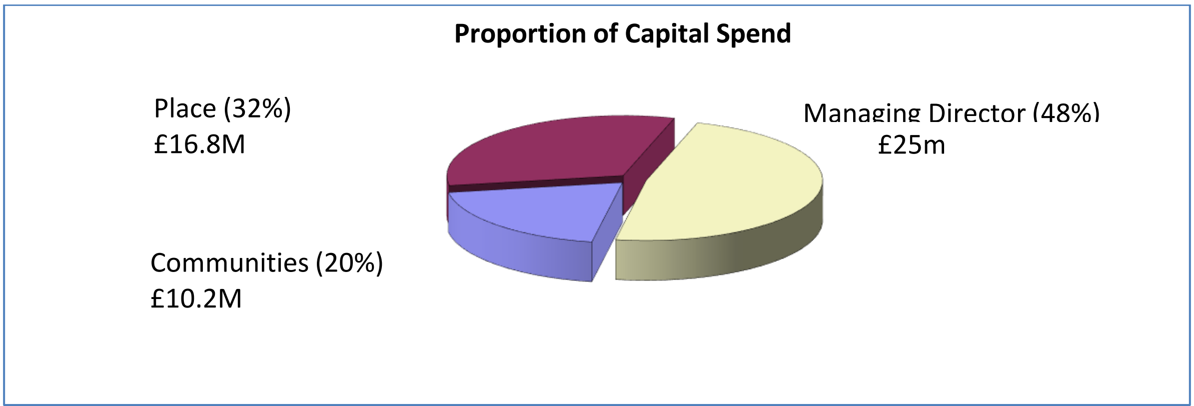
The 2018/19 accounts will be audited by Deloitte LLP for the first time this year as a result of a tender process undertaken across the country.

In November 2017, Cabinet approved the council's Performance Management Framework (PMF) of 25 key measures aligned to its refreshed Council Plan, with six strategic priorities over the plan period 2017-2021. At the end of the year 16 of the 25 measures met or exceeded the target across the range of council services including:

- The rate of delayed transfers of care attributable to social care which is 0.
- The speed of processing planning applications – 73.3% major applications and 82.2% minor planning applications.
- The speed of answering the telephone in the customer service centre – 81.2% in 60 seconds.
- The average number of days to process new housing benefit claims and changes in circumstances – 4.4 days.
- The percentage of household waste sent for reuse or recycling – 46.8%.

Seven measures fell just short of target, although still within the tolerance for the measure and two measures required improvement and were out of tolerance.

The Council spent £52.02 million on capital projects in the year and the diagram below show the proportions for each directorate and how this capital spend was funded.



Sources of capital finance

	£000	%
Capital receipt	2,937	5.6%
Grants and contributions	14,612	28.1%
Minimum Revenue Provision	2,384	4.6%
Borough funding	32,084	61.7%
	52,017	**100%**

Revenue Expenditure

Gross expenditure and income represents the total value of transactions going out of and coming into the Royal Borough. Schools represent a large element of the value of transactions within the year which are covered by a central government grant known as Dedicated Schools Grant (DSG). DSG must be used in support of schools and central services as prescribed in regulations. Any DSG surplus or deficit must be added to or deducted from the Borough's DSG allocation in following years, and therefore has no impact on the Borough's final out-turn position in 2018/19.

The approved estimate in the table below includes all budget adjustments in 2018/19. The table compares the actual outturn with the approved estimate for the year for the General

Fund. This reflects the structure used for monitoring the budget during the year which focuses on the direct cost of services.

GENERAL FUND SERVICE EXPENDITURE	Original Budget £'000	Approved Estimate £'000	Actual £'000	Variance £'000
Managing Director Directorate	71,071	71,363	74,500	3,137
Communities Directorate	3,871	4,445	5,810	1,365
Place Directorate	2,837	3,614	3,206	(408)
Net Cost of Services	77,779	79,422	83,516	4,094
Contribution to/ (from) Development Fund	5	5	5	-
Pensions Deficit Recovery	2,428	3,176	3,176	-
Pay reward	500	(6)	(6)	-
Transfer from Provision for Redundancy		(762)	(762)	-
Transfer to Provision for Redundancy		585	585	-
Royal Wedding		130	130	-
Income resulting from VAT claim			(31)	(31)
Variance on Business Rate Income		(2,893)	(4,926)	(2,033)
Transfer to the bad debt provision			178	178
Environment Agency Levy	156	156	156	-
Capital Financing including Interest Receipts	5,523	5,523	5,373	(150)
Net Budget Requirement	86,391	85,336	87,394	2,058
Less - unparished area costs	(1,047)	(1,047)	(1,047)	-
Transfer (from)/to balances	-	1,055	(1,003)	(2,058)
GROSS COUNCIL TAX REQUIREMENT	85,344	85,344	85,344	-
New Homes Bonus	(2,691)	(2,691)	(2,691)	-
Revenue Support Grant / Business Rate Support	(14,095)	(14,095)	(14,095)	-
Parish Equalisation Grant	63	63	63	-
Estimated Income from Business Rate Pilot	(1,272)	(1,272)	(1,272)	-
Collection Fund Surplus / Deficit	1,296	1,296	1,296	-
Education Services Grant	(315)	(315)	(315)	-
Income from Trading Companies	(160)	(160)	(160)	-
NET COUNCIL TAX REQUIREMENT	68,170	68,170	68,170	-

Unparished area costs are RBWM's cost of providing parish services to its unparished areas such as the provision of recreational facilities, litter bins and street furniture.

Capital Expenditure

The table below sets out the comparison between the approved estimate for the capital programme and the actual expenditure for the year.

CAPITAL EXPENDITURE	Original Budget £'000	Approved Estimate £'000	Slippage £'000	Variance £'000	Actual £'000
Communities Directorate					
Revenues & Benefits	-	69	69	-	-
Communities, Enforcement & Partnerships	3,098	12,899	3,701	26	9,224
Library & Resident Services	435	1,720	837	71	954
Total Communities Directorate	**3,533**	**14,688**	**4,607**	**97**	**10,178**
Place Directorate					
ICT	360	467	139	-	328
Property	1,045	29,439	14,062	252	15,629
Housing	-	905	381	(5)	519
Planning	1,010	2,025	1,673	(1)	351
Total Place Directorate	**2,415**	**32,836**	**16,255**	**246**	**16,827**
Managing Director					
Human Resources	-	64	15	(16)	33
Adult Social Care	-	91	10	(46)	35
Commissioning - Communities	7,006	13,007	2,383	(12)	10,612
Law and Governance	-	89	10	6	85
Green Spaces & Parks	333	556	213	15	358
Non Schools	246	550	271	2	281
Schools - Non Devolved	4,025	24,587	9,284	-	13,360
Schools - Devolved Capital	197	987	737	(2)	248
Total Managing Director	**11,807**	**39,931**	**12,923**	**(53)**	**25,012**
Total Capital Expenditure	**17,755**	**87,455**	**33,785**	**290**	**52,017**
Revenue Expenditure Funded from Capital Under Statute **					(15,936)
Capital Expenditure on Property, Plant & Equipment					**36,081**

** Revenue Expenditure Funded from Capital under Statute (REFCUS) is expenditure which enhances assets which are not owned by the authority. The majority of the expenditure in this category relates to academy schools and school buildings not owned by the authority. Other expenditure includes adaptations to private homes funded by disabled facilities grant.

Any unspent budget is carried forward to the following year to complete the agreed capital programme works. When necessary, the Royal Borough borrows long term, to support its capital programme, and short term, to maintain positive cash flow, through approved financial institutions.

The increase in capital budgets during the year is as a result of significant slippage of schemes between 2017/18 to 2018/19 of £40 million coupled with an increase in new capital schemes put forward during the year, such as York House refurbishment in Windsor, car parking regeneration, Braywick leisure centre and affordable housing works totalling around £24 million. Capital schemes cover a number of years therefore although the budget has been approved expenditure on schemes will be progressed a number of years.

Pension Fund

This Council is responsible for the management of the Royal County of Berkshire Pension Fund. The next valuation is due in 2019. The Council is required to disclose its share of the surplus or deficit of assets compared with the liabilities of the whole fund enshrined in accounting regulations (IAS19).The Council’s actuarial figures are reproduced in Note 49 to the accounts.

Treasury Management

The Borough operates a Treasury Management Strategy based on the CIPFA Code of Practice. Cash balances are managed in-house and are reviewed daily. Decisions are taken which attempt to balance the security of the Council’s cash with the need to achieve a return on investments.

The Council's policy continues to be to take a conservative approach to the list of counterparties that it is prepared to deal with, to ensure security of cash and to extend the periods that a proportion of deposits are made beyond the usual 364 days in order to achieve a better return. The Council has also taken advantage of the Pension Fund’s investment strategy by prepaying contributions at a discounted rate agreed with the Fund's Actuary.

Outlook

In common with local government generally, the council has seen a steady reduction in funding with the expectation that non-specific funding will be phased out and local authorities being allowed to retain a higher proportion of business rates collected locally.

The Council faces a number of financial challenges over the medium term. A number of Government initiatives are expected during the 2019/20 financial year. 2019/20 is the last year of the four year financial settlement which gave councils some certainty over the level of funding it would receive.

A spending review is expected to take place in 2019/20 along with the potential changes to the way local government is funded this could have an adverse impact on the resources of the council. The outcome remains uncertain. The long awaited funding for social care and a reset of the baseline used within the localisation of business rates could also impact financially on the Council.

Although work continues on the financial impact of Brexit a lot remains uncertain but it is widely expected that it will affect interest and inflation rates as well as the business and tourism economies. We continue to work across Berkshire to analyse the potential impact this may have.

As part of the localisation agenda, lost grants and subsidies have been replaced with retained business rates income. The Council is part of the Berkshire wide business rates pilot pool and secured a second year of business rate pilot status with our colleague authorities across Berkshire. This allows the potential for a significant amount being made available to the Local Enterprise Partnership to continue to develop infrastructure across the county.

In summary, the financial year 2019/20 will see a number of financial initiatives being brought forward by the government including the expected spending review in the autumn and to balance the budget there will be continuing need for service transformation, efficiencies and other savings initiatives for the foreseeable future. Further work on regeneration will be seen across the Borough and we will continue to ensure our residents receive the quality services they demand.

Governance

The Council is responsible for: carrying out its business in accordance with the law and; in accordance to proper accounting standards and a duty to use public money economically, efficiently and effectively, and to account for it properly. The Local Government Act 1999 requires the Council to keep under review and improve the way the Council works, to offer value for money and provide an efficient and effective service.

To ensure adherence to these requirements the Council has arrangements ("governance framework") to oversee its activity. These arrangements are intended to ensure that the Council do the right things, in the right way, for the right people, in good time and in a fair, open, honest and accountable way.

The governance framework is comprised of the systems, processes, culture and values which govern the Councils behaviour, and by which the Council engage with and lead the community, and the standards to which the Council is held to account. The framework allows the Council to monitor how it is achieving its long-term aims and to consider whether these aims have helped deliver appropriate services which represent value for money.

The 2018/19 Annual Governance Statement explains how the Council has followed its governance framework to assure compliance with its responsibility and duty in line with the Accounts and Audit Regulations 2015. The AGS supports the published approved statement of accounts.

Basis of preparation

The accounts have been prepared on a group basis which includes the Council's two associates, Optalis Ltd for the provision of adult social care and Achieving for Children for the provision of children's services. The performance of both companies are consolidated into the group accounts of the Authority.

The Royal Borough is the Administering Authority for the Royal County of Berkshire Pension Fund and a summarised statement of these accounts is included.

Statement of Responsibility

The Authority's Responsibilities

The authority is required to:

- make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this authority, that officer is the chief financial officer
- manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets
- approve the Statement of Accounts (England and Wales only).

The Chief Financial Officer's Responsibilities

The chief financial officer is responsible for the preparation of the authority's Statement of Accounts in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom (the Code).

In preparing this Statement of Accounts, the chief financial officer has selected suitable accounting policies and then applied them consistently made judgements and estimates that were reasonable and prudent complied with the local authority Code. The chief financial officer has also kept proper accounting records which were up to date and taken reasonable steps for the prevention and detection of fraud and other irregularities.

Conclusion

I wish to extend my thanks to all of the Council's staff who have contributed throughout a difficult year to the financial management of the Council and the publication of these accounts.

I also wish to extend my thanks to the staff from Deloitte LLP who are responsible for the external audit of the Council's financial affairs and who continue to provide much valuable advice and help throughout the year.

If you have any queries or comments relating to this document please contact me on 01628 796222.

Rob Stubbs

Deputy Director and Head of Finance

APPROVAL OF THE ACCOUNTS

Approval of the Statement of Accounts by full Council

Council have delegated the approval of the draft statement of accounts to the Corporate Overview and Scrutiny Panel. The Panel met on 15 July 2019 to approve the audited accounts.

Signed **Date: ???? 2019**

Councillor Targowski
Chairman of the Corporate Overview and Scrutiny Panel

The Authority's Responsibilities

The Authority is required to prepare an annual statement of accounts by the Accounts and Audit Regulations 2016 which those regulations require to be prepared in accordance with proper accounting practices. These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2018/19 supported by International Financial Reporting Standards (IFRS). The accounting convention adopted in the statement of accounts is principally historic cost, modified by the revaluation of certain categories of non-current assets and financial instruments.

The Authority is also required to :

- Make arrangements for the proper administration of its financial affairs and to secure that one of its officers (the Chief Financial Officer) has responsibility for the administration of those affairs;

- Manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets; and

- Approve the Statement of Accounts.

The Chief Financial Officer's responsibilities

The Chief Financial Officer is responsible for the preparation of the Statement of Accounts (which includes the financial statements) in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom ('the Code').

In preparing this Statement of Accounts, the Chief Financial Officer has:

- Selected suitable accounting policies and then applied them consistently;

- Made judgements and estimates that were reasonable and prudent;

- Complied with the Code;

- Kept proper accounting records which were up to date;

- Taken reasonable steps for the prevention and detection of fraud and other irregularities;

- Assessed the Authority's and the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern;

- Used the going concern basis of accounting on the assumption that the functions of the Authority and the Group will continue in operational existence for the foreseeable future; and

- Maintained such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error,

I certify that the Statement of Accounts gives a true and fair view of the financial position of the Authority at 31 March 2019 and of its income and expenditure for the year then ended.

Rob Stubbs
Deputy Director and Head of Finance
31 May 2019

EXPENDITURE AND FUNDING ANALYSIS

This analysis shows how annual expenditure is used and funded from resources (government grants, rents, council tax and business rates) in comparison with those resources consumed or earned in accordance with generally accepted accounting practices. It also shows how this expenditure is allocated for decision making purposes between the Council's directorates. Income and expenditure accounted for under generally accepted accounting practices is presented more fully in the Group Comprehensive Income and Expenditure Statement.

2017/18				2018/19		
Net Expenditure chargeable to the General Fund	**Adjustments between the funding and accounting (Note 7) basis**	**Net Expenditure in the Comprehensive Income & Expenditure Account**		**Net Expenditure chargeable to the General Fund**	**Adjustments between the funding and accounting (Note 7) basis**	**Net Expenditure in the Comprehensive Income & Expenditure Account**
£'000	**£'000**	**£'000**		**£'000**	**£'000**	**£'000**
64,043	(3,363)	60,680	Managing Director	78,596	12,828	91,424
16,351	6,098	22,449	Communities Directorate	7,256	2,502	9,758
3,437	(211)	3,226	Place Directorate	841	2,427	3,268
83,831	**2,524**	**86,355**	**Net Cost of Services**	**86,693**	**17,757**	**104,450**
(86,445)	(52,707)	(139,152)	Other Income and Expenditure	(86,821)	5,635	(81,186)
796	(796)	-	Transfer to/from Earmarked Reserves	(617)	617	-
(1,818)	**(50,979)**	**(52,797)**	**(Surplus)/Deficit**	**(745)**	**24,009**	**23,264**
(5,215)			Opening General Fund Balance	(7,033)		
(1,818)			Less (Surplus) or Deficit on General Fund Balance in Year	(745)		
(7,033)			**Closing General Fund Balance at 31 March**	**(7,778)**		

GROUP COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

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

2017/18				2018/19		
Gross Expenditure £'000	Gross Income £'000	Net Expenditure £'000		Gross Expenditure £'000	Gross Income £'000	Net Expenditure £'000
174,855	(114,175)	60,680	Managing Director	215,411	(123,987)	91,424
76,423	(53,974)	22,449	Communities Directorate	50,335	(40,577)	9,758
14,025	(10,799)	3,226	Place Directorate	17,699	(14,431)	3,268
265,303	**(178,948)**	**86,355**	**Cost of Services**	**283,445**	**(178,995)**	**104,450**
		1,370	Precepts paid to parishes			1,432
		151	Precepts & Levies			153
		122	Adjustments to provisions			145
		682	Adjustment to School Balances via Schools Reserve			320
		189	Adjustment to other reserves taken through the cost of services			(438)
		61	Loss on the disposal of school fixed assets on conversion to Academies or Free Schools.			-
		(820)	(Gain) / loss on the disposal of other fixed assets			(1,695)
		-	Other Operating Expenditure			130
		(75)	Other Operating Income			(191)
		13,345	Revenue expenditure funded from capital under statute			15,936
		15,025	**Other Operating (Income) / Expenditure (Note 11)**			**15,792**
		2,914	Interest payable and similar charges			3,196
		6,908	Pensions interest cost			5,924
		(237)	Interest income			(229)
		(60,366)	Changes in the fair value of investment properties			3,234
		(50,781)	**Financing & Investment Income & Expenditure (Note 12)**			**12,125**
		(103,396)	Taxation and Non-Specific Grant Income (Note 13)			(109,103)
		(52,797)	**(Surplus) or Deficit on Provision of Services**			**23,264**
		2,446	Associates accounted for on a equity basis (Note 54.)			1,346
		-	Tax expenses of associates			-
		(50,351)	**Group (Surplus) or Deficit**			**24,610**
		7,715	Other adjustments to value of Property, Plant and Equipment assets			(3,659)
		(17,183)	Remeasurements of the net defined benefit liability (asset)			(20,564)
		-	(Surplus) or deficit from investments in equity instruments designated at fair value through other comprehensive income			4,484
		(673)	Share of Other Income & Expenditure of associates (Note 54.)			1,713
		(10,141)	**Other Comprehensive Income and Expenditure**			**(18,026)**
		(60,492)	**Total Comprehensive Income and Expenditure**			**6,584**

GROUP MOVEMENT IN RESERVES STATEMENT

This statement shows the movement in the year on the different reserves held by the Group, analysed into 'usable reserves' (i.e. those that can be applied to fund expenditure or reduce local taxation) and other reserves.
The 'surplus or deficit on the provision of services' line shows the true economic cost of providing the Group's services, more details of which are shown in the Group Comprehensive Income and Expenditure Statement.
These are different from the statutory amounts required to be charged to the General Fund balance for Council Tax setting. The 'Net increase/Decrease before transfers to earmarked reserves' line shows the statutory General Fund balance before any discretionary transfers to or from earmarked reserves undertaken by the Group.

2017/18	**General Fund Balance** £'000	**Earmarked Reserves** £'000	**Capital Grants Unapplied** £'000	**School Revenue Balances** £'000	**Capital Receipts Reserve** £'000	**Total Usable Reserves** £'000	**Unusable Reserves** £'000	**Total RBWM Reserves** £'000	**RBWM share of Optalis & AfC Reserves** £'000	**Total Group Reserves** £'000
Balance at 31 March 2017	**5,215**	**5,844**	**8,625**	**1,531**	**-**	**21,215**	**48,901**	**70,116**	**-**	**70,116**
Total Comprehensive Expenditure and Income (surplus or deficit on the provision of services)	**50,351**	**-**	**-**	**-**	**-**	**50,351**	**10,141**	**60,492**	**-**	**60,492**
Adjustments between group accounts and authority accounts (Group a/cs) (Note 54.)	2,446	-	-	-	-	2,446	(673)	1,773	-	1,773
Net increase or decrease before transfers (Group a/cs)	**52,797**	**-**	**-**	**-**	**-**	**52,797**	**9,468**	**62,265**	**-**	**62,265**
Adjustments between accounting basis & funding basis under regulations (Note 9)	(50,183)	-	(2,659)	-	-	**(52,842)**	**52,842**	**-**	**-**	**-**
Net Increase / (Decrease) before Transfers to Earmarked Reserves	**2,614**	**-**	**(2,659)**	**-**	**-**	**(45)**	**62,310**	**62,265**	**-**	**62,265**
Transfers to / from Earmarked Reserves (Note 10)	(796)	278	-	(682)	-	**(1,200)**	**1,200**	**-**	**-**	**-**
Increase / (Decrease) in Year	**1,818**	**278**	**(2,659)**	**(682)**	**-**	**(1,245)**	**63,510**	**62,265**	**-**	**62,265**
Balance at 31 March 2018 Carried Forward	**7,033**	**6,122**	**5,966**	**849**	**-**	**19,970**	**112,411**	**132,381**	**-**	**132,381**

GROUP MOVEMENT IN RESERVES STATEMENT

2018/19	General Fund Balance £'000	Earmarked Reserves £'000	Capital Grants Unapplied £'000	School Revenue Balances £'000	Capital Receipts Reserve £'000	Total Usable Reserves £'000	Unusable Reserves £'000	Total RBWM Reserves £'000	RBWM share of Optalis & AfC Reserves £'000	Total Group Reserves £'000
Balance at 31 March 2018	**7,033**	**6,122**	**5,966**	**849**	**-**	**19,970**	**112,411**	**132,381**	**-**	**132,381**
Total Comprehensive Expenditure and Income (surplus or deficit on the provision of services)	**(24,610)**	**-**	**-**	**-**	**-**	**(24,610)**	**18,026**	**(6,584)**	**-**	**(6,584)**
Adjustments between group accounts and authority accounts (Group a/cs) (Note 54.)	1,346	-	-	-	-	1,346	1,713	3,059	-	3,059
Net increase or decrease before transfers (Group a/cs)	**(23,264)**	**-**	**-**	**-**	**-**	**(23,264)**	**19,739**	**(3,525)**	**-**	**(3,525)**
Adjustments between accounting basis & funding basis under regulations (Note 9)	23,392	-	(2,061)	-	-	**21,331**	**(21,331)**	**-**	**-**	**-**
Net Increase / (Decrease) before Transfers to Earmarked Reserves	**128**	**-**	**(2,061)**	**-**	**-**	**(1,933)**	**(1,592)**	**(3,525)**	**-**	**(3,525)**
Transfers to / from Earmarked Reserves (Note 10)	617	(297)	-	(320)	-	**-**	**-**	**-**	**-**	**-**
Increase / (Decrease) in Year	**745**	**(297)**	**(2,061)**	**(320)**	**-**	**(1,933)**	**(1,592)**	**(3,525)**	**-**	**(3,525)**
Balance at 31 March 2019 Carried Forward	**7,778**	**5,825**	**3,905**	**529**	**-**	**18,037**	**110,819**	**128,856**	**-**	**128,856**

GROUP BALANCE SHEET

The Balance Sheet shows the value as at the Balance Sheet date of the assets and liabilities recognised by the Group. The net assets of the Group (assets less liabilities) are matched by the reserves. Reserves are reported in two categories. The first category of reserves are usable reserves i.e. those reserves that the Group may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use (for example the Capital Receipts Reserve that may only be used to fund capital or repay debt). The second category of reserves are those that the Group is not able to use to provide services. This category of reserves includes reserves that hold unrealised gains and losses (for example the Revaluation Reserve), where amounts would only become available to provide services if the assets are sold; and reserves that hold timing differences shown in the Group Movement in Reserves Statement line 'Adjustments between accounting basis and funding basis under regulations'.

RBWM 31 Mar 18 £'000	Group 31 Mar 18 £'000		Note	RBWM 31 Mar 19 £'000	Group 31 Mar 19 £'000
		Assets			
		Non-current assets			
390,281	390,281	Property, Plant and Equipment	14	416,057	416,057
135,318	135,318	Investment Properties	16	131,824	131,824
2,689	2,689	Intangible Assets	17	2,104	2,104
6,503	6,503	Surplus Assets	14	5,568	5,568
259	259	Long Term Investments	18	245	245
16	16	Long Term Debtors	18	14	14
1,525	1,525	Investments in Associates	18/54	-	-
536,591	**536,591**			**555,812**	**555,812**
		Current assets			
196	196	Inventories	19	105	105
31,831	31,831	Short Term Debtors	21	32,507	32,507
-	-	Cash and Cash Equivalents	22	-	-
32,027	**32,027**			**32,612**	**32,612**
568,618	**568,618**	**Total assets**		**588,424**	**588,424**
		Liabilities			
		Current Liabilities			
(643)	(643)	Bank Overdraft	22	(606)	(606)
(24,453)	(24,453)	Short Term Borrowing	18	(66,192)	(66,192)
(44,386)	(44,386)	Short Term Creditors	24	(34,180)	(34,180)
(69,482)	**(69,482)**			**(100,978)**	**(100,978)**
		Non current liabilities			
(250)	(250)	Long Term Creditors	18	(250)	(250)
(2,839)	(2,839)	Provisions	25	(3,226)	(3,226)
(57,049)	(57,049)	Long Term Borrowing	18	(57,049)	(57,049)
(12,914)	(12,914)	Capital Grants Receipts in Advance	40	(12,721)	(12,721)
(293,703)	(293,703)	Retirement Benefit Obligations	49	(282,385)	(282,385)
-	-	Interest in net assets of Associates	18/54	(2,959)	(2,959)
(366,755)	**(366,755)**			**(358,590)**	**(358,590)**
132,381	**132,381**	**Net assets**		**128,856**	**128,856**
		Equity			
		Usable Reserves	26		
7,033	7,033	Fund Balances and Reserves		7,778	7,778
12,937	12,937	Other Reserves		10,259	10,259
		Unusable Reserves	27		
212,380	212,380	Capital Adjustment Account		179,463	179,463
200,034	200,034	Revaluation Reserve		221,632	221,632
-	-	Financial Instruments Revaluation Reserve		(4,484)	(4,484)
(293,703)	(293,703)	Pensions Reserve		(282,385)	(282,385)
(4,194)	(4,194)	Collection Fund Adjustment Account		(1,365)	(1,365)
(2,106)	(2,106)	Accumulated Absences Account		(2,042)	(2,042)
132,381	**132,381**			**128,856**	**128,856**

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

At 31 March 2018			**At 31 March 2019**
£'000	**Cash Flow Statement (Indirect Method) As at 31 March 2018**	**Note**	**£'000**
52,797	Net surplus or (deficit) on the provision of services		(23,264)
(34,517)	Adjust net surplus or (deficit) on the provision of services for noncash movements	28	17,820
(14,837)	Adjust for items included in the net surplus or deficit on the provision of services that are investing and financing activities	28	(15,488)
3,443	Net cash (outflows) / inflows from Operating Activities		**(20,932)**
(16,277)	Net cash (outflows) / inflows from Investing Activities	29	(20,770)
11,194	Net cash (outflows) / inflows from Financing Activities	30	41,739
(1,640)	Net Increase or (Decrease) in Cash and Cash Equivalents		**37**
997	Cash and cash equivalents at the beginning of the reporting period		(643)
(643)	**Cash and Cash Equivalents at the end of the reporting period**	22	**(606)**

Accounting Policies

i General Principles

The statement of accounts summarises the Authority's transactions for the 2018/19 financial year and its position at the year-end of 31 March 2019. The Authority is required to prepare an annual statement of accounts by the Accounts and Audit Regulations 2016 which those regulations require to be prepared in accordance with proper accounting practices. These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2018/19 supported by International Financial Reporting Standards (IFRS). The accounting convention adopted in the statement of accounts is principally historic cost, modified by the revaluation of certain categories of non-current assets and financial instruments.

ii Accruals of Income and Expenditure

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

• Revenue from the sale of goods is recognised when the Authority transfers the significant risks and rewards of ownership to the purchaser and it is probable that economic benefits or service potential associated with the transaction will flow to the Authority.

• Revenue from the provision of services is recognised when the Authority can measure reliably the percentage of completion of the transaction and it is probable that economic benefits or service potential associated with the transaction will flow to the Authority.

• Supplies 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 inventories 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 receivable on investments and payable on borrowings is accounted for respectively as income and expenditure 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 revenue and expenditure have 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 debts may not be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.

iii Cash and Cash Equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are investments that mature in three months or less from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value. In the cash flow statement, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and form an integral part of the Authority's cash management.

iv 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 (CI&E) or in the notes to the accounts, depending on how significant the items are to an understanding of the Authority's financial performance.

v Prior Period Adjustments, Changes in Accounting Policies and Estimates and Errors

Prior period adjustments may arise as a result of a change in accounting policies or to correct a material error. Changes in accounting estimates are accounted for prospectively, i.e. in the current and future years affected by the change and do not give rise to a prior period adjustment.

Changes in accounting policies are only made when required by proper accounting practices or the change provides more reliable or relevant information about the effect of transactions, other events and conditions on the Authority's financial position or financial performance. Where a change is made, it is applied retrospectively (unless stated otherwise) by adjusting opening balances and comparative amounts for the prior period as if the new policy had always been applied.

Material errors discovered in prior period figures are corrected retrospectively by amending opening balances and comparative amounts for the prior period.

vi Charges to Revenue for Non-Current Assets

Services, support services and trading accounts are debited with the following amounts to record the cost of holding fixed assets during the year:

• depreciation attributable to the assets used by the relevant service.

• revaluation and impairment losses on assets used by the service where there are no accumulated gains in the Revaluation Reserve against which the losses can be written off.

• amortisation of intangible fixed assets attributable to the service.

• impairment losses or amortisations.

However, it is required to make an annual contribution from revenue towards the reduction in its overall borrowing requirement equal to an amount calculated on a prudent basis determined by the authority in accordance with statutory guidance.

Accounting Policies

vii Employee Benefits

Benefits Payable During Employment

Short-term employee benefits are those due to be settled within 12 months of the year-end. They include such benefits as wages and salaries, paid annual leave and paid sick leave, bonuses and non-monetary benefits (e.g. cars) for current employees and are recognised as an expense for services in the year in which employees render service to the Authority.

An accrual is made for the cost of holiday entitlements (or any form of leave, e.g. time off in lieu) earned by employees but not taken before the year-end which employees can carry forward into the next financial year. The accrual is made at the wage and salary rates applicable in the following accounting year, being the period in which the employee takes the benefit. The accrual is charged to surplus or deficit on the provision of services, but then reversed out through the movement in reserves statement so that holiday benefits are charged to revenue in the financial year in which the holiday absence occurs.

Termination Benefits

Termination benefits are amounts payable as a result of a decision by the Authority to terminate an officer's employment before the normal retirement date or an officer's decision to accept voluntary redundancy and are charged on an accruals basis to the non distributed costs line in the CI&E when the Authority is demonstrably committed to the termination of the employment of an officer or group of officers or making an offer to encourage voluntary redundancy.

Where termination benefits involve the enhancement of pensions, statutory provisions require the General Fund (GF) balance to be charged with the amount payable by the Authority to the pension fund or pensioner in the year, not the amount calculated according to the relevant accounting standards. In the movement in reserves statement, appropriations are required to and from the pensions reserve to remove the notional debits and credits for pension enhancement termination benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year-end.

Post Employment Benefits

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

- The Teachers' Pension Scheme, administered by Capita Teachers' Pensions on behalf of the Department for Education (DfE).
- The Local Government Pensions Scheme, administered by the Authority.

Both schemes provided defined benefits to members (retirement lump sums and pensions), earned as employees worked for the Authority. However, the arrangements for the teachers' scheme mean that liabilities for these benefits cannot ordinarily be identified specifically to the Authority. The scheme is therefore accounted for as if it were a defined contribution scheme and no liability for future payments of benefits is recognised in the balance sheet. The Managing Director service line in the CI&E is charged with the employer's contributions payable to Teachers' Pensions in the year.

The Local Government Pension Scheme

The Local Government Scheme is accounted for as a defined benefits scheme:

- The liabilities of the Berkshire pension fund attributable to the Authority 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 set by the Actuary.
- The assets of the Berkshire pension fund attributable to the Authority are included in the balance sheet at their fair value:

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

Accounting Policies

• The change in the net pensions liability is analysed into seven components:
- current service cost, the increase in liabilities as a result of years of service earned this year, allocated in the CI&E to the services for which the employees worked.
- past service cost, the increase in liabilities arising from current year decisions whose effect relates to years of service earned in earlier years– debited to the surplus or deficit on the provision of services in the CI&E as part of non distributed costs.
- interest cost on liabilities, the expected increase in the present value of liabilities during the year as they move one year closer to being paid – debited to the financing and investment income and expenditure line in the CI&E.
- interest on assets, the annual investment return on the fund assets attributable to the Authority, calculated with reference to the discount rate– credited to the financing and investment income and expenditure line in the CI&E.
- gains or losses on settlements and curtailments, the result of actions to relieve the Authority of liabilities or events that reduce the expected future service or accrual of services in the CI&E as part of non distributed costs.
- actuarial gains and losses, changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions – debited to the Pensions Reserve.
- contributions paid to the Berkshire pension fund – cash paid as employer's contributions to the pension fund in settlement of liabilities; not accounted for as an expense.

In relation to retirement benefits, statutory provisions require the GF balance to be charged with the amount payable by the Authority 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 and pensioners and any such amounts payable but unpaid at the year-end. The negative balance that arises on the pensions reserve thereby measures the beneficial impact to the GF 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 Authority also 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.

viii Events after the balance sheet date

Events after the balance sheet date are those events, both favourable and unfavourable, that occur between the end of the reporting period and the date when the statement of accounts is authorised for issue. Two types of events can be identified:

• those that provide evidence of conditions that existed at the end of the reporting period, the statement of accounts is adjusted to reflect such events

• those that are indicative of conditions that arose after the reporting period, the statement of accounts is not adjusted to reflect such events, but where a category of events would have a material effect, disclosure is made in the notes of the nature of the events and their estimated financial effect. Events taking place after the date of authorisation for issue are not reflected in the statement of accounts.

ix Financial Instruments

Financial Liabilities

Financial liabilities are recognised on the balance sheet when the Authority becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value and are carried at their amortised cost. Annual charges to the financing and investment income and expenditure line in the CI&E 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 Authority has, this means that the amount presented in the balance sheet is the outstanding principal repayable (plus accrued interest); and interest charged to the CI&E is the amount payable for the year according to the loan agreement.

Where premiums and discounts have been charged to the CIES, regulations allow the impact on the General Fund Balance to be spread over future years. The authority 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 CIES 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.

Accounting Policies

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 cashflow 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 authority'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).

Financial Assets measured at fair value through amortised cost

Financial assets measured at amortised cost are recognised on the Balance Sheet when the authority 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 authority, 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 derecognition of an asset are credited or debited to the Financing and Investment Income and Expenditure line in the CIES.

Expected Credit Loss Model

The authority recognises expected credit losses on all of its financial assets held at amortised cost [or where relevant FVOCI], 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 authority. 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 or Loss

Financial assets that are measured at Fair Value through Profit or Loss are recognised on the Balance Sheet when the authority 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 arrive 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.

In 2018/19 the authority does not have any assets in this category

Financial Assets Measured at Fair Value through Other Comprehensive Income

The Council has the option to designate investments in equity instruments to Fair Value through Other Comprehensive Income. This will be appropriate where the investment is made to meet service objectives of the Council and where the primary purpose is not to generate a financial return. In 2018/19 such investments are those in Achieving for Children and Optalis.

There is no quoted market price for shares in these companies and gains or losses are based on equity share of profits / losses in the group accounts. Any gains and losses that arise on the are credited or debited to the Other Comprehensive Income line in the Comprehensive Income and Expenditure Statement.

Accounting Policies

x Foreign Currency Translation

Where the Authority has entered into a transaction denominated in a foreign currency, the transaction is converted into sterling at the exchange rate applicable on the date the transaction was effective.

xi Government Grants and Contributions

Whether paid on account, by instalments or in arrears, government grants and third party contributions and donations are recognised as due to the Authority when there is reasonable assurance that:

- the Authority will comply with the conditions attached to the payments, and
- the grants or contributions will be received.

Amounts recognised as due to the Authority are not credited to the CI&E until conditions attached to the grant or contribution have been satisfied. Conditions are stipulations made by the donor as to how grants should be spent and the consequences for the Authority if it fails to meet the conditions. Monies advanced as grants and contributions for which conditions have not been satisfied are carried in the balance sheet as creditors. When conditions are satisfied, the grant or contribution is credited to the relevant service line (attributable revenue grants and contributions) or taxation and non-specific grant income (non-ring-fenced revenue grants and all capital grants) in the CI&E. Where capital grants are credited to the CI&E, they are reversed out of the GF balance in the movement in reserves statement.

Where the grant has yet to be used to finance capital expenditure, it is posted to the capital grants unapplied reserve. Where it has been applied, it is posted to the Capital Adjustment Account (CAA) Amounts in the capital grants unapplied reserve are transferred to the CAA once they have been applied to fund capital expenditure.

xii Heritage Assets

Tangible and intangible assets described in this summary of significant accounting policies as heritage assets. The Authority's heritage assets are held in The Windsor & Royal Borough Museum which is a registered small local history museum situated at the Guildhall in Windsor. The collection relates to the history of Windsor, and the other towns and villages across the borough in east Berkshire. The collection comprises approximately 11,000 objects including pre-historic tools, finds and bronze age, roman and saxon artefacts, maps, textiles, books, paintings, prints and photographs, together with objects and ephemera from before Victorian times up to World War II, the 1950s and the present day. The value of the collection is not reported in the balance sheet as the Authority takes the view that the work involved in valuing the collection is disproportionate to the benefit that users would obtain from the additional disclosure. The Code of Practice for Local Government Accounting allows for this approach.

xiii Intangible Assets

Expenditure on non-monetary assets that do not have physical substance but are controlled by the Authority as a result of past events (e.g. software licences) is capitalised when it is expected that future economic benefits or service potential will flow from the intangible asset to the Authority.

Internally generated assets are capitalised where it is demonstrable that the project is technically feasible and is intended to be completed (with adequate resources being available) and the Authority will be able to generate future economic benefits or deliver service potential by being able to sell or use the asset. Expenditure is capitalised where it can be measured reliably as attributable to the asset and is restricted to that incurred during the development phase (research expenditure cannot be capitalised). Expenditure on the development of websites is not capitalised if the website is solely or primarily intended to promote or advertise the Authority’s goods or services.

Intangible assets are measured initially at cost. Amounts are only revalued where the fair value of the assets held by the Authority can be determined by reference to an active market. In practice, no intangible asset held by the Authority meets this criterion, and they are therefore carried at amortised cost. The depreciable amount of an intangible asset is amortised over its useful life to the relevant service line(s) in the CI&E. An asset is tested for impairment whenever there is an indication that the asset might be impaired, any losses recognised are posted to the relevant service line(s) in the CI&E. Any gain or loss arising on the disposal or abandonment of an intangible asset is posted to the other operating expenditure line in the CI&E. 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 GF balance. The gains and losses are therefore reversed out of the GF balance in the movement in reserves statement and posted to the CAA and (for any sale proceeds greater than £10,000) the Capital Receipts Reserve (CRR).

Accounting Policies

xiv Inventories and Long Term Contracts

Inventories are included in the balance sheet at the lower of cost and net realisable value.

xv Investment Property

Investment properties are those that are used solely to earn rentals and/or for capital appreciation. The definition is not met if the property is used in any way to facilitate the delivery of services or production of goods or is held for sale. Investment properties are measured initially at cost and subsequently at fair value, based on the amount at which the asset could be exchanged between knowledgeable parties at arm's-length. Properties are not depreciated but are revalued annually according to market conditions at the year-end. Gains and losses on revaluation are posted to the financing and investment income and expenditure line in the CI&E. The same treatment is applied to gains and losses on disposal.

Rentals received in relation to investment properties are credited to the financing and investment income line and result in a gain for the GF balance. However, revaluation and disposal gains and losses are not permitted by statutory arrangements to have an impact on the GF balance. The gains and losses are therefore reversed out of the GF balance in the movement in reserves statement and posted to the CAA and (for any sale proceeds greater than £10,000) the CRR.

xvi Jointly Controlled Operations and Jointly Controlled Assets

Jointly controlled operations are activities undertaken by the Authority in conjunction with other ventures that involve the use of the assets and resources of the ventures rather than the establishment of a separate entity. The Authority recognises on its balance sheet the assets that it controls and the liabilities that it incurs and debits and credits the CI&E with the expenditure it incurs and the share of income it earns from the activity of the operation.

Jointly controlled assets are items of property, plant or equipment that are jointly controlled by the Authority and other ventures, with the assets being used to obtain benefits for the ventures. The joint venture does not involve the establishment of a separate entity. The Authority accounts for only its share of the jointly controlled assets, the liabilities and expenses that it incurs on its own behalf or jointly with others in respect of its interest in the joint venture and income that it earns from the venture.

xvii 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, the land and buildings elements 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.

The Authority as Lessee

Finance Leases

Property, plant and equipment held under finance leases is recognised on the balance sheet at the commencement of the lease at its fair value measured at the lease's inception (or the present value of the minimum lease payments, if lower). The asset recognised is matched by a liability for the obligation to pay the lessor. Initial direct costs of the Authority are added to the carrying amount of the asset. Premiums paid on entry into a lease are applied to writing down the lease liability. Contingent rents are charged as expenses in the periods in which they are incurred. Lease payments are apportioned between:

- a charge for the acquisition of the interest in the property, plant or equipment, applied to write down the lease liability, and
- a finance charge (debited to the financing and investment income and expenditure line in the CI&E).

Property, plant and equipment recognised under finance leases is accounted for using the policies applied generally to such assets, subject to depreciation being charged over the lease term if this is shorter than the asset's estimated useful life (where ownership of the asset does not transfer to the authority at the end of the lease period). The Authority is not required to raise Authority tax to cover depreciation or revaluation and 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 and revaluation and impairment losses are therefore substituted by a revenue contribution in the GF balance, by way of an adjusting transaction with the CAA in the movement in reserves statement for the difference between the two.

Accounting Policies

Operating Leases

Rentals paid under operating leases are charged to the CI&E as an expense of the services benefitting from use of the leased property, plant or equipment. Charges are made on a straight-line basis over the life of the lease, even if this does not match the pattern of payments (e.g. there is a rent-free period at the commencement of the lease).

The Authority as Lessor

Finance Leases

Where the Authority grants a finance lease over a property or an item of plant or equipment, the relevant asset is written out of the balance sheet as a disposal. At the commencement of the lease, the carrying amount of the asset in the balance sheet (whether property, plant and equipment or assets held for sale) is written off to the other operating expenditure line in the CI&E as part of the gain or loss on disposal. A gain, representing the Authority's net investment in the lease, is credited to the same line in the CI&E 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), matched by a lease (long-term debtor) asset in the balance sheet. Lease rentals receivable are apportioned between:

- a charge for the acquisition of the interest in the property, applied to write down the lease debtor (together with any premiums received), and
- finance income (credited to the financing and investment income and expenditure line in the CI&E).

The gain credited to the CI&E on disposal is not permitted by statute to increase the GF balance and is required to be treated as a capital receipt. Where a premium has been received, this is posted out of the GF balance to the CRR in the movement in reserves statement.

Where the amount due in relation to the lease asset is to be settled by the payment of rentals in future financial years, this is posted out of the GF balance to the deferred CRR in the movement in reserves statement. When the future rentals are received, the element for the capital receipt for the disposal of the asset is used to write down the lease debtor. At this point, the deferred capital receipts are transferred to the CRR. The written-off value of disposals is not a charge against Authority tax, as the cost of fixed assets is fully provided for under separate arrangements for capital financing. Amounts are therefore appropriated to the CAA from the GF balance in the movement in reserves statement.

Where the Authority grants an operating lease over a property or an item of plant or equipment, the asset is retained in the balance sheet. Rental income is credited to the other operating expenditure line in the CI&E. Credits are made on a straight-line basis over the life 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). Initial direct costs incurred in negotiating and arranging the lease are added to the carrying amount of the relevant asset and charged as an expense over the lease term on the same basis as rental income.

xviii Overheads and Support Services

The costs of overheads and support services are charged to those that benefit from the supply or service. The total absorption costing principle is used, the full cost of overheads and support services are shared between users in proportion to the benefits received.

xix Property, Plant and Equipment

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.

Expenditure on the acquisition, creation or enhancement of property, plant and equipment is capitalised on an accruals basis, provided that it is probable that the future economic benefits or service potential associated with the item will flow to the Authority and the cost of the item can be measured reliably. Expenditure that maintains but does not add to an asset's potential to deliver future economic benefits or service potential (i.e. repairs and maintenance) is charged as an expense when it is incurred.

Accounting Policies

Measurement

Assets are initially measured at cost, comprising:
- the purchase price
- any costs attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management
- the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located.

The cost of assets acquired other than by purchase is deemed to be its fair value, unless the acquisition does not have commercial substance (i.e. it will not lead to a variation in the cash flows of the Authority). In the latter case, where an asset is acquired via an exchange, the cost of the acquisition is the carrying amount of the asset given up by the Authority. Donated assets are measured initially at fair value. The difference between fair value and any consideration paid is credited to the taxation and non-specific grant income line of the CI&E, unless the donation has been made conditionally. Until conditions are satisfied, the gain is held in the donated assets account. Where gains are credited to the CI&E, they are reversed out of the GF balance to the CAA in the movement in reserves statement.
Assets are then carried in the balance sheet using the following measurement bases:
- infrastructure, community assets and assets under construction, depreciated historical cost
- dwellings, fair value, determined using the basis of existing use value for social housing (EUV-SH)
- all other assets, fair value, determined as the amount that would be paid for the asset in its existing use (existing use value – EUV). Where there is no market-based evidence of fair value because of the specialist nature of an asset, depreciated replacement cost (DRC) is used as an estimate of fair value. Where non-property assets that have short useful lives or low values (or both), depreciated historical cost basis is used as a proxy for fair value.

Assets included in the balance sheet at fair value are revalued sufficiently regularly to ensure that their carrying amount is not materially different from their fair value at the year-end, but as a minimum every five years. Increases in valuations are matched by credits to the revaluation reserve to recognise unrealised gains. Exceptionally, gains might be credited to the CI&E 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 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 CI&E.

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 CAA.

Impairment

Assets are assessed at each year-end as to whether there is any indication that an asset may be impaired. Where indications exist and any possible differences are estimated to be material, the recoverable amount of the asset is estimated and, where this is less than the carrying amount of the asset, an impairment loss is recognised for the shortfall. Where impairment losses 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 CI&E.

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

Depreciation

Depreciation is provided for on all property, plant and equipment assets by the systematic allocation of their depreciable amounts over their useful lives. An exception is made for assets without a determinable finite useful life (i.e. freehold land and certain community assets) and assets that are not yet available for use (i.e. assets under construction). Depreciation is calculated on the following bases:
- dwellings and other buildings, straight-line allocation over the useful life of the property as estimated by the valuer.
- vehicles, plant, furniture and equipment, a percentage of the value of each class of assets in the balance sheet, as advised by a suitably qualified officer.
- infrastructure – straight-line allocation over 25 years.

Where an item of property, plant and equipment asset has major components whose cost is significant in relation to the total cost of the item, the components are depreciated separately. 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 chargeable based on their historical cost being transferred each year from the revaluation reserve to the CAA.

Accounting Policies

Disposals and Non-current Assets Held for Sale

When it becomes probable that the carrying amount of an asset will be recovered principally through a sale transaction rather than through its continuing use, it is reclassified as an asset held for sale. The asset is revalued immediately before reclassification and then carried at the lower of this amount and fair value less costs to sell. Where there is a subsequent decrease to fair value less costs to sell, the loss is posted to the other operating expenditure line in the CI&E.

Gains in fair value are recognised only up to the amount of any previously loss recognised in the surplus or deficit on provision of services. Depreciation is not charged on assets held for sale.

If assets no longer meet the criteria to be classified as assets held for sale, they are reclassified back to non-current assets and valued 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 had they not been classified as held for sale, and their recoverable amount at the date of the decision not to sell. Assets that are to be abandoned or scrapped are not reclassified as assets held for sale.

When an asset is disposed of or decommissioned, the carrying amount of the asset in the balance sheet (whether property, plant and equipment or assets held for sale) is written off to the other operating expenditure line in the CI&E as part of the gain or loss on disposal. Receipts from disposals (if any) are credited to the same line in the CI&E 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). Any revaluation gains accumulated for the asset in the revaluation reserve are transferred to the CAA. Amounts received for a disposal are categorised as capital receipts. The balance of receipts is required to be credited to the CRR, and can then only be used for new capital investment or set aside to reduce the Authority’s underlying need to borrow (the capital financing requirement). Receipts are appropriated to the reserve from the GF balance in the movement in reserves statement. The written-off value of disposals is not a charge against Authority tax, as the cost of fixed assets is fully provided for under separate arrangements for capital financing. Amounts are appropriated to the CAA from the GF balance in the movement in reserves statement.

xx Provisions, Contingent Liabilities and Contingent Assets

Provisions

Provisions are made where an event has taken place that gives the Authority a legal or constructive obligation that probably requires settlement by a transfer of economic benefits or service potential, and a reliable estimate can be made of the amount of the obligation. For instance, the Authority may be involved in a court case that could eventually result in the making of a settlement or the payment of compensation.

Provisions are charged as an expense to the appropriate service line in the CI&E in the year that the authority becomes aware of the obligation, and are measured at the best estimate at the balance sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties. When payments are eventually made, they are charged to the provision carried in the balance sheet. Estimated settlements are reviewed at the end of each financial year. Where it becomes less than probable that a transfer of economic benefits will now be required (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 payment required to settle a provision is expected to be recovered from another party (e.g. from an insurance claim), this is only recognised as income for the relevant service if it is virtually certain that reimbursement will be received if the authority settles the obligation.

Contingent Liabilities

A contingent liability arises where an event has taken place that gives the authority a possible obligation whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the authority. 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 a note to the accounts.

Accounting Policies

Contingent Assets

A contingent asset arises where an event has taken place that gives the authority a possible asset whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the authority. Contingent assets are not recognised in the balance sheet but disclosed in a note to the accounts where it is probable that there will be an inflow of economic benefits or service potential.

xxi Reserves

The Authority sets aside specific amounts as reserves for future policy purposes or to cover contingencies. Reserves are created by appropriating amounts out of the GF balance in the movement in reserves statement. When expenditure to be financed from a reserve is incurred, it is charged to the appropriate service in that year to score against the surplus or deficit on the provision of services in the CI&E. The reserve is then appropriated back into the GF balance in the movement in reserves statement so that there is no net charge against Authority tax for the expenditure.

Certain reserves are kept to manage the accounting processes for non-current assets, financial instruments, retirement and employee benefits and do not represent usable resources for the Authority, these reserves are explained in the relevant policies.

xxii Revenue Expenditure Funded from Capital under Statute

Expenditure incurred during the year that may be capitalised under statutory provisions but that does not result in the creation of a non-current asset has been charged as expenditure to the relevant service in the CI&E in the year. Where the Authority 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 GF balance to the CAA then reverses out the amounts charged so that there is no impact on the level of Authority tax.

xxiii Fair Value

The Authority measures some of its non-financial assets, such as surplus assets and investment properties, and some of its financial instruments, such as equity share holdings, 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:

• In the principal market for the asset or liability, or

• In the absence of a principal market, the most advantageous market for the asset or liability

The Authority measures the fair value of an asset or liability on the same basis that market participants would use when pricing the asset or liability (assuming those market participants were acting in their economic best interest). When measuring the fair value of a non-financial asset, the Authority 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 Authority uses appropriate valuation techniques for each circumstance, maximising the use of relevant known data and minimising the use of estimates or unknowns. This takes into account the three levels of categories for inputs to valuations for fair value assets:

• Level 1 - quoted prices.

• 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.

xxiv VAT

VAT payable is included as an expense only to the extent that it is not recoverable from Her Majesty's Revenue and Customs. VAT receivable is excluded from income.

xxv Interests in Companies and Other Entities

The Authority has two associates, the first is Optalis Ltd, jointly owned by Wokingham Borough Council and RBWM. The company provides adult social care services, it joined the group in 2016/17.

The second is Achieving for Children CIC, which is a community interest company jointly owned with the London Borough of Richmond and The Royal Borough of Kingston Upon Thames. The company provides children's services. The company commenced trading on 1 April 2014 and joined the group in August 2017.

The performance of both companies, representing the Authority's ownership share are consolidated into the group accounts of the Authority. From the Council's perspective both Optalis Ltd and AfC are classified as associates and are consolidated into the group accounts using the equity method.

The Council records the name, business, shareholding, net assets and results of operations and other financial transactions of any related companies.

2 Accounting Standards Issued, Not Adopted

The Code of Practice on Local Authority Accounting in the United Kingdom (the Code) requires the disclosure of information relating to the expected impact of an accounting change that will be required by a new standard that has been issued but not yet adopted. This applies to the adoption of the following amended standards within the 2019/20 Code:

- Amendments to IAS 40 *Investment Property: Transfers of Investment Property.*
- *Annual Improvements to IFRS Standards 2014 - 2016 Cycle.*
- IFRIC 22 *Foreign Currency Transactions and Advance Consideration.*
- IFRIC 23 *Uncertainty over Income Tax Treatments.*
- Amendments to IFRS 9 *Financial Instruments: Prepayment Features with Negative Compensation.*

The Code requires implementation from 1 April 2019 and the changes are not expected to be material. There is no impact on the 2018/19 Statement of Accounts.

3 Critical Judgements in Applying Accounting Policies

Accounting for Schools – Balance Sheet Recognition of Schools

The Council recognises land and buildings used by schools in line with the Code of Practice on Local Authority Accounting. The code states that property used by local authority maintained schools should be recognised in accordance with the asset recognition tests relevant to the arrangements for each property.

The Council has the following types of maintained schools under its control.

School Type	No.
Community	19
Voluntary Aided	9
Voluntary	6

Where the Council directly owns the assets the schools non current (fixed) assets are recognised on its Balance Sheet. Community schools are owned by the Council and thus recognised on the balance sheet.
Voluntary aided and voluntary controlled school buildings are owned by the respective diocese with no formal rights to use the assets passed to the school or governing bodies. These schools are therefore not recognised in the balance sheet. Where the playing fields are owned by the Council these are recognised in the balance sheet. A school by school assessment has been undertaken to determine the treatment of each asset.

4 Assumptions Made about the Future and Other Major Sources of Estimation Uncertainty

The Statement of Accounts contains estimated figures that are based on assumptions made by the Authority 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, for example in non-current assets, investment properties are valued at £132m. The pension liability is valued at £282m. Actual results could be materially different from the assumptions and estimates. Items in the Authority's Balance Sheet at 31 March 2019 are not considered to carry a significant risk of material adjustment in the forthcoming financial year.

5 Material Items of Income and Expense

All items of material income or expenditure have been disclosed in the Comprehensive Income and Expenditure Account.

6 Events After the Balance Sheet Date

The Statement of Accounts was authorised for issue by the Head of Finance on the 31 May 2019. Events taking place after this date are not reflected in the financial statements or notes. Where events taking place before this date provided information about conditions existing at 31 March 2019 the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information. No further events have occurred which need to be reported here.

7 Note to the Expenditure and Funding Analysis

Adjustments between Funding and Accounting Basis 2018/19				
Adjustments from General Fund to arrive at the Comprehensive Income and Expenditure Statement amounts	**Adjstment for Capital Purposes**	**Net change for the Pensions Adjustment**	**Other Differences**	**Total Adjustments**
	£'000	**£'000**	**£'000**	**£'000**
Managing Director	11,387	1,549	(108)	12,828
Communities Directorate	1,493	973	36	2,502
Place Directorate	1,622	797	8	2,427
Net Cost of Services	**14,502**	**3,319**	**(64)**	**17,757**
Other income and expenditure from the Expenditure and Funding Analysis	2,539	5,924	(2,828)	5,635
Transfers to / from Earmarked Reserves (Note 10)	-	-	617	617
Difference between General Fund surplus or deficit and Comprehensive Income and Expenditure Statement Surplus or Deficit on the Provision of Services.	**17,041**	**9,243**	**(2,275)**	**24,009**

Adjustments between Funding and Accounting Basis 2017/18				
Adjustments from General Fund to arrive at the Comprehensive Income and Expenditure Statement amounts	**Adjstment for Capital Purposes**	**Net change for the Pensions Adjustment**	**Other Differences**	**Total Adjustments**
	£'000	**£'000**	**£'000**	**£'000**
Managing Director	2,906	(6,043)	(226)	(3,363)
Communities Directorate	8,289	(2,142)	(49)	6,098
Place Directorate	1,246	(1,420)	(37)	(211)
Net Cost of Services	**12,441**	**(9,605)**	**(312)**	**2,524**
Other income and expenditure from the Expenditure and Funding Analysis	(61,798)	6,908	2,183	(52,707)
Transfers to / from Earmarked Reserves (Note 10)	-	-	(796)	(796)
Difference between General Fund surplus or deficit and Comprehensive Income and Expenditure Statement Surplus or Deficit on the Provision of Services.	**(49,357)**	**(2,697)**	**1,075**	**(50,979)**

Adjustments for capital purposes

This column adjusts for depreciation, impairment and revaluation gains and losses in the service lines. The other income and expenditure line has adjustments for the following:

- Capital disposals with a transfer of income on disposal of assets and the amounts written off for those assets.
- The statutory charges for capital financing i.e. Minimum Revenue Provision and other revenue contributions are deducted from other income and expenditure as these are not chargeable under generally accepted accounting practices.
- Capital grants are adjusted for income not chargeable under generally accepted accounting practices. Revenue and capital grants are adjusted from those receivable in the year to those receivable without conditions or for which conditions were satisfied throughout the year.

Net change for the Pensions Adjustments

This column includes the removal of employer pension contributions and the addition of IAS 19 Employee Benefits pension related expenditure and income in the service lines.

The other income and expenditure line has an adjustment for the net interest on the defined benefit liability which is charged to the Comprehensive Income and Expenditure Statement.

Other Differences

Other differences between amounts debited/credited to the Comprehensive Income and Expenditure Statement and amounts payable/receivable to be recognised under statute are as follows:

The change in the total value of the accrual for accumulated absence (holiday pay) is not chargeable under generally accepted accounting practices, and removed in the service lines.

The difference between what is chargeable under statutory regulations for council tax and business rates that was projected to be received at the start of the year and the income recognised under generally accepted accounting practices. This is a timing difference as any difference will be brought forward in future Surpluses or Deficits on the Collection Fund.

Transfers to / from Earmarked Reserves are shown on a separate line in the other differences column. The details of reserve movements are shown in note 10.

8 Expenditure and Income analysed by Nature

	2017/18	2018/19
	£'000	£'000
Income		
Government Grants	(100,230)	(94,835)
Collection Fund	(80,602)	(93,548)
Housing Benefit Income	(34,115)	(31,709)
Other Grants & Contributions	(20,459)	(21,250)
Fees & Charges	(28,798)	(29,574)
Sales	(4,492)	(3,881)
Rent	(8,645)	(7,718)
Interest	(291)	(262)
Other Operating Income	(75)	(191)
Contributions from other funds/balances	(12,510)	1,195
	(290,217)	**(281,773)**
Expenditure		
Employees		
Direct Employee Costs	46,607	43,118
Teachers Pay	24,134	23,416
Indirect Employee Costs	2,672	2,636
Pension Interest Cost	6,908	5,924
Premises		
Repairs & Maintenance	2,393	2,330
Other Energy	129	111
Gas	227	220
Electricity	1,094	1,451
Other Rent & Rates	1,862	1,734
Rates	2,533	2,584
Water	250	216
Other Premises	1,924	1,890
Depreciation, Amortisation and Impairment	12,441	14,501
Supplies & Services		
Equipment, Furniture & Materials	1,411	1,348
Printing, Stationery & Office Expenses	2,239	1,849
Communications and Computing	2,999	3,176
Grants & Subscriptions	183	104
Other Supplies & Services	18,230	16,236
Transport	1,588	403
Contract Services	114,754	126,922
Housing Benefit Payment	35,194	32,455
Other Operating Expenditure and Income		
Other Operating Expenditure	-	130
Interest Payments	2,914	3,196
Precepts and Levies	1,521	1,585
Changes in the fair value of Investment Properties	(60,366)	3,234
Gain or Loss on Disposal of Fixed Assets	(759)	(1,695)
Adjustment to School Balances	682	320
Adjustments to Provisions	122	145
Adjustments to Other Reserves	189	(438)
Revenue Expenditure Classified as Capital by Statute	13,345	15,936
Gross Expenditure	**237,420**	**305,037**
Surplus or Deficit on the Provision of Services	**(52,797)**	**23,264**

9 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 Group in the year in accordance with proper accounting practice to the resources actually available to the Group to meet future expenditure.

2018/19	General Fund Balance	Capital Grants Unapplied	School Revenue Balances	Capital Receipts Reserve	Usable Reserves	Unusable Reserves
	Usable Reserves					
	£'000	£'000	£'000	£'000	£'000	£'000
Adjustments primarily involving the Capital Adjustment Account:						
Charges for depreciation and impairment of non-current assets	(14,502)				(14,502)	14,502
Movements in the market value of Investment Properties	(3,234)				(3,234)	3,234
Capital grants and contributions applied	8,657				8,657	(8,657)
Revenue expenditure funded from capital under statute	(15,936)				(15,936)	15,936
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 (CI&E)	(1,242)				(1,242)	1,242
Statutory provision for the financing of capital investment	2,384				2,384	(2,384)
Adjustments primarily involving the Capital Grants Unapplied Account:						
Capital grants and contributions unapplied credited to the CI&E	3,895	(3,895)			-	-
Application of grants to capital financing transferred to the Capital Adjustment Account		5,956			5,956	(5,956)
Adjustments primarily involving the Capital Receipts Reserve:						
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the CI&E Statement	2,937			(2,937)	-	-
Use of the Capital Receipts Reserve to finance new capital expenditure				2,937	2,937	(2,937)
Contribution from the Capital Receipts Reserve to finance the payments to the Government capital receipts pool.					-	-
Adjustments primarily involving the Pensions Reserve:						
Reversal of items relating to retirement benefits debited or credited to the CI&E Statement	(9,243)				(9,243)	9,243
Adjustments primarily involving the Collection Fund Adjustment Account:						
Amount by which council tax income credited to the CI&E Statement is different from council tax income calculated for the year in accordance with statutory requirements	2,828				2,828	(2,828)
Adjustment primarily involving the Accumulated Absences Account:						
Amount by which officer remuneration charged to the CI&E Statement on an accruals basis is different from that charged in the year in accordance with statutory requirements	64				64	(64)
Total Adjustments	**(23,392)**	**2,061**	**-**	**-**	**(21,331)**	**21,331**

2017/18 Comparative figures	Usable Reserves					
	General Fund Balance	Capital Grants Unapplied	School Revenue Balances	Capital Receipts Reserve	Usable Reserves	Unusable Reserves
	£'000	£'000	£'000	£'000	£'000	£'000
Adjustments primarily involving the Capital Adjustment Account:						
Charges for depreciation and impairment of non-current assets	(12,441)				(12,441)	12,441
Movements in the market value of Investment Properties	60,366				60,366	(60,366)
Capital grants and contributions applied	9,092				9,092	(9,092)
Revenue expenditure funded from capital under statute	(13,345)				(13,345)	13,345
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the CI&E	(61)				(61)	61
Statutory provision for the financing of capital investment	2,054				2,054	(2,054)
Adjustments primarily involving the Capital Grants Unapplied Account:						
Capital grants and contributions unapplied credited to the CI&E	4,926	(4,926)			-	-
Application of grants to capital financing transferred to the Capital Adjustment Account		7,585			7,585	(7,585)
Adjustments primarily involving the Capital Receipts Reserve:						
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the CI&E Statement	820			(820)	-	-
Use of the Capital Receipts Reserve to finance new capital expenditure				820	820	(820)
Contribution from the Capital Receipts Reserve to finance the payments to the Government capital receipts pool.					- -	- -
Adjustments primarily involving the Pensions Reserve:						
Reversal of items relating to retirement benefits debited or credited to the CI&E Statement	2,697				2,697	(2,697)
Adjustments primarily involving the Collection Fund Adjustment Account:						
Amount by which council tax income credited to the CI&E Statement is different from council tax income calculated for the year in accordance with statutory requirements	(4,237)				(4,237)	4,237
Adjustment primarily involving the Accumulated Absences Account:						
Amount by which officer remuneration charged to the CI&E Statement on an accruals basis is different from that charged in the year in accordance with statutory requirements	312				312	(312)
Total Adjustments	**50,183**	**2,659**	**-**	**-**	**52,842**	**(52,842)**

10 Transfers to/from Earmarked Reserves

This note sets out the amounts set aside from the General Fund in earmarked reserves to provide financing for future expenditure plans and the amounts posted back from earmarked reserves to meet General Fund expenditure in 2018/19

	2017/18	Transfers Out	Transfers In	2018/19
	£'000	£'000	£'000	£'000
Insurance Reserve	1,135	(914)	929	1,150
Non Domestic Rate Pilot Reserve	-	-	2,553	2,553
Capital Reserve	3,288	(3,288)	-	-
Nature Reserve Maintenance Fund	123	-	-	123
Firestation Maintenance Fund (Windsor Arts Council)	25	(25)	25	25
Grave Maintenance Fund	8	-	-	8
Brexit Funding	-	(5)	105	100
Optalis Development Fund	72	-	30	102
Better Care Fund	1,426	-	250	1,676
Public Health Fund	45	-	43	88
Total	**6,122**	**(4,232)**	**3,935**	**5,825**

The Council keeps a number of reserves in the Balance Sheet. Some are required to be held for statutory reasons, some are needed to comply with proper accounting practice, and others have been set up to earmark resources for future spending plans. Earmarked reserves includes provisions created by the Royal Borough to cover that part of risk that is considered prudent and details of each can be found below:

Insurance Reserve

Due to its relatively high policy excesses the council is essentially its own insurer. It maintains an internal insurance provision to cover these self insured claims. The provision meets most claims for loss or damage to RBWM assets and third party/employee compensation claims for injury, loss or damage to personal property caused by the council's negligence. Part of the reserve relates to reported outstanding claims and part is held against the modelled expectation of emerging future claims. Claims of around £620,000 are currently outstanding (as at 31st March 2019).

The next bi-annual actuarial review is scheduled to be complete by September 2019. Depending on the outcome the fund may be adjusted in future years.

Non Domestic Rate Pilot Reserve

The reserve contains surpluses arising from the Council taking part in a pilot project run by the Ministry of Housing, Communities & Local Government. For 2018/19 the six Berkshire Unitary authorities formed a pool for the retention of 100% of business rates. County wide surpluses will fund a £25m payment to the Local Enterprise Partnership (LEP) which in turn will support economic growth. Final payments to the LEP will be calculated in 2019/20 and funded from the reserve.

Capital Reserve

This reserve was primarily used for funding capital expenditure on short life assets and other capital schemes that are not funded by any other means. In 2018/19 it was decided the reserve should be combined with our general fund for the sake of simplicity and transparency.

Nature Reserve Maintenance Fund

The Nature Reserve Maintenance Fund relates to funds set aside for the future upkeep of the Arthur Jacob Nature Reserve.

Firestation Maintenance Fund (WAC)

The Firestation Maintenance Fund (Windsor Arts Council) is a fund to help the further plans of the Windsor Arts Council to provide professional quality community arts programming in order to support, educate, inspire and promote the arts and art appreciation in the Windsor community.

Grave Maintenance Fund

Is a very small fund to assist with grave maintenance in the Borough.

Brexit Funding

The Secretary of State for the Ministry of Housing, Communities and Local Government announced in January 2019, funding which is intended to support Councils in the need to prepare for an orderly exit from the EU and to carry out contingency planning. The first instalment of this funding (£105,000) is contained within this earmarked reserve, subsequent instalments will also be credited here. In 2018/19 £5,000 was spent.

Optalis Development Fund

Funds set aside for the business development of Optalis Ltd.

Better Care Fund (BCF)
The Section 75 agreement with the Clinical Commissioning Group specifies that any net underspend on planned projects at the year-end may be used by the Council to contribute towards the cost of adult social care services, which have a health benefit. This is an allowable use of BCF funding. The S75 Agreement states that should RBWM use net underspends in this way, then it must contribute an equivalent sum into the BCF in future. The BCF net underspend of £1.200m has been used to fund Homecare and Council reserves have been increased accordingly. Total reserves ring-fenced for pooling into the BCF in future are £1.676m.

Public Health Fund (PHF)
As permitted by the grant conditions, £43,000 of the Public Health grant received in 2018/19 has been carried forward to support future Public Health expenditure. This has increased the total reserves available for expenditure on Public Health to £88,000.

Schools and Dedicated Schools Grant (DSG) Reserves

	2017/18	Transfers Out	Transfers In	2018/19
	£'000	£'000	£'000	£'000
School Revenue Balances (Net of Loans)	**1829**	**(517)**	**-**	**1,312**
Dedicated Schools Grant Reserve				
General DSG Reserve	(1,211)	-	294	(917)
Earmarked DSG Reserve - School to School Support	-	-	-	-
Earmarked DSG Reserve - Capacity Building for Two-Year-Olds	57	-	-	57
Earmarked DSG Reserve - Support for Children In Care	77	-	-	77
Earmarked DSG Reserve - Mental Health and Wellbeing	97	(97)	-	-
Total DSG Reserve	**(980)**	**(97)**	**294**	**(783)**
Total Schools and DSG Reserves	**849**	**(614)**	**294**	**529**

School Revenue Balances
Each year schools receive delegated funding (known as the Individual Schools Budget - ISB) to support expenditure on pupils. At the end of the year, schools may overspend or underspend their budgets and balances are carried forward to the following year as a deduction or addition to their budget share. Figures reflect maintained schools' balances net of outstanding loans to schools.

Dedicated Schools Grant Reserve
Dedicated Schools Grant is a ring-fenced grant paid by the Education Funding Agency in support of the local authority's Schools Budget. The School's Budget covers schools' delegated budget shares as well as central expenditure budgets such as those for high needs pupils in mainstream and special schools, the central co-ordinated admissions function, and central SEN support services. Local authorities, in consultation with their Schools Forum, are responsible for determining the split of the grant between central services and delegated schools budgets, and for determining individual school budget shares in accordance with the local schools' funding formula. Grant allocated to schools' delegated budgets is treated as spent as soon as it is allocated. At the end of the financial year any over or underspend on the central Schools Budget is separately identified in the notes to the accounts (see note 39) and must be carried forward to support the Schools Budget in future years. The DSG reserve reflects RBWM's DSG.
Within the DSG reserve, funding has been earmarked, with approval of the Schools Forum, to provide additional support in the following areas:
• Capacity building for two year olds – to help build additional capacity among early years providers to deliver the extension to the free entitlement to education and childcare for two, three and four year olds.
• Support for children in care – to narrow the educational attainment gap of RBWM children in care compared with their peers.
• Mental health and wellbeing in schools - to provide early support for pupils at risk of mental health difficulties.

11 Other Operating Expenditure and Income

	2017/18 £'000	2018/19 £'000
Parish council precepts	1,370	1,432
Levies (Environment Agency)	151	153
(Gains)/losses on the disposal of non-current assets*	(759)	(1,695)
Adjustments to provisions	122	145
Adjustment to School Balances via Schools Reserve	682	320
Adjustment to other reserves taken through the cost of services	189	(438)
Royal Wedding	-	130
VAT Refund HMRC - Leisure	-	(31)
Dividend from RBWM Property Company Ltd	(75)	(160)
Revenue expenditure funded from capital under statute	13,345	15,936
Total	**15,025**	**15,792**

* Disposal of schools converting to academies and other fixed assets

12 Financing and Investment Income and Expenditure

	2017/18 £'000	2018/19 £'000
Interest payable and similar charges	2,914	3,196
Pensions interest cost	6,908	5,924
Interest receivable and similar income	(237)	(229)
Changes in the fair value of investment properties	(60,366)	3,234
Total	**(50,781)**	**12,125**

13 Taxation and Non-Specific Grant Income

	2017/18 £'000	2018/19 £'000
Collection Fund Precepts, Demands and Adjustments	(110,006)	(161,331)
Business Rates Tariff	30,385	71,800
NNDR S31 and Other Collection Fund Grant	(981)	(4,017)
Non-ring-fenced government grants	(8,776)	(3,006)
Capital Grants and Contributions	(14,018)	(12,549)
Total	**(103,396)**	**(109,103)**

14 Property, Plant and Equipment

Movements on Balances

Movements in 2018/19	Other Land and Buildings £'000	Vehicles, Plant, Furniture & Equipment £'000	Infrastructure Assets £'000	Community Assets £'000	Surplus Assets £'000	Assets Under Construction £'000	Total PPE £'000
Cost or Valuation							
At 1 April 2018	297,538	22,328	188,932	6,738	6,503	8,071	530,110
Additions	1,444	2,512	9,353	412		22,047	35,768
Revaluation increases/(decreases) recognised in the Revaluation Reserve	23,259			1,315			24,574
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	(20,347)	775		(262)	27		(19,807)
Derecognition – disposals					(991)		(991)
Derecognition – other	(56)					(967)	(1,023)
Asset reclassifications	11,119			2	30	(12,766)	(1,615)
Other movements in cost or valuation	280	(400)					(120)
At 31 March 2019	**313,237**	**25,215**	**198,285**	**8,205**	**5,569**	**16,385**	**566,896**

Accumulated Depreciation and Impairment							
At 1 April 2018	(14,447)	(9,356)	(109,338)	(129)	-	-	(133,270)
Depreciation charge	(6,522)	(1,955)	(5,103)				(13,580)
Depreciation written out to the Revaluation Reserve	1,491						1,491
Depreciation written out to the Surplus/Deficit on the Provision of Services	34	54					88
Derecognition – disposals							-
At 31 March 2019	**(19,444)**	**(11,257)**	**(114,441)**	**(129)**	**-**	**-**	**(145,271)**

Net Book Value

At 31 March 2019	**293,793**	**13,958**	**83,844**	**8,076**	**5,569**	**16,385**	**421,625**
At 31 March 2018	283,036	12,972	79,594	6,609	6,502	8,071	396,784

Comparative Movements in 2017/18

Movements in 2017/18	Other Land and Buildings £'000	Vehicles, Plant, Furniture & Equipment £'000	Infrastructure Assets £'000	Community Assets £'000	Surplus Assets £'000	Assets Under Construction £'000	Total PPE £'000
Cost or Valuation							
At 1 April 2017	326,400	32,537	182,832	7,889	3,491	1,204	554,353
Additions	2,969	2,297	6,100	115		15,566	27,047
Revaluation increases/(decreases) recognised in the Revaluation Reserve	395				(1,763)		(1,368)
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services					1,045	(7,732)	(6,687)
Derecognition – disposals	(61)						(61)
Derecognition – other						(967)	(967)
Assets reclassified (to)/from Held	(2,452)				4,345		1,893
Other movements in cost or valuation	(149)				335		186
At 31 March 2018	**327,102**	**34,834**	**188,932**	**8,004**	**7,453**	**8,071**	**574,396**
Accumulated Depreciation and Impairment							
At 1 April 2017	(39,999)	(20,097)	(104,484)	(1,395)	(951)	-	(166,926)
Depreciation charge	(4,961)	(1,765)	(4,854)			-	(11,580)
Depreciation written out to the Revaluation Reserve	894					-	894
Depreciation written out to the Surplus/Deficit on the Provision of Services						-	-
Derecognition – disposals						-	-
At 31 March 2018	**(44,066)**	**(21,862)**	**(109,338)**	**(1,395)**	**(951)**	**-**	**(177,612)**
Net Book Value							
At 31 March 2018	**283,036**	**12,972**	**79,594**	**6,609**	**6,502**	**8,071**	**396,784**

Depreciation

The following useful lives and depreciation rates have been used in the calculation of depreciation:
- Other Land and Buildings (30 to 50 years)
- Vehicles, Plant, Furniture & Equipment (4 to 10 years)
- Infrastructure (20 to 25 years)

Capital Commitments

At 31 March 2019, the Authority has entered into a number of contracts for the construction or enhancement of Property, Plant and Equipment in 2019/20 and future years budgeted to cost £31.764m. Similar commitments at 31 March 2018 were £17.05m. The major commitments are:

Scheme	£'000
Charters Expansion	330
Furze Platt Senior expansion	4,509
Dedworth Middle School Expansion	155
Secondary Expansions Risk Contingency	286
Braywick Leisure Centre	26,041
Replacement Payment Equipment for Car Parks	280
Roads Resurfacing-Transport Asset & Safety	163
	31,764

Revaluations

The Authority carries out a rolling programme that ensures that all Property, Plant and Equipment required to be measured at fair value is revalued at least every five years. All valuations are carried out externally. Valuations of land and buildings were carried out in accordance with the methodologies and bases of estimation set out in the professional standards of the Royal Institution of Chartered Surveyors' Red Book. Valuations of vehicles, plant, furniture and equipment are based on current prices where there is an active second-hand market.

	Land & Buildings	Vehicles, Plant, Furniture & Equipment	Surplus Assets	Total
	£'000	£'000	£'000	£'000
Carried at historical cost	-	13,958	-	13,958
Valued at fair value as at:				
31 March 2019	37,500	-	5,568	43,068
31 March 2018	-	-	-	-
31 March 2017	203,360	-	-	203,360
31 March 2016	26,950	-	-	26,950
31 March 2015	39,975	-	-	39,975
Total Cost or Valuation	**307,785**	**13,958**	**5,568**	**327,311**
Variations since date of valuation (see below)	(13,992)	-	-	(13,992)
Net Book Value as at 31st March 2019	**293,793**	**13,958**	**5,568**	**313,319**

Between the valuation dates individual properties may be disposed of or improved. This gives rise to a variation between the original valuations and current net book values. An adjustment is included to reconcile this statement to the movement in balances.

15 Heritage Assets

The Windsor & Royal Borough Museum is a registered small local history museum situated at the Guildhall in Windsor. The collection relates to the history of Windsor, and the other towns and villages across the Borough in East Berkshire. The collection is looked after by the Museum & Collections Officer, with the help of a Museum Assistant. The museum is supported by the Friends of Windsor & Royal Borough Museum, which includes a team of museum volunteers who assist with caring for and researching the collection.

The collection comprises approximately 11,000 objects including pre-historic tools, Bronze Age, Roman and Saxon artefacts, maps, textiles, books, paintings, prints and photographs, together with objects and ephemera from before Victorian times up to World War II, the 1950s and the present day.

The value of the collection has not been reported in the Balance Sheet. To undertake the work to capitalise all items could take up to a year by in-house staff and volunteers. To improve the accuracy of these valuations it would be necessary to commission an external valuer. The Borough cannot justify this level of outlay in financial and staff resources, which it considers is disproportionate to the benefit that users would obtain from the additional disclosure information. This disclosure complies with the Code of Practice on Local Authority Accounting.

16 Investment Properties

The following items of income and expense have been accounted for in the Comprehensive Income and Expenditure Statement.

	2017/18 £'000	2018/19 £'000
Rental income from investment property	4,033	4,187
Direct operating expenses arising from investment property	(1,082)	(1,020)
Net gain/(loss)	**2,951**	**3,167**

The following table summarises the movement in the fair value of investment properties over the year.

	2017/18 £'000	2018/19 £'000
Balance at start of the year	76,611	135,318
Additions:		
Purchases	-	-
Disposals	-	(250)
Net gains/(losses) from fair value adjustments	60,380	(4,849)
Transfers:		
(To)/from Property, Plant and Equipment	(1,893)	1,615
Other changes	220	(10)
Balance at end of the year	**135,318**	**131,824**

The fair value of investment property has been measured using the Investment Method of Valuation. The valuers have used a desktop valuation relying on data provided by RBWM. Valuations have taken account of the following factors: existing lease terms and rentals taken from the tenancy schedule and independent research into market evidence including market rentals and yields.

In estimating the fair value of the Authority's investment properties, the highest and best use of the properties is deemed to be their current use. The investment property portfolio has been valued at 31 March 2019 in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution for Chartered Surveyors. The assets were valued by Lambert Smith Hampton, the Council's valuing agents.

The Council uses appropriate valuation techniques for each circumstance, maximising the use of relevant known data and minimising the use of estimates or unknowns. This takes into account the three levels of categories for inputs to valuations for fair value assets:

- Level 1, quoted prices.
- 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.

17 Intangible Assets

The Authority accounts for its software as intangible assets, to the extent that the software is not an integral part of a particular IT system and accounted for as part of the hardware item of Property, Plant and Equipment. The intangible assets include purchased licenses. All software is given a finite useful life, based on assessments of the period that the software is expected to be of use to the Authority. The useful lives assigned to the major software suites used by the Authority is seven years.

The carrying amount of intangible assets is amortised on a straight-line basis. The amortisation of £0.898m charged to revenue in 2018/19 was charged to the relevant service.

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

	2017/18 £'000	2018/19 £'000
Balance at start of year:		
Gross carrying amounts	16,714	16,950
Accumulated amortisation	(13,397)	(14,261)
Net carrying amount at start of year	**3,317**	**2,689**
Additions:		
Purchases	236	313
Amortisation for the period	(864)	(898)
Other changes	-	-
Net carrying amount at end of year	**2,689**	**2,104**

Comprising:		
Gross carrying amounts	16,950	17,263
Accumulated amortisation	(14,261)	(15,159)
Total	**2,689**	**2,104**

18 Financial Instruments

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

	Long-term		Current	
	2017/18 £'000	2018/19 £'000	2017/18 £'000	2018/19 £'000
Investments				
Loans and receivables	-	-	-	-
Unquoted equity investment / (liability) at fair value through other comprehensive income**	1,784	(2,714)	-	
Total Investments	**1,784**	**(2,714)**	-	-
Debtors				
Loans and receivables	16	14	31,831	32,507
Total Debtors	**16**	**14**	**31,831**	**32,507**
Borrowings				
Financial liabilities at amortised cost***	(57,049)	(57,049)	(24,453)	(66,192)
Total Borrowings	**(57,049)**	**(57,049)**	**(24,453)**	**(66,192)**
Creditors				
Financial liabilities at amortised cost	(250)	(250)	(44,386)	(34,180)
Total Creditors	**(250)**	**(250)**	**(44,386)**	**(34,180)**

**In 2017/18 the Council joined The Royal Borough of Kingston Upon Thames and The London Borough of Richmond Upon Thames as shared owner(s) of Achieving for Children, providing children's services. In 2016/17 the Council joined Wokingham Borough Council as shared owner of Optalis Ltd a provider of adult social care services . In 2018/19 the investments in AfC and Optalis were reduced and recategorised as a liability due to the pension deficit in the AfC accounts. The loss represents the shortfall in money set aside to pay for pension rights earned to date. This money will not be paid out until the current members retire and does not represent an immediate cashflow issue for AfC or the Council. The Council has an existing investment in RBWM Commercial Services Ltd of £225,000.

*** The fair value of borrowings has been calculated as £170.569m in 2018/19

Long term borrowing is made up of Public Works Loan Board (PWLB) loans £44.049m, Lender Option Borrower Option (LOBO) loans £13m.

Short term borrowings are loan repayments to Derbyshire Pension Fund £9m, Derbyshire County Council £10m and the London Borough of Camden £26m. Net balances of £21.192m are held on behalf of trusts and other organisations administered by the Council.

Debtors and creditors are not traded and the carrying amount in the Balance Sheet can be taken as fair value.

19 Inventories

	Consumable Stores		Client Services Work in Progress		Total Inventories	
	2017/18 £'000	2018/19 £'000	2017/18 £'000	2018/19 £'000	2017/18 £'000	2018/19 £'000
Balance outstanding at start of year	15	-	260	196	275	196
Purchases	-	-	2,591	1,709	2,591	1,709
Recognised as an expense in the year	-	-	(2,647)	(1,800)	(2,647)	(1,800)
Written off balances	(15)	-	(8)	-	(23)	-
Balance outstanding at year-end	**-**	**-**	**196**	**105**	**196**	**105**

20 Construction Contracts

There were no construction contracts carried out on behalf of other organisations during 2018/19.

21 Debtors

The analysis of debtors is net of provisions for bad and doubtful debts.

	2017/18 £'000	2018/19 £'000
Trade receivables	23,088	22,308
Prepayments	5,018	4,801
Other receivable amounts	3,725	5,398
Total	**31,831**	**32,507**

Debtors for local taxation

	2017/18 £'000	2018/19 £'000
Less than one year	3,582	4,944
More than one year	5,389	6,681
Total	**8,971**	**11,625**

22 Cash and Cash Equivalents

The balance of Cash and Cash Equivalents is made up of the following elements:

	2017/18 £'000	2018/19 £'000
Cash held by the Authority	1,978	1,883
Bank current accounts*	(2,621)	(2,489)
Short-term deposits with bank	-	-
Total Cash and Cash Equivalents	**(643)**	**(606)**

*RBWM's current accounts are managed so that they are always in credit. However the balance in the cash book (£2.489m) appears to be an overdraft. This is due to timing differences at year end.

23 Assets Held for Sale

As at 31st March 2019 no assets were held for sale.

24 Creditors

	2017/18 £'000	2018/19 £'000
Trade payables	(38,136)	(32,507)
Other payables	(6,250)	(1,673)
Total	**(44,386)**	**(34,180)**

25 Provisions

	National Living Wage Sleep-ins	Clearance of Shurlock Road £'000	Provision for MMI clawback liability £'000	Provision for redundancy £'000	Appeal Provision for Collection Fund (Business Rates) £'000	Total Provisions £'000
Balance at 1 April 2018	(100)	(71)	(259)	(493)	(1,916)	(2,839)
Additional provisions made in year	-	-	-	(729)	(1,994)	(2,723)
Amounts used in year	-	71	-	762	1,503	2,336
Unused amounts reversed in year	-	-	-	-	-	-
Balance at 31 March 2019	**(100)**	**-**	**(259)**	**(460)**	**(2,407)**	**(3,226)**

National Living Wage Sleep-ins
Payments expected to be made to care providers to fund back pay for their staff who have not received national living wage for sleep-in shifts for up to a 6 year period.

Provision for clearance of Shurlock Road - provision for payments relating to the clearance of Shurlock Road Travellers site.

Provision for MMI (Municipal Mutual Insurance Ltd) clawback liability -
Municipal Mutual Insurance (MMI) was an insurance company which insured 90-95% of local authorities, including the former Berkshire County Council (BCC) and RBWM. Insolvency in 1992 meant it ceased to write new or renew any insurance business. In 2012 the potential liability to pay claims exceeded funds available and liability transferred to those authorities that formed the mutual. Recovery monies were collected by means of ongoing levies.

The objective of these levies is to extinguish the deficit in the MMI balance sheet so that 75% of each outstanding claim (including those claims yet to be reported to MMI) could be paid. The former members of the mutual are then required to contribute 25% of each future claim payment themselves.

Our current provision was set in conjunction with the advice of the council's insurance brokers and noting the approach taken by the other Berkshire unitaries. It is set to cover the likely maximum exposure from our total potential liabilities. These are currently RBWM claims of £187,000 and approximately 1/6 of the BCC claims of £4.5m (as at the most recent valuation from September 2018). The aggregate levy collected from members by MMI as at 31/03/19 represents 25% of these claims.

It remains possible that the entire remaining exposure will eventually be called upon by further levies but this won't be known for many years. No reserve strengthening has been required by MMI since the 16/17 financial year.

Zurich Municipal (insurers) and Brown Jacobsen (solicitors) handle claims that fall to the MMI policies. This service is free of charge. Most of the claims now coming in regarding BCC and RBWM concern historic abuse and mesothelioma (asbestos related illness).

Provision for redundancy - provision for redundancy payments expected in 2019/20 that relate to decisions made in 2018/19.

Appeal Provision for Business Rates - The provision is required to cover the loss of income that may result from appeals made in 2018/19 and previous years.

26 Usable Reserves

Movements in the Authority's usable reserves are detailed in the Movement in Reserves Statement and the Earmarked Reserves note (Note 10).

27 Unusable Reserves (Group)

	2017/18 £'000	2018/19 £'000
Capital Adjustment Account	212,380	179,463
Revaluation Reserve	200,034	221,632
Financial Instruments Revaluation Reserve	-	(4,484)
Pensions Reserve	(293,703)	(282,385)
Collection Fund Adjustment Account	(4,194)	(1,365)
Accumulated Absences Account	(2,106)	(2,042)
Total Unusable Reserves	**112,411**	**110,819**

Capital Adjustment Account

The Capital Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for the consumption of non-current assets and for financing the acquisition, construction or enhancement of those assets under statutory provisions.

The Account is debited with the cost of acquisition, construction or enhancement as depreciation, impairment losses and amortisations are charged to the Comprehensive Income and Expenditure Statement (with reconciling postings from the Revaluation Reserve to convert fair value figures to a historical cost basis). The Account is credited with the amounts set aside by the Authority 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 Authority. The Account also contains revaluation gains accumulated on Property, Plant and Equipment before 1 April 2007, the date that the Revaluation Reserve was created to hold such gains. Note 10. provides details of the source of all the transactions posted to the Account, apart from those involving the Revaluation Reserve.

2017/18		Capital Adjustment Account	2018/19	
£'000	£'000		£'000	£'000
	160,065	**Balance at 1 April**		**212,380**
2,054		Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:	2,384	
(11,579)		Charges for depreciation and impairment of noncurrent assets	(13,603)	
(718)		Revaluation losses on Property, Plant and Equipment	(8,601)	
(864)		Amortisation of intangible assets	(898)	
(13,345)		Revenue expenditure funded from capital under statute	(15,936)	
		Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(1,242)	
	(24,452)			**(37,896)**
	5,986	Adjusting amounts written out of the Revaluation Reserve		4,468
		Capital financing applied in the year:		
820		Use of the Capital Receipts Reserve to finance new capital expenditure	2,937	
9,092		Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	8,657	
7,584		Application of grants to capital financing from the Capital Grants Unapplied Account	5,955	
1,200		Capital expenditure charged against the General Fund	-	
(8,295)		Other Adjustments	(13,804)	
	10,401			**3,745**
	60,380	Movements in the market value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement		(4,849)
	212,380	**Balance as at 31 March**		**177,848**

Revaluation Reserve

The Revaluation Reserve contains the gains made by the Authority arising from increases in the value of its Property, Plant and Equipment.

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 only 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.

Revaluation Reserve	2017/18 £'000	2018/19 £'000
Balance at 1 April	204,793	200,034
Upward revaluation of assets	1,227	24,574
Difference between fair value depreciation and historical cost depreciation	(3,844)	(4,399)
Amount written off to the Capital Adjustment Account	(2,142)	1,423
Balance at 31 March	**200,034**	**221,632**

Financial Instruments Revaluation Reserve

The Financial Instruments Revaluation Reserve contains the gains made by the authority arising from increases in the value of its investments that are measured at fair value through other comprehensive income. The balance is reduced when investments with accumulated gains are:

- Revalued downwards or impaired and the gains are lost
- Disposed of and the gains are realised.

Financial Instruments Revaluation Reserve	2017/18 £'000	2018/19 £'000
Balance at 1 April	-	-
Upward revaluation of Investments	-	-
Downward revaluation of investments	-	(4,484)
Change in impairment loss allowances	-	-
Balance at 31 March	-	**(4,484)**

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 Authority 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 Authority 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 Authority 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.

	2017/18 £'000	2018/19 £'000
Balance at 1 April	(313,583)	(293,703)
Actuarial gains or losses on pensions assets and liabilities	17,183	20,561
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	(5,662)	(18,760)
Employer's pensions contributions and direct payments to pensioners payable in the year	8,359	9,517
Balance at 31 March	**(293,703)**	**(282,385)**

Collection Fund Adjustment Account

The Collection Fund Adjustment Account manages the differences arising from the recognition of Council Tax /NNDR income in the Comprehensive Income and Expenditure Statement as it falls due compared with the statutory arrangements for paying across amounts to the General Fund from the Collection Fund. Following the localisation of business rates, a separate adjustment account for business rates has been created.

Collection Fund - Council Tax

	2017/18 £'000	2018/19 £'000
Balance at 1 April	2,515	1,531
Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	(984)	(1,659)
Balance at 31 March	**1,531**	**(128)**

Collection Fund - Business Rates

	2017/18 £'000	2018/19 £'000
Balance at 1 April	(2,472)	(5,725)
Amount by which NNDR income credited to the Comprehensive Income and Expenditure Statement is different from NNDR income calculated for the year in accordance with statutory requirements	(3,253)	4,488
Balance at 31 March	(5,725)	**(1,237)**

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 31 March. Statutory arrangements require that the impact on the General Fund Balance is neutralised by transfers to or from the Account.

	2017/18 £'000	2018/19 £'000
Balance at 1 April	(2,417)	(2,106)
Settlement or cancellation of accrual made at the end of the preceding year	2,417	2,106
Amounts accrued at the end of the current year	(2,106)	(2,042)
Balance at 31 March	**(2,106)**	**(2,042)**

28 Cash Flow Statement - Operating Activities

The cash flows for operating activities include the following items:

	2017/18 £'000	**2018/19 £'000**
Interest received	237	229
Interest paid	(2,914)	(3,196)

The surplus or deficit on the provision of services has been adjusted for the following non-cash movements	**2017/18 £'000**	**2018/19 £'000**
Depreciation	12,443	14,502
Impairment and Valuation Losses	-	-
Increase/(Decrease) in Creditors	16,843	(10,203)
(Increase)/Decrease in Debtors	(1,021)	(676)
(Increase)/Decrease in Inventories	79	91
Pension Liability	(2,697)	9,243
Contributions to/(from) Provisions	155	387
Carrying amount of non-current assets sold or de-recognised (property plant and equipment, investment property and intangible assets)	61	1,242
Carrying amount of short and long term investments sold	-	-
Change in investment property values	(60,380)	3,234
Adjust net surplus or deficit on the provision of services for non-cash movements	**(34,517)**	**17,820**

The surplus or deficit on the provision of services has been adjusted for the following items that are investing and financing activities.	**2017/18 £'000**	**2018/19 £'000**
Proceeds from short-term (not cash equivalents) and long-term investments	-	-
Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(820)	(2,937)
Capital Grants credited to the surplus or deficit on the provision of services	(14,017)	(12,551)
Adjust net surplus or deficit on the provision of services for investing activities	**(14,837)**	**(15,488)**

29 Cash Flow Statement - Investing Activities

	2017/18 £'000	**2018/19 £'000**
Purchase of property, plant and equipment, investment property and intangible assets including capital expenditure on existing assets	(27,283)	(36,081)
Purchase of short-term and long-term investments	(743)	14
Other payments for investing activities	-	-
Proceeds from the sale of property, plant and equipment, investment property and intangible assets	820	2,937
Other receipts from investing activities	10,929	12,360
Net cash flows from investing activities	**(16,277)**	**(20,770)**

30 Cash Flow Statement - Financing Activities

	2017/18 £'000	2018/19 £'000
Cash receipts of short and long-term borrowing	11,194	41,739
Other receipts from financing activities	-	-
Repayments of short and long-term borrowing	-	-
Other payments for financing activities	-	-
Net cash flows from financing activities	**11,194**	**41,739**

31 Acquired and Discontinued Operations

The council did not acquire or discontinue any operations in the financial year ended 31 March 2019.

32 Trading Operations

Investment properties are included as trading operations for the purposes of this note. Details can be found in note 16.

Industrial and commercial estates

The Authority lets 62 units in industrial and commercial estates located in various parts of the Borough. The most sizeable incomes are generated from shopping centres in Windsor & Maidenhead including estate shops & flats, Reform Road, Howarth Road, Waldeck House, Rawcliffe House & Stafferton Way.

	2017/18 £'000	2018/19 £'000
Turnover	4,033	4,187
Expenditure	(1,082)	(1,020)
Surplus/(Deficit)	**2,951**	**3,167**

The cumulative surplus for the last four trading years is £11.723m.

33 Agency Services

The Council did not provide agency services during the years ended 31 March 2018 or 31 March 2019.

34 Road Charging Schemes

There is a requirement to disclose the nature, income, expenditure and net proceeds of any road charging schemes under the Transport Act 2000. The Council does not have any road charging schemes in operation as at 31 March 2019.

35 Pooled Budgets

During 2018/19, the Council were involved in the following pooled budget arrangements,

Better Care Fund

The Better Care Fund (BCF) is a pooled budget under Section 75 of the 2006 National Health Service Act. The BCF is a pooling of resources from East Berkshire CCG and RBWM to fund the health and social care needs of RBWM residents. RBWM is the host authority for the BCF. The objectives of the BCF programmes are all aligned to support the RBWM Health and Wellbeing strategy. The BCF programme covers Intermediate care services including the Short Term Support and Re-ablement Team, community based health services, Integrated Heath and Social Care Teams and projects, self care and prevention programmes designed to promote long term independence and wellbeing and reduce avoidable non-elective hospital admissions.
In 2018/19 the £13.052m expenditure includes £3,819,000 of spend and equivalent funding which was incurred by our CCG partners in their accounts, on activities commissioned directly by them. The table shows gross funding with the council hosting as a principal.

Council Hosting the Better Care Fund as Principal	**2017/18 £'000**	**2018/19 £'000**
Funding from Royal Borough of Windsor and Maidenhead	2,117	2,180
Funding from the Health Service	8,219	8,375
Other Income	2,144	2,497
Total Funding	**12,480**	**13,052**
Total Expenditure on Better Care Fund	**12,480**	**13,052**

Berkshire Community Equipment Service

The Council are part of this pooling arrangement, hosted by West Berkshire Council. The service meets the needs of a range of disabled people, including the frail elderly, adults and children with physical or learning disabilities, and those experiencing incapacity through ill health. The equipment available is designed to contribute to enabling independent living.

	2017/18 £'000	**2018/19 £'000**
Funding		
RBWM	466	491
Other Berkshire Authorities	2,585	3,132
Clinical Commissioning Group (formerly Berkshire Primary Care Trusts)	4,506	5,324
Total Funding	**7,557**	**8,947**
Expenditure		
NRS Healthcare Services	7,557	**8,947**
Total Expenditure	**7,557**	**8,947**
Net Expenditure on Joint Stores Services	-	-

36 Members' Allowances

The Authority paid the following amounts to members of the council during the year.

	2017/18 £'000	**2018/19 £'000**
Salaries	-	-
Allowances	735	719
Expenses	5	4
Total	**740**	**723**

37 Officers' Remuneration

The following tables set out the remuneration disclosures for Senior Officers whose salary is more than £50k per year for 2018/19 and 2017/18. Compensation for loss of office excludes payments to the Pension Fund in lieu of future contributions (Pension Strain).

2018/19	Notes	Salary (Including Fees & Allowances) £	Compensation for loss of Office £	Pension Cont. £	Total Remuneration incl. Pension Contributions £
Managing Director		141,548		20,241	161,789
Managing Director	1	24,833		3,551	28,384
Executive Director		111,310		-	111,310
Executive Director		126,226		18,050	144,276
Head of Library & Residents Services	2	68,552	55,759	7,327	131,638
Head of Communities, Enforcement & Partnerships		95,831		13,704	109,535
Head of Revenues & Benefits		86,031		12,422	98,453
Head of Planning		84,309		12,056	96,365
Head of Information Technology Services	3	73,929	46,694	12,216	132,839
Deputy Director and Head of Finance		98,653		14,107	112,760
Deputy Director, Strategy and Commissioning		87,125		12,459	99,584
Communications & Marketing Manager		59,725		8,541	68,266
Deputy Director Health & Adult Social Care		80,000		11,440	91,440
Head of Human Resources and Corporate Projects		79,530		11,373	90,903
Head of Property Services	4	43,500		5,612	49,112

Notes:

1. In post since February 2019
2. Left in October 2018
3. Left in March 2019
4. 30% of salary as Head of Property Servcies, 70% as Managing Director of RBWM Property Company Ltd.

2017/18	Notes	Salary (Including Fees & Allowances) £	Compensation for loss of Office £	Pension Cont. £	Total Remuneration incl. Pension contributions £
Managing Director		138,112		19,750	157,862
Executive Director		105,602		-	105,602
Executive Director		119,917		15,718	135,635
					-
Head of Library & Residents Services		84,477		12,197	96,674
Head of Commissioning, Communities		69,812		9,983	79,795
Head of Communities, Enforcement & Partnerships		91,298		13,056	104,354
Head of Revenues & Benefits	1	16,452		2,353	18,805
Head of Planning		81,000		11,583	92,583
Head of Information Technology Services		81,551		11,358	92,909
Deputy Director and Head of Finance		96,247		13,763	110,010
Deputy Director Strategy & Commissioning		85,944		12,290	98,234
Head of Law and Governance	2	85,806		10,468	96,274
Head of HR	3	83,367		11,715	95,082
					-

Notes:

1. In post since January 2018.
2. Left in March 2018
3 Left in March 2018

The number of the Authority's employees receiving more than £50k remuneration for the year (including Senior Officers but excluding employer's pension contributions) are summarised in the table below :

Remuneration band	2017/18 Employees	2018/19 Employees
£50,000 - £54,999	30	33
£55,000 - £59,999	19	24
£60,000 - £64,999	15	17
£65,000 - £69,999	4	3
£70,000 - £74,999	5	5
£75,000 - £79,999	7	5
£80,000 - £84,999	4	4
£85,000 - £89,999	3	4
£90,000 - £94,999	1	-
£95,000 - £99,999	2	4
£100,000 - £104,999	1	-
£105,000 - £109,999	1	1
£110,000 - £114,999	-	1
£115,000 - £119,999	1	-
£120,000 - £124,999	-	2
£125,000 - £129,999	-	1
£130,000 - £134,999	-	-
£135,000 - £139,999	1	-
£140,000 - £144,999	-	1
£145,000 - £149,999	-	1
£150,000 - £154,999	-	-
£155,000 - £159,999	-	-

The numbers of exit packages with total cost per band and total cost of the compulsory and other are set out on the table below. Exit costs include payments to the Pension Fund in lieu of future years contributions (Pension strain).

Exit Package Cost Band (including special payments)	Number of Compulsory Redundancies		Number of Other Departures Agreed		Total Number of Exit Packages by Cost Band		Total £'000 Cost of Exit Packages in Each Band	
	2017/18	2018/19	2017/18	2018/19	2017/18	2018/19	2017/18	2018/19
£0- £20,000	7	10	5	2	12	12	115	116
£20,001 - £40,000	-	2	2	4	2	6	25	170
£40,001 - £60,000	1	1	1	1	2	2	86	87
£60,001 - £80,000	-	-	1	-	1	-	70	-
£80,001 - £100,000	-	-	-	-	-	-	-	-
Total	**8**	**13**	**9**	**7**	**17**	**20**	**296**	**373**

38 External Audit Costs

The Authority has incurred the following costs in relation to the audit of the Statement of Accounts, certification of grant claims and statutory inspections and to non-audit services provided by the Authority's external auditors.

	2017/18 £'000	2018/19 £'000
	KPMG	Deloitte
Fees payable with regard to external audit services carried out during the year	107	82
Fees payable in respect of statutory inspections	-	-
Fees payable for the certification of grant claims and returns during the year	12	15
Fees payable in respect of other services provided during the year	-	-
Total	**119**	**97**

In July 2016, the Secretary of State for Communities and Local Government specified Public Sector Audit Appointments (PSAA) as an appointing person under regulation 3 of the Local Audit (Appointing Person) Regulations 2015. For audits of the accounts from 2018/19, PSAA are able to appoint an auditor to relevant principal authorities. As a result, the Council's auditor changed from KPMG to Deloitte for 2018/19. A revised fee structure was put in place by PSAA at the same time.

39 Dedicated Schools Grant

The council's expenditure on schools is funded primarily by grant monies provided by the Education Funding Agency (EFA), the Dedicated Schools Grant (DSG). 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 2014. The Schools Budget includes elements for a range of educational services provided centrally on an authority-wide basis and for the Individual Schools Budget (ISB), which is divided into a budget share for each maintained school and allocations to non-maintained nurseries. Grant allocated to schools' budget shares through the ISB is treated as spent as soon as it is allocated to schools.

Details of the deployment of DSG receivable for 2018/19 are as follows:

	Central Exp'	ISB	Total
	£'000	£'000	£'000
Final DSG for 2018/19 before recoupment	-	-	112,681
less Academy figure for recoupment	-	-	49,628
Total DSG	-	-	**63,053**
Brought forward			(980)
Less Carry Forward agreed in advance	-	-	-
Agreed initial budgeted distribution in 2018/19	**27,089**	**34,984**	**62,073**
In-year adjustments (see below for analysis)	(373)	276	(97)
Final Budget distribution for 2018/19	**26,716**	**35,260**	**61,976**
Less actual central expenditure	27,499	-	-
Less actual ISB deployed to schools	-	35,260	-
Plus Local Authority contribution	-	-	-
Carry Forward to 2019/20 agreed in advance	**(783)**	-	**(783)**

40 Grant Income

The Authority credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement in the year.

Credited to Taxation and Non Specific Grant Income	2017/18 £'000	2018/19 £'000
Revenue Support Grant	3,217	-
Capital Grants and Contributions	14,018	12,549
Council Tax Transition Grant	1,262	-
New Homes Bonus	3,710	2,691
Education Services Grant	587	315
Total Credited to Taxation and Non Specific Grant Income	**22,794**	**15,555**

Credited to Services - Government Grants	2017/18 £'000	2018/19 £'000
Dedicated Schools Grant (DSG)*	61,860	63,053
Pupil Premium	1,720	1,730
Teacher Training	94	52
PE and Sports Grant	59	612
Universal Infant Free School Meals (UIFSM)	1,799	1,250
Special Educational Needs Reform	109	101
Teachers Pay Grant	-	196
Cycle Training Grant	10	37
Extended Rights to Free Travel	7	8
Asylum Seekers & Other Refugee Grants	319	513
Adult Care Support/Improved Better Care/Winter Pressures	1,849	2,428
Disabled Facilities Grant	857	946
Independent Living Fund (DCLG)	120	116
Social Care Training & Other Grants	13	-
Other Education Grants (incl GTP & School Workforce Adviser)	535	623
Children Staying Put	33	35
Troubled Families DCLG	406	265
Post 16 Grants	243	243
Community Safety (PCC)	101	149
Public Health Grant	4,978	4,739
Drug Action Teams	36	-
Supporting Community Transport (DFT)	76	76
War Pensions Disregard	22	21
Collection Allowance	249	245
New Burdens Grant / Service Transformation	184	312
Adoption and Fostering	93	4
Support for Service Children (MoD)	49	-
Homelessness Grants	1,052	1,289
Custom Self-Build and Brownfield Register	35	35
Elections and Electoral Registration	45	37
Other grants	483	650
Total Government Grants	**77,436**	**79,765**
Mandatory Rent Allowances: subsidy	33,852	30,900
Discretionary Benefits	263	235
Total Housing Benefit Income	**34,115**	**31,135**
Credited to Services - Other Grants and Contributions		
Housing Benefit and Council Tax Benefit Administration associated grants	422	487
Fraud & Error Reduction	-	-
Youth Justice Board	133	184
Health-Better Care	7,181	7,167
Health-Other Contributions	2,751	1,949
Contributions	9,512	10,987
Donations	538	500
Contributions from other funds/balances & reallocations	12,432	5,616
Total Other Grants and Contributions	**32,969**	**26,890**
Total Credited to Services	**144,520**	**137,790**

Capital Grants Receipts in Advance
The Authority has received a number of grants, contributions and donations that have yet to be recognised as income as they have conditions attached to them that may require the monies to be returned to the donor. The balances at year end are as follows:

	2017/18 £'000	2018/19 £'000
Developers Contributions	10,441	9,134
Other Contributions	122	94
Education Grants	27	28
Other Grants	2,324	3,465
Total	**12,914**	**12,721**

Capital Grants Unapplied
The Authority has received grants recognised as available for immediate use. The balances at year end are as follows:

	2017/18 £'000	2018/19 £'000
Education Grants	4,690	769
Other Grants	1,276	3,136
Total	**5,966**	**3,905**

41 Related Parties

RBWM is required to disclose material transactions with related parties – bodies or individuals that have the potential to control or influence the council 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 Authority.

Central Government
Central government has significant influence over the general operations of the Authority – it is responsible for providing the statutory framework within which the Authority operates, provides the majority of its funding in the form of grants and prescribes the terms of many of the transactions that the Authority has with other parties (e.g. council tax bills, housing benefits). Grants received from government departments are set out in the subjective analysis in Note 8 . Grant receipts outstanding at 31 March 2019 are shown in Note 40.

Members
Members of the council have direct control over the council's financial and operating policies. The total of members' allowances paid in the year is shown in Note 36.

During the financial year £18.3m of expenditure was incurred with third parties in which members had an interest.

RBWM paid grants totalling £324,000 to voluntary organisations in which 11 members had positions on the governing body. In all instances the grants were made with proper consideration of declarations of interest. The relevant members did not take part in any discussion or decision relating to the grants. Details of all of these transactions are recorded in the Register of Members' Interest open to public inspection at the Town Hall during office hours.

Pension Fund
The Royal Borough of Windsor and Maidenhead administers the Royal County of Berkshire Pension Fund on behalf of 204 active employers, including the unitary local authorities in Berkshire. The council charged £1.349m for administering the Fund during the year.

During the year, transactions with related parties excluding Governmental Departments and Public Bodies arose as follows:-

	Exp £000	Income £000
Achieving for Children	11,094	3,549
Charters School	218	29
Enterprise Cube	14	-
Furze Platt Senior School	212	92
Holyport College	150	40
J Rayner & Sons Ltd	3	-
Kings Church International	31	1
Kings Court First School	164	-
Optalis Ltd	6,356	2,104
Outdoor Trust	6	-
SportsAble	54	-
Windsor Allotments & Home Gardens Association	6	-
Total	**18,308**	**5,815**

42 Capital Expenditure and Capital Financing

The total amount of capital expenditure incurred in the year is shown in the table below 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 Authority, the expenditure results in an increase in the Capital Financing Requirement (CFR). This is a measure of the capital expenditure incurred historically by the Authority that has yet to be financed.

	2017/18 £'000	2018/19 £'000
Opening Capital Financing Requirement	**86,425**	**106,303**
Capital investment		
Property, Plant and Equipment	27,047	35,768
Investment Properties	-	-
Intangible Assets	236	313
Long Term Investments		
Revenue Expenditure Funded from Capital under Statute	13,345	15,936
Sources of finance		
Capital Receipts	(820)	(2,937)
Government Grants and Other Contributions	(16,676)	(14,612)
Sums set aside from Revenue:		
Direct Revenue Contributions	(1,200)	-
Minimum Revenue Provision	(2,054)	(2,384)
Closing Capital Financing Requirement	**106,303**	**138,387**
Explanation of Movements in Year		
Increase in underlying need to borrow (unsupported by government financial assistance)	19,878	32,084
Increase/(decrease) in Capital Financing Requirement	**19,878**	**32,084**

43 Leases
Authority as Lessee

Finance Leases
There were no finance leases in 2018/19, or 2017/18.

Operating Leases
The Authority has acquired land, buildings, vehicles, plant and equipment by entering into operating leases.

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

2018/19 Future minimum lease payments	Land and buildings £'000	Vehicles, Plant & Equip't £'000	Other Leases £'000	2018/19 Rental Charge £'000
Not later than one year	351	108	113	**572**
Later than one year and not later than five years	823	246	218	**1,287**
Later than five years	1,526	-	-	**1,526**
Total	**2,700**	**354**	**331**	**3,385**

2017/18 Future Minimum lease payments	Land and buildings £'000	Vehicles, Plant & Equip't £'000	Other Leases £'000	2017/18 Rental Charge £'000
Not later than one year	359	75	103	**537**
Later than one year and not later than five years	930	62	343	**1,335**
Later than five years	1,541	-	57	**1,598**
Total	**2,830**	**137**	**503**	**3,470**

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

	2017/18 £'000	2018/19 £'000
Minimum lease payments	1,841	1,869
Contingent rents	38	36
Total	**1,879**	**1,905**

Authority as Lessor

Finance Leases
There were no finance leases in 2017/18 or 2018/19.

Operating Leases
The Authority leases out property under operating leases for economic development purposes to provide suitable affordable accommodation for local businesses.

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

	2017/18 £'000	2018/19 £'000
Not later than one year	3,296	3,022
Later than one year and not later than five years	11,749	10,775
Later than five years	210,169	184,385
Total	**225,214**	**198,182**

The minimum lease payments receivable do not include rents that are contingent on events taking place after the lease was entered into, such as adjustments following rent reviews.

44 PFI and Similar Contracts

There were no PFI or similar contracts during 2017/18 or 2018/19.

45 Impairment Losses

There were no impairment losses during 2017/18 or 2018/19.

46 Capitalisation of Borrowing Costs

No borrowing costs were capitalised during 2017/18 or 2018/19.

47 Termination Benefits

The Authority terminated the contracts of 20 employees in 2018/19, incurring liabilities of £373,000 and 17 employees in 2017/18 incurring liabilities of £321,000. See note 37 for the number and cost of redundancies by band.

48 Pension Schemes Accounted for as Defined Contribution Schemes

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

The Scheme is technically a defined benefit scheme. However, the Scheme is unfunded and the Department for Education uses a notional fund as the basis for calculating the employers' contribution rate paid by local authorities. The Authority is not able to identify its share of underlying financial position and performance of the Scheme with sufficient reliability for accounting purposes.

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

In 2018/19, the council paid £2.623m to Teachers' Pensions in respect of teachers' retirement benefits, representing 16.48% of pensionable pay. The figures for 2017/18 were £2.613m and 16.48%. There were no contributions remaining payable at the year-end. The Authority is responsible for the costs of any additional benefits awarded upon early retirement outside of the terms of the teachers' scheme.

49 Defined Benefit Pension Schemes

As part of the terms and conditions of employment of its officers, the Authority makes contributions towards the cost of post employment benefits. Although these benefits will not actually be payable until employees retire, the Authority has a commitment to make the payments that needs to be disclosed at the time that employees earn their future entitlement.

Transactions Relating to Post-employment Benefits

We recognise the cost of retirement benefits in the reported cost of services when they are earned by employees, rather than when the benefits are eventually paid as pensions. However, the charge we are 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. The following transactions have been made in the Comprehensive Income and Expenditure Statement and the General Fund.

Balance via the Movement in Reserves Statement during the year:

Comprehensive Income and Expenditure Statement	**Local Government Pension Scheme £'000**	
	2017/18	**2018/19**
Cost of Services:		
Service Cost (comprising current service cost, past service cost and gain / loss from settlements)	(2,490)	11,281
Financing and Investment Income and Expenditure:		
Net interest expense	7,995	7,329
Administration expenses	157	150
Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services	**5,662**	**18,760**
Other Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement:		
Re-measurement of the net defined benefit liability comprising:		
Return on plan assets	1,271	15,212
Actuarial gains / (losses) on changes in demographic assumptions	-	30,366
Actuarial gains / (losses) on changes in financial assumptions	15,912	(25,017)
Other actuarial gains / (losses) on assets		
Experience gain/(loss) on defined benefit obligation		
Total Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement	**22,845**	**39,321**

Movement in Reserves Statement	**Local Government Pension Scheme £'000**	
	2017/18	**2018/19**
Reversal of net charges made to the Surplus or Deficit for the Provision of Services for post employment benefits in accordance with the Code.	(22,845)	(39,321)
Actual amount charged against the General Fund Balance for pensions in the year:		
Employers' contributions payable to scheme	7,797	8,970

Assets and Liabilities recognised in the Balance Sheet

The amount included in the Balance Sheet arising from RBWM's obligation in respect of its defined benefit plan is as follows:

	Local Government Pension Scheme £'000	
	2017/18	**2018/19**
Present value of the defined benefit obligation	(526,866)	(533,101)
Fair value of scheme assets	240,331	257,272
Net Liability	**(286,535)**	**(275,829)**
Present value of unfunded obligation	(7,168)	(6,556)
Net Liability in the Balance Sheet	**(293,703)**	**(282,385)**

Reconciliation of the present value of scheme liabilities:

	Local Government Pension Scheme £'000	
	2017/18	2018/19
Opening balance at 1 April	567,623	534,034
Current service cost	11,787	10,718
Interest cost	14,611	13,404
Contributions by scheme participants	1,979	1,871
Re-measurement (gains) and losses:		
Arising from changes in demographic assumptions	-	(30,366)
Arising from changes in financial assumptions	(15,912)	25,017
Experience gain/(loss) on defined benefit obligation		
Past service costs including curtailment (losses)/gains	322	657
Benefits paid	(14,939)	(14,855)
Liabilities removed on settlement	(30,875)	(275)
Unfunded payments	(562)	(547)
Closing balance at 31 March	**534,034**	**539,658**

Reconciliation of the movements of the fair value of scheme assets:

	Local Government Pension Scheme £'000	
	2017/18	2018/19
Opening fair value of scheme assets	254,040	240,331
Interest on assets	6,616	6,075
Return on assets less interest	1,271	15,212
Other Actuarial gains / (losses)	-	0
Administrative expenses	(157)	(150)
Employer contributions	8,359	9,517
Contributions by scheme participants	1,979	1,871
Benefits paid	(15,501)	(15,402)
Settlement prices received / (paid)	(16,276)	(181)
Closing balance at 31 March	**240,331**	**257,273**

The actual return on scheme assets in the year was £21.287m, 2017/18 £7.9m

Fair value of scheme assets comprised:

	Local Government Pension Scheme £'000	
	2017/18	2018/19
Gilts	-	-
Cash	35,393	20,424
Other Bonds	36,094	38,615
Equities	115,190	130,558
Property	30,905	35,721
Target Return	10,438	13,383
Commodities	249	1,966
Infrastructure	12,393	24,238
Alternative Assets	-	-
Longevity Insurance	(4,332)	(7,633)
Closing balance at 31 March	**236,330**	**257,272**

Basis for estimating assets and liabilities
Liabilities have been assessed on an actuarial basis using the projected unit credit method, an estimate of the pensions that will be payable in future years dependant on assumptions about mortality rates , salary levels, etc.
The Local Government Pension Scheme has been estimated by Barnett Wadingham Public Sector Consulting, an independent firm of actuaries, estimates for the Council being based on the latest triennial valuation of the scheme as at 31 March 2016, the results of which were published on the 31 March 2017.

The significant assumptions used by the actuary have been:

	Local Government Pension Scheme	
	2017/18	**2018/19**
Long-term expected rate of return on assets in the scheme	2.5%	2.4%
Mortality assumptions: Longevity at 65 for current pensioners:		
Men	23.1	22.0
Women	25.2	24.0
Longevity at 65 for future pensioners:		
Men	25.3	23.7
Women	27.5	25.8
Rate of inflation	2.3%	2.4%
Rate of increase in salaries	3.2%	3.3%
Rate of increase in pensions	2.3%	2.4%
Rate for discounting scheme liabilities	2.5%	2.4%

The estimation of the defined benefit obligations is sensitive to the actuarial assumptions set out in the table above. The sensitivity analysis below has been based on reasonably possible changes to the assumptions occurring at the end of the reporting period. It 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 did not change from those used in the previous period.

	Local Government Pension Scheme £'000	
	Increase in assumption	**Decrease in assumption**
Longevity (increase or decrease in 1 year)	19,447	(18,769)
Rate of increase in salaries (increase or decrease by 0.1%)	623	(620)
Rate of increase in pensions (increase or decrease by 0.1%)	9,567	(9,389)
Rate for discounting scheme liabilities (increase or decrease by 0.1%)	9,385	10,203

Amounts are relative to the present value of scheme liabilities £539.657m

With regard to the valuation of the IAS19 Pension Fund liability, no allowance has been made by the Council’s actuary for the recent Court of Appeal McCloud judgement. The McCloud court case relates to possible age discrimination within the New Judicial Pension Scheme. At this point in time, it is unclear as to how this judgement, or any future judgement, may affect LGPS members’ past or future service benefits, and the actuary is awaiting guidance from the governing bodies of the LGPS. The actuary has therefore estimated the impact using analysis from the Government Actuary's Department as a starting point. The estimated impact on total liabilities at 31 March 2019 would be 0.7% of liabilities (which equates to £3,399,000). The impact on the projected service cost for the year to 31 March 2020 would be 2.4% of the service cost (which equates to £256,000).

50 Contingent Liabilities
At 31 March 2019, the Authority had no material contingent liabilities.

51 Contingent Assets
At 31 March 2019, the Authority had no material contingent assets.

52 Nature and Extent of Risks Arising from Financial Instruments

The Authority'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 Authority

• liquidity risk – the possibility that the Authority might not have funds available to meet its commitments to make payments

• market risk – the possibility that financial loss might arise for the Authority as a result of changes in such measures as interest rates and stock market movements.

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

Credit Risk

Credit risk arises from deposits with banks and financial institutions, as well as credit exposures to the authority's customers. This risk is minimised through the Annual Investment Strategy, which requires that deposits are not made with financial institutions unless they meet identified minimum credit criteria, as laid down by the Fitch Ratings Service. The Annual Investment Strategy also imposes a maximum sum to be invested with a financial institution located within each category. No Financial assets were deemed to have been impaired in 2018/19 as a resullt of credit risk. The write off policy, requires assets greater than £50,000, that are to be written off are to be approved at a full Council meeting. This was not required in 2018/19.

Liquidity Risk

The authority manages its cash flow and seeks to ensure that cash is available as needed. If unexpected movements happen, the authority has ready access to borrowings from the money markets and the Public Works Loans Board. There is no significant risk that it will be unable to raise finance to meet its commitments under financial instruments. Instead, the risk is that the authority will be bound to replenish a significant proportion of its borrowings at a time of unfavourable interest rates. The maturity analysis of financial liabilities is as follows:

	2017/18 £'000	2018/19 £'000
Less than one year	24,453	66,192
Between one and two years	-	-
Between two and five years	-	785
More than five years	57,049	56,264
Total Financial Liabilities	**81,502**	**123,241**

Interest Rate Risk

The Authority is exposed to risk in terms of its exposure to interest rate movements on its borrowings and investments. Movements in interest rates have a complex impact on the authority. For instance, a rise in 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 borrowings 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, so nominal gains and losses on fixed rate borrowings would not impact on the Surplus of 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 Authority has a number of strategies for managing interest rate risk. Policy is to aim to keep all of its borrowings in fixed rate loans. During periods of falling interest rates, and where economic circumstances make it favourable, fixed rate loans will be repaid early if possible to limit exposure to losses.

Price Risk

The Authority does not generally invest in equity shares and is not therefore exposed to losses arising from movements

Foreign Exchange Risk

The Authority has no financial assets or liabilities denominated in foreign currencies and thus has no exposure to loss arising from movements in exchange rates.

53 Trusts and Other Entities

The trusts and other entities administered by the Council, do not form part of the accounts and are published here for information.

	2017/18 £'000	Receipts in year £'000	Payments in year £'000	2018/19 £'000
Local Enterprise Partnership (LEP)	18,066	47,400	22,576	**42,890**
Flexible Home Improvements Ltd (FHIL)	323	89	282	**130**
Kidwells Park Trust	444	13	18	**439**
RBWM Flood Relief Fund	189	1	-	**190**
Mayor's Benevolent Fund	30	2	5	**27**
Working Boys Club	690	20	80	**630**
Thames Valley Athletic Centre	59	8	-	**67**
Other Trust Funds	1	-	-	**1**
RBWM Commercial Services Ltd	34	639	650	**23**
RBWM Property Company Ltd	(36)	908	701	**171**
Trusts & Other Entities Total	**19,800**	**49,080**	**24,312**	**44,568**

Local Enterprise Partnership (LEP)

The LEP was incorporated in December 2011 and pulls together key players across Thames Valley and Berkshire representing education, employment and skills, SME and corporate enterprises, Local Authorities and the community sector.

Flexible Home Improvements Ltd (FHIL)

This company was incorporated in March 2008 for the purpose of making loans to homeowners thus improving private sector housing. The company is initially funded by a grant from the Regional Housing Board and transfers amounts for subsequent loan to local authorities in Berkshire, Buckinghamshire, Oxfordshire and Surrey.

Kidwells Park Trust

This Trust was established by J.M.Pearce who donated the land on which Kidwells Park and some surrounding buildings now stand. The funds in the Trust resulted from the sale of the College of Art in Marlow Road, Maidenhead to Berkshire County Council.

Royal Borough of Windsor and Maidenhead Flood Relief Fund

Following approval from the Charity Commissioners, this Fund is the combination of funds established in 1949 to provide essential relief measures in time of flood.

Mayor's Benevolent Fund

This Fund was established in February 1975 for general charitable purposes for the benefit of residents or persons working within the Royal Borough.

Working Boys Club

This Trust received £613,000 on sale of 22 Cookham Rd, Maidenhead in 2008/09 and this has been invested in a fund to protect its value and ensure a revenue stream to finance the activities of the charity. The objectives of the charity are to provide facilities for youth in the borough with a preference for clubs and associations.

Thames Valley Athletics Centre

A sinking fund, created for the purpose of maintaining the athletics track and buildings, is invested on behalf of the TVAC Joint Committee.

Other Trust Funds

There are six small trust funds, each with a balance of less than £500 at 31st March. These trust funds are the Sunningdale Gravel Allotment Trust, Sunninghill Fuel Allotment Trust, John Lewis Trust Fund, D.E. Cooke, E Pasco and the Tester Award Drama Trusts. The last four are school trust funds.

RBWM Commercial Services Ltd

Covanta RBWM Ltd, provided waste treatment and disposal services, was acquired by RBWM in February 2014 as a result of it's American parent company Covanta Energy Corporation withdrawing from the UK waste market. As part of the acquisition the name of the company was changed. Further details can be seen at https://www3.rbwm.gov.uk/info/200110/about_the_council/1146/trading_companies and also the annual accounts can be accessed at the Companies House website.

RBWM Property Company Ltd

The company has been created as a dedicated and wholly owned arms length property management and development trading subsidiary of the Council. Its aim is to create a property portfolio primarily available to rent within both the affordable and private rental market. Further details can be seen at https://www3.rbwm.gov.uk/info/200110/about_the_council/1146/trading_companies and also the annual accounts can be accessed at the Companies House website.

54 The Group has two associates that are material, both of which are equity accounted.

	Optalis Ltd	Achieving for Children (AfC)
Nature of relationship with the Group	Shared owner with Wokingham Borough Council providing Adult Social Care services	Shared owner with The Royal Borough of Kingston Upon Thames and The London Borough of Richmond Upon Thames, a community interest company providing Children's services
Principal place of business / Country of incorporation	UK	UK
Ownership interest / Voting rights held	45%	20%

The following is summarised financial information for Optalis and AfC, for the financial year ended 31 March 2019, based on their respective consolidated financial statements.

	Optalis Ltd £'000	AfC £'000	To Group CI&E & MiRS £'000
Revenue	45,497	154,026	
Profit/(loss) from continuing operations	8	(6,747)	**(1,346)**
Post-tax profit from discontinued operations	-	-	
Other comprehensive income/expenditure	46	(8,666)	**(1,713)**
Total comprehensive income	**54**	**(15,413)**	
Attributable to non-controlling interest	24	(3,083)	**(3,059)**
Attributable to investee's shareholders	30	(12,330)	
Current assets	4,644	35,640	
Non-current assets	32	415	
Current liabilities	(4,349)	(37,552)	
Non-current liabilities	-	(53,105)	
Net assets/(liabilities)	**327**	**(54,602)**	
Attributable to non-controlling interest	147	(10,920)	
Attributable to investee's shareholders	180	(43,682)	
Group's interest in net assets of investee at beginning of year/date of acquisition	26	(1,277)	
Total comprehensive income attributable to the Group	24	(1,733)	
Dividends received during the year	-	-	
Group's interest in net assets of investee at end of year	51	(3,010)	**To Group Balance Sheet £'000**
Carrying amount of interest in investee at year end	**51**	**(3,010)**	**(2,959)**

The deficit in the AfC accounts represents the shortfall in money set aside to pay for pension rights earned to date. This money will not be paid out until the current members retire and does not represent an immediate cashflow issue. The fund is subject to a triennial valuation and employer contribution rates will be adjusted to ensure that the fund is adequately resourced to pay out retirement benefits, when they are due. The combination of these two factors means that AfC's Equity is likely to remain in a negative position for the foreseeable future but does not mean that the company is not a going concern.
The liability of £3.010m in the Council's accounts represents the Council's share of AfC's pension deficit. This is unlikely to be realised for the above reasons.

Supplementary Accounting Statements 2018/19

www.rbwm.gov.uk

Royal Borough of Windsor & Maidenhead

COLLECTION FUND

This account reflects the statutory requirement for billing authorities to maintain a separate Collection Fund which shows the transactions of the billing authority in relation to non-domestic rates and council tax, and illustrates the way in which these have been distributed to preceptors and the General Fund. The Collection Fund is consolidated with the other accounts of the billing authority.

2017/18 £'000	COUNCIL TAX	Note	2018/19 £'000
	INCOME	Note	
83,029	Council Tax receivable	55	87,649
83,029	**Total Income**		**87,649**
	EXPENDITURE		
	Apportionment of Previous Year Surplus		
2,615	Royal Borough of Windsor and Maidenhead		1,647
455	Berkshire Fire and Rescue Authority		282
167	Thames Valley Police & Crime Commissioner		103
3,237			**2,032**
	Precepts and Demands		
66,457	Royal Borough of Windsor and Maidenhead		70,586
4,169	Berkshire Fire and Rescue Authority		4,352
11,359	Thames Valley Police & Crime Commissioner		12,325
81,985		57	**87,263**
	Charges to Collection Fund		
146	Less write offs of uncollectable amounts		33
(1,457)	Less: Increase/(Decrease) in Bad Debt Provision		96
333	Less: Disregarded amounts		276
(978)	**Total Expenditure**		**405**
(1,215)	**Surplus/(Deficit) arising during the year**		(2,051)
3,091	**Surplus (Deficit) Brought Forward**		1,876
1,876	**Surplus/(Deficit) Carried Forward**		**(175)**

2017/18 £'000	BUSINESS RATES	Note	2018/19 £'000
	INCOME	Note	
83,150	Business Rates receivable	56	92,105
1,286	Transitional Protection Payments		(90)
84,436	**Total Income**		**92,015**
	EXPENDITURE		
	Apportionment of Previous Year Surplus		
(1,001)	Central Government		(3,003)
(1,022)	Royal Borough of Windsor and Maidenhead		(2,943)
(21)	Berkshire Fire and Rescue Authority		(60)
(2,044)			**(6,006)**
	Precepts and Demands		
46,251	Central Government		-
45,326	Royal Borough of Windsor and Maidenhead		90,659
925	Berkshire Fire and Rescue Authority		916
92,502		57	**91,575**
	Charges to Collection Fund		
334	Less write offs of uncollectable amounts		38
-	Less: Increase/(Decrease) in Bad Debt Provision		10
-	Less: Increase/(Decrease) in Provision for Appeals		(1,479)
249	Less: Cost of Collection		245
32	Less: Disregarded amounts		11
615	**Total Expenditure**		**(1,175)**
(6,637)	**Surplus/(Deficit) arising during the year**		**7,621**
	Surplus (Deficit) Brought Forward		
-	Surplus (Deficit) Brought Forward 2017/18		(11,682)
-	Add: Variances to prior year NNDR3 submission		(63)
(5,045)	**Surplus (Deficit) Brought Forward**		(11,745)
(11,682)	**Surplus/(Deficit) Carried Forward**		**(4,124)**

55 Council Tax Income

Council Tax is a charge levied on the notional value of properties as at 1st April 1991. The VOA (Valuation Office Agency) allocates one of eight Council Tax Bands (A-H) to each property within the Borough according to its value. Band A is the lowest band and Band H is the highest.

The Council sets a benchmark charge for a Band D property and, for tax base purposes, all properties in the other bands are expressed in terms of a Band D equivalent. For example a Band A property is 6/9ths of a Band D, while a Band H property is 18/9ths.

Council Tax support is awarded to residents on low incomes and a 25% single person's discount is given where a property has only one occupant. There are various other discounts, reliefs and exemptions that are available depending on individual circumstances to reduce the payable amount. For 2018/19 the sum of £30.12 per Band D property is included to cover Special Expenses of the unparished areas of the Borough. These are the costs associated with providing parish-type services in the non-parished areas of the Borough. A precept in accordance with revised regulations was also included to cover additional adult social care costs and resulted in an additional charge of £74.74 at band D for 2018/19.

Band	Property Value	Number of Properties Base	Ratio	Band D Equivalent	Appeals / Non - Collection Provision	TAX BASE
A	Up to £40,000	1,448	6/9	965.57	-4.82	960.75
B	£40,001 to £52,000	2,437	7/9	1,895.36	-9.47	1,885.89
C	£52,001 to £68,000	7,597	8/9	6,752.96	-33.76	6,719.20
D	£68,001 to £88,000	13,931	9/9	13,931.05	-69.66	13,861.39
E	£88,001 to £120,000	12,040	11/9	14,714.96	-73.55	14,641.41
F	£120,001 to £160,000	7,677	13/9	11,088.81	-55.44	11,033.37
G	£160,001 to £320,000	9,098	15/9	15,163.02	-75.83	15,087.19
H	more than £320,000	1,723	18/9	3,446.00	-17.27	3,428.73
Total		55,951		67,957.73	-339.80	**67,617.93**

The average Band D charge for 2018/19 was £1,296.59. Therefore, based on the adjusted tax base of 67,618 the estimated yield was £87.673m. This can be reconciled to the income received as follows:-

	2017/18 £'000	2018/19 £'000
Estimated Yield	82,374	87,673
Transitional Relief	-	-
Other Changes in Yield	655	(24)
Council Tax Income	**83,029**	**87,649**

The council tax debt position is reviewed regularly and a provision of £1.326m to cover potentially bad or doubtful debts has been made. RBWM's share of this provision is £1.07m.

56 Business Rates Income

Business rates, also known as national non-domestic rates (NNDR), help fund local services provided by councils, the police and fire and rescue services. Business rates are calculated by multiplying a property's rateable value (a valuation carried out by the VOA representing the annual rental value of the premises on a particular date) with a multiplier (a rate in the pound set by Central Government) 49.3p in 2018/19 (49.7p in 2017/18). The total rateable value of business premises in the Borough's area at 31st March 2019 was £184.9m producing a notional yield of £91.9m. The business rate debt position is reviewed regularly and a provision of £1.039m to cover potentially bad or doubtful debts has been made. RBWM's share of the provision is £1.029m.

	2017/18 £'000	2018/19 £'000
Notional Yield	96,420	106,083
Allowances	(13,395)	(15,568)
Rateable Value Changes	2,088	2,246
Occupation Changes	(716)	(656)
Collectable Income	**84,397**	**92,105**

57 Precepts and Demands on the Funds

The following authorities made demands on the Council Tax Collection Fund in 2018/19:-

	2018/19	
	£'000	£'000
Council Tax		
Royal Borough of Windsor and Maidenhead		
General Expenses	63,116	
Adult Social Care Precept	5,054	
Unparished area costs*	1,047	
Parishes	1,369	
		70,586
Thames Valley Police & Crime Commissioner		12,325
Berkshire Fire and Rescue Authority		4,352
Total Precepts and Demands		**87,263**

* Unparished area costs relate to the cost of services undertaken by the Royal Borough in Windsor and Maidenhead, which would be carried out by the Parishes in other parts of the Council's area.

The following authorities made demands on the Business Rates Collection Fund in 2018/19:-

	2018/19	
	£'000	£'000
Business Rates		
Royal Borough of Windsor and Maidenhead	90,659	
		90,659
Central Government		-
Berkshire Fire and Rescue Authority		916
Total Precepts and Demands		**91,575**

The Royal County of Berkshire Pension Fund fund account

2017/18 £'000		Notes	2018/19 £'000
	Dealings with members, employers and others directly involved in the Fund		
(108,591)	Contributions	64	(116,990)
(13,403)	Transfers in from other pension funds	65	(8,130)
(121,994)			(125,120)
100,493	Benefits	66	102,835
10,184	Payments to and on account of leavers	67	10,526
110,677			113,361
(11,317)	**Net (additions)/withdrawals from dealings with members**		**(11,759)**
9,204	**Management expenses**	68	**11,093**
(2,113)	**Net (additions)/withdrawals including fund management expenses**		**(666)**
	Returns on investments		
(40,770)	Investment income	69	(43,766)
3,036	Taxes on income	70	4,734
(48,421)	Profits and losses on disposal of investments and changes in the market value of investments	71	(104,482)
(86,155)	Net return on investments		(143,514)
(88,268)	**Net (increase)/decrease in the net assets available for benefits during the year**		**(144,180)**
1,923,995	**Opening net assets of the scheme**		2,012,263
2,012,263	**Closing net assets of the scheme**		**2,156,443**

The Royal County of Berkshire Pension Fund net assets statement

2017/18 £'000		Notes	2018/19 £'000
2,082,344	Investment assets	71	2,219,285
(63,402)	Investment liabilities	71	(67,998)
2,018,942	**Total net investments**		2,151,287
9,048	Current assets	78	14,814
9,048			14,814
(15,727)	Current liabilities	79	(9,658)
2,012,263	**Net assets of the fund available to fund benefits at the end of the reporting period**		**2,156,443**

The fund's financial statements do not take account of liabilities to pay pensions and others benefits after the period end. The actuarial present value of promised retirement benefits is disclosed at Note 77.

Notes to the Royal County of Berkshire Pension Fund Accounts for the year ended 31 March 2019

58 Description of Fund

The Royal County of Berkshire Pension Fund (the 'fund') is part of the Local Government Pension Scheme and is administered by the Royal Borough of Windsor and Maidenhead.

a) General

The fund is governed by the Public Service Pensions Act 2013. The fund is administered in accordance with the following secondary legislation:

- The Local Government Pension Scheme Regulations 2013 (as amended)
- The Local Government Pension Scheme (Transitional Provisions, Savings and Amendment) Regulations 2014 (as amended)
- The Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016.

It is a contributory defined benefit pension scheme administered by the Royal Borough of Windsor and Maidenhead to provide pensions and other benefits for pensionable employees of the 6 unitary local authorities in the geographical region of Berkshire, and a range of other scheduled and admitted bodies. Teachers, police officers and firefighters are not included as they come within other national pension schemes.

The fund is overseen by the Pension Fund Panel, which is a committee of the Royal Borough of Windsor and Maidenhead.

b) Membership

Membership of the LGPS is voluntary. Employees are automatically enrolled into the fund and are free to choose whether to remain in the fund, opt-out of the fund, or make their own personal arrangements outside the fund.

Organisations participating in the Royal County of Berkshire Pension Fund include:

- Scheduled bodies, which are local authorities and similar bodies whose staff are automatically entitled to be members of the fund.
- Admitted bodies, which are other organisations that participate in the fund under an admission agreement between the fund and the relevant organisation. Admitted bodies include voluntary, charitable and similar bodies or private contractors undertaking a local authority function following outsourcing to the private sector.

Membership details are set out below:

The Royal County of Berkshire Pension Fund	31 March 2018	31 March 2019
Number of employers with active members	186	**204**
Number of employees in scheme		
Administering authority	1,867	1,594
Unitary authorities	12,741	13,297
Other employers	12,990	11,008
Total	**27,598**	**25,899**
Number of pensioners		
Administering authority	1,792	1,878
Unitary authorities	8,822	9,354
Other employers	6,314	6,618
Total	**16,928**	**17,850**
Deferred pensioners		
Administering authority	3,635	3,564
Unitary authorities	15,332	15,601
Other employers	6,817	7,403
Total	**25,784**	**26,568**
Total number of members in pension scheme	**70,310**	**70,317**

c) Funding

Benefits are funded by contributions and investment earnings. Contributions are made by active members of the fund in accordance with the LGPS Scheme Regulations 2013 and range from 5.5% to 12.5% of pensionable pay for the financial year ending 31 March 2019. Employers' contributions are set based on triennial actuarial funding valuations. The last such valuation was at 31 March 2016. During 2018/19, employer contribution rates ranged from 10.1% to 31.3% of pensionable pay.

d) Benefits

Prior to 1 April 2014, pension benefits under the LGPS were based on final pensionable pay and length of pensionable service, summarised below.

	Service pre 1 April 2008	Service post 1 April 2008
Pension	Each year worked is worth 1/80 x final pensionable salary.	Each year worked is worth 1/60 x final pensionable salary.
Lump Sum	Automatic lump sum of 3 x salary. In addition, part of the annual pension can be exchanged for a one-off tax-free cash payment. A lump sum of £12 is paid for each £1 of pension given up.	No automatic lump sum. Part of the annual pension can be exchanged for a one-off tax-free cash payment. A lump sum of £12 is paid for each £1 of pension given up.

From 1 April 2014, the fund became a career average revalued earnings (CARE) scheme, whereby members accrue benefits based on their pensionable pay in that year at an accrual rate of 1/49th. Accrued pension is updated annually in line with the Consumer Prices Index.

There are a range of other benefits provided under the fund including early retirement, disability pensions and death benefits. For more details, please refer to the Royal County of Berkshire Pension Fund website.

59 Basis of preparation

The Statement of Accounts summarises the fund's transactions for the 2018/19 financial year and its position at year-end as at 31 March 2019. The accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2018/19 ('the code') which is based upon International Financial Reporting Standards (IFRS), as amended for the UK public sector.

Paragraph 3.3.1.2 of the Code requires disclosure of any accounting standards issued but not yet adopted. No such accounting standards have been identified for 2018/19.

The accounts summarise the transactions of the fund and report on the net assets available to pay pension benefits. The accounts do not take account of obligations to pay pensions and benefits which fall due after the end of the financial year.

60 Summary of significant accounting policies

Fund account - revenue recognition

a) Contribution income

Normal contributions, both from the members and from the employer, are accounted for on an accruals basis. Employee's contribution rates are set in accordance with LGPS regulations. Employer's contributions are set at the percentage rate recommended by the fund actuary.

Employer deficit funding contributions are accounted for on the due dates on which they are payable under the rates and adjustments certificate set by the fund actuary.

Additional employers' contributions in respect of ill-health and early retirements are accounted for in the period in which they are due. Any amount due in year but unpaid will be classed as a current financial asset. Amounts not due until future years are classed as long-term financial assets.

b) Transfers to and from other schemes

Transfers in and out relate to members who have either joined or left the fund.

Individual transfers in/out are accounted for when received/paid, which is normally when the member liability is accepted or discharged.

Transfers in from members wishing to use the proceeds of their additional voluntary contributions (see note 60m) to purchase fund benefits are accounted for on a receipts basis and are included in transfers In (see Note 65).

Bulk (group) transfers are accounted for on an accruals basis in accordance with the terms of the transfer agreement.

c) Investment income

i) Interest income

Interest income is recognised in the fund account as it accrues, using the effective interest rate of the financial instrument as at the date of acquisition.

ii) Dividend income

Dividend income is recognised on the date the shares are quoted ex-dividend. Any amount not received by the end of the reporting period is disclosed in the net assets statement as a current financial asset.

iii) Distributions from pooled funds

Distributions from pooled funds are recognised at the date of issue. Any amount not received by the end of the reporting period is disclosed in the net assets statement as a current financial asset.

iv) Movement in the net market value of investments

Changes in the net market value of investments are recognised as income and comprise all realised and unrealised profits/losses during the year.

Fund Account - expense items

d) Benefits payable

Pensions and lump-sum benefits payable include all amounts known to be payable during the financial year. Any amounts due but unpaid are disclosed in the net assets statement as current liabilities.

e) Taxation

The fund is a registered public service scheme under section 1(1) of Schedule 36 of the Finance Act 2004 and as such is exempt from UK income tax on interest received and from capital gains tax on the proceeds of investments sold. Income from overseas investments suffers withholding tax in the country of origin, unless exemption is permitted. Irrecoverable tax is accounted for as a fund expense as it arises.

f) Management expenses

The fund discloses its pension fund management expenses in accordance with the CIPFA guidance *Accounting for Local Government Pension Scheme Management Costs (2016)* . All items of expenditure are charged to the fund on an accruals basis as follows:

Administrative expenses

All staff costs of the pensions administration team are charged direct to the fund. Associated management, accommodation and other overheads are apportioned to this activity and charged as expenses to the fund.

Oversight and governance costs

All staff costs associated with governance and oversight are charged direct to the fund. Associated management, accommodation and other overheads are apportioned to this activity and charged as expenses to the fund.

Investment management expenses

Fees of the external investment manager and custodian are agreed in the respective mandates governing their appointments. Most are based on the market value of the investments under their management and therefore increase or reduce as the value of these investments change, but there are a number of fixed price contracts with annual inflation related increases.

Net Assets Statement

g) Financial assets

Financial assets are included in the net assets statement on a fair value basis as at the reporting date. A financial asset is recognised in the net assets statement on the date the fund becomes party to the contractual acquisition of the asset. From this date, any gains or losses arising from changes in the fair value of the asset are recognised in the fund account.

The values of investments as shown in the net assets statement have been determined at fair value in accordance with the requirements of the Code and IFRS13 (see note 16). For the purposes of disclosing levels of fair value hierachy, the fund has adopted the classification guidelines recommended in Practical Guidance on Investment Disclosures (PRAG/Investment Association, 2016).

h) Foreign currency transactions

Dividends, interest and purchases and sales of investments in foreign currencies have been accounted for at the spot market rates at the date of transaction. End-of-year spot market exchange rates are used to value cash balances held in foreign currency bank accounts, market values of overseas investments and purchases and sales outstanding at the end of the reporting period.

i) Derivatives

The fund uses derivative financial instruments to manage its exposure to specific risks arising from its investment activities. The fund does not hold derivatives for speculative purposes.

j) Cash and cash equivalents

Cash comprises cash in hand and demand deposits and includes amounts held by the fund's external managers.

Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and that are subject to minimal risk of changes in value.

k) Financial liabilities

The fund recognises financial liabilities at fair value as at the reporting date. A financial liability is recognised in the net assets statement on the date the fund becomes party to the liability. From this date any gains or losses arising from changes in the fair value of the liability are recognised by the fund.

l) Actuarial present value of promised retirement benefits

The actuarial present value of promised retirement benefits is assessed on a triennial basis by the fund actuary in accordance with the requirements of International Accounting Standards (IAS19) and relevant actuarial standards.

As permitted under the code, the fund has opted to disclose the actuarial present value of promised retirement benefits by way of a note to the net assets statement (Note 77).

m) Additional voluntary contributions

The Royal County of Berkshire Pension Fund provides an additional voluntary contributions (AVC) scheme for its members, the assets of which are invested separately from those of the pension fund.

AVCs are not included in the accounts in accordance with section 4(1)(b) of the LGPS (Management and Investment of Funds) Regulations 2016 but are disclosed as a note only (Note 80).

n) Contingent assets and contingent liabilities

A contingent asset arises where an event has taken place giving rise to a possible asset whose existence will only be confirmed or otherwise by the occurrence of future events.

A contingent liability arises where an event has taken place prior to the year-end giving rise to a possible financial obligation whose existence will only be confirmed or otherwise by the occurrence of future events. Contingent liabilities can also arise in circumstances where a provision would be made, except that it is not possible at the balance sheet date to measure the value of the financial obligation reliably.

Contingent assets and liabilities are not recognised in the net assets statement but are disclosed by way of narrative in the notes.

61 Critical judgements in applying accounting policies

Pension fund liability

The net pension fund liability is recalculated every three years by the appointed actuary, with annual updates in the intervening years. The methodology used is in line with accepted guidelines.

This estimate is subject to significant variances based on changes to the underlying assumptions which are agreed with the actuary and have been summarised in Note 77.

These actuarial revaluations are used to set future contribution rates and underpin the fund's most significant investment management policies, for example in terms of the balance struck between longer term investment growth and short-term yield/return.

62 Assumptions made about the future and other major sources of estimation uncertainty

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities at the balance sheet date and the amounts reported for the revenues and expenses during the year. Estimates and assumptions are made taking into account historical experience, current trends and other relevant factors. However, the nature of estimation means that the actual outcomes could differ from the assumptions and estimates.

The items in the financial statements and notes at 31 March 2019 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
Actuarial present value of promised retirement benefits	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. A firm of consulting actuaries is engaged to provide the fund with expert advice about the assumptions to be applied.	The effects on the net pension liability of changes in individual assumptions can be measured. For instance, a 0.1% increase in the discount rate assumption would result in a decrease in the pension liability of approximately £84.2 million. A 0.1% increase in the long term salary increases assumption would increase the value of liabilities by approximately £7.3 million, and a one-year increase in assumed life expectancy would increase the liability by approximately £157.5 million.
Private equity investments	Private equity investments are valued at fair value in accordance with the International Private Equity and Venture Capital Board guidelines. These investments are not publicly listed and as such there is a degree of estimation involved in the valuation.	The total private equity investments in the financial statements are £697 million. There is a risk that this investment may be under- or overstated in the accounts.

63 Events after the balance sheet date

There have been no events since 31 March 2019, and up to the date when these accounts were authorised, that require any adjustments to these accounts.

64 Contributions receivable

By category

2017/18 £'000		**2018/19 £'000**
26,650	Employees' contributions	27,654
	Employers' contributions	
61,089	Normal contributions	64,323
18,602	Deficit recovery contributions	22,604
2,250	Augmentation contributions	2,409
81,941	**Total employer's contributions**	**89,336**
108,591		**116,990**

By type of employer

2017/18 £'000		2018/19 £'000
98,681	Scheduled bodies	105,180
4,657	Admitted bodies	5,761
5,253	Transferee admission body	6,049
108,591		**116,990**

65 Transfers in from other pension funds

2017/18 £'000		2018/19 £'000
13,356	Individual transfers from other pension funds	8,055
47	AVC to purchase scheme benefits	75
13,403		**8,130**

66 Benefits payable

By category

2017/18 £'000		2018/19 £'000
80,065	Pensions	85,105
17,520	Commutation and lump sum retirement	15,674
2,908	Lump sum death benefits	2,056
100,493		**102,835**

By type of employer

2017/18 £'000		2018/19 £'000
91,265	Scheduled bodies	93,126
6,554	Admitted bodies	6,987
2,674	Transferee admission body	2,722
100,493		**102,835**

67 Payments to and on account of leavers

2017/18 £'000		2018/19 £'000
478	Refunds to members leaving service	485
9,706	Individual transfers to other pension funds	10,041
10,184		**10,526**

68 Management expenses

2017/18 £'000		2018/19 £'000
1,342	Administrative costs	1,349
7,816	Investment management expenses	9,698
46	Oversight and governance costs	46
9,204		**11,093**

a) Investment management expenses

2017/18 £'000		2018/19 £'000
7,583	Management Fees	9,414
233	Custody Fees	284
7,816		**9,698**

69 Investment income

2017/18		2018/19
£'000		**£'000**
19,090	Income from equities	14,080
2,348	Income from bonds	2,874
7,671	Private equity income	15,151
9,199	Pooled property investments	9,153
1,616	Pooled investments - unit trusts & other managed funds	733
846	Interest on cash deposits	1,775
40,770	**Total before taxes**	**43,766**

70 Other fund account disclosures

a) Taxes on income

2017/18		2018/19
£'000		**£'000**
1,064	Withholding tax - equities	583
1,342	Withholding tax - pooled property investments	175
630	Withholding tax - pooled investments	3,976
3,036		**4,734**

b) **External audit costs**

2017/18		2018/19
£'000		**£'000**
30	Payable in respect of external audit	21
30		**21**

71 Investments

Market value 31 March 2018 £'000		Market value 31 March 2019 £'000
	Investment assets	
100,456	Bonds	36,453
458,806	Equities	23,588
332,724	Pooled investments	997,973
295,208	Pooled liquidity funds	137,972
271,613	Pooled property investments	294,011
583,269	Private equity	696,663
	Derivative contracts:	
3,929	- Forward currency contracts	413
32,836	Cash deposits	29,819
3,503	Investment income due	2,393
-	Amounts receivable for sales	-
2,082,344	**Total investment assets**	**2,219,285**
	Investment liabilities	
	Derivative contracts:	
(289)	- Forward currency contracts	(4,471)
(63,113)	- Longevity Insurance Policy	(63,527)
(63,402)	**Total investment liabilities**	(67,998)
2,018,942	**Net investment assets**	**2,151,287**

a) Reconciliation of movements in investments and derivatives

	Market value 1 April 2018 £'000	Purchases during the year and derivative £'000	Sales during the year & derivative receipts £'000	Change in market value during the year £'000	Market value 31 March 2019 £'000
Bonds	**100,456**	363	(65,709)	1,343	**36,453**
Equities	**458,806**	75,282	(500,474)	(10,026)	**23,588**
Pooled investments	**332,724**	646,906	(24,147)	42,490	**997,973**
Pooled liquidity funds	**295,208**	323,728	(482,068)	1,104	**137,972**
Pooled property investments	**271,613**	27,442	(20,338)	15,294	**294,011**
Private equity	**583,269**	138,288	(125,532)	100,638	**696,663**
	2,042,076	1,212,009	(1,218,268)	150,843	**2,186,660**
Derivative contracts:					
- Forward currency contracts	**3,640**	82,870	(49,600)	(40,968)	**(4,058)**
- Longevity insurance policy	**(63,113)**	6,760	-	(7,174)	**(63,527)**
	1,982,603	**1,301,639**	**(1,267,868)**	**102,701**	**2,119,075**
Other investment balances:					
- Cash deposits	**32,836**			1,781	**29,819**
- Amount receivable for sales of investments	**-**				**-**
- Investment income due	**3,503**				**2,393**
Net investment assets	**2,018,942**			**104,482**	**2,151,287**

	Market value 1 April 2017	Purchases during the year and derivative	Sales during the year & derivative receipts	Change in market value during the year	Market value 31 March 2018
	£'000	£'000	£'000	£'000	£'000
Bonds	**84,320**	20,347	-	(4,211)	**100,456**
Equities	**471,187**	77,408	(77,447)	(12,342)	**458,806**
Pooled investments	**387,279**	763	(44,218)	(11,100)	**332,724**
Pooled liquidity funds	**81,518**	320,537	(105,647)	(1,200)	**295,208**
Pooled property investments	**259,548**	25,283	(45,730)	32,512	**271,613**
Private equity	**580,664**	128,326	(128,686)	2,965	**583,269**
	1,864,516	572,664	(401,728)	6,624	**2,042,076**
Derivative contracts:					
- Forward currency contracts	**20,606**	28,105	(97,689)	52,618	**3,640**
- Longevity insurance policy	**(64,200)**	6,894	-	(5,807)	**(63,113)**
	1,820,922	**607,663**	**(499,417)**	**53,435**	**1,982,603**
Other investment balances:					
- Cash deposits	**31,119**			(5,014)	**32,836**
- Amount receivable for sales of investments	**61,141**				**-**
- Investment income due	**3,120**				**3,503**
Net investment assets	**1,916,302**			**48,421**	**2,018,942**

Purchases and sales of derivatives are recognised in note 71a above as follows:

Forward currency contracts - forward foreign exchange contracts settled during the period are reported on a gross basis as gross receipts and payments.

Longevity insurance policy - the payments or receipts under the contract are reported in the above reconciliation table.

b) Analysis of investments

31 March 2018 £'000		31 March 2019 £'000
	Investment assets	
	Bonds	
	Overseas	
100,456	Corporate quoted	36,453
100,456		**36,453**
	Equities	
	UK	
95,766	Quoted	23,588
	Overseas	
363,040	Quoted	-
458,806		**23,588**
	Pooled investments - additional analysis	
	UK	
221,673	Unit Trusts	935,447
	Overseas	
111,051	Unit Trusts	62,526
332,724		**997,973**
	Other investment assets	
295,208	Pooled liquidity funds	137,972
271,613	Pooled property investments	294,011
583,269	Private Equity	696,663
3,929	Derivative contracts - Forward Currency Contrac	413
32,836	Cash deposits	29,819
3,503	Investment income due	2,393
1,190,358		**1,161,271**
2,082,344	**Total investment assets**	**2,219,285**
	Investment liabilities	
(289)	Derivative contracts - Forward Currency Contrac	(4,471)
(63,113)	Derivative contracts - Longevity insurance policy	(63,527)
(63,402)	**Total investment liabilities**	**(67,998)**
2,018,942	**Net investment assets**	**2,151,287**

c) Investments analysed by fund manager

Market value 31 March 2018 £'000	%		Market value 31 March 2019 £'000	%
-	-	LPP Investments	2,151,287	100.0
1,342,739	66.5	Royal County of Berkshire Pension Fund in-house investment team	-	-
221,659	11.0	Aviva Global Investors	-	-
242,880	12.0	Kames Capital	-	-
207,192	10.3	RWC Partners	-	-
4,472	0.2	The Cambridge Strategy	-	-
2,018,942			**2,151,287**	

In June 2018 the fund transferred the management of all investment assets to Local Pensions Partnership (LPP) Investments as part of the government's LGPS pooling initiative.

All the above organisations are registered in the United Kingdom.

The following investments represent more than 5% of the net assets of the fund

Investment	Market value 31 March 2018 £'000	% of total fund	Market value 31 March 2019 £'000	% of total fund
Aviva Global Real Estate	153,161	7.6	167,515	7.8
LPPI Global Equities Fund	-	-	624,010	28.9

72 a) Analysis of derivatives

Objectives and policies for holding derivatives

Most of the holding in derivatives is to hedge liabilities or hedge exposures to reduce risk in the fund. Derivatives may be used to gain exposure to an asset more efficiently than holding the underlying asset. The use of derivatives is managed in line with the investment management agreement agreed between the fund and the various investment managers.

- Forward foreign currency

To maintain appropriate diversification and to take advantage of overseas investment returns, a significant proportion of the fund's portfolio is in overseas assets. To reduce the volatility associated with fluctuating currency rates, the fund has a passive currency programme in place with an external manager.

- Longevity Insurance Policy

In December 2009 the fund entered into an insurance contract with ReAssure Ltd to cover a closed group of pensioner members. The fund pays ReAssure a pre-determined fixed annual premium and ReAssure reimburses the fund for pensions paid to the insured members. The contract is valued by an external firm of actuaries by considering what adjustment to the discount rate assumption (based on the Merrill Lynch LIBOR swap curve) would be required if the contract had a zero value at the date of inception. A similar adjustment is then made to the discount rate assumption at the accounting date to calculate the updated value of the contract.

Open forward currency contracts

Settlement	Currency bought	Local value '000	Currency sold	Local value '000	Asset value £000	Liability value £000
One to six months	JPY	3,315,270	GBP	(22,792)	247	
One to six months	CHF	9,707	GBP	(7,379)	128	
One to six months	BRL	4,912	USD	(1,231)	19	
One to six months	INR	210,456	USD	(2,986)	13	
One to six months	SGD	4,295	USD	(3,170)	4	
One to six months	SGD	1,732	USD	(1,279)	1	
One to six months	CLP	854,185	USD	(1,254)	1	
One to six months	KRW	1,506,376	USD	(1,328)		(0)
One to six months	INR	103,530	USD	(1,479)		(1)
One to six months	MXN	22,268	USD	(1,136)		(2)
One to six months	MXN	64,035	USD	(3,267)		(6)
One to six months	KRW	3,521,028	USD	(3,125)		(17)
One to six months	TRY	7,841	USD	(1,331)		(28)
One to six months	CLP	2,100,764	USD	(3,144)		(43)
One to six months	BRL	12,080	USD	(3,148)		(47)
One to six months	GBP	12,845	AUD	(23,820)		(108)
One to six months	TRY	16,676	USD	(2,898)		(110)
One to six months	GBP	12,629	CAD	(22,228)		(114)
One to six months	GBP	12,341	NOK	(139,950)		(120)
One to six months	GBP	86,160	EUR	(100,042)		(284)
One to six months	GBP	643,950	USD	(847,108)		(3,591)
Open forward currency contracts at 31 March 2019					**413**	**(4,471)**
Net forward currency contracts at 31 March 2019						**(4,058)**
Prior year comparative						
Open forward currency contracts at 31 March 2018					**3,929**	**(289)**
Net forward currency contracts at 31 March 2018						**3,640**

73 Fair value - Basis of valuation

The basis of the valuation of each class of investment asset is set below. There has been no change in the valuation techniques during the year. All assets have been valued using fair value techniques which represent the highest and best price available at the reporting date.

Description of asset	Valuation hierarchy	Basis of valuation	Observable and unobservable inputs	Key sensitivities affecting the valuations provided
Market quoted investments	Level 1	Published bid market price ruling on the final day of the accounting	Not required	Not required
Quoted bonds	Level 1	Fixed interest securities are valued at a market value based on current yields	Not required	Not required
Exchange traded pooled investments	Level 1	Closing bid values on published exchanges	Not required	Not required
Forward foreign exchange derivatives	Level 2	Market forward exchange rates at the year-end	Exchange rate risk	Not required
Pooled investments - overseas unit trusts and property funds	Level 2	Closing bid price where bid and offer prices are published Closing single price where single price published	NAV-based pricing set on a forward pricing basis	Not required
Unquoted equity	Level 3	Comparable valuation of similar companies in accordance with *International Private Equity and venture Capital Guidelines (2012)*	EBITDA multiple Revenue multiple Discount for lack of marketability Control premium	Valuations could be affected by material events occurring between the date of the financial statements provided and the pension fund's own reporting date, by changes to expected cash flows, and by any differences between audited and unaudited accounts

Sensitivity of assets valued at level 3

Having analysed historical data and current market trends the fund has determined that the valuation methods described above are likely to be accurate to within the following ranges, and has set out below the consequent potential impact on the closing value of investments held at 31 March 2019.

	Assessed valuation range (+/-)	Value at 31 March 2019	Value on increase	Value on decrease
		£'000	**£'000**	**£'000**
Private equity	4%	696,663	724,529	668,796
Total		**696,663**	**724,529**	**668,796**

a) Fair value hierarchy

Asset and liability valuations have been classified into three levels, according to the quality and reliability of information used to determine fair values. Transfers between levels are recognised in the year in which they occur.

Level 1

Assets and liabilities at level 1 are those where the fair values are derived from unadjusted quoted prices in active markets for identical assets or liabilities. Products classified as Level 1 comprise quoted equities, quoted fixed securities and quoted index linked securities.

Level 2

Assets and liabilities at level 2 are those where quoted market prices are not available; for example, where an instrument is traded in a market that is not considered to be active, or where valuation techniques are used to determine fair value.

Level 3

Assets and liabilities at level 3 are those where at least one input that could have a significant effect on the instrument's valuation is not based on observable market data.

The following table provides an analysis of the financial assets and liabilities of the pension fund grouped into levels 1 to 3, based on the level at which the fair value is observable.

Values at 31 March 2019	Quoted market price Level 1 £'000	Using observable inputs Level 2 £'000	With significant unobservable inputs Level 3 £'000	Total £'000
Financial assets at fair value through profit and loss	951,316	245,083	990,674	2,187,073
Financial liabilities at fair value through profit and loss	(4,471)		(63,527)	(67,998)
Net investment assets	**946,845**	**245,083**	**927,147**	**2,119,075**

Values at 31 March 2018	Quoted market price Level 1 £'000	Using observable inputs Level 2 £'000	With significant unobservable inputs Level 3 £'000	Total £'000
Financial assets at fair value through profit and loss	814,103	377,010	854,882	2,045,995
Financial liabilities at fair value through profit and loss	(279)		(63,113)	(63,392)
Net investment assets	**813,824**	**377,010**	**791,769**	**1,982,603**

b) Reconciliation of fair value measurements within level 3

	Market value 31 March 2018 £'000	Purchases during the year £'000	Sales during the year £'000	Unrealised gains/ (losses) £'000	Realised gains/ (losses) £'000	Market value 31 March 2019 £'000
Private equity	583,269	138,288	(125,532)	65,188	35,450	696,663
	583,269	**138,288**	**(125,532)**	**65,188**	**35,450**	**696,663**

74 Financial instruments

a) Classification of financial instruments

The following table analyses the carrying amounts of financial assets and liabilities by category and net assets statement heading.

Fair value through profit and loss 31 March 2018	Loans & receivables 31 March 2018	Financial liabilities at amortised cost 31 March 2018		Fair value through profit and loss 31 March 2019	Loans & receivables 31 March 2019	Financial liabilities at amortised cost 31 March 2019
£'000	£'000	£'000		£'000	£'000	£'000
			Financial assets			
100,456			Bonds	36,453		
458,806			Equities	23,588		
332,724			Pooled investments	997,973		
295,208			Pooled liquidity funds	137,972		
271,613			Pooled property investments	294,011		
583,269			Private equity	696,663		
3,929			Derivative contracts	413		
	36,131		Cash		39,098	
	3,503		Other investment balances		2,393	
	5,753		Debtors		5,535	
2,046,005	**45,387**	**-**		**2,187,073**	**47,026**	**-**
			Financial liabilities			
(63,402)			Derivative contracts	(67,998)		
		(15,727)	Creditors			(9,658)
(63,402)	**-**	**(15,727)**		**(67,998)**	**-**	**(9,658)**
1,982,603	**45,387**	**(15,727)**		**2,119,075**	**47,026**	**(9,658)**

b) Net gains and losses on financial instruments

31 March 2018		31 March 2019
£'000		£'000
53,435	Fair value through profit and loss	102,701
(5,014)	Loans and receivables	1,781
48,421	**Total**	**104,482**

The authority has not entered into any financial guarantees that are required to be accounted for as financial instruments.

75 Nature and extent of risks arising from financial instruments

Risk and risk management

The fund’s primary long-term risk is that its assets will fall short of its liabilities (i.e. promised benefits payable to members). Therefore the aim of investment risk management is to minimise the risk of an overall reduction in the value of the fund and to maximise the opportunity for gains across the whole fund portfolio. The fund achieves this through asset diversification to reduce exposure to market risk (price risk, currency risk, and interest rate risk) and credit risk to an acceptable level. In addition, the fund manages its liquidity risk to ensure there is sufficient liquidity to meet the fund’s forecast cash flows. The fund manages these investment risks as part of its overall pension fund risk management programme.

Responsibility for the fund's risk management strategy rests with the pension fund panel. Risk management policies are established to identify and analyse the risks faced by the pension fund's operations. Policies are reviewed regularly to reflect changes in activity and in market conditions.

a) Market risk

Market risk is the risk of loss from fluctuations in equity and commodity prices, interest and foreign exchange rates and credit spreads. The fund is exposed to market risk from its investment activities, particularly through its equity holdings. The level of risk exposure depends on market conditions, expectations of future price and yield movements and the asset mix.

The objective of the fund's risk management strategy is to identify, manage and control market risk exposure within acceptable parameters, whilst optimising investment return.

In general, excessive volatility in market risk is managed through the diversification of the portfolio in terms of geographical and industry sectors and individual securities. To mitigate market risk, the pension fund and its investment advisors undertake appropriate monitoring of market conditions and benchmark analysis.

The fund manages these risks in two ways:

- the exposure of the fund to market risk is monitored through a factor risk analysis, to ensure that risk remains within tolerable levels
- specific risk exposure is limited by applying risk-weighted maximum exposures to individual investments.

Equity futures contracts and exchange traded option contracts on individual securities may also be used to manage market risk on equity investments. It is possible for over-the-counter equity derivative contracts to be used in exceptional circumstances to manage specific aspects of market risk.

Other price risk

Other price risk represents the risk that the value of a financial instrument will fluctuate as a result of changes in market prices (other than those arising from interest rate risk or foreign exchange risk), whether those changes are caused by factors specific to the individual instrument or its issuer or factors affecting all such instruments in the market.

The fund is exposed to share and derivative price risk. This arises from investments held by the fund for which the future price is uncertain. All securities investments present a risk of loss of capital. Except for shares sold short, the maximum risk resulting from financial instruments is determined by the fair value of the financial instruments.

The fund mitigates this price risk through diversification and the selection of securities and other financial instruments is monitored to ensure it is within limits specified in the fund investment strategy.

Other price risk - sensitivity analysis

Following analysis of historical data and expected investment return during the financial year the council has determined that the following movements in market price risk are reasonably possible for the 2019/20 reporting period:

Asset type	Potential market movements (+/-)
Bonds	7.4%
Equities - listed	17.2%
Equities - unlisted	24.9%
Private Equity	24.9%
Private Equity - Credit	7.4%
Private Equity - Infrastructure	17.6%
Pooled investments - Equity	17.2%
Pooled investments - Bonds	6.3%
Pooled investments - Credit	7.4%
Pooled investments - Diversifying strategies	8.7%
Pooled Property Funds	18.8%

The potential price changes disclosed above are broadly consistent with a one-standard deviation movement in the value of the assets. This analysis assumes that all other variables, in particular foreign currency exchange rates and interest rates, remain the same.

Had the market price of the fund investments increased/decreased in line with the above, the change in the net assets available to pay benefits in the market price would have been as follows (with prior year comparator):

Asset type	Value as at 31 March 2019	Potential market movement	Value on increase	Value on decrease
	£'000	£'000	£'000	£'000
Investment portfolio assets:				
Bonds	36,453	2,698	39,150	33,755
Equities - listed	-	-	-	-
Equities - unlisted	23,588	5,874	29,462	17,715
Pooled investments - Equity	847,473	145,765	993,238	701,708
Pooled investments - Bonds	64,597	4,070	68,667	60,527
Pooled investments - Credit	6,979	516	7,495	6,463
Pooled investments - Div. strategies	78,924	6,866	85,790	72,057
Pooled liquidity funds	137,972	-	137,972	137,972
Pooled Property Funds	294,011	55,274	349,285	238,737
Private Equity	263,253	65,550	328,803	197,703
Private Equity - Credit	234,361	17,343	251,703	217,018
Private Equity - Infrastructure	199,049	35,033	234,081	164,016
Net derivative liabilities	(67,585)	-	(67,585)	(67,585)
Cash deposits	29,819	-	29,819	29,819
Investment income due	2,393	-	2,393	2,393
Current assets:				
Debtors	5,536	-	5,536	5,536
Cash balances	9,279	-	9,279	9,279
Current liabilities	(9,658)	-	(9,658)	(9,658)
Total	**2,156,443**		**2,495,432**	**1,817,456**

Asset type	Value as at 31 March 2018	Potential market movement	Value on increase	Value on decrease
	£'000	£'000	£'000	£'000
Investment portfolio assets:				
Bonds	100,456	7,434	107,890	93,022
Equities - listed	447,612	76,989	524,602	370,623
Equities - unlisted	11,194	2,787	13,981	8,407
Pooled investments - Equity	239,977	41,276	281,253	198,701
Pooled investments - Bonds	-	-	-	-
Pooled investments - Credit	9,271	686	9,957	8,585
Pooled investments - Div. strategies	83,476	7,262	90,738	76,213
Pooled liquidity funds	295,208	-	295,208	295,208
Pooled Property Funds	271,613	51,063	322,676	220,549
Private Equity	250,203	62,301	312,504	187,902
Private Equity - Credit	204,089	15,103	219,192	188,986
Private Equity - Infrastructure	128,977	22,700	151,677	106,277
Net derivative liabilities	(59,473)	-	(59,473)	(59,473)
Cash deposits	32,836	-	32,836	32,836
Investment income due	3,503	-	3,503	3,503
Current assets:				
Debtors	5,753	-	5,753	5,753
Cash balances	3,295	-	3,295	3,295
Current liabilities	(15,727)	-	(15,727)	(15,727)
Total	**2,012,263**		**2,299,866**	**1,724,660**

Interest rate risk

The fund invests in financial assets for the primary purpose of obtaining a return on investments. These investments are subject to interest rate risks, which represent the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The fund's direct exposure to interest rate movements as at 31 March 2019 and 31 March 2018 is set out below. These disclosures present interest rate risk based on the underlying financial assets at fair value.

Interest rate risk sensitivity analysis

The fund recognises that interest rates can vary and can affect both income to the fund and the value of the net assets available to pay benefits. A 100 basis point (BPS) movement in interest rates is consistent with the level of sensitivity applied as part of the fund's risk management strategy.

1 BPS is the movement of 0.01% between two percentages, for example from 0.50% to 0.51%. Therefore 100BPS is the movement of 1.00% between two percentages, for example from 0.50% to 1.50%.

The analysis that follows assumes that all other variables, in particular exchange rates, remain constant, and shows the effect in the year on the net assets available to pay benefits of a ± 100 BPS change in interest rates:

Asset exposed to interest rate risk	**Value as at 31 March 2019**	**Change in year in the net assets available to pay benefits**	
		+ 100 BPS	**- 100 BPS**
	£'000	**£'000**	**£'000**
Investments - Pooled liquidity funds	137,972	-	-
Investments - Cash deposits	29,819	-	-
Current assets - Cash balances	9,279	-	-
Bonds	36,453	(1,094)	1,094
Total change in assets available	**213,523**	**(1,094)**	**1,094**

Asset exposed to interest rate risk	**Value as at 31 March 2018**	**Change in year in the net assets available to pay benefits**	
		+ 100 BPS	**- 100 BPS**
	£'000	**£'000**	**£'000**
Investments - Pooled liquidity funds	295,208	-	-
Investments - Cash deposits	32,836	-	-
Current assets - Cash balances	3,295	-	-
Bonds	100,456	(4,379)	4,379
Total change in assets available	**431,795**	**(4,379)**	**4,379**

Income exposed to interest rate risk	**Amount receivable in year ending 31 March 2019**	**Effect on income values**	
		+ 100 BPS	**- 100 BPS**
	£'000	**£'000**	**£'000**
Cash balances/cash and cash equivalents	1,775	1,678	(1,678)
Bonds	2,874	-	-
Total change in income receivable	**4,649**	**1,678**	**(1,678)**

Income exposed to interest rate risk	Amount receivable in year ending 31 March 2018	Effect on income values	
		+ 100 BPS	- 100 BPS
	£'000	£'000	£'000
Cash balances/cash and cash equivalents	846	3,280	(3,280)
Bonds	2,348	-	-
Total change in income receivable	**3,194**	**3,280**	**(3,280)**

This analysis demonstrates that a 1% increase in interest rates will not affect the interest received on fixed interest assets but will reduce their fair value, and vice versa. Changes in interest rates do not impact on the value of cash/cash equivalent balances but they will affect the interest income received on those balances. Changes to both the fair value of assets and the income received from investments impact on the net assets available to pay benefits.

Currency risk

Currency risk represents the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The fund is exposed to currency risk on financial instruments that are denominated in any currency other than the functional currency of the fund GBP. The fund holds both monetary and non-monetary assets denominated in currencies other than GBP.

Currency risk - sensitivity analysis

The table below shows the value of assets held by the fund in foreign currencies and the likely volatility associated with foreign exchange rate movements (as measured by one standard deviation).

This analysis assumes that all other variables, in particular interest rates, remain constant.

Denominated currency	Value as at 31 March 2019	Potential volatility (+/-)	Value on increase	Value on decrease
	£'000		£'000	£'000
AUD	16,617	9.2%	18,150	15,083
CAD	4	9.0%	4	3
CHF	395	7.8%	426	365
EUR	1,058	6.9%	1,131	985
JPY	28	9.1%	31	25
NOK	221	8.5%	240	202
NZD	19,937	9.2%	21,777	18,097
SEK	-	8.5%	-	-
USD	159,635	8.4%	173,092	146,177
Emerging markets	-	8.7%	-	-
Total	**197,895**		**214,851**	**180,937**

Denominated currency	Value as at 31 March 2018	Potential volatility (+/-)	Value on increase	Value on decrease
	£'000		£'000	£'000
AUD	29,825	9.2%	32,578	27,073
CAD	2,618	9.0%	2,854	2,383
CHF	23,815	7.8%	25,668	21,963
EUR	77,374	6.9%	82,736	72,012
JPY	26,890	9.1%	29,340	24,441
NOK	13,221	8.5%	14,338	12,104
NZD	19,799	9.2%	21,626	17,971
SEK	5,317	8.5%	5,766	4,867
USD	353,067	8.4%	382,831	323,304
Emerging markets	23,806	8.7%	25,877	21,735
Total	**575,732**		**623,614**	**527,853**

b) Credit risk

Credit risk represents the risk that the counterparty to a transaction or a financial instrument will fail to discharge an obligation and cause the fund to incur a financial loss. The market values of investments generally reflect an assessment of credit in their pricing and consequently the risk of loss is implicitly provided for in the carrying value of the fund's financial assets and liabilities.

The selection of high quality counterparties, brokers and financial institutions minimises credit risk that may occur through the failure to settle a transaction in a timely manner.

Deposits are not made with banks and financial institutions unless they are rated independently and meet the funds's credit criteria. The fund has also set limits as to the maximum deposit placed with any one class of financial institution. In addition, the fund invests an agreed amount of its funds in the money markets to provide diversification.

The fund believes it has managed its exposure to credit risk, and has had no experience of default or uncollectable deposits over the past five financial years. The fund's cash holding under its treasury management arrangements at 31 March 2019 was £177.1m (31 March 2018: £331.3m). This was held with the following institutions:

	Rating	Balances as at 31 March 2018	Balances as at 31 March 2019
		£'000	£'000
Money Market funds			
Aviva	AAA	41,090	**17,286**
JP Morgan	AAA	177,106	**77,334**
Legal & General	AAA	36,009	**26,207**
Northern Trust	AAA	41,002	**17,146**
Bank deposit accounts			
JP Morgan	AA-	32,836	**29,819**
Bank current accounts			
Lloyds	A+	3,295	**9,279**
Total		**331,338**	**177,071**

c) Liquidity risk

Liquidity risk represents the risk that the fund will not be able to meet its financial obligations as they fall due. The fund therefore takes steps to ensure that it has adequate cash resources to meet its commitments.

The fund defines liquid assets as assets that can be converted to cash within three months. Illiquid assets are those which will take longer than three months to convert to cash. As at 31 March 2019 the value of illiquid assets was £990.6m, which represented 45.9% of the total fund net assets (31 March 2018: £854.9m, which represented 42.5% of the total fund net assets).

Refinancing risk

The key risk is that the fund will be bound to replenish a significant proportion of its pension fund financial instruments at a time of unfavourable interest rates. The fund does not have any financial instruments that have a refinancing risk as part of its treasury management and investment strategies.

76 Funding arrangements

In line with the Local Government Pension Scheme Regulations 2013, the fund's actuary undertakes a funding valuation every three years for the purpose of setting employer contribution rates for the forthcoming triennial period. The last such valuation took place as at 31 March 2016. The next valuation will take place as at 31 March 2019.

The key elements of the funding policy are:

- to ensure the long-term solvency of the fund, i.e. that sufficient funds are available to meet all pension liabilities as they fall due for payment
- to ensure that employer contribution rates are as stable as possible
- to minimise the long-term cost of the fund by recognising the link between assets and liabilities and adopting an investment strategy that balances risk and return
- to reflect the different characteristics of employing bodies in determining contribution rates where the administering authority considers it reasonable to do so
- to use reasonable measures to reduce the risk to other employers and ultimately to the council tax payer from an employer defaulting on its pension obligations.

The aim is to achieve 100% solvency over a period of 24 years from the valuation date and to provide stability in employer contribution rates by spreading any increases in rates over a period of time. Solvency is achieved when the funds held, plus future expected investment returns and future contributions, are sufficient to meet expected future pension benefits payable.

At the 2016 actuarial valuation, the fund was assessed as 73% funded (75% at the March 2013 valuation). This corresponded to a deficit of 597 million (2013 valuation: 527 million) at that time.

At the 2016 actuarial valuation the average required employer contribution to restore the funding position to 100% over the next 24 years was 22.0% of pensionable pay.

The valuation of the fund has been undertaken using the projected unit method under which the salary increase for each member is assumed to increase until they leave active service by death, retirement or withdrawal from service. The principal assumptions were:

Financial assumptions

Discount Rate	5.7% per annum for unitary authorities, 5.5% for other employers
Pension and Deferred Pension Increases	2.4% per annum
Short term pay increases	CPI for period from 31 March 2016 to 31 March 2020
Long term pay increases	3.9% per annum

Mortality assumptions

Current mortality	95% of the S2PA tables
Mortality Projection	2015 CMI Model with a long-term rate of improvement of 1.5% p.a

Commutation assumption

It is assumed that members at retirement will commute pension to provide a lump sum of 50% of the maximum allowed under HMRC rules and this will be at a rate of £12 lump sum of £1 of pension.

77 Actuarial present value of promised retirement benefits

In addition to the triennial funding valuation, the fund’s actuary also undertakes a valuation of the pension fund liabilities, on an IAS 19 basis, using the same base data as the funding valuation rolled forward to the current financial year, taking account of changes in membership numbers and updating assumptions to the current year. This valuation is not carried out on the same basis as that used for setting fund contribution rates and the fund accounts do not take account of liabilities to pay pensions and other benefits in the future.

In order to assess the value of the benefits on this basis, the actuary has updated the actuarial assumptions (set out below) from those used for funding purposes (see Note 76). The actuary has also used valued ill health and death benefits in line with IAS 19.

Calculated on an IAS19 basis, the actuarial present value of promised retirement benefits at 31 March 2019 was £4,413 million (31 March 2018: £4,264 million). The net assets available to pay benefits as at 31 March 2019 was £2,156 million (31 March 2018: £2,010 million). The implied fund deficit as at March 2019 was therefore £2,258 million (31 March 2018: £2,254 million).

As noted above, the liabilities above are calculated on an IAS 19 basis and therefore differ from the results of the 2016 triennial funding valuation (see Note 76) because IAS 19 stipulates a discount rate rather than a rate which reflects market rates.

IAS19 assumptions used

Inflation/pension increase rate assumption	2.40%
Salary increase rate	3.90%
Discount rate	2.40%

78 Current assets

31 March 2018 £'000		31 March 2019 £'000
5,157	Contributions due	4,750
596	Sundry debtors	785
5,753	Debtors	5,535
3,295	Cash balances	9,279
9,048		**14,814**

Analysis of debtors

31 March 2018 £'000		31 March 2019 £'000
1,549	Other local authorities	2,138
4,204	Other entities & individuals	3,397
5,753		**5,535**

79 Current liabilities

31 March 2018 £'000		31 March 2019 £'000
(15,727)	Sundry creditors	(9,658)
(15,727)		**(9,658)**

Analysis of creditors

31 March 2018 £'000		31 March 2019 £'000
(902)	Central government bodies	(968)
(11,940)	Other local authorities	(5,051)
(2,885)	Other entities & individuals	(3,639)
(15,727)		**(9,658)**

80 Additional voluntary contributions

Market value 31 March 2018 £'000		Market value 31 March 2019 £'000
13,874	Prudential	13,861
4	Equitable Life	4
18	Clerical Medical	18
13,896	**Total**	**13,883**

AVC Contributions of £1.914 million were paid directly to Prudential during the year (2017/18: £2.051 million).

81 Related party transactions

The Royal Borough of Windsor and Maidenhead

The Royal County of Berkshire Pension Fund is administered by The Royal Borough of Windsor and Maidenhead. During the reporting period, The Royal Borough of Windsor and Maidenhead incurred costs of £1.349m (2017/18 £1.342m) in relation to the administration of the fund and was subsequently reimbursed by the fund for these expenses. The council is also the 6th largest employer in the pension fund (by contributions paid) and contributed £10.9m (2017/18 £9.7m).

Governance

No members of the pension fund panel are in receipt of pension benefits from The Royal County of Berkshire Pension Fund.

Each member of the pension fund panel is required to declare their interests at each meeting.

Key management personnel

The disclosures required by Regulation 7(2)-(4) of the Accounts and Audit (England) Regulations can be found in the main accounts of The Royal Borough of Windsor and Maidenhead.

82 Contingent liabilities and contractual commitments

Outstanding capital commitments (investments) at 31 March 2019 totalled £314.621m (31 March 2018: £321.046m).

These commitments relate to outstanding call payments due on unquoted limited partnership funds held in the private equity and infrastructure parts of the portfolio. The amounts "called" by these funds are irregular in both size and timing.

83 Contingent assets

Several admitted body employers in the Royal County of Berkshire Pension Fund hold insurance bonds to guard against the possibility of being unable to meet their pension obligations. These funds are drawn in favour of the pension fund and payment will only be triggered in the event of employer default.

For the purposes of the Statement of Accounts, the following definitions have been adopted:-

Accounting Policies
Define the process whereby transactions and other events are reflected in the financial statements.

Accruals
The concept that income and expenditure are recognised as they are earned or incurred, not as money is received or paid.

Actuarial Gains and Losses
The change in actuarial deficits or surpluses arising from actual gains/ losses since the last valuation or changes in actuarial assumptions.

Capital Charge
A charge to service revenue accounts to reflect the cost of fixed assets used in the provision of services.

Capital Expenditure
Expenditure on the acquisition of a fixed asset or expenditure which adds to and not merely maintains the value of an existing asset.

Community Assets
Assets that the local authority intends to hold in perpetuity, that have no specific life span, and that may have restrictions on their disposal. Examples of such assets include parks and historic buildings.

Classes of Tangible Assets
Operational Assets:
Council Dwellings, Other land and building, Vehicles, plant, furniture and equipment
Infrastructure Assets; Community Assets
Non Operational Assets:
Investment property, Assets under construction and Surplus assets for disposal

Contingent Asset or Liability
A condition which exists at the balance sheet date, where the outcome will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events which are not wholly within our control.

Creditors

Amounts owed by an authority at the balance sheet date for goods received or work done.

Defined Benefit Scheme
A pension scheme having a statutory duty to ensure pensionable benefits, due to the employee are maintained through changes in the employer's contributions, as determined through periodic valuation.

Debt
This refers to the amount of long term debt borrowed by an authority or for which the authority has responsibility to repay and which was used to finance the acquisition of fixed assets. It is similar to a mortgage on a private person's home.

Debtor
Amounts due to an authority but unpaid at the balance sheet date.

Depreciation
The measure of the wearing out, consumption or other reduction in the useful economic life of a fixed asset, whether arising from use, passage of time, or of obsolescence through technological or other changes.

Events after the Balance Sheet date
Those events, both favourable and unfavourable, which occur between the balance sheet date and the date on which the Statement of Accounts is signed by the responsible officer.

Fair value
The fair value of an asset is the price at which it could be exchanged in an "arms length" transaction less, where applicable, any income receivable towards the purchase or use of that asset.

Finance Lease
A lease that transfers substantially all the risks and rewards of ownership of a fixed asset to the lessee. Such a transfer may be presumed to occur if, at the inception of the lease, the present value of the minimum lease payments, including any initial payment, amounts to substantially all of the fair value of the leased asset.

Impairment
A reduction in the value of a fixed asset arising from changes in market value, obsolescence or change in business.

Infrastructure Assets
Fixed assets that are inalienable or immovable, expenditure on which is recoverable only by the continued use of the asset created. Examples of infrastructure assets are highways and footpaths.

Interest Costs (Pensions)
Expected changes during the period in the present value of the schemes liabilities because the benefits are one year nearer their settlement.
Investments
A long-term investment is an investment that is intended to be held on a continuing use basis in the activities of the authority. Investments, other than those in relation to pensions fund, that do not meet the above criteria are classed as current assets
Investment Properties
Interest in land and / or buildings :
a) in respect of which construction work and development have been completed; and
b) which is held for its investment potential, rather than its use in the provision of the local authority's service to the public, any rental income being negotiated at arms length.
Liquid Resources
Current assets and investments that are readily disposable without disrupting the authority's day to day business.
Minimum Revenue Provision
The minimum amount of an authority's external debt that must be repaid in accordance which Government regulations, by the revenue account in the year of account.
Net Debt
The amount of long-term borrowing less cash and liquid resources such as cash.
Net Book Value
The amount at which fixed assets are included in the balance sheet, i.e. their historic cost or current value less the cumulative amounts provided for depreciation.
Net Current Realisable Costs
The cost of replacing an asset, or its nearest equivalent, that reflects its current condition.
Net Realisable Value
The open market value of an asset in its existing use less expenses incurred in realising the asset
Non-Operational Assets
Fixed assets held by the local authority but not directly occupied, used or consumed in the delivery of its services. Examples of non-operational assets include investment properties and those assets which are surplus to requirements and which are being held pending sale or redevelopment.
Operational Assets
Fixed assets held and occupied, used or consumed by the local authority in the direct delivery of those services for which it has a statutory or discretionary responsibility.
Past Service Costs
Changes in the present value of the schemes liabilities related to employee service in prior periods arising from the introduction of, or improvement in, retirement benefits in the current period.
Precepts
The amount that the authority is required to collect from council tax payers to fund another, non tax collecting authority's expenditure. Precepts are issued by Parish Councils and the local police authority.
Prior Period Adjustments
Those material adjustments which apply to previous years, which have arisen from changes in accounting policies or from the correction of fundamental errors. Such errors would destroy the validity of the financial statements. They do not include normal recurring corrections or adjustments of accounting estimates made in prior years.
Prudence
The concept that revenue is not anticipated but is recognised only when realised in the form of either cash or of other assets whose realisation can be assessed with reasonable certainty.
Related Parties
Parties are related when one party has direct or indirect control or influence over the financial and/ or operational activities of the other. Examples include government departments, local authorities, members and chief officers.
Related Party Transaction
A related party transaction is the transfer of asset or liability or performance of service by, to or for a related party.
Remuneration
Sums (including expenses allowances and non-cash benefits subject to UK income tax) paid to or receivable by employees. They exclude employee and employer pensions contributions.

Reserves

Reserves are maintained by transferring money to and from the Income and Expenditure Account. There are generally two types of Reserve:

1.General Reserves which create a cushion against unexpected events or emergencies or to even out the effect of variations in cash flow (i.e. to avoid temporary borrowing)

2. Earmarked Reserves created to meet known or predicted liabilities (e.g. Capital Reserves, Insurance Reserves and schools balances)

Residual Value

The net realisable value of an asset at the end of its useful life

Retirement Benefits

All forms of benefits given by an employer in exchange for services rendered by employees that are payable at the completion of employment. Such benefits exclude an employer's decision to terminate employment before normal retirement and an employee accepting early retirement as these are not given in exchange for services rendered.

Revenue Expenditure funded from Capital under Statute

Expenditure that may be funded from capital resources but which does not result in an asset on the Balance Sheet. Qualifying items would be grants or expenditure on property not owned by the Council. The expenditure is charged to the Income and Expenditure Account and shown as a reconciling item in the Statement of Movement on the General Fund Balance.

Stocks

These comprise the following :-

a) goods or other assets purchased for resale;

b) consumable stores;

c) raw materials and components purchased for incorporation into products for sale;

d) products and services in intermediate stages of completion;

e) long-term contract balances;

f) finished goods for resale.

Tangible Fixed assets

Tangible assets that yield benefits to the local authority and the services it provides for a period of time in excess of one year.

Total Cost

The total cost of a service or activity includes all costs related to the provision of that service or activity.

Useful Life

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

Deloitte.

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Agenda Item 8

The Royal Borough of Windsor & Maidenhead

Report to the Corporate Overview & Scrutiny Panel on the audit for the year ended 31 March 2019

Issued 22 July 2019 for the meeting on 30 July 2019

Contents

Introduction

The key messages in this report

Audit quality is our number one priority. We plan our audit to focus on audit quality and have set the following audit quality objectives for this audit:

- A robust challenge of the key judgements taken in the preparation of the financial statements.
- A strong understanding of your internal control environment.
- A well planned and delivered audit that raises findings early with those charged with governance.

We have pleasure in presenting our report to the Corporate Overview & Scrutiny Panel of Royal Borough of Windsor & Maidenhead (the Council) for the 2019 audit. The scope of our audit was set out within our planning report presented to the panel in February 2019.

Status of the audit - Council

Our audit is ongoing and, whilst a significant amount of audit work has been performed, the audit will not be completed prior to the deadline for the publication of the statement of accounts of 31 July 2019.

This is our first year auditing the Authority and we understand that the level of information we have requested from officers and nature of some of our procedures have been quite different to what the Authority has experienced in previous years.

The Authority provided work papers in response to our audit request list for the start of the audit which we understand met the expectations of the Authority's previous auditors and were in line with what the Authority understood to be required. However, on review, we considered that a number of the work papers were not in line with what we would have expected for the audit, for example, there were challenges in mapping some work papers to the Statement of Accounts, and some work papers were not in the level of detail or format that we had expected and required for our testing.

We and the finance team have worked together to resolve these matters but this has taken significantly more time than anticipated. We provide further detail on this in our section on control observations. There are open issues which need to be resolved prior to finalisation of our report on the financial statements.

We and the Authority have agreed to meet following the audit to discuss areas of improvement identified through this year's audit and agree a detailed joint action plan for 2019/20, including considering whether additional procedures could be brought forward to our interim audit visit.

The following page includes an update from our work to support our separate opinion on the pension fund financial statements.

We have included a section in this report providing observations arising from the work we have so far carried out on the areas of significant risk and other areas of audit focus reported to you in our audit planning report. We have not included any commentary on our work on the significant risk of property valuation because we are in the process of finalising our work in this area. This work includes the use of our valuation specialists, Deloitte Real Estate, to review and challenge the appropriateness of the assumptions used in the valuation of the Council's property assets. We will provide an oral update at the meeting.

Introduction

The key messages in this report (continued)

Status of the audit – Berkshire Pension Fund

Our audit of the Pension Fund is also on-going and we are not yet in a position to provide a separate report on that audit. In particular, we highlight below some of the current more significant outstanding matters:

- Part of our audit approach for testing the longevity swap involves an assessment of the reconciliation of member data used in the valuation. The relevant information has been requested from management, but we have been informed by management that the fund does not produce a reconciliation of the movements between membership data at the different valuation points. Member data for the whole of the fund has been provided by management with the ability to filter for members covered by the contract for the last four years and as at inception of the contract. In order to get comfort over the actual members considered in the swap valuation we have asked the actuary to provide a confirmation of the member listing. This has not yet been made available. Given that the member data is a key aspect of the longevity swap valuation, unless all the required information is provided by the Authority for analysis by our internal specialists, we would be unable to complete our audit and would consider this to be a material matter. We ask that officers discuss this with the actuary with the view to obtaining confirmation of the members included in the swap valuation, and to provide evidence of the annual review process that takes place to ensure the swap cash flows relate to the correct members.
- Our internal specialists have identified that the mortality improvement assumption for the longevity swap is not consistent with the market. An appropriate assumption has been used for the liability of the Fund as a whole, but a different basis has been used for the longevity swap. Initial estimates by our specialists indicate that this inconsistency could lead to a material difference in value. We have asked officers to discuss this with the Fund actuary to revisit the valuation and quantify the potential adjustment.
- We have identified that the convertible bond instrument is not being valued by either the investment manager or the custodian. We have asked for contact details for the third party which has ultimately prepared the valuation for the convertible bond. The custodian has made some effort to obtain these details, but this has yet to be arranged. We require visibility of the valuation method and inputs to enable us to complete our audit. The difficulties encountered in obtaining the details for the convertible bond may indicate that there is a control deficiency around the challenge of any valuations received from third parties.
- We have experienced significant delays in obtaining all the audited financial statements and capital movements from the Local Pension Partnership (LPP) that are required for our approach to testing the sample of alternative funds held by the Fund. Without this information being received independently and in a timely manner, we cannot conclude on the valuation of the alternative investments. The difficulties encountered in obtaining the financial information for the alternative funds may indicate that there is a control deficiency around the challenge of any valuations received from third parties. Officers of the Authority are actively following up on this matter with the LPP.

Conclusions from our testing

We have set out a summary of misstatements and disclosure deficiencies identified to date in an appendix to this report. As our audit work is ongoing, further misstatements may be identified through the completion of our remaining work.

Our work in relation to "Value for money" is currently on-going and we will provide the panel with an oral update as to the status of our work in the meeting.

Our work on the financial statements of the Council is not yet sufficiently advanced to indicate the form of report we expect to issue. This includes the finalisation of audit work relating to both significant and non-significant areas of the audit and the completion of our internal quality control processes.

Introduction

The key messages in this report (continued)

Narrative Report and Annual Governance Statement	Under International Standard on Auditing (ISA) (UK) 720A (revised), the Auditor's Responsibilities Relating to Other Information in Documents Containing Audited Financial Statements, we are required to review the content of the Narrative Report and the Annual Governance Statement to identify material inconsistencies (if any) with the statements that they accompany. We are not required to give an opinion on the Narrative Report and Annual Governance Statement (and as such it is not considered an 'audited' statement). We are, however, required to read the Narrative Report and Annual Governance Statement to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by the auditor in the course of performing the audit. In performing our review of the Narrative Report and Annual Governance Statement, we have made observations which we have shared with officers, and summarised within this report, that we consider would further improve the document in line with the guidance set out in the CIPFA Code of Practice on Local Authority Accounting (the Code). Officers have considered our recommendations and have prepared a revised Narrative Report.
Duties as public auditor	We did not receive any queries or objections from local electors this year. We have not identified any matters that would require us to issue a public interest report. We have not had to exercise any other audit powers under the Local Audit and Accountability Act 2014.
Audit certificate	We are not able to issue our certificate until we have completed our work on the Council's Whole of Government Accounts (WGA) return and pension scheme annual report. As there is a later reporting timetable for the issue of our opinion on the WGA return and pension scheme annual report, we do not expect this work to be complete by the time of issue of our opinion on the Council's statement of accounts.
Management representations	We will obtain written representations from the Chief Financial Officer on matters material to the financial statements when other sufficient appropriate audit evidence cannot reasonably be expected to exist. A copy of the draft representation letter is attached as an appendix to this letter.
Audit fee	As explained in our fee letter, our audit fee is based on assumptions about the scope of our work and the completeness and quality of information provided to support the draft financial statements and the timeliness and quality of responses to subsequent requests for information and explanation. We expected our audit to be complete at this point but for the reasons set out above and on page 14 it is ongoing. We estimate the amount of additional cost incurred to date to be £15-20k and the further time needed to complete the audit from this point all represents additional cost which will be charged using the rate card in the appendix.

Our audit explained

We tailor our audit to your organisation

Identify changes in your business and environment

In our planning report we identified the key changes in your business. These were the adoption of new accounting standards relating to financial instruments and revenue, the commencement of construction at the Maidenhead regeneration site and the continued progression of the Maidenhead Golf Club project.

Determine materiality

We set our group materiality at £6.3m (Council only: £6.24m) based on approximately 2% of estimated gross expenditure of the Council and group.

We report to you in this paper all misstatements above £315k.

Scoping

There have been no changes to the scope of our work which is carried out in accordance with the Code of Audit Practice and supporting auditor guidance notes issued by the NAO.

Significant risk assessment

In our planning report we explained our risk assessment process and detailed the significant risks we have identified on this engagement. We report our observations on these risks arising from our work carried out to date (other than on the risk of valuation of land and building – as explained in the key messages section) on these risks in this report. No additional risks have been identified since our Audit Plan.

Conclude on significant risk areas

We draw to the Panel's attention our observations on the significant audit risks from the work so far performed. The Panel members must satisfy themselves that officers' judgements are appropriate and will need to agree arrangements to consider any significant findings arising from audit work which is not yet complete.

Other findings

As well as our conclusions on the significant risks we are required to report to you our observations on the internal control environment as well as any other findings from the audit. These are set out from page 14 of this report.

Our audit report

Our work on the financial statements of the Council is not yet sufficiently advanced to indicate the form of report we expect to issue.

Significant risks

Management override of controls

Risk identified

In accordance with ISA 240 (UK) management override is a significant risk. This risk area includes the potential for officer's to use their judgement to influence the financial statements as well as the potential to override the Council's controls for specific transactions.

Deloitte response

We have considered the overall sensitivity of judgements made in preparation of the financial statements, and note that:

- The Council's results throughout the year were projecting overspends in operational areas. This was closely monitored and whilst projecting overspends, the underlying reasons were well understood; and
- Senior officer's remuneration is not tied to particular financial results.

We have considered these factors and other potential sensitivities in evaluating the judgements made in the preparation of the financial statements.

Significant and unusual transactions

We did not identify any significant transactions outside the normal course of business or any transactions where the business rationale was not clear.

Journals

We have performed design and implementation testing of the controls in place for journal approval.

We have used Spotlight data analytics to risk assess journals and select items for detailed follow up testing. The journal entries were selected using computer-assisted profiling based on areas which we consider to be of increased interest.

We have tested the appropriateness of journal entries recorded in the general ledger, and other adjustments made in the preparation of financial reporting.

Accounting estimates

We have performed design and implementation testing of the controls in place on accounting estimates.

The key judgements in the financial statements are those selected as significant audit risks and other areas of audit interest.

We reviewed accounting estimates for biases that could result in material misstatements due to fraud. We note that overall the changes to estimates in the period were balanced and did not indicate a bias to achieve a particular result.

We tested accounting estimates and judgements, focusing on the areas of greatest judgement and value. Our procedures included comparing amounts recorded or inputs to estimates to relevant supporting information from third party sources. As our work on property valuations and the Council's pension liability is still on-going we will provide the panel with an oral update during the meeting.

Status of our work and issues identified

We have identified control deficiencies, set out from page 14.

We have not identified any significant bias in the key judgements made by officers based on work performed.

We have not identified ay instances of inappropriate management override of controls in relation to the specific transactions tested based on work performed.

Significant risks (continued)

Capital expenditure

Risk identified

The Council has a capital programme of £49.2m over the next three years, and incurred £35.8m on property, plant and equipment and £15.9m on revenue expenditure which, for funding purposes, is treated in the same way as capital expenditure (REFCUS) in 2018/19.

Determining whether or not expenditure should be capitalised can involve judgement as to whether costs should be capitalised under International Financial Reporting Standards.

The Council has greater flexibility over the use of revenue resource compared to capital resource. There is also, therefore, an incentive for officers to misclassify revenue expenditure as capital.

Deloitte response

- We tested the design and implementation of controls around the capitalisation of costs.
- We selected a sample of capital items (including REFCUS) in the year to test whether they have been appropriately capitalised in accordance with the accounting requirements.

Deloitte view

To the date of this report, we have not identified any material misstatements within capital expenditure, we will update the committee following completion of our remaining sample testing. We have however identified control improvements detailed from page 14.

Other matters

Pension liability

Background

The Council participates in the fund it administers, the Berkshire Pension Fund.

The Council's pension liability is affected by the McCloud legal cases in respect of potential discrimination in the implementation of transitional protections following changes in public sector pension schemes in 2015. Subsequent to year-end, the Government was denied leave to appeal the case, removing the uncertainty over recognition of a liability. The actuary has estimated the impact on the Council's liability and have concluded that the impact is not significant (£3.9m) and the Council has made the disclosures relating to this in note 49 of the accounts. At the date of our report we are still finalising our view on the report prepared by the actuary on this but we request that officers adjust the accounts for the amount identified.

Deloitte response

Our procedures to address this risk, which are in progress, are as follows:

- Obtaining a copy of the actuarial report for the Council Pension Fund produced by Barnett Waddingham, the scheme actuary, and agreeing in the disclosures to notes in the accounts.
- Assessing the independence and expertise of the actuary supporting the basis of reliance upon their work.
- Reviewing and challenging the assumptions made by Barnett Waddingham, including benchmarking as shown in the table opposite.
- Assessing the reasonableness of the Council's share of the total assets of the scheme with the Pension Fund financial statements.
- Reviewing and challenging the calculation of the impact of the McCloud case on pension liabilities.
- Performing substantive analytical procedures on movements.
- Reviewing the disclosures within the accounts against the Code.

	Council	Benchmark	Comments
Discount rate (% p.a.)	2.40%	2.41%	Reasonable
Retail Price Index (RPI) Inflation rate (% p.a.)	3.40%	3.25%	Reasonable
Consumer Price Index (CPI) Inflation rate (% p.a.)	2.40%	2.21%	Slightly prudent
Salary increase (% p.a.) (over RPI inflation)	3.9%	n/a	Entity specific assumption. See below
Pension increase in payment (% p.a.)	2.4%	2.26%	Reasonable

Deloitte commentary on findings to date

Our work is ongoing and still subject to internal review processes.

The Council has not yet adjusted the pension liability for the impact of the McCloud case. Based on our review of the report prepared by the actuary for this purpose we noted that the proposed adjustment would be £3.9m. Our work in this area is in progress, however we have currently reported this as an unadjusted misstatement in the appendix to this report and we will ask officers to adjust the liability for this amount (subject to finalisation of our audit procedures).

An exercise performed by the Government Actuaries Department indicates that based on a salary increase of CPI and using the average age for the LGPS scheme as a whole of 46, the McCloud judgement would result in an increase in the pension liability relating to active members of 0.1% (or not more than £0.3m for the Berkshire Pension Fund). The salary increase assumption used to calculate the pension liability relating to the Berkshire Pension Fund is 1.5% per annum above CPI and this has also been used for the purposes of calculating the adjustment above. The average age of the active membership is 46 years. The salary increase assumption used to calculate the pension liability relating to the Berkshire Pension Fund and the average age of the active membership is 45 years.

Work in the following areas relating to the pension liability is on-going and subject to further challenge and officer input:

- The actuary has calculated the liability using membership information collected for the 2016 funding valuation and we need to understand the impact this may have on the pension liability.
- The actuary has also used estimated, rather than actual, fund income and expenditure up to 31 March 2019.
- We need to consider whether the rate of salary increase used to determine the value of the pension liability is consistent with other salary increase rates applied by the Authority, for example in the medium term financial strategy.

Other matters (continued)

Implementation of IFRS 9 and IFRS 15

Matter identified

The Council is required to adopt the new accounting standards IFRS 9 *Financial Instruments* and IFRS 15 *Revenues from contracts with customers* in the year ended 31 March 2019. In both cases, the Council is using a modified retrospective approach to implementation where effectively the cumulative impact of transition to 1 April 2018 is posted as an adjustment to reserves.

The scope of IFRS 9 and IFRS 15 is limited to balances arising on "exchange" transactions. Non-exchange debtors, such as council tax, business rates and parking fines are outside of the scope of IFRS 9 and IFRS 15.

The Council has posted no retrospective adjustments with regard to IFRS 9 or IFRS 15 as there is no material impact on the financial statements.

Response

We understand that officers held discussions on the impact of the new standards as part of the accounts closure process and concluded that there was no material impact but did not initially prepare a paper setting out information on their process, findings as support for this conclusion. A paper was subsequently prepared by officers and presented to the audit team for review which still do not address all pertinent issues relating to these new standards.

The statement of accounting policies in the original version of the financial statements had not been updated to reflect changes introduced by IFRS 9 including the classification of financial instruments and a different credit loss impairment model.

The key accounting impact of IFRS 9 is on the calculation of the bad debt provision, which must move to a methodology of expected credit losses. We have not received information for the calculation of the bad debt provisions that meet this requirement and are therefore not yet able to assess whether or how officers have addressed changes in the way in which impairments should be calculated.

IFRS 9 also introduces new or changed disclosure requirements. The Council's accounts template was not initially updated for these changes and as a result the financial statements do not fully comply with the Code in this respect.

Regarding IFRS 15, officers were satisfied that no transitional adjustments would be required as the Council's larger sources of income including grant income, rents and taxation are outside of the scope of the standard and in other income streams which fall within the scope of IFRS 15 there are not material performance obligations which span the year end. This is consistent with a general expectation for local authorities which have not entered into material unusual transactions.

Again, the statement of accounting policies was not initially updated to bring the description of the Council's policy for the recognition of income into line with the requirements of IFRS 15.

IFRS 15 introduces new disclosures around the amount of income, deferred income and receivables which are accounted for under the standard. The Council's accounts template was not updated to include these new disclosures and as a result the financial statements do not fully comply with the Code in this respect.

The Council has not made any disclosure of the impact of the transition.

Deloitte view

Officers' conclusion that the new accounting standards do not have a material impact for the Council is consistent with the conclusion of other local authorities and the absence of unusual transactions or income streams which may require a different accounting treatment. We have noted uncorrected disclosure deficiencies in the appendices to this report.

Other matters (continued)

Other financial reporting matters

Area	Observation
Critical accounting judgments	IAS 1 requires entities to make disclosures about the assumptions it has made about the future and other major sources of estimation uncertainty at the year end that have a significant risk of resulting in a material adjustment to the carrying amount of assets and liabilities within the next financial year. This situation would arise, for example, where an uncertain factor could cause the carrying amount of an asset or liability to change materially in the next year. This is an important disclosure as it helps a user of the accounts assess an entity's financial position and performance and understand the sensitivities to changes in assumptions. If a matter does not meet the criterion above, it should not be included in the disclosure on sources of estimation uncertainty. IAS 1 states that disclosures should be presented in a way that helps users of the financial statements to understand the judgements officers makes about the future and about other key sources of estimation uncertainty. The Council's current disclosure, for example, includes a section on "assumptions made about the future and other major sources of estimation uncertainty" but the section does not provide any specific examples of these estimates. This is a significant disclosure deficiency and we ask that this is addressed in the final version of the accounts.
Infrastructure assets	The Council does not record infrastructure assets separately on the fixed asset register. Instead expenditure on infrastructure assets is grouped by type and by year of expenditure. Part of the annual amount capitalised relates to replacement of a component of asset (e.g. road re-surfacing). In this situation, whilst it may be appropriate to capitalise the new expenditure, an adjustment should be made to remove the existing component from the register and fixed asset balance. It is not part of the Council's process to do this at the time of the replacement taking place and the organisation of the fixed asset register does not facilitate this. This practice is not uncommon in the sector and does not have a significant impact on the carrying amount of infrastructure assets where the actual asset lives approximate to the estimate of useful economic life used in the depreciation calculation (such that the asset or component of the asset has a nil net book value at the point of replacement).
Elimination of internal recharges	Internal recharges should be eliminated from the presentation of income and expenditure in the Comprehensive Income and Expenditure Statement. Whilst guidance in previous financial years was not clear on this matter, it has been clarified in 2018/19 that internal recharges should be netted off and not shown gross in the Comprehensive Income and Expenditure Statement (CIES). Our testing identified an amount of recharges of £32.7m (2017/18: £25.4m) shown gross in income and expenditure. To correct for this, income and expenditure both needed to be reduced by £32.7m (2017/18: £25.4m). As a result, there is no net impact on the surplus or deficit of the CIES as a result of making this type of adjustment.

Other matters (continued)

Other financial reporting matters

Area	Observation
Overstatement of cost and accumulated depreciation in the property, plant and equipment	Based on audit work performed on the brought forward balance of property, plant and equipment a £44m equal but opposite variance between Cost/Valuation and Accumulated Depreciation was noted. Based on discussions with officers, this was found to relate to the 2011/12 financial year when our predecessor requested officers to make this adjustment. While the difference does not impact the overall net book value of property, plant and equipment the amounts disclosed in the notes to the accounts did not reflect the correct balances of cost and accumulated depreciation brought forward. We have proposed an adjustment in this regard on page 23.

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Arrangements to secure economy, effectiveness and efficiency from the Authority's use of resources

Background

Under the National Audit Office's Code of Audit Practice, we are required to report whether, in our opinion, the Council has made proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

The Code and supporting Auditor Guidance Notes require us to perform a risk assessment to identify any risks that have the potential to cause us to reach an inappropriate conclusion on the audited body's arrangements. We are required to carry out further work where we identify a significant risk - if we do not identify any significant risks, there is no requirement to carry out further work.

Our risk assessment and audit work (which is in progress) includes:

- Obtaining an understanding of the Council's Medium Term Financial Plan, budget for 2019/20.
- Considering the results of Ofsted's focussed visit relating to children's services, the report for which was issued during December 2018. We discussed the findings of the report with Kevin McDaniel (Director of Children's Services) during our final audit visit.
- Considering the results of Ofsted's review of the effectiveness of the Council in implementing the disability and special educational needs reforms as set out in the Children and Families Act 2014 relating to children's services. This report was issued during August 2017. We have discussed the findings of the report with Kevin McDaniel (Director of Children's Services) during our final audit visit.
- Considering the appropriateness of the governance arrangements around the use of outsourced 3rd parties, and specifically Achieving for Children and Optalis Limited.
- Discussing the Council's arrangements with internal audit and senior operational staff, including Duncan Sharkey (Managing Director), Rob Stubbs (S151 Officer), Councillor Saunders (former lead member for finance), Kevin McDaniel (Director of Children's Services), Elaine Brown (Head of Law and Governance) and Hilary Hall (Deputy Director Strategy and Commissioning).
- Reviewing the Council's draft Narrative Report, Annual Governance Statement and relevant Council papers and minutes.
- Considering the Council's financial results for the year and the assumptions in the budget for future years specifically looking at future debt levels, borrowing limits and expected capital receipts.
- Considering matters identified by the National Audit Office as potential value for money risks for Councils for 2018/19

Deloitte view

Our work in relation to "Value for money" is currently on-going and we will provide the panel with an oral update as to the status of our work in the meeting.

Control observations

During the course of our audit we have identified internal control findings which we have included below for information.

The purpose of the audit was for us to express an opinion on the financial statements. The audit included consideration of internal control relevant to the preparation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of internal control. The matters being reported are limited to those deficiencies that we have identified during the audit and that we have concluded are of sufficient importance to merit being reported to you.

Area	Observation
Quality of draft financial statements	The initial draft financial statements which were published for public inspection and presented for audit were not of the expected standard. Issues noted included: • Findings regarding the compliance of the narrative report and annual governance statement with the CIPFA code • The non-receipt of a completed CIPFA disclosure checklist accompanying the financial statements subject to audit • Inconsistencies between notes in the financial statements; • Accounting policies not updated for the adoption of IFRS 9 and IFRS 15; • Accounts disclosures not updated for the adoption of IFRS 9; • Accounts disclosures not updated for the adoption of IFRS 15; • Differences between primary statements and notes; and • Differences noted during our call and cast process Together these indicate weaknesses in the financial reporting and close process. We recommend the Council reviews the year-end reporting and close process, including: • preparation of a skeleton draft of the financial statements ahead of year-end, reviewed against the Code for any changes in the year and for the disclosure requirements for any new or changed activities of the Council; • documentation and quantification of judgments in respect of materiality of disclosure requirements in preparing the accounts; • review of the completed CIPFA disclosure checklist; • documented and reviewed internal checks of internal consistency; • completion of the CIPFA "pre-audit checks on draft year-end accounts" checklist; and • documented and reviewed internal tie back and referencing of the draft financial statements to supporting working papers.

Control observations (continued)

Area	Observation
New accounting standards – IFRS 9 and 15	Whilst we understand that officers discussed the impact of adoption of the new standards during the closure process, they did not prepare accounting papers on the transition to IFRS 9 and 15. The initial draft accounts were not updated for changes in disclosure requirements from IFRS 9 and 15. Although our work on IFRS 9 and 15 to date has not identified any material changes to the financial statements, we highlight that because the new standards have been discussed as a one off exercise, new requirements will not have been embedded in the Council's underlying systems, processes and controls. This presents a risk that new contracts or transaction may give rise to unanticipated impacts in future, or not be detected. We recommend that the Council reviews how to update its day to day accounting processes, including any necessary system and control changes, to reflect the requirements of IFRS 9 and 15, and the process to be followed in assessing new and unusual transactions.
Preparation for IFRS 16	The implementation of IFRS 16, Leases, for 2020/21 is expected to have a greater and more complex impact upon most Councils than the adoption of IFRS 9 and 15. The scope and potential complexity of work required, which may require system or process changes to underpin correct accounting under the standard, will require work to be completed at a significantly earlier stage than has been the case for IFRS 9 and 15 to allow for financial reporting timetables to be met. We recommend that the Council targets completion of its IFRS 16 impact analysis during 2019/20, and to calculate an adjusted opening balance sheet position for audit following the 31 March 2020 audit. We recommend early consideration following the impact analysis of actions required to embed IFRS 16 accounting in the Council's underlying accounting systems and would expect an accounting paper to be prepared for the purposes of 2019/20 audit.
Accounting for acquisitions	The Council has an accounting policy to apply a full year of depreciation in the year of disposal and no depreciation in the year of acquisition, primarily for the reason that the fixed asset register is only updated at the end of year. This practice is not uncommon in the sector and does not have a significant impact on the carrying amount of assets where assets are acquired and disposed relatively evenly across the year. Performing a high level calculation based on the fixed asset note for the current year, assuming all additions take place on day one of the year, fixed assets are potentially overstated by £1m. As stated above, this is not a material impact. We recommend that officers implements a process whereby the depreciation charge is retrospectively calculated based on the actual date of acquisition or disposal.

Control observations (continued)

Area	Observation
Valuation of properties	The valuation of properties is dependent on officers’ assumptions (or input from officers in forming assumptions) including the location and functional obsolescence of the existing properties and information provided by officers, including the number, type and condition of council dwellings and the floor space of schools. A paper was not prepared which set out the key assumptions, and officer's view on whether the revaluation assumptions are appropriate. We were also not able to identify a documented internal control relating to the review by officers of the valuation report received from Lambert Hampton Smith. We recommend that a paper should be prepared and set out the review of key assumptions, and officer's view on why the revaluation assumptions are appropriate.
Classification of expenditure as capital	We are required to test the design and implementation of controls in place to mitigate the risk that expenditure that is revenue in nature could be incorrectly classified as capital expenditure. Management have described the process and controls in place to mitigate this risk. This includes the establishment of budgets and associated codes to record capital and revenue expenditure; review of invoice descriptions and comparison to budget and purchase order details to check the nature of the expenditure; and review of the budgets to assess and investigate variances. Based on the descriptions provided, these controls appear to be designed effectively and we note that our substantive testing of a sample of capital items has not identified any issues to date. However, management review controls are inherently difficult to evidence and, as with many entities, we were not able to obtain sufficient documentary evidence of the performance of some of these review controls to enable us to conclude that the controls are implemented effectively. We therefore recommend that management puts in place arrangements to further develop these processes with clear documented evidence of the performance of the controls.
Reclassification of assets under construction when complete	We identified that an item of assets under construction was completed as at 31/03/2018. This asset was however not transferred out of assets under construction into the category of property, plant and equipment to which it relates. We recommend the Council implements a control where assets held under construction are reviewed in order to verify whether or not they are complete.
Management override of controls	During our testing of the design and implementation of controls relating to management override and specifically relating to budget transfers, we noted that a transfer of £250k from one budget to another was not accompanied by a virement form. While the transfer was discussed and approved at Cabinet meeting we suggest that all such transfers be accompanied by a virement form, as set out in standard operating procedures relating to budget transfers.

Control observations (continued)

Area	Observation
Accounting for capital expenditure	During our testing of the capital commitments disclosure we noted that £6.4m of expenditure relating to the Braywick Leisure Centre was incorrectly included in the capital commitment disclosures at year end. Officers have subsequently adjusted the accounts disclosure for this misstatement. No further change is required as these amounts have been included in capital additions for the year. We understand that officers use a March to Feb period for the purposes of accounting for capital items. We suggest that a review is performed at year end to consider the impact of any expenditure incurred in the final month of the financial year for its impact on operating expenditure, property, plant and equipment and the councils commitments disclosures.
Bank and cash	During the our testing of bank and cash we noted a balance of £984k relating to long-outstanding reconciling items for which we were not provided any support. This was identified in the prior year audit and is still under investigation by RBWM's internal audit function. We recommend that this investigation is finalised and the reconciling items cleared as soon as possible. We also recommend that a review of the controls relating to bank reconciliations is undertaken in order to avoid a recurrence of this.
Elimination of internal recharges	Internal recharges should be eliminated from the presentation of income and expenditure in the Comprehensive Income and Expenditure Statement. As set out on page 11, our testing identified an amount of recharges of £32.7m (2017/18: £25.4m) shown gross in income and expenditure. To correct for this, income and expenditure both needed to be reduced by £32.7m (2017/18: £25.4m). We recommend that, going forward, internal recharges are eliminated in the Comprehensive Income and Expenditure Statement before being subject to audit.

Control observations (continued)

Area	Observation
Preparation of accounting papers	Accounting papers were not prepared to explain and support key judgements and estimates, including the ongoing pertinence of judgements made in previous years, or were not sufficiently detailed to explain and support those judgements and estimates. It is good practice (and the expectation of the Financial Reporting Council) for organisations to prepare accounting papers in respect of key matters in the application of accounting standards, in particular for matters of judgement or of estimation complexity. Typically these would include consideration of the relevant requirements of the accounting standards and the Code, the fact pattern (including details of relevant terms of contracts etc.), an assessment of how the standards apply in this context, consideration of potential alternative treatments, the proposed approach to measurement/calculation of accounting entries required, and the required disclosures. The preparation of accounting papers both supports accurate financial reporting, including facilitating both internal and external review and challenge, and provides a resource to ensure institutional knowledge is retained in the organisation. We recommend the Council adopts an approach of preparing papers for any key accounting judgements or issues arising. We also recommend that accounting papers are presented to the same meeting of the Panel at which the draft statement of accounts are approved (if not earlier) for scrutiny and to inform the panel's approval of the draft statement of accounts.
Accounts closure	As described on page 3 of this report, the Authority provided work papers in response to our audit request list for the start of the audit which we understand met the expectations of the Authority's previous auditors and were in line with what the Authority understood to be required. However, on review, we considered that a number of the work papers were not in line with what we would have expected for the audit, for example, there were challenges in mapping some work papers to the Statement of Accounts, and some work papers were not in the level of detail or format that we had expected and required for our testing. We and the finance team have worked together this year to resolve these matters but this has taken significantly more time than anticipated. As a result, in a number of areas, it has not been possible for officers to provide information for key samples within a reasonable timeframe. Additional time has also been spent in order to understand the accounting treatment for investments in associates and the local enterprise partnerships. These issues have impacted on the achievement of the overall timetable and have led to additional audit costs. We and the Authority have agreed to meet following the audit to discuss areas of improvement identified through this year's audit and agree a detailed joint action plan for 2019/20, including considering whether additional procedures could be brought forward to our interim audit visit. We recommend that the Council considers whether there are year end processes which can be streamlined or pulled forward to earlier in the year. We will work closely with officers as part of the planning for 2019/20.

Your annual report

We are required to report by exception on any where information in other information published with the financial statements (which is the Narrative Report and Annual Governance Statements) is inconsistent with the financial statements.

	Requirement	Deloitte response
Narrative Report	The Narrative Report is expected to address (as relevant to the Council): - Organisational overview and external environment; - Governance; - Operational Model; - Risks and opportunities; - Strategy and resource allocation; - Performance; - Outlook; and - Basis of preparation	Under International Standard on Auditing (ISA) (UK) 720A (revised), the Auditor's Responsibilities Relating to Other Information in Documents Containing Audited Financial Statements, we are required to review the content of the Narrative Report to identify material inconsistencies (if any) with the statements that they accompany. We are not required to give an opinion on the Narrative Report (and as such it is not considered an 'audited' statement). In performing our review of the Narrative Report, we have made observations which we have shared with officers, and summarised below, that we consider would further improve the document in line with the guidance set out in the CIPFA Code of Practice on Local Authority Accounting (the Code): • As a whole, the narrative report is of an average length, although many pages are dedicated to charts and graphics. • The purpose of the Narrative Report is to provide information on the authority, its main objectives and strategies and the principal risks that it faces. The Report provides limited information on its operational model, for example on operational activities of the authority's key services and outcomes. The Report touches on financial risks but does not refer to broader risks in relation to future service provision and its risk mitigation strategy. The Report also does not specifically refer to Brexit. • The Narrative Report must provide a fair, balanced and understandable analysis of the authority's performance. The Report sets out key achievements in the year but does not give similar weight to describing some of the challenges it has faced. Non financial KPIs selected appear to focus on volumes, rather than measuring progress towards the meeting the Council's strategic objectives. Comparative information is not consistently provided to give context. • The narrative report should highlight and explain the linkages between information presented in the narrative report and the information within the financial statements, and information presented must be consistent with the information within the financial statements. The Report provides information on gross revenue expenditure and funding sources. It is not clear how totals link to information in the financial statements. Care needs to be taken in how measures are described and the nature of tables and charts included as they should be clearly linked to the primary statements and should be suitably expanded upon. We will finalise our testing on checking the consistency of information in the Narrative Report with the financial statements once the financial statements have been adjusted. This type of issue will need to be resolved before we issue our opinion. • The Code provides guidance on further information which authorities should consider including on the basis of preparation and presentation of the financial statements. We have recommended that the report is updated to do address these points. Officers have considered our recommendations and have prepared a revised Narrative Report.
Annual Governance Statement	The Annual Governance Statement reports that governance arrangements provide assurance, are adequate and are operating effectively.	We have assessed whether the information given in the Annual Governance Statement meets the disclosure requirements set out in CIPFA/SOLACE guidance, is misleading, or is inconsistent with other information from our audit. We have provided officers with our comments on this document and await an updated version for review.

Purpose of our report and responsibility statement

Our report is designed to help you meet your governance duties

What we report

Our report is designed to help the Corporate Overview & Scrutiny Panel and the Council discharge their governance duties. It also represents one way in which we fulfil our obligations under ISA 260 (UK) to communicate with you regarding your oversight of the financial reporting process and your governance requirements. Our report includes:

- Results of our work on key audit judgements and our observations on the quality of your Annual Report.
- Our internal control observations.
- Other insights we have identified from our audit.

What we don’t report

As you will be aware, our audit was not designed to identify all matters that may be relevant to the Council.

Also, there will be further information you need to discharge your governance responsibilities, such as matters reported on by officers or by other specialist advisers.

Finally, our views on internal controls and business risk assessment should not be taken as comprehensive or as an opinion on effectiveness since they have been based solely on the audit procedures performed in the audit of the financial statements and the other procedures performed in fulfilling our audit plan.

The scope of our work

Our observations are developed in the context of our audit of the financial statements. We described the scope of our work in our audit plan and again in this report.

This report has been prepared for the Corporate Overview & Scrutiny Panel and Council, as a body, and we therefore accept responsibility to you alone for its contents. We accept no duty, responsibility or liability to any other parties, since this report has not been prepared, and is not intended, for any other purpose.

We welcome the opportunity to discuss our report with you and receive your feedback.

Jonathan Gooding

for and on behalf of Deloitte LLP

St Albans

22 July 2019

Appendices

Audit adjustments
Unadjusted misstatements

The following uncorrected misstatements have been identified up to the date of this report which we request that you ask officers to correct as required by ISAs (UK). Uncorrected misstatements to date increase total comprehensive expenditure in the CIES by £4.9m, decrease net assets by £4.9m, and decrease usable reserves by £4.9m.

		Debit/ (credit) CIES £m	Debit/ (credit) in net assets £m	Debit/ (credit) prior year reserves £m	*Memo: Debit/ (credit) usable reserves £m*	If applicable, control deficiency identified
Misstatements identified in current year						
Accounting for outcome of McCloud judgement	[1]	3.9	(3.9)	-	*3.9*	
Reconciling items in bank reconciliation	[2]	1.0	(1.0)	-	*1.0*	Yes
Debtors with credit balances	[3]	-	0.5/(0.5)	-	-	
Misstatements identified in prior years						
Asset under construction not reclassified in prior period	[4]	-	0.7/(0.7)	-	-	Yes
Total		**4.9**	**(4.9)**	**-**	*4.9*	

(1) Based on the outcome of the actuary's review of the impact of the McCloud judgement on pension liabilities an adjustment of £3.9m has been identified.

(2) This relates to long outstanding reconciling items for which we were not provided any support.

(3) Debtors with credit balances of £0.5m identified during our testing that should be reclassified to creditors.

(4) An item of assets under construction totalling £0.7m completed in the previous financial year was not transferred from this category to the relevant category of property, plant and equipment to which it relates.

Audit adjustments (continued)

Corrected misstatements

The following misstatements have been identified up to the date of this report which have been corrected by officers. We nonetheless communicate them to you to assist you in fulfilling your governance responsibilities, including reviewing the effectiveness of the system of internal control.

		Debit/ (credit) CIES £m	Debit/ (credit) in net assets £m	Debit/ (credit) prior year reserves £m	*Memo: Debit/ (credit) usable reserves £m*	If applicable, control deficiency identified
Misstatements identified in current year						
Eliminate internal recharges	[1]	33 / (33)	-	-	-	Yes
Difference in opening cost and accumulated depreciation	[2]	-	44/(44)	-	-	Yes
Accounting treatment for investment in associate	[3]	(7.8)	7.8			
Misstatements identified in prior years						
Incorrect classification of prior year Teachers Pay	[4]	3.9/(3.9)	-	-	-	
Total		**(7.8)**	**7.8**	**-**	-	

(1) Internal recharges have been incorrectly included gross in income and expenditure in the Comprehensive Income and Expenditure Statement. This adjustment nets down the recharge income against the matching expenditure item.

(2) The adjustment relates to an equal and opposite difference of £44m between opening cost/valuation and accumulated depreciation

(3) The adjustment relates to the correction of the accounting treatment for an investment in associate

(4) The council had incorrectly classified payroll expenses between the categories “Direct employee costs” and “Teachers pay” in the prior period.

Audit adjustments (continued)
Disclosures

Disclosure misstatements

The following disclosure misstatements have been identified up to the date of this report which officers have corrected.

Disclosure
Transfers from Assets under construction were not clearly separated and disclosed in note 14 of the accounts so that a user is able to see the transfer from Assets under Construction and into the appropriate category of property, plant and equipment. Officers have corrected this disclosure deficiency.

Disclosure
During our testing of the capital commitments disclosure we noted that £6.4m of expenditure relating to the Braywick Leisure Centre had been incurred before year end and should therefore not have been disclosed as a capital commitment. Officers have corrected this disclosure deficiency.

Disclosure
The disclosures relating to Local Enterprise Partnerships in note 53 relating to “Receipts in year” and “Payments/Transfers” were overstated. The differences between these two categories net to zero and the opening balance and closing balance was found to be correct. Officers have corrected this disclosure deficiency.

Audit adjustments (continued)

Disclosures

Disclosure misstatements

The following uncorrected disclosure misstatements have been identified up to the date of this report which we request that you ask officers to correct as required by ISAs (UK).

Disclosure
An authority shall explain the inputs, assumptions and estimation techniques used to apply the requirements in section 7.2.9. For this purpose an authority shall disclose: a) the basis of inputs and assumptions and the estimation techniques used to: i) measure the 12-month and lifetime expected credit losses ii) determine whether the credit risk of financial instruments has increased significantly since initial recognition, and iii) determine whether a financial asset is a credit-impaired financial asset b) how forward-looking information has been incorporated into the determination of expected credit losses, including the use of macroeconomic information, and c) changes in the estimation techniques or significant assumptions made during the reporting period and the reasons for those changes.

Audit adjustments (continued)
Disclosures

Other disclosure recommendations (continued)

Disclosure
To explain the changes in the loss allowance and the reasons for those changes, an authority shall provide, by class of financial instrument, a reconciliation from the opening balance to the closing balance of the loss allowance, in a table, showing separately the changes during the period for: a) the loss allowance measured at an amount equal to 12-month expected credit losses b) the loss allowance measured at an amount equal to lifetime expected credit losses for: i) financial instruments for which credit risk has increased significantly since initial recognition but that are not credit-impaired financial assets ii) financial assets that are credit-impaired at the reporting date (but that are not purchased or originated credit-impaired), and iii) trade receivables, contract assets or lease receivables for which the loss allowances are measured in accordance with paragraph 7.2.9.17 c) financial assets that are purchased or originated credit-impaired. In addition to the reconciliation, an authority shall disclose the total amount of undiscounted expected credit losses at initial recognition on financial assets initially recognised during the reporting period.
To enable users of financial statements to understand the changes in the loss allowance disclosed in accordance with paragraph 7.3.3.13, an authority shall provide an explanation of how significant changes in the gross carrying amount of financial instruments during the period contributed to changes in the loss allowance. The information shall be provided separately for financial instruments that represent the loss allowance as listed in paragraph 7.3.3.13 a) to c) and shall include relevant qualitative and quantitative information. Examples of changes in the gross carrying amount of financial instruments that contributed to the changes in the loss allowance may include: a) changes because of financial instruments originated or acquired during the reporting period b) the modification of contractual cash flows on financial assets that do not result in a derecognition of those financial assets in accordance with IFRS 9 c) changes because of financial instruments that were derecognised (including those that were written off) during the reporting period, and d) changes arising from whether the loss allowance is measured at an amount equal to 12-month or lifetime expected credit losses.

Audit adjustments (continued)

Disclosures

Other disclosure recommendations (continued)

Disclosure
To enable users of financial statements to assess an authority’s credit risk exposure and understand its significant credit risk concentrations, an authority shall disclose, by credit risk rating grades, the gross carrying amount of financial assets and the exposure to credit risk on loan commitments and financial guarantee contracts. This information shall be provided separately for financial instruments: a) for which the loss allowance is measured at an amount equal to 12-month expected credit losses b) for which the loss allowance is measured at an amount equal to lifetime expected credit losses and that are: i) financial instruments for which credit risk has increased significantly since initial recognition but that are not credit-impaired financial assets ii) financial assets that are credit-impaired at the reporting date (but that are not purchased or originated credit-impaired), and iii) trade receivables, contract assets or lease receivables for which the loss allowances are measured in accordance with paragraph 7.2.9.17 c) that are purchased or originated credit-impaired financial assets.
An authority shall provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes (see paragraphs 44B to C and 44E of IAS 7 for guidance on this disclosure).

Fraud responsibilities and representations

Responsibilities explained

Responsibilities:

The primary responsibility for the prevention and detection of fraud rests with officers and those charged with governance, including establishing and maintaining internal controls over the reliability of financial reporting, effectiveness and efficiency of operations and compliance with applicable laws and regulations. As auditors, we obtain reasonable, but not absolute, assurance that the financial statements as a whole are free from material misstatement, whether caused by fraud or error.

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Required representations:

We have asked the Council to confirm in writing that you have disclosed to us the results of your own assessment of the risk that the financial statements may be materially misstated as a result of fraud and that you have disclosed to us all information in relation to fraud or suspected fraud that you are aware of and that affects the Council.

We have also asked the Council to confirm in writing their responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud and error.

Audit work performed:

In our planning we identified valuation of land and buildings, capital expenditure and management override of controls as key audit risks for the council.

During course of our audit, we have had discussions with officers and those charged with governance.

During course of our audit, we have had discussions with relevant officers and those charged with governance.

In addition, we have reviewed officer’s own documented procedures regarding fraud and error in the financial statements.

We have reviewed the Annual Governance Statement.

Independence and fees

As part of our obligations under International Standards on Auditing (UK), we are required to report to you on the matters listed below:

Independence confirmation	We confirm the audit engagement team, and others in the firm as appropriate, Deloitte LLP and, where applicable, all Deloitte network firms are independent of the Council and will reconfirm our independence and objectivity to the Corporate Overview & Scrutiny Panel for the year ending 31 March 2019 in our final report to the Corporate Overview & Scrutiny Panel.
Non-audit fees	There are proposed audit related services to be carried out claims and returns. There are no other non-audit fees.
Independence monitoring	We continue to review our independence and ensure that appropriate safeguards are in place including, but not limited to, the rotation of senior partners and professional staff and the involvement of additional partners and professional staff to carry out reviews of the work performed and to otherwise advise as necessary.
Relationships	We have no other relationships with the Authority, its members, officers and affiliates, and have not supplied any services to other known connected parties.

Independence and fees (continued)

	Planned fee £'000s (excl. VAT)	
Code audit fee - Council	63	See note below
Code audit fee – Pension fund	19	See note below
Total audit	**82**	
Fees for reporting on the housing benefit subsidy claim	14	
Fees for reporting on teachers pension	4	
Fees for reporting on other government grants: Pooling of housing capital receipts return	4	
Total assurance services	**22**	
Total fees	**104**	

We have incurred additional costs in our work on the 2018/19 audit due to difficulties and delays in obtaining information and errors identified in the report.

We estimate the amount of additional cost incurred to date to be £15-20k and that the further time needed to complete the audit from this point all represents additional cost which will be charged using the rate card below.

Grade	Fee per hour £ (excl. VAT)
Partner/director	132
Senior manager/manager	73
Audit auditor	47
Other staff	36

Draft management representation letter

We have included below a draft version of the management representation letter required to be signed by the Chief Financial Officer:

Dear Sirs,

This representation letter is provided in connection with your audit of the financial statements of the Royal Borough of Windsor & Maidenhead ("the Council") for the year ended 31 March 2019 for the purpose of expressing an opinion as to whether the financial statements give a true and fair view of the financial position of the Royal Borough of Windsor & Maidenhead as of 31 March 2019 and of the results of its operations, other recognised gains and losses and its cash flows for the year then ended in accordance with applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting 2018/19.

We confirm, to the best of our knowledge and belief, the following representations:

Financial statements

1. We understand and have fulfilled our responsibilities for the preparation of the financial statements in accordance with applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting 2018/19 which give a true and fair view, as set out in the terms of the audit engagement letter.
2. Significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable.
3. Related party relationships and transactions have been appropriately accounted for and disclosed in accordance with the requirements of IAS24 "Related party disclosures".
4. All events subsequent to the date of the financial statements and for which the applicable financial reporting framework requires adjustment of or disclosure have been adjusted or disclosed.
5. The effects of uncorrected misstatements and disclosure deficiencies are immaterial, both individually and in aggregate, to the financial statements as a whole. A list of the uncorrected misstatements and disclosure deficiencies is detailed in the appendix to this letter.
6. We confirm that the financial statements have been prepared on the going concern basis and disclose in accordance with IAS 1 all matters of which we are aware that are relevant to the Council's ability to continue as a going concern, including principal conditions or events and our plans. We do not intend to liquidate the Council or cease trading as we consider we have realistic alternatives to doing so. We are not aware of any material uncertainties related to events or conditions that may cast significant doubt upon the Council's ability to continue as a going concern. We confirm the completeness of the information provided regarding events and conditions relating to going concern at the date of approval of the financial statements, including our plans for future actions.
7. The measurement processes, including related assumptions and models used to determine accounting estimates in the context of the applicable financial reporting framework are appropriate and have been applied consistently.
8. The assumptions appropriately reflect our intent and ability to carry out specific courses of action on behalf of the entity where relevant to the accounting estimates and disclosures.
9. The disclosures related to accounting estimates under the entity's applicable financial reporting framework are complete and appropriate.
10. There have been no subsequent events that require adjustment to the accounting estimates and disclosures included in the financial statements.

Draft management representation letter (continued)

11. The Council has satisfactory title to all assets and there are no liens or encumbrances on the Council's assets and assets pledged as collateral.
12. We have recorded or disclosed, as appropriate, all liabilities, both actual and contingent.
13. We are not aware of any deficiencies in internal control.
14. We confirm that entity only IFRS financial statements have been produced on the grounds of materiality.
15. All minutes of member and officer meetings during and since the financial year have been made available to you.
16. We have reconsidered the remaining useful lives of the fixed assets and confirm that the present rates of depreciation are appropriate to amortise the cost or revalued amount less residual value over the remaining useful lives.
17. Except as disclosed in Note 14 to the accounts, as at 31 July 2019 there were no significant capital commitments contracted for by the Council.
18. We are not aware of events or changes in circumstances occurring during the period which indicate that the carrying amount of fixed assets or goodwill may not be recoverable.
19. We confirm that:
    - all retirement benefits and schemes, including UK, foreign, funded or unfunded, approved or unapproved, contractual or implicit have been identified and properly accounted for;
    - all settlements and curtailments have been identified and properly accounted for;
    - all events which relate to the determination of pension liabilities have been brought to the actuary's attention;
    - the actuarial assumptions underlying the valuation of the scheme liabilities (including the discount rate used) accord with the directors' best estimates of the future events that will affect the cost of retirement benefits and are consistent with our knowledge of the business;
    - the actuary's calculations have been based on complete and up to date member data as far as appropriate regarding the adopted methodology; and
    - the amounts included in the financial statements derived from the work of the actuary are appropriate.
20. With respect to the revaluation of properties in accordance with the Code:
    - the measurement processes used are appropriate and have been applied consistently, including related assumptions and models;
    - the assumptions appropriately reflect our intent and ability to carry out specific courses of action on behalf of the entity where relevant to the accounting estimates and disclosures;
    - the disclosures are complete and appropriate.
    - there have been no subsequent events that require adjustment to the valuations and disclosures included in the financial statements.
    - the information supplied for the valuation of the Authority's property and investment property assets includes up to date rental and other relevant data to inform the valuation, and there are no circumstances we are aware of that would impact upon the valuation of assets (such as issues with condition) that have not been shared with the valuer;

21. We have considered the valuation of the Authority's Property, Plant and Equipment, and are not aware of any circumstances indicating volatility in asset values requiring a revaluation in the current year.

Draft management representation letter (continued)

Information provided

22. We have provided you with:
    - access to all information of which we are aware that is relevant to the preparation of the financial statements such as records, documentation and other matters;
    - additional information that you have requested from us for the purpose of the audit; and;
    - unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.
23. All transactions have been recorded and are reflected in the financial statements and the underlying accounting records.
24. We acknowledge our responsibilities for the design, implementation and maintenance of internal control to prevent and detect fraud and error.
25. We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
24. We are not aware of any fraud or suspected fraud that affects the entity or group and involves:
    i. officers;
    ii. employees who have significant roles in internal control; or
    iii. others where the fraud could have a material effect on the financial statements.
25. We have disclosed to you all information in relation to allegations of fraud, or suspected fraud, affecting the entity's financial statements communicated by employees, former employees, analysts, regulators or others.
26. We have disclosed to you all known instances of non-compliance, or suspected non-compliance, with laws, regulations, and contractual agreements whose effects should be considered when preparing financial statements.
27. We have disclosed to you the identity of the entity's related parties and all the related party relationships and transactions of which we are aware.
28. All known actual or possible litigation and claims whose effects should be considered when preparing the financial statements have been disclosed to you and accounted for and disclosed in accordance with the applicable financial reporting framework. On the basis of legal advice we have set them out in the attachment with our estimates of their potential effect. No other claims in connection with litigation have been or are expected to be received.
29. We have no plans or intentions that may materially affect the carrying value or classification of assets and liabilities reflected in the financial statements.

We confirm that the above representations are made on the basis of adequate enquiries of officers and staff (and where appropriate, inspection of evidence) sufficient to satisfy ourselves that we can properly make each of the above representations to you.

Yours faithfully

Signed on behalf of Royal Borough of Windsor & Maidenhead