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Royal Borough of Windsor & Maidenhead

AUDIT AND GOVERNANCE COMMITTEE

TUESDAY, 16TH FEBRUARY, 2021

At 6.15 pm

by

VIRTUAL MEETING - ONLINE ACCESS ON RBWM YOUTUBE

SUPPLEMENTARY AGENDA

PART I

ITEM	SUBJECT	PAGE NO
4.	ANNUAL STATEMENT OF ACCOUNTS AND ISA260 To consider the audited accounts from the last financial year.	3 - 146

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Agenda Item 4

Report Title:	Post Audit Statement of Accounts and External Audit updates 2019/20
Contains Confidential or Exempt Information?	NO - Part I
Member reporting:	Councillor Hilton, Lead Member for Finance
Meeting and Date:	Overview & Scrutiny Panel February 16th 2021
Responsible Officer(s):	Adele Taylor Director of Resources and Section 151 Officer
Wards affected:	All

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Royal Borough of Windsor & Maidenhead

REPORT SUMMARY

1. This report presents RBWM's Statement of Accounts following audit by Deloitte.

2. It recommends that the signing of the Statement of Accounts for 2019/20 is delegated to the chairman once Deloitte have completed the audit in full and given their final audit opinion.

3. These recommendations are being made because the Council has a statutory duty to approve the Statement of Accounts every year.

1. DETAILS OF RECOMMENDATION(S)

RECOMMENDATION: That Overview and Scrutiny Panel notes the report and:

i) Approves the delegation for the signing of the Statement of Accounts to the chairman once the audit is fully completed. A copy of the latest statement of accounts is in Appendix A.
ii) Approves the latest ISA260 for RBWM in Appendix B.
iii) Approves the latest ISA260 for the Berkshire Pension Fund in Appendix C.

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 Overview and Scrutiny Panel however, ask questions of the Council's officers and auditors (Deloitte) 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 30 September or receive a qualified opinion or > 5 material changes.	Published on or before 30 September With an unqualified opinion and 1-4 material changes.	Published on or before 30 September with an unqualified opinion and no changes.	N/A	30 September 2020

4. FINANCIAL DETAILS / VALUE FOR MONEY

4.1 Deloitte anticipate issuing an unqualified audit opinion on the authority's statement of accounts and a qualified opinion on the value for money statement. Deloitte do not report any unadjusted misstatements in the statement of accounts for the council.

4.2 The Bank reconciliation unreconciled balance is included in the ISA260 report as this wasn't corrected until 2020/21 when a report was taken to cabinet to approve the relevant accounting entries to be transacted.

4.3 This report does not include the details of Deloitte's findings as these are contained in separate reports (ISA260). These reports will be presented to the Panel for both the RBWM accounts and the Pension accounts at the meeting on the 16th of February 2021.

5. LEGAL IMPLICATIONS

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

6. RISK MANAGEMENT

Table 2: Impact of risk and mitigation

Risks	Uncontrolled risk	Controls	Controlled risk
Possibility of unqualified value for money	High	Update of issues raised during 2020/21 audit of the statement of accounts	Medium

Risks	Uncontrolled risk	Controls	Controlled risk
statement for 2019/20			

7. POTENTIAL IMPACTS

None

8. CONSULTATION

8.1 A public notice dated the 3rd of August 2020 was put onto the Council's website giving residents the opportunity to inspect the accounts and related transactions and correspondence until the 14th of September 2020.

9. TIMETABLE FOR IMPLEMENTATION

9.1 This section is not applicable.

10. APPENDICES

10.1 This report is supported by two appendices.

- Appendix A Statement of Accounts 2019/20
- Appendix B ISA260 reports for both RBWM
- Appendix C ISA260 for the Pension fund.

11. BACKGROUND DOCUMENTS

11.1 This report is not supported by any background documents.

12. CONSULTATION (MANDATORY)

REPORT HISTORY

Name of consultee	Post held	Date issued for comment	Date returned with comments
Cllr Hilton	Lead Member for Finance and Ascot		
Duncan Sharkey	Managing Director		
Adele Taylor	Executive Director and Section 151 Officer	8/2/2021	8/2/2021
Kevin McDaniel	Director of Children's services		
Nikki Craig	Head of HR and Corporate Projects		
Louisa Dean	Communications		
Andrew Vallance	Head of Finance	5/2/2021	8/2/2021

Name of consultee	Post held	Date issued for comment	Date returned with comments
Hilary Hall	Deputy Director of Commissioning and Strategy(DASS)		

Statement of Accounts 2019/20

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Royal Borough of Windsor & Maidenhead

CONTENTS

ROYAL BOROUGH OF WINDSOR & MAIDENHEAD AND GROUP STATEMENT OF ACCOUNTS FOR THE YEAR ENDED 31st MARCH 2020

The Royal Borough of Windsor and Maidenhead Statement of Accounts 2019/20

Narrative Report

The Royal Borough of Windsor and Maidenhead covers an area of 76.6 square miles. It is in Berkshire at the heart of the Thames Valley, less than 30 miles west of central London and is one of the most affluent in the country. It comprises three main settlements: Ascot, Maidenhead and Windsor; and enjoys a predominantly rural setting, including Green Belt, Crown Estate and National Trust land, with 60 parks and open spaces.

The estimated population of the borough is 151,422 in 2019. Based on the Index of Multiple Deprivation 2019, the borough is ranked 304 out of 317 local authorities. Although no wards within the borough fall within the 10% most deprived wards nationally, there are areas of relative deprivation, such as Oldfield.

At a glance:	
Population:	151,422, expected to rise to 159,700 by 2041.(ONS Population Estimates)
Size:	76.6 square miles
Qualifications and training:	48.9% of population qualified to and above degree-level or equivalent (compared to South East 35.8% and England 33.1%) 3.4% with no qualifications (GCSE) (compared to South East 5.9% and England 7.6%) (ONS APS Dec-2019)
Employment:	Unemployment rate 2.3% compared to South East 3.1%, and UK 3.9% (Nomis, March 2020)
Ethnicity:	13.9% non-white British (ONS Census 2011)
Average house price:	£467,500 compared to South East £325,000 and England average £237,995. (year ending Dec-2019, ONS House Price Statistics for Small Areas)

Our priorities

Our agreed priorities for the Royal Borough of Windsor and Maidenhead are: -

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

These strategic priorities are put into practice through detailed service delivery and spending plans. Day to day management of the Royal Borough is the responsibility of the Corporate Leadership Team, which consists of the Managing Director, Directors and Heads of Service. The strategic direction for this team is set by:

- Cabinet – made up of councillors who are portfolio holders for all the major services
- 41 elected councillors – including the scrutiny function

The Royal Borough of Windsor and Maidenhead Statement of Accounts 2019/20

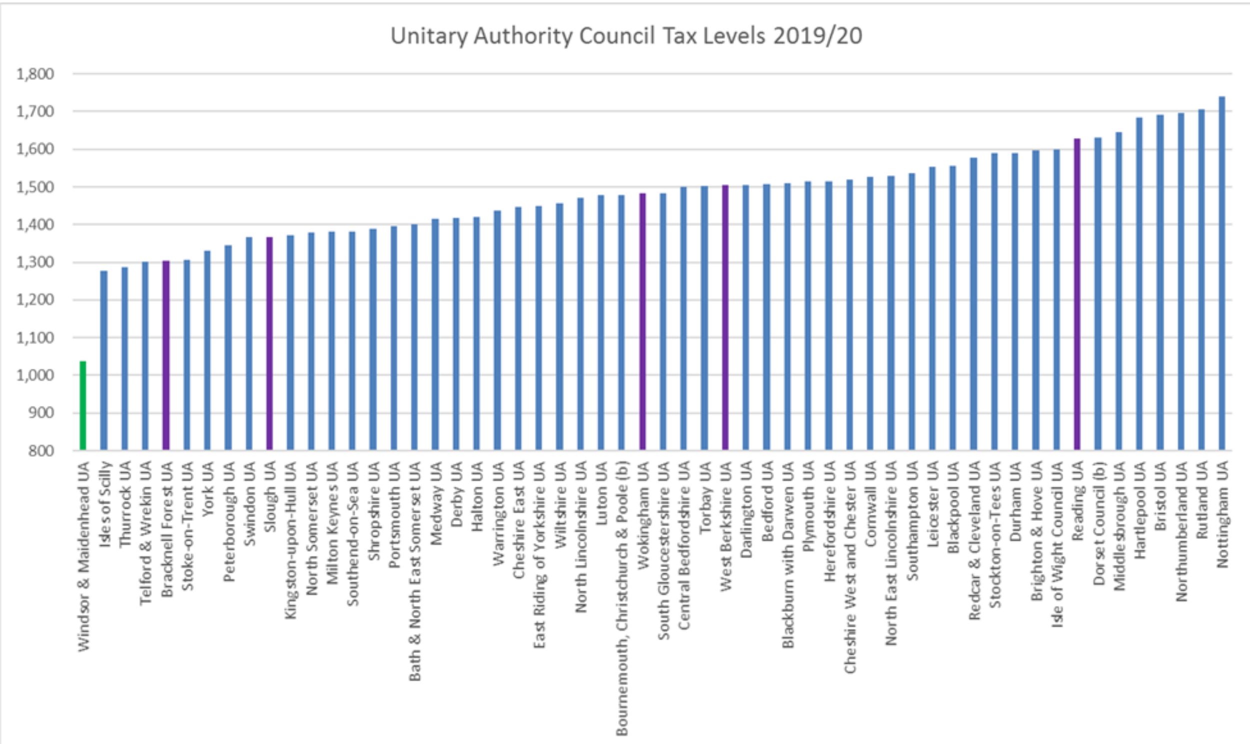
Achievements in 2019/20

The Royal Borough delivers essential services to the community: the residents, businesses and partners of Windsor and Maidenhead every day. Services range from those that the Royal Borough is required to carry out by law (statutory duties) such as street cleaning, waste collection, planning and building control, education and social care, through to discretionary services, such as sport and leisure, tailored to local priorities and needs.

As a council we measure how well we are performing through a range of indicators as well as our residents' survey. Everything we do has to be provided within the challenge of reduced central grant to local government and increasing demand on service areas as the population grows and ages.

We are committed to providing high quality services for everyone in our community and in January 2020 we were pleased to be rated as 'good' by the regulator Ofsted for our children's services (https://files.ofsted.gov.uk/v1/file/50146539). Also, 94% of schools were rated either good, or outstanding by Ofsted. Within the Royal Borough, for older and vulnerable people 78% of private nursing homes, 89% of private residential homes and 79% of private domiciliary care agencies looking after vulnerable people are rated either 'Good' or 'Outstanding' by the regulator the Care Quality Commission in March 2020 - (https://www.cqc.org.uk/publications/themes-care/area-data-profiles#profiles-w).

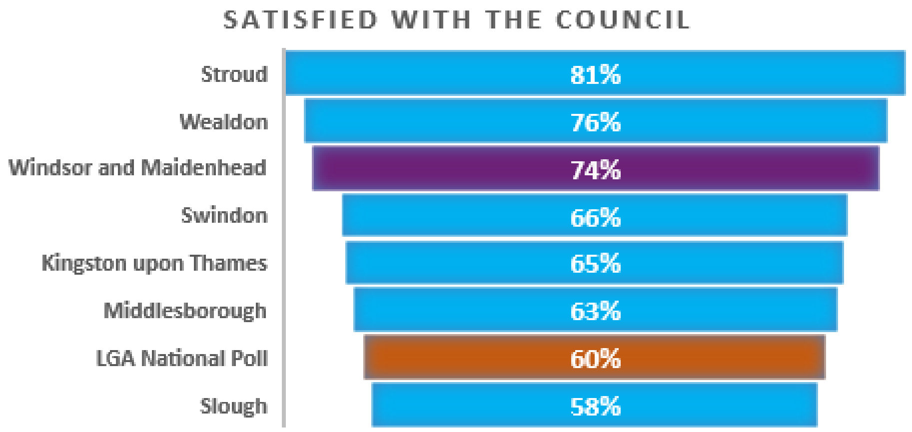
Our commitment to delivering high quality services is rooted in our commitment to providing value for money. Outside of London the Royal Borough has the lowest level of Council Tax in England. The chart below compares the Council Tax of Windsor and Maidenhead with all unitary councils across the country. Council tax is 30% below the national average as well as significantly below neighbouring Berkshire councils.

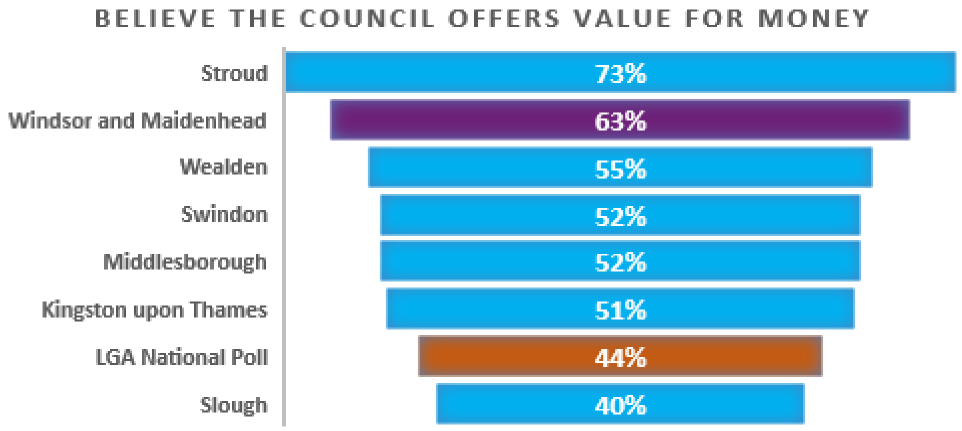


The Royal Borough of Windsor and Maidenhead Statement of Accounts 2019/20

What Residents Think

Residents are at the heart of everything we do, and our resident satisfaction results show that in 2019/20 74% of residents were satisfied with the Royal Borough and 63% feel we provide value for money. Results are compared with the Local Government Association's national poll on resident satisfaction with councils (data gathered October 2018) and 2017/18 data for 6 councils delivering the LGA's "Are you being served" telephone survey.





For 2019/20, the Royal Borough's net revenue budget was set at £93.9m after assuming savings of £6.8m. Within the year unexpected pressures arose which could not be predicted including the outbreak of the COVID19 worldwide pandemic and the start of lockdown. Like many other councils the costs of placing vulnerable people in the care of the local authority have risen over and above what was expected. The outturn for the year is therefore an overspend of £2.4m, with the main areas of overspend in Commissioning - Communities, £1.5m, and Children's Services, £1.8m. The COVID19 costs of £1.8m were funded from the first tranche of Ministry for Housing, Communities and Local Government COVID19 funding. The outturn statement is shown below:

The Royal Borough of Windsor and Maidenhead Statement of Accounts 2019/20

Outturn Statement 2019/20

Original Budget	SUMMARY	Revised Budget	Actual Outturn including COVID19 costs	Actual Variance including COVID19 costs	Total COVID19 costs included in Actuals
£000		£000	£000	£000	£000
398	Management	687	750	63	0
466	Communications & Marketing	475	717	242	0
1,293	Human Resources	1,218	1,233	15	0
1,898	Law & Governance	1,907	1,925	18	0
2,101	Commissioning & Support	2,048	2,392	344	305
9,826	Commissioning - Communities	10,352	11,917	1,565	562
24,526	AfC Contract - Children's Services	24,524	26,363	1,839	14
11,140	AfC Contract - Dedicated Schools Grant	11,139	11,656	517	0
(2,546)	Children's Services - Retained	(2,546)	(2,431)	115	0
53,293	Dedicated Schools Grant - Retained	52,776	52,504	(272)	0
29,199	Adult Social Care - Optalis Contract	30,081	31,646	1,565	0
16,335	Adult Social Care - Spend	15,770	15,917	147	0
(11,725)	Adult Social Care - Income	(11,957)	(13,524)	(1,567)	157
12,728	Better Care Fund	13,292	14,110	818	0
4,659	Public Health	4,656	4,656	0	0
(80,585)	Grant Income	(80,633)	(81,693)	(1,060)	0
1,143	Finance	1,222	915	(307)	25
					0
74,149	**Total Managing Director's Directorate**	**75,011**	**79,053**	**4,042**	**1,063**
141	Executive Director of Communities	203	173	(30)	0
830	Revenues & Benefits	902	1,361	459	68
1,327	Communities, Enforcement & Partnerships	1,679	2,300	621	613
3,150	Library & Resident Services	3,195	3,233	38	0
1,351	ICT	1,320	1,462	142	0
					0
6,799	**Total Communities Directorate**	**7,299**	**8,529**	**1,230**	**681**
365	Executive Director of Place	359	212	(147)	0
1,086	Housing	1,085	1,866	781	21
1,302	Planning Service	1,332	1,139	(193)	0
(2,546)	Property Service	(2,587)	(2,951)	(364)	62
					0
207	**Total Place Directorate**	**189**	**266**	**77**	**83**

The Royal Borough of Windsor and Maidenhead Statement of Accounts 2019/20

Original Budget	SUMMARY	Revised Budget	Actual Outturn including COVID19 costs	Actual Variance including COVID19 costs	Total COVID19 costs included in Actuals
£000		£000	£000	£000	£000
81,155	**Total Service Expenditure**	**82,499**	**87,848**	**5,349**	
3,458	Contribution to / (from) Reserves	3,458	3,458	0	
4,017	Pensions deficit recovery	4,017	4,017	0	
300	Pay reward	5	5	0	
	Transfer from Provision for Redundancy	(441)	(441)	0	
	Provision for Business rates deficit	0	2,421	2,421	
	Increase / (Decrease) to provision for bad debt	0	382	382	
	COVID19 Grant	0	(1,827)	(1,827)	(1,827)
	Release of historic capital grant	0	0	0	
159	Environment Agency levy	159	156	(3)	
	Variance on Business Rates income	0	(3,511)	(3,511)	
4,778	Capital Financing inc Interest Receipts	4,778	4,364	(414)	
93,867	**NET REQUIREMENTS**	94,475	96,872	2,397	
(1,094)	Less - Special Expenses	(1,094)	(1,094)	0	
0	Transfer to / (from) balances	(608)	(3,005)	(2,397)	
92,773	**GROSS COUNCIL TAX REQUIREMENT**	92,773	92,773	0	
	General Fund				
	Opening Balance	7,778		10,628	
	Contribution to / (from) Reserves	3,458		0	
	Budget Transfers (from) Balances	(608)		(2,397)	
		10,628		8,231	
	Transfers (from) Balances, Variance	(2,397)			
	Budget General Fund Outturn	8,231			

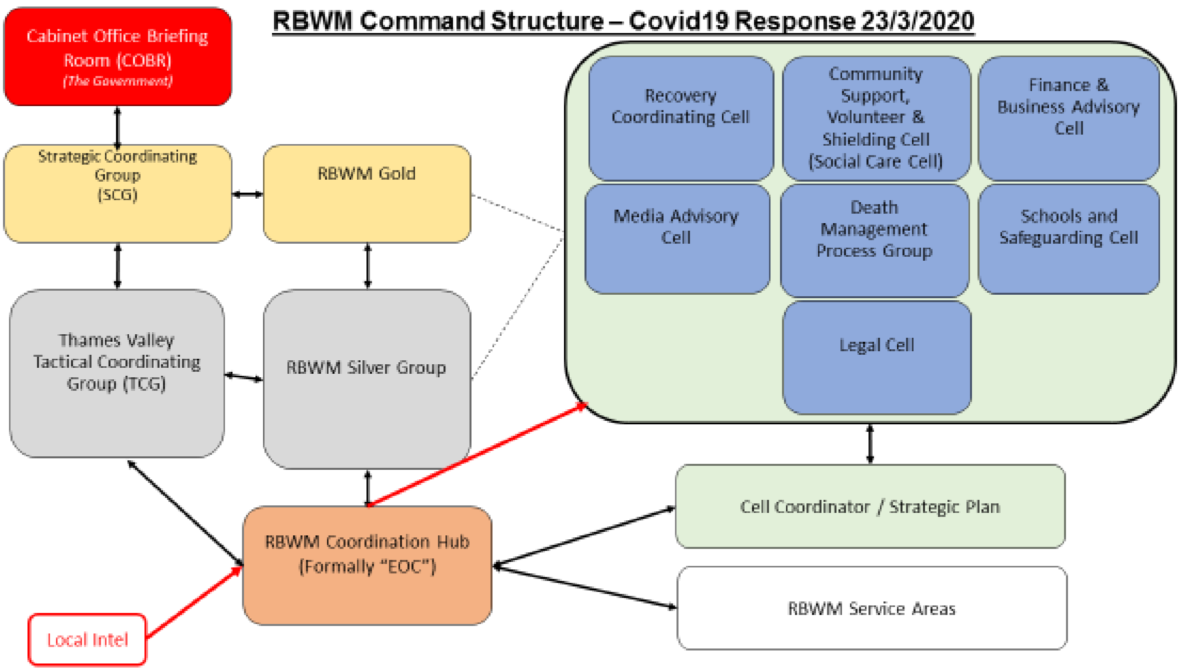
The Royal Borough of Windsor and Maidenhead Statement of Accounts 2019/20

COVID-19 Initial Financial Assessment

The impact of the worldwide COVID-19 pandemic on both health and the economy cannot yet be fully assessed as the relaxation of lockdown arrangements and the recovery process is still in its early stages. The pandemic is a worldwide challenge and national governments are continuously working on measures to reduce the spread of the virus and re-start the economy in a safe and managed way.

From 23 March 2020 the Royal Borough adopted a Command Structure in response to the COVID19 pandemic. This was stepped down in mid-July but can be stepped up again if necessary. The structure's overall priorities were to protect lives, provide community leadership, reassurance, prepare for recovery and business continuity. The structure included seven cells to provide delivery and support to the overall response.

Officers of the Council were appointed to roles in the Command Structure, and coordination for business as usual where still possible was led by an identified Head of Service.



Provision of services during the COVID-19 pandemic

Adult Social Care services

Towards the end of the financial year the outbreak of the coronavirus Covid -19 began to have a significant impact on the operation of Adult Social Care.

Working practices of front-line social care staff were reviewed and updated to ensure service users and staff were protected. Social care staff have worked in partnership with the NHS to meet the significant challenges presented by the virus and in particular to facilitate timely discharge of residents from hospital.

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Day centre facilities operated by Optalis were closed in line with government guidance, and staffing resources were re-assigned to other frontline duties. At the same time, the service-maintained contact with all service users and their families during the difficult lockdown period to ensure that there were no family breakdowns and needs could be met.

Every effort was made to provide support and ensure the resilience of care providers, both care homes and domiciliary care agencies, in their front-line role of protecting their existing clients and managing increasing demand. Financial support was made available to care providers in the Borough to mitigate the impact of additional costs they were incurring as a result of the pandemic. In partnership with the NHS, arrangements were made to source additional care provision to meet an anticipated increase in demand.

Schools and Children's Services

The initial impact of the COVID-19 pandemic lockdown for schools and children's services had a small financial effect with most supplier payments in March 2020 continuing as planned, along with schools retaining their delegated budget at expected levels. School closures meant that most schools were able to flex staffing to provide key worker support into the Easter break, while Education Welfare ceased working on school absence and focused their efforts on securing education for the most vulnerable. The impact of the closure resulted in the loss of income for schools via lettings and for the Local Authority from use of youth facilities and school absence fine income - a loss which continues to mount during 2020/21 while internal spaces for larger groups remain unsafe.

Social care costs during the immediate onset of Covid lockdown have remained stable with foster care placements showing better than expected resilience and staff absence levels remaining low. The lockdown period will however have created tensions in many families, and it is expected that increased costs will flow into Children's Services through 2020/21 and into 2021/22.

Impact on the Council's workforce

In accordance with government guidance the majority of the Council's workforce have been working from home during the lockdown period, with the exception of a small number of community-based roles and other posts where working from home has not been feasible due to technology limitations. Whilst plans are in place to ensure core council offices are Covid secure to enable those who need to come into the office are able to do so, it is expected that the majority of staff will continue to work remotely for most of their working time for the foreseeable future. This has required significant flexibility and rapid changes to processes and working arrangements; however, services have continued to be delivered successfully.

Throughout the Covid-19 pandemic the Council has been able to maintain sufficient staffing levels across all of its services. A small number of staff were redeployed to undertake key roles to support the council's formal emergency response. Staff working in services which were required to close by the government or were unable to carry out their normal role due to shielding, were engaged in alternative duties where appropriate. The Council will continue to monitor staffing availability on an ongoing basis.

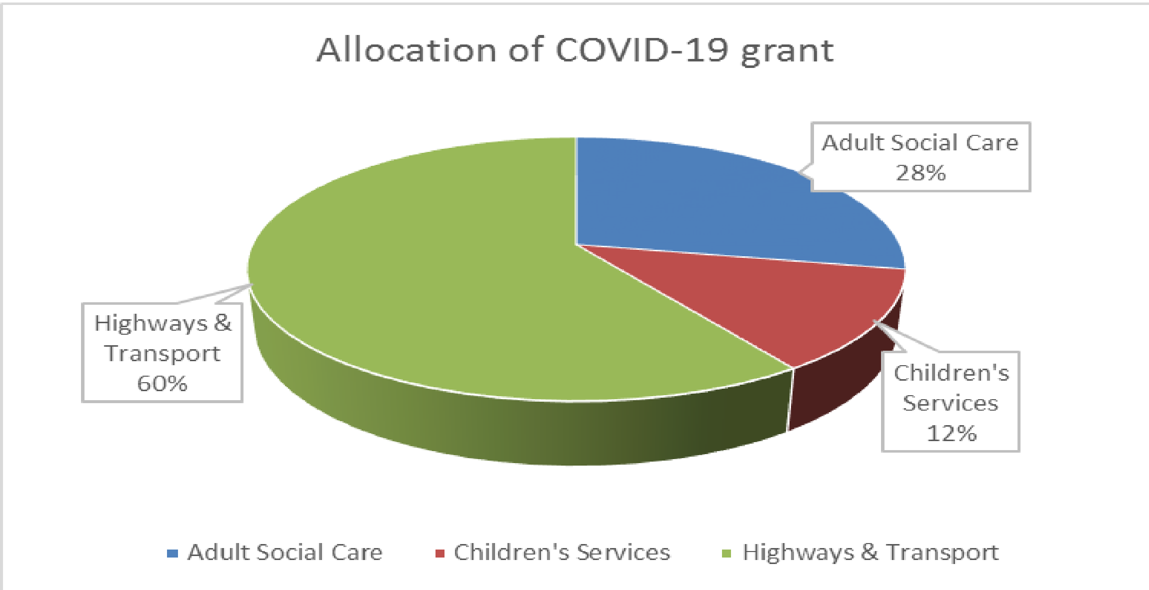
The Royal Borough of Windsor and Maidenhead Statement of Accounts 2019/20

Reserves, financial performance and financial position

The Royal Borough has incurred unforeseen COVID-19 costs, and this has increased both its short and medium-term financial challenges. The greatest financial impact has been the Royal Borough's loss of income during the lockdown period. The expectation is that the impact of the COVID-19 pandemic will continue as recovery begins and government measures such as the furlough scheme are phased out by October 2020. Increased costs incurred include care and homelessness service costs for the vulnerable. We are also accounting for expected increases in demand and costs in Children's Social Care as schools reopen in significant numbers.

The Royal Borough is experiencing an extensive loss of income for parking, leisure, commercial rents, council tax and business rates. Much of this income loss is foregone and the impact is being reflected in the projected revenue outturn for 2020/21.

Since lockdown on the 11 March 2020 the government has allocated COVID-19 grant in three tranches, The Royal Borough's total allocated grant is £8.126m. £1.827m was utilised between the 11 and 31 March 2020 and is included in the 2019/20 financial statements. The remaining balance of £6.299m will be used to partly offset the Councils 2020/21 COVID19 costs to date of £12.028m. The Royal Borough's allocation of the COVID-19 grant is shown below:



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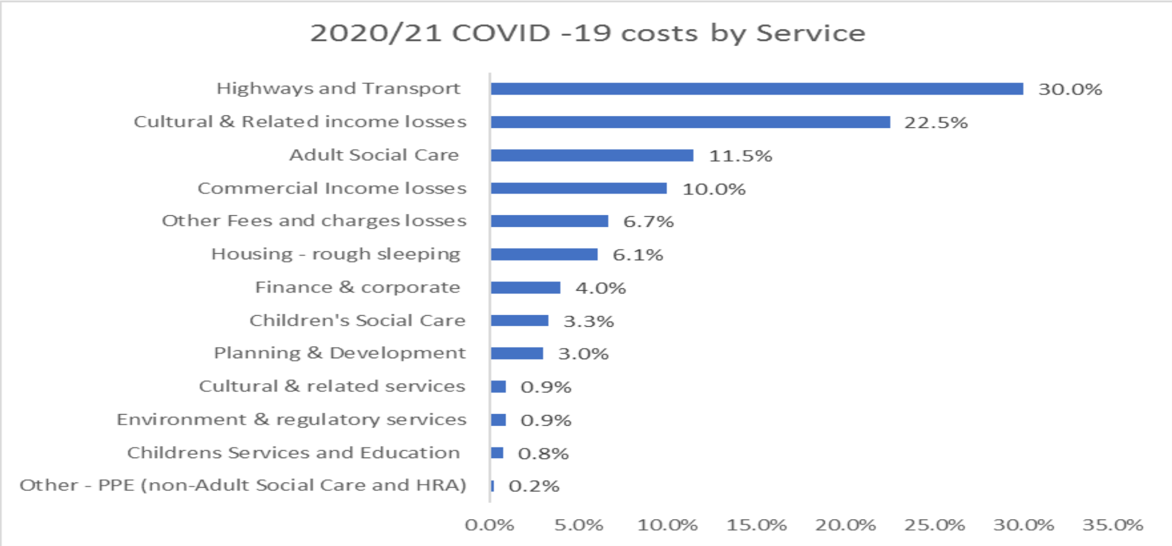
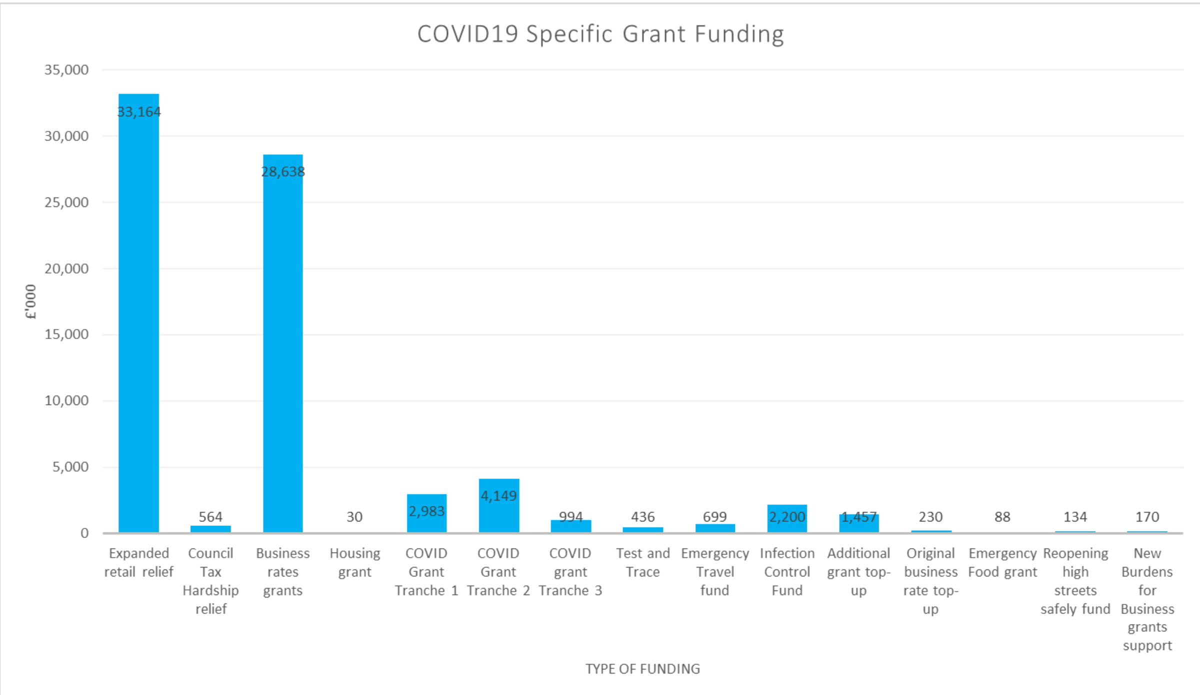
The breakdown of the projected service spend on the COVID-19 pandemic is shown below:



The Royal Borough has also received specific Covid 19 related grant funding totalling £74.88m since March 2020; some of this funding is up-front and some is reimbursed. The largest grant of £33.164m is designed to cover two new forms of Business Rate Relief i.e. Expanded Retail Relief and Nursery Relief. Half a million of this funding is also allocated to assist individuals in receipt of Council Tax Reduction with an additional award of up to £150 to reduce their outstanding Council Tax liability. These sums are being allocated by the Royal Borough in line with Government guidelines provided in order to support both local businesses and individual residents with the financial impacts of Covid 19.



Recovery Plans

The Council has developed a draft recovery strategy which will go to Cabinet for approval. The strategy will deliver the objectives in the Thames Valley Recovery Strategy and sets out a comprehensive programme of actions to enable recovery of the Borough across the following themes:

- Communities, health and wellbeing
- Place making
- Education and skills
- Business intelligence and engagement
- Communications and marketing
- Infrastructure

Our Financial Strategy

The Royal Borough is committed to providing high quality services that offer value for money. Our corporate priorities guide our spending, alongside our statutory roles looking after the most vulnerable people in society and protecting the environment. Our financial strategy must balance the growing demands for services such as adult social care and children’s services with our commitment to protect the environment and promote a buoyant and diverse economy.

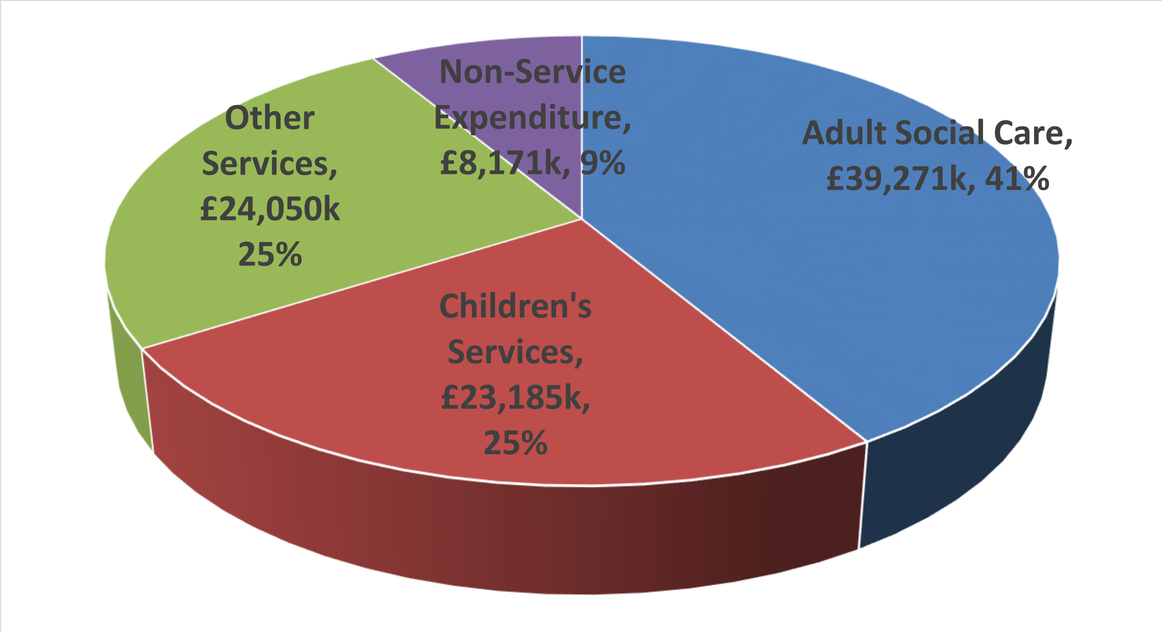
An increasing proportion of our expenditure is being spent on services that support individual and vulnerable people. In all the services we either commission or deliver we will strive to achieve the best outcomes for our residents achieving the best value for money.

Our commitment to low council tax means that the 25% of our expenditure spent on non-statutory services provided to our community is under particular pressure. In 2020/21 prior to the worldwide COVID-19 pandemic the Royal Borough had committed to a significant savings programme and is continually working to ensure that the services it delivers are subjected to rigorous value for money testing. We will continue to seek out opportunities to deliver efficiencies, savings and ways to increase our income. As a result of COVID-19 this challenge is now greater than was originally anticipated when the 2020/21 budget was set.

The Royal Borough has an on-going transformation plan/programme, which will aid delivery of the increased efficiencies and savings requirement.

The Royal Borough of Windsor and Maidenhead Statement of Accounts 2019/20

An overview of the Royal Borough's budgeted spending for 2020/21 is set out below:



Treasury Management

The Royal Borough is required to operate a balanced budget. Part of the work of the Treasury Management team is to achieve this balance whilst at the same time making sure that enough cash is available to pay bills when needed. Surplus monies are invested in low risk, short-term investments, aimed at providing security and ready access to funds rather than high rates of return. Other aspects of treasury management are:

- funding the Royal Borough's capital plans. This might involve arranging long or short-term loans, or deploying internal resources such as accumulated balances or cash flow surpluses
- restructuring or making early repayment of debt where it is cost effective to do so; and
- making adequate set aside for repayment of long-term debt.

The Royal Borough of Windsor and Maidenhead Statement of Accounts 2019/20

The Royal Borough sets itself a number of key financial indicators which are monitored throughout the year:

	Royal Borough target 2019/20	Position at year end
Authorised limit for external debt – the total amount, from any source, that the Royal Borough can borrow or owe	£212m	£191m
Adequate provision should be made for repayment of long-term debt	Match provision with expected life of assets purchased.	

At 31 March 2020 cash holdings and short-term investments totalled £51.7m compared to £22m at 31 March 2019. The Royal Borough has used available cash balances rather than borrowing to finance capital investment this year. At 31 March 2020 the Royal Borough had the following significant financial obligations:

- Borrowing of £225m, comprising £44m of Public Works Loan Board (PWLB) debt and £181m of money market debt. Total borrowing includes £33.5m of debt managed on behalf of the Thames Valley Local Enterprise Partnership. PWLB debt is available to local authorities at a discounted rate, currently 1.9%. The Royal Borough's overall average borrowing rate is 2.91%.

The Royal Borough's current strategy, given the low returns available for short-term investment, is to use investment balances, reserves and rental income where possible to fund capital investment rather than borrowing at current market rates.

Financial Performance 2019/20

Net Asset Position and Reserves

The table below shows the movement:

	At 31/3/2019 £000	At 31/3/2020 £000
Non –current assets – these include: • Other buildings and equipment used to deliver services • Assets being held to generate a rental income • Investments in joint ventures and subsidiaries	555,812	628,586
Net current assets – debtors, stock and cash less short-term creditors and liabilities	34,566	41,180
Pensions Liabilities	(282,385)	(249,304)
Long term borrowing	(57,049)	(57,049)
Other long-term liabilities and provisions	(122,088)	(181,073)
Net assets	**128,856**	**182,340**

The Royal Borough of Windsor and Maidenhead Statement of Accounts 2019/20

Operational assets include:

• Buildings e.g. Town Hall	• Community Centres
• Car Parks	• Social care facilities
• Schools	• Youth Centres

The Royal Borough uses capital expenditure to deliver its agreed priorities and help shape the future of the borough. Capital investment often takes the form of infrastructure, buildings and community facilities, such as the new Braywick Leisure Centre. Capital expenditure, at £69m, was 37% below initial spending plans. COVID-19 lockdown has had an impact on planned investment which is now expected to take place in 2020/21, the reality of completion of outstanding projects will become clearer as lockdown is released. The Royal Borough has reduced its need to borrow for capital purposes by opting to use capital receipts and reserves.

Reserves and Working Balances

Reserves provide the opportunity for the Royal Borough to be resilient when unexpected events arise, and to plan for the future. Local authorities hold reserves which are both usable, and unusable, which must be set aside by law. Usable reserves consist of the following:

	At 31/3/2019 £000	At 31/3/2020 £000
Available to fund capital investment (1)	3,905	7,583
Balances held on behalf of schools (2)	529	437
General fund working balance (3)	7,778	8,231
Earmarked reserves (4)	5,825	5,489

(1) These balances represent a combination of:

- capital grants received but not yet applied;
- capital receipts from sales of property, land and buildings.

(2) These balances are for held for schools.

(3) The general fund working balance is for use against revenue costs. The 2019/20 reported revenue outturn of £8.231m was £2.421m above the approved minimum level required for 2019/20 of £5.810m. If no further government funding is received in 2020/21 for the COVID-19 pandemic, unrecovered costs incurred will mean the projected reserve level will be below the approved minimum required.

(4) Earmarked reserves represent a valuable resource, so procedures are in place to ensure that:

- All proposals to use earmarked balances must be approved
- An annual review takes place to confirm that the purpose of each reserve is still valid
- Where a reserve is no longer required, the monies will be transferred to general reserves.

The Royal Borough used £336,000 of earmarked reserves during 2019/20.

The Royal Borough of Windsor and Maidenhead Statement of Accounts 2019/20

Looking Ahead

Like many councils, the Royal Borough faces considerable financial challenges, particularly in supporting and protecting the most vulnerable people in our communities. These challenges are now greater than originally expected in 2020/21 and beyond as a result of the COVID-19 pandemic's financial impact. The Royal Borough is on the cusp of delivering major regeneration programmes that will deliver new homes, new community facilities and an enhanced environment. The COVID-19 impact on these projects in their entirety is currently unknown, however the Royal Borough is striving to continue with project delivery to budget and timetable as much as possible.

Our approach in 2020/21 will continue to be a focus on securing value for money whilst delivering high quality services. As set out in our budget papers, we did this by setting:

- a net revenue budget of £94.7m after the use of £2.2m of reserves
- Council Tax increases of 3.99% increasing the band D charge from £1,036.07 to £1,077.41
- Savings of £5.8m to be delivered by 31 March 2021.

Improvements in our financial management and financial governance during 2019/20 are continuing into 2020/21 with a detailed action plan on particular focus areas that will continue our improvement journey.

Looking further ahead, the Royal Borough will be undertaking significant work in 2020 to establish what changes it will need to make going forward to ensure it can be financially sustainable and continue to provide high quality services and promote a buoyant and diverse economy. The Royal Borough will also continue to work with MHCLG and the wider sector on the COVID-19 financial impacts.

An introduction to the 2019/20 Statement of Accounts

The Statement of Accounts which follows set out in more detail the Royal Borough's income and expenditure for the year, and its financial position at 31 March 2020. The Statement also explains how statutory requirements such as financing capital expenditure have been complied with.

The Royal Borough has a wholly owned trading subsidiary, RBWM Property Company Ltd. For the 2019/20 Statement of Accounts, the results of RBWM Property Company Ltd have not been consolidated on the grounds of materiality.

The format and content of the financial statements is prescribed by the *CIPFA Code of Practice on Local Authority Accounting*, which in turn is underpinned by International Financial Reporting Standards. A Glossary of key terms can be found at the end of this publication.

Core Statements are:

The **Comprehensive Income and Expenditure Statement** – this records all the Royal Borough's income and expenditure for the year. The top half of the statement sets out gross costs and income received for each service area, and the bottom half deals with corporate transactions and funding.

The Royal Borough of Windsor and Maidenhead Statement of Accounts 2019/20

The **Movement in Reserves Statement** is a summary of the changes to Royal Borough reserves and balances over the year. Reserves are divided into “usable”, which can be invested in capital projects or service improvements, and “unusable” which must be set aside for specific purposes.

The **Balance Sheet** is a “snapshot” of the Royal Borough’s assets, liabilities, cash balances and reserves at the year -end date.

The **Cash Flow Statement** shows changes in the Royal Borough’s cash balances during the year.

Supplementary Financial Statements are:

The **Collection Fund** summarises the collection of council tax and business rates, and the redistribution of some of that money to central government and the Royal Berkshire Fire Authority. The Financial Statements for the Berkshire **Pension Fund** are included as the Royal Borough is the administrator of the scheme.

The **Notes** provide more detail about accounting policies and individual transactions.

The Royal Borough of Windsor and Maidenhead Statement of Accounts 2019/20

Many items of account involve the use of **judgement and estimation techniques**. The most important of these are set out below:

Property Plant and Equipment	The authority carries out a rolling programme of valuations to ensure that operational property valuations are carried out at least every five years. These are carried out in accordance with the CIPFA code and RICS professional standards. For property, plant and equipment the Code requires a valuation to be at the asset's highest and best use and is a measure of financial capacity. Assets are measured using one of the following, which is most appropriate for the property, plant and equipment asset in question: • Existing Use Value (EUV) • Existing Use Value – Social; Housing (EUV-SH) • Depreciated Replacement Cost (DRC)
Depreciation rates	Depreciation charges are based on the expected useful life of assets and property, which has been assessed as follows: Other land and buildings 30-50 years Vehicles plant and equipment 4-10 years. Infrastructure assets 1-40 years
Rating appeals	The level of this provision reflects assumptions made about the number and value of successful rating appeals, based on our experience to date.
Pension liabilities	Key assumptions made by the actuary when calculating pension liabilities include future wage and price increases linked to inflation, the longevity(life expectancy) of retired members who have pensions already in payment and the discount rate (which is essentially a calculation of the amount of money which, if invested now, would be sufficient together with the income and growth in the accumulating assets to make these payments in future, using assumptions about investment returns
Investment properties	Investment properties have been valued using the Income approach (previously known as the investment method) and are revalued on an annual basis.

Finally, we would like to take this opportunity to thank all staff, including our finance team, for their hard work and dedication during a challenging period.

Adele Taylor FCPFA

Director of Resources (S151 Officer) Date: 03 August 2020

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 ??????? 2020 to approve the audited accounts.

Signed **Date:** **2020**

???????????
Chairman of the Corporate Overview and Scrutiny Panel

STATEMENT OF RESPONSIBILITIES

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 2020 and of its income and expenditure for the year then ended.

Date:
Adele Taylor
Director of Resources and Section 151 Officer

GROUP COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

2018/19				2019/20		
Gross Expenditure £'000	**Gross Income £'000**	**Net Expenditure £'000**		**Gross Expenditure £'000**	**Gross Income £'000**	**Net Expenditure £'000**
215,411	(123,987)	91,424	Managing Director	226,016	(135,633)	90,383
50,335	(40,577)	9,758	Communities Directorate	47,873	(35,198)	12,675
17,699	(14,431)	3,268	Place Directorate	14,068	(12,391)	1,677
283,445	**(178,995)**	**104,450**	**Full Cost of Services**	**287,957**	**(183,222)**	**104,735**
		1,432	Precepts paid to parishes			1,508
		153	Precepts & Levies			156
		145	Adjustments to provisions			2,367
		320	Adjustment to School Balances via Schools Reserve			92
		(438)	Adjustment to other reserves taken through the cost of services			(820)
		(1,695)	(Gain) / loss on the disposal of other fixed assets			626
		(61)	Other Operating Expenditure & Income (Note 11)			(205)
		15,936	Revenue exp.funded from capital under statute			12,099
		15,792	**Other Operating (Income) / Expenditure (Note 11)**			**15,823**
		3,196	Interest payable and similar charges			2,977
		5,924	Pensions interest cost			8,030
		(229)	Interest income			(265)
		3,234	Changes in the fair value of investment properties			(15,205)
		12,125	**Financing & Investment Income & Expenditure (Note 12)**			**(4,463)**
		(109,103)	Taxation and Non-Specific Grant Income (Note 13)			(107,810)
		23,264	**(Surplus) or Deficit on Provision of Services**			**8,285**
		1,346	Associates accounted for on a equity basis (Note 54)			(2,450)
		-	Tax expenses of associates			-
		24,610	**Group (Surplus) or Deficit**			**5,835**
		(3,659)	Other adjustments to value of Property, Plant and Equipment assets			(12,115)
		(20,564)	Remeasurement of the net defined benefit liability (asset)			(45,820)
		4,484	(Surplus) or deficit from investments in equity instruments designated at fair value through other comprehensive income (Note 54)			(2,450)
		1,713	Share of Other (Income) & Expenditure of associates (Note 54)			(420)
		(18,026)	**Other Comprehensive (Income) and Expenditure**			**(60,805)**
		6,584	**Total Comprehensive (Income) and Expenditure**			**(54,970)**

COUNCIL AND GROUP BALANCE SHEET

2018/19				2019/20	
RBWM £'000	**Group £'000**	**Assets**	**Note**	**RBWM £'000**	**Group £'000**
		Non-current assets			
421,625	421,625	Property, Plant and Equipment	14	455,250	455,250
131,824	131,824	Investment Properties	16	96,230	96,230
2,104	2,104	Intangible Assets	17	1,721	1,721
-	-	Assets Held for Sale		73,057	73,057
245	245	Long Term Investments	18	250	250
14	14	Long Term Debtors	18	-	-
-	-	Investments in Associates	18/54	-	-
555,812	**555,812**	**Total Non-Current Assets**		**626,508**	**626,508**
		Current assets			
-	-	Short Term Investments	18	10,559	10,559
105	105	Inventories	19	22	22
32,507	32,507	Short Term Debtors	21	22,842	22,842
-	-	Assets Held for Sale	23	1,200	1,200
1,954	1,954	Cash and Cash Equivalents	22	7,622	7,622
34,566	**34,566**	**Total Current Assets**		**42,245**	**42,245**
590,378	**590,378**	**Total Assets**		**668,753**	**668,753**
		Liabilities			
		Current Liabilities			
(71,952)	(71,952)	Short Term Borrowing	18	(134,000)	(134,000)
(30,980)	(30,980)	Short Term Creditors	24	(34,634)	(34,634)
(102,932)	**(102,932)**	**Total Current Liabilities**		**(168,634)**	**(168,634)**
		Non-Current Liabilities			
(250)	(250)	Long Term Creditors	18	(243)	(243)
(3,226)	(3,226)	Provisions	25	(3,710)	(3,710)
(57,049)	(57,049)	Long Term Borrowing	18	(57,049)	(57,049)
(12,721)	(12,721)	Capital Grants Receipts in Advance	40	(8,941)	(8,941)
(282,385)	(282,385)	Retirement Benefit Obligations	49	(245,841)	(245,841)
(2,959)	(2,959)	Interest in net assets of Associates	18/54	(509)	(509)
(358,590)	**(358,590)**	**Total Non-Current Liabilities**		**(316,293)**	**(316,293)**
128,856	**128,856**	**Net Assets**		**183,826**	**183,826**
		Equity			
		Usable Reserves	26		
7,778	7,778	Fund Balances and Reserves		8,231	8,231
10,259	10,259	Other Reserves		14,666	14,666
		Unusable Reserves	27		
186,401	186,401	Capital Adjustment Account		193,414	193,414
214,694	214,694	Revaluation Reserve		224,972	224,972
(4,484)	(4,484)	Financial Instruments Revaluation Reserve		(2,034)	(2,034)
(282,385)	(282,385)	Pensions Reserve		(245,841)	(245,841)
(1,365)	(1,365)	Collection Fund Adjustment Account		(7,648)	(7,648)
(2,042)	(2,042)	Accumulated Absences Account		(1,934)	(1,934)
128,856	**128,856**			**183,826**	**183,826**

COUNCIL AND GROUP MOVEMENT IN RESERVES STATEMENT

2019/20	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 2019	**7,778**	**5,825**	**3,905**	**529**	**-**	**18,037**	**110,819**	**128,856**	**-**	**128,856**
Total Comprehensive Expenditure and Income (surplus or deficit on the provision of services)	**(5,835)**	**-**	**-**	**-**	**-**	**(5,835)**	**62,835**	**57,000**	**-**	**57,000**
Adjustments between group accounts and authority accounts (Group a/cs) (Note 54)	(2,450)	-	-	-	-	(2,450)	420	(2,030)	-	(2,030)
Net increase or decrease before transfers (Group a/cs)	**(8,285)**	**-**	**-**	**-**	**-**	**(8,285)**	**63,255**	**54,970**	**-**	**54,970**
Adjustments between accounting basis & funding basis under regulations (Note 9)	9,467	-	3,127	-	551	**13,145**	**(13,145)**	**-**	**-**	**-**
Net Increase / (Decrease) before Transfers to Earmarked Reserves	**1,182**	**-**	**3,127**	**-**	**551**	**4,860**	**50,111**	**54,970**	**-**	**54,970**
Transfers to / from Earmarked Reserves (Note 10)	(729)	821	-	(92)	-	-	**-**	**-**	**-**	**-**
Increase / (Decrease) in Year	**453**	**821**	**3,127**	**(92)**	**551**	**4,860**	**50,111**	**54,970**	**-**	**54,970**
Balance at 31 March 2020 Carried Forward	**8,231**	**6,646**	**7,032**	**437**	**551**	**22,897**	**160,930**	**183,826**	**-**	**183,826**

COUNCIL AND GROUP MOVEMENT IN RESERVES STATEMENT

2018/19	General Fund Balance	Earmarked Reserves	Capital Grants Unapplied	School Revenue Balances	Capital Receipts Reserve	Total Usable Reserves	Unusable Reserves	Total RBWM Reserves	RBWM share of Optalis & AfC Reserves	Total Group Reserves
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'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 CASH FLOW STATEMENT

2018/19 £'000	Group Cash Flow Statement (Indirect Method)	Note	2019/20 £'000
(23,264)	Net surplus or (deficit) on the provision of services		(8,285)
14,620	Adjust net surplus or (deficit) on the provision of services for noncash movements	28	23,029
(15,488)	Adjust for items included in the net surplus or deficit on the provision of services that are investing and financing activities	28	(11,064)
(24,132)	Net cash (outflows) / inflows from Operating Activities		**3,680**
(20,770)	Net cash (outflows) / inflows from Investing Activities	29	(60,059)
47,499	Net cash (outflows) / inflows from Financing Activities	30	62,047
2,597	Net Increase or (Decrease) in Cash and Cash Equivalents		**5,668**
(643)	Cash and cash equivalents at the beginning of the reporting period		**1,954**
1,954	**Cash and Cash Equivalents at the end of the reporting period**	22	**7,622**

NOTES TO THE ACCOUNTS

1 Accounting Policies - Following Note 54.

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:

• IFRS 16 Leases
The code requires local authorities as lessees to recognise assets and liabilities for all operating leases of more than a year on their balance sheets. A review is currently underway so the financial impact cannot be quantified presently.
• IAS19 Employee Benefits
Will require the remeasurement of net pension asset/liability following plan amendments, curtailments or settlements to be used to determine current service cost and net interest for the remainder of the year after the change to the plan. The updating of these assumptions only applies to changes from 1st April 2020 and, since this could result in positive, negative or no movement in the net pension liability, no prediction can be made of the possible accounting impact.

3 Critical Judgements in Applying Accounting Policies

In the application of the Group's accounting policies, which are described in note 1, the officers are required to make judgements (other than those involving estimations) that have a significant impact on the amounts recognised and to make estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The judgements involving estimations are dealt with separately below. In the opinion of the directors, the officers have not made any critical judgements in the process of applying the Company's accounting policies that could have a significant effect on the amounts recognised in financial statements.

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 actual results could be materially different from the assumptions and estimates. The key assumptions concerning the future, and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

Pension Liability

The estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discounts 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 Council with expert advice about the assumptions to be applied.

During 2019/20 the Council's actuaries advised that the net pension liability had decreased by £33m to £249m.

The effect of changes in the individual assumptions can be measured. For instance, a 0.1% decrease in the discount rate assumption would result in an increase in the pension liability of £9.3m. A 0.1% increase in the long term salary increase assumption would result in a £0.4m increase in the pension liability and an increase of 0.1% in the pension increases and deferred revaluation assumption would increase the pension liability by £8.9m.

Property, Plant and Equipment

The uncertainties arise as a result of the estimations used by the Council based on information received from the Council's valuation specialists. The basis of these estimations is set out in note 14 but different assumptions about the future could reasonably be used that could arrive at different results whilst still using the same basis for those estimations. This also applies to the areas of the investment property portfolio that have been assessed based on market evidence that can be subject to variation. Investment properties valued based on existing lease terms, rental values and yields are not subject to this same level of estimation.

The actual value of the assets, including both operational and investment property, only becomes apparent when they are sold and therefore there could be a material valuation between the revalued amount at 31 March 2020 and the value realised on disposal even within the next financial period. Given the range of different assumptions that could be applied the potential impact of differences in estimation cannot be quantified. The accounting treatment is set out in the disposals paragraph of the Property, Plant and Equipment section of Note 1.

The response to Covid-19 has presented an unprecedented set of circumstances on which to base valuation judgements at the balance sheet date. The Covid-19 pandemic has caused extensive disruptions to businesses and economic activities and the uncertainties created have increased the estimation uncertainty over the valuation of the property portfolio at the balance sheet date. Asset valuations at 31 March 2020 are included on the basis of 'material valuation uncertainty' so a higher degree of caution should be attached to these valuations. However, they have been based on the best information available and are therefore a valid basis of valuation for this Statement of Accounts. These include Property, Plant and Equipment and Investment Property valuations. In addition, the continuing uncertainty of Brexit has also been taken into consideration when arriving at property valuations for the 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 Statement.

6 Events After the Balance Sheet Date

The Statement of Account was authorised for issue by the Head of Finance on the 31 May 2020. Events taking place up to the date of signing the final audited financial statements are reflected in the financial statements and notes. Where events taking place before this date provided information about conditions existing at 31 March 2020 the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information. No further events have occurred which need to be reported here.

NOTES TO THE ACCOUNTS

7 Group 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.

2018/19				2019/20		
Net Exp. chargeable to the General Fund	Adjustments between the funding and accounting (Note 7) basis	Net Exp. in the CI&ES		Net Exp. chargeable to the General Fund	Adjustments between the funding and accounting (Note 7) basis	Net Exp. in the CI&ES
£'000	£'000	£'000		£'000	£'000	£'000
78,596	12,828	91,424	Managing Director	78,079	12,304	90,383
7,256	2,502	9,758	Communities	8,821	3,854	12,675
841	2,427	3,268	Place Directorate	363	1,314	1,677
86,693	**17,757**	**104,450**	**Full Cost of Services**	**87,263**	**17,472**	**104,735**
(86,821)	5,635	(81,186)	Other Income and Expenditure	(88,445)	(8,006)	(96,450)
(617)	617		Transfer to/from Earmarked Reserves	729	(729)	
(745)	**24,009**	**23,264**	**(Surplus)/Deficit**	**(453)**	**8,738**	**8,285**
(7,033)			Opening General Fund Balance	(7,778)		
(745)			Less (Surplus) or Deficit on General Fund	(453)		
(7,778)			**Closing General Fund Balance at 31 March**	**(8,231)**		

NOTES TO THE ACCOUNTS

Note to the Expenditure and Funding Analysis

Adjustments between Funding and Accounting Basis 2019/20				
Adjustments from General Fund to arrive at the Comprehensive Income and Expenditure Statement amounts	**Adjustment for Capital Purposes**	**Net change for the Pensions Adjustment**	**Other Differences**	**Total Adjustments**
	£'000	**£'000**	**£'000**	**£'000**
Managing Director	10,840	1,557	(93)	12,304
Communities Directorate	2,038	1,850	(34)	3,854
Place Directorate	685	610	19	1,314
Net Cost of Services	**13,563**	**4,017**	**(108)**	**17,472**
Other (income) and expenditure from the Expenditure and Funding Analysis	(19,543)	5,255	6,283	(8,006)
Transfers to / from Earmarked Reserves (Note 10)	-	-	(729)	(729)
Difference between General Fund surplus or deficit and Comprehensive Income and Expenditure Statement Surplus or Deficit on the Provision of Services.	**(5,980)**	**9,272**	**5,446**	**8,738**

Adjustments between Funding and Accounting Basis 2018/19				
Adjustments from General Fund to arrive at the Comprehensive Income and Expenditure Statement amounts	**Adjustment 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 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.

NOTES TO THE ACCOUNTS

8 Expenditure and Income analysed by Nature

	2018/19	2019/20
	£'000	£'000
Income		
Government Grants	(94,835)	(101,558)
Collection Fund	(93,548)	(89,997)
Housing Benefit Income	(31,709)	(26,222)
Other Grants & Contributions	(21,250)	(24,335)
Fees & Charges	(29,574)	(30,920)
Sales	(3,881)	(4,475)
Rent	(7,718)	(8,028)
Interest	(262)	(265)
Other Operating Income	(61)	(205)
Contributions from other funds/balances	1,195	526
	(281,643)	**(285,479)**
Expenditure		
Employees		
Direct Employee Costs	43,118	42,596
Teachers Pay	23,416	25,123
Indirect Employee Costs	2,636	1,944
Pension Interest Cost	5,924	8,030
Premises		
Repairs & Maintenance	2,330	2,057
Other Energy	111	116
Gas	220	258
Electricity	1,451	1,648
Other Rent & Rates	1,734	2,063
Rates	2,584	2,787
Water	216	303
Other Premises	1,890	1,934
Depreciation, Amortisation and Impairment	14,501	13,563
Supplies & Services		
Equipment, Furniture & Materials	1,348	1,572
Printing, Stationery & Office Expenses	1,849	2,176
Communications and Computing	3,176	3,597
Grants & Subscriptions	104	8,618
Other Supplies & Services	16,236	18,743
Transport	403	376
Contract Services	126,922	125,677
Housing Benefit Payment	32,455	26,783
Other Operating Expenditure and Income		
Interest Payments	3,196	2,977
Precepts and Levies	1,585	1,664
Changes in the fair value of Investment Properties	3,234	(15,205)
Gain or Loss on Disposal of Property, Plant & Equipment	(1,695)	626
Adjustment to School Balances	320	92
Adjustments to Provisions	145	2,367
Adjustments to Other Reserves	(438)	(820)
Revenue Expenditure Classified as Capital by Statute	15,936	12,099
Gross Expenditure	**304,907**	**293,764**
Surplus or Deficit on the Provision of Services	**23,264**	**8,285**

NOTES TO THE ACCOUNTS

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.

2019/20	Usable Reserves				
	General Fund Balance	Capital Grants Unapplied	Capital Receipts Reserve	Usable Reserves	Unusable Reserves
	£'000	£'000	£'000	£'000	£'000
Adjustments primarily involving the Capital Adjustment Account:					
Charges for depreciation and impairment of non-current assets	(12,971)			(12,971)	12,971
Movements in the market value of iInvestment properties	15,205			15,205	(15,205)
Amortisation of intangible assets	(592)			(592)	592
Capital grants and contributions applied	10,179			10,179	(10,179)
Revenue expenditure funded from capital under statute	(12,099)			(12,099)	12,099
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)	(1,505)			(1,505)	1,505
Statutory provision for the financing of capital investment	1,652			1,652	(1,652)
Adjustments primarily involving the Capital Grants Unapplied Account:					
Capital grants and contributions unapplied credited to the CI&E	5,232	(5,232)		-	-
Application of grants to capital financing transferred to the Capital Adjustment Account		2,105		2,105	(2,105)
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	879		(879)	-	-
Use of the Capital Receipts Reserve to finance new capital expenditure			328	328	(328)
Adjustments primarily involving the Pensions Reserve:					
Reversal of items relating to retirement benefits debited or credited to the CI&E Statement	(9,272)			(9,272)	9,272
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	(6,283)			(6,283)	6,283
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	108			108	(108)
Total Adjustments	**(9,467)**	**(3,127)**	**(551)**	**(13,145)**	**13,145**

NOTES TO THE ACCOUNTS

2018/19 Comparative figures	Usable Reserves				
	General Fund Balance	Capital Grants Unapplied	Capital Receipts Reserve	Usable Reserves	Unusable Reserves
	£'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 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)
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**

NOTES TO THE ACCOUNTS

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 2019/20.

	2018/19	Transfers Out	Transfers In	2019/20
	£'000	£'000	£'000	£'000
Insurance Reserve	1,150	(1,499)	1,309	960
Non Domestic Rate Pilot Reserve	2,553	(284)	-	2,269
Nature Reserve Maintenance Fund	123	(9)	9	123
Firestation Maintenance Fund (Windsor Arts Council)	25	-	9	34
Grave Maintenance Fund	8	-	-	8
Brexit Funding	100	(11)	210	299
Optalis Development Fund	102	(21)	-	81
Better Care Fund	1,676	(293)	-	1,383
Public Health Fund	88	-	244	332
Covid-19 Grant	-		1,157	1,157
Total	**5,825**	**(2,117)**	**2,938**	**6,646**

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 high policy excesses the council is essentially its own insurer. It therefore 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 £740,000 are currently outstanding (as at 30th April 2020).

The next bi-annual actuarial review is scheduled to be complete by September 2020. 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 MHCLG. For 2019/20 the six Berkshire Unitary authorities formed a pool for the retention of 74% of business rates. County wide surpluses will fund a £11m payment to the Local Enterprise Partnership (LEP) which in turn will support economic growth. Final payments to the LEP will be calculated in 2020/21 and funded from the reserve if required.

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 2019/20 £11,000 was spent, in 2018/19 £5,000.

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 £1.074m 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 £1.383m.

Covid-19 Grant

Funds received in 19/20 from the Ministry of Housing, Communities and Local Government to cover the increased costs of providing services to residence during the Covid-19 pandemic. The balance is carried forward and will be used in 20/21.

Public Health Fund (PHF)

As permitted by the grant conditions £244,000 of the Public Health grant received in 2019/20 has been carried forward to support future Public Health expenditure. This has increased the total reserves available for expenditure on Public Health to £332,000.

NOTES TO THE ACCOUNTS

Schools and Dedicated Schools Grant (DSG) Reserves

	2018/19	Transfers Out	Transfers In	2019/20
	£'000	£'000	£'000	£'000
School Revenue Balances (Net of Loans)	1312	-	150	**1,462**
Dedicated Schools Grant Reserve				
General DSG Reserve	(917)	(242)	-	(1,159)
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			-	-
Total DSG Reserve	**(783)**	**(242)**	**-**	**(1,025)**
Total Schools and DSG Reserves	**529**	**(242)**	**150**	**437**

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.

NOTES TO THE ACCOUNTS

11 Other Operating Expenditure and Income

	2018/19 £'000	2019/20 £'000
Parish council precepts	1,432	1,508
Levies (Environment Agency)	153	156
(Gains)/losses on the disposal of non-current assets*	(1,695)	626
Adjustments to provisions	145	2,367
Adjustment to School Balances via Schools Reserve	320	92
Adjustment to other reserves taken through the cost of services	(438)	(820)
Royal Wedding	130	-
VAT Refund HMRC - Leisure	(31)	-
Dividend from RBWM Property Company Ltd	(160)	(210)
Revenue expenditure funded from capital under statute	15,936	12,099
Transfer of residual mortgage balance	-	5
Total	**15,792**	**15,823**

* Disposal of schools converting to academies and other Property, plant & equipment

12 Financing and Investment Income and Expenditure

	2018/19 £'000	2019/20 £'000
Interest payable and similar charges	3,196	2,977
Pensions interest cost	5,924	8,030
Interest receivable and similar income	(229)	(265)
Changes in the fair value of investment properties	3,234	(15,205)
Total	**12,125**	**(4,463)**

13 Taxation and Non-Specific Grant Income

	2018/19 £'000	2019/20 £'000
Collection Fund Precepts, Demands and Adjustments	(161,331)	(137,522)
Business Rates Tariff	71,800	52,157
NNDR S31 and Other Collection Fund Grant	(4,017)	(4,632)
Non-ring-fenced government grants	(3,006)	(2,404)
Capital Grants and Contributions	(12,549)	(15,409)
Total	**(109,103)**	**(107,810)**

14 Property, Plant and Equipment

Movements on Balances

Movements in 2019/20	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 2019	313,633	25,215	198,285	8,205	5,569	16,385	567,292
Additions	1,437	8,431	8,221	952	7,907	29,629	56,577
Revaluation increases/(decreases) recognised in the Revaluation Reserve	21,436						21,436
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	(12,049)			(105)	(3,303)		(15,457)
Derecognition – disposals	(700)						(700)
Derecognition – other						(2,064)	(2,064)
Asset reclassifications*	(10,077)				62,883	(2,626)	50,181
At 31 March 2020	**313,680**	**33,646**	**206,506**	**9,052**	**73,057**	**41,324**	**677,265**
Accumulated Depreciation and Impairment							
At 1 April 2019	(19,444)	(11,257)	(114,441)	(129)			(145,271)
Depreciation charge	(4,631)	(2,103)	(6,236)				(12,971)
Depreciation written out to the Revaluation Reserve	8,143						8,143
Depreciation written out to the Surplus/Deficit on the Provision of Services	944						944
Impairment losses/(reversals) recognised in the Revaluation Reserve							-
Impairment losses/(reversals) recognised in the Surplus/Deficit on the Provision of Services	(2,489)						(2,489)
Derecognition – disposals							-
Derecognition – other							-
Other movements in depreciation and impairment	2,685				0		2,685
At 31 March 2020	**(14,792)**	**(13,360)**	**(120,677)**	**(129)**	**0**	**-**	**(148,958)**

*£1,615,000 of assets under construction were reclassified to investment property.

Net Book Value

	Other Land and Buildings	Vehicles, Plant, Furniture & Equipment	Infrastructure Assets	Community Assets	Surplus Assets	Assets Under Construction	Total PPE
At 31 March 2020	**298,888**	**20,286**	**85,829**	**8,923**	**73,057**	**41,324**	**528,307**
At 31 March 2019	293,793	13,958	83,844	8,076	5,569	16,385	421,625

NOTES TO THE ACCOUNTS

Comparative Movements in 2018/19

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	16,321			1,315			17,636
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	(13,409)	775		(262)	27		(12,869)
Derecognition – disposals					(991)		(991)
Derecognition – other	(56)					(967)	(1,023)
Assets reclassified (to)/from Held for	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	54					1,545
Depreciation written out to the Surplus/Deficit on the Provision of Services	34	-					34
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

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 (1 to 40 years)

NOTES TO THE ACCOUNTS

Capital Commitments

At 31 March 2020, the Authority has entered into a number of contracts for the construction or enhancement of Property, Plant and Equipment in 2020/21 and future years budgeted to cost £7.111m. Similar commitments at 31 March 2019 were £31.674m. The major commitments are:

Scheme	£'000
St Peters School	1,200
Furze Platt Senior	757
Braywick Leisure Centre	5,154
	7,111

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. 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. The portfolio has been valued at 31 March 2020 in accordance with the methodologies and basis for estimation set out in the professional standards of the Royal Institution for Chartered Surveyors. The assets were valued externally by Kempton Carr Croft, the Council's valuing agents. Valuations of vehicles, plant, furniture and equipment are based on current prices where there is an active second-hand market. At 31 March 2020, due to the Covid-19 pandemic and Brexit uncertainty, valuations are included on the basis of 'material valuation uncertainty' so a higher degree of caution should be attached to these valuations. However, they have been based on the best information available and are therefore a valid basis of valuation for this Statement of Accounts.

	Land & Buildings	Vehicles, Plant, Furniture & Equipment	Surplus Assets	Total
	£'000	£'000	£'000	£'000
Carried at historical cost		20,286		20,286
Valued at fair value as at:				
31 March 2020	55,464		73,057	
31 March 2019	14,005			14,005
31 March 2018				
31 March 2017	207,733			207,733
31 March 2016	26,950			26,950
Total Cost or Valuation	**304,152**	**20,286**	**73,057**	**397,495**
Variations since date of valuation (see below)	(5,264)			(5,264)
Net Book Value as at 31st March 2020	**298,888**	**20,286**	**73,057**	**392,231**

NOTES TO THE ACCOUNTS

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 cost of services line in the Comprehensive Income and Expenditure Statement.

	2018/19 £'000	2019/20 £'000
Rental income from investment property	4,187	4,390
Direct operating expenses arising from investment property	(1,020)	(571)
Net gain/(loss)	**3,167**	**3,819**

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

	2018/19 £'000	2019/20 £'000
Balance at start of the year	135,318	131,824
Disposals	(250)	(805)
Net gains/(losses) from fair value adjustments	(3,234)	15,303
Transfers:		
(To)/from Property, Plant and Equipment	-	(54,088)
Other changes	(10)	3,996
Balance at end of the year	**131,824**	**96,230**

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 2020 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 Kempton Carr Croft, 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.

NOTES TO THE ACCOUNTS

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 £0.592m charged to revenue in 2019/20 was charged to the relevant service.

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

	2018/19 £'000	2019/20 £'000
Balance at start of year:		
Gross carrying amounts	16,950	17,263
Accumulated amortisation	(14,261)	(15,159)
Net carrying amount at start of year	**2,689**	**2,104**
Additions:		
Purchases	313	209
Amortisation for the period	(898)	(592)
Net carrying amount at end of year	**2,104**	**1,721**

Comprising:		
Gross carrying amounts	17,263	17,472
Accumulated amortisation	(15,159)	(15,751)
Total	**2,104**	**1,721**

18 Financial Instruments

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

	Long-term		Current	
	2018/19 £'000	2019/20 £'000	2018/19 £'000	2019/20 £'000
Investments				
Loans and receivables	-	-	-	10,559
Unquoted equity investment / (liability) at fair value through other comprehensive income**	(2,714)	(259)	-	
Total Investments	**(2,714)**	**(259)**	**-**	**10,559**
Debtors				
Loans and receivables	14	-	32,507	22,842
Total Debtors	**14**	**-**	**32,507**	**22,842**
Borrowings				
Financial liabilities at amortised cost***	(57,049)	(57,049)	(71,952)	(134,000)
Total Borrowings	**(57,049)**	**(57,049)**	**(71,952)**	**(134,000)**
Creditors				
Financial liabilities at amortised cost	(250)	(243)	(30,980)	(34,634)
Total Creditors	**(250)**	**(243)**	**(30,980)**	**(34,634)**

*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. The long-term investment figure is 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 £216.504m in 2019/20

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

Short term borrowings are loans from other Local Authorities.

Loans and receivables are at amortised cost.

The Council holds various term deposits and instant access accounts with banks and other financial institutions and has made loans to its subsidiaries or institutions that it considers to be an important partner in delivering services. These are held at amortised cost and the Council considers these a normal part of its operations and cash flow and holds the instruments to collect contractual cash flows.

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

NOTES TO THE ACCOUNTS

19 Inventories

	Client Services Work in Progress	
	2018/19	2019/20
	£'000	£'000
Balance outstanding at start of year	196	105
Purchases	1,709	275
Recognised as an expense in the year	(1,800)	(358)
Written off balances	-	-
Balance outstanding at year-end	**105**	**22**

20 Construction Contracts

There were no construction contracts carried out on behalf of other organisations during 2018/19 and 2019/20.

21 Debtors

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

	2018/19	2019/20
	£'000	£'000
Trade receivables	22,308	17,524
Prepayments	4,801	1,232
Other receivable amounts	5,398	4,086
Total	**32,507**	**22,842**

Debtors for local taxation (included in the above figures)

	2018/19	2019/20
	£'000	£'000
Less than one year	4,944	5,480
More than one year	6,681	6,982
Total	**11,625**	**12,462**

22 Cash and Cash Equivalents

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

	2018/19	2019/20
	£'000	£'000
Cash held by the Authority	1,883	2,058
Bank current accounts	71	4,060
Short-term deposits		1,504
Total Cash and Cash Equivalents	**1,954**	**7,622**

23 Assets Held for Sale

As at 31st March 2020 there was one asset held for disposal within a 12 month period.

NOTES TO THE ACCOUNTS

24 Creditors

	2018/19 £'000	2019/20 £'000
Trade payables	(29,307)	(30,912)
Other payables	(1,673)	(3,722)
Total	**(30,980)**	**(34,634)**

25 Provisions

	National Living Wage Sleep-ins £'000	Provision for Business Rates deficit £'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 2019	(100)	-	(259)	(460)	(2,407)	(3,226)
Additional provisions made in year	-	(2,421)	-	-	-	(2,421)
Amounts used in year	-	-	15	436	1,386	1,837
Unused amounts reversed in year	100	-	-	-	-	100
Balance at 31 March 2020	**-**	**(2,421)**	**(244)**	**(24)**	**(1,021)**	**(3,710)**

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. 19/20 this provision is no longer required.

Provision for Business Rates deficit
The provision was created in 2019/20 to cover the deficit identified in the NNDR1 submitted in February 2020 that would accrue in 2020/21.

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 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.

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 2016/17 financial year. In MMI's most recently published annual report and accounts from December 2019 relating to year end 30/06/19 they say that no further increases to the levy are currently anticipated. The forecast assumes that the run-off will continue until the year 2059 when the final claim will be received.

Zurich Municipal (insurers) and Browne 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 2020/21 that relate to decisions made in 2019/20

Appeal Provision for Business Rates - The provision is required to cover the loss of income that may result from appeals made in 2019/20 and previous years.

NOTES TO THE ACCOUNTS

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)

	2018/19 £'000	2019/20 £'000
Capital Adjustment Account	186,401	193,414
Revaluation Reserve	214,694	224,972
Financial Instruments Revaluation Reserve	(4,484)	(2,034)
Pensions Reserve	(282,385)	(245,841)
Collection Fund Adjustment Account	(1,365)	(7,648)
Accumulated Absences Account	(2,042)	(1,934)
Total Unusable Reserves	**110,819**	**160,929**

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.

2018/19		Capital Adjustment Account	2019/20	
£'000	£'000		£'000	£'000
	212,380	**Balance at 1 April**		**186,401**
2,384		Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:	1,652	
(13,603)		Charges for depreciation and impairment of noncurrent assets	(12,971)	
(1,663)		Revaluation losses on Property, Plant and Equipment	(12,374)	
(898)		Amortisation of intangible assets	(592)	
(15,936)		Revenue expenditure funded from capital under statute	(12,099)	
(1,242)		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	(1,505)	
	(30,958)			**(37,889)**
	4,468	Adjusting amounts written out of the Revaluation Reserve		17,382
		Net written out amount of the cost of non-current assets consumed in the year		
		Capital financing applied in the year:		
2,937		Use of the Capital Receipts Reserve to finance new capital expenditure	328	
8,657		Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	10,179	
5,955		Application of grants to capital financing from the Capital Grants Unapplied Account	2,105	
(13,804)		AUC reclassification on revaluation, derecognition & other adjustments	(297)	
	3,745			**12,315**
	(3,234)	Movements in the market value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement		15,205
	186,401	**Balance as at 31 March**		**193,414**

NOTES TO THE ACCOUNTS

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	2018/19 £'000	2019/20 £'000
Balance at 1 April	200,034	214,694
Upward revaluation of assets	19,181	29,579
Downward revaluation of assets and impairment	0	(2,505)
Difference between fair value depreciation and historical cost depreciation	(4,399)	(3,721)
Amount written off to the Capital Adjustment Account	(122)	(13,075)
Balance at 31 March	**214,694**	**224,972**

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	2018/19 £'000	2019/20 £'000
Balance at 1 April	-	(4,484)
Upward revaluation of Investments	-	2,450
Downward revaluation of investments	(4,484)	-
Balance at 31 March	(4,484)	**(2,034)**

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.

	2018/19 £'000	2019/20 £'000
Balance at 1 April	(293,703)	(282,385)
Actuarial gains or losses on pensions assets and liabilities	20,561	45,817
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	(18,760)	(19,896)
Employer's pensions contributions and direct payments to pensioners payable in the year	9,517	10,623
Balance at 31 March	**(282,385)**	**(245,841)**

NOTES TO THE ACCOUNTS

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

	2018/19 £'000	2019/20 £'000
Balance at 1 April	1,531	(128)
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	(1,659)	74
Balance at 31 March	**(128)**	**(54)**

Collection Fund - Business Rates

	2018/19 £'000	2019/20 £'000
Balance at 1 April	(5,725)	(1,237)
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	4,488	(6,357)
Balance at 31 March	**(1,237)**	**(7,594)**

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.

	2018/19 £'000	2019/20 £'000
Balance at 1 April	(2,106)	(2,042)
Settlement or cancellation of accrual made at the end of the preceding year	2,106	2,042
Amounts accrued at the end of the current year	(2,042)	(1,934)
Balance at 31 March	**(2,042)**	**(1,934)**

NOTES TO THE ACCOUNTS

28 Cash Flow Statement - Operating Activities

The cash flows for operating activities include the following items:

	2018/19 £'000	2019/20 £'000
Interest received	229	265
Interest paid	(3,196)	(2,977)

The surplus or deficit on the provision of services has been adjusted for the following non-cash movements	2018/19 £'000	2019/20 £'000
Depreciation	21,439	13,563
Impairment and Valuation Losses	(6,938)	-
Increase/(Decrease) in Creditors	(13,402)	3,662
(Increase)/Decrease in Debtors	(676)	9,665
(Increase)/Decrease in Inventories	91	83
Pension Liability	9,243	9,272
Contributions to/(from) Provisions	387	484
Carrying amount of non-current assets sold or de-recognised (property plant and equipment, investment property and intangible assets)	1,242	1,505
Carrying amount of short and long term investments sold	-	-
Change in investment property values	3,234	(15,205)
Adjust net surplus or deficit on the provision of services for non-cash movements	**14,620**	**23,029**

The surplus or deficit on the provision of services has been adjusted for the following items that are investing and financing activities.	2018/19 £'000	2019/20 £'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	(2,937)	(879)
Capital Grants credited to the surplus or deficit on the provision of services	(12,551)	(10,185)
Adjust net surplus or deficit on the provision of services for investing activities	**(15,488)**	**(11,064)**

29 Cash Flow Statement - Investing Activities

	2018/19 £'000	2019/20 £'000
Purchase of property, plant and equipment, investment property and intangible assets including capital expenditure on existing assets	(36,081)	(56,786)
Purchase of short-term and long-term investments	14	(10,559)
Other payments for investing activities	-	-
Proceeds from the sale of property, plant and equipment, investment property and intangible assets	2,937	879
Other receipts from investing activities	12,360	6,407
Net cash flows from investing activities	**(20,770)**	**(60,059)**

NOTES TO THE ACCOUNTS

30 Cash Flow Statement - Financing Activities

	2018/19 £'000	2019/20 £'000
Cash receipts of short and long-term borrowing	47,499	62,047
Net cash flows from financing activities	**47,499**	**62,047**

31 Acquired and Discontinued Operations

The council did not acquire or discontinue any operations in the financial year ended 31 March 2020, or 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 and Maidenhead including estate shops and flats, Reform Road, Howarth Road, Waldeck House, Rawcliffe House and Stafferton Way. Please refer to the table in note 16, above.

	2018/19 £'000	2019/20 £'000
Turnover	4,187	4,390
Expenditure	(1,020)	(571)
Surplus/(Deficit)	**3,167**	**3,819**

The cumulative surplus for the last four trading years is £12.618m.

33 Agency Services

The Council did not provide agency services during the years ended 31 March 2020 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 2020, or 31 March 2019.

NOTES TO THE ACCOUNTS

35 Pooled Budgets

During 2019/20, the Council were involved in the following pooled budget arrangements,

Better Care Fund

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 £1.074m in 2019/20 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 £1.383m.

Council Hosting the Better Care Fund as Principal	**2018/19**	**2019/20**
	£'000	**£'000**
Funding from Royal Borough of Windsor and Maidenhead	2,180	2,669
Funding from the Health Service	8,375	9,619
Other Income	2,497	3,189
Total Funding	**13,052**	**15,477**
Total Expenditure on Better Care Fund	**13,052**	**15,477**

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.

	2018/19	**2019/20**
	£'000	**£'000**
Funding		
RBWM	491	397
Other Berkshire Authorities	3,132	3,599
Clinical Commissioning Group (formerly Berkshire Primary Care Trusts)	5,324	6,034
Total Funding	**8,947**	**10,030**
Expenditure		
Management Fund Costs	-	117
NRS Healthcare Services	8,947	9,913
Total Expenditure	**8,947**	**10,030**
Net Expenditure on Joint Stores Services	-	-

36 Members' Allowances

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

	2018/19	**2019/20**
	£'000	**£'000**
Allowances	719	520
Expenses	4	3
Total	**723**	**523**

NOTES TO THE ACCOUNTS

37 Officers' Remuneration

The following tables set out the remuneration disclosures for Senior Officers whose salary is more than £50,000 per year for 2019/20 and 2018/19. Compensation for loss of office excludes payments to the Pension Fund in lieu of future contributions (Pension Strain).

2019/20	Notes	Salary (Including Fees & Allowances) £	Compensation for loss of Office £	Pension Cont. £	Total Remuneration incl. Pension Contributions £
Managing Director	1	66,817	62,754	3,357	132,928
Managing Director		149,000		21,307	170,307
Executive Director	2	75,349	16,138		91,487
Executive Director		122,952		17,582	140,534
Director of Resources	3	12,115		1,732	13,847
Head of Communities, Enforcement & Partnerships		94,326		13,489	107,815
Head of Revenues & Benefits		85,707		12,542	98,249
Head of Planning	4	1,984		284	2,268
Head of Planning	5	61,548		8,004	69,552
Deputy Director and Head of Finance	6	76,447	24,543	7,098	108,088
Director of Adults, Health and Commissioning		108,128		15,462	123,590
Head of Human Resources and Corporate Projects		83,280		11,909	95,189
Communications & Marketing Manager		58,991		8,436	67,427
Deputy Director Health & Adult Social Care	7	18,294		2,682	20,976
Head of Commissioning - Infrastructure		77,167		10,940	88,106
Head of Infrastructure, Sustainability and Transport		59,247		8,472	67,720
Head of Governance		65,643		9,387	75,031
Head of Commissioning - People		73,138		10,392	83,530
Head of Housing and Environmental Health	8	44,000		6,292	50,292

Notes:

1. Left in June 2019
2. Left in January 2020
3. Employed since February 2020
4. Employed since March 2020
5. Left in November 2019
6. Left in October 2019
7. Left in May 2019
8. Employed since June 2019

The Royal Borough has a wholly owned trading subsidiary, RBWM Property Company Ltd. Barbara Richardson is the Managing Director of the company.

For the 2019/20 Statement of Accounts, the results of RBWM Property Company Ltd have not been consolidated on the grounds of materiality.

NOTES TO THE ACCOUNTS

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
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
Head of Human Resources and Corporate Projects		79,530		11,373	90,903

Notes:

1. In post since February 2019
2. Left in October 2018

NOTES TO THE ACCOUNTS

The number of the Authority's employees receiving more than £50,000 remuneration for the year (including Senior Officers but excluding employer's pension contributions) are summarised in the table below :

Remuneration Band	2018/19 Number of Employees	2019/20 Number of Employees
£50,000 - £54,999	33	30
£55,000 - £59,999	24	21
£60,000 - £64,999	17	17
£65,000 - £69,999	3	12
£70,000 - £74,999	5	6
£75,000 - £79,999	5	1
£80,000 - £84,999	4	2
£85,000 - £89,999	4	2
£90,000 - £94,999	-	2
£95,000 - £99,999	4	1
£100,000 - £104,999	-	2
£105,000 - £109,999	1	1
£110,000 - £114,999	1	1
£115,000 - £119,999	-	1
£120,000 - £124,999	2	1
£125,000 - £129,999	1	-
£130,000 - £134,999	-	-
£135,000 - £139,999	-	-
£140,000 - £144,999	1	-
£145,000 - £149,999	1	1

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	
	2018/19	2019/20	2018/19	2019/20	2018/19	2019/20	2018/19	2019/20
£0- £20,000	10	3	2	3	12	6	116	35
£20,001 - £40,000	2	-	4	1	6	1	170	21
£40,001 - £60,000	1	-	1	-	2	-	87	-
£60,001 - £80,000	-	-	-	-	-	-	-	-
£80,001 - £100,000	-	2	-	-	-	2	-	198
Total	**13**	**5**	**7**	**4**	**20**	**9**	**373**	**254**

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.

	2018/19 £'000	2019/20 £'000
Fees payable with regard to external audit services carried out during the year *	157	143
Fees payable in respect of statutory inspections	-	-
Fees payable for the certification of grant claims and returns during the year DELOITTE	15	-
Fees payable for the certification of grant claims and returns during the year KPMG	-	26
Total	**172**	**169**

*In July 2016, the Secretary of State for Communities and Local Government (now MHCLG) 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.

NOTES TO THE ACCOUNTS

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 2019/20 are as follows:

	Central Exp'	ISB	Total
	£'000	£'000	£'000
Final DSG for 2019/20 before recoupment			117,232
less Academy figure for recoupment			53,375
Total DSG			**63,857**
Brought forward			(783)
Less Carry Forward agreed in advance			-
Agreed initial budgeted distribution in 2019/20	**24,884**	**38,190**	**63,074**
In-year adjustments (see below for analysis)	(176)	234	58
Final Budget distribution for 2019/20	**24,708**	**38,424**	**63,132**
Less actual central expenditure	25,733		25,733
Less actual ISB deployed to schools		38,424	38,424
Carry Forward to 2019/20 agreed in advance	**(1,025)**	**-**	**(1,025)**

NOTES TO THE ACCOUNTS

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	2018/19 £'000	2019/20 £'000
Business Rates & Council Tax Support Grants (Collection Fund)	93,548	89,997
Capital Grants and Contributions	12,549	15,409
New Homes Bonus	2,691	2,089
Education Services Grant	315	315
Total Credited to Taxation and Non Specific Grant Income	**109,103**	**107,810**

Credited to Services - Government Grants	2018/19 £'000	2019/20 £'000
Dedicated Schools Grant (DSG)*	63,053	63,916
Pupil Premium	1,730	1,753
Teacher Training	52	-
PE and Sports Grant	612	341
Universal Infant Free School Meals (UIFSM)	1,250	1,247
Special Educational Needs Reform	101	-
Teachers Pay Grant	196	299
Teachers' Pension Grant	-	934
Cycle Training Grant	37	37
Extended Rights to Free Travel	8	13
Asylum Seekers & Other Refugee Grants	513	505
Adult Care Support/Improved Better Care/Winter Pressures	2,428	3,093
Disabled Facilities Grant	946	910
Independent Living Fund (DCLG)	116	113
Other Education Grants (incl GTP & School Workforce Adviser)	623	1,240
Children Staying Put	35	35
Troubled Families DCLG	265	196
Post 16 Grants	243	80
Community Safety (PCC)	149	149
Public Health Grant	4,739	4,656
Drug Action Teams	-	40
Supporting Community Transport (DFT)	76	116
War Pensions Disregard	21	20
Collection Allowance	245	252
New Burdens Grant / Service Transformation	312	185
Adoption and Fostering	4	10
Homelessness Grants	1,289	1,536
Custom Self-Build and Brownfield Register	35	4
COVID-19 Funding (DCLG)	-	1,827
Elections and Electoral Registration	37	199
Other grants	650	268
Total Government Grants	**79,765**	**83,974**
Mandatory Rent Allowances: subsidy	30,900	26,022
Discretionary Benefits	235	200
Total Housing Benefit Income	**31,135**	**26,222**
Credited to Services - Other Grants and Contributions		
Housing Benefit and Council Tax Benefit Administration associated grants	487	360
Youth Justice Board	184	119
Health-Better Care	7,167	8,605
Health-Other Contributions	1,949	2,214
Contributions	10,987	10,937
Donations	500	623
Contributions from other funds/balances & reallocations	5,616	5,869
Total Other Grants and Contributions	**26,890**	**28,727**

Total Credited to Services	**137,790**	**138,923**

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:

	2018/19 £'000	2019/20 £'000
Developers Contributions	9,134	5,981
Other Contributions	94	84
Education Grants	28	28
Other Grants	3,465	2,848
Total	**12,721**	**8,941**

Capital Grants Unapplied

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

	2018/19 £'000	2019/20 £'000
Education Grants	769	1,930
Other Grants	3,136	5,102
Total	**3,905**	**7,032**

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 £40.8m of expenditure was incurred with third parties in which members had an interest. These are listed in the table below.

RBWM paid grants totalling £574,000 to voluntary organisations in which 7 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 205 active employers, including the unitary local authorities in Berkshire. The council charged £1.749m for administering the Fund during the year.

NOTES TO THE ACCOUNTS

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

	Exp £000	Income £000
Care UK Community P'Ships Ltd t/a Clara Court	4,733	-
Charters School	149	31
Family Friends In Windsor And Maidenhead	7	5
More Than a Shelter	4	-
Optalis Ltd	34,386	-
The Riverside Day Nursery	144	-
Windsor Foodshare	5	2,076
Total	**39,428**	**2,112**

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.

	2018/19 £'000	2019/20 £'000
Opening Capital Financing Requirement	**106,303**	**138,387**
Capital investment		
Property, Plant and Equipment	35,768	56,577
Investment Properties	-	-
Intangible Assets	313	209
Long Term Investments		
Revenue Expenditure Funded from Capital under Statute	15,936	12,099
Sources of finance		
Capital Receipts	(2,937)	(328)
Government Grants and Other Contributions	(14,612)	(12,284)
Sums set aside from Revenue:		
Direct Revenue Contributions		-
Minimum Revenue Provision	(2,384)	(1,652)
Removal of historic Item A adjustment	-	16,299
Closing Capital Financing Requirement	**138,387**	**209,307**
Explanation of Movements in Year		
Increase in underlying need to borrow (unsupported by government financial assistance)	32,084	70,920
Increase/(decrease) in Capital Financing Requirement	**32,084**	**70,920**

NOTES TO THE ACCOUNTS

43 Leases

Authority as Lessee

Finance Leases

There were no finance leases in 2019/20 or 2018/19.

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:

2019/20 Future minimum lease payments	Land and buildings £'000	Vehicles, Plant & Equip't £'000	Other Leases £'000	2019/20 Rental Charge £'000
Not later than one year	599	102	102	**803**
Later than one year and not later than five years	1,934	144	139	**2,217**
Later than five years	417	-	-	**417**
Total	**2,949**	**246**	**241**	**3,436**

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**

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

	2018/19 £'000	2019/20 £'000
Minimum lease payments	1,869	2,372
Contingent rents	36	116
Total	**1,905**	**2,488**

Authority as Lessor

Finance Leases

There were no finance leases in 2018/19 or 2019/20.

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:

	2018/19 £'000	2019/20 £'000
Not later than one year	3,022	3,437
Later than one year and not later than five years	10,775	11,098
Later than five years	184,385	92,976
Total	**198,182**	**107,511**

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.

NOTES TO THE ACCOUNTS

44 PFI and Similar Contracts

There were no PFI or similar contracts during 2018/19 or 2019/20.

45 Impairment Losses

There were no impairment losses during 2018/19 or 2019/20.

46 Capitalisation of Borrowing Costs

During 2019/20 £698,000 of borrowing costs for assets with a construction period of greater than one year were capitalised. No borrowing costs were capitalised during 2018/19.

47 Termination Benefits

Refer to note 37 above.

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 2019/20, the council paid £3.214m to Teachers' Pensions in respect of teachers' retirement benefits, representing 21% of pensionable pay. The figures for 2018/19 were £2.623m 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.

NOTES TO THE ACCOUNTS

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**	
	2018/19	**2019/20**
Cost of Services:		
Service Cost (comprising current service cost, past service cost and gain / loss from settlements)	11,281	13,086
Financing and Investment Income and Expenditure:		
Net interest expense	7,329	6,657
Administration expenses	150	152
Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services	**18,760**	**19,895**
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	15,212	(6,425)
Actuarial gains / (losses) on changes in demographic assumptions	30,366	4,527
Actuarial gains / (losses) on changes in financial assumptions	(25,017)	45,478
Other actuarial gains / (losses) on assets	-	(17,548)
Experience gain/(loss) on defined benefit obligation	-	19,785
Total Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement	**39,321**	**65,712**

Movement in Reserves Statement	**Local Government Pension Scheme £'000**	
	2018/19	**2019/20**
Reversal of net charges made to the Surplus or Deficit for the Provision of Services for post employment benefits in accordance with the Code.	(39,321)	(65,712)
Actual amount charged against the General Fund Balance for pensions in the year:		
Employers' contributions payable to scheme	8,970	10,073

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	
	2018/19	**2019/20**
Present value of the defined benefit obligation	(533,101)	(477,724)
Fair value of scheme assets	257,272	235,134
Net Liability	**(275,829)**	**(242,590)**
Present value of unfunded obligation	(6,556)	(4,251)
Net Liability in the Balance Sheet	**(282,385)**	**(246,841)**

NOTES TO THE ACCOUNTS

Reconciliation of the present value of scheme liabilities:

	Local Government Pension Scheme £'000	
	2018/19	2019/20
Opening balance at 1 April	534,034	539,658
Current service cost	10,718	10,795
Interest cost	13,404	12,794
Contributions by scheme participants	1,871	1,900
Re-measurement (gains) and losses:		
Arising from changes in demographic assumptions	(30,366)	(4,527)
Arising from changes in financial assumptions	25,017	(45,478)
Experience gain/(loss) on defined benefit obligation	-	(19,785)
Past service costs including curtailment (losses)/gains	657	2,291
Benefits paid	(14,855)	(15,123)
Liabilities removed on settlement	(275)	-
Unfunded payments	(547)	(550)
Closing balance at 31 March	**539,658**	**481,975**

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

	Local Government Pension Scheme £'000	
	2018/19	2019/20
Opening fair value of scheme assets	240,331	257,273
Interest on assets	6,075	6,137
Return on assets less interest	15,212	(6,425)
Other Actuarial gains / (losses)	-	(17,548)
Administrative expenses	(150)	(152)
Employer contributions	9,517	10,623
Contributions by scheme participants	1,871	1,900
Benefits paid	(15,402)	(15,673)
Settlement prices received / (paid)	(181)	-
Closing balance at 31 March	**257,273**	**236,135**

The actual return on scheme assets in the year was £3.751m Cr, 2018/19 £21.287m,

Fair value of scheme assets comprised:

	Local Government Pension Scheme £'000	
	2018/19	2019/20
Gilts	-	-
Cash	20,424	27,476
Other Bonds	38,615	23,107
Equities	130,558	132,469
Property	35,721	31,867
Target Return	13,383	9,800
Commodities	1,966	1,968
Infrastructure	24,238	19,497
Alternative Assets	-	-
Longevity Insurance	(7,633)	(10,050)
Closing balance at 31 March	**257,272**	**236,134**

NOTES TO THE ACCOUNTS

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	
	2018/19	2019/20
Long-term expected rate of return on assets in the scheme	2.4%	1.90%
Mortality assumptions:		
Longevity at 65 for current pensioners (Years):		
Men	22.0	21.5
Women	24.0	24.1
Longevity at 65 for future pensioners (Years):		
Men	23.7	22.9
Women	25.8	25.5
Rate of inflation	2.4%	1.90%
Rate of increase in salaries	3.3%	2.90%
Rate of increase in pensions	2.4%	1.90%
Rate for discounting scheme liabilities	2.4%	2.35%

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)	(9,138)	9,324
Rate of increase in salaries (increase or decrease by 0.1%)	445	(441)
Rate of increase in pensions (increase or decrease by 0.1%)	8,911	(8,745)
Rate for discounting scheme liabilities (increase or decrease by 0.1%)	19,742	(18,923)

Amounts are relative to the present value of scheme liabilities £481.975m

50 Contingent Liabilities

At 31 March 2020, and 31 March 2019 the Authority had no material contingent liabilities.

51 Contingent Assets

At 31 March 2020, and 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 2019/20 as a result 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 2019/20.

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:

	2018/19 £'000	2019/20 £'000
Less than one year	71,952	134,000
Between one and two years	-	785
Between two and five years	785	-
More than five years	56,264	56,264
Total Financial Liabilities	**129,001**	**191,049**

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 in

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.

NOTES TO THE ACCOUNTS

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.

	2018/19 £'000	Receipts in year £'000	Payments in year £'000	2019/20 £'000
Local Enterprise Partnership (LEP)	48,650	34,600	49,728	**33,522**
Flexible Home Improvements Ltd (FHIL)	130	85	183	**32**
Kidwells Park Trust	439	19	70	**388**
RBWM Flood Relief Fund	190	1	1	**190**
Mayor's Benevolent Fund	27	1	3	**25**
Working Boys Club	630	22	91	**561**
Thames Valley Athletic Centre	67	14	-	**81**
Other Trust Funds	1	-	-	**1**
RBWM Commercial Services Ltd	23	209	201	**31**
RBWM Property Company Ltd	171	1,386	1,067	**490**
Trusts & Other Entities Total	**50,328**	**36,337**	**51,344**	**35,321**

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. One of the contracts has been relet with RBWM, the other has now reverted back to RBWM. The company is no longer trading. Further details 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.
For the 2019/20 Statement of Accounts, the results of RBWM Property Company Ltd have not been consolidated on the grounds of materiality.

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 2020, based on their respective consolidated financial statements.

	Optalis Ltd £'000	AfC £'000	To Group CI&E & MiRS £'000
Revenue	46,826	161,660	
Profit/(loss) from continuing operations	(36)	(10,151)	**(2,046)**
Post-tax profit from discontinued operations	-	-	**0**
Other comprehensive income/expenditure	36	12,250	**2,466**
Total comprehensive income	**-**	**2,099**	
Attributable to non-controlling interest	-	420	**420**
Attributable to investee's shareholders	-	1,679	
Current assets	5,385	43,381	
Non-current assets	40	14,670	
Current liabilities	(5,097)	(48,347)	
Non-current liabilities	-	(62,545)	
Net assets/(liabilities)	**328**	**(52,841)**	
Attributable to non-controlling interest	148	(10,568)	
Attributable to investee's shareholders	180	(42,273)	
Group's interest in net assets of investee at beginning of year/date of acquisition	51	(3,010)	
Total comprehensive income attributable to the Group	-	2,450	
Dividends received during the year	-	-	
Group's interest in net assets of investee at end of year	51	(560)	**To Balance Sheet £'000**
Carrying amount of interest in investee at year end	**51**	**(560)**	**(509)**

The following is summarised financial information for Optalis Ltd 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 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.

Year on Year Comparison OPTALIS Ltd

	2018/19 £'000	2019/20 £'000
Revenue	45,497	46,826
Profit/(loss) from continuing operations	8	(36)
Post-tax profit from discontinued operations	-	-
Other comprehensive income/expenditure	46	36
Total comprehensive income	**54**	-
Attributable to non-controlling interest	24	-
Attributable to investee's shareholders	30	-
Current assets	4,644	5,385
Non-current assets	32	40
Current liabilities	(4,349)	(5,097)
Non-current liabilities	-	-
Net assets/(liabilities)	**327**	**328**
Attributable to non-controlling interest	147	148
Attributable to investee's shareholders	180	180
Group's interest in net assets of investee at beginning of year/date of acquisition	26	51
Total comprehensive income attributable to the Group	24	-
Dividends received during the year	-	-
Group's interest in net assets of investee at end of year	51	51
Carrying amount of interest in investee at year end	**51**	**51**

Year on Year Comparison Achieving for Children

	2018/19 £'000	2019/20 £'000
Revenue	154,026	161,660
Profit/(loss) from continuing operations	(6,747)	(10,151)
Post-tax profit from discontinued operations	-	-
Other comprehensive income/expenditure	(8,666)	12,250
Total comprehensive income	**(15,413)**	**2,099**
Attributable to non-controlling interest	(3,083)	420
Attributable to investee's shareholders	(12,330)	1,679
Current assets	35,640	43,381
Non-current assets	415	14,670
Current liabilities	(37,552)	(48,347)
Non-current liabilities	(53,105)	(62,545)
Net assets/(liabilities)	**(54,602)**	**(52,841)**
Attributable to non-controlling interest	(10,920)	(10,568)
Attributable to investee's shareholders	(43,682)	(42,273)
Group's interest in net assets of investee at beginning of year/date of acquisition	(1,277)	(3,010)
Total comprehensive income attributable to the Group	(1,733)	2,450
Dividends received during the year	-	-
Group's interest in net assets of investee at end of year	(3,010)	(560)
Carrying amount of interest in investee at year end	**(3,010)**	**(560)**

NOTES TO THE STATEMENT OF ACCOUNT

Accounting Policies

i. General Principles

The statement of accounts summarises the Authority's transactions for the 2019/20 financial year and its position at the year-end of 31 March 2020. 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 2019/20 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 based on 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.

NOTES TO THE STATEMENT OF ACCOUNT

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 property, plant and equipment 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 property, plant & equipment 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.

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.

NOTES TO THE STATEMENT OF ACCOUNT

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.

NOTES TO THE STATEMENT OF ACCOUNT

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

- The change in the net pension's 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 employers' 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 based on cash flows rather than as benefits are earned by employees.

NOTES TO THE STATEMENT OF ACCOUNT

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 Revaluation Reserve in the Movement in Reserves Statement.

NOTES TO THE STATEMENT OF ACCOUNT

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 based on 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.

NOTES TO THE STATEMENT OF ACCOUNT

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 2019/20 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 2019/20 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 derecognition of an asset are credited or debited to the Other Comprehensive Income line in the Comprehensive Income and Expenditure Statement.

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.

NOTES TO THE STATEMENT OF ACCOUNT

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).

NOTES TO THE STATEMENT OF ACCOUNT

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.

NOTES TO THE STATEMENT OF ACCOUNT

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 in the movement in reserves statement for the difference between the two.

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).

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.

xviii. 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 accrual's basis, if 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.

NOTES TO THE STATEMENT OF ACCOUNT

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.

NOTES TO THE STATEMENT OF ACCOUNT

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.

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.

NOTES TO THE STATEMENT OF ACCOUNT

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 property, plant & equipment 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.

xix. 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.

NOTES TO THE STATEMENT OF ACCOUNT

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.

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.

xx. 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.

xxi. 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.

NOTES TO THE STATEMENT OF ACCOUNT

xxii. 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.

xxiii. 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.

xxiv. 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 (AfC), 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.

NOTES TO THE STATEMENT OF ACCOUNT

xxv. Capitalisation of Borrowing Costs

The Council capitalises borrowing costs incurred whilst material assets are under construction. Material assets are considered to be those where total planned (multi-year) borrowing for a single asset (including land and building components) exceeds £5m, and where the construction period exceeds twelve months. This applies to the first capital expenditure financed from borrowing until the asset is ready to be brought into use. Both of these tests will be determined using the estimated costs at the time of preparing the accounts in the first year of capitalisation. Should either test fail in subsequent financial years, the prior year's treatment will not be adjusted retrospectively.

For the two years presented we have checked that there were no material amounts applicable. It is impracticable to go back further years and investigate.

Supplementary Accounting Statements 2019/20

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 the 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.

2018/19 £'000	COUNCIL TAX	2019/20 £'000
	INCOME	
87,649	Council Tax receivable	91,685
87,649	**Total Income**	**91,685**
	EXPENDITURE	
	Apportionment of Previous Year Surplus	
1,647	Royal Borough of Windsor and Maidenhead	(454)
282	Berkshire Fire and Rescue Authority	(28)
103	Thames Valley Police & Crime Commissioner	(79)
2,032		**(561)**
	Precepts and Demands	
70,586	Royal Borough of Windsor and Maidenhead	73,360
4,352	Berkshire Fire and Rescue Authority	4,530
12,325	Thames Valley Police & Crime Commissioner	14,100
87,263		**91,990**
	Charges to Collection Fund	
33	Less write offs of uncollectable amounts	56
96	Less: Increase/(Decrease) in Bad Debt Provision	106
276	Less: Disregarded amounts	-
405	**Total Expenditure**	**162**
(2,051)	**Surplus/(Deficit) arising during the year**	94
1,876	**Surplus (Deficit) Brought Forward**	(175)
(175)	**Surplus/(Deficit) Carried Forward**	**(81)**

2018/19 £'000	BUSINESS RATES	2019/20 £'000
	INCOME	
92,105	Business Rates receivable	87,081
(90)	Transitional Protection Payments	(519)
92,015	**Total Income**	**86,562**
	EXPENDITURE	
	Apportionment of Previous Year Deficit	
(3,003)	Central Government	(2,869)
(2,943)	Royal Borough of Windsor and Maidenhead	512
(60)	Berkshire Fire and Rescue Authority	(24)
(6,006)		**(2,381)**
	Precepts and Demands	
-	Central Government	23,456
90,659	Royal Borough of Windsor and Maidenhead	69,431
916	Berkshire Fire and Rescue Authority	938
91,575		**93,825**
	Charges to Collection Fund	
38	Less write offs of uncollectable amounts	1,602
10	Less: Increase/(Decrease) in Bad Debt Provision	(105)
(1,479)	Less: Increase/(Decrease) in Provision for Appeals	(1,050)
245	Less: Cost of Collection	242
11	Less: Disregarded amounts	13
(1,175)	**Total Expenditure**	**702**
7,621	**Surplus/(Deficit) arising during the year**	**(5,584)**
	Surplus (Deficit) Brought Forward	
(11,682)	Surplus (Deficit) Brought Forward 2018-19	(4,124)
(63)	Add: Variances to prior year NNDR3 submission	-
(11,745)	**Surplus (Deficit) Brought Forward**	**(4,124)**
(4,124)	**Surplus/(Deficit) Carried Forward**	**(9,708)**

NOTES TO THE COLLECTION FUND

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 2019/20 the sum of £31.02 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 2019/20.

Band	Property Value	Number of Properties			Appeals / Non - Collection Provision	TAX BASE
		Base	Ratio	Band D Equivalent		
A	Up to £40,000	1,410.89	6/9	941.16	17.17	958.33
B	£40,001 to £52,000	2,457.83	7/9	1,911.65	297.51	2,209.16
C	£52,001 to £68,000	7,417.77	8/9	6,593.57	258.61	6,852.18
D	£68,001 to £88,000	13,935.81	9/9	13,935.81	21.87	13,957.68
E	£88,001 to £120,000	12,080.41	11/9	14,764.95	(44.25)	14,720.70
F	£120,001 to £160,000	7,651.43	13/9	11,052.07	13.77	11,065.84
G	£160,001 to £320,000	9,048.59	15/9	15,080.98	(7.83)	15,073.15
H	more than £320,000	1,752.75	18/9	3,505.50	10.30	3,515.80
Total		55,755.48		67,785.69	567.15	**68,352.84**

The average Band D charge for 2019/20 was £1,352.22. Therefore, based on the adjusted tax base of 68,353 the estimated yield was £92.428m. This can be reconciled to the income received as follows:-

	2018/19 £'000	2019/20 £'000
Estimated Yield	87,673	92,428
Transitional Relief	-	-
Other Changes in Yield	(24)	-
Council Tax Income	**87,649**	**92,428**

The council tax debt position is reviewed regularly and a provision of £1.432m to cover potentially bad or doubtful debts has been made. RBWM's share of this provision is £1.14m.

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) 50.4p in 2019/20 (49.3p in 2018/19). The total rateable value of business premises in the Borough's area at 31st March 2020 was £185.1m producing a notional yield of £104.2m. The business rate debt position is reviewed regularly and a provision of £0.936m to cover potentially bad or doubtful debts has been made. RBWM's share of the provision is £0.693m.

	2018/19 £'000	2019/20 £'000
Notional Yield	96,420	104,153
Allowances	(13,395)	(10,730)
Rateable Value Changes	2,088	2,136
Occupation Changes	(716)	(8,477)
Collectable Income	**84,397**	**87,082**

NOTES TO THE COLLECTION FUND

57 Precepts and Demands on the Funds

The following authorities made demands on the Council Tax Collection Fund in 2019/20:-

	2019/20	
	£'000	£'000
Council Tax		
Royal Borough of Windsor and Maidenhead		
General Expenses	65,710	
Adult Social Care Precept	5,109	
Special Expenses *	1,094	
Parishes	1,447	
		73,360
Thames Valley Police & Crime Commissioner		14,100
Berkshire Fire and Rescue Authority		4,530
Total Precepts and Demands		**91,990**

* Special Expenses relate to the cost of services undertaken by the Royal Borough in non-parished areas, which would be carried out by the Parishes in their parts of the Council's area.

The following authorities made demands on the Business Rates Collection Fund in 2019/20:-

	2019/20	
	£'000	£'000
Business Rates		
Royal Borough of Windsor and Maidenhead	69,431	
		69,431
Central Government		23,456
Berkshire Fire and Rescue Authority		938
Total Precepts and Demands		**93,825**

GLOSSARY OF TERMS

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 Property, plant & equipment used in the provision

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 property, plant & equipment. 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
property, plant & equipment 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.

GLOSSARY OF TERMS

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 property, plant & equipment 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
property, plant & equipment 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
property, plant & equipment 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.

GLOSSARY OF TERMS

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.

Inventories

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 property, plant & equipment

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.

Appendix B

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The Royal Borough of Windsor & Maidenhead

Audit Status Update Report to the Audit & Governance Committee on the audit for the year ended 31 March 2020

Issued 08 February 2021 for the meeting on 16 February 2021

Deloitte Confidential: Government and Public Services

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 audit status update report to the Audit and Governance Committee ("the Committee") of the Royal Borough of Windsor & Maidenhead (the Council, "RBWM") for the 2019/20 audit.

Status of the audit

The external audit for both the Council's statement of accounts and the Royal County of Berkshire Pension Fund ("RCBPF") continue to be in progress at the date of writing this report. This paper outlines the current position. On the next page we summarise the areas still outstanding at the date of this report.

Our timetable for completion has been impacted by a number of factors:

- We received a number of objections and questions on the 2019/20 accounts which take considerable time to review and consider. Some of these matters have required further investigation not originally anticipated in the audit plan and, under the NAO ("National Audit Office") Code of Audit Practice, the process needs to be fully completed ahead of being able to issue the audit certificate, some may also be relevant to our value for money responsibilities.
- The continued impact of Covid-19, in particular the recent lockdown, has had an impact on the level of resource we have had available to conclude the audit, including several weeks of manager and senior manager time lost through sickness and other disruption caused.
- There were delays in the provision of certain audit information, notably information required to perform and conclude work on the investment assets in RCBPF that are reported in the Council's accounts. Valuations at 31 March 2020 have added complexity due to the proximity of the valuation date to the UK's Covid-19 pandemic announcement.
- An updated version of the Council's Statement of Accounts was provided on 27 January 2021 although we note this did not include an update to the Pension Fund accounts. This version requires review and tie through to ensure the numbers and disclosures match the Council and Pension Fund audit files including any required adjustments.

Work therefore continues to be in progress at the date of this report. As in the prior year, an updated ISA 260 paper addressed to the Committee and reflecting a final position will be issued at the same time as the signing of the audit report. This will be circulated to the Committee at that point in time. The auditor's Annual Audit Letter will then follow for issue to members and for publication on the Council's website.

The scope of our audit was set out within our planning report presented to the Corporate Overview and Scrutiny Panel ("CO&SP") in May 2020 and we provided an update paper to the then newly formed Audit and Governance Committee meeting in September 2020.

Introduction

The key messages in this report

Status of the audit (continued)

The following list summarises the key areas still outstanding on the Council audit at the date of this report. We are continuing to work on these areas and expect to be able to provide an oral update on their progress in the 16 February meeting.

- Completion of our investigations into the objections and final clearance of any required external reporting. Resolution of all matters related to the objections that impact the audit. Reporting to management and the Committee the outcomes of these investigations.
- Completion, review and clearance of our work on VFM including finalisation of the conclusion wording for the audit opinion.
- Completion of work on the pension related IAS 19 disclosure within the Council's accounts. This includes receipt of a clearance from the Pension Fund audit team and final clearance from the Council side actuary on the final adjusted position. This is separate to the work being performed directly at RCBPF but is largely reliant on the completion of that work.
- Completion of work on Property, Plant and Equipment, including revaluations, having received the latest Statement of Accounts that include some adjustments made by the Council in relation to these balances and the linked disclosures that have not yet been audited.
- Completion of procedures on a limited number of non significant risk balances.
- Clearance of the final audit report wording with our central technical team. This is a requirement wherever a standard audit report is modified. We expect modifications due to the emphasis of matter in relation to material uncertainty on the property valuation and we expect the Use of Resources conclusion to be qualified within the 2019/20 audit opinion.
- Review, tie through and feed back on the updated Statement of Accounts provided 27 January 2021 including comparatives for the prior year. Review of the Narrative Report within this version and feed back of recommendations to management.
- Reconciliation and testing of financial statement notes in the updated Statement of Accounts including the cash flow statement.
- Compilation of the errors schedule, both corrected and uncorrected, for communication to management and the Committee. At the date of this report there are no uncorrected items to report.
- Rechecking the updated accounts to the CIPFA disclosure checklist.
- Reconciliation and testing of the Movement in Reserves once all adjustments have been posted.
- Receipt of the signed management representation letter and confirmation regarding post balance sheet events that all have been disclosed to the date of signing.
- Completion of our subsequent events review.
- Audit team completing and submitting the WGA return. The Council is under the threshold above which full procedures are required but a return is still submitted.
- Issuance of the audit opinion and certificate once all matters above have been concluded.

Introduction
The key messages in this report (continued)

Status of the audit – Value for Money ("VFM")	The audit report issued for the 2018/19 Statement of Accounts included an "except for" qualification in the Use of Resources/Value for Money conclusion. We have performed risk assessment procedures for the 2019/20 VFM requirements and set out on pages 14 to 16 those areas we have identified as significant risks. We note that elements of this work is ongoing, including completion of work in respect of objections, and so this risk assessment and our conclusions in this area could be subject to further change.
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. As noted earlier, an updated Statement of Accounts for the Council was provided on 27 January 2021 including an updated Narrative Report. This document continues to be under review and we will feed back to the Council any proposed amendments. The Council's Annual Governance Statement for 2019/20 was issued to the June 2020 CO&SP. Based on the finalised outcome of our work on VFM and the objections, if there are further audit recommendations for improving the disclosures within this document, particularly in the "Governance Issues" section, we will raise these with the relevant Council officers.
Duties as public auditor	We received 22 potential objections from local electors this year. We have reviewed these and concluded that we would accept 6 as formal objections which related to three main areas. We have written to the electors to communicate our decisions in this regard. Our work investigating those objections that we have accepted is ongoing. A summary of those objections that we have accepted and are investigating, is included on page 25.
Audit certificate	We are not able to issue our certificate until we have concluded all our work under the Code of Audit Practice including both the Council and Pension Fund annual report audit work, concluding our work on and responding to the objections and signing the Council's Whole of Government Accounts (WGA) return.
Pension Fund	Please see the separate report on the Royal County of Berkshire Pension Fund issued alongside this report.
Audit fee	As explained in our 2019/20 fee letter, our audit fee is based on assumptions about the scope and required time to complete our work. For the reasons set out above, our audit is not yet complete and it has required substantial further input. We continue to discuss the impact on the audit fee with the authority and Public Sector Audit Appointments ("PSAA") including the cost of investigating the investigations which have also incurred external solicitor fees. The final fee amount will be communicated to the Committee.
2020/21 Audit	We have commenced planning procedures for the year ending 31 March 2021 audit. Our audit plan will be presented to the next Committee meeting, the date of which is yet to be confirmed. This report does not cover the requirements of that plan.

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 challenging financial environment in which the Council is operating with the need to find additional savings, the major capital projects planned and the impact of Covid 19 which impacted the last month within the 2019/20 period and then has also had a wider impact on the Council's operating environment.

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.

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. We report our audit findings to date including an update on the findings raised in the prior year. As noted, our audit continues to be in progress and there may be additional findings to report in our final communication to you.

Identify changes in your business and environment → Determine materiality → Scoping → Significant risk assessment → Conclude on significant risk areas → Other findings → Our audit report

Determine materiality

We set our group materiality at £6.2m based on approximately 2% of estimated gross expenditure of the Council and group.

We note the inclusion of group balances in the financial statements is due to the associate interests held by the Council. Subsidiaries are not material and therefore not consolidated. The group and the Council balances are identical.

We report to you in this paper all misstatements above £309k.

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 on these risks in this report. No additional financial statement risks have been identified since our Audit Plan.

Our VFM significant risks are considered separately. This is noted from page 14.

Conclude on significant risk areas

We draw to the Committee's attention our observations on the significant audit risks from the work completed to date. The Committee members must satisfy themselves that officers' judgements are appropriate.

Our audit report

As noted in the key messages section of the report, audit work is still in progress to the extent where we are not able to firmly conclude final audit outcomes and any impact on our audit report.

As noted on page 11 and as commonly seen in Council audit opinions with property revaluations to 31 March 2020, we expect to include an "emphasis of matter" paragraph in relation to material uncertainties around the property valuation.

We expect to qualify our conclusion in relation to value for money.

Covid 19

The pandemic and its impact on our audit

Requirements

CIPFA has issued guidance highlighting the importance of considering the impact of COVID-19 in preparation of the 2019/20 financial statements, including communicating risks and governance impacts in narrative reporting. This is consistent with the Financial Reporting Council's guidance to organisations on the importance of communicating the impact of COVID-19 and related uncertainties, including their impact on resilience and going concern assessments.

Entity-specific explanations of the current and expected effects of COVID-19 and the Council's plans to mitigate those effects should be included in the narrative reporting (including where relevant the Annual Governance Statement), including in the discussion on Principal Risks and Uncertainties impacting an organisation.

As well as the effects upon reserves, financial performance and financial position, examples of areas highlighted by CIPFA include the impact on service provision, changes to the workforce and how they are deployed, impacts upon the supply chain, cash flow management, and plans for recovery. Risks highlighted include those relating to subsidiaries and investments, capital programmes, and resilience of the community including partner organisations and charities.

Actions

A thorough assessment of the current and potential future effects of the COVID-19 pandemic is required including:

- A detailed analysis across the council's operations, including on its income streams, supply chains and cost base, and the consequent impacts on financial position and reserves;
- The economic scenario or scenarios assumed in making forecasts and on the sensitivities arising should other potential scenarios materialise (including different funding scenarios);
- Any material uncertainties relating to the council's financial position, the financial sustainability of the Council, and the potential requirement for a section 114 notice; and
- The effect of events after the reporting date, including the nature of non-adjusting events and an estimate of their financial effect, where possible

Impact on the Council

We consider the key impacts on the authority such as:

- Interruptions to service provision.
- Unavailability of personnel.
- Reductions in certain income streams such as parking and leisure fees and charges.
- Increases in income from central government funding
- The closure of facilities and premises.

Impact on annual report and financial statements

We consider the impact of the outbreak on the annual report and financial statements, including:

- Principal risk disclosures
- Impact on property, plant and equipment
- Valuation of commercial or investment properties
- Impact on pension fund investment measurement and impairment
- Financial sustainability assessment
- Events after the reporting period and relevant disclosures
- Bad debts provision policy
- Narrative reporting
- Impairment of non-current assets
- Allowance for expected credit losses

Impact on our audit

We consider the impact on the audit including:

- Resource planning
- Timetable of the audit
- Impact on our risk assessment
- Logistics including meetings with entity personnel.

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 officers 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 understood.

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.

Significant accounting judgements and 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. We note that our work on the Council's pension liability and investigations into the objections are in progress.

Status of our work and issues identified

Our work on this risk area is in progress, however we can report from our work to date that we have identified control deficiencies which are set out from page 17.

Significant risks (continued)

Capital expenditure

Risk identified

The Council has a capital programme of £76.9m over the next three years, and incurred £56.6m on property, plant and equipment and £12.1m on revenue expenditure which, for funding purposes, is treated in the same way as capital expenditure (REFCUS) in 2019/20.

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.

Status of our work and issues identified

We have concluded satisfactorily in this area on substantive testing and there are no adjustments to raise. We have however identified control improvements detailed from page 17.

Significant risks (continued)

Valuation of property assets

Risk identified

The Council is required to hold property assets within Property, Plant and Equipment and Investment Properties at valuation. The valuations are by nature significant estimates which are based on specialist and management assumptions and which can be subject to material changes in value.

Key judgements and our challenge of them

The Council held other land and buildings of £302.6m (PY: £293.9m) and investment property of £96.2m (PY: £131.8m) at 31 March 2020 which are required to be recorded at current or fair value at the balance sheet date.

There is a rolling revaluation programme where a full valuation is performed for different asset groups on a rolling basis that ensures that all properties are valued at least every 5 years. The Council also received advice on any index movements that may impact the valuations of the asset groups not directly revalued in the year.

The Council changed its valuation expert for the 2019/20 Statement of Accounts using Kempton Carr Croft ("KCC") instead of Lambert Smith Hampton ("LSH") used in the prior year. The Council also instructed that all valuations should be as at 31 March 2020 where, in the prior year, they had been performed at different dates and required bridging information to update valuations to the balance sheet date.

Key judgements include:

- Whether there has been a material change since the date of the last valuation; and
- Adjusting valuations for any Covid-19 impacts in particular in relation to commercial investment property

Our audit plan noted that should there be valuation of schools a judgement would be the location and design of modern equivalents. We identified a finding and misstatement in relation to this in the prior year. However, we note that there were no schools subject to a full revaluation in 2019/20.

Deloitte response

We tested the design and implementation of key controls in place around the property valuation, including how the Council assures itself that there are no material impairments or changes in value for the assets not covered by the annual valuation.

We obtained an understanding of the approach adopted to the valuation, including assessing the valuer's qualifications, objectivity and independence and reviewing the methodology used.

We tested a sample of inputs to the valuation.

We used 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. This included the population of property not directly revalued in the year.

We tested a sample of revalued assets and reperformed the calculation of the movement to be recorded in the financial statements to check that it was correctly recorded.

On the next page, we note the impact of uncertainties related to Covid-19 on property valuations and the related disclosures.

We also considered the impact of uncertainties relating to the UK's exit from the EU upon property valuations in evaluating the property valuations and related disclosures.

Status of our work and issues identified

Our work on this risk area is still ongoing as aspects of the objections related to property valuation.
In their report to us, our specialists, Deloitte Real Estate, noted improvements from the prior year exercise performed and a number of findings from our prior year audit had been addressed. We include commentary against the prior year findings and also include some further recommendations for management to consider when designing future valuation exercises. This can be seen from page 17.

Significant risks (continued)

Valuation of property assets – Material Uncertainty due to Covid-19

Material Uncertainty due to Covid 19

The Council's valuer has included disclosures in relation to a Material Uncertainty due to Covid 19 in their report including the extracts below:

The World Health Organisation declared Coronavirus (COVID-19) as a Global Pandemic on the 11th March 2020. It has impacted global financial markets, global travel and market activity in many sectors. As at the valuation date, we consider that less weight can be attached to comparable market evidence when informing our opinions of value.

The current response to COVID-19 has presented an unprecedented set of circumstances and therefore our valuations are reported on the basis of 'material valuation uncertainty' as per VPS 3 and VPGA 10 of the RICS Valuation – Global Standards.

Furthermore, any effect on the value of the asset due to the market uncertainty that may result from the ongoing Brexit negotiations is not known.

Due to the uncertainty, a higher degree of caution should be taken when relying upon our valuation than would normally be the case. The Property Consultants - Regulated by RICS future impact that the above factors may have on the real estate market is unknown and we recommend that you keep the valuation of the subject property under frequent review.

This is a common feature of valuation reports prepared to 31 March 2020.

Impact on Statement of Accounts

The Council is required to disclose the existence of this material uncertainty in the Statement of Accounts. This disclosure will need to updated to reflect the material uncertainty included in the valuer's report.

Status of our work and issues identified

Management will need to update the disclosure to make reference to the material uncertainty. An "emphasis of matter" paragraph is then required to be included in our audit opinion to draw attention to management's disclosure.

Other matters

Pension liability

Background

The Council participates in the fund it administers, the Royal County of Berkshire Pension Fund ("RCBPF").

Please see separate pension fund report for an update on the direct audit work on the pension scheme.

As a participating employer, the Council's accounts include an RBWM specific net pension liability which is determined for the Council by the actuary Barnett Waddingham. Our actuarial team review the assumptions applied to calculate the RBWM specific liability. Certain procedures are also performed by the pension audit team to test the liability and the associated assets at Berkshire Pension fund level.

Deloitte response

We use our actuarial specialists and our pension fund team to inform our work in this area.

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.
- 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 and Goodwin cases on pension liabilities.
- Performing substantive analytical procedures on movements.
- Reviewing the disclosures within the accounts against the Code.

Status of our work and issues identified

Our work on this risk area is in progress.

The Deloitte actuarial specialists looking at the Council have reviewed the work by Barnett Waddingham but are waiting resolution of some queries at RCBPF ahead of final sign off. This will then be passed to the audit team for review and checking disclosures to the latest draft of the Statement of Accounts.

We have also not concluded the IAS 19 letter feedback which the RCBPF audit team will issue to the RBWM audit team.

We note the prior year uncorrected misstatement in relation to McCloud and reported to the CO&SP has been corrected in the current year with an adjustment to value the liability at 31 March 2020 including the McCloud impact.

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. During the audit process, we identified significant risks as set out on the following slides along with our response.

Our risk assessment and audit work includes:

- Reviewing the Council's draft Narrative Report, updated Annual Governance Statement and relevant Council papers and minutes.
- Considering matters arising from the Pension Fund audit. Note, the main Statement of Accounts opinion is where all VFM related matters are reported.
- Enquiries with senior officers.
- Reviewing other documentation of the Council including budget setting reports, financial and operational performance monitoring reports.
- Reviewing reports issued by internal audit.
- Reviewing reports issued by regulators such as Ofsted.
- Review of effectiveness of working with partners and third parties including subsidiary entities.
- Reviewing reports into governance arrangements at the Council produced by other experts. In particular, for RBWM, this included the CIPFA report issued in July 2020 and the report into governance at the Pension Fund (arising from an audit recommendation in the prior year) issued in July 2020.
- Understanding the arrangements in potential areas of significant risk – in particular the planning of the Council's finances.
- Evaluation of progress against weaknesses identified in the prior year and assessing the extent to which management have implemented the recommendations raised.
- Considering matters identified by the National Audit Office as potential value for money risks for Councils for 2019/20.
- Considering local and sector developments and how they impact on the Council.
- Considering the impact of any objections raised on the accounts to our value for money conclusion.

Status of our work and issues identified

As noted earlier in this report, our work in this area is in progress. We include a summary on the following slides of the work performed to date against the significant VFM risks identified to the date of this report.

Significant VFM risks

Risk 1: Sustainable resource deployment: weaknesses in arrangements for planning finances

Risk details	Procedures Performed	Status
We have identified a significant risk that there is a significant weakness in the authority's arrangements for planning its finances effectively to support the delivery of strategic priorities and maintenance of its statutory functions. We identified this risk because: • we have seen that in 2019/20 the Authority overspent on its revenue budget by £2.4m excluding the impact of Covid 19. Covid 19 costs added a further £1.8m of expenditure but this was matched by extra funding from central government specifically for Covid 19 costs; • weaknesses were identified in the prior year, through our audit, and through an external review by CIPFA, in respect of medium term financial planning arrangements, the capital programme, the treasury management strategy, budget setting and budget monitoring against actual performance; and • the level of the Authority's useable reserves is at the lower end of the range when benchmarked against other similar authorities.	We have: • Reviewed the report issued by CIPFA, the Authority's action plan, and progress against the action plan and assessed whether significant weaknesses in applicable arrangements remained in 2019/20; • Reviewed the Authority's medium term financial plan and budget and other significant relevant documents used by the Authority in planning its finances, and understand the arrangements involved in their preparation.	Our work on this risk area is ongoing at the date of this report.

Significant VFM risks

Risk 2: Informed decision making: weaknesses in arrangements for reliable and timely financial reporting

Risk details	Procedures Performed	Status
We have identified a significant risk that there is a significant weakness in the authority’s arrangements with respect to reliable and timely financial reporting that supports the delivery of strategic priorities. We identified this risk because: • material errors were identified through our audit of both the Authority and the Pension Fund in the prior year which had not been detected by Officers of the Authority in the draft Statement of accounts; and • the quality and timeliness of information presented for the audit in the prior year was below what we would expect of an Authority, we raised a number of significant financial control weaknesses through the audit, and the authority did not meet the deadline for approval of the Statement of Accounts in 2018/19. • issues flagged in the CIPFA report in relation to financial reporting.	We have: • Reviewed the report issued by CIPFA, the Authority’s action plan, and progress against the action plan and assessed whether significant weaknesses in applicable arrangements remained in 2019/20; • Considered whether the authority has implemented our recommendations from the prior year audit; • Considered the findings from the 2019/20 audit of the Statement of Accounts for the Authority and the Pension Fund to consider whether there was evidence of material weaknesses; and • Considered the quality and timeliness of the information presented by Officers to support the balances in the Statement of Accounts.	Our work on this risk area is ongoing at the date of this report.

Significant VFM risks

Risk 3: Informed decision making: weaknesses in governance arrangements

Risk details	Procedures Performed	Status
We have identified a significant risk that there is a significant weakness in the authority's arrangements for acting in the public interest through demonstrating and applying the principles and values of sound governance. We identified this risk because our prior year conclusion: • referred to the Authority's Annual Governance Statement which identified weaknesses in respect of inadequate resourcing of key governance functions and the development of an organisational culture where individuals did not feel empowered or encouraged to speak out when issues arose; • identified weaknesses in the annual review of the effectiveness of the governance framework, including the system of internal control; and • identified weaknesses in the arrangements for the governance and internal control of the Royal County of Berkshire Pension Fund. Our prior year reporting recommended the commissioning of a governance review of the pension fund to be performed by an independent expert.	We have: • Reviewed the Authority's Annual Governance Statement for 2019/20, considered the arrangements for its preparation, and considered any relevant significant weaknesses identified in that statement; • Made enquiries of Senior Officers to understand changes in the resourcing of key governance functions and the development of the organisational culture; • Documented and considered the Authority's arrangements for review of the effectiveness of its governance framework and the outcome from that review; and • Considered the findings from our audit of the Pension Fund and the level of implementation of our relevant control recommendations raised in the prior year. • Considered the findings and recommendations of the report commissioned by the authority on pension governance and control arrangements. • The Council commissioned the pension fund governance review in February 2020 and the report was released in July 2020. A review of this report and the recommendations arising formed part of our 2019/20 procedures.	Our work on this risk area is ongoing at the date of this report.

Control observations

During the course of our prior year audit, we identified internal control findings which we reported to the CO&SP. In the tables below we include the detail of our prior year control findings along with an update to our work in relation to these control findings as performed in the 2019/20 audit. We note as reported earlier the audit continues to be in progress and further control findings may be identified.

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	2018/19 Observation	Current Year Update
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. We note the final amended report is satisfactory.	The first draft of the Council Statement of Accounts published for the public inspection period on 3 August 2020 demonstrated substantial improvement from the initial draft provided as part of the prior year audit. This included taking on board several of the recommendations raised as part in the prior year. As noted earlier in the report, we have been provided with an updated set of accounts on 27 January 2021 which are undergoing review.

Control observations (continued)

Area	2018/19 Observation	Current Year Update
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.	These standards were new for 2018/19 but were in the second year of implementation in 2019/20. The Statement of Accounts were prepared on a IFRS 9 / 15 basis. We have not identified issues in relation to this in our audit work to date. There were no further new IFRS standards applicable in the year (see next point regarding IFRS 16).
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.	As a result of Covid 19, the implementation of IFRS 16 has been delayed to 2022/23 for the Public Sector. Whilst this point remains open and will need Council attention in due course, this does not impact the 2019/20 financial statements and the related disclosure covering IFRS standards issued but not yet implemented can be reported in the same manner as 2018/19. Management have informed us preparations are being made for the introduction of this standard but this work has not been reviewed by 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.	This recommendation has not been adopted by management due to it not being material. The accounting for acquisitions has remained the same as the prior year and we do not consider this to be a material matter.

Control observations (continued)

Area	2018/19 Observation	Current Year Update
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.	The Council adopted many of our recommendations in relation to property valuations leading to an improved process and fewer issues raised in relation to the audit. As stated in our prior year report, we involved our DRE specialist team at the scoping stage of the valuation exercise to mitigate issues arising late in the process. The Deloitte Real Estate expert has raised some recommendations to consider for future exercises, see next page for details.

Control observations (continued)

Area	2018/19 Observation	Current Year Update
Improvements to the valuation exercise	Whilst overall we have concluded that the properties held at revalued amounts are not materially misstated, several insights and improvements for the future have been identified. We have fed back a detailed list to management and include a summary of the more significant items below: • Reports provided to Lambert Smith Hampton and received back from them should include clear categorisation of assets, including whether leasehold or freehold, and a clear statement of the date of valuation to ensure the correct methodology and assumptions have been applied and that this can easily tracked through the working papers. • Valuations required for RBWM Property Company Limited should be commissioned and conducted under separate instructions to the main Council valuation exercise as their assets do not form part of the Council's accounts. • The Depreciated Replacement Cost ("DRC") method of valuation is applicable to specialised assets rarely sold or traded such as schools. Only 1 such item, Riverside Primary, was valued for 2018/19. Findings raised included that the valuation should reflect Modern Equivalent Asset considerations and that valuations should be on an "Instant Build" basis (i.e. not including finance costs). These were weaknesses in the valuation method however they were not material to the overall valuation because only one school was valued this year. These findings could have a greater impact in future years when more of these specialised assets are expected to be in the scope of the review so should be addressed as part of scoping next year's exercise. • Where an asset has been valued at an earlier point in the year, explicit commentary should be included to update the valuation to the balance sheet date. • The impact of Brexit is not noted in the LSH report. As an area of uncertainty we would expect to see commentary on this matter even where the potential impact cannot be fully quantified. • Whilst the Council uses a specialist valuer to inform the process here, it is important that the Council retains responsibility for reviewing the assumptions and confirming their appropriateness and that this is documented appropriately in a management paper. We also note that the Council appraisal of properties not directly valued in order to consider whether there is a risk that they are materially misstated was provided late in the process. We would expect this to be prepared contemporaneously with the preparation of the valuation and the preparation of the draft statement of accounts. We propose that the support for the valuation, both the directly valued areas of the portfolio and the appraisal of the assets not in scope for that year, are provided prior to the start of the audit. We will also seek to be involved, with our DRE specialist team, at the scoping stage of the valuation exercise to mitigate issues arising later in the process next year.	Our report from the DRE specialist noted the following recommendations: In relation to the DRC method, there were a limited number of low value assets measure on this basis in scope for this year's valuation. This remains an area for management to keep aware of in future valuations ensuring where these are undertaken on a DRC basis, the assumptions for those assets are clearly documented. Our review found some variances in certain data points (information taken from national and local property indices) used by the Council's valuer. This was not a case of error but a subsequent update to certain data as at 31 March 2020 post issue of the valuer's report. The Council should maintain liaison with the valuer to the date of issue of the Statement of Accounts to check if any relevant indices have moved. Overall, the impact of this on the 2019/20 audit was not material. Some minor improvements can be made to the valuation reports from the Council's expert for example, under the Red Book, reports should include overall total values of the assets valued. A list of these recommendations will be passed to management. Overall, the valuation exercise did not present with as many issues in the prior year. Preparation of the valuations to the balance sheet date of 31 March particularly assisted in this regard.

Control observations (continued)

Area	2018/19 Observation	Current Year Update
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. 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.	The controls in place at the Council and tested as part of the audit were similar to those in the prior year, with similar issues where a control is not performed to a sufficient level of detail with an audit trail maintained in order for us to conclude that the design and implementation of controls is satisfactory. We therefore did not rely on controls in our testing of capital expenditure and we consider this to be a significant weakness. We therefore continue to recommend that management puts in place arrangements to further develop these processes with clear documented evidence of the performance of the controls. We note that during 20/21, as noted in the CIPFA Action Plan, a capital review board was set up to address this.
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.	Our prior year recommendation has not been implemented. We therefore continue to 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.	We tested a budget transfer in 2019/20 of £600k and noted the email communication request and virement form as well as the discussion and approval at the May 2019 Cabinet meeting. We have not tested every virement in the year but it is our understanding that this has been an area of focus for the Council as it was also raised in the CIPFA report.

Control observations (continued)

Area	2018/19 Observation	Current Year Update
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 was required as these amounts have been included in capital additions for the year. We understand that officers use a March to February 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.	Our work on the disclosure notes is still in progress based on the most recently received statement of accounts. We will update management and the Committee in due course with any findings arising from this work.
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.	This investigation proceeded but was not concluded until after the closing of the 2019/20 period. This difference in the bank reconciliation therefore remains in the 31 March 2020 financial position. It is reported as an uncorrected misstatement as it was in our prior year ISA 260 (and as it was by our predecessor audit for the 2017/18 audit). We understand from management this has been corrected in the 2020/21 period but have not audited this posting. It was reported to Council in June 2020.
Elimination of internal recharges	Internal recharges should be eliminated from the presentation of income and expenditure in the Comprehensive Income and Expenditure Statement. 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.	This finding was addressed by management as part of the first draft version of the accounts. This issue did not recur in the 2019/20 Statement of Accounts.
Pension Asset investments	We recommend that the Council performs a review of the arrangements around pension asset investment decision making, monitoring and reporting of the valuation of those investments. This should include an historic review of the arrangements with respect to the specific assets that were adjusted significantly to identify the lessons that can be learned and to embed this learning into the new arrangements. The outcome from these reviews should be reported to both the Corporate Overview and Scrutiny Panel and the Pension Fund Panel.	This review took place over January – March 2020. The report was issued in July 2020 and was presented to the Pension Review panel in October 2020. As stated in the VFM section, our work in response to the findings in this report continues to be in progress.

Control observations (continued)

Area	2018/19 Observation	Current Year Update
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.	The Council continues to be on an improvement trajectory in relation to the quality of financial reporting information provided. This has mainly related to the quality of accounting working papers and their reconciliation to the accounts. Full accounting papers (formatted as outlined in the 2018/19 observation) were still not provided for key judgements and estimates. There are still improvements that could be made to the structure and detail of accounting papers for provision to the audit team and the Committee.
Accounts closure	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.	We met with Council officers early in the process (in January and February 2020) to discuss audit requirements in detail. We note a greatly improved response to our audit request list both in terms of quality and timeliness of responses. There continue to be improvements that can be made in this area and Covid-19 did impact some of our ways of working. We will work closely with officers as part of the planning for 2020/21.

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). As noted earlier, an updated Statement of Accounts for the Council was provided on 27 January 2021 including an updated Narrative Report. This document continues to be under review and we will feed back to the Council any proposed amendments. This work is therefore in progress.
Annual Governance Statement	The Annual Governance Statement reports that governance arrangements provide assurance, are adequate and are operating effectively.	The Council's Annual Governance Statement for 2019/20 was issued to the June 2020 CO&SP. Based on the finalised outcome of our work on VFM and the objections, if there are further audit recommendations for improving the disclosures within this document, particularly in the "Governance Issues" section, we will raise these with the relevant Council officers. We will also assess 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. Our work is in progress.

Objections to the Statement of Accounts

As noted in the introduction, we received 22 potential objections from local electors this year. We have reviewed these and concluded that we would accept 6 as formal objections that can be categorised into 3 areas. The key points that the objections taken forwards relate to are summarised below.

Objection title		Nature of the objection
Nicholsons Shopping Centre	1	The lawfulness of the carrying value recognised for the Nicholsons Shopping Centre and the Broadway Multi Storey Car Park assets in the 2019/20 accounts and circumstances surrounding the arrangements for sale of those assets.
	2	The lawfulness of the virement of £470,000 from the Broadway Car Park capital budget for work with Tikehau Capital and Areli on the Nicholson's Shopping Centre redevelopment and a new car park.
	3	The lawfulness of the carrying value recognised for the Nicholson's Shopping Centre and associated assets in the 2019/20 accounts, and circumstances surrounding the arrangements for sale of those assets including whether EU state Aid thresholds were breached.
RBWM Property Company Limited	4	The lawfulness of public assets moving into the RBWM Property Company Ltd on non-commercial terms, and a lack of transparency over that company.
	5	The lawfulness of the support committed by the Authority to the RBWM Property Company Ltd as disclosed in the financial statements of that company.
Loss of office payments	6	The lawfulness of compensation for loss of office payments made to the former s151 Officer and Managing Director, as disclosed in note 37 Officers Remuneration to the 2019/20 accounts, unless and until full reasons for departure are explained. The related lawfulness of making loss of office payments to Officers who are closely connected with the matters outlined in the CIPFA Review of Financial Governance ("CIPFA Report").

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 Audit and Governance Committee 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 Audit and Governance Committee 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.

Deloitte LLP

Jonathan Gooding

for and on behalf of Deloitte LLP

St Albans

08 February 2021

Appendices

Audit adjustments
Unadjusted misstatements

		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						
Our review of the latest version of the Statement of Accounts is in progress and we are not in a position to report conclusively in this area. To the date of this report, we have not identified any material uncorrected misstatements.						
Misstatements identified in prior years – see prior year ISA 260 for details						
Accounting for outcome of McCloud judgement	[1]	3.4	(3.4)	-	*3.4*	
Reconciling items in bank reconciliation	[2]	1.0	(1.0)	-	*1.0*	Yes
Debtors with credit balances	[3]	-	0.5/(0.5)	-	-	
Interest cost included in Modern Equivalent for the revalued school	[4]	1.6	(1.6)	-	*1.6*	
Asset under construction not reclassified in prior period	[5]	-	0.7/(0.7)	-	-	Yes
Total		**6.0**	**(6.0)**	**-**	*6.0*	

(1) Based on the outcome of the actuary's review of the impact of the McCloud judgement on pension liabilities an adjustment of £3.4m 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) Interest was included in the Modern Equivalent Asset valuation for the single school revalued. These valuations are required to be on an "instant build" basis and should only include actual build costs.

(5) 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)
Disclosures

Disclosure misstatements

Our review of the latest version of the Statement of Accounts is in progress and we are not in a position to report conclusively in this area.

To the date of this report, we have not identified material disclosure deficiencies.

We will feed back any disclosure misstatements in our final report.

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.

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.

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 Audit and Governance Committee for the year ending 31 March 2020 in our final report to the Audit and Governance Committee.
Audit fees	The scale fees for the 2019/20 audit of the Council were £63k and for the Pension Fund £19k. These are the same scale fees as the 2018/19 audit. Our audit fee is based on assumptions about the scope and required time to complete our work. As noted earlier in this report, our audit was not concluded by the original 31 July deadline and it has required substantial further input. We continue to discuss the impact on the audit fee with the authority and Public Sector Audit Appointments ("PSAA") including the cost of investigating the objections which have also incurred external solicitor fees. The final fee amount will be communicated to the Committee once agreed.
Non-audit fees	There are no other non-audit fees in relation to the 2019/20 period.
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.

Deloitte.

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Royal County of Berkshire Pension Fund

Audit Status Update Report to the Audit & Governance Committee for the year ended 31 March 2020

Issued on 08 February 2021 for the meeting on the 16 February 2021

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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 audit status update report to the Audit & Governance Committee of Royal Borough of Windsor & Maidenhead (the "Committee") for the 2020 audit of the Royal County of Berkshire Pension Fund (the "Fund"). The scope of our audit was set out within our planning report presented to the Corporate Oversight & Scrutiny Panel in May 2020.

Status of the audit – Pension Fund

At the date of issue of this report, our audit of the pension Fund for the year ended 31 March 2020 is nearing completion. We have set out on page 4 the procedures that are in progress. Responses have been provided for all IAS 19 requests from auditors of other Fund employers, including two late requests for 2019 for Reading Borough Council and Slough Borough Council.

Significant changes have been made to the audit timetable we presented in our planning report as a result of delays experienced in receiving information from the Fund and its third party service organisations across many key areas of testing. Some of the delays were the result of the COVID-19 pandemic. Where delays were due to weaknesses in governance or controls, we have included our comments on this within the control observations and other findings section of the report.

On investigation, the alternative investment portfolio was materially overstated in the draft financial statements by £31.5m. This was due to the use of stale valuations that had not been adjusted to reflect the negative performance experienced by many funds during the first quarter of 2020 as a result of COVID-19. This is the second year we have performed the audit of the Fund and we have identified material misstatements in both years (£74.5m overstatement in the 2019). We therefore draw your attention to the high priority recommendations on pages 8 to 12.

The investment manager, Local Pensions Partnership ("LPP"), has found it difficult to obtain and provide some of the requested information for our testing of the alternative investment funds. This included audited financial statements of the funds, without which it was not possible for us to conclude on our testing. We have now received all the information we require in respect of the alternative investments.

Following the receipt of the draft financial statements for the Fund as at 31 March 2020, we revised our materiality from £14.5m to £20.3m. The initial materiality calculation had been based on an estimate that net assets would be 70% of what they were at 31 March 2019, as an estimate of the potential effect of COVID-19 on investment values. In contrast, the draft reporting for 2020 showed a much higher net asset balance than predicted. Our reporting threshold has also been updated from £0.3m to £1.02m, which is in line with our revised materiality.

Conclusions from our testing

We have set out a summary of misstatements and disclosure deficiencies identified to date in an appendix to this report (see pages 15 and 16). The main adjusted misstatement relates to the overstatement of alternative investments as noted above. The corrected disclosure misstatements relate to an undisclosed material uncertainty of property fund valuations and an undisclosed related party transaction of an overnight loan of £1.2m made by the Fund to the Royal Borough of Windsor and Maidenhead ("the Authority").

Introduction

The key messages in this report (continued)

Audit procedures outstanding

The following audit procedures are ongoing at the time that this report was released:

- Finalise our work on the controls for investment and disinvestment of cash during the year;
- Complete our work on the change in market value of investments;
- Complete an assessment of the controls at the actuary regarding the longevity swap valuation;
- Finalise our testing on lump sums, including the revised audit approach of examining lump sum controls;
- Review the updated financial statements and provide comments on the Fund annual report;
- Finalise the documentation on controls and substantive testing of contributions and benefits;
- Complete concluding analytical procedures on the final draft set of financial statements;
- Review of the accounting rationale for the key judgements and estimates in the financial statements;
- Review the Fund's conclusion over the extent and nature of member system super-users editing their own records and complete additional controls testing where necessary;
- Conclude on the findings raised by the independent governance report;
- Conclude on the permissibility under the relevant regulations of the overnight loan made by the Fund to the Authority;
- Review the Fund's Annual Report for consistency with the Fund's financial statements;
- Finalisation of our internal quality review procedures;
- Obtain and review evidence of contributions continuing to be received and benefits being paid out in the post year end period;
- Finalise our review of all post year end Panel and Board meeting minutes;
- Review the final audit conclusions and consider if there are any regulatory implications;
- Update of our subsequent events and finalise going concern procedures; and
- Receipt of the signed representation letter.

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 representation letter has been issued ahead of signing the financial statements.

Audit fee

As explained in our 2019/20 fee letter, our audit fee is based on assumptions about the scope and required time to complete our work. For the reasons set out above, our audit was not concluded by the original 31 July deadline, or the extended 30 November deadline, and it has required substantial further input. The audit has also required additional procedures in response to COVID-19. We continue to discuss the impact on the audit fee with the Authority and Public Sector Audit Appointments ("PSAA"). The final fee amount will be communicated to the Committee.

Our audit explained

We tailor our audit to your organisation

Identify changes in your Fund and environment
In our planning report we identified the key changes in the Fund. This was the ongoing COVID-19 pandemic which continues to impact ways of working both for officers, members of the Fund and the Deloitte audit team.

Scoping
Other than the revised materiality noted below, 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.

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 8 of this report.

Identify changes in the Fund and environment → Determine materiality → Scoping → Significant risk assessment → Conclude on significant risk areas → Other findings → Our audit report

Determine materiality
We set our final materiality at £20.3m based on approximately 1% of total net assets of the Fund.

We report to you in this paper all misstatements above £1.02m.

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 in this report. No additional financial statement significant risks have been identified since our Audit Plan.

Conclude on significant risk areas
We draw to the Committee's attention our observations on the significant audit risks from the work performed. The Committee members must satisfy themselves that officers' judgements are appropriate.

Our audit report
On completion of the closing audit procedures, we expect to issue an unmodified audit opinion on the Financial Statements.

Significant risks

Management override of controls

Risk identified

In accordance with ISA 240 (UK) management override of controls is always a significant risk. This risk area includes the potential for officers to use their judgement to influence the financial statements as well as the potential to override the Fund'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 Fund's draft financial statements were overstated by approximately £31.5m due to the inclusion of 55 alternative investment funds at values that had not taken account of the impact of COVID-19 on performance.

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 note that the Fund made an overnight loan to the Authority on the 27 June 2019 of £1.2m. We are considering the relative permissibility of this transaction under the relevant regulations. We have not identified any other significant transactions outside the normal course of business nor any transactions where the business rationale was not clear in the current year.

Journals

We have performed design and implementation testing of the controls in place for journal approval. Our work on the controls for investment and disinvestment of cash during the year is in progress.

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. This included consideration of related party transactions.

We have tested the appropriateness of a sample of journal entries recorded in the general ledger, and other adjustments made in the preparation of financial reporting, including making enquiries of individuals involved in the financial reporting process.

Accounting estimates

We received an accounting paper on critical estimates and judgements on the 3 February 2021. We will perform a review of this paper.

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

We have reviewed the draft financial statements' accounting estimates for biases that could result in material misstatements due to fraud.

We also considered the impact of COVID-19 on the level of risk associated with potential frauds and adjusted our procedures accordingly.

We have not completed our tested on accounting estimates and judgements due to the delay in receipt of the accounting paper. Our ongoing work is focused on the areas of greatest judgement and value. Our procedures include comparing amounts recorded or inputs to estimates to relevant supporting information from third party sources. The findings from our work on the longevity swap valuation are included on page 7 of this report.

Issues identified

- We have identified control deficiencies, set out on pages 8 to 11;
- We are considering the overall impact on the audit of the issues identified to date and we will report any further impact and findings to the Committee in our final report;
- Other than the undisclosed loan noted above, we have not identified any significant bias in the key judgements made by officers based on work performed; and
- We have not identified instances of management override of controls in the current year in our work to date.

Significant risks (continued)

Valuation of the longevity hedge

Risk identified

The Fund holds a material longevity insurance policy to hedge longevity risk. A longevity hedge is designed to insure the Fund against the risk that pensioners live longer than the current mortality assumptions. Valuation of longevity hedges are sensitive to relatively small movements in the key assumptions used in the actuarial calculations. The setting of these assumptions involves judgement. The longevity hedge was valued as a liability of £103.8m in the 2018/19 Statement of Accounts and £121.8m in the 2019/20 Statement of Accounts presented for audit and is therefore quantitatively material. As a result of this we consider the valuation of the longevity hedge to be a significant risk.

Key judgements and our challenge of them

The Fund held a longevity hedge liability of £121.8m (PY: £103.8m) at 31 March 2020 which is required to be recorded at fair value.

The Fund's practice is to obtain a valuation from the Fund's actuary as at each year end. The actuary also reviews the assumptions relating to the overall Fund's liability on a triennial basis. The most recent triennial valuation was completed as at 31 March 2019.

During the audit the balance was revised by £2.08m (initial draft liability was £123.9m) due to the actuary issuing an updated report.

Key judgements include:

- The discount rates used in discounting the estimated cash flows associated with the instrument; and
- The mortality improvement assumptions.

Deloitte response

We have:

- Performed an assessment of the actuarial expert in respect of their knowledge and experience in this area;
- Identified an absence of the review control that we recommended in our 2019 audit report with respect to the valuation of the longevity swap. Given the weaknesses identified, we are still considering other key controls;
- Obtained a valuation report directly from the actuary and reconciled this to the financial statements disclosure;
- Reviewed the underlying documentation for the policy, including the population covered, the assumptions and other key inputs used in the calculation, and the agreed cash flows;
- Engaged in-house actuarial specialists to challenge and assess the reasonableness of the valuation of the policy based on the underlying terms of the contract and the forecast cash flows; and
- Compared our expectation of the value with that reported by the actuary, investigating any differences identified that are outside the range of results that we consider to be reasonable.

Deloitte view

Following review by our internal specialists we conclude that the assumptions used are in line with the market and that the value included in the financial statements is within an acceptable range based on the present value of the cash flows provided.

It is recommended that the actuary:

- monitors the mortality experience of the swap and tests the ongoing appropriateness of assuming the base mortality is in line with the pension Fund assumptions.
- continues to perform an Analysis of Change which will provide an additional layer of control on the results.
- challenges the premium schedule inputs from ReAssure (counterparty) should they change unexpectedly as this will provide an additional layer of control on the results.

We have identified a **control weakness** in this area and made recommendations for management to consider when valuing the longevity hedge in future. Our recommendations have been summarised from page 8.

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 to date and that we have concluded are of sufficient importance to merit being reported to you. We will report to you any other significant deficiencies we identify during the conclusion of our audit work in our final audit report.

Area	Observation
Valuation of the longevity swap	In our final report on the 2019 audit, we recommended that the Authority ensures that the valuations provided by the actuary are reviewed and that the assumptions are challenged, understood, and agreed before inclusion of the valuation in the financial statements. Discussions with officers of the Fund during the 2020 audit revealed that, while the longevity swap valuation had been discussed with Barnett Waddingham, there was no formal control design documented and no recorded evidence of implementation of the control. We have been informed that the discussion with Barnett Waddingham took place after inclusion of the valuation in the financial statements. This is a significant control weakness and we recommend that the Authority ensures that the valuations provided by the actuary are reviewed and that the assumptions are challenged, understood, and agreed before inclusion of the valuation in the financial statements. We recommend that evidence of this review and assessment is clearly documented.
Valuation of the convertible bond	In our final report on the 2019 audit, we recommended that the Authority ensures that the valuation of all bespoke investments is understood by the investment manager and that controls are implemented to ensure an appropriate challenge is made of valuations received from any service organisation. In the current year the value included in the financial statements was very close to the final value in the 31 March 2019 financial statements. The value presented in the draft financial statements was £2.3m (2019: £2.2m), but given the complexity involved in valuing this instrument, we made enquiries of the Fund to ensure that there was an evidence-based rationale for this value. On investigation it was noted that there was no formal support for the decision to leave the value unchanged in the draft financial statements and no evidenced-based rationale had been prepared. Following discussions with management, a paper was provided by the investment manager to support the valuation decision. We recommend that the Committee ensures that the valuation of all bespoke investments is understood by the investment manager before completion of the draft financial statements, and that controls are implemented to ensure an appropriate challenge is made of valuations received from any service organisation. We recommend that evidence of this review and assessment is clearly documented.

Control observations (continued)

Area	Observation
Valuation of the private equity portfolio and other alternative funds	In our final report on the 2019 audit, we recommended that the Authority review the terms and conditions of its relationship with all investment service providers and seek assurance that controls are in place to ensure that the most recent audited financial statements of each fund, along with the regular capital valuation statements and any evidence of any capital transactions are received and regularly reviewed in a timely fashion. Our standard testing approach for alternative investment funds includes obtaining the most recent audited financial statements of the investment fund along with information about capital committed and any capital transactions that occurred since the date of the audited financial statements. Obtaining the specific information we require and receiving this in a timely manner has continued to be difficult during the current year audit and we have experienced delays. This has directly impacted the progress of this testing. It also continues to indicate the absence of robust controls around the management of these funds. We are aware that the Fund has taken steps to better understand the processes, controls and responsibilities of the investment service providers and that consideration is being given to how best to address this finding. Audit testing in the 2020 year audit revealed that the alternative funds were overstated in the draft financial statements by approximately £31.5m. This misstatement was adjusted in the final financial statements. In discovering and resolving this misstatement it was noted that there was no process or control in place to determine the valuation of lagged price funds as at the year end, or to update the financial statements if new information came to light before they were signed. These matters represent significant control weaknesses. We recommend that the Fund continues to review the terms and conditions of its relationship with all investment service providers and takes steps to ensure that controls are in place such that the most recent audited financial statements of each fund, along with the regular capital valuation statements and any evidence of any capital transactions are received and regularly reviewed in a timely fashion. We recommend that the Fund also ensures that controls within the financial reporting process are implemented such that the best estimate of the fair value of investments is used in the draft financial statements and that material changes to the investment balances that come to light before signing are reflected in the financial statements.
Retrospective review of investment decision making	In our final report on the 2019 audit we also recommended that the Fund perform a review of the arrangements around pension asset investment decision making, monitoring and reporting of the valuation of those investments. This was to include an historic review of the arrangements with respect to the specific assets that were adjusted significantly to identify the lessons that can be learned and to embed this learning into the new arrangements. The outcome from these reviews was to be reported to both the Corporate Oversight & Scrutiny Panel and the pension Fund Panel. We note that the scope of the work did include these considerations and that the final report was provided to the Authority in July 2020. Our consideration of the conclusions of this report is ongoing and we will present our findings to the Committee in our final audit report.

Control observations (continued)

Area	Observation
Review of financial statements	The design of the control for review of the financial statements did not include checking the draft statements to the underlying workings. We also noted that for the 2020 financial statements there was no evidence of a formal review and, at the time of testing this control, there was a lack of awareness of any review process. Furthermore, there was no evidence that the CIPFA checklist had been used in the accounts preparation process, or in any review that may have taken place. This weakness in control increases the likelihood of misstatements in the financial statements. We recommend that the design of the financial statement review control is amended to include checking to underlying working papers, includes completion of a full CIPFA checklist, and is communicated clearly to all those involved in the preparation and review process. The implementation of the control should be evidenced appropriately and this evidence should be retained for a sufficient period.
Review of journals	The design of the control for review of journal postings does not include a formal description of the review process. There was no clear evidence available that a review took place over journal postings for a month selected. We also noted that some of the monthly investment posting updates did not occur within a reasonable timeframe. Furthermore, during journal testing it was noted that there were multiple errors in original journal postings that had to be adjusted in subsequent journal entries. This suggests that any control implemented over journal review was deficient. We recommend that the design of the journal posting review control is amended to include a well defined scope, for example a checklist, is communicated clearly to all those involved in the preparation and review process, and takes place in a timely manner before journals are posted to the accounting system. The implementation of the control should be evidenced appropriately and this evidence should be retained for a sufficient period.
Administration system editing rights	From the work performed on controls around member data, we noted that the system super-users have the access rights to edit their own member records and those of each other. Whilst any editing of the system can be reviewed in a system audit report, there is no formal regular review of this editing activity and no evidence was available of any other mitigating controls. On review of the system audit report for a two year period ended 31 March 2020, it was noted that both super-users had edited either their own or the other super-user's records. We have asked the Authority to determine the effect of this editing and to provide confirmation that they were made legitimately. This report has not yet been received. Once received, we will review the Fund's conclusion over the extent and nature of super-users editing their own records, complete additional testing where necessary and conclude as to whether there is any impact on our audit opinion. We recommend that the IT system is updated to prevent super-users from editing their own records, that any editing of each other's records is checked by a third person, and that an annual review of the system audit report is conducted to ensure that this control is being implemented and evidenced.

Control observations (continued)

Area	Observation
No evidence of authorisation for overnight loan prior to payment	As noted on page 6, the Fund made an overnight loan to the Authority on the 27 June 2019 of £1.2m. The amount was returned to the Fund in full on the 28 June 2019. Officers of the Fund have made it clear that they were aware of and approved the transaction at the time. However, there was no evidence available to demonstrate that the Fund authorised this transaction in advance of the payment to the Authority, nor was there a formal record of the business rationale from the perspective of the Fund for such a transaction. We are considering the relative permissibility of this transaction under the relevant regulations. We also consider this transaction to be qualitatively material and therefore should be disclosed in the notes to the Financial Statements of the Fund. This disclosure was not present in the initial draft, but has now been added following our audit recommendation. We recommend that the Fund implements a control to record and review the rational for all transactions outside the normal course of business, including consideration of any relevant laws, regulations and conflicts of interest. We also recommend that sufficient appropriate evidence is retained demonstrating that the control has operated for all such transactions.
Separation of the Fund from the Authority	In reconciling the journal activity for the year, it was noted that some journal postings included activity for both the Fund's financial statements and those of the Authority. On reviewing the journal population as a whole for both the Fund and the Authority we concluded that the population was complete for the year ended 31 March 2020. We also noted that some payments made to the Authority by the Fund for costs incurred on behalf of the Fund, were not formally invoiced by the Authority and that there was no evidence of formal authorisation available for these transactions. We recommend that the general ledgers of both entities are maintained in isolation. We also recommend that formal documentation is prepared by the Authority to request payments from the Fund, and that this is reviewed by the Fund before payments are made. Furthermore, sufficient appropriate evidence should be retained demonstrating that the control has operated for all such transactions.

Other Findings

During the course of our audit we have identified 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 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. We will report to you any other significant findings we identify during the conclusion of our audit work in our final audit report.

Area	Observation
Lack of continuity plans in relation to absence of key individuals	We have noted during our audit that the departure in early 2020 of the Fund accountant has led to delays in providing a number of elements of documentation. This may also have contributed to the failure of some financial statement controls as noted above. The impact of the departure may have been more significant if not for the assistance provided by the outgoing accountant, months after he had left his post. We note that accounting is not the only area of the Fund's operations that could be susceptible to changes in key personnel. Therefore we recommend that continuity plans be developed for all key roles within the Fund's operations.
Internal audit and monitoring of controls	It was noted that there was no formal internal audit review of the controls of the Fund for the year to 31 March 2020. We understand that this was partly due to the result of the review in the previous year. A governance review was planned, but this was superseded by the independent external review commissioned by the Authority. However, given the number of control deficiencies noted above, we recommend that the internal audit function of the Authority is engaged annually to assess the operation of controls at the Fund. We are still considering the overall governance structure in our review of the independent governance report and we will report any additional conclusions regarding the control environment to the Committee in our final report.
Compliance with LGPS regulations and the regulator	Within the administration strategy document, it is noted that there should be clear procedures laid out in relation to confirming compliance with LGPS regulations and the regulator. The Fund staff informed us that a work plan takes all items to committee meetings throughout the year, but no evidence was available to demonstrate that a formal procedure document exists. We recommend that procedures are developed in response to the requirements, and which ensure that the Fund meets its statutory obligations and regulatory requirements.

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 Audit & Governance Committee and the Fund 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 Fund.

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 Audit and Governance Committee, 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.

Deloitte LLP

Jonathan Gooding

for and on behalf of Deloitte LLP

St Albans

08 February 2021

Appendices

Audit adjustments

Uncorrected misstatements

There are no misstatements that have been identified up to the date of this report which have not been corrected by officers of the Fund.

Corrected misstatements

The following misstatements have been identified 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) Fund account £m	Debit/ (credit) in Net asset statement £m	If applicable, control deficiency identified
Misstatements identified in current year				
Overstatement of investments from stale priced alternative funds	[1]	(31.5)	31.5	Yes
Overstatement of longevity swap liability	[2]	2.1	(2.1)	No
Total		**(29.4)**	**29.4**	
Misstatements identified in prior years – see prior year ISA 260 for details				
Revaluation of longevity swap		40.3	(40.3)	Yes
Revaluation of convertible bond		34.2	(34.2)	Yes
Total		**74.5**	**(74.5)**	

(1) 55 alternative funds had been included within the draft financial statements at stale prices, unadjusted for market movements up to the year end. Valuations received during the audit showed that these funds had decreased in value in aggregate by a material amount.
(2) During the audit, the actuary updated the longevity swap valuation.

Audit adjustments (continued)
Disclosures

Disclosure misstatements

The following disclosure misstatements have been identified which officers have corrected.

Disclosure
Material uncertainty of property fund valuations In our planning report dated the 21 May 2020, we identified that property valuers had experienced difficulties in assessing the market value of properties as at the 31 March 2020 due to the restrictions in force as a response to COVID-19. This was an industry wide issue and, following guidance issued by the Royal Institute for Chartered Surveyors, it was expected that all valuers will report a material uncertainty over the value of property assets held at 31 March 2020 as a result of Covid-19 factors. In response to the valuation uncertainties, many property funds were gated as at 31 March 2020. The extent to which this issue affected the Fund was to be assessed. As part of the audit we received more information about the material property funds. We consulted with our Deloitte Real Estate Specialists, including consideration of the type and nature of the properties held. On review of the evidence received it was concluded that a material uncertainty did exist over the valuation of the Fund's property funds as at 31 March 2020. Given the value of the property funds included within the Fund's financial statements (approximately £292m), the presence of a material uncertainty over these valuations should be disclosed in the financial statements. This disclosure was absent from the draft financial statements, but has now been added in response to this audit finding.
Related party transaction As noted within our controls findings above, the Fund made an overnight loan to the Authority of £1.2m on 27 June 2019. We are considering the permissibility under the relevant regulations of the overnight loan made by the Fund to the Authority, but we consider this transaction to be qualitatively material and requiring disclosure as a related party transaction. This disclosure was absent from the draft financial statements, but has now been added in response to this audit finding.

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.

Required representations:

We have asked the Fund 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 Fund.

We have also asked the Fund 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 the longevity hedge and management override of controls as key audit risks for the Fund.

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

In addition, we have reviewed officers' own documented procedures regarding fraud and error in the financial statements.

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 Fund.
Audit fees	The scale fee for the 2019/20 audit of the Pension Fund was £19k. This is the same scale fee as the 2018/19 audit. Our audit fee is based on assumptions about the scope and required time to complete our work. As noted earlier in this report, our audit was not concluded by the original 31 July deadline and it has required substantial further input. We continue to discuss the impact on the audit fee with the authority and Public Sector Audit Appointments ("PSAA"). The final fee amount will be communicated to the Committee once agreed.
Non-audit fees	There were audit related services carried out regarding the issuance of assurance letters to the auditors of participating employers. The fees for this work are being considered as part of the discussions around the main audit fee. 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 Fund, its members, officers and affiliates. We have not supplied any services to other known connected parties.
Ethical Standard 2019	The FRC has released the Ethical Standard 2019. The standard classes pension schemes as 'other entities of public interest ' where assets are greater than £1bn and there are 10,000 members. As a result, non audit services will be limited primarily to reporting accountant work, audit related and other regulatory and assurance services. All other advisory services to these entities, their UK parents and world-wide subs will be prohibited.