Public Document Pack

Meeting Supplement

Audit and Governance Committee
Councillors Julian Tisi (Chair), Mark Wilson (Vice-Chair), Simon Bond, Suzanne Cross, Geoff Hill and Julian Sharpe

Thursday 16 November 2023 7.00 pm
Council Chamber - Town Hall - Maidenhead & on RBWM YouTube

www.rbwm.gov.uk
Royal Borough of Windsor & Maidenhead

The following papers have been added to the meeting's agenda as they were not available for publication when the notice of meeting was issued.

Supplement

Item	Description	Page
4	**Post Audit Statement of Accounts 2020/21** To note the audited signed accounts for the financial year 2020/21, approve the audited Statement of Accounts and approve the management responses to the matters raised in the External Auditors' report.	3 - 304

By attending this meeting, participants are consenting to the audio & visual recording being permitted and acknowledge that this shall remain accessible in the public domain permanently.

Please contact Kirsty Hunt, 07817137289 / kirsty.hunt@rbwm.gov.uk, with any special requests that you may have when attending this meeting.

This page is intentionally left blank

Report Title:	Post Audit Statement of Accounts 2020/21
Contains Confidential or Exempt Information	No - Part I
Cabinet Member:	Councillor Lynne Jones – Deputy Leader of the Council, Finance
Meeting and Date:	Audit and Governance Committee - 16 November 2023
Responsible Officer(s):	Elizabeth Griffiths, Executive Director of Resources
Wards affected:	**None**

www.rbwm.gov.uk

Royal Borough of Windsor & Maidenhead

REPORT SUMMARY

This report sets out RBWM's Audited Statement of Accounts for 2020/21, the External Auditors' draft report on their audit, the ISA260 and the Annual Audit Report, the management responses to the matters raised in the External Auditors' report and the draft Letter of Representation to be signed by the Borough.

It is recommended that the Audit and Governance Committee delegates responsibility to the Executive Director of Resources to agree and sign a final version of the Letter of Representation, approves the Statement of Accounts, and authorises the Chairman and the Executive Director of Resources to sign them, and approves the management responses to the matters raised in the External Auditors report.

1. DETAILS OF RECOMMENDATION(S)

RECOMMENDATION: That Audit and Governance Committee notes the report and:

- **i) Delegates responsibility to the Executive Director of Resources to agree a final version of the Letter of Representation and sign it.**
- **ii) Approves the audited Statement of Accounts and authorises the Chairman and the Executive Director of Resources to sign them.**
- **iii) Approves the management responses to the matters raised in the External Auditors' report.**

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

Options

Table 1: Options arising from this report

Option	Comments
To approve the audited accounts, and authorise the Chairman and the Executive Director of Resources to sign them **This is the recommended option**	Statutorily the Borough is required to publish its audited Statement of Accounts

2.1 As the Borough is required by statute to publish its audited Statement of 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 Audit and Governance Committee, 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

3.1 For 2020/21, the original statutory deadline for the publication of the Council's audited financial statements was 31 July 2021. However, this deadline was amended as a result of the Covid-19 pandemic to 30 September 2021.

3.2 Other factors have also impacted on the delivery of the Council's audited Statement of Accounts, mainly arising from:

- The delayed sign off of the 2019/20 accounts and the changes to the final accounts meant there were substantial changes to the 2020/21 accounts before those could be passed for audit.
  A number of significant errors in the original draft 2020/21 Statement of Accounts have been identified by both the Finance Team and external audit which have been corrected.
- Over the period of the audit, there have been significant changes to staffing both within the external audit team and the Borough's finance team, which has added to delays each time new members of staff in either area have had to start anew to review documentation and workings.

The delays in the final sign off of the Council's Statement of Accounts will also have an impact on the audit of the Statements for 2021/22 and 2022/23. These will need to be reviewed and updated ahead of the 2023/24 audit.

Table 2: 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 2021 or receive a qualified opinion or > 5 material changes.	Published on or before 30 September 2021 with an unqualified opinion and 1-4 material changes.	Published within the original statutory deadline of 31 July 2021, with an unqualified opinion and no material changes	Published by 31 May 2021, with an unqualified opinion and no material changes	16 November 2023

4. FINANCIAL DETAILS / VALUE FOR MONEY

4.1 Deloitte LLP anticipates issuing a qualified audit opinion with a limitation of scope on the authority's statement over National Non-Domestic Rates balances (and related figures in the Collection Fund and Collection Fund Adjustment Account), as due to system limitations the Council was unable to provide a breakdown of the NNDR-related debtor and creditor balances as at 31 March 2021. These reports were not run at the time and are unable to be run retrospectively. These were also not run at subsequent year ends so the expectation is that this will be an ongoing issue until 2023/24 when they have been run, as this is now an understood requirement.

4.2 Deloitte LLP has identified two significant weaknesses in arrangements to secure Value for Money, in respect of

- arrangements for reliable and timely financial reporting and maintaining a sound system of internal control; and

- governance arrangements in particular in respect of informed decision making and risk management.

4.3 The external auditors will be seeking approval from Public Sector Audit Appointments (PSAA) for an increase in their audit fees as a result of having to carry out additional work due to changes in auditing standards and requirements for 2020/21 audits, including in respect of Value for Money and the impact of regulatory changes, estimated to total £381,107. In addition, they are seeking a further £71,521 for the consideration of potential objections including seeking legal advice on the matter.

4.4 Deloitte LLP has identified a number of unadjusted misstatements, the majority of which have "net nil impact" and are reversed out due to Statutory overrides in the basis of accounting.

4.5 One issue has been Capitalisation of £1m infrastructure expenditure with a useful life of less than a year. This related to road repairs (patches) which were assessed by the council to have a useful life of one year. The auditors are of the view that these repairs should be written off as incurred because they do not meet the criteria for capitalisation. No adjustments have been made for this observation.

4.6 An error of judgement in the overstatement of the business rates appeals' provision of £3m. The provision was made based on the information supplied by external consultants. No adjustments have been made for this observation.

5. LEGAL IMPLICATIONS

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

6. RISK MANAGEMENT

6.1 We have accessed the risks associated with the current financial statements considered in this report and will be taking steps to mitigate any issues in future statements.

Table 3: Impact of risk and mitigation

Risk	Level of uncontrolled risk	Controls	Level of controlled risk
Accounts being mis-stated	Low	There is an internal review process in place and also these are externally audited	Low
Accounts being delayed for publishing	High	The accounts are overdue as a result of extra work involved due to the public objections and addressing the errors in original draft submission.	High

7. POTENTIAL IMPACTS

7.1 Equalities. No implications.

7.2 Climate change/sustainability. No implications

7.3 Data Protection/GDPR. No implications.

8. CONSULTATION

8.1 A 30-day public notice was put onto the Council's website giving residents the opportunity to inspect the accounts and related transactions and correspondence and make objections to external auditors.

9. TIMETABLE FOR IMPLEMENTATION

9.1 This section is not applicable.

10. APPENDICES

10.1 This report is supported by 4 appendices:

- Appendix A Equality Impact Assessment
- Appendix B Draft Statement of Accounts 2020/21
- Appendix C Management response to Control observations
- Appendix D Draft Audit report (ISA 260)
- Appendix E Draft Auditor's Annual Report 2020/21

- Appendix F Draft Letter of Representation (to be provided)

11. BACKGROUND DOCUMENTS

11.1 This report is supported by no background documents.

12. CONSULTATION

Name of consultee	Post held	Date sent	Date returned
Mandatory:	*Statutory Officer (or deputy)*		
Elizabeth Griffiths	Executive Director of Resources & S151 Officer	**8/11/23**	
Elaine Browne	Deputy Director of Law & Governance & Monitoring Officer	**8/11/23**	**8/11/23**
Deputies:			
Andrew Vallance	Deputy Director of Finance & Deputy S151 Officer	**Report Author**	
Mandatory:	*Data Protection Officer (or deputy) - if decision will result in processing of personal data; to advise on DPIA*		
Mandatory:	*Equalities Officer – to advise on EQiA, or agree an EQiA is not required*		
Ellen McManus-Fry	Equalities & Engagement Officer		

Confirmation relevant Cabinet Member(s) consulted	Deputy Leader and Finance	Yes

REPORT HISTORY

Decision type:	Urgency item?	To follow item?
Audit and Governance Committee Non-key decision	No	Letter of Representation To be provided before the meeting

Report Author: Andrew Vallance, Deputy Director Finance and Deputy S151 Officer

Appendix A - Equality Impact Assessment

For support in completing this EQIA, please consult the EQIA Guidance Document or contact equality@rbwm.gov.uk

www.rbwm.gov.uk

Royal Borough of Windsor & Maidenhead

1. Background Information

Title of policy/strategy/plan:	Post Audit Statement of Accounts 2020/21
Service area:	Finance
Directorate:	Resources

Provide a brief explanation of the proposal:

- What are its intended outcomes?
- Who will deliver it?
- Is it a new proposal or a change to an existing one?

The report sets out RBWM's Audited Statement of Accounts for 2020/21, the External Auditors' report on their audit, the ISA260, the management responses to the matters raised in the External Auditors' report and the draft Letter of Representation to be signed by the Borough.

It is recommended that the Audit and Governance Committee delegates responsibility to the Executive Director of Resources to agree and sign a final version of the Letter of Representation, approves the Statement of Accounts, and authorises the Chairman and the Executive Director of Resources to sign them, and approves the management responses to the matters raised in the External Auditors report.

2. Relevance Check

Is this proposal likely to directly impact people, communities or RBWM employees? • If No, please explain why not, including how you've considered equality issues. • Will this proposal need a EQIA at a later stage? (for example, for a forthcoming action plan)
No, it's a statutory requirement to get the Councils accounts audited and signed off

If 'No', proceed to 'Sign off'. If unsure, please contact equality@rbwm.gov.uk

3. Evidence Gathering and Stakeholder Engagement

Who will be affected by this proposal? For example, users of a particular service, residents of a geographical area, staff
Among those affected by the proposal, are protected characteristics (age, sex, disability, race, religion, sexual orientation, gender reassignment, pregnancy/maternity, marriage/civil partnership) **disproportionately represented?** For example, compared to the general population do a higher proportion have disabilities?
What engagement/consultation has been undertaken or planned? • How has/will equality considerations be taken into account? • Where known, what were the outcomes of this engagement?
What sources of data and evidence have been used in this assessment? Please consult the Equalities Evidence Grid for relevant data. Examples of other possible sources of information are in the Guidance document.

4. Equality Analysis

Please detail, **using supporting evidence**:

- How the protected characteristics below might influence the needs and experiences of individuals, in relation to this proposal.
- How these characteristics might affect the impact of this proposal.

Tick positive/negative impact as appropriate. If there is no impact, or a neutral impact, state 'Not Applicable'.

More information on each protected characteristic is provided in the Guidance document.

	Details and supporting evidence	Potential positive impact	Potential negative impact
Age	Not applicable		
Disability	Not applicable		
Sex	Not applicable		
Race, ethnicity, and religion	Not applicable		
Sexual orientation and gender reassignment	Not applicable		
Pregnancy and maternity	Not applicable		
Marriage and civil partnership	Not applicable		
Armed forces community	Not applicable		
Socio-economic considerations e.g., low income, poverty	Not applicable		
Children in care/Care leavers	Not applicable		

5. Impact Assessment and Monitoring

If you have not identified any disproportionate impacts and the questions below are not applicable, leave them blank and proceed to Sign Off.

What measures have been taken to ensure that groups with protected characteristics are able to benefit from this change, or are not disadvantaged by it? For example, adjustments needed to accommodate the needs of a particular group
Where a potential negative impact cannot be avoided, what measures have been put in place to mitigate or minimise this? • For planned future actions, provide the name of the responsible individual and the target date for implementation.
How will the equality impacts identified here be monitored and reviewed in the future? See guidance document for examples of appropriate stages to review an EQIA.

6. Sign Off

Completed by:	**Date**:
Approved by:	**Date:**

If this version of the EQIA has been reviewed and/or updated:

Reviewed by:	**Date**:

The Royal Borough of Windsor and Maidenhead

Financial statements 2020/2021

www.rbwm.gov.uk

Royal Borough of Windsor & Maidenhead

Table of Contents

Narrative Report 4
Statement of Responsibilities 23
Main financial statements 24
Comprehensive Income and Expenditure Statement (CIES) 24
Balance Sheet 25
Council Movement in Reserves Statement (MiRS) 26
Council Cash Flow Statement 27
Notes to the Financial Statements 2020/21 28
1. **Accounting Policies** 29
2. **Accounting Standards Issued, Not Adopted** 42
3. **Critical Judgements in Applying Accounting Policies** 42
4. **Assumptions Made about the Future and Other Major Sources of Estimation Uncertainty** 43
5. **Material Items of Income and Expense** 44
6. **Events After the Balance Sheet Date** 44
7. **Prior Period Adjustments** 44
8. **Expenditure and Funding Analysis** 50
9. **Expenditure and Income analysed by Nature** 53
10. **Adjustments between Accounting Basis and Funding Basis under Regulations** 54
11. **Other Operating Expenditure and Income** 56
12. **Financing and Investment Income and Expenditure** 56
13. **Taxation and Non-Specific Grant Income** 56
14. **Property, Plant and Equipment** 57
15. **Highways Infrastructure Assets** 59
16. **Heritage Assets** 60
17. **Investment Properties** 60
18. **Intangible Assets** 62
19. **Financial Instruments** 62
20. **Debtors** 65
21. **Cash and Cash Equivalents** 65
22. **Creditors** 66
23. **Provisions** 66
24. **Usable Reserves** 67
25. **Unusable Reserves** 69
26. **Cash Flow Statement - Operating Activities** 73
27. **Cash Flow Statement - Investing Activities** 74
28. **Cash Flow Statement - Financing Activities** 74
29. **Pooled Budgets** 74

30. **Members' Allowances** ... 75
31. **Officers' Remuneration** ... 75
32. **External Audit Costs** ... 78
33. **Dedicated Schools Grant** ... 78
34. **Grant Income** ... 79
35. **Related Parties** ... 81
36. **Capital Expenditure and Capital Financing** ... 83
37. **Leases** ... 83
38. **Capitalisation of Borrowing Costs** ... 84
39. **Pension Schemes Accounted for as Defined Contribution Schemes** ... 84
40. **Defined Benefit Pension Schemes** ... 85
41. **Contingent Liabilities** ... 89
42. **Nature and Extent of Risks Arising from Financial Instruments** ... 89
43. **Trusts and Other Entities** ... 90
44. **Group Relationships** ... 92

Supplementary accounting Statements ... 93

Group Accounts 2020/21 ... 94

45. **Group Entities Consolidated** ... 101

Collection Fund 2020/21 ... 103

The Royal County of Berkshire Pension Fund Financial Statements 2020/21 ... 108

Annual Governance Statement 2020/21 ... 140

Independent Auditor's Report ... 156

GLOSSARY OF TERMS ... 157

www.rbwm.gov.uk

Royal Borough of Windsor & Maidenhead

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 Clewer East.

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:	53.1% of population qualified to and above degree-level or equivalent (compared to South East 37.6% and England 35.8%) 2.9% with no qualifications (GCSE) (compared to South East 4.9% and England 6.3%) (ONS APS Dec-2020)
Employment:	Unemployment rate 2.8% compared to South East 4.0%, and England 4.8% (ONS APS, Dec-2020)
Ethnicity:	13.9% non-white British (ONS Census 2011)
Median house price:	£499,475 compared to South East £327,500 and England £249,000. (year ending Sep-2020, ONS House Price Statistics for Small Areas)

What the Council does

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.

Adults and Children's services are managed on behalf of the Borough by Optalis Ltd and Achieving for Children (AFC) respectively. The Council shares ownership of these organisations with other partner authorities and group accounts are prepared annually including the Council's equity share of these associates.

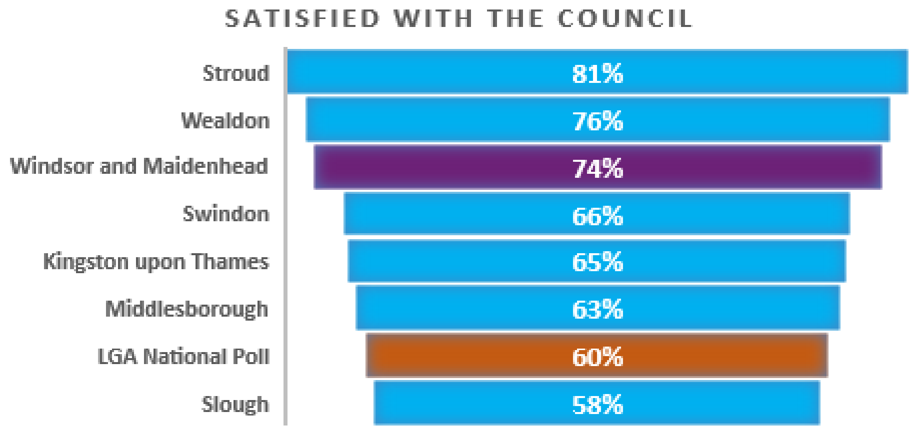
As a council we measure how well we are performing through a range of indicators as well as our residents' survey. Everything we do has to be provided within the challenge of reduced central grant to local government and increasing demand on service areas as the population grows and ages.

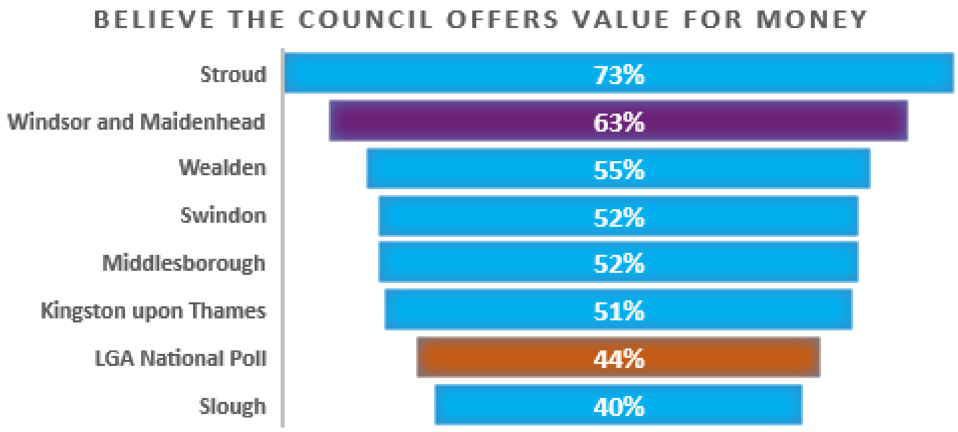
Our commitment to delivering high quality services is rooted in our commitment to providing value for money. Outside of London the Royal Borough has the lowest level of Council Tax in England.

Council Tax is 39% below the national average (including adult social care and parish precepts (Band D)) as well as significantly below neighbouring Berkshire councils. This presents challenges to service provision which are considered later in this section.

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.





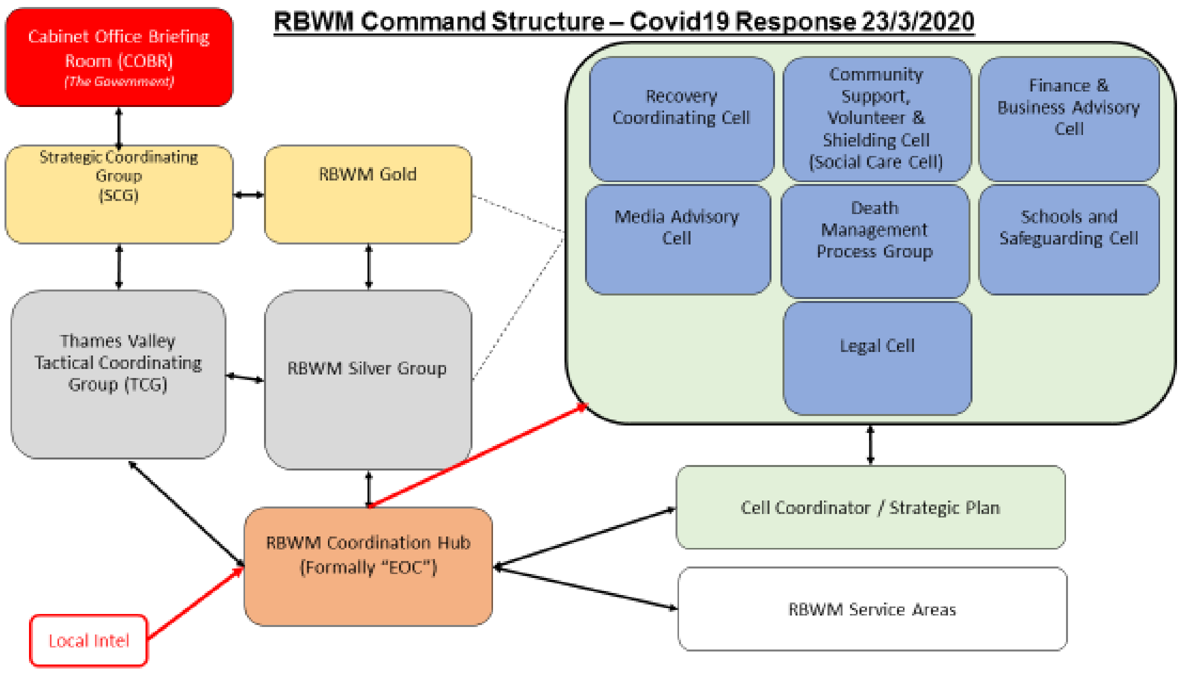
Strategic Response to the Covid-19 emergency

The continuing Covid-19 pandemic continues to be an unprecedented worldwide challenge that the Royal Borough has been at the heart of responding to, along with its partners and our communities.

The Royal Borough started to experience the impacts of the pandemic back in March 2020 when the Government announced the first national lockdown. At that time the full extent of the issues the Council would face in continuing to deliver services and support our communities could not be fully assessed. For the whole of 2020/21 we have continued to deal with the outcomes of the ongoing pandemic and know that the impact has continued well into 2021/22 and beyond.

From 23 March 2020 the Royal Borough adopted a Command Structure in response to the Covid-19 pandemic. This was stepped down in mid-July but with the ability to step up again if necessary. The structure's overall priorities were to **protect lives, provide community leadership, reassurance, and 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.



The Council Plan 2017-21 remained current up to 30 July 2020 when Cabinet approved an Interim Council Strategy 2020/21 for immediate adoption on the basis that the Covid-19 pandemic had significantly altered the context in which the Council was operating.

Our Strategic Priorities

The Interim Council Strategy clarified the three revised priorities to which the Council was responding, acknowledging that any instances where previous objectives could still be delivered without affecting delivery of interim objectives was a good thing and would be supported. The three revised priorities for 2020/21 were:

- **Covid-19 objectives**: focusing on the immediate response, long-term recovery, and new service requirements.
- **Interim Focus Objectives 2020-21**: focusing on revised service operating plans, development of the Transformation Strategy, Climate Strategy, Governance, and People Plan.
- **Revised Medium Term Financial Strategy**: focusing on the impact of Covid-19, economic downturn, and government policy.

The Council developed its new Corporate Plan to succeed the Interim Council Strategy, and was considered during 2021/22 for adoption, following consultation with our partners and key stakeholders.

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 Chief Executive, Executive Directors, Deputy Director, 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.

Performance against priorities 2020/21

The following section provides a brief overview of the key activities and milestones achieved by the Council during 2020/21. Full details can be found here.

https://rbwm.moderngov.co.uk/documents/g8000/Public%20reports%20pack%2024th-Jun-2021%2019.00%20Cabinet.pdf?T=10

PRIORITY:	COVID-19 OBJECTIVES
Item	**Achievements and key milestones**
Response (immediate)	**Community response and Clinically Extremely Vulnerable (CEV) Residents:** An innovative community partnership protecting our CEV residents from Covid-19. From the outset of the first lockdown in March 2020 a coordinated team of staff, drawn from all services in the Council, maintained regular contact with residents who were shielding and took any appropriate action to ensure that these individuals' needs were met. A public-facing online directory of Covid-19 Support Groups was quickly developed. A new, flexible digital telephony solution was set up from April 2020 to support redeployed staff's long-term contact with CEV residents and over 20,000 calls were made. A new database (Lyon) was developed to manage interactions with CEV residents. and anyone seeking help and support in the community. Local community hubs of public sector partners were established and worked in unison to support local need. The Winter Support scheme provided £45,000 to seven local groups to support vulnerable families and individuals through the worst of the cold weather. A further £230,000 was distributed through food vouchers to families registered for free school meals to cover Christmas, winter half-term and Easter holiday times. These vouchers supported 2,037 unique children in the borough.
Response (immediate)	**Outbreak Control Plan and Local Outbreak Engagement Board:** The Outbreak Control Plan Summary was published on the RBWM website on 30 June 2020 in line with national instruction from the Department of Health and Social Care.
Response (immediate)	**Community Influencers and Community Information Champions:** In October 2020 a new "community influencers" group was established with representatives from across various RBWM departments, including Achieving for Children, Libraries and Environmental Health. The group's aim is to communicate key Covid-19 messages to the wider community, whilst targeting messaging to specific demographic groups based on analysis of key data sets.
Recovery (long-term)	The Council has worked in partnership with organisations across the Thames Valley to develop a recovery framework across the region. **RBWM Recovery Strategy:** On 24 September 2020 Cabinet approved the RBWM Recovery Strategy.
Recovery (long-term)	**Local Contact Tracing Service:** The Council set up a local contact tracing service which started operating in November 2020 to complement the national NHS Test and Trace service.
Recovery (long-term)	**Lateral flow tests:** From 8 February 2021 rapid Covid-19 test centres opened in Braywick Leisure Centre and Windsor Leisure Centre

PRIORITY:	INTERIM FOCUS OBJECTIVES 2020-21
Item	**Achievements and key milestones**
Revised Service Operating Plans	As part of the organisational recovery strategy, service-level step-up plans were implemented, as were changes to existing operating models to allow services to continue in a socially distanced and safe way.
Transformation Strategy	The Transformation Strategy 2020-2025 was unanimously approved by the Cabinet Transformation Sub-Committee on 22 September 2020. Action plans by which to deliver the Strategy are presently being developed.
Environment and Climate Strategy	Following a public consultation, the updated Environment and Climate Strategy was approved by Cabinet on 17 December 2020.

PRIORITY:	INTERIM FOCUS OBJECTIVES 2020-21
Item	**Achievements and key milestones**
Governance	A new full-time Monitoring Officer and Deputy Director of Law and Strategy joined the Council in February 2021. A Statutory Officers Group has been formed and meets on a regular basis to action issues of concern and promote a strong governance and decision-making culture at the authority. This Group reviews the effectiveness of current arrangements and champions best practice whilst feeding into the Annual Governance Statement. CIPFA review – see section below
People Plan	A key foundation of the Council's future People Strategy is the agreement of organisational values to govern how we work and behave every day. Following extensive staff consultation, a suite of new values was launched on 19 June 2020, each underpinned by illustrative positive behaviours. The new values are: • Invest in strong foundations • Empowered to improve • One team and vision • Respect and openness. A staff survey was conducted in November 2020
Revised Medium Term Financial Strategy	An Extraordinary Council meeting was held on 14th October 2020 to discuss a refreshed Medium-Term Financial Strategy. The new MTFS reflected the new Interim Strategy, and the financial modelling was updated to reflect the latest information, changes in assumptions around central government funding, inflation assumptions and other emerging issues. This formed the start of the budget-setting process for 2021/22 and the supporting Medium-term financial plan. The draft budget for 2021/22 was discussed at Cabinet on 17 December 2020 and subsequently published on 22 December 2020 for consultation. This draft budget was also considered by all Overview and Scrutiny Panels in January 2021 and approved at Full Council on 23 February 2021.

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.

Optalis operates six care settings on our behalf which are regulated by the Care Quality Commission (CQC) - five are rated Good by the CQC with the sixth is awaiting its first inspection.

CIPFA (Chartered Institute of Public Finance and Accountancy) Action Plan

CIPFA undertook a review of governance during 2019 and early 2020. Their final report was presented to Cabinet in June 2020. They identified a wide range of issues requiring consideration by the Authority. Many changes had been implemented during the course of the review, and an action plan was developed identifying appropriate actions to resolve the remaining outstanding issues. Progress against those action plans are reported to Corporate Overview and Scrutiny Committee quarterly. The report presented on 19th April 2021, confirmed that the majority of actions had been completed.

Completed actions include:

- Development of a robust Medium-Term Financial Strategy and balanced budget proposals for 2021/22
- Approval of an effective Transformation Strategy
- Improved Capital Programme Management, including the establishment of a Capital Programme Board, chaired by the Head of Finance, to improve governance of the capital programme
- Improved Budget Monitoring, including detailed reports to Cabinet every 2 months
- Improved management of partnership arrangements with Optalis and Achieving for Children
- Revised Member Code of Conduct, to clarify responsibilities of officers and members
- Improved Pension Fund Governance (see below)

All the remaining recommendations were implemented subsequently and reported to Cabinet on 16th December 2021.

The outstanding review of the governance of RBWM Property Company was completed in 2021/22. The Council, as sole shareholder in the Property Company, developed and implemented the recommendations of the review, resetting the core objectives for the Company. The new objectives were incorporated into the Property Company's Business Plan and Strategy and approved by Cabinet at its meeting in May 2022.

Berkshire Pension Fund Governance

An independent review was undertaken by a local government pensions expert and was presented to the Pension Fund Committee on 19 October 2020. This review considered the governance arrangements of the Berkshire Pension Fund that the Royal Borough administers on behalf of fund members.

The report contained 21 recommendations as to how governance could be improved. A progress report was presented to the Pension Fund Committee on 22 March 2021. Progress against those recommendations has been significant; 19 actions have been completed and the rest are expected to be completed to the timelines agreed.

Some key improvements include:

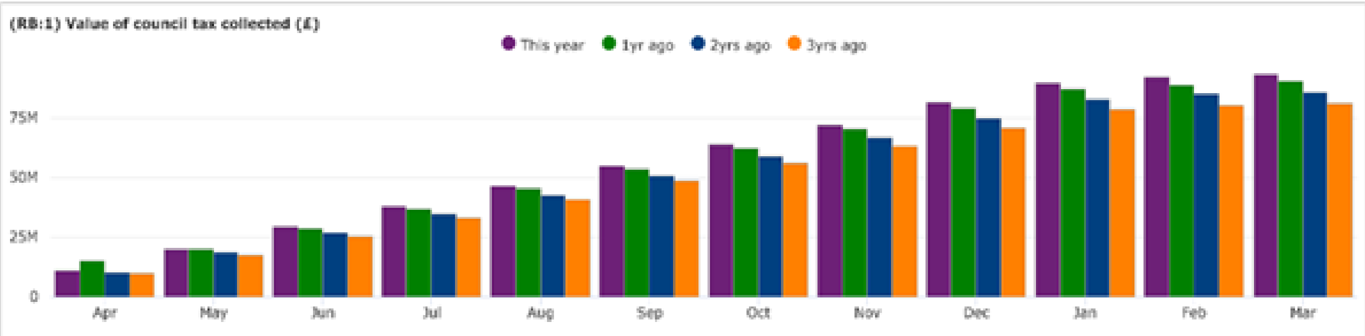
- Streamlining the committee structure, improving accountability, and reflecting the new pooled investment arrangements
- Re-establishing the post of Head of Pension Fund. A permanent appointment has now been made to this post, but it has been covered in the interim by an experienced agency member of staff
- Improving the clerking and minuting of meetings
- Improving valuation and audit arrangements
- Agreeing a training framework and workplan. Training records will be maintained for all members of the Pension Fund Committee, the Pension Fund Advisory Panel, and the Pension Board.

The Financial Statements for the **Berkshire Pension Fund** are included in the Supplementary Financial Statements that form part of these accounts (the Royal Borough is the administrator of the scheme).

Collection Fund

The majority of Council spending relies on collecting Council Tax and Business Rates. The Council's budgeted share of these two precepts was £88m in 2020/21. Collection rates are therefore closely monitored.

Council Tax Collection

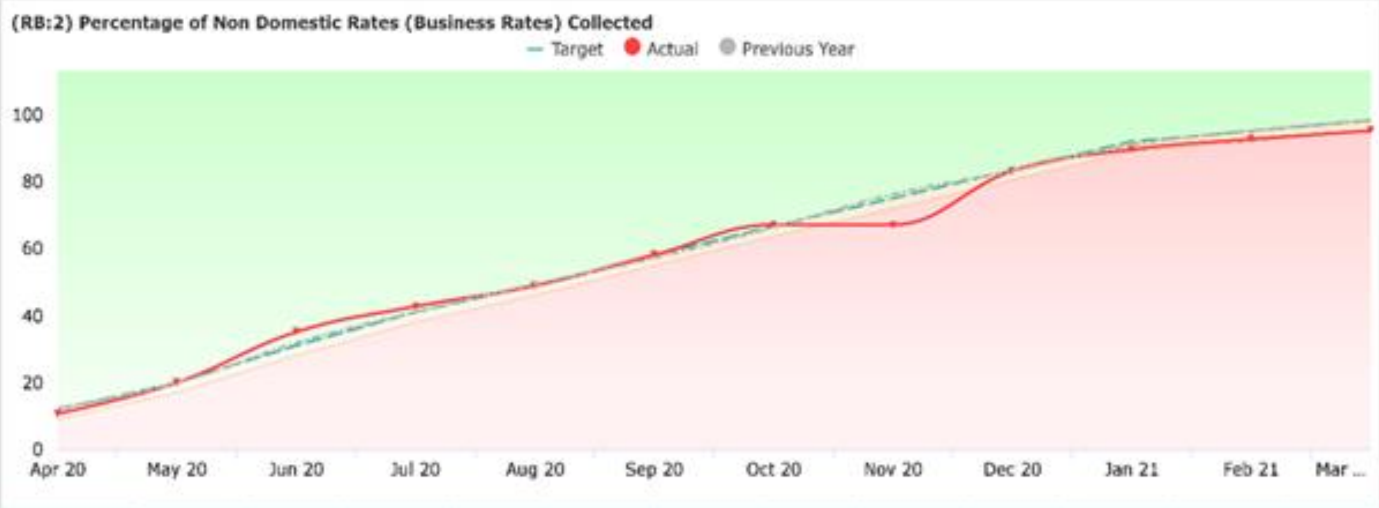


	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar
This year	£11,105,447	£20,099,148	£29,151,407	£37,932,989	£46,507,642	£55,185,267	£63,814,439	£72,364,308	£81,316,187	£89,876,953	£92,036,732	£93,262,698
1yr ago	£14,875,311	£19,962,250	£28,431,862	£36,918,819	£45,213,154	£53,610,435	£62,093,177	£70,442,665	£79,001,644	£87,241,284	£88,990,282	£90,343,171
2yrs ago	£10,167,367	£18,749,412	£26,730,625	£34,814,970	£42,662,036	£50,910,051	£58,966,445	£66,899,712	£74,976,078	£82,950,342	£85,068,841	£85,777,222
3yrs ago	£9,772,699	£17,660,361	£25,477,687	£33,069,996	£40,654,035	£48,570,389	£56,178,632	£63,421,744	£70,905,147	£78,503,456	£80,419,580	£81,293,725

A total of £93.3m of Council Tax has been collected, equating to a collection rate of 96.98% against a target collection rate of 98.5%.

£500,000 of government grant funding has been 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 (Covid-19 Council Tax Hardship Fund).

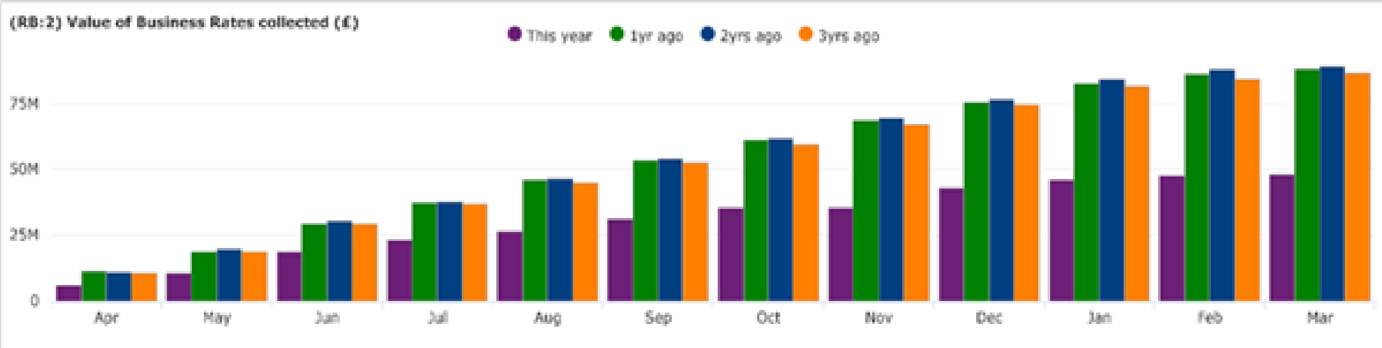
Non-domestic Rates Collection



	Apr 20	May 20	Jun 20	Jul 20	Aug 20	Sep 20	Oct 20	Nov 20	Dec 20	Jan 21	Feb 21	Mar 21
Target	12.00%	20.00%	31.00%	41.00%	49.00%	58.00%	66.70%	75.00%	83.50%	92.00%	95.00%	98.30%
YTD	10.70%	19.98%	35.08%	42.70%	48.92%	58.11%	67.10%	67.10%	83.15%	89.55%	92.65%	95.19%

Business Rate collection was £48m equating to a collection rate of 95.19% against a target collection rate of 98.3%

Central government announced that with effect from 1 April 2020, two new forms of Business Rates Relief would apply to qualifying Businesses i.e., Nursery Relief (£0.664m) and Expanded Retail Relief (£38.69m) to businesses qualifying for the Expanded Retail Relief, reducing the Business Rates bill of these premises to £0 for 2020/21 as a direct response to the global pandemic. The collection rate reflects sums collected from businesses not entitled to these new forms of relief.



	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar
This year	£5,960,082	£10,831,149	£18,849,149	£22,994,146	£26,473,401	£31,139,042	£35,426,867	£35,426,867	£43,073,275	£46,027,620	£47,389,920	£47,988,775
1yr ago	£11,452,289	£18,555,526	£29,437,980	£37,492,968	£46,040,499	£53,432,610	£61,058,715	£68,381,347	£75,517,684	£82,587,499	£86,266,864	£88,061,488
2yrs ago	£11,146,018	£19,619,759	£30,343,993	£37,836,796	£46,310,680	£54,234,610	£61,716,466	£69,424,592	£76,564,581	£84,154,700	£87,802,121	£89,108,793
3yrs ago	£10,653,395	£18,843,339	£29,352,763	£36,793,897	£44,879,528	£52,436,633	£59,574,956	£67,013,530	£74,378,644	£81,433,589	£84,295,236	£86,554,000

Department of Levelling Up, Housing and Communities DLUHC (formerly MHCLG) released the full calculations for the Covid-19 Collection fund loss of income compensation scheme after 31st March 2021; however, based on information provided by CIPFA, the estimated compensation amounts included within the outturn position was £2.6m for Business rates and £0.023m for Council tax.

The Council's share of the 2020/21 Collection fund deficit for Business Rates is £27m. This was partly offset by the Council's share of the section 31 grant received during 2020/21 of £19m (total grant £40m).

The ongoing impact on the value of NNDR collected in the borough once government support to businesses is scaled back was unknown at the time of producing 2020/21 accounts, but it was anticipated that rates may not recover quickly and will remain lower that historical rates for the medium term. As the borough now receives funding directly from business rates, falls in collection rates present a risk to the Medium-Term Financial Plan and the Council has set aside £1.655m reserves to try to mitigate the impact and smooth inherent volatility in the Collection Fund.

Financial Impact of the Covid-19 pandemic - Grants

Government Grants and Reliefs

As part of the Covid-19 response, the government announced a range of grant schemes to support businesses and individuals, which have been administered by the local billing authorities. In addition, there has been significant direct support for local authorities to ensure continued provision of public services and funding that has supported the Covid-19 objectives and actions above.

Grant Support for Businesses and Individuals

Grant funding of £55.5m has been received for allocation 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. This funding, if not distributed within the deadlines of the grant determination will be repaid to central government. Business Support Grants of £28m were awarded to 1,873 eligible businesses during the initial lockdown period and further grants of £27m paid to 4,053 businesses since the further restrictions imposed from November 2020. Unpaid grant was carried forward to 2021/22 in accordance with the terms and conditions of the grants provided to be disbursed in 2021/22. A tool of £42.5m was received under “Agency” arrangement of which £14.2m was carried forward to be paid in 2021/22 and any balance to be paid back to the Government.

A further £78,000 has been awarded to individuals who have tested positive, been required to self-isolate and suffered a reduction in income under the Test and Trace scheme.

Grant and Compensation Support for the Royal Borough

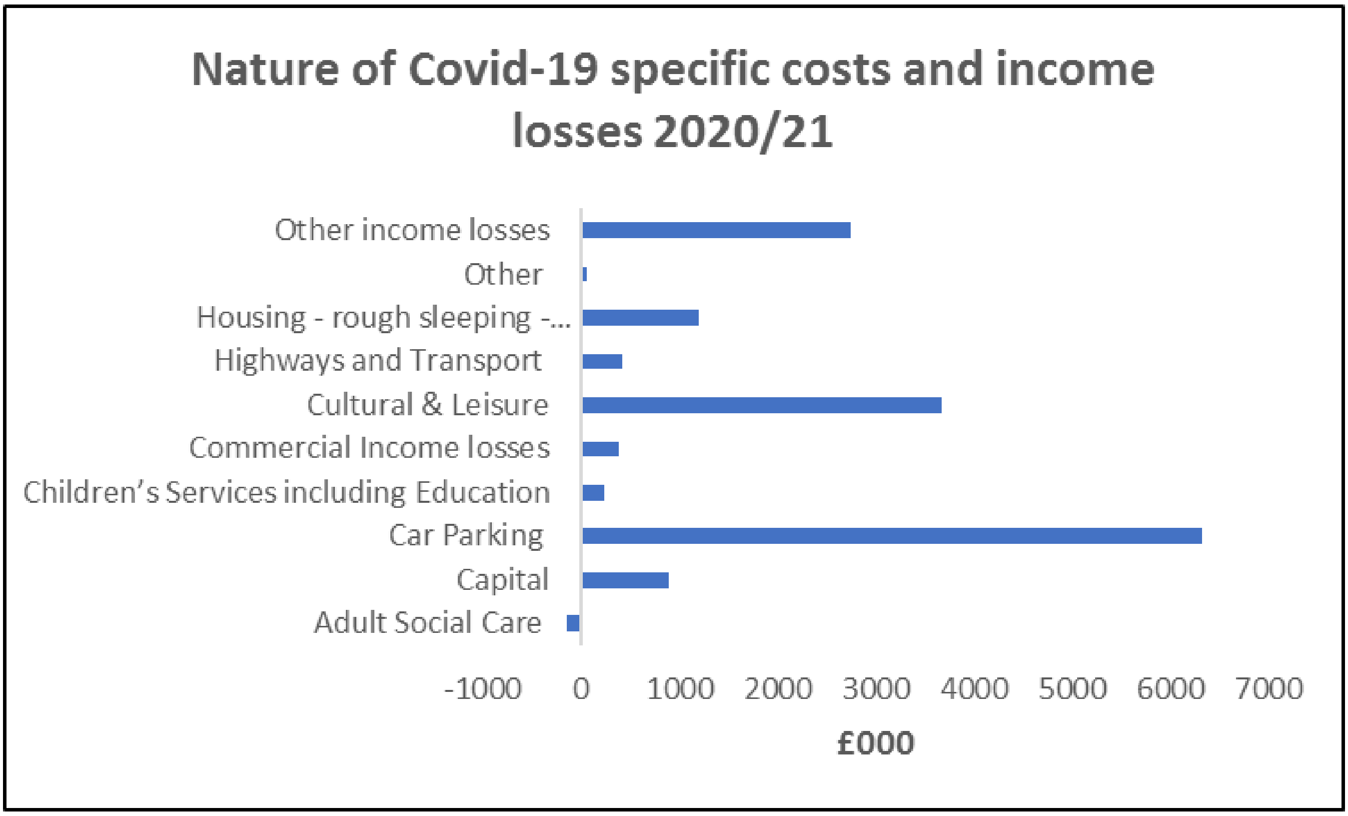
The Council has received and is expecting to receive total funding of £20.5 to enable the continued provision of public services and the provision of new services relating to the Covid-19 pandemic.

Covid-19 Grant Funding - 2020/21	Received/Receivable in 2020/21	Recognised in 2020/21	Carried to 2021/22
	£'000	£'000	£'000
Covid - Contributions	3,443	3,443	0
Covid - mental health support for schools	26	6	(20)
Covid - Contain Outbreak Management fund	3,849	483	(3,366)
Covid - Health General	238	188	(50)
Covid - Test and Trace	436	136	(300)
Covid - Infection Control fund	3,947	3,440	(507)
Covid - Emergency Food grant	88	88	0
Covid - Next Steps Accommodation Programme	175	175	0
Covid - Active Travel Local Transport	67	15	(52)
Covid - DCLG Covid Marshalls	32	32	0
Covid - New Burdens Grant	192	192	0
Covid - Test Trace isolation fund	28	28	0
Covid - Winter Grant	64	182	118
Covid - Education	5	5	0
Covid - Clinically Extremely Vulnerable	158	158	0
Covid - Enforcement and compliance	41	41	0
Covid - Sales, Fees and Charges Compensation	7,662	7,662	0
Covid - High Street safety	0	29	29
Total Funding	**20,451**	**16,303**	**(4,148)**

Funding above does not include £0.7m grant funding received for schools.

Financial Impact on Services of Covid-19 in 2020/21
Tranche Funding and Sales Fees and Charges (SFC) compensation of £17.15m received to 31st March 2021 has enabled the Council to fund its Covid-19 specific costs and income losses, both in 2019/20 and 2020/21. A further £6.7m funding is expected in 2021/22 and one-off budgetary provision of £9.3m has been built into the 2021/22 budget. This is expected to fund any Covid-19 pressures arising in 2021/22.

Covid-19 specific costs and lost income of £15.8m were incurred in 2020/21, including capital costs and lost capital contributions of £0.9m are shown in the chart below. These pressures are discussed in the section below.



Impact of Covid-19 on Services

Adult Social Care services

The Covid-19 pandemic had a significant impact on the operation of adult social care in the Royal Borough. Optalis, the Royal Borough's local authority trading company jointly owned with Wokingham Borough Council, delivers all adult social care services on behalf of the Royal Borough and despite the significant challenges presented by the pandemic, no easements under the Care Act were required and operational performance has remained within expected tolerances. Optalis has ensured that all its provider services continued to operate to the high standards required by the Care Quality Commission (CQC), with the quality of infection control procedures specifically noted by CQC.

The Council and Optalis have continued to work in very close partnership with the NHS across a range of key activities, including hospital discharge, vaccination, care home support and testing. Over the last 15 months, Optalis' social work, reablement and occupational therapy teams, together with the care homes, helped to relieve the pressure on NHS beds at the height of the pandemic by discharging 53% more people than last year from local hospitals safely and efficiently between January and April 2021.

Mandatory Covid-19 restrictions meant the temporary closure of Optalis' day services but wherever possible, alternative support was provided for the residents affected. Similarly, it was recognised that informal carers in particular were under even more pressure in their role and therefore, the service prioritised contact with them to offer support, information and guidance on a more informal and frequent basis.

Throughout the year, the Council and Optalis worked hard to provide support and ensure the resilience of care homes, and supported living providers and domiciliary care agencies, in their front-line role of protecting their existing clients and managing increasing demand. At the start of the pandemic, additional financial support was made available to care providers in the borough and since July 2020, the Council has quickly and efficiently ensured that the full amount of Infection Control Grant and other grants for workforce and testing has been passported through to providers.
Looking forward to 2021-2022, the Council and Optalis will continue to deliver the adult social care transformation strategy, where the vision is *to enable people in the Royal Borough of Windsor and Maidenhead to live independent and fulfilled lives*. The key deliverables in 2021-2022 are:

- Improving the **"front door" of adult social care** in order to offer better signposting for residents needing support and fulfilling the key Care Act requirement of promoting wellbeing. This will involve making greater use of a range of assistive technologies to enable residents to stay in their own homes longer and working with voluntary organisations and community groups to support residents to connect with their communities.
- Increasing investment in the **reablement service**, specifically occupational therapists and reablement practitioners, in order to support all residents discharged from hospital to recover as much of their confidence and independent living skills as possible so that they can continue to live at home for longer.
- Transforming the **day opportunities offer** in the borough to ensure that there are things on offer that appeal to everyone and meet their individual needs, not a one size fits all approach. This will involve a blend of building-based services, community opportunities including volunteering and leisure, along with direct payments for people who want them.

Schools and Children's Services
Schools retained their delegated budgets for 2020/21. Due to closures and restrictions, most schools were able to flex staffing budgets to deliver education through alternative approaches whilst prioritising the most vulnerable pupils as identified through risk-based assessments. The closure of school sites did see a reduction in income from lettings and rentals. This continued into the part of 2021/22. Following the pandemic lockdown there has been an increase in the number of pupils continuing to elect for home education; this will have an impact on future school funding and support arrangements.

The impact of the Covid-19 pandemic on the Local Authority planned budget 2020/21 resulted in a net increased cost of 2%.

This increase related to the loss of income for the Local Authority from use of youth facilities, outdoor activities and school absence fine income. These losses are expected to continue into 2021/22. Additionally, social care costs increased as a result of delays with planned moves of Children in Care and additional staffing requirements to support the service in dealing with the increased volumes and complexity of referrals.

The lockdown period has created tensions in many families including increased levels of Domestic Abuse and increasing referrals and associated costs will continue to flow into Children's Services through 2021/22 and 2022/23.

Housing and Homelessness
The pressure on this service has been significant this year as a result of the Covid-19 emergency. The government directive to house all homeless in March 2021 ("Everyone in") and ensuring social distancing within temporary accommodation provision (moving clients out of John West House) added to the complexity of providing not only accommodation but support services to multiple sites. There has also been a general increase in demand for housing services. This increased demand cost the Council an additional £1.2m this year against a budget of £1.4m.

Covid-19 restrictions remain in place in relation to provision of temporary accommodation, thus increased costs are expected to continue into 2021/22. The impact of the ending of the government furlough scheme in September on demand is unknown at this stage; there is expected to be a rise in demand if unemployment increases.

Car Parking Income

There was an unprecedented reduction in demand for car parking across the borough, as a result of the stay-at-home directive from government in early March. Income from car parks fell to almost nil overnight. Although there have been lockdowns since the initial one in March and local restrictions, the impact on income has been less severe and a gradual increase in income has been seen during the year. Income was £6.4m down on the budgeted level of £10m although a proportion of this was covered by the Sales, Fees and Charges compensation scheme. Of particular concern for future revenues is the impact of increased levels of home working on season ticket income, from individuals and businesses based in our town centres. It is unlikely to recover in the medium term and the long-term impact is not yet known. This income stream accounts for 17% (£1.4m) of the total car parking income budget. Some allowance has been made for reductions during 2021/22 in the budget.

Commercial Rents

Covid-19 has had and is expected to continue to have a significant impact on the Council's rental income from its commercial portfolio. Closed businesses, and those that have furloughed staff, have limited ability to generate cash to pay their commercial rent.

The property team has worked hard to minimise the impact of Covid-19 on the commercial rents received during the year. Payment plans and other arrangements were negotiated with tenants aimed at securing long term recovery of rental income and minimising voids. Although some tenants have sought to end leases early, they have in the majority of cases been replaced by new tenants. One–off early release fees received and compensation for loss of rents at Sienna Court helped to mitigate the impact of Covid-19 in 2020/21 and this service reported an outturn variance of £107,000 surplus against a budget of £3.2m. An earmarked reserve of £0.6m has been established to help fund expected future pressures.

Leisure

The impact of the Covid-19 lockdown and closure of leisure centres made the Parkwood concession contract financially unsustainable. The contract with Parkwood to provide leisure services on behalf of RBWM was therefore terminated on 31 July 2020. Leisure Focus, the new provider, took over the provision of leisure services on 1 August 2020. Support for this service increased costs by £3.5m in 2020/21 and financial support will be needed into 2021/22 as restrictions remain in place, preventing the contractor maximising footfall and generating planned income.

During this very difficult year the Council completed the building of Braywick Leisure Centre, a significant investment of £38m over a number of years within the Borough. This state-of-the-art building replaced the old Magnet Leisure Centre and is a major part of the initial phase of regeneration of Maidenhead. Operating within Covid-19 compliance measures residents have flocked to the new centre, achieving 50% of anticipated users after its first 3 months. Contractors building the centre worked throughout the pandemic, so the centre was delivered just 2 weeks behind schedule. The centre has a 200-station gym, 10 lane swimming pool with a large teaching pool, spa area, theatre, and indoor and outdoor courts.

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-19 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.

Financial Performance 2020/21

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 low council tax means that the 25% of our expenditure spent on non-statutory services provided to our community is under particular pressure. 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.

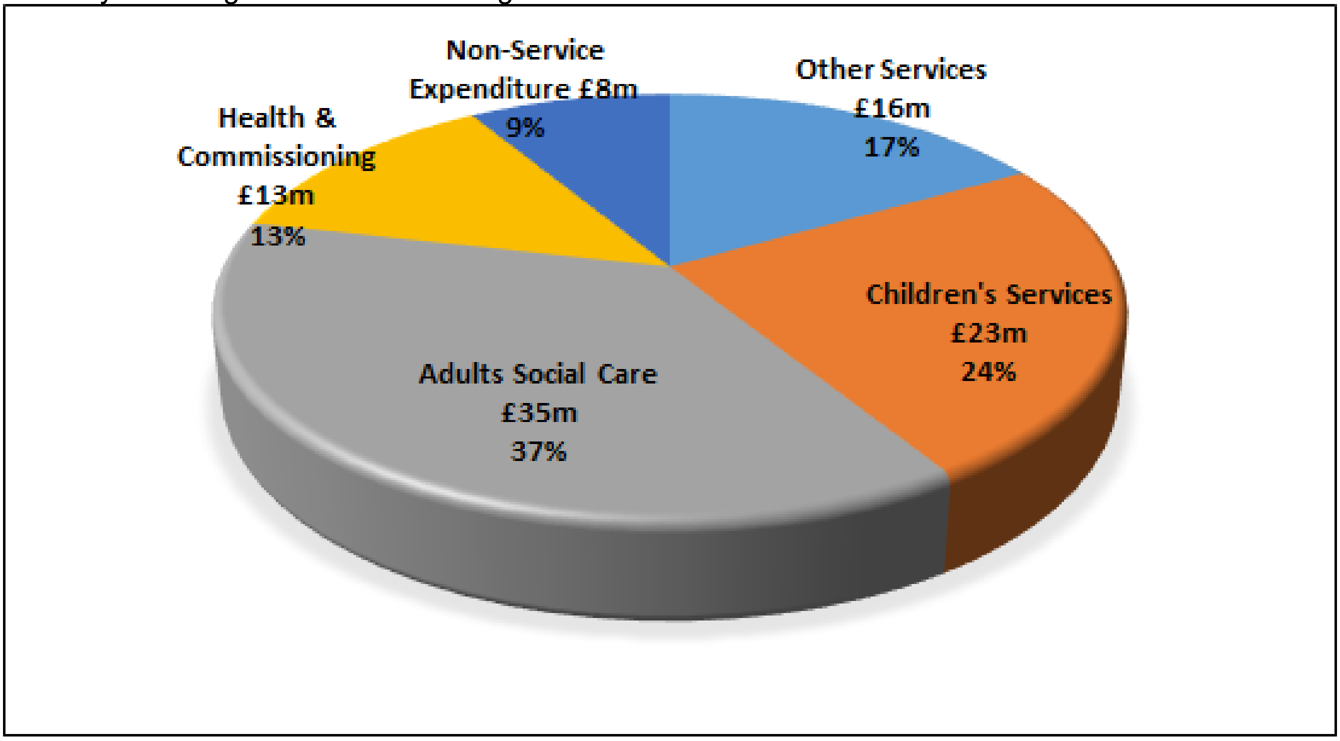
As a result of Covid-19, this challenge is now greater than was originally anticipated when the 2020/21 budget was set. Government funding received since March 2020 has mitigated financial pressures the Council was facing in the short term. Longer term impacts on service delivery and income, particularly car parking income, are still unknown and £9,251,000 has been built into the MTFP to support those pressures in 2021/22.

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

Financial Planning

Revenue Outturn 2020/21

The Royal Borough's net revenue budget for 2020/21 was £94.7m allocated as set out below.



An overview of the Royal Borough's revenue outturn for 2020/21 is set out in the table below:

Revenue Outturn 2020/21						Included in Revenue Outturn	
Original Budget £'000		Revised Budget £'000	Actual Net Expenditure £'000	Actual Variance £'000	Covid-19 costs £'000	SFC Compensation £'000
3,039	Managing Director's	2,905	2,421	(484)	(140)	(4)
0	Law & Governance	0	22	22	0	0
23,185	Children's Services	23,176	25,022	1,846	468	(144)
47,533	Adults, Health & Commissioning	47,609	53,559	5,950	7,600	(5,172)
10,378	Resources	7,612	8,062	450	1,146	(528)
2,371	Place	2,418	7,575	5,157	5,789	(1,813)
0	Contingency and Corporate Budgets	2,812	550	(2,262)	50	0
86,506	**Total Service Expenditure**	**86,532**	**97,211**	**10,679**	**14,913**	**(7,661)**
8,171	Non-Service Costs	8,171	**7,382**	(789)		
	Funding -			0		
(20,669)	Reserves movements and budgeted funding	(20,695)	(24,302)	(3,607)	429	(355)
0	Covid-19 Unringfenced Grants	0	(7,326)	(7,326)	(7,326)	0
(12,498)	**Total Non-Service Net Costs / (Income)**	**(12,524)**	**(24,246)**	**(11,722)**	**(6,897)**	**(355)**
74,008	**Net council Tax Requirement**	**74,008**	**72,965**	**(1,043)**	**8,016**	**(8,016)**

The Council reported a £1.043m underspend against the revenue budget for the year 2020/21, being a variance of 1.4%. Covid-19 costs and lost income, where there were no specific Covid-19 grants available, were fully funded from non-ring-fenced Covid-19 grant funding of £6.9m and Sales Fees and Charges compensation of £8m in the year.

Underlying service savings of £4.2m and non-service cost savings of £1.3m were taken to the general fund (£1.043m) and earmarked revenue reserves (£4.4m) to support the MTFP.

Excluding direct Covid-19 costs and funding, the outturn for services is as below. Note that there have been significant indirect impacts of Covid-19 that have impacted on this underlying outturn, which are one-off in nature.

Revenue Outturn 2020/21 - Excluding Covid-19 impacts				
Original Budget £'000		Revised Budget £'000	Actual Net Expenditure £'000	Actual Variance £'000
3,039	Managing Director's	2,905	2,565	(340)
0	Law & Governance	0	22	22
23,185	Children's Services	23,176	24,698	1,522
47,533	Adults, Health & Commissioning	47,609	51,131	3,522
10,378	Resources	7,612	7,444	(168)
2,371	Place	2,418	3,599	1,181
0	Contingency and Corporate Budgets	2,812	500	(2,312)
86,506	**Total Service Expenditure**	**86,532**	**89,959**	**3,427**
8,171	Non-Service Costs	8,171	**7,382**	(789)
	Funding -			0
(20,669)	Reserves movements and budgeted funding	(20,695)	(24,376)	(3,681)
(12,498)	**Total Non-Service Net Costs / (Income)**	**(12,524)**	**(16,994)**	**(4,470)**
74,008	**Net council Tax Requirement**	**74,008**	**72,965**	**(1,043)**

Capital

Capital Strategy
The Royal Borough of Windsor and Maidenhead (RBWM) has ambitious plans to invest in the regeneration of the Borough and deliver high quality facilities to its residents. Our Capital Strategy provides a high-level overview of how capital expenditure, capital financing and treasury management activity contribute to the provision of services; along with an overview of how associated risk is managed and the implications for future financial sustainability.

It is informed by the Council's priorities and links to other key strategy documents, notably the interim corporate strategy, the Medium-Term Financial Plan, and the Treasury Management Strategy.

Capital Management
The Capital Programme Board has been established this year to improve capital governance and deliver on the strategy above. The Capital Programme Board meets regularly and has improved management of the whole of the capital programme including a greater understanding of the impact of decisions on the financial sustainability and wider aims of the Council. The key aim of the board during 2021/22 will be to review and challenge the profiling of capital schemes to ensure slippage is minimised and resources allocated to current projects.

Some slippages will be inevitable, an example being review of the Borough Parking strategy as a result of the dramatic fall in car parking income since the first national lockdown in March 2020. This review ensured that planned investment in new parking facilities was still "value for money". This review delayed the planned investment in the new Vicus Way car park and the £8.1m budget was slipped into 2021/22.

Capital Outturn 2020/21

Capital expenditure, of £27.2m, was 62% below initial spending plans. Whilst there were net savings on completed projects, the majority of the variance was unspent budgets slipped into 2021/22.

Covid-19 lockdown has led to delays in opening up the construction sector and shortages of raw materials which have had an impact on planned investment, although only 3% of capital schemes were yet to start as at 31st March 2021.

Expenditure budgets slipped into 2021/22 are to be re-profiled to reflect the years in which future expenditure is likely to arise, as it is not all expected to be spent in 2021/22.

The Royal Borough minimises its need to borrow for capital purposes by prioritising the use of capital receipts, external grant funding, other external contributions, and reserves.

Capital Programme Expenditure Outturn 2020/21	Budget 2020/21 £000	Slippage to 2021/22 £000	Variance £000	Outturn 2020/21 £000
Managing Director	439	(361)	0	78
Children's Services	7,073	(3,430)	(617)	3,026
Adults, Health & Commissioning	24,864	(14,552)	151	10,463
Resources	3,230	(2,112)	(211)	907
Place	36,453	(24,182)	424	12,695
Total	**72,059**	**(44,637)**	**(253)**	**27,169**

Of the slipped projects infrastructure and property schemes account for £35m, and £4m relates to operational facilities closed during part of the year because of national and regional lockdowns – e.g., schools and libraries.

Treasury Management

The Royal Borough sets itself a number of key financial indicators which are monitored throughout the year: The performance against the debt limit is shown below.

Debt	2020/21 Maximum	31.3.21 Actual	2020/21 Operational Boundary	2020/21 Authorised Limit	Complied?
Borrowing	£226m	£192m	£252m	£275m	Yes

The Council's interest rate exposure limit is set to control its exposure to interest rate rises by limiting the amount of short-term borrowing that the Council holds. The Council complied with this limit as shown below:

Interest Rate Indicator	2020/21 Maximum	2020/21 Limit	Complied?
Upper limit on proportion of borrowing that is fixed rate	33%	100%	Yes
Upper limit on proportion of borrowing that is variable	75%	80%	Yes

At 31 March 2021 cash holdings and short-term investments totalled £20.9m compared to £18.2m at 31 March 2020.

On 1 April 2020, the Council received £28.6m central government funding to support small and medium sized businesses during the coronavirus pandemic through grant schemes. The receipt of this funding (as well as other smaller amounts in advance during the year) meant that the Council temporarily held higher cash and cash equivalent assets that it otherwise would have.

At 31 March 2021, the Royal Borough had the following significant financial obligations (borrowing):

- Borrowing of £192m, comprising
  - £44m of Public Works Loan Board (PWLB) debt and
  - £135m of money market debt.

Total borrowing includes £21.0m of debt managed on behalf of the Thames Valley Local Enterprise Partnership, this is not debt of the Council. PWLB debt is available to local authorities at a discounted rate, currently 0.81% (2019/20 1.9%). The Royal Borough's overall average borrowing rate is 1.63% (2019/20 2.91%).

Medium Term Financial Strategy (MTFS): 2021/22 to 2025/26

The MTFS was agreed at full Council on 14 October 2020 and reviewed as part of the Budget in February 2021. It outlines the financial risks faced by the Council across the period of the MTFS and sets out some key principles that the Council needs to continue to follow in the short and medium term to manage the financial uncertainty that it faces. The immediate challenge remains closing the budget gap. While there is always room to be more efficient, RBWM is already a low spending council which constrains it from reducing costs. Future savings plans will need to focus on more transformative savings measures and the Council has recently agreed a transformation strategy.

A summary of the Council's medium-term financial position, as reported to Council in February 2021, is outlined below:

Budget Gap	2021/22 £000	2022/23 £000	2023/24 £000	2024/25 £000	2025/26 £000
Funding Changes	(8,830)	7,090	(1,338)	(3,258)	(1,291)
Covid-19 Service Pressures	9,251	(6,993)	(500)	0	0
Other Service Pressures	7,059	4,000	4,442	4,888	5,333
Other Budget Changes	285	199	548	1,129	820
Estimated Budget Gap	**7,765**	**4,296**	**3,152**	**2,759**	**4,862**
Savings Proposed to Date	(7,765)	(222)	0	0	0
Savings to be Identified	0	(4,074)	(3,152)	(2,759)	(4,862)
Balanced General Fund	**0**	**0**	**0**	**0**	**0**

An update on the Council's MTFP will be provided to Cabinet in July 2021. A new medium-term plan for 2022/23 to 2026/27 will then be submitted to Cabinet and Full Council for approval in February/March 2022. The assumption is that RBWM will identify sustainable savings and balance the general fund across the MTFP.

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:

Usable Reserves	At 31/3/2020 £000	At 31/3/2021 £000
Available to fund capital investment (1)	7,583	16,414
Balances held on behalf of schools (2)	1,462	2,203
General fund working balance (3)	10,652	7,059
Earmarked reserves (4)	6,646	36,643
Total Usable Reserves	**26,343**	**62,319**

(1) These balances represent a combination of:
- capital grants received but not yet applied.
- capital receipts from sales of property, land, and buildings.
- the balances held for schools

(2) These balances are ring-fenced for schools only and can't be used by the Royal Borough to support its expenditure.

(3) The general fund working balance is for use against revenue costs. The 2020/21 reported revenue outturn of £7.059m was £0.689m above the approved minimum level required for 2020/21 of £6.370m, although in the assessment of the necessary minimum level of reserves for 2021/22 this was increased to £6.7m.

(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.

Earmarked reserves as at 31st March 2021 include unspent Covid-19 funding received which will be used to fund liabilities in 2021/22. The Royal Borough used £3.6m of earmarked reserves during 2020/21.

Looking Ahead

The Council is facing a significant financial challenge. Like many councils, it is experiencing growth in demand for services. However, the position for the Royal Borough is more acute than other councils, due to its relatively low level of reserves, the lowest Council Tax in the country outside of London, coupled with high levels of borrowing. Uncertainty surrounding future government funding increases the risk the Council faces.

The Local Government Funding Settlement for 2021/22 was again a one-year roll forward. The delayed multi-year Comprehensive Spending Review is now planned for Autumn 2021 and will be critical in the overall funding available to the sector. The planned revamp of the funding mechanisms used to allocate grant to local authorities, The Fair Funding Review and review of the Business Rates Retention Scheme, initially started in 2016 and planned to be implemented in April 2019, have been delayed until at least 2022/23.

Outlined in the MTFS that was approved in February 2021, RBWM faces several significant risks. These are:

- Council Reserves are under considerable pressure – the reserves are now adequate to cover current risks but may be insufficient to cover significant issues that might occur.
- The Pension Fund deficit means that a growing share of council funding is required to cover pension deficits in the future before any money is spent on council services. This is not just an issue for RBWM and is part of wider sector and national risks.
- Substantial levels of borrowing mean that an increasing share of the Council's budget is required to service debt before money can be spent on day-to-day services. Getting the balance right between ensuring that sufficient money is spent on longer term capital projects to generate sustainable income or to reduce ongoing pressures is an important part of the consideration that the Council needs to make when determining how to utilise its resources.
- Maintaining a low level of Council Tax, means that the Council has missed out on additional revenue from raising Council Tax in prior years. It also means that any future increases will generate less as they start from a lower base. National policy on Council Tax capping has also meant that the ability to increase this source of funding has been difficult, which is particularly pertinent to RBWM given the significant proportion of funding coming from Council Tax.
- Growing pressures around Children's and Adult Services and other demand led services have been widening the budget gap further.
- The Covid-19 pandemic has increased costs and reduced income. Additional Government funding has mitigated most of this in 2020/21, but there is no guarantee that this support will be repeated in subsequent years. Notwithstanding any positive impact of the vaccination programme, it is likely that some of the income loss will persist as the world of work has changed significantly with ongoing working from home and reduced central office accommodation requirements. It is also highly likely that future funding levels will be constrained due to the increased national budget deficit, which could take some time to reduce
- Many potential consequences of the pandemic are not yet apparent. As Government support such as the Furlough Scheme ends, the full economic and health effects of the pandemic may be revealed. This may lead to impacts on the Council's budget such as increased Council Tax support, more homelessness, increased demand and complexity for adult social care and lower Business Rates income.

The immediate challenge continues to be to close the budget gap as highlighted in the MTFP in future years. While there is always room to be more efficient, RBWM is already a low spending council which constrains it from reducing costs. Future savings plans will need to focus on more transformative savings measures and the Council has recently agreed a transformation strategy.

As part of the annual budget setting process Council agreed its 2021/22 budget in February 2021. This budget includes consideration of the risks above, the Council's priorities and a focus on securing value for money whilst delivering high quality services and achieving sustainable savings delivery. As set out in our budget papers, we did this by setting:

- A net revenue budget of £105.725m after the use of £3.2m of reserves
- Council Tax increases of 4.99% increasing the band D charge from £1,077.41 to £1,131.17
- New savings of £5.63m to be delivered by 31 March 2021.

The Royal Borough has undertaken significant work in 2021 to deliver on the 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. This work will continue into 2021/22. The Royal Borough will also continue to work with DLUHC (formerly MHCLG) and the wider sector on the Covid-19 financial impacts.

Key Risks and Uncertainties for 2021/22 and Beyond

At the time of writing, it is still not clear whether there will be a multi-year Comprehensive Spending Review from 2022/23 or another one-year settlement. Consequently, there may be further delays to related measures such as the Fair Funding Review. The pandemic has also focused attention on business rates, so future changes to these may be more comprehensive than originally intended. Consultations on a replacement for New Homes Bonus has taken place, but the financial impact of the change is not yet apparent.

The implications of all the changes to Government funding and distribution, whenever they are introduced, are not clear. The impact on RBWM will depend on the amount of redistribution, but also any transitional arrangements to smooth the impacts.

Covid-19 will continue to have an impact on finances in 2021/22. Whilst some future losses are known, such as leisure income, the impact in areas such as car parking will depend on the speed of economic recovery from the pandemic, and the risk of future lockdowns.

The longer-term permanent impact of Covid-19 will take longer to become clear. This could have major implications in areas such as parking as commuter travel is reduced, and shopping habits change permanently.

There are a number of consultations on potential service delivery changes that are underway during 2021/22 whose resourcing implications will need to be considered by the Council. These include areas such as the Environment Bill, changes to the way Public Health will be delivered nationally as well as the Planning White Paper. In addition, the Council approved an Environment and Climate strategy during 2020/21 and this remains a significant priority for the Council to respond to.

An introduction to the 2020/21 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 on 31 March 2021. 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 2020/21 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** – 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 **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. 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 1-60 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.

Executive Director of Resources and Section 151 Officer **Date: XX November 2023**

Statement of Responsibilities

The Authority's Responsibilities

The Authority is required to prepare an annual Financial Statements by the Accounts and Audit Regulations 2015 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 2020/21 supported by International Financial Reporting Standards (IFRS). The accounting convention adopted in the Financial Statements 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 Financial Statements.

The Chief Financial Officer’s responsibilities

The Chief Financial Officer is responsible for the preparation of 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 Financial Statements, 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 Financial Statements gives a true and fair view of the financial position of the Authority at 31 March 2021 and of its income and expenditure for the year then ended.

Executive Director of Resources and Section 151 Officer **Date: XX November 2023**

In accordance with the Accounts and Audit Regulations 2015, I certify that the Statement of Accounts was approved by the Audit and Governance Committee on 16 November 2023.

Chairman of Audit and Governance Committee **Date: XX November 2023**

Main financial statements

Comprehensive Income and Expenditure Statement (CIES)

This statement shows the economic cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation. Authorities raise taxation to cover expenditure in accordance with regulations; this may be different from the accounting cost. The taxation position is shown in both the Expenditure and Funding Analysis (note 9) and the Council Movement in Reserves Statement. The values for 2019/20 have been restated as detailed in Note 7, Prior Period Adjustments.

2019/20 (Restated)				2020/21		
Gross Exp.	Gross Income	Net Exp.		Gross Exp.	Gross Income	Net Exp.
£000	£000	£000		£000	£000	£000
71,899	(30,899)	41,000	Adults, Commissioning & Health	77,951	(33,819)	44,132
119,213	(86,410)	32,803	Children's Services	114,880	(86,012)	28,868
5,704	(2,363)	3,341	Governance, Law & Strategy	6,905	(3,038)	3,867
6,683	(8,770)	(2,087)	Managing Director	11	(13)	(2)
50,638	(18,301)	32,337	Place	52,046	(18,981)	33,065
47,282	(37,498)	9,784	Resources	44,135	(38,831)	5,304
-	(253)	(253)	Contingency & Corporate	501	-	501
16,671	-	16,671	Revaluation movement on assets (Note 5)	6,202	-	6,202
318,090	**(184,494)**	**133,596**	**Cost of Services**	**302,631**	**(180,694)**	**121,937**
		2,295	Other Operating Expenditure (Note 11)			5,094
		255	Financing & Investment Income & Expenditure (Note 12)			19,175
		(108,683)	Taxation and Non-Specific Grant Income (Note 13)			(124,961)
		27,463	**Deficit on Provision of services**			**21,245**
		(8,913)	Other adjustments to value of Property, Plant & Equipment assets (Note 14)			(34,808)
		(38,894)	Remeasurement of the net defined benefit liability/(asset) (Note 40)			75,248
		(47,807)	**Other Comprehensive (Income) and Expenditure**			**40,440**
		(20,344)	**Total Comprehensive (Income) and Expenditure**			**61,685**

Balance Sheet

The Balance Sheet shows the value, at the Balance Sheet date, of the assets and liabilities recognised by the Royal Borough. The Balance Sheet has been restated for 2018/19 and 2019/20 as detailed in Note 7.

2018/19 (Restated)	2019/20 (Restated)		Note	2020/21
£000	£000			£000
		Assets		
		Non-current assets		
337,781	421,326	Property, Plant and Equipment	14	448,073
83,844	85,829	Highways Infrastructure Assets	15	82,595
131,741	89,628	Investment Properties	17	83,289
2,104	1,721	Intangible Assets	18	1,232
1,626	373	Long Term Investments	19	4,784
6,883	6,869	Long Term Debtors	20	16,770
563,979	**605,746**	**Total Non-Current Assets**		**636,743**
		Current assets		
6,822	10,000	Short Term Investments	19	9,269
105	22	Inventories		-
32,507	22,842	Short Term Debtors	20	49,781
-	1,200	Assets held for Sale		-
16,254	42,418	Cash and Cash Equivalents	21	11,909
55,688	**76,482**	**Total Current Assets**		**70,959**
619,667	**682,228**	**Total Assets**		**707,702**
		Liabilities		
		Current Liabilities		
(94,332)	(168,237)	Short Term Borrowing	19	(135,960)
(30,980)	(34,634)	Short Term Creditors	22	(65,846)
(125,312)	**(202,871)**	**Total Current Liabilities**		**(201,806)**
		Non-Current Liabilities		
(250)	(243)	Long Term Creditors	19	(188)
(3,226)	(1,289)	Provisions	23	(8,296)
(57,049)	(57,049)	Long Term Borrowing	19	(56,264)
(12,721)	(8,941)	Capital Grants Receipts in Advance	34	(9,209)
(282,385)	(252,767)	Retirement Benefit Obligations	40	(334,556)
(355,631)	**(320,289)**	**Total Non-Current Liabilities**		**(408,513)**
138,724	**159,068**	**Net Assets**		**97,383**
		Equity		
		Usable Reserves	24	
7,778	10,652	General Fund Reserve		7,059
10,259	14,666	Other Reserves		55,260
		Unusable Reserves	25	
184,916	183,005	Capital Adjustment Account		173,798
214,694	206,225	Revaluation Reserve		228,625
(282,385)	(252,767)	Pensions Reserve		(334,556)
(1,365)	(7,648)	Collection Fund Adjustment Account		(35,862)
(2,042)	(1,934)	Accumulated Absences Account		(1,858)
-	-	Dedicated Schools Grant Adjustment		(1,791)
6,869	6,869	Deferred Capital Receipts Reserve		6,708
138,724	**159,068**			**97,383**

Council Movement in Reserves Statement (MiRS)

The Secretary of State for the Ministry of Housing, Communities and Local Government amended The Local Authorities (Capital Finance and Accounting) Regulations (the 2003 Regulations) which resulted in the creation of an unusable reserve where there was a deficit on the Dedicated Schools Grant, with the change accounted for as an amendment to Opening Balances for the 2020/21 financial year. See Note 25, Unusable Reserves for further details. The detail for 2019/20 has been restated as set out in Note 7, Prior Period Adjustments.

	General Fund Balance	Earmarked Reserves	Capital Grants Unapplied	School Revenue Balances	Capital Receipts Reserve	Total Usable Reserves	Unusable Reserves	Total RBWM Reserves
2020/21	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**
Balance at 31 March 2020	**10,652**	**6,646**	**7,032**	**437**	**551**	**25,318**	**133,750**	**159,068**
Adjustment to Opening Balance for Dedicated Schools Grant (Note 25)	-	-	-	1,025	-	1,025	(1,025)	-
	10,652	**6,646**	**7,032**	**1,462**	**551**	**26,343**	**132,725**	**159,068**
Total Comprehensive Expenditure and Income	(21,245)	-	-	-	-	(21,245)	(40,440)	(61,685)
Adjustments between accounting basis & funding basis under regulations (Note 10)	48,390	-	8,033	-	798	57,221	(57,221)	-
Net Increase / (Decrease) before Transfers to Earmarked Reserves	**27,145**	**-**	**8,033**	**-**	**798**	**35,976**	**(97,661)**	**(61,685)**
Transfers to / from Earmarked Reserves (Note 24)	(30,738)	29,997	-	741	-	-	-	-
Increase / (Decrease) in Year	(3,593)	29,997	8,033	741	798	35,976	(97,661)	(61,685)
Balance at 31 March 2021 Carried Forward	**7,059**	**36,643**	**15,065**	**2,203**	**1,349**	**62,319**	**35,064**	**97,383**
2019/20 (Restated)	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
Balance at 31 March 2019	**7,778**	**5,825**	**3,905**	**529**	**-**	**18,037**	**113,901**	**131,938**
Restatement of Opening Balance (Note 7)	-	-	-	-	-	-	6,786	6,786
	7,778	**5,825**	**3,905**	**529**	**-**	**18,037**	**120,687**	**138,724**
Total Comprehensive Expenditure and Income	(27,463)	-	-	-	-	(27,463)	47,807	20,344
Adjustments between accounting basis & funding basis under regulations (Note 10)	31,066	-	3,127	-	551	34,744	(34,744)	-
Net Increase / (Decrease) before Transfers to Earmarked Reserves	**3,603**	**-**	**3,127**	**-**	**551**	**7,281**	**13,063**	**20,344**
Transfers to / from Earmarked Reserves (Note 24)	(729)	821	-	(92)	-	-	**-**	**-**
Increase / (Decrease) in Year	2,874	821	3,127	(92)	551	7,281	13,063	20,344
Balance at 31 March 2020 Carried Forward	**10,652**	**6,646**	**7,032**	**437**	**551**	**25,318**	**133,750**	**159,068**

Council Cash Flow Statement

The Cash Flow Statement shows the causes of the changes in cash and cash equivalents during the reporting period. The detail for 2019/20 has been restated as detailed in Note 7, Prior Period Adjustments.

Restated 2019/20			**2020/21**
£000	**Council Cash Flow Statement (Indirect Method)**	**Note**	**£000**
(27,463)	Net surplus or (deficit) on the provision of services		(21,245)
42,207	Adjust net surplus or (deficit) on the provision of services for non-cash movements	26	49,668
(11,064)	Adjust for items included in the net surplus or deficit on the provision of services that are investing and financing activities	26	(18,718)
3,680	Net cash (outflows) / inflows from Operating Activities		**9,705**
(51,420)	Net cash (outflows) / inflows from Investing Activities	27	(6,501)
73,904	Net cash (outflows) / inflows from Financing Activities	28	(33,713)
26,164	Net Increase or (Decrease) in Cash and Cash Equivalents		**(30,509)**
16,254	Cash and cash equivalents at the beginning of the reporting period		42,418
42,418	**Cash and Cash Equivalents at the end of the reporting period**	21	**11,909**

Notes to the Financial Statements 2020/21

www.rbwm.gov.uk

Royal Borough of Windsor & Maidenhead

1. Accounting Policies

i. General Principles

The Financial Statements summarise the Authority's transactions for the 2020/21 financial year and its position at the year-end of 31 March 2021. The Authority is required to prepare an annual Financial Statements by the Accounts and Audit Regulations 2015 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 2020/21 supported by International Financial Reporting Standards (IFRS). The accounting convention adopted in the Financial Statements 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.

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.

The authority is not required to raise council tax to fund depreciation, revaluation and impairment losses or amortisation. 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.

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 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.

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 Financial Statements are 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 Financial

Statements are adjusted to reflect such events
- those that are indicative of conditions that arose after the reporting period, the Financial Statements are 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 Financial Statements.

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.

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.

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 2020/21 such investments are those in RBWM Property Company Ltd, RBWM Commercial SErvcies Ltd, Achieving for Children and Optalis.

Financial Assets Measured at Fair Value through Other Comprehensive Income
Financial assets that are measured at FVOCI 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 arise in 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 2020/21 no assets were held under this category.

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.

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 licenses) 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).

xiv. Inventories and Long-Term Contracts
Inventories are included in the balance sheet at the lower of cost and net realisable value.

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

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

xvi. Jointly Controlled Operations and Jointly Controlled Assets
Jointly controlled operations are activities undertaken by the Authority in conjunction with other ventures that involve the use of the assets and resources of the ventures rather than the establishment of a separate entity.

The Authority recognises on its balance sheet the assets that it controls and the liabilities that it incurs and debits and credits the CI&E with the expenditure it incurs and the share of income it earns from the activity of the operation.

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

xvii.Leases
Leases are classified as finance leases where the terms of the lease transfer substantially all the risks and rewards incidental to ownership of the property, plant, or equipment from the lessor to the lessee.

All other leases are classified as operating leases. Where a lease covers both land and buildings, the land and buildings elements are considered separately for classification. Arrangements that do not have the legal status of a lease but convey a right to use an asset in return for payment are accounted for under this policy where fulfilment of the arrangement is dependent on the use of specific assets.

The Authority as Lessee

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

Lease payments are apportioned between:

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

Property, plant, and equipment recognised under finance leases is accounted for using the policies applied generally to such assets, subject to depreciation being charged over the lease term if this is shorter than the asset's estimated useful life (where ownership of the asset does not transfer to the authority at the end of the lease period). The Authority is not required to raise Authority tax to cover depreciation or revaluation and impairment losses arising on leased assets. Instead, a prudent annual contribution is made from revenue funds towards the deemed capital investment in accordance with statutory requirements. Depreciation and revaluation and impairment losses are therefore substituted by a revenue contribution in the GF balance, by way of an adjusting transaction with the CAA in 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).

The Authority as Lessor

Operating Leases
Where the Council grants an operating lease over a property, the asset is retained in the Balance Sheet. Rental income is credited to Other Operating Expenditure in the Comprehensive Income and Expenditure Statement. Credits are made on a straight-line basis over the life of the lease, which matches the pattern of receipts in all cases.

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

xix. Property, Plant and Equipment
Assets that have physical substance and are held for use in the production or supply of goods or services, for rental to others, or for administrative purposes and that are expected to be used during more than one financial year are classified as property, plant, and equipment.

Recognition
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.

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

The cost of assets acquired other than by purchase is deemed to be its fair value, unless the acquisition does not have commercial substance (i.e., it will not lead to a variation in the cash flows of the Authority). In the latter case, where an asset is acquired via an exchange, the cost of the acquisition is the carrying amount of the asset given up by the Authority. Donated assets are measured initially at fair value. The difference between fair value and any consideration paid is credited to the taxation and non-specific grant income line of the CI&E unless the donation has been made conditionally. Until conditions are satisfied, the gain is held in the donated assets account.

Where gains are credited to the CI&E, they are reversed out of the GF balance to the CAA in the movement in reserves statement.

Assets are then carried in the balance sheet using the following measurement bases:
- infrastructure, community assets and assets under construction, depreciated historical cost
- dwellings, fair value, determined using the basis of existing use value for social housing (EUV-SH)
- all other assets, fair value, determined as the amount that would be paid for the asset in its existing use (existing use value – EUV).

Where there is no market-based evidence of fair value because of the specialist nature of an asset, depreciated replacement cost (DRC) is used as an estimate of fair value. Where non-property assets that have short useful lives or low values (or both), depreciated historical cost basis is used as a proxy for fair value. Assets included in the balance sheet at fair value are revalued sufficiently regularly to ensure that their carrying amount is not materially different from their fair value at the year-end, but as a minimum every five years.

Increases in valuations are matched by credits to the revaluation reserve to recognise unrealised gains. Exceptionally, gains might be credited to the CI&E where they arise from the reversal of a loss previously charged to a service. Where decreases in value are identified, they are accounted for by:

- where there is a balance of revaluation gains for the asset in the revaluation reserve, the accumulated gains)
- where there is no balance in the revaluation reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant service line(s) in the CI&E.

The revaluation reserve contains revaluation gains recognised since 1 April 2007 only, the date of its formal implementation. Gains arising before that date have been consolidated into the CAA.

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

Where impairment losses are identified, they are accounted for by:

- where there is a balance of revaluation gains for the asset in the revaluation reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains)

- where there is no balance in the revaluation reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant service line(s) in the CI&E.

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

Depreciation
Depreciation is provided for on all property, plant, and equipment assets by the systematic allocation of their depreciable amounts over their useful lives. An exception is made for assets without a determinable finite useful life (i.e., freehold land and certain community assets) and assets that are not yet available for use (i.e., assets under construction).

Depreciation is calculated on the following bases:

- dwellings and other buildings, straight-line allocation over the useful life of the property as estimated by the valuer.
- vehicles, plant, furniture and equipment, a percentage of the value of each class of assets in the balance sheet, as advised by a suitably qualified officer.
- infrastructure – straight-line allocation over 25 years.

Where an item of property, plant and equipment asset has major components whose cost is significant in relation to the total cost of the item, the components are depreciated separately. Revaluation gains are also depreciated, with an amount equal to the difference between current value depreciation charged on assets and the depreciation that would have been chargeable based on their historical cost being transferred each year from the revaluation reserve to the CAA.

Depreciation is not charged in the year of acquisition or initial recognition of an asset. Depreciation is charged for the full year in the year of disposal of an asset.

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

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

If assets no longer meet the criteria to be classified as assets held for sale, they are reclassified back to non-current assets and valued at the lower of their carrying amount before they were classified as held for sale; adjusted for depreciation, amortisation or revaluations that would have been recognised had they not been classified as held for sale, and their recoverable amount at the date of the decision not to sell. Assets that are to be abandoned or scrapped are not reclassified as assets held for sale.

When an asset is disposed of or decommissioned, the carrying amount of the asset in the balance sheet (whether property, plant and equipment or assets held for sale) is written off to the other operating expenditure line in the CI&E as part of the gain or loss on disposal. Receipts from disposals (if any) are credited to the same line in the CI&E also as part of the gain or loss on disposal (i.e., netted off against the carrying value of the asset at the time of disposal). Any revaluation gains accumulated for the asset in the revaluation reserve are transferred to the CAA.

Amounts received for a disposal are categorised as capital receipts. The balance of receipts is required to be credited to the CRR and can then only be used for new capital investment or set aside to reduce the Authority's underlying need to borrow (the capital financing requirement). Receipts are appropriated to the reserve from the GF balance in the movement in reserves statement. The written-off value of disposals is not a charge against Authority tax, as the cost of 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.

xx. Highways Infrastructure Assets

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

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

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

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

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

Annual depreciation is the depreciation amount allocated each year.

Useful lives of the various parts of the highways network are assessed by the Principal Highways Contract Manager using industry standards where applicable as follows:

Element of the Highways Network	Useful Life
Carriageways	20-50 years
Footways and Cycle Tracks	30 years
Structures (bridges, tunnels and underpasses)	30 years
Street Lighting	20-40 years
Street Furniture	25 years
Traffic Management Systems	25 years

Disposals and derecognition

When a component of the network is disposed of or decommissioned, the carrying amount of the component in the Balance Sheet is written off to the 'Other operating expenditure' line in the Comprehensive Income and Expenditure Statement as part of the gain/loss on disposal. Receipts from disposals are credited to the same line in the Comprehensive Income and Expenditure Statement, also as part of the gain or loss on disposal (that is, netted off against the carrying value of the asset at the time of disposal).

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

xxi. Provisions, Contingent Liabilities and Contingent Assets

Provisions

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

Provisions are charged as an expense to the appropriate service line in the CI&E in the year that the authority becomes aware of the obligation and are measured at the best estimate at the balance sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties. When payments are eventually made, they are charged to the provision carried in the balance sheet.

Estimated settlements are reviewed at the end of each financial year. Where it becomes less than probable that a transfer of economic benefits will now be required (or a lower settlement than anticipated is made), the provision is reversed and credited back to the relevant service. Where some or all of the payment required to settle a provision is expected to be recovered from another party (e.g., from an insurance claim), this is only recognised as income for the relevant service if it is virtually certain that reimbursement will be received if the authority settles the obligation.

Contingent Liabilities

A contingent liability arises where an event has taken place that gives the authority a possible obligation whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the authority. Contingent liabilities also arise in circumstances where a provision would otherwise be made but either it is not probable that an outflow of resources will be required, or the amount of the obligation cannot be measured reliably. Contingent liabilities are not recognised in the balance sheet but disclosed in a note to the accounts.

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.

xxii. 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.

xxiii. 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.

xxiv. 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.

xxv. Accounting for Schools
Local authority maintained schools, in line with relevant accounting standards and the Code are considered to be separate entities with the balance of control lying with the Royal Borough. As such the Royal Borough should consolidate the activities of schools into its group accounts. However, the Code requires that the income, expenditure, assets and liabilities of maintained schools be accounted for in local authority entity accounts rather than requiring the preparation of group accounts. Therefore, schools' transactions, cash flows and balances are recognised in each of the financial statements of the Royal Borough as if they were transactions, cash flows and balances of the Royal Borough.

xxvi. 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.

xxvii. Interests in Companies and Other Entities

The Authority has two joint ventures, 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.

xxviii. 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 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.

xxix. Council tax and non-domestic rates

Billing authorities act as agents, collecting council tax and non-domestic rates (NDR) on behalf of the major preceptors (including government for NDR) and, as principals, collecting council tax and NDR for themselves. Billing authorities are required by statute to maintain a separate fund (ie the collection fund) for the collection and distribution of amounts due in respect of council tax and NDR. Under the legislative framework for the collection fund, billing authorities, major preceptors and central government (for NDR) share proportionately the risks and rewards that the amount of council tax and NDR collected could be less or more than predicted.

Accounting for council tax and NDR

The council tax and NDR income included in the Comprehensive Income and Expenditure Statement (CIES) is the authority's share of accrued income for the year. However, regulations determine the amount of council tax and NDR that must be included in the authority's General Fund. Therefore, the difference between the income included in the CIES and the amount required by regulation to be credited to the General Fund is taken to the collection fund adjustment account and included as a reconciling item in the Movement in Reserves Statement.

The Balance Sheet includes the authority's share of the end of year balances in respect of council tax and NDR relating to arrears, impairment allowances for doubtful debts, overpayments and prepayments and appeals.

Where debtor balances for the above are identified as impaired because of a likelihood arising from a past event that payments due under the statutory arrangements will not be made, the asset is written down and a charge made to the taxation and non-specific grant income and expenditure line in the CIES. The impairment loss is measured as the difference between the carrying amount and the revised future cash flows.

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 2020/21 Code:

IFRS 3 - Business Combinations	Amendments to the definition of a business
IFRS 9, IAS 39 and IFRS 7	Interest rate benchmark reform
IFRS 9, IAS 39 and IFRS 7, IFRS 4 and IFRS 16	Interest rate benchmark reform - Phase 2

These amendments are not expected to have a material impact on the Royal Borough's financial statements.

The International Accounting Standards Board (IASB) has issued International Financial Reporting Standard 16 Leases (IFRS 16) which, when adopted by the Code, will require the Royal Borough to recognise most of the assets it has secured the use of through a lease arrangement on its Balance Sheet as 'right of use' assets, together with corresponding lease liabilities. This treatment of leases differs from the current practice of only recognising those assets and liabilities associated with leases deemed to be finance leases entered into by the Royal Borough on its Balance Sheet. It had been anticipated that IFRS 16 would originally be adopted in the 2020/21 financial year but the CIPFA Code of Accounting Practice has deferred implementation to the 2024/25 financial year although early adoption for 2022/23 or 2023/24 is allowed. The Royal Borough is planning to implement the requirements of this standard in the 2024/25 financial year.

3. Critical Judgements in Applying Accounting Policies

In the application of the 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.

Leases

Leases are categorised between operating and finance leases according to management judgement on the basis of relevant accounting standards, with the premise that long term land leases, typically for a period of 110 years or more, and long term building leases, typically for a period of 50 years or more, are accounted for on the basis of finance leases.

Agent vs Principal

The Royal Borough transacts activity through its financial ledger where it considers that it is acting as an agent of a separate organisation rather than as a principal in the matter. As such, the activity does not form part of the Royal Borough's financial statements other than to recognise a debtor/creditor relationship for sums due or owed. There were two major areas of activity where the Royal Borough considered that it acted as an agent:

- Covid-19 grants – The Royal Borough received a number of grants from the Council where the recipients and the amount to be allocated were determined by Central Government and the Council made payments on its behalf. The Royal Borough had no control over who was eligible and what level of support was to be provided. Any sums not paid out were to be refunded to Central Government
- Third party arrangements – The Royal Borough holds funds and receives and makes payments on behalf of a third party. Details of the activity in respect of these arrangements are shown in Note 43, Trust and Other Entities.

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

The Financial Statements contain 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 2020/21 the Council's actuaries advised that the net pension liability had increased by £82m to £335m. 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 £11.6m. A 0.1% increase in the long-term salary increase assumption would result in a £0.6m increase in the pension liability and an increase of 0.1% in pension increases and deferred revaluation assumption would increase the pension liability by £10.9m. Please refer to Note 40.

Property, Plant and Equipment
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 variation between the revalued amount at 31 March 2021 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 14.

The World Health Organisation declared Coronavirus (Covid-19) as a Global Pandemic on 11 March 2020. The pandemic has impacted on global financial markets, global travel and market activity in many sectors. However, as at the valuation date, the Borough's valuers consider that the markets have stabilised but that the full implications of the pandemic are still not fully understood. As such, they consider that less weight than normal can be attached to comparable market evidence when informing their opinions of value and, as a consequence, have made some adjustments due to market sentiment. The valuers have also indicated that a higher degree of caution should be taken when relying on their valuation than would normally be the case.

Recovery of Amounts Due
As part of its normal course of operations, the Royal Borough provides services or raises taxes where the recovery of sums due is not immediate. In the normal course of business, the Royal Borough recognises that not all sums due will be recovered or that appeals will be made against rateable values and as a result sets aside an allowance for the non-recovery of debts and the potential reduction in sums assumed to be due. The Global Covid-19 pandemic has had a significant impact on the economy, both locally, nationally and globally, the full impact of which may not be known for some time. Whilst the Royal Borough has set aside, what it believes to be, a prudent level to reflect a level of non-recovery of debts and sums assumed to be due through Business Rates, the actual amounts may not be known for some time. Details of the amounts

due to the Royal Borough are set out on the Balance Sheet, Note 19, Financial Instruments, Note 20, Debtors and Note 23, Provisions.

5. Material Items of Income and Expense

The Council undertakes the valuation of its non-current assets on the basis of a 5-year rolling programme. Car parks, leisure centres and libraries have been revalued as part of the programme. Where assets increase in value, the gain is reported in Other Comprehensive Income and Expenditure (OCIE) and reflected in the revaluation reserve. Where there is a decrease in value, the decrease is reflected in OCIE and the revaluation reserve up to the amount of previous upward valuations and any additional reduction in valuation is reported through the Surplus/Deficit on the Provision of Services and the Capital Adjustment Account.

The revaluation of these properties in 2020/21 has recognised a decrease in value of £6.202m (2019/20: £16.671m) that is reported through the Surplus/Deficit on the Provision of Services

6. Events After the Balance Sheet Date

The draft Financial Statements were authorised for issue by the Executive Director of Resources and Section 151 Officer on 21 June 2021. Events taking place up to the date of signing these final audited Financial Statements are reflected in the statements and notes. Where events taking place before this date provided information about conditions existing at 31 March 2021, the figures in the Financial Statements and notes have been adjusted in all material respects to reflect the impact of this information. No further events have occurred which need to be reported here.

7. Prior Period Adjustments

Prior period adjustments have to be recognised in the financial statements in respect of two activities:

- The accounting treatment for cash balances held on behalf of third parties where the Council is acting as an agent, and
- The accounting treatment for an asset disposed of through a long term lease in 2018/19

<u>Treatment of cash balances held where the Royal Borough is acting as an agent of a third party</u>

The Council transacts a number of activities through its financial ledger where it is acting as an agent on behalf of a third party as detailed in Note 43, Trusts and Other Entities.

In previous years, the Royal Borough has accounted for cash held on behalf of third parties by netting down short term investments and cash and cash equivalents against the amounts due to the third parties shown in short term liabilities. The Council now recognises that it should show investments gross where the investment is held in the name of the Borough and only net down investments where that investment is in the name of the third party.

The impact of the prior period amendments are shown in the tables below.

<u>Disposal of an asset through a long term lease arrangement</u>

In 2018/19, the Royal Borough disposed of a site through a long lease arrangement of 250 years, for a premium of £7.632m for the development of residential units. Given the length of the lease arrangement, the Royal Borough determined that the arrangement should be treated as a disposal through a finance lease and that the associated receipts would be treated as capital receipts. The premium would be payable on the basis of an initial payment of 10% of the premium, £0.763m, with the balance payable as the developer sold the residential units.

The Royal Borough initially treated the receipts from the arrangement as a capital receipt at the point of the receipt of the payment from the developer. However, the correct accounting treatment would be to recognise a debtor and deferred capital receipt reserve on disposal and then account for the receipt of payments through a reduction in the debtor and a transfer from the Deferred Capital Receipt Reserve to the Capital Receipts Reserve.

The Royal Borough had also retained the asset on its Balance Sheet after entering in to the long lease arrangement, revaluing the asset in 2019/20. The prior period adjustment corrects the accounting treatment as detailed below.

Adjustments for 2018/19

Balance Sheet

	Original Balance per Audited Statements	Adjustment in respect of Agency Arrangements	Adjustment in respect of Deferred Capital Receipts	Restated Balances
	£000	**£000**	**£000**	**£000**
Property, Plant & Equipment	337,781			337,781
Infrastructure Assets	83,844			83,844
Heritage Assets				-
Investment Property	131,824		(83)	131,741
Intangible Assets	2,104			2,104
Long Term Investments	368	1,258		1,626
Long Term Advances				-
Long Term Debtors	14		6,869	6,883
Long Term Assets	**555,935**	**1,258**	**6,786**	**563,979**
Short Term Investments		6,822		6,822
Assets Held for Sale				-
Inventories	105			105
Short Term Debtors	32,507			32,507
Cash and Cash Equivalents	1,954	14,300		16,254
Current Assets	**34,566**	**21,122**	**-**	**55,688**
Total Assets	**590,501**	**22,380**	**6,786**	**619,667**
Bank Overdraft				-
Short Term Borrowings	(71,952)	(22,380)		(94,332)
Short Term Creditors	(30,980)			(30,980)
Short Term Provisions				-
Current Liabilities	**(102,932)**	**(22,380)**	**-**	**(125,312)**
Long Term Creditors	(250)			(250)
Long Term Provisions	(3,226)			(3,226)
Long Term Borrowing	(57,049)			(57,049)
Pension Liabilities	(282,385)			(282,385)
Grant Receipts in Advance	(12,721)			(12,721)
Long Term Liabilities	**(355,631)**	**-**	**-**	**(355,631)**
Net Assets	**131,938**	**-**	**6,786**	**138,724**
				-
Usable Reserves	**18,037**			**18,037**
				-
Capital Adjustment Account	184,999		6,786	191,785
Revaluation Reserve	214,694			214,694
Pensions Reserve	(282,385)			(282,385)
Collection Fund Adjustment Account	(1,365)			(1,365)
Accumulated Absences Account	(2,042)			(2,042)
Dedicated Schools Grant	-			-
Sub Total Unusable Reserves	**113,901**	**-**	**6,786**	**120,687**
Total Reserves	**131,938**	**-**	**6,786**	**138,724**

Adjustment for 2019/20

Comprehensive Income and Expenditure Statement

	2019/20 per Audited Statement of Accounts				Restated 2019/20		
	Gross Expenditure	**Gross Income**	**Net Expenditure**	Adjustment in respect of Deferred Capital Receipts	**Gross Expenditure**	**Gross Income**	**Net Expenditure**
	£000	**£000**	**£000**		**£000**	**£000**	**£000**
Managing Director	234,017	(136,896)	97,121		234,017	(136,896)	97,121
Communities Directorate	48,844	(35,198)	13,646		48,844	(35,198)	13,646
Place Directorate	18,558	(12,400)	6,158		18,558	(12,400)	6,158
Revaluation movement on assets	16,671	-	16,671		16,671	-	16,671
Full Cost of Services	**318,090**	**(184,494)**	**133,596**	**-**	**318,090**	**(184,494)**	**133,596**
Precepts & Levies			1,664				1,664
(Gain) / loss on the disposal of other fixed assets			626				626
Other Net Expenditure			5				5
Other Operating (Income) / Expenditure			**2,295**	**-**			**2,295**
Interest payable and similar charges			2,977				2,977
Pensions interest cost			8,030				8,030
Interest and Dividend income			(475)				(475)
Changes in the fair value of investment properties			(12,599)	2,322			(10,277)
Financing & Investment Income & Expenditure			**(2,067)**	**2,322**	**-**		**255**
Taxation and Non-Specific Grant Income			(108,683)				(108,683)
Deficit on Provision of Services			**25,141**	**2,322**	**318,090**		**27,463**
Revaluation changes to value of Property, Plant and Equipment assets			(8,913)				(8,913)
Remeasurement of the net defined benefit liability (asset)			(38,894)				(38,894)
Other Comprehensive (Income)			**(47,807)**	**-**			**(47,807)**
Total Comprehensive (Income)			**(22,666)**	**2,322**			**(20,344)**

Balance Sheet

	Original Balance per Audited Statements	Adjustment in respect of Agency Arrangements	Adjustment in respect of Deferred Capital Receipts	Restated Balances
	£000	**£000**	**£000**	**£000**
Property, Plant & Equipment (Adjustment in Surplus Assets)	423,731		(2,405)	421,326
Infrastructure Assets	85,829			85,829
Heritage Assets				-
Investment Property	89,628			89,628
Intangible Assets	1,721			1,721
Long Term Investments	373			373
Long Term Advances				-
Long Term Debtors			6,869	6,869
Long Term Assets	**601,282**	**-**	**4,464**	**605,746**
Short Term Investments	10,559	(559)		10,000
Assets Held for Sale	1,200			1,200
Inventories	22			22
Short Term Debtors	22,842			22,842
Cash and Cash Equivalents	7,622	34,796		42,418
Current Assets	**42,245**	**34,237**	**-**	**76,482**
Total Assets	**643,527**	**34,237**	**4,464**	**682,228**
Bank Overdraft				-
Short Term Borrowings	(134,000)	(34,237)		(168,237)
Short Term Creditors	(34,634)			(34,634)
Short Term Provisions				-
Current Liabilities	**(168,634)**	**(34,237)**	**-**	**(202,871)**
Long Term Creditors	(243)			(243)
Long Term Provisions	(1,289)			(1,289)
Long Term Borrowing	(57,049)			(57,049)
Pension Liabilities	(252,767)			(252,767)
Grant Receipts in Advance	(8,941)			(8,941)
Long Term Liabilities	**(320,289)**	**-**	**-**	**(320,289)**
Net Assets	**154,604**	**-**	**4,464**	**159,068**
				-
Usable Reserves	25,318			25,318
				-
Capital Adjustment Account	185,410		4,464	189,874
Revaluation Reserve	206,225			206,225
Pensions Reserve	(252,767)			(252,767)
Collection Fund Adjustment Account	(7,648)			(7,648)
Accumulated Absences Account	(1,934)			(1,934)
Dedicated Schools Grant				-
Sub Total Unusable Reserves	**129,286**	**-**	**4,464**	**133,750**
Total Reserves	**154,604**	**-**	**4,464**	**159,068**

Movement in Reserves Statement

2019/20 per Audited Financial Statements	General Fund Balance	Earmarked Reserves	Capital Grants Unapplied	School Revenue Balances	Capital Receipts Reserve	Total Usable Reserves	Unusable Reserves	Total RBWM Reserves
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Balance at 31 March 2019	**7,778**	**5,825**	**3,905**	**529**	**-**	**18,037**	**113,901**	**131,938**
Total Comprehensive (Expenditure) and Income	(25,141)	-	-	-	-	(25,141)	47,807	22,666
Adjustments between accounting basis & funding basis under regulations (Note 9)	28,744	-	3,127	-	551	32,422	(32,422)	**-**
Net Increase / (Decrease) before Transfers to Earmarked Reserves	**3,603**	**-**	**3,127**	**-**	**551**	**7,281**	**15,385**	**22,666**
Transfers to / (from) Earmarked Reserves (Note 10)	(729)	821	-	(92)	-	-	**-**	**-**
Increase / (Decrease) in Year	2,874	821	3,127	(92)	551	7,281	15,385	22,666
Balance at 31 March 2020 Carried Forward	**10,652**	**6,646**	**7,032**	**437**	**551**	**25,318**	**129,286**	**154,604**

2019/20 Prior Period Adjustments in respect of Deferred Capital Receipts adjustment	General Fund Balance	Earmarked Reserves	Capital Grants Unapplied	School Revenue Balances	Capital Receipts Reserve	Total Usable Reserves	Unusable Reserves	Total RBWM Reserves
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Balance at 31 March 2019						**-**	**6,786**	**6,786**
Total Comprehensive (Expenditure) and Income	(2,322)					(2,322)		(2,322)
Adjustments between accounting basis & funding basis under regulations (Note 9)	2,322					2,322	(2,322)	**-**
Net Increase / (Decrease) before Transfers to Earmarked Reserves	**-**	**-**	**-**	**-**	**-**	**-**		**(2,322)**
Transfers to / (from) Earmarked Reserves (Note 10)						-		**-**
Increase / (Decrease) in Year	-	-	-	-	-	-	-	(2,322)
Balance at 31 March 2020 Carried Forward	**-**	**-**	**-**	**-**	**-**	**-**	**6,786**	**4,464**

2019/20 Restated Position	General Fund Balance	Earmarked Reserves	Capital Grants Unapplied	School Revenue Balances	Capital Receipts Reserve	Total Usable Reserves	Unusable Reserves	Total RBWM Reserves
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Balance at 31 March 2019	**7,778**	**5,825**	**3,905**	**529**	**-**	**18,037**	**120,687**	**138,724**
Total Comprehensive (Expenditure) and Income	(27,463)	-	-	-	-	(27,463)	47,807	20,344
Adjustments between accounting basis & funding basis under regulations (Note 9)	31,066	-	3,127	-	551	34,744	(34,744)	-
Net Increase / (Decrease) before Transfers to Earmarked Reserves	**3,603**	**-**	**3,127**	**-**	**551**	**7,281**	**13,063**	**20,344**
Transfers to / (from) Earmarked Reserves (Note 10)	(729)	821	-	(92)	-	-	-	-
Increase / (Decrease) in Year	2,874	821	3,127	(92)	551	7,281	13,063	20,344
Balance at 31 March 2020 Carried Forward	**10,652**	**6,646**	**7,032**	**437**	**551**	**25,318**	**133,750**	**159,068**

Cashflow Statement

Council Cash Flow Statement (Indirect Method)	Per audited Financial Statements	Impact of revised Opening Balance	Adjustment arising from Agency Arrangements	Adjustment arising from Deferred Capital Receipts	Restated Cashflow Note
	£'000	**£'000**	**£'000**	**£'000**	**£'000**
Surplus/(Deficit) on the provision of services	(25,141)			(2,322)	(27,463)
Adjust net surplus/(Deficit) on the provision of services for non-cash movements	39,885			2,322	42,207
Adjust for items included in the net surplus/(deficit) on the provision of services that are investing and financing activities	(11,064)				(11,064)
Net cash (outflows) / inflows from Operating Activities	**3,680**	**-**	**-**	**-**	**3,680**
Net cash (outflows) from Investing Activities	(60,059)	8,080	559		(51,420)
Net cash inflows from Financing Activities	62,047	(22,380)	34,237		73,904
Net Increase in Cash and Cash Equivalents	**5,668**	**(14,300)**	**34,796**	**-**	**26,164**
Cash and cash equivalents at the beginning of the reporting period	**1,954**	14,300	-	-	16,254
Cash and Cash Equivalents at the end of the reporting period	**7,622**	**-**	**34,796**	**-**	**42,418**

8. 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 Comprehensive Income and Expenditure Statement. The information for 2019/20 has been restated as a result of the prior period adjustments set out in Note 7 to these financial statements.

2019/20 (Restated)				2020/21		
Net Exp. chargeable to General Fund	**Adjustments between funding & accounting (Note 10) basis**	**Net Exp. in CI&ES**		**Net Exp. chargeable to General Fund**	**Adjustments between funding & accounting (Note 10) basis**	**Net Exp. in CI&ES**
£000	**£000**	**£000**		**£000**	**£000**	**£000**
40,015	985	41,000	Adults, Comm. & Health	41,760	2,372	44,132
30,539	2,264	32,803	Children's Services	26,703	2,165	28,868
3,037	304	3,341	Governance Law & Strat'	3,569	299	3,867
(2,692)	605	(2,087)	Managing Director	(552)	550	(2)
21,557	10,780	32,337	Place	19,245	13,820	33,065
7,250	2,534	9,784	Resources	2,767	2,537	5,304
(253)	-	(253)	Contingency & Corporate	501	0	501
	16,671	16,671	Revaluation movement in assets	-	6,202	6,202
99,453	**34,143**	**133,596**	**Full Cost of Services**	**93,993**	**27,944**	**121,937**
(103,056)	(3,077)	(106,133)	Other Income & Exp.	(121,138)	20,446	(100,692)
729	(729)	0	Transfer to/from Earmarked Reserves	30,738	(30,738)	0
(2,874)	**30,337**	**27,463**	**(Surplus)/Deficit on service provision**	**3,593**	**17,652**	**21,245**
(7,778)			General Fund balance B/F	(10,652)		
(2,874)			Less (surplus)/deficit on General Fund balance in year	3,593		
(10,652)			**Closing General Fund**	**(7,059)**		

Adjustments between Funding and Accounting Basis 2020/21				
Adjustments from Gen. Fund to arrive at the CI&E Statement amounts				
Directorate	**Adjustment for Capital Purposes**	**Net change for the Pensions Adjustment**	**Other Differences**	**Total Adjustments**
	£000	**£000**	**£000**	**£000**
Adults, Health & Commissioning	317	730	1,325	2,372
Children's Services	2,226	14	(75)	2,165
Governance, Law & Strategy	4	295	(1)	298
Managing Director	432	97	21	550
Place	12,622	1,174	24	13,820
Resources	830	1,751	(44)	2,537
Revaluation movement in assets	6,202			6,202
Net Cost of Services	**22,633**	**4,061**	**1,250**	**27,944**
Other (income) and expenditure from the Expenditure and Funding Analysis	(9,688)	2,480	27,654	20,446
Transfers to/from Earmarked Reserves (Note 24)	-	-	(30,738)	(30,738)
Difference between Gen. Fund surplus or deficit & CI&E Statement Surplus or Deficit on the Provision of Services	**12,945**	**6,541**	**(1,834)**	**17,652**

Adjustments between Funding and Accounting Basis 2019/20 (Restated)				
Adjustments from Gen. Fund to arrive at the CI&E Statement amounts				
Directorate	**Adjustment for Capital Purposes**	**Net change for the Pensions Adjustment**	**Other Differences**	**Total Adjustments**
	£000	**£000**	**£000**	**£000**
Adults, Health & Commissioning	316	656	13	985
Children's Services	2,314	14	(64)	2,264
Governance, Law & Strategy	4	300	-	304
Managing Director	517	87	1	605
Place	9,507	1,271	2	10,780
Resources	905	1,689	(60)	2,534
Contingency & Corporate	-	-	-	-
Revaluation movement in assets	16,671			16,671
Net Cost of Services	**30,234**	**4,017**	**(108)**	**34,143**
Other (income) and expenditure from the Expenditure and Funding Analysis	(14,615)	5,255	6,283	(3,077)
				0
Transfers to/from Earmarked Reserves (Note 24)	-	-	(729)	(729)
Difference between Gen. Fund surplus or deficit & CI&E Statement Surplus or Deficit on the Provision of Services	**15,619**	**9,272**	**5,446**	**30,337**

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 receivables in the year to those receivables 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 24.

9. Expenditure and Income analysed by Nature

	2019/20 restated	2020/21
	£000	£000
Income		
Government Grants	(101,802)	(114,534)
Covid-19 Business Rates S31 Relief	0	(36,650)
Covid Grants and Contributions	0	(23,980)
Collection Fund	(90,924)	(50,733)
Housing Benefit Income	(27,232)	(25,812)
Other Grants & Contributions	(22,846)	(18,626)
Fees & Charges	(30,047)	(21,274)
Sales	(4,475)	(3,578)
Rent	(8,028)	(5,590)
Interest	(265)	(505)
Other Operating Income	(205)	(210)
Contributions from other funds/balances	(5,010)	(4,940)
	(290,834)	**(306,432)**
Expenditure		
Employees		
Direct Employee Costs	42,596	42,038
Teachers Pay	25,123	24,579
Indirect Employee Costs	7,095	6,880
Pension Interest Cost	8,030	5,724
Premises		
Repairs & Maintenance	2,057	2,019
Other Energy	116	89
Gas	258	265
Electricity	1,648	1,325
Other Rent & Rates	2,063	1,747
Rates	2,787	2,830
Water	303	270
Other Premises	1,934	62
Depreciation, Amortisation and Impairment	30,234	24,531
Supplies & Services		
Equipment, Furniture & Materials	1,572	1,293
Printing, Stationery & Office Expenses	1,697	1,168
Communications and Computing	3,597	3,956
Grants & Subscriptions	12,229	12,859
Covid Grants and Support		3,016
Other Supplies & Services	17,634	17,124
Transport	376	172
Contract Services	134,165	131,294
Housing Benefit Payment	27,793	25,197
Other Operating Expenditure and Income		
Interest Payments	2,977	3,361
Precepts and Levies	1,664	1,796
Changes in the fair value of Investment Properties	(10,277)	13,942
Gain or Loss on Disposal of Property, plant & equipment	626	141
Gross Expenditure	**318,297**	**327,677**
Surplus or Deficit on the Provision of Services	**27,463**	**21,245**

10. 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 in the year in accordance with proper accounting practice to the resources available to meet future expenditure.

2020/21	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	(17,774)	-	-	(17,774)	17,774
Revaluation movements and impairments of non-current assets charge to the CIES	(6,202)	-	-	(6,202)	6,202
Movements in the market value of investment properties	(13,942)	-	-	(13,942)	13,942
Gain on investment through asset swap with RBWM PropCo Ltd	3,158	-	-	3,158	(3,158)
Amortisation of intangible assets	(555)	-	-	(555)	555
Capital grants and contributions applied	17,601	-	-	17,601	(17,601)
Revenue expenditure funded from capital under statute	(3,597)	-	-	(3,597)	3,597
Amounts of non-current assets written off on disposal or sale as part of the (gain)/loss on disposal to the CI&E	(4,478)	-	-	(4,478)	4,478
Statutory provision for the financing of capital investment	2,210	-	-	2,210	(2,210)
Capital Expenditure Charged against Revenue Balances	355	-	-	355	(355)
Adjustments involving the Capital Grants Unapplied Account:					
Capital grants and contributions unapplied credited to the CI&E	9,162	(9,162)	-	-	-
Application of grants to capital financing transferred to the Capital Adjustment Account	-	1,129	-	1,129	(1,129)
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	1,117	-	(1,117)	-	-
Use of the Capital Receipts Reserve to finance new capital expenditure	-	-	480	480	(480)
Transfer from the Deferred Capital Receipts Reserve on receipt of cash	-	-	(161)	(161)	161
Adjustments primarily involving the Pensions Reserve:					
Reversal of items relating to retirement benefits debited or (credited) to the CI&E Statement	(6,541)	-	-	(6,541)	6,541
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	(28,215)	-	-	(28,215)	28,215
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	76	-	-	76	(76)
Adjustments primarily involving the Dedicated Schools Grant:					
Amount by which DSG related expenditure charged to the CIES is different to that chargeable in the year in accordance with statutory requirements	(765)	-	-	(765)	765
Total Adjustments	**(48,390)**	**(8,033)**	**(798)**	**(57,221)**	**57,221**

2019/20 Comparatives

2019/20 (Restated)	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
Revaluation movements and impairments of non-current assets charge to the CIES	(16,671)	-	-	(16,671)	16,671
Movements in the market value of investment properties	10,277	-	-	10,277	(10,277)
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 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 Adjustment 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	**(31,066)**	**(3,127)**	**(551)**	**(34,744)**	**34,744**

11. Other Operating Expenditure and Income

	2019/20	2020/21
	£000	£000
Parish Council Precepts	1,508	1,639
Levies (Environment Agency)	156	157
(Gains)/losses on the disposal of non-current assets	626	140
Value of non-current assets transferred to RBWM PropCo Ltd	-	3,158
Transfer of residual mortgage balance	5	-
Total	**2,295**	**5,094**

12. Financing and Investment Income and Expenditure

The information for 2019/20 has been restated to reflect the prior period adjustments detailed in Note 7.

	2019/20 (Restated)	2020/21
	£000	£000
Interest payable and similar charges	2,977	3,361
Net interest on the net defined benefit liability	8,030	5,724
Interest receivable and similar income	(265)	(485)
Dividend from RBWM Property Company Ltd	(210)	(210)
Changes in the fair value of investment properties	(10,277)	13,942
Increase in investment in RBWM PropCo Ltd arising from transfer of non-current assets	-	(3,158)
Total	**255**	**19,175**

13. Taxation and Non-Specific Grant Income

	2019/20	2020/21
	£000	£000
Collection Fund Precepts, Demands and Adjustments - Council Tax	(72,981)	(76,345)
Collection Fund Precepts, Demands and Adjustments - Business Rates	(65,414)	(2,639)
Business Rates Tariff	52,157	30,800
Business Rates S31 Reliefs	(4,632)	(2,549)
Covid-19 Business Rates S31 Relief	-	(36,650)
Non-ring-fenced Government Grants	(2,404)	(4,105)
Capital Grants	(15,409)	(25,792)
Covid-19 DLUHC Funding	-	(7,681)
Total	**(108,683)**	**(124,961)**

14. Property, Plant and Equipment

Previously, the Royal Borough has included detail on Infrastructure Assets within this note. However, an amendment to the Code has been issued to allow a temporary relief on Infrastructure Assets to allow disclosure of a net asset position rather than showing gross cost and accumulated depreciation. Further details are set out in Note 15, Infrastructure Assets. The values for 2019/20 have been restated as detailed in Note 7, Prior Period Adjustments

Movements on Balances

Movements in 2020/21	Other Land & Buildings	Vehicles, Plant, Furniture & Equipment	Community Assets	Surplus Assets	Assets under Construction	Total
	£000	**£000**	**£000**	**£000**	**£000**	**£000**
Cost or Valuation						
At 1 April 2020	**291,968**	**33,646**	**9,052**	**70,631**	**41,324**	**446,621**
Additions	717	1,793	262	-	11,720	**14,492**
Revaluation increases/(decreases) recognised in the Revaluation Reserve	29,739	-	-	352	-	**30,091**
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	(3,566)	-	-	(2,288)	(791)	**(6,645)**
Derecognition – disposals	(3,179)	(15)	-	-	-	**(3,194)**
Derecognition – other	-	-	-	-	(33)	**(33)**
Asset reclassifications*	41,609	-	-	(7,908)	(41,534)	**(7,833)**
Other movements in cost or valuation	-	-	-	708	-	**708**
At 31 March 2021	**357,288**	**35,424**	**9,314**	**61,495**	**10,686**	**474,207**
Accumulated Depreciation and Impairment						
At 1 April 2020	**(11,828)**	**(13,360)**	**(129)**	**22**	**-**	**(25,295)**
Depreciation charge	(4,442)	(2,740)	-	(148)	-	**(7,330)**
Depreciation written out to the Revaluation Reserve	4,645	-	-	72	-	**4,717**
Depreciation written out to the Surplus/Deficit on the Provision of Services	-	-	-	532	-	**532**
Derecognition	-	12	-	-	-	**12**
Asset Reclassifications*	-	-	-	230	-	**230**
Other Adjustments	1,709	-	-	(708)	-	**1,001**
At 31 March 2021	**(9,916)**	**(16,089)**	**(129)**	**-**	**-**	**(26,134)**
Net Book Value						
At 31 March 2021	347,372	19,335	9,185	61,495	10,686	**448,073**
At 31 March 2020	280,140	20,286	8,923	70,653	41,324	**421,326**

* £7.603m of assets were reclassified to investment property.

Comparative Movements in 2019/20

Movements in 2019/20 (Restated)	Other Land & Buildings	Vehicles, Plant, Furniture & Equipment	Community Assets	Surplus Assets	Assets under Construction	Total
	£000	£000	£000	£000	£000	£000
Cost or Valuation						
At 1 April 2019	**313,237**	**25,215**	**8,205**	**5,569**	**16,385**	**368,611**
Additions	1,437	8,431	952	7,907	29,629	**48,356**
Revaluation increases/(decreases) recognised in the Revaluation Reserve	217	-	-	547	-	**764**
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	(9,423)	-	(105)	(3,870)	-	**(13,398)**
Derecognition – disposals	(700)	-	-	-	-	**(700)**
Derecognition – other	-	-	-	-	(4,690)	**(4,690)**
Asset reclassifications*	(12,800)	-	-	60,478	-	**47,678**
Other movements in cost or valuation	-	-	-	-	-	**-**
At 31 March 2020	**291,968**	**33,646**	**9,052**	**70,631**	**41,324**	**446,621**
Accumulated Depreciation and Impairment						
At 1 April 2019	**(19,444)**	**(11,257)**	**(129)**	**-**	**-**	**(30,830)**
Depreciation charge	(4,631)	(2,103)	-	-	-	**(6,734)**
Depreciation written out to the Revaluation Reserve	8,143	-	-	-	-	**8,143**
Depreciation written out to the Surplus/Deficit on the Provision of Services	926	-	-	-	-	**926**
Derecognition	-	-	-	-	-	**-**
Asset reclassifications	2,782	-	-	22	-	**2,804**
Other Adjustments	396	-	-	-	-	**396**
At 31 March 2020	**(11,828)**	**(13,360)**	**(129)**	**22**	**-**	**(25,295)**
Net Book Value						
At 31 March 2020	280,140	20,286	8,923	70,653	41,324	**421,326**
At 31 March 2019	293,793	13,958	8,076	5,569	16,385	**337,781**

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)

Capital Commitments
At 31 March 2021, 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 £10.335m. Similar commitments at 31 March 2020 were £7.111m. The major commitments are:

Scheme	£000
St Peter's Middle School	489
Vicus Way Car Park	9,846
	10,335

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.

	Land & Buildings	Vehicles, Plant, Furniture & Equipment	Surplus Assets	Total
	£000	£000	£000	£000
Carried at historical cost	**-**	**19,335**	**-**	**19,336**
Valued at fair value as at:				
31/03/2021	**112,101**	**-**	**61,495**	**173,596**
31/03/2020	**25,532**	**-**	**-**	**25,532**
31/03/2019	**12,112**	**-**	**-**	**12,112**
31/03/2018	**-**	**-**	**-**	**-**
31/03/2017	**188,358**	**-**	**-**	**188,358**
Total Cost or Valuation	**338,103**	**19,335**	**61,495**	**418,933**
Variations since date of valuation (see below*)	**9,269**	**-**	**-**	**9,269**
Net Book Value as at 31st March 2021	**347,372**	**19,335**	**61,495**	**428,202**

*Between the valuation dates, individual properties may be disposed of or improved. This gives rise to a variation between the original valuations and current net book values. An adjustment is included to reconcile this statement to the movement in balances.
A valuation increase of £39.032m, relating to schools, libraries and leisure centres, has been applied to assets not revalued during 2020/21 to account for price changes. Indices provided by the Royal Borough's valuers have been used to arrive at this figure.

Fair Value Hierarchy – Surplus Assets

Details of the Royal Borough's Surplus Assets fair value hierarchy at 31 March 2021 and 31 March 2020 are detailed below. The detail as at 31 March 2020 has been restated as detailed in Note 7, Prior Period Adjustments.

	Level 2_Inputs are observable data available in a non-active market.	Level 3_Inputs (lowest quality) are all other inputs, which are mostly unobservable	Grand Total
	£000	£000	£000
31 March 2021	61,495	-	61,495
31 March 2020 (Restated)	70,653	-	70,653

15. Highways Infrastructure Assets

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

Where the Royal Borough replaces a component of its Infrastructure Assets, it assumes that the component replaced has reached the end of its useful economic life and has a carrying amount of nil, as allowed for in The Local Authorities (Capital Finance and Accounting) (England) (Amendment) Regulations 2022. The expected useful economic life of some Infrastructure Assets may be up to 40 years and information on cost and the date of recognition from the time of acquisition may not be known with certainty and there may be some assets replaced that have not reached the end of their useful economic lives.

	2019/20	2020/21
	£000	£000
Net Book Value at 1 April	83,844	85,829
Additions	8,221	9,008
Revaluation decrease recognised in Surplus/Deficit on Provision of Services	-	(1,798)
Depreciation charge	(6,236)	(10,444)
Net Book Value 31 March	**85,829**	**82,595**

16. 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.

17. 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.

	2019/20	2020/21
	£000	£000
Rental income from investment property	4,390	4,197
Direct operating expenses arising from investment property	(571)	(880)
Net gain/(loss)	**3,819**	**3,317**

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

	2019/20	2020/21
	£000	£000
Balance at start of the year	131,824	89,628
Disposals	(805)	-
Net gains/(losses) from fair value adjustments	12,599	(13,942)
Transfers:		
(To)/from Property, Plant and Equipment *	(54,088)	7,603
Other changes	98	-
Balance at end of the year	**89,628**	**83,289**

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.

There has been no change in the valuation techniques used during the year for investment properties. 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 2021 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.

* 2019/20 The transfer of assets from investment property to surplus assets within Property, Plant and Equipment is due to the Council's intention to sell these assets. They do not meet Asset Held for Sale Criteria and are therefore disclosed as Surplus Assets.

Fair Value Hierarchy

Details of the Royal Borough's Investment Properties and information about the fair value hierarchy at 31 March 2021 and 31 March 2020 are detailed below.

31 March 2021	**Level 2_Inputs are observable data available in a non-active market.**	**Level 3_Inputs (lowest quality) are all other inputs, which are mostly unobservable**	**Grand Total**
	£000	**£000**	**£000**
Commercial Land	3,105	-	**3,105**
Industrial Land/Building	12,098	-	**12,098**
Miscellaneous Property	3,058	1,320	**4,378**
Offices	18,420	-	**18,420**
Parks, POS, Recreational Facility	6,408	-	**6,408**
Retail Property	38,880	-	**38,880**
Grand Total	**81,969**	**1,320**	**83,289**

31 March 2020	**Level 2_Inputs are observable data available in a non-active market.**	**Level 3_Inputs (lowest quality) are all other inputs, which are mostly unobservable**	**Grand Total**
	£000	**£000**	**£000**
Commercial Land	3,105	-	**3,105**
Industrial Land/Building	12,060	-	**12,060**
Miscellaneous Property	3,682	1,282	**4,964**
Offices	18,700	-	**18,700**
Parks, POS, Recreational Facility	5,035	-	**5,035**
Retail Property	45,764	-	**45,764**
Grand Total	**88,346**	**1,282**	**89,628**

18. 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 £0.555m charged to revenue in 2020/21 was charged to the relevant service.

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

	2019/20	2020/21
	£000	**£000**
Balance at start of year:		
Gross carrying amounts	17,263	17,472
Accumulated amortisation	(15,159)	(15,751)
Net carrying amount at start of year	**2,104**	**1,721**
Additions:		
Purchases	209	66
Amortisation for the period	(592)	(555)
Net carrying amount at end of year	**1,721**	**1,232**
Comprising:		
Gross carrying amounts	17,472	17,538
Accumulated amortisation	(15,751)	(16,306)
Total	**1,721**	**1,232**

19. Financial Instruments

(a) Financial Instruments - Classifications

A financial instrument is a contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. Non-exchange transactions, such as those relating to taxes, benefits, and government grants, do not give rise to financial instruments.

Financial Liabilities

A financial liability is an obligation to transfer economic benefits controlled by the Council and can be represented by a contractual obligation to deliver cash or financial assets, or an obligation to exchange financial assets and liabilities with another entity that is potentially unfavourable to the Council.
All the Council’s financial liabilities held during the year are measured at amortised cost and comprised:

- long-term loans from the Public Works Loan Board and commercial lenders,
- short-term loans from other local authorities,
- lease payables detailed in note 37,
- trade payables for goods and services received.

Financial Assets

A financial asset is a right to future economic benefits controlled by the Council that is represented by cash, equity instruments or a contractual right to receive cash or other financial assets, or a right to exchange financial assets and liabilities with another entity that is potentially favourable to the Council. The financial assets held by the Council during the year are accounted for under the following classifications:

- Amortised cost (where cash flows are solely payments of principal and interest and the Council’s business model is to collect those cash flow) comprising:
    - cash in hand,
    - bank current and deposit accounts with Lloyds Bank,
    - loans to other local authorities,
    - loans to Achieving for Children and RBWM Property Company Ltd made for service purposes,

- trade receivables for goods and services provided.

- Fair value through profit and loss comprising:
  - money market funds managed by Aberdeen Standard, Insight Investments, Legal & General and Invesco fund managers.
  - equity investments in Optalis Ltd and Achieving for Children.

Financial assets held at amortised cost are shown net of a loss allowance reflecting the statistical likelihood that the borrower or debtor will be unable to meet their contractual commitments to the Council.

(b) Financial Instruments - Balances

The financial liabilities disclosed in the Balance Sheet are analysed across the following categories:

Financial Liabilities	Long term		Short term	
	2019/20 £000	2020/21 £000	2019/20 £000	2020/21 £000
Borrowings				
Amortised cost	(57,049)	(56,264)	(168,237)	(135,960)
Total borrowings	**(57,049)**	**(56,264)**	**(168,237)**	**(135,960)**
Creditors				
Amortised cost	-	-	(30,912)	(46,075)
Total creditors	**-**	**-**	**(30,912)**	**(46,075)**
creditors that are not financial instruments	(243)	(188)	(3,722)	(19,771)
Total creditors per balance sheet	**(243)**	**(188)**	**(34,634)**	**(65,846)**

* The creditors lines on the Balance Sheet include £19.8m (2020: £3.7m) short-term and £0.2m (2020: £0.2m) long-term creditors that do not meet the definition of a financial liability as they relate to non-exchange transactions or receipts in advance.

The financial assets disclosed in the Balance Sheet are analysed across the following categories:

Financial Assets	Long term		Short term	
	2019/20 £000	2020/21 £000	2019/20 £000	2020/21 £000
Investments				
Fair value through profit and loss	373	3,506	-	-
Amortised cost	-	1,278	10,000	9,269
Total investments	**373**	**4,784**	**10,000**	**9,269**
Debtors				
Amortised cost	6,869	6,708	17,524	25,357
Total debtors	**6,869**	**6,708**	**17,524**	**25,357**
debtors that are not financial instruments	-	10,062	5,318	24,424
Total debtors per balance sheet	**6,869**	**16,770**	**22,842**	**49,781**
Cash and cash equivalents				
Fair value through profit and loss	-	-	13,900	10,500
Amortised cost	-	-	28,518	1,409
Total cash and cash equivalents	**-**	**-**	**42,418**	**11,909**

* The debtors lines on the Balance Sheet include £25.7m (2020: £5.3m) short-term and £10.1m (2020: £0m) long-term debtors that do not meet the definition of a financial asset as they relate to non-exchange transactions or payments in advance.

(c) Financial Instruments -Income, Expense, Gains and Losses

The gains and losses recognised in the Comprehensive Income and Expenditure Statement in relation to financial instruments consist of the following:

Income, expenses, gains and losses	2019/20 £000	2020/21 £000
Interest received from assets measured amortised cost	(245)	(113)
Investment income from assets measured a fair value through profit and loss	(70)	(18)
Fees paid	51	88
Interest expense	3,356	3,204
Net impact on surplus/deficit on provision of services	**3,092**	**3,161**

(d) Financial Instruments - Fair Values

The fair value of a financial instrument is the price that would be received when selling an asset, or the price that would be paid when transferring a liability, to another market participant in an arms'-length transaction. Where liabilities are held as an asset by another party, such as the council's borrowing, the fair value is estimated from the holder's perspective.

Financial instruments, except those classified at amortised cost, are carried in the Balance Sheet at fair value. For most assets, including money market funds, the fair value is taken from the market price.

Financial instruments classified at amortised cost are carried in the Balance Sheet at their amortised cost. Their fair values disclosed below have been estimated by calculating the net present value of the remaining contractual cash flows at 31st March 2021, using the following methods and assumptions:

- Loans borrowed by the Council have been valued by discounting the contractual cash flows over the whole life of the instrument at the appropriate market rate for local authority loans.
- Discount rates for "Lender's Option Borrower's Option" (LOBO) loans have been reduced to reflect the value of the embedded options. The size of the reduction has been calculated using proprietary software.
- The fair values of other long-term loans and investments have been discounted at the market rates for similar instruments with similar remaining terms to maturity on 31st March.
- The fair value of short-term instruments, including trade payables and receivables, is assumed to approximate to the carrying amount given the low interest rate environment.

The fair values of financial liabilities are shown in the table below:

	Balance Sheet 2019/20 £000	Fair Value 2019/20 £000	Balance Sheet 2020/21 £000	Fair Value 2020/21 £000
Financial liabilities held at amortised cost:				
Long-term loans from PWLB	44,049	62,580	43,264	61,467
Long-term LOBO loans	13,000	19,515	13,000	19,624
TOTAL	**57,049**	**82,095**	**56,264**	**81,091**

The fair value of short-term financial liabilities held at amortised cost, including trade payables, is assumed to approximate to the carrying amount.

The fair value of financial liabilities held at amortised cost is higher than their balance sheet carrying amount when the interest rate payable is higher than the current rates available for similar loans as at the balance sheet date. Similarly the fair value will be lower where the interest rate payable is lower than current rates available for similar loans as at the balance sheet date.

The fair value of financial assets are shown in the table below:

	Balance Sheet 2019/20 £000	Fair Value 2019/20 £000	Balance Sheet 2020/21 £000	Fair Value 2020/21 £000
Financial assets held at fair value: Money market funds	13,900	13,900	10,500	10,500
Financial assets held at amortised cost: Long-term loans to companies			1,278	1,418
TOTAL	**13,900**	**13,900**	**11,778**	**11,918**

The fair value of short-term financial assets held at amortised cost, including trade receivables, is assumed to approximate to the carrying amount.
The fair value of financial assets held at amortised cost is higher than their balance sheet carrying amount because the interest rate on similar investments was lower at the balance sheet date than that obtained when the investment was originally made.

20. Debtors

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

	2019/20	2020/21
	£000	**£000**
Long Term Debtors		
Purchase of non-current asset – Deferred Capital Receipts	6,869	6,708
Other receivables - Collection Fund		10,062
Sub Total Long-Term Debtors	**6,869**	**16,770**
Short Term Debtors		
Trade receivables	17,524	23,439
Prepayments	1,232	1,028
Other receivables - Collection Fund	4,086	25,313
Sub Total Short-Term Debtors	**22,842**	**49,780**
Total Debtors	**29,711**	**66,550**

Debtors for local taxation (included in the above figures)

	2019/20	2020/21
	£000	**£000**
Less than one year	5,480	23,396
More than one year	6,982	10,062
Total	**12,462**	**33,458**

21. Cash and Cash Equivalents

The balance of Cash and Cash Equivalents is made up of the elements detailed below. The figures for 2018/19 and 2019/20 have been restated as detailed in Note 7, Prior Period Adjustments.

	2018/19 (Restated)	2019/20 (Restated)	2020/21
	£000	**£000**	**£000**
Cash held by the Authority	17	35	35
Bank current accounts	1,056	5,196	615
Schools' bank accounts	861	887	759
Short term deposits	14,300	36,300	10,500
Total Cash and Cash Equivalents	**16,254**	**42,418**	**11,909**

22. Creditors

	2019/20	2020/21
	£000	£000
Trade Creditors and other accruals	(25,532)	(23,518)
Receipts in advance	(5,380)	(21,414)
Other payables - Collection Fund, please refer to Notes 52 & 53	(3,722)	(20,914)
Total	**(34,634)**	**(65,846)**

23. Provisions

	Opening Balance 1 April 2020	Additional provisions made	Amounts Used	Unused amounts reversed in year	Closing Balance 31 March 2021
	£000	£000	£000	£000	£000
Provision for redundancy	24	400	-	(24)	400
Provision for MMI clawback liability	242	-	(2)	-	240
Insurance Provision	-	505	-	-	505
Appeal provision for collection fund (business rates)	1,023	5,735	-	-	6,758
Adult Social Care provision	-	393	-	-	393
Total	**1,289**	**7,033**	**(2)**	**(24)**	**8,296**

Provision for redundancy
Provision for redundancy payments expected in 2021/22 that relate to decisions made 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 liabilities of £242k and approximately 1/6 of the BCC exposure 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 relating to year end 30/06/21 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. Most of the claims now coming in regarding BCC and RBWM concern historic abuse and mesothelioma (asbestos related illness).

Appeal Provision for collection fund (business rates)

The provision is required to cover the loss of income that may result from appeals made in 2020/21 and previous years.

Adult Social Care Provision

The provision has been set aside for a legal case brought against RBWM by Housing Solution.

24. Usable 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 2020/21.

	1 April 2020	Transfers Out	Transfers In	31 March 2021
	£000	£000	£000	£000
Capital Reserve	-	(300)	300	-
Insurance Reserve	960	(1,358)	1,299	901
Business Rates Volatility Reserve	2,269	-	1,898	4,167
Better Care Fund	1,383	(1,383)	1,281	1,281
Public Health Fund	332	-	179	511
Optalis Development Reserve	81	-	300	381
Brexit Reserve	299	-	-	299
Grave Maintenance Reserve	8	-	-	8
Nature Reserve Maintenance Fund	123	-	-	123
Old Court Maintenance Reserve	34	(29)	13	18
Business Rates Section 31 Grant Reserve	-	-	19,154	19,154
Covid-19 General Reserve	-	-	4,380	4,380
Covid-19 Tranche Grant Reserve	1,157	(1,157)	-	-
Safeguarding Reserve	-	-	194	194
Collection Fund Compensation Reserve	-	-	4,626	4,626
Property Reserve	-	-	600	600
Total	**6,646**	**(4,227)**	**32,625**	**35,742**

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 include provisions created by the Royal Borough to cover that part of risk that is considered prudent and details of each can be found below:

Capital Reserve
Primarily used for funding capital expenditure on short-life assets and other capital schemes that are not funded by any other means.

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. Notified claims valued at around £531,261 are currently outstanding (as at 12th April 2021) although it is highly probable that the final settlements for the third-party claims within this total will be far less.

The most recent actuarial investigation of the claims reserve was finalised in November 2020 with the main messages arising as follows:

- Casualty claims reserve element ought to be £0.596m.

- The upper estimate for future casualty claims is £150,000 with an indicative range of £139,000 (lower) and £162,000 (upper) estimates. There is a 25% chance of the actual figure being less than the lower end and 75% chance of it being less than upper end.
- There is no expectation of any aggregate breaches.
- The relatively small size of claims volume means the projections for recent policy years are generally more susceptible to random error than a large book.
- The low frequency of claims especially in Employers' Liability claims gives rise to high level of volatility in the experience year on year and thus the uncertainty associated with the estimates.

Business Rates Volatility Reserve
The reserve contains surpluses arising from the business rates income for use against potential future business rates deficits**.**

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 £1.281m 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 £1.281m.

Public Health Fund (PHF)
As permitted by the grant conditions £179,412 of the Public Health grant received in 2020/21 has been carried forward to support future Public Health expenditure. This has increased the total reserves available for expenditure on Public Health to £511,162

Optalis Development Reserve
The Optalis Development Reserve has been added to in this financial year to recognise the additional works carried out by the organisation and therefore the increased overheads. Optalis supports both RBWM and Wokingham Borough Council, the shift of services between both Boroughs is recognised in the additional overhead charges to RBWM in 2021/22.

Brexit Reserve
The Secretary of State for the Department for Levelling Up, Homes and Communities (DLUHC) 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.

Grave Maintenance Reserve
A very small fund to assist with grave maintenance in the Borough.

Nature Reserve Maintenance Fund
Funds set aside for the future upkeep of the Arthur Jacob Nature Reserve.

Old Court Maintenance Reserve
The reserve is to help the further plans of 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.

Business Rates Section 31 Grant Reserve
As a result of the Covid-19 pandemic DLUHC introduced additional Section 31 reliefs for retail discount. This relief was paid to the Council in advance and is held in earmarked reserves for future payment.

Covid-19 General Reserve
This reserve is held to cover potential future Covid-19 costs

Covid-19 Tranche Grant Reserve

As a result of the Covid-19 pandemic DLUHC introduced additional Section 31 reliefs for retail discount. This relief was paid to the Council in advance and is held in earmarked reserves for future payment.

Safeguarding Reserve
The safeguarding responsibility towards citizens is multi-agency, as such, other organisations contribute to the safeguarding budgets. RBWM is the host for the safeguarding service and as such effectively holds a pooled budget from partners, unspent funds get carried forward to meet safeguarding priorities.

Collection Fund Compensation Reserve
DLUHC have announced criteria for the payment of collection fund deficit compensation for both council tax and business rates in 2021/22. The earmarked reserve will be carried forward to offset the future years' deficits.

Property Reserve
This reserve will help to fund future leasing arrangements and potentially compensate for voids. This reflects the fact that we have received some additional property income during the year where leaseholders have vacated early, and this money will be used to smooth out the impact of changes in tenants.

25. Unusable Reserves

The following table shows the value of unusable reserve balances that have arisen as a result of accounting adjustments and which are not available to spend.

The reserves for 2018/19 and 2019/20 have been restated as detailed in Note 7.

	2018/19 (Restated)	2019/20 (Restated)	2020/21
		£000	£000
Capital Adjustment Account	184,916	183,005	173,798
Revaluation Reserve	214,694	206,225	228,625
Pensions Reserve	(282,385)	(252,767)	(334,556)
Collection Fund Adjustment Account	(1,365)	(7,648)	(35,863)
Accumulated Absences Account	(2,042)	(1,934)	(1,858)
Dedicated Schools Grant Adjustment Account	-	-	(1,790)
Deferred Capital Receipts Reserve	6,869	6,869	6,708
Total Unusable Reserves	**120,986**	**133,750**	**35,064**

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.

The detail for 2018/19 and 2019/20 has been restated as detailed in Note 7, Prior Period Adjustments

2018/19 (Restated)		2019/20 (Restated)		Capital Adjustment Account	2020/21	
£000	£000	£000	£000		£000	£000
	210,978		**184,916**	**Balance at 1 April**		**183,005**
(13,603)		(12,971)		Charges for depreciation and impairment of noncurrent assets	(17,774)	
(15,468)		(18,989)		Revaluation losses on Property, Plant and Equipment	(6,202)	
(898)		(592)		Amortisation of intangible assets	(555)	
(3,234)		12,599		Changes in the Fair Value of Investment Properties	(13,942)	
		-		Changes in the Fair Value of Financial Instruments		
(15,936)		(12,099)		Revenue expenditure funded from capital under statute	(3,597)	
(1,325)		(1,505)		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	(4,478)	
				Gain on investment through asset swap with RBWM PropCo Ltd	3,158	
	(50,464)		**(33,557)**			**(43,390)**
	4,468		17,382	Adjusting amounts written out of the Revaluation Reserve		12,407
				Capital financing applied in the year:		
2,937		328		Use of the Capital Receipts Reserve to finance new capital expenditure	480	
8,657		10,179		Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that has been applied to capital financing	17,601	
5,956		2,105		Application of grants to capital financing from the Capital Grants Unapplied Account	1,129	
2,384		1,652		Provision for the financing of capital investment charged against the General Fund & HRA	2,210	
		-		Capital expenditure charged against the General Fund	356	
		-		AUC derecognition & other adjustments	-	
	19,934		**14,264**			**21,776**
	184,916		**183,005**	**Balance as at 31 March**		**173,798**

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	**2019/20**	**2020/21**
	£000	**£000**
Balance at 1 April	214,694	206,225
Upward revaluation of assets	8,913	51,849
Downward revaluation of assets and impairment	-	(17,041)
Difference between fair value depreciation and historical cost depreciation	(3,721)	(3,317)
Amount written off to the Capital Adjustment Account	(13,661)	(9,091)
Balance at 31 March	**206,225**	**228,625**

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.

Pensions Reserve	**2019/20**	**2020/21**
	£000	**£000**
Balance at 1 April	(282,385)	(252,767)
Actuarial gains or (losses) on pensions assets and liabilities	38,891	(75,248)
Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the CI&E Statement	(19,896)	(17,487)
Employer's pensions contributions and direct payments to	10,623	10,946
pensioners payable in the year		
Balance at 31 March	**(252,767)**	**(334,556)**

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

Collection Fund Adjustment Account	**2019/20**	**2020/21**
	£000	£000
Balance at 1 April	(128)	(54)
Amount by which council tax income credited to the CI&E Statement is different from	74	(345)
council tax income calculated for the year in accordance with statutory requirements		
Balance at 31 March	**(54)**	**(399)**

Collection Fund - Business Rates

Collection Fund Adjustment Account - Business Rates	**2019/20**	**2020/21**
	£000	**£000**
Balance at 1 April	(1,237)	(7,594)
Amount by which business rate income credited to the CI&E Statement is different from business rates income	(6,357)	(27,870)
calculated for the year in accordance with statutory requirements		
Balance at 31 March	**(7,594)**	**(35,464)**

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.

Accumulated Absences Account	2019/20	2020/21
	£000	£000
Balance at 1 April	(2,042)	(1,934)
Settlement or cancellation of accrual made at the end of the preceding year	2,042	1,934
Amounts accrued at the end of the current year	(1,934)	(1,858)
Balance at 31 March	**(1,934)**	**(1,858)**

Deferred Capital Receipts Reserve
The Deferred Capital Receipts Reserve holds the gains recognised on the disposal of non-current assets but for which cash settlement has yet to take place. Under statutory arrangements, the Authority does not treat these gains as usable for financing new capital expenditure until they are backed by cash receipts. When the deferred cash settlement eventually takes place, amounts are transferred to the Capital Receipts Reserve.

The information for 2018/19 and 2019/20 has been restated to recognise the disposal of an asset for which cash receipts are due to be received over a period of time. Details of the restatement are set out in Note7, Prior Period Adjustments

Deferred Capital Receipts	2018/19 (Restated)	2019/20 (Restated)	2020/21
	£000	£000	£000
Balance at 1 April		6,869	6,869
Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	6,869		
Transfer to the Capital Receipts Reserve upon receipt of cash		-	(161)
Balance at 31 March	**6,869**	**6,869**	**6,708**

Dedicated Schools Grant (DSG) Adjustment Account
On the 6 November 2020, the Secretary of State for the Department for Levelling Up, Housing and Communities laid before Parliament a statutory instrument (the instrument) to amend The Local Authorities (Capital Finance and Accounting) Regulations (the 2003 Regulations). The provision came into effect from 29 November 2020.

The instrument amends the 2003 Regulations by establishing new accounting practices in relation to the treatment of local authorities' school budget deficits such that where the Council has a deficit on its school budget relating to its accounts for a financial year beginning on 1 April 2020, 1 April 2021 or 1 April 2022, it must not charge the amount of that deficit to a revenue account. The Council must record any such deficit in a separate account established solely for the purpose of recording deficits relating to its school's budget. The new accounting practice has the effect of separating schools budget deficits from the Council's general fund for a period of three financial years.

This issue can only be fully resolved by closing the deficits. Therefore, the accounting treatment introduced by this regulation is limited to the financial reporting periods 2021/21, 2021/22 and 2022/23 to provide time for Government and the Council to look at budgetary and financial management strategies to reduce the deficit.

Dedicated Schools Grant Adjustment Account	2019/20	2020/21
	£000	£000
Balance as 1 April	-	-
DSG Opening balance	-	(1,025)
Restated opening balance	**-**	**(1,025)**
In-Year DSG (Over)/Under-spend	-	(765)
Balance at 31 March	**-**	**(1,790)**

26. Cash Flow Statement - Operating Activities

The cash flows for operating activities include the following items:

	2019/20	2020/21
	£000	£000
Interest received	265	484
Interest paid	(2,977)	(3,361)

The surplus or deficit on the provision of services has been adjusted for the following non-cash movements	2019/20	2020/21
	£000	£000
Depreciation and Amortisation	13,563	18,329
Revaluation of non-current assets	16,671	6,202
(Increase)/Decrease in Investments	-	(3,158)
Increase/(Decrease) in Creditors	3,662	32,660
(Increase)/Decrease in Debtors	9,665	(36,840)
(Increase)/Decrease in Inventories	83	22
Pension Liability	9,272	6,541
Contributions to/(from) Provisions	(1,937)	7,007
Carrying amount of non-current assets sold or derecognised	1,505	4,478
(Property plant and equipment, investment property and intangible assets)	-	-
Change in Investment Property values	(10,277)	13,942
Other non-cash items charged to the net surplus or deficit on the provision of services	-	485
Adjust net surplus or deficit on the provision of services for non-cash movements	**42,207**	**49,668**

The surplus or deficit on the provision of services has been adjusted for the following items that are investing and financing activities.	2019/20	2020/21
	£000	£000
Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(879)	(1,117)
Capital Grants credited to the surplus or deficit on the provision of services	(10,185)	(17,601)
Adjust net surplus or deficit on the provision of services for investing activities	**(11,064)**	**(18,718)**

27. Cash Flow Statement - Investing Activities

The detail for 2019/20 has been restated as detailed in Note 7, Prior Period Adjustments

	2019/20 (Restated)	2020/21
	£000	**£000**
Purchase of property, plant and equipment, investment property and intangible assets including capital expenditure on existing assets	(56,786)	(25,088)
Purchase of short-term and long-term investments	(2,479)	(6,586)
Other payments for investing activities	-	-
Proceeds from the sale of property, plant and equipment, investment property and intangible assets	879	1,117
Proceeds from short-term and long-term investments	559	6,115
Capital grants and other capital cash receipts	-	17,941
Other receipts from investing activities	6,407	-
Net cash flows from investing activities	**(51,420)**	**(6,501)**

28. Cash Flow Statement - Financing Activities

The detail for 2019/20 has been restated as detailed in Note 7, Prior Period Adjustments

	2019/20 (Restated)	2020/21
	£000	**£000**
Cash receipts of short and long-term borrowing	209,200	211,000
Repayments of short and long-term borrowing	(135,296)	(244,713)
Net cash flows from financing activities	**73,904**	**(33,713)**

29. Pooled Budgets

During 2020/21, 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 £1.281m in 2020/21 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 £1.281m.

Council Hosting the Better Care Fund as Principal	2019/20	2020/21
	£000	**£000**
Funding from Royal Borough of Windsor and Maidenhead	2,669	2,714
Funding from the Health Service	9,619	9,428
Other Income	3,189	2,836
Total Funding	**15,477**	**14,978**
Total Expenditure on Better Care Fund	**15,477**	**14,978**

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.

	2019/20	2020/21
	£000	£000
Funding		
RBWM	397	561
Other Berkshire Authorities	3,599	3,857
Clinical Commissioning Group (formerly Berkshire Primary Care Trusts)	6,034	6,278
Total Funding	**10,030**	**10,696**
Expenditure		
Management Fund Costs	117	121
NRS Healthcare Services	9,913	10,575
Total Expenditure	**10,030**	**10,696**
Net Expenditure on Joint Stores Services	**0**	**0**

30. Members' Allowances

The Authority paid the following amounts to members of the council during the year. Following the May 2019 elections, the number of Members reduced from 57 to 41.

	2019/20	2020/21
	£000	£000
Allowances	520	503
Expenses	3	-
Total	**523**	**503**

31. Officers' Remuneration

The following tables set out the remuneration disclosures for Senior Officers whose salary is more than £50,000 per year for 2020/21 and 2019/20. There were no payments made on behalf of Senior Officers in respect of payments to the Pension Fund in lieu of future contributions (Pension Strain) as part of the compensation for loss of office in either 2019/20 or 2020/21

2020/21	Notes	Salary (Including Fees & Allowances)	Compensation for loss of Office	Pension Cont.	Total Remuneration incl. Pension Contributions
		£	£	£	£
Managing Director - Duncan Sharkey		149,000	-	22,499	171,499
Executive Director - Place	1	92,787	-	14,011	106,798
Director of Resources		124,150	-	18,747	142,897
Director, Adults, Health & Commissioning		114,429	-	17,279	131,708
Head of Revenues & Benefits		89,489	-	13,186	102,675
Head of Planning		82,000	-	12,382	94,382
Head of Finance	2	68,588	-	10,357	78,945
Head of Communities, Enforcement & Partnerships		94,096	-	14,208	108,304
Head of Human Resources, Corporate Projects & IT		83,751	-	8,455	92,206
Communications & Marketing Manager		58,439	-	8,824	67,263
Head of Commissioning - Infrastructure	3	74,079	20,000	8,773	102,852
Head of Infrastructure, Sustainability and Transport		75,000	-	11,325	86,325
Head of Governance		67,383	-	10,175	77,558
Head of Commissioning - People		77,400	-	11,026	88,426
Head of Housing and Environmental Health		92,162	-	14,094	106,256
Monitoring Officer & Deputy Director of Law and Strategy	4	17,136	-	2,588	19,724
Head of Transformation		65,596	-	9,905	75,501

Notes:
1. Left in December 2020
2. Employed since June 2020
3. Left in December 2020
4. Employed since January 2021

The Royal Borough has a wholly owned trading subsidiary, RBWM Property Company Ltd. For the 2020/21 Financial Statements, the results of RBWM Property Company Ltd have not been consolidated on the grounds of materiality.

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 - Duncan Sharkey	2	149,000	-	21,307	170,307
Executive Director	3	75,349	16,138		91,487
Executive Director		122,952	-	17,582	140,534
Director of Resources	4	12,115	-	1,732	13,847
Head of Communities, Enforcement & Partnerships		94,326	-	13,489	107,815
Head of Revenues & Benefits	5	85,707	-	12,542	98,249
Head of Planning	6	1,984	-	284	2,268
Head of Planning	7	61,548	-	8,004	69,552
Deputy Director and Head of Finance		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	8	18,294	-	2,682	20,976

Head of Commissioning - Infrastructure		77,167	-	10,940	88,107
Head of Infrastructure, Sustainability and Transport		59,247	-	8,472	67,719
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	9	44,000	-	6,292	50,292

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

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		**2019/20**	**2020/21**
		Number of Employees	**Number of Employees**
£50,000 - £54,999		30	30
£55,000 - £59,999		21	19
£60,000 - £64,999		17	21
£65,000 - £69,999		12	12
£70,000 - £74,999		6	5
£75,000 - £79,999		1	4
£80,000 - £84,999		2	3
£85,000 - £89,999		2	3
£90,000 - £94,999		2	5
£95,000 - £99,999		1	1
£100,000 - £104,999		2	1
£105,000 - £109,999		1	-
£110,000 - £114,999		1	3
£115,000 - £119,999		1	-
£120,000 - £124,999		1	1
£125,000 - £129,999		-	-
£130,000 - £134,999		-	-
£135,000 - £139,999		-	-
£140,000 - £144,999		-	-
£145,000 - £149,999		2	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)	**No. of Compulsory Redundancies**		**No. of Other Departures Agreed**		**Total No. of Exit Packages by Cost Band**		**Total £000 Cost of Compulsory redundancies in Each Band**		**Total £000 Cost of Other departures in Each Band**		**Total £000 Cost of Exit packages in Each Band**	
	2019/20	**2020/21**	**2019/20**	**2020/21**	**2019/20**	**2020/21**	**2019/20**	**2020/21**	**2019/20**	**2020/21**	**2019/20**	**2020/21**
£0- £20,000	3	13	3	5	6	18	7	20	28	17	35	37
£20,001 - £40,000	0	1	2	3	2	4	0	22	46	100	46	122
£40,001 - £60,000	0	0	0	0	0	0	0	0	0	0	0	0
£60,001 - £80,000	0	0	1	0	1	0	0	0	63	0	63	0
£80,001 - £100,000	1	0	0	0	1	0	97	0	0	0	97	0
£100,001 - £120,000	1	0	0	0	1	0	101	0	0	0	101	0
Total	**5**	**14**	**6**	**8**	**11**	**22**	**205**	**42**	**137**	**117**	**342**	**159**

32. External Audit Costs

	2019/20	2020/21
	£'000	£'000
Fees payable with regard to external audit - scale fees current year	63	63
Fees payable with regard to external audit - for additional fees current year	80	30
Fees payable in respect of other services provided for previous years	-	75
Fees payable in respect of work objections - 2019/20	26	-
Total	**169**	**168**

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

In July 2016, the Secretary of State for The Department for Levelling Up, Housing and Communities 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.

The audit fee of £63k paid/payable to Deloitte in respect of 2020/21 was based on the estimation of professional fees in relation to the audit of the Statement of Accounts of the Council and statutory inspections at the time of closure of accounts. The actual costs may vary from the estimation as the audit may involve additional work to be carried out upon commencement of audit which was not within the scope of base audit fee. Further costs related to any additional work carried out as agreed with the Council and approved by Public Sector Audit Appointment Limited will only be known once the audit work is concluded for the financial year 2020/21. Any additional fees payable in respect of 2020/21 additional work will be reflected in the financial year of settlement.

33. 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 2020/21 are as follows:

	Central Exp'	ISB	Total
	£000	£000	£000
Final DSG for 2020/21 before recoupment for Academy and High Needs			123,905
less: Academy and High Needs Recouped on 2020/21			(59,162)
Total DSG after recoupment			**64,743**
Brought forward from 2019/20			(1,025)
Add Carry Forward agreed in advance to 2021/22			1,025
Agreed initial budgeted distribution in 2020/21	**26,350**	**38,393**	**64,743**
In-year adjustments	956	96	1,052
Final distribution for 2020/21	**27,306**	**38,489**	**65,795**
Less actual central expenditure	(28,071)	-	(28,071)
Less actual ISB deployed to schools	-	(38,489)	(38,489)
In year Carry forward	**(765)**	**-**	**(765)**
Plus Carry forward to 2021/22 agreed in advance			**(1,025)**
Carry forward to 2021/22	**-**	**-**	**(1,790)**

34. Grant Income

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

	2019/20	2020/21
Credited to Taxation and Non-Specific Grant Income	**£000**	**£000**
Business Rates & Council Tax Support Grants (Collection Fund)	90,870	87,383
Capital Grants and Contributions	15,409	25,792
New Homes Bonus	2,089	2,102
Education Services Grant	315	315
Covid-19 Tranche & Capital SFC Compensation DLUHC Funding	-	7,681
Adult Social Care Support (non-ring fenced)		1,688
Total Credited to Taxation and Non-Specific Grant Income	**108,683**	**124,961**

	2019/20	2020/21
Credited to Services - Government Grants	**£000**	**£000**
Dedicated Schools Grant (DSG)*	63,916	65,795
Pupil Premium	1,753	1,710
PE and Sports Grant	341	595
Universal Infant Free School Meals (UIFSM)	1,247	1,188
Teachers Pay Grant	299	497
Teachers' Pension Grant	934	1,533
Cycle Training Grant	37	18
Extended Rights to Free Travel	13	10
Asylum Seekers & Other Refugee Grants	505	350
Adult Care Support/Improved Better Care/Winter Pressures	3,093	3,093
Disabled Facilities Grant	910	557
Independent Living Fund (DLUHC)	113	113
Other Education Grants (incl GTP & School Workforce Adviser)	1,240	800
Children Staying Put	35	68
Troubled Families (DLUHC)	196	353
Post 16 Grants	80	-
Community Safety (PCC)	149	143
Public Health Grant	4,656	4,582
Drug Action Teams	40	40
Supporting Community Transport (DFT)	116	169
War Pensions Disregard	20	18
Collection Allowance	252	237
New Burdens Grant / Service Transformation	185	8
Adoption and Fostering	10	69
Homelessness Grants	1,536	1,979
Custom Self-Build and Brownfield Register	4	-
Elections and Electoral Registration	199	65
Other grants	268	649
Total Government Grants	**82,147**	**84,639**
Mandatory Rent Allowances: subsidy	27,032	25,524
Discretionary Benefits	200	288
Total Housing Benefit Income	**27,232**	**25,812**

Credited to Services - Other Grants and Contributions		
Housing Benefit and Council Tax Benefit Administration associated grants	360	378
Youth Justice Board	119	146
Health-Better Care	8,605	6,654
Health-Other Contributions	2,214	1,509
Contributions	10,935	9,316
Parental Conflict	-	10
Donations	623	530
Contributions from other funds/balances & reallocations	5,010	4,940
Total Other Grants and Contributions	**27,866**	**23,483**
Covid Funding	1,827	3,443
Covid - Mental health support for schools	-	6
Covid - Contain Outbreak Management fund	-	258
Covid - Community Testing Fund	-	225
Covid - Health General	-	188
Covid - Test and Trace	-	136
Covid - New Burdens Grant	-	182
Covid - Self Isolation Discretionary	-	28
Covid - Infection Control fund	-	3,440
Covid - Emergency Food grant	-	88
Covid - Next Steps Accommodation Programme	-	175
Covid - Active Travel Local Transport	-	15
Covid - Compliance & Enforcement	-	41
Covid - DCLG Covid Marshalls	-	32
Covid - Winter Grant	-	192
Covid - Education	-	5
Covid - Clinically Extremely Vulnerable	-	158
Covid - High Street safety	-	29
Sales, Fees, and Charges Compensation Scheme	-	7,662
Total Covid Grants and Contributions	**1,827**	**16,303**
Total Credited to Services	**139,072**	**150,237**

*DSG grants detailed under note 32

In 2020/21 a total of £42.485m of Covid-19 grant income, where the Royal Borough has determined that it acted as an agent on behalf of the Government, as it had no discretion in determining either the recipients or the amounts payable, was passported to third parties. These grants have been excluded from the Royal Borough's financial statements and are set out in the table below for information.

Covid-19 grants - Agency arrangements	2019/20	2020/21
Grant	**£000**	**£000**
Covid - Business Rates	-	26,130
Covid - January lockdown	-	8,901
Covid - Local Additional Restriction	-	1,950
Covid - NNDR Discretionary Grant	-	1,905
Covid - Local Restriction Support	-	1,409
Covid - Local Restriction Support Grant (closed)	-	705
Covid - Catch up premium	-	426
Covid - Care homes - Health General	-	368
Covid - Schools Emergency Support	-	171
Covid - Bus Services Support Grant	-	157
Covid - Local Restriction Support Grant (open)	-	106
Other Covid grants <£100k	-	257
Total Covid Grants – Agency arrangements	**-**	**42,485**

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:

	2019/20	2020/21
	£000	**£000**
Developers Contributions	5,981	4,347
Other Contributions	84	79
Education Grants	28	54
Other Grants	2,848	4,729
Total	**8,941**	**9,209**

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

	2019/20	2020/21
	£000	**£000**
Education Grants	1,930	3,318
Community Infrastructure Levy	5,102	11,747
Total	**7,032**	**15,065**

35. Related Parties

The Royal Borough 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 9. Grant receipts outstanding at 31 March 2021 are shown in Note 34.

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 30.

Pension Fund
The Royal Borough of Windsor and Maidenhead administers the Royal County of Berkshire Pension Fund on behalf of 189 active employers, including the unitary local authorities in Berkshire. The council charged £1.887m in 2020/21 (2019/20: £1.749m) for administering the Fund during the year.

Entities Controlled or Significantly Influenced by the Council

The Royal Borough maintains involvement with subsidiary companies and joint venture arrangements where the assets and liabilities of these companies are not included in the Royal Borough's core financial statements. Group accounts have been prepared for those material entities in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2020/21.

During the year, transactions with subsidiary companies and joint venture arrangements arose as follows: -

	2019/20 Exp	2019/20 Income	2019/20 Dr/(Cr)	2020/21 Exp	2020/21 Income	2020/21 Dr/(Cr)
	£000	£000	£000	£000	£000	£000
Achieving for Children Community Interest Co	50,212	2,232	8,257/(5,646)	44,137	2,021	8,976/(6,866)
Optalis Ltd	40,304	1,917	383/(4,867)	36,675	1,331	56/(3,049)
RBWM Commercial Services Ltd	286	-	225/(-)	-	-	225/(-)
RBWM Property Company	1,422	59	2,165/(-)	1,006	852	1,322/(-)
Total	**92,224**	**4,208**	**11,030/(10,513)**	**81,818**	**4,204**	**10,579/(9,915)**

Entities in which Members of the Royal Borough have declared an interest
Members of the Royal Borough complete a declaration of interests to identify those entities where they have an interest. Details of transactions of the Royal Borough with those entities where a member has declared an interest and where the member may be considered to have some influence are set out below.

	2019/20 Exp	2019/20 Income	2019/20 Dr/(Cr)	2020/21 Exp	2020/21 Income	2020/21 Dr/(Cr)
	£000	£000	£000	£000	£000	£000
Care UK	4,733	-	-/(-)	5,429	-	55/(-)
Charters School	149	29	2/(-)	155	32	6/(-)
Family Friends In Windsor And Maidenhead	7	5	-/(-)	5	5	-/(5)
Flexible Home Improvement Loans Ltd	-	64	104/(-)	-	63	-/(-)
More Than a Shelter	4	-	-/(-)	-	-	-/(-)
Norden Farm Centre Trust Ltd	-	-	-/(-)	157	28	-/(4)
The Riverside Day Nursery	144	-	-/(-)	244	-	-/(-)
Sportsable	-	-	-/(-)	32	-	-/(-)
Windsor Foodshare	5	-	-/(-)	-	-	-/(-)
Total	**5,042**	**34**	**106/(-)**	**6,022**	**128**	**61/(9)**

RBWM paid grants totalling £166,000 to voluntary organisations in which 3 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.

36. 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 Royal Borough, the expenditure results in an increase in the Capital Financing Requirement (CFR). This is a measure of the capital expenditure incurred historically by the Royal Borough that has yet to be financed.

	2019/20	2020/21
	£000	£000
Opening Capital Financing Requirement	**156,211**	**210,832**
Capital investment		
Property, Plant and Equipment	48,356	14,492
Highways Infrastructure Assets	8,221	9,008
Investment Properties	-	-
Intangible Assets	209	66
Long Term Investments		
Revenue Expenditure Funded from Capital under Statute	12,099	3,597
Sources of finance		
Capital Receipts	(328)	(480)
Government Grants and Other Contributions	(12,284)	(18,675)
Sums set aside from Revenue:		
Direct Revenue Contributions	-	(355)
Minimum Revenue Provision	(1,652)	(2,210)
Closing Capital Financing Requirement	**210,832**	**216,275**
Explanation of Movements in Year		
Increase in underlying need to borrow (unsupported by government financial assistance)	54,621	5,443
Increase in Capital Financing Requirement	**54,621**	**5,443**

37. Leases

Authority as Lessee

Finance Leases

The Royal Borough had no leases classed as finance leases in 2020/21 or 2019/20

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:

				2020/21
2020/21 Future minimum lease payments	**Land and buildings**	**Vehicles, Plant & Equipment**	**Other Leases**	**Minimum Lease Payments**
	£000	**£000**	**£000**	**£000**
Not later than one year	310	60	102	**472**
Later than one year and not later than five years	906	115	92	**1,113**
Later than five years	1,956	-	1	**1,957**
Total	**3,172**	**175**	**195**	**3,542**

				2019/20

2019/20 Future Minimum lease payments	Land and buildings	Vehicles, Plant & Equipment	Other Leases	Minimum Lease Payments
	£000	£000	£000	£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	2,950	246	241	3,437

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

	2019/20	2020/21
	£'000	£'000
Minimum lease payments	2,372	1,510
Contingent rents	116	91
Total	2,488	1,601

Authority as Lessor

Finance Leases

There were no finance leases in 2020/21 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:

	2019/20	2020/21
	£'000	£'000
Not later than one year	3,437	3,763
Later than one year and not later than five years	11,098	11,868
Later than five years	92,976	104,623
Total	107,511	120,254

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.

38. Capitalisation of Borrowing Costs

During 2020/21 £289,000 of borrowing costs for assets with a construction period of greater than one year were capitalised. £698,000 of borrowing costs were capitalised during 2019/20.

39. 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 these Financial Statements, it is therefore accounted for on the same basis as a defined contribution scheme.

In 2020/21, the Royal Borough paid £3.759m to teachers' pensions in respect of teachers' retirement benefits. The figures for 2019/20 were £3.492m. 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.

40. 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**	
	2019/20	**2020/21**
Cost of Services:		
Service Cost (comprising current service cost, past service cost and gain / loss from settlements)	13,086	11,624
Financing and Investment Income and Expenditure:		
Net interest expense	6,657	5,724
Administration expenses	153	139
Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services	**19,896**	**17,487**
Other Post Employment Benefit Charged to the CI&E Statement:		
Re-measurement of the net defined benefit liability comprising:		
Return on plan assets	13,351	(33,481)
Actuarial (gains)/losses on changes in demographic assumptions	(4,527)	(5,353)
Actuarial (gains)/losses on changes in financial assumptions **	(45,478)	120,997
Other actuarial (gains)/losses on assets	17,548	0
Experience (gain)/loss on defined benefit obligation	(19,784)	(6,915)
Total Post Employment Benefit Charged to the CI&E Statement	**(38,890)**	**75,248**
Total Post Employment Benefit Charged to the CI&E Statement	**(18,994)**	**92,735**

** The £120.997m ‘Change in financial assumptions’ figure can broadly be split into £34m due to the change in the equivalent discount rate from 2.35% p.a. last year to 2.00% p.a. this year, and £87m due to the change in the CPI (pension increases) assumption from 1.90% p.a. last year to 2.80% p.a. this year.

The main impact has been the CPI assumption as this has increased significantly since last year and this is due to the changes in market conditions underlying this assumption. Long-term inflation dropped significantly in March 2020 due to the pandemic but has now recovered over the course of the year and so the market has higher expectations for future levels of inflation which is reflected in this year’s CPI (pension increase assumption). In addition, the difference between RPI and CPI has reduced this year which means that the CPI assumption this year is higher than it would have been had we not updated the RPI/CPI differential. The reason for the update was to reflect the current expectations that the RPI calculation will be amended from 2030.

Movement in Reserves Statement	**Local Government Pension Scheme £000**	
	2019/20	**2020/21**
Reversal of Total Post Employment Benefit Charged to the CI&E Statement (See table above)	18,994	(92,735)
Actual amount charged against the General Fund Balance for pensions		
Employers’ contributions payable to scheme in the year:	10,073	10,940

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	
	2019/20	**2020/21**
Present value of the defined benefit obligation	(477,724)	(592,938)
Fair value of scheme assets	229,208	262,493
Net Liability	**(248,516)**	**(330,445)**
Present value of unfunded obligation	(4,251)	(4,111)
Net Liability in the Balance Sheet	**(252,767)**	**(334,556)**

Reconciliation of the present value of scheme liabilities:

	Local Government Pension Scheme £000	
	2019/20	**2020/21**
Opening balance at 1 April	539,658	481,975
Current service cost	10,795	12,323
Interest cost	12,794	10,167
Contributions by scheme participants	1,900	1,911
Re-measurement (gains) and losses:		
Arising from changes in demographic assumptions	(4,527)	(5,353)
Arising from changes in financial assumptions	(45,478)	120,997
Experience gain/(loss) on defined benefit obligation	(19,785)	(6,915)
Past service costs including curtailment (losses)/gains	2,291	39
Benefits paid	(15,123)	(16,637)
Liabilities removed on settlement	0	(927)
Unfunded payments	(550)	(531)
Closing balance at 31 March	**481,975**	**597,049**

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

	Local Government Pension Scheme £000	
	2019/20	**2020/21**
Opening fair value of scheme assets	257,273	229,209
Interest on assets	6,137	4,442
Return on assets less interest	(13,351)	33,481
Other Actuarial gains / (losses)	(17,548)	0
Administrative expenses	(152)	(139)
Employer contributions	10,623	10,946
Contributions by scheme participants	1,900	1,911
Benefits paid	(15,673)	(17,168)
Settlement prices received / (paid)	0	(189)
Closing balance at 31 March	**229,209**	**262,493**

The actual return on scheme assets in the year was £34.461m, 2019/20 (£7.214m).

Fair value of scheme assets comprised:

	Local Government Pension Scheme £000	
	2019/20	**2020/21**
Gilts	0	0
Cash	27,476	11,729
Other Bonds	21,657	42,869
Equities	127,912	157,788
Property	31,968	32,178
Target Return	9,800	10,602
Commodities	1,371	0
Infrastructure	19,074	21,361
Alternative Assets	0	0
Longevity Insurance	(10,050)	(14,034)
Closing balance at 31 March	**229,208**	**262,493**

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 Waddingham 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 2019, the results of which were published on the 31 March 2020.

The significant assumptions used by the actuary have been:

	Local Government Pension Scheme £000	
	2019/20	2020/21
Long-term expected rate of return on assets in the scheme	1.90%	2.0%
Mortality assumptions:		
Longevity at 65 for current pensioners (Years):		
Men	21.5	21.2
Women	24.1	23.9
Longevity at 65 for future pensioners (Years):		
Men	22.9	22.5
Women	25.5	25.4
Rate of inflation	1.90%	2.80%
Rate of increase in salaries	2.90%	3.80%
Rate of increase in pensions	1.90%	2.80%
Rate for discounting scheme liabilities	2.35%	2.00%

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)	27,589	(26,319)
Rate of increase in salaries (increase or decrease by 0.1%)	590	(585)
Rate of increase in pensions (increase or decrease by 0.1%)	10,899	(10,698)
Rate for discounting scheme liabilities (increase or decrease by 0.1%)	(11,360)	11,591

Amounts are relative to the present value of scheme liabilities £597.126m.

Longevity Risk

To minimise the longevity risk in respect of a closed group of pensioner members of the Pension Fund, the fund has entered into an insurance contract with ReAssure Ltd. The fund pays ReAssure Ltd a pre-determined fixed annual premium and ReAssure Ltd reimburses the fund for pensions paid to the insured members. The contract arrangement is valued by an external firm of actuaries on the basis of the adjustment to the discount rate assumption (based on the Merrill Lynch LIBOR swap curve) that would be required if the contract had a zero value at the date of inception. A similar adjustment is then made to the discount rate assumption at the accounting date to calculate the value of the updated contract.

41. Contingent Liabilities

In the delivery of services, the Royal Borough may transfer staff to external organisations rather than directly deliver those services itself. As part of the staff transfer arrangements, continued access to the Local Government Pension Scheme may still be permitted. Where these arrangements exist, the Royal Borough has given guarantees in respect of pension liabilities to the relevant pension funds. These guarantees may be a call on the Royal Borough should the relevant company cease to trade.

The Royal Borough has given guarantees for significant staff transfers in respect of two companies, RBWM Property Company and Achieving for Children.

RBWM Property Company – at the last triennial valuation the contribution rates determined by the independent actuary included a negative secondary contribution rate indicating that the share of the fund for the company indicated a surplus position. The Royal Borough considers that the financial position of the company is such that it can continue to meet its contributions to the pension funds and as such, no provision should be made in respect of any guarantee at this time. As such, the Royal Borough does not consider that it should make any provision in respect of the guarantee at this time. This position may change in the future as the valuation of assets and liabilities change and a reassessment of the position will be undertaken.

Achieving for Children – the latest triennial valuations indicated that the company had a deficit on its share of the pension fund, which would be cleared by additional annual payments through a positive secondary contribution rate. The Royal Borough considers that the financial position of the company is such that it can continue to meet its contributions to the pension funds and as such, no provision should be made in respect of any guarantee at this time. This position may change in the future as the valuation of assets and liabilities change and a reassessment of the position will be undertaken.

42. 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. 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 2020/21.

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:

	2019/20	2020/21
	£000	£000
Less than one year	134,000	135,960
Between one and two years	785	8,000
Between two and five years	-	-
More than five years	56,264	48,264
Total Financial Liabilities	**191,049**	**192,224**

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 the prices of the shares.

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.

43. Trusts and Other Entities

The Royal Borough transacts activity through its financial ledger where it considers that it is acting as an agent of a separate organisation rather than as a principal in the matter. As such, the activity does not form part of the Royal Borough's financial statements other than to recognise a debtor/creditor relationship for sums due or owed. Details of the are published here for information only with the table showing the opening and closing amounts held by the Council and the level of activity recorded during the year.

	2019/20	Receipts	Payments	2020/21
		in year	in year	
	£000	£000	£000	£000
Local Enterprise Partnership (LEP)	33,521	40,580	(53,726)	**20,375**
Flexible Home Improvements Ltd (FHIL)	31	169	(179)	**21**
Kidwells Park Trust	388	65	(8)	**445**
RBWM Flood Relief Fund	192	0	0	**192**
Mayor's Benevolent Fund	25	1	0	**26**
Working Boys Club	561	102	(16)	**647**
Thames Valley Athletic Centre	82	36	0	**118**
Other Trust Funds	1	0	0	**1**
RBWM Commercial Services Ltd	(51)	0	0	**(51)**
Trusts & Other Entities Total	**34,750**	**40,953**	**(53,929)**	**21,774**

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.

The detail in respect of the Council’s subsidiary and joint venture companies may differ from the information included in Note 35, Related Parties, as the Trusts and Other Entities note includes only that activity for the company entities that have been transacted within the Council's ledger whilst Note 35 shows the full impact of activity between the Council and the company entities.

44. Group Relationships

Interests in Companies

Achieving for Children (AfC)
Group Accounts have been included in this Statement of Accounts, recognising the Royal Borough's significant interest in AfC which is a Joint Venture with RB Kingston and LB Richmond-Upon-Thames. From the Royal Borough's perspective, AfC continues to be a Joint Venture which is consolidated in these Accounts using the equity method. The judgement is made on the basis that AfC being an arrangement under which two (or more) parties have contractually agreed to share control, such that decisions about activities that significantly affect returns require the unanimous consent of the parties sharing control, and the two founding councils (RB Kingston and LB Richmond) have rights to the net assets of the arrangement.

AfC continues to operate at arm's length from the Council and the Royal Borough therefore acts as commissioners – commissioning AfC to provide services such as children's social care, adoption, fostering, high quality support for schools, children's' centres and support for children with special educational needs, including transport.

Optalis Ltd
Optalis Ltd (OL) is a company set up by Wokingham Borough Council (WBC) for the purposes of providing Adult Social Care Services. The company was established in 2011 and is limited by shares. On 01 April 2014 Optalis Holdings Ltd (OHL) was set up and 100% of the shareholding in OL was transferred by WBC to OHL. On the same date OHL issued 50,000 preference shares of £1 and 1 ordinary share of £1 to which WBC (Holdings) Ltd subscribed 100%. In preparation for the commencement of the arrangement with The Royal Borough, 100% of WBC (Holdings) Ltd shareholding in OHL was transferred back to WBC. At the same time the 50,000 preference shares were re-designated as ordinary shares and 99 additional ordinary shares were issued. A share sale took place on 31 March 2017 with RBWM purchasing 22,545 shares in OHL for £771k, representing a 45% interest, with the services starting and the TUPE of staff into Optalis Ltd on 03 April 2017. Jointly with WBC, RBWM is able to control the operating, governance, and financial policies of the organisation, and also able to appoint the Board of Directors of the company. The Company is accounted for as a joint venture.

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. It is wholly owned by The Royal Borough. 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 and was dissolved on 7 December 2021. 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 arm's length property management and development trading subsidiary of the Royal Borough. 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://www.rbwm.gov.uk/home/council-and-democracy/trading-companies and also the annual accounts can be accessed at the Companies House website. For the 2020/21 Financial Statements, the results of RBWM Property Company Ltd have not been consolidated on the grounds of materiality.

Supplementary accounting Statements

www.rbwm.gov.uk

Royal Borough of Windsor & Maidenhead

Group Accounts 2020/21

Group Accounts

Narrative to the Group Accounts

This section of the Statement of Accounts details the Group financial statements for the Royal Borough. These accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2020/21 (the Code) published by the Chartered Institute of Public Finance and Accountancy (CIPFA) and the aim of the Group Accounts is to provide the reader with an overall view of the material economic activities that the Royal Borough controls.

The Royal Borough is required to prepare group accounts where it has any interests in subsidiaries, associates, and joint ventures, subject to consideration of materiality and using uniform Accounting Policies. Each year assessments are made of the Royal Borough's relationship with its partners and where an external body is assessed as having a group relationship (in accounting terms), group accounts are prepared.

Accounting Policies

Generally, the accounting policies for the group accounts are the same as those applied to the single entity financial statements, except for the following policies which are specific to the group accounts:

Basis of Identification of the Group Boundary

Group accounts are prepared by aggregating the transactions and balances of the Royal Borough and all its material subsidiaries, associates, and joint arrangements. In its preparation of these Group Accounts, the Royal Borough has considered its relationship with entities that fall into the following categories:

- **Subsidiaries** – where the Royal Borough exercises control and gains benefits or has exposures to risks arising from this control. These entities are included in the group.
- **Joint Arrangements** (Joint Operations and Joint Ventures) – where the Royal Borough exercises joint control with one or more organisations. Where these are material, they are included in the group.
- **Associates –** where the Royal Borough is an investor and has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee (stopping short of control or joint control). It is presumed that holding 20% of the voting power of an investee (either directly or indirectly) brings significant influence but this presumption can be rebutted.
- **No group relationship** – where the body is not an entity in its own right or the Royal Borough has an insufficient interest in the entity to justify inclusion in the group financial statements. These entities are not included in the group.

In accordance with this requirement, the Royal Borough has determined its Group relationships as follows:

Company name	Relationship	Accounting treatment
RBWM Property Company Limited	Subsidiary	Not material
RBWM Commercial Services Limited (dissolved on 7 December 2021)	Subsidiary	Not material
Achieving for Children Community Interest Company	Joint Venture	Material
Optalis Limited	Joint Venture	Material
Flexible Home Improvement Loans Ltd	Partnership	Not material

The grounds for exclusion from consolidation of certain entities are not material to the true and fair view of the financial statements or to the understanding of the users.

Basis of Consolidation – Group Accounts

The Group Accounts have been prepared using the group accounts requirements of the Code. Companies or other reporting entities that are under the ultimate control of the Royal Borough have been included in the Royal Borough's group accounts to the extent that they are material to users of the financial statements in relation to their ability to see the complete economic activities of the Royal Borough and its exposure to risk through interests in other entities and participation in their activities.

Achieving for Children Community Interest Company (AfC)
AfC was established on 5 February 2014 and became operational on 1 April 2014. It is a Community Interest Company limited by Guarantee that is jointly owned by the London Borough of Richmond (40%), the Royal Borough of Kingston (40%) and The Royal Borough (20%). The Boroughs have commissioned AfC to provide Children's and Educational Services. AfC has offered an opportunity to pool facilities, staff talents and to share assets. The main benefits are greater capacity in safeguarding and looking after the most vulnerable children as well as providing the highest quality services to support schools. The Royal Borough has assessed AfC as a Joint Venture.

AfC's Accounts have been prepared in accordance with International Financial Reporting Standards. All three Boroughs provide a revolving credit facility (short term cash flow loan) to AfC at market rates, under the terms of the legal agreement signed by all three parties.

This loan is shown in the Royal Borough's Accounts as a short-term debtor, with a fair value equal to its carrying value due to the loan requiring repayment at no more than six monthly intervals. The accounting policies of AfC are not materially different to those of the Royal Borough and as the notes to the Group Accounts are also not materially different from those of the Royal Borough, no additional notes have been disclosed.

AfC is a member of the Royal County of Berkshire Pension Fund which offers a defined benefit scheme to the employees of AfC.

Optalis Ltd
Optalis Ltd is a Joint Venture with Wokingham Borough, the Royal Borough holding 45% ownership. The company was established in June 2011 and became operational during 2011/12. The principal activity of the company is the provision of care and support services to adults with a disability and to older people. During the 2021/22 financial year, the Royal Borough increased its share of the joint venture from 45% to 50%.

Group financial position
The Group recorded a total comprehensive expenditure for the year of £101.1m (2019/20: total comprehensive income of £23.0m). The majority of the change between years is as a result of movements in the net pension liability for those employees of the Royal Borough in the Royal County of Berkshire Pension Fund.

Where there are no material changes to the statements the notes are as per the Royal Borough's single entity accounts.

Restatement of Accounts
The Group Financial Statements incorporate the restated entity accounts, details of which are set out in Note 7, Prior Period Adjustments.

Group Comprehensive Income and Expenditure Statement

The detail for 2019/20 has been restated as set out in Note 7, Prior Period Adjustments in the entity accounts.

2019/20 (Restated) Gross Expenditure	Gross Income	Net Expenditure		2020/21 Gross Expenditure	Gross Income	Net Expenditure
£000	£000	£000		£000	£000	£000
71,899	(30,899)	41,000	Adults, Commissioning & Health	77,951	(33,819)	44,132
119,213	(86,410)	32,803	Children's Services	114,880	(86,012)	28,868
5,704	(2,363)	3,341	Governance, Law & Strategy	6,905	(3,038)	3,867
6,683	(8,770)	(2,087)	Managing Director	11	(13)	(2)
50,638	(18,301)	32,337	Place	52,046	(18,981)	33,065
47,282	(37,498)	9,784	Resources	44,135	(38,831)	5,304
0	(253)	(253)	Contingency & Corporate	501	-	501
16,671		16,671	Revaluation movement on assets	6,202	-	6,202
318,090	**(184,494)**	**133,596**	**Cost of Services**	**302,631**	**(180,694)**	**121,937**
		2,295	Other Operating (Income) / Expenditure			5,094
		255	Financing & Investment Income & Expenditure			19,175
		(108,683)	Taxation and Non-Specific Grant Income			(124,961)
		27,463	**(Surplus)/Deficit on Provision of Services**			**21,245**
		2,114	Joint Ventures accounted for on an equity basis			1,003
		29,577	**Group (Surplus)/Deficit**			**22,248**
		(8,913)	Other adjustments to value of Property, Plant & Equipment assets			(34,808)
		(38,894)	Remeasurement of the net defined benefit liability/(asset)			75,248
		(2,466)	Share of Other Comprehensive (Income) & Expenditure of JV's			7,039
		(50,273)	**Other Comprehensive (Income) and Expenditure**			**47,479**
		(20,696)	**Total Comprehensive (Income) and Expenditure**			**69,727**

Group Balance Sheet

The detail for 2018/19 and 2019/20 has been restated as set out in Note 7, Prior Period Adjustments in the entity accounts.

2018/19 (Restated) £000	2019/20 (Restated) £000		Note	2020/21 £000
		Assets		
		Non-current assets		
337,781	421,326	Property, Plant and Equipment		448,073
83,844	85,829	Infrastructure Assets		82,595
131,741	89,628	Investment Properties		83,289
2,104	1,721	Intangible Assets		1,232
245	250	Long Term Investments		4,661
147	147	Borough's Share of Joint Venture Assets: Optalis		147
6,883	6,869	Long Term Debtors		16,770
562,745	**605,770**	**Total Non-Current Assets**		**636,767**
		Current assets		
6,822	10,000	Short Term Investments		9,269
105	22	Inventories		-
32,507	22,842	Short Term Debtors		49,781
	1,200	Assets held for Sale		-
16,254	42,418	Cash and Cash Equivalents		11,909
55,688	**76,482**	**Total Current Assets**		**70,959**
618,433	**682,252**	**Total Assets**		**707,726**
		Liabilities		
		Current Liabilities		
(94,332)	(168,237)	Short Term Borrowing		(135,960)
(30,980)	(34,634)	Short Term Creditors		(65,846)
(125,312)	**(202,871)**	**Total Current Liabilities**		**(201,806)**
		Non-Current Liabilities		
(250)	(243)	Long Term Creditors		(188)
(3,226)	(1,289)	Provisions		(8,296)
(57,049)	(57,049)	Long Term Borrowing		(56,264)
(12,721)	(8,941)	Capital Grants Receipts in Advance		(9,209)
(282,385)	(252,767)	Retirement Benefit Obligations		(334,556)
(4,882)	(4,530)	Borough's Share of Joint Venture Liabilities: AfC		(12,572)
(360,513)	**(324,819)**	**Total Non-Current Liabilities**		**(421,085)**
132,608	**154,562**	**Net Assets**		**84,835**
		Equity		
		Usable Reserves		
7,778	10,652	General Fund Reserve		7,059
10,259	14,666	Other Reserves		55,260
		Group Reserves		
(4,858)	(4,506)	Borough's Share of Joint Venture Reserve		(12,548)
		Unusable Reserves		
184,916	183,005	Capital Adjustment Account		173,798
214,694	206,225	Revaluation Reserve		228,625
(282,385)	(252,767)	Pensions Reserve		(334,556)
(1,365)	(7,648)	Collection Fund Adjustment Account		(35,862)
(2,042)	(1,934)	Accumulated Absences Account		(1,858)
6,869	6,869	Deferred Capital Receipts Reserve		6,708
-	-	Dedicated Schools Grant Adjustment Account		(1,791)
133,866	**154,562**			**84,835**

Group Movement in Reserves Statement

The detail for 2019/20 has been restated as set out in Note 7, Prior Period Adjustments in the entity accounts.

	General Fund Balance	Earmarked Reserves	Capital grants un-applied	School Revenue Balances	Capital Receipts Reserve	Total Usable Reserves	Unusable Reserves	Total RBWM Reserves	Council Share of Joint Venture Reserves	Total Group Reserves
2020/21	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**
Balance at 31 March 2020	**10,652**	**6,646**	**7,032**	**437**	**551**	**25,318**	**133,750**	**159,068**	**(4,506)**	**154,562**
Adjustment to Opening Balance for Dedicated Schools Grant	**-**	**-**	**-**	**1,025**	**-**	**1,025**	**(1,025)**	**-**	**-**	**-**
Amended Opening Balance at 1 April 2020	**10,652**	**6,646**	**7,032**	**1,462**	**551**	**26,343**	**132,725**	**159,068**	**(4,506)**	**154,562**
Total Comprehensive Expenditure and Income	(21,245)	-	-	-	-	(21,245)	(40,440)	(61,685)	(8,042)	(69,727)
Adjustments between accounting basis & funding basis under regulations	48,390	-	8,033	-	798	57,221	(57,221)	-	-	-
Net Increase / (Decrease) before Transfers to Earmarked Reserves	**27,145**	**-**	**8,033**	**-**	**798**	**35,976**	**(97,661)**	**(61,685)**	**(8,042)**	**(69,727)**
Transfers to / from Earmarked Reserves	(30,738)	29,997		741	-	-	-	-	-	-
Increase / (Decrease) in Year	**(3,593)**	**29,997**	**8,033**	**741**	**798**	**35,796**	**(97,661)**	**(61,685)**	**(8,042)**	**(69,727)**
Balance at 31 March 2021 Carried Forward	**7,059**	**36,643**	**15,065**	**2,203**	**1,349**	**62,319**	**35,064**	**97,383**	**(12,548)**	**84,835**
2019/20 (Restated)	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**
Balance at 31 March 2019	**7,778**	**5,825**	**3,905**	**529**	**-**	**18,037**	**113,901**	**131,938**	**(4,858)**	**127,080**
Restatement of Opening Balance (Note 7)	**-**	**-**	**-**	**-**	**-**	**-**	**6,786**	**6,786**	**-**	**6,786**
	7,778	**5,825**	**3,905**	**529**	**-**	**18,037**	**120,687**	**138,724**	**(4,858)**	**133,866**
Total Comprehensive Expenditure and Income	(27,463)	-	-	-	-	(27,463)	47,807	20,344	352	20,696
Adjustments between accounting basis & funding basis under regulations	31,066	-	3,127	-	551	34,744	(34,744)	-	-	-
Net Increase / (Decrease) before Transfers to Earmarked Reserves	**3,603**	**-**	**3,127**	**-**	**551**	**7,281**	**13,063**	**20,344**	**352**	**20,696**
Transfers to / from Earmarked Reserves	(729)	821	-	(92)	-	-	-	-	-	-
Increase / (Decrease) in Year	**2,874**	**821**	**3,127**	**(92)**	**551**	**7,281**	**13,063**	**20,344**	**352**	**20,696**
Balance at 31 March 2020 Carried Forward	**10,652**	**6,646**	**7,032**	**437**	**551**	**25,318**	**133,750**	**159,068**	**(4,506)**	**154,562**

Group Cash Flow Statement

The detail for 2019/20 has been restated as set out in Note 7, Prior Period Adjustments in the entity accounts.

2019/20 (Restated) £000	Group Cash Flow Statement (Indirect Method)	Note	2020/21 £000
(29,577)	Group Surplus/(Deficit)		(22,248)
2,144	Adjust Joint Ventures accounted for on an equity basis		1,003
(27,463)	Net (deficit) on the provision of services		(21,245)
42,207	Adjust net surplus on the provision of services for noncash movements		49,668
(11,064)	Adjust for items included in the net deficit on the provision of services that are investing and financing activities		(18,718)
3,680	Net cash inflows from Operating Activities		**9,705**
(51,420)	Net cash (outflows) from Investing Activities		(6,501)
73,904	Net cash inflows from Financing Activities		(33,713)
26,164	Net Increase in Cash and Cash Equivalents		**(30,509)**
16,254	Cash and cash equivalents at the beginning of the reporting period		**42,418**
42,418	**Cash and Cash Equivalents at the end of the reporting period**		**11,909**

45. Group Entities Consolidated

The Group has two joint ventures 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 2021, based on their respective consolidated financial statements.

	Optalis Ltd £000	**AfC £000**	**To Group CI&E & MiRS £000**
Revenue	45,613	173,082	
(Loss) from continuing operations	-	(5,017)	**(1,003)**
Post-tax profit from discontinued operations	-	-	**-**
Other comprehensive income/expenditure	-	(35,193)	**(7,039)**
Total comprehensive income	-	**(40,210)**	**(8,042)**
Royal Borough Share of Comprehensive income	-	(8,042)	
Opening Share of JV Assets/Liabilities)	147	(4,530)	
Closing Share of JV Assets/(Liabilities)	147	(12,572)	

The following is summarised financial information for Optalis Ltd 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)	(10,489)	**(2,114)**
Post-tax profit from discontinued operations	-	-	**-**
Other comprehensive income/expenditure	36	12,250	**2,466**
Total comprehensive income	-	**1,761**	**352**
Royal Borough Share of Comprehensive income	-	352	
Opening Share of JV Assets/Liabilities)	147	(4,882)	
Closing Share of JV Assets/(Liabilities)	147	(4,530)	

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 following tables are provided as a comparison for each entity to show the results from 2019/20 and 2020/21 side-by-side. They do not provide additional information but rather the same information as above but in a different format.

Year-on-Year Comparison OPTALIS Ltd

	2019/20 £000	2020/21 £000	
Revenue	46,826	45,613	
Profit/(loss) from continuing operations	(36)	-	
Post-tax profit from discontinued operations	-	-	
Other comprehensive income/expenditure	36	-	
Total comprehensive income	**-**	-	

Year-on-Year Comparison Achieving for Children

	2019/20 £000	2020/21 £000	
Revenue	161,660	173,082	
Profit/(loss) from continuing operations	(10,489)	(5,017)	
Post-tax profit from discontinued operations	-	-	
Other comprehensive income/(expenditure)	12,250	(35,193)	
Total comprehensive income/(expenditure)	**1,761**	**(40,210)**	

Collection Fund 2020/21

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.

2019/20 £000	COUNCIL TAX	2020/21 £000
	INCOME	
91,685	Council Tax receivable	96,095
91,685	**Total Income**	**96,095**
	EXPENDITURE	
	Apportionment of Previous Year Deficit	
(454)	Royal Borough of Windsor and Maidenhead	(113)
(28)	Berkshire Fire and Rescue Authority	(7)
(79)	Thames Valley Police & Crime Commissioner	(22)
(561)		**(142)**
	Precepts and Demands	
73,360	Royal Borough of Windsor and Maidenhead	76,802
4,530	Berkshire Fire and Rescue Authority	4,644
14,100	Thames Valley Police & Crime Commissioner	14,856
91,990		**96,302**
	Charges to Collection Fund	
56	Less write offs of uncollectable amounts	237
106	Less: Increase in Bad Debt Provision	121
162	**Total Expenditure**	**358**
94	**Surplus/(Deficit) arising during the year**	(423)
(175)	**Deficit) Brought Forward**	(81)
(81)	**(Deficit) Carried Forward**	**(504)**

2019/20 £000	BUSINESS RATES	2020/21 £000
	INCOME	
87,081	Business Rates receivable	47,393
(519)	Transitional Protection Payments	(549)
86,562	**Total Income**	**46,844**
	EXPENDITURE	
	Apportionment of Previous Year Deficit	
(2,869)	Central Government	(398)
512	Royal Borough of Windsor and Maidenhead	(2,421)
(24)	Berkshire Fire and Rescue Authority	(28)
(2,381)		**(2,847)**
	Precepts and Demands	
23,456	Central Government	45,039
69,431	Royal Borough of Windsor and Maidenhead	44,139
938	Berkshire Fire and Rescue Authority	901
93,825		**90,079**
	Charges to Collection Fund	
1,602	Less write offs of uncollectable amounts	476
(105)	Less: Increase/(Decrease) in Bad Debt Provision	5,448
(1,050)	Less: Increase/(Decrease) in Provision for Appeals	12,410
242	Less: Cost of Collection	237
13	Less: Disregarded amounts	17
702	**Total Expenditure**	**18,588**
(5,584)	**Surplus/(Deficit) arising during the year**	**(58,976)**
	Surplus (Deficit) Brought Forward	
(4,124)	Surplus (Deficit) Brought Forward 2019-20	(9,708)
(4,124)	**Surplus (Deficit) Brought Forward**	**(9,708)**
(9,708)	**Surplus/(Deficit) Carried Forward**	**(68,684)**

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 2020/21 the sum of £34.31 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 £95.46 at band D for 2020/21.

Band and Property Value		Base	Ratio	Band D Equivalent	Non-Collection Provision	TAX BASE
A	Up to £40,000	1,514.92	6/9	1,009.84	-0.38	1,009.46
B	£40,001 to £52,000	2,459.80	7/9	1,790.69	91.79	1,882.48
C	£52,001 to £68,000	7,567.92	8/9	6,631.04	309.34	6,940.38
D	£68,001 to £88,000	14,049.58	9/9	14,069.08	-20.44	14,048.64
E	£88,001 to £120,000	12,183.84	11/9	14,948.80	-57.72	14,891.08
F	£120,001 to £160,000	7,670.80	13/9	11,292.39	-38.01	11,254.38
G	£160,001 to £320,000	9,087.17	15/9	15,224.45	-42.36	15,182.09
H	more than £320,000	1,783.12	18/9	3,618.24	-10.15	3,608.09
Total		56,317.15		68,584.53	232.07	**68,816.60**

The average Band D charge for 2020/21 was £1,408.90. Therefore, based on the adjusted tax base of 68,817 the estimated yield was £96.957m. This can be reconciled to the income received as follows: -

	2019/20	2020/21
	£000	**£000**
Estimated Yield	92,428	96,957
Transitional Relief	-	-
Other Changes in Yield	-	-
Council Tax Income	**92,428**	**96,957**

The council tax debt position is reviewed regularly and a provision of £1.553m to cover potentially bad or doubtful debts has been made. RBWM's share of this provision is £1.23m.

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) 51.2p in 2020/21 (50.4p in 2019/20).

The total rateable value of business premises in the Borough's area at 31st March 2021 was £211.6m producing a notional yield of £105.6m. The business rate debt position is reviewed regularly and a provision of £5.448m to cover potentially bad or doubtful debts has been made. Of the total bad debt provision, RBWM's share of the provision is £3.127m. In addition to the provision on collectables, a provision on appeals has been provided a potential liability to repay ratepayers as a result of reductions in Rateable Values (RV), following successful appeals or alterations to lists.

A provision of £12.4m was provided in 2021/22. Of the total provision as at 31st March 2021, RBWN share was £6.8m

	2019/20	2020/21
	£000	£000
Notional Yield	104,153	102,118
Allowances	(10,731)	(48,461)
Rateable Value Changes	2,136	2,061
Occupation Changes	(8,477)	(8,325)
Collectable Income	**87,081**	**47,393**

54 Precepts and Demands on the Funds
The following authorities made demands on the Council Tax Collection Fund in 2020/21: -

	2020/21	
	£000	£000
Council Tax		
Royal Borough of Windsor and Maidenhead		
General Expenses	67,451	
Adult Social Care Precept	6,557	
Special Expenses *	1,217	
Parishes	1,577	
		76,802
Thames Valley Police & Crime Commissioner		14,856
Berkshire Fire and Rescue Authority		4,644
		96,302

* 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.

	2020/21	2020/21
	£000	£000
Business Rates		
Royal Borough of Windsor and Maidenhead	44,139	
		44,139
Central Government		45,039
Berkshire Fire and Rescue Authority		901
Total Precepts and Demands		**90,079**

The Royal County of Berkshire Pension Fund Financial Statements 2020/21

www.rbwm.gov.uk

Royal Borough of Windsor & Maidenhead

The Royal County of Berkshire Pension Fund - Fund Account

2019/20 £000		Notes	2020/21 £000
	Dealings with members, employers and others directly involved in the Fund		
(127,113)	Contributions	7	(139,010)
(14,448)	Transfers in from other pension funds	8	(6,959)
(141,561)			**(145,969)**
113,361	Benefits	9	114,245
20,532	Payments to and on account of leavers	10	16,109
133,893			**130,354**
(7,668)	**Net additions from dealings with members**		**(15,615)**
24,765	Management expenses	11	13,599
17,097	**Net (additions)/withdrawals including fund management expenses**		**(2,016)**
	Returns on investments		
(40,415)	Investment income	12	(28,977)
(47)	Taxes on income	13	(284)
100,361	Profits and losses on disposal of investments and changes in the market value of investments	14	(363,983)
59,899	**Net return on investments**		**(393,244)**
76,996	**Net (increase)/decrease in the net assets available for benefits during the year**		**(395,260)**
(2,081,943)	**Opening net assets of the scheme**		(2,004,947)
(2,004,947)	**Closing net assets of the scheme**		**(2,400,207)**

The Royal County of Berkshire Pension Fund - Net Assets Statement

2019/20 £000		Notes	2020/21 £000
2,149,373	Investment assets	14	2,518,894
(154,074)	Investment liabilities	14	(136,302)
1,995,299	**Total net investments**		**2,382,592**
12,258	Current assets	21	21,395
12,258			**21,395**
(2,610)	Current liabilities	22	(3,780)
(2,610)			**(3,780)**
2,004,947	**Net assets of the fund available to fund benefits at the end of the reporting period**		**2,400,207**

The Fund's financial statements do not take account of liabilities to pay pensions and others benefits after the period end. The actuarial present value of promised retirement benefits is disclosed at Note 20.

Notes to the Royal County of Berkshire Pension Fund Accounts for the year ended 31 March 2021

Description of Fund

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

Borough of Windsor and Maidenhead.

a) General

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

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

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

The fund is overseen by the Pension Fund Committee.

b) Membership

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

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

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

Membership details are set out below:

The Royal County of Berkshire Pension Fund	**31 March 2020**	**31 March 2021**
Number of employers with active members	**205**	**189**
Number of employees in scheme		
Administering authority	1,584	1,502
Unitary authorities	14,840	14,772
Other employers	9,271	9,613
Total	**25,695**	**25,887**
Number of pensioners		
Administering authority	1,991	2,082
Unitary authorities	10,201	10,825
Other employers	6,593	6,813
Total	**18,785**	**19,720**
Deferred pensioners		
Administering authority	3,559	3,516
Unitary authorities	17,076	16,885
Other employers	6,875	7,174
Total	**27,510**	**27,575**
Total number of members in pension scheme	**71,990**	**73,182**

c) Funding

Benefits are funded by contributions and investment earnings. Contributions are made by active members of the Fund in accordance with the LGPS Scheme Regulations 2013 and range from 5.5% to 12.5% of pensionable pay for the financial year ended 31 March 2021. Employers' contributions are set based on triennial actuarial funding valuations. The last such valuation was at 31 March 2019. During 2020/21, employer contribution rates ranged from 10.1% to 36.0% of pensionable pay.

d) Benefits

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

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

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

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

2 Basis of preparation

The Statement of Accounts summarises the Fund's transactions for the 2020/21 financial year and its position at year-end as at 31 March 2021. The accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 200/21 ('the code') which is based upon International Financial Reporting Standards (IFRS), as amended for the UK public sector. The accounts have been prepared on a going concern basis.

Paragraph 3.3.1.2 of the Code requires disclosure of any accounting standards issued but not yet adopted. No such accounting standards have been identified for 2020/21.

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

3 Summary of significant accounting policies

Fund account - revenue recognition

a) Contribution income

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

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

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

b) Transfers to and from other schemes

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

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

Transfers in from members wishing to use the proceeds of their additional voluntary contributions (see note 3m) to purchase fund benefits are accounted for on a receipts basis and are included in transfers in (see Note 8).

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

c) Investment income

i) Interest income

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

ii) Dividend income

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

iii) Distributions from pooled funds

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

iv) Movement in the net market value of investments

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

Fund Account - expense items

d) Benefits payable

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

e) Taxation

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

f) Management expenses

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

Administrative expenses

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

Oversight and governance costs

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

Investment management expenses

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

Net Assets Statement

g) financial assets

Financial assets are included in the net assets statement on a fair value basis as at the reporting date. A financial asset is recognised in the net assets statement on the date the Fund becomes party to the contractual acquisition of the asset. Any amounts due or payable in respects of trades entered into but not yet complete at 31 March each year are accounted for as financial instruments held at amortised cost and reflected in the reconciliation of movements in investments and derivatives in Note 14a. From this date, any gains or losses arising from changes in the fair value of the asset are recognised in the fund account.

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

h) foreign currency transactions

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

i) Derivatives

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

Longevity swaps are valued on a fair value basis based on the expected future cash flows arising under the swap, discounted using market interest rates and taking into account the risk premium inherent in the contract.

j) Cash and cash equivalents

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

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

k) financial liabilities

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

Other financial liabilities classed as amortised cost are carried in the net asset statement at the value of the outstanding principal at 31 March. each year.

l) Actuarial present value of promised retirement benefits

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

As permitted under the code, the Fund has opted to disclose the actuarial present value of promised retirement benefits by way of a note to the net assets statement (Note 20).

m) Additional voluntary contributions

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

AVCs are not included in the accounts in accordance with section 4(1)(b) of the LGPS (Management and Investment of Funds) Regulations 2016 but are disclosed as a note only (Note 23).

n) Contingent assets and contingent liabilities

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

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

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

4 Critical judgements in applying accounting policies

In applying the Fund's accounting policies, which are described in note 3, the Fund is 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. There were no critical judgements made, apart from those involving estimations (which are presented separately below).

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

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

The items in the financial statements and notes at 31 March 2021 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

Item	Uncertainties	Effect if actual results differ from assumptions
Actuarial present value of promised retirement benefits	Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide the fund with expert advice about the assumptions to be applied. Further information on the carrying amounts of the Fund's defined benefit obligation and the setting of the assumptions are provided in notes 19 and 20.	The effects on the net pension liability of changes in individual assumptions can be measured. For instance, a 0.1% increase in the discount rate assumption would result in a decrease in the pension liability of approximately £111.85 million. A 0.1% increase in pension increases and deferred revaluation assumption would increase the value of liabilities by approximately £114.30 million, and a one-year increase in assumed life expectancy would increase the liability by approximately £246.60 million.
Longevity Insurance policy	The longevity insurance policy is valued by a firm of consulting actuaries. This valuation is the difference between the discounted cash flows relating to the amounts expected to be reimbursed to the fund and the inflation linked premiums expected to be paid by the fund. The carrying amount as at 31 March 2021 is (£133.19 million). This valuation depends on a number of complex judgements including the discount and mortality rates.	Changes in the discount rate and mortality rate assumptions would result in a material change to the carrying value in a similar way to the value of the pension fund liability disclosed above.
Private equity investments	Private equity investments are valued at fair value in accordance with the International Private Equity and Venture Capital Board guidelines. These investments are not publicly listed and as such there is a degree of estimation involved in the valuation.	The valuations of private equity investments are particularly sensitive to changes in one or more unobservable inputs which are considered reasonably possible within the next financial year. Changes to the inputs could result in a material change to the carrying value. Further information on the carrying amounts of the private equity and the estimated sensitivity are shown in note 16.

Covid-19 impact

The impact of the Covid-19 pandemic in 2019/20 created uncertainty surrounding global financial and property markets. Since then, the asset values have stabilised in order that a materially accurate value can be applied to illiquid assets.

6 Events after the reporting date

Impact of the McCloud judgement

The McCloud court case relates to possible age discrimination within the New Judicial Pension Scheme. On 16 July 2020, the government published a consultation on the proposed remedy to be applied to LGPS benefits in response to the McCloud and Sargeant cases. The consultation closed on 8 October 2020 and a ministerial statement in response to the proposed remedy was published on 31 May 2021.

An allowance using analysis from the Government Actuary's Department as a starting point was made for the potential impact of the McCloud and Sargeant judgement in the results provided to the Fund at the last accounting date. This allowance is incorporated in the roll forward approach and is remeasured at the accounting date (31 March 2021) along with the normal LGPS liabilities. The actuary does not believe there are any material differences between the approach underlying their estimated allowance and the proposed remedy. A more detailed analysis at this stage would require a significant amount of member data which is not yet available. No further adjustment in the light of the expected changes to the Regulations has been included in this years' IAS 26 calculations.

Investments

The investment figures in the accounts and notes have been adjusted in all material aspects to reflect the impact of any information received after 31 March 2021 which reflect the conditions as at 31 March 2021. During the audit, the fund manager's valuation as at 31 March 2021 were received and they showed material difference in aggregate. The accounts have been amended to reflect the difference reported in the table below.

Asset Class	Estimated value 31 March 2021 £m	Manager's value 31 March 2021 £m	Difference £m
Equities	42.53	42.99	0.46
Pooled investments	1512.46	1517.67	5.21
Pooled property investments	290.49	293.62	3.13
Private equity	522.66	561.98	39.32
Total	**2,368.14**	**2,416.26**	**48.12**

7 Contributions receivable
By category

2019/20 £000		2020/21 £000
28,635	Members' contributions	30,337
	Employers' contributions	
69,417	Normal contributions	79,455
27,506	Deficit recovery contributions	27,588
1,555	Augmentation contributions	1,630
98,478	**Total employer's contributions**	**108,673**
127,113		**139,010**

By type of employer

2019/20 £000		2020/21 £000
11,709	Administering authority	12,165
101,630	Scheduled bodies	114,002
6,248	Admitted bodies	5,377
7,526	Transferee admission body	7,466
127,113		**139,010**

8 Transfers in from other pension funds

2019/20 £000		2020/21 £000
14,133	Individual transfers from other pension funds	6,556
315	AVC to purchase scheme benefits	403
14,448		**6,959**

9 Benefits payable

By Category

2019/20 £000		2020/21 £000
90,704	Pensions	94,947
19,557	Commutation and lump sum retirement benefits	16,893
3,100	Lump sum death benefits	2,405
113,361		**114,245**

By type of employer

2019/20 £000		2020/21 £000
12,722	Administering authority	12,169
89,402	Scheduled bodies	91,516
8,295	Admitted bodies	7,799
2,942	Transferee admission body	2,761
113,361		**114,245**

10 Payments to and on account of leavers

2019/20 £000		2020/21 £000
639	Refunds to members leaving service	503
9,000	Group transfers to other pension funds	6,043
10,893	Individual transfers to other pension funds	9,563
20,532		**16,109**

11 Management expenses

2019/20 £000		2020/21 £000
1,754	Administrative costs	1,888
22,954	Investment management expenses	11,659
57	Oversight and governance costs	52
24,765		**13,599**

a) Investment management expenses

2020/21		**Management fees £000**	**Performance fees £000**	**Transaction costs £000**	**Total £000**
	Cash and FX Contracts	29	0	0	29
	Pooled investments	4,208	1,308	159	5,675
	Pooled property investments	208	22	22	252
	Private equity	2,966	2,069	405	5,440
		7,411	**3,399**	**586**	**11,396**
	Custody fees				263
	Total				**11,659**

2019/20		**Management fees £000**	**Performance fees £000**	**Transaction costs £000**	**Total £000**
	Cash and FX Contracts	30	0	0	30
	Pooled investments	6,835	212	993	8,040
	Pooled property investments	234	0	16	250
	Private equity	8,536	4,585	1,315	14,436
		15,635	**4,797**	**2,324**	**22,756**
	Custody fees				198
	Total				**22,954**

12 Investment income

2019/20 £000		2020/21 £000
12,206	Income from equities	11,113
4,054	Income from bonds	3,004
11,712	Private equity income	8,196
10,272	Pooled property investments	6,423
435	Pooled investments - unit trusts & other managed funds	125
1,736	Interest on cash deposits	116
40,415	**Total before taxes**	**28,977**

13 Other fund account disclosures

a) Taxes on income

2019/20		2020/21
£000		£000
(280)	Withholding tax - equities	(394)
233	Withholding tax - pooled property investments	110
(47)		**(284)**

b) External audit costs

2019/20		2020/21
£000		£000
55	Payable in respect of external audit	11
55		**11**

14 Investments

Market value 31 March 2020		Market value 31 March 2021
£000		£000
	Investment assets	
2,339	Bonds	0
25,217	Equities	42,986
995,687	Pooled investments	1,517,667
189,099	Pooled liquidity funds	84,048
292,107	Pooled property investments	293,617
605,868	Private equity	561,980
	Derivative contracts:	
1,281	- Forward currency contracts	475
35,724	Cash deposits	17,149
2,051	Investment income due	972
2,149,373	**Total investment assets**	**2,518,894**
	Investment liabilities	
	Derivative contracts:	
(32,245)	- Forward currency contracts	(3,111)
(121,829)	- Longevity Insurance Policy	(133,191)
0	Amounts payable for purchases	(0)
(154,074)	**Total investment liabilities**	**(136,302)**
1,995,299	**Net investment assets**	**2,382,592**

a) Reconciliation of movements in investments and derivatives

	Market value 1 April 2020	Purchases during the year and derivative payments	Sales during the year and derivative receipts	Change in market value during the year	Market value 31 March 2021
	£000	£000	£000	£000	£000
Bonds	**2,339**	0	(4,418)	2,079	**0**
Equities	**25,217**	4,376	0	13,393	**42,986**
Pooled investments	**995,687**	529,375	(350,709)	343,314	**1,517,667**

Pooled liquidity funds	**189,099**	491,419	(596,062)	(408)	**84,048**
Pooled property investments	**292,107**	200,242	(205,436)	6,704	**293,617**
Private equity	**605,868**	63,700	(75,671)	(31,917)	**561,980**
	2,110,317	**1,289,112**	**(1,232,296)**	**333,165**	**2,500,298**
Derivative contracts:					
- Forward currency contracts	**(30,964)**	43,514	(54,572)	39,386	**(2,636)**
- Longevity insurance policy	**(121,829)**	8,704	0	(20,066)	**(133,191)**
	1,957,524	**1,341,330**	**(1,286,868)**	**352,485**	**2,364,471**
Other investment balances:					
- Cash deposits	**35,724**			11,498	**17,149**
- Investment income due	**2,051**				**972**
Amounts payable for purchases	**0**				**(0)**
Net investment assets	**1,995,299**			**363,983**	**2,382,592**

Purchases and sales of derivatives are recognised in note 14a above as follows:

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

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

b) Investments analysed by fund manager

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

Investment	**Market value 31 March 2020**	**% of total fund**	**Market value 31 March 2021**	**% of total fund**
	£000		**£000**	
Longevity Insurance Policy	(121,829)	6.1	(133,191)	5.7
Lasalle Global Real Estate	170,681	8.6	0	0.0
LPPI Global Equities Fund	632,076	31.7	1,092,924	46.4
LPPI Credit Investments LP	37,591	1.9	259,492	11.0
LPPI Real Estates ACS	0	0.0	185,558	7.9

Market value at 31 March 2020	**% of Market value 31 March 2020**		**Market value at 31 March 2021**	**% of Market value value 31 March 2021**
£000	**%**	**Fund Type**	**£000**	**%**

		Investment managed within LPPI asset pools			
37,591	1.9	LPPI Credit	Pooled Investment	**259,492**	**10.9**
0	0.0	LPPI Real Estates	Pooled Property	**185,558**	**7.8**
632,076	31.7	LPPI Global Equities	Pooled investment	**1,092,924**	**45.9**
62,166	3.1	LPPI Fixed Income	Pooled investment	**68,410**	**2.9**
65,393	3.3	LPPI Diversifying Strategy	Pooled investment	**91,709**	**3.8**
78,339	3.9	LPPI Infrastructure	Private Infrastructure	**103,998**	**4.4**
26,840	1.3	LPPI Private Equity	Private Equity	**52,197**	**2.2**
902,405	**45.2**			**1,854,288**	**77.8**
		Investments managed outside asset pool:			
2,339	0.1	Technology Enhanced Oil Limited	Bonds	**0**	**0.0**
25,217	1.3	Gresham House Asset Management Limited	Equities	**38,610**	**1.6**
0	0.0	Technology Enhanced Oil Limited	Equities	**4,376**	**0.2**
4,586	0.2	Cheyne Capital Management LLP	Pooled Investment	**3,781**	**0.2**
52,390	2.6	Fidelity	Pooled Investment	**0**	**0.0**
40,903	2.0	Morgan Stanley	Pooled Investment	**0**	**0.0**
2,518	0.1	Securis Investment Partners LLP	Pooled Investment	**1,255**	**0.1**
37,917	1.9	Stewart Investments	Pooled Investment	**0**	**0.0**
60,052	3.0	William Blair	Pooled Investment	**0**	**0.0**
96	0.0	SPL Guernsey ICC Ltd	Pooled Investment	**96**	**0.0**
42,280	2.1	Northern Trust	Pooled Liquidity	**17,321**	**0.7**
67,993	3.4	JPM Asset Management	Pooled Liquidity	**45,811**	**1.9**
36,380	1.8	Legal & General	Pooled Liquidity	**3,409**	**0.1**
42,445	2.1	Aviva	Pooled Liquidity	**17,508**	**0.7**
6,174	0.3	Jones Lang LaSalle	Pooled Property	**8,910**	**0.4**
237,410	11.9	LaSalle Investment Management (Jersey) Limited	Pooled Property	**62,312**	**2.6**
33,823	1.7	Milltrust International LLP	Pooled Property	**36,837**	**1.5**
14,700	0.7	Schroders	Pooled Property	**0**	**0.0**
11,918	0.6	Athyrium Capital Management LP	Private Debt	**10,481**	**0.4**
7,056	0.4	Derwent Shared Equity LLP	Private Debt	**10,843**	**0.5**
107,059	5.4	Dorchester Capital Advisors, LLC	Private Debt	**12,724**	**0.5**
6,157	0.3	Grosvenor Capital Management L.P.	Private Debt	**3,268**	**0.1**
8,552	0.4	Neuberger Berman	Private Debt	**3,965**	**0.2**
3,316	0.2	Partners Group	Private Debt	**3,173**	**0.1**
11,066	0.6	Rutland Partners LLP	Private Debt	**9,140**	**0.4**
10,443	0.5	WP Global Partners	Private Debt	**9,677**	**0.4**
39,196	2.0	Adams Street Partners	Private Equity	**45,811**	**1.9**
1,999	0.1	COREalpha Private Equity Partners Partnership Fund IV, L.P.	Private Equity	**1,847**	**0.1**
8,058	0.4	Coral Reef Capital	Private Equity	**9,761**	**0.4**
15,472	0.8	Future Planet Capital	Private Equity	**14,663**	**0.6**

4,947	0.2	Gresham House Asset Management Limited	Private Equity	**9,805**	**0.4**
1,206	0.1	Henderson Equity Partners	Private Equity	**591**	**0.0**
6,869	0.3	ICG PLC	Private Equity	**6,296**	**0.3**
9,431	0.5	Kuramo Capital	Private Equity	**9,104**	**0.4**
4,153	0.2	Longwall Venture Partners LLP	Private Equity	**4,540**	**0.2**
14,488	0.7	Neuberger Berman	Private Equity	**15,046**	**0.6**
25,367	1.3	Milltrust International LLP	Private Equity	**26,187**	**1.1**
609	0.0	Organox	Private Equity	**609**	**0.0**
100	0.0	Orthoson	Private Equity	**98**	**0.0**
1,478	0.1	Longwall Ventures	Private Equity	**1,964**	**0.1**
900	0.0	Oxsonics Ltd	Private Equity	**462**	**0.0**
6,462	0.3	Pantheon Ventures	Private Equity	**6,347**	**0.3**
7,490	0.4	Partners Group	Private Equity	**6,481**	**0.3**
11,109	0.6	Sarona Asset Management Inc	Private Equity	**12,981**	**0.5**
2,037	0.1	South East Growth Fund	Private Equity	**1,915**	**0.1**
2,588	0.1	Stafford CP	Private Equity	**1,380**	**0.1**
1,892	0.1	BMO Global Asset Management	Private Equity	**1,447**	**0.1**
69,640	3.5	WP Global Partners	Private Equity	**74,262**	**3.1**
2,434	0.1	African Infrastructure Investment Managers Pty Ltd	Private Infrastructure	**2,294**	**0.1**
6,917	0.3	Climate Fund Managers	Private Infrastructure	**12,948**	**0.5**
66,188	3.3	Gresham House Asset Management Limited	Private Infrastructure	**63,020**	**2.6**
5,958	0.3	Macquarie Group	Private Infrastructure	**3,785**	**0.2**
10,549	0.5	Macquarie Infrastructure Partners Inc.	Private Infrastructure	**1,300**	**0.1**
7,588	0.4	The Rohayton Group (TRG)	Private Infrastructure	**7,572**	**0.3**
(30,964)	-1.6	Cambridge Strategy Ltd	Forward Currency Contracts	**(2,636)**	**-0.1**
1,176,948	**59.0**			**643,374**	**27.0**
		Other			
(121,829)	-6.1	Longevity Insurance Policy		**(133,191)**	**-5.6**
35,724	1.8	Cash with investment managers		**17,149**	**0.7**
0	0.0	Amount receivable for sales		**0**	**0.0**
0	0.0	Amount payable for purchases		**(0)**	**0.0**
2,051	0.1	Investment income due		**972**	**0.0**
(84,054)	**-4.2**			**(115,070)**	**-4.8**
1,995,299	**100.0**	**Total**		**2,382,592**	**100.0**

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

The above organisations are registered in the United Kingdom.

15 a) Analysis of derivatives

Objectives and policies for holding derivatives

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

- Longevity Insurance Policy

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

- Forward foreign currency

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

Open forward currency contracts

Settlement	Currency bought	Local value '000	Currency sold	Local value '000	Asset value £000	Liability value £000
One to six months	GBP	348,774	USD	(484,868)	0	(2,578)
One to six months	JPY	2,840,232	GBP	(18,841)	0	(203)
One to six months	TRY	21,161	USD	(2,689)	0	(184)
One to six months	GBP	7,943	CAD	(13,966)	0	(109)
One to six months	CHF	9,707	GBP	(7,519)	0	(30)
One to six months	INR	262,099	USD	(3,551)	0	(7)
One to six months	SGD	4,823	USD	(3,585)	3	0
One to six months	GBP	8,536	NOK	(100,354)	17	0
One to six months	BRL	19,145	USD	(3,343)	24	0
One to six months	KRW	4,136,096	USD	(3,632)	26	0
One to six months	CLP	2,897,173	USD	(3,995)	29	0
One to six months	GBP	8,311	AUD	(14,962)	51	0
One to six months	MXN	82,868	USD	(3,906)	81	0
One to six months	GBP	44,732	EUR	(52,156)	244	0
Open forward currency contracts at 31 March 2021					**475**	**(3,111)**
Net forward currency contracts at 31 March 2021						**(2,636)**
Prior year comparative						
Open forward currency contracts at 31 March 2020					**1,281**	**(32,245)**
Net forward currency contracts at 31 March 2020						**(30,964)**

16 Fair value - Basis of valuation

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

escription of asset	Valuation hierarchy	Basis of valuation	Observable and unobservable inputs	Key sensitivities affecting the valuations provided
Market quoted investments	Level 1	Published bid market price ruling on the final day of the accounting period	Not required	Not required
Quoted bonds	Level 1	Fixed interest securities are valued at a market value based on current yields	Not required	Not required
Exchange traded pooled investments	Level 1	Closing bid values on published exchanges	Not required	Not required
Forward foreign exchange derivatives	Level 2	Market forward exchange rates at the year-end	Exchange rate risk	Not required
Pooled investments - unit trusts	Level 2	Closing bid price where bid and offer prices are published Closing single price where single price published	NAV-based pricing set on a forward pricing basis	Not required
Unquoted bonds	Level 3	Closing bid price where bid and offer prices are published Closing single price where single price published	NAV-based pricing set on a forward pricing basis	Valuations could be affected by material events occurring between the date of the financial statements provided and the pension funds own reporting date,

				changes to expected cashflows, and by any differences between audited and unaudited accounts
Pooled investments - property funds	Level 3	Closing bid price where bid and offer prices are published Closing single price where single price published	NAV-based pricing set on a forward pricing basis	Valuations could be affected by material events occurring between the date of the financial statements provided and the pension funds own reporting date, changes to expected cashflows, and by any differences between audited and unaudited accounts
Unquoted equity	Level 3	Comparable valuation of similar companies in accordance with International Private Equity and venture Capital Guidelines (2012)	EBITDA multiple Revenue multiple Discount for lack of marketability Control premium	Valuations could be affected by material events occurring between the date of the financial statements provided and the pension funds own reporting date, changes to expected cashflows, and by any differences between audited and unaudited accounts

Sensitivity of assets valued at level 3

Having analysed historical data and current market trends the fund has determined that the valuation methods described above are likely to be accurate to within the following ranges and has set out below the consequent potential impact on the closing value of investments held at 31 March 2021.

	Assessed valuation range (+/-)	Value at 31 March 2021	Value on increase	Value on decrease
		£000	**£000**	**£000**
Private equity	-7.2%	561,980	521,349	602,611
Property funds	18.1%	293,617	346,821	240,414
Total		**855,597**	**868,170**	**843,025**

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

Level 1

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

Level 2

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

Level 3

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

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

Values at 31 March 2021	Quoted market price	Using observable inputs	With significant unobservable inputs	Total
	Level 1	Level 2	Level 3	
	£000	£000	£000	£000
Financial assets at fair value through profit and loss	122,658	1,518,142	859,973	2,500,773
Financial liabilities at fair value	0	(3,111)	(133,191)	(136,302)

through profit and loss				
Cash deposits	17,149	0	0	17,149
Investment due	972	0	0	972
Amounts payable for purchases	(0)	0	0	(0)
Net investment assets	**140,779**	**1,515,031**	**726,782**	**2,382,592**

Values at 31 March 2020	**Quoted market price Level 1 £000**	**Using observable inputs Level 2 £000**	**With significant unobservable inputs Level 3 £000**	**Total £000**
Financial assets at fair value through profit and loss	214,316	996,968	900,314	2,111,598
Financial liabilities at fair value through profit and loss	0	(32,245)	(121,829)	(154,074)
Cash deposits	35,724	0	0	35,724
Investment income due	2,051	0	0	2,051
Net investment assets*	**252,091**	**964,723**	**778,485**	**1,995,299**

*Restated to include Cash deposits and investment income due.

b) Reconciliation of fair value measurements within level 3

	Market value 31 March 2020 £000	**Purchases during the year £000**	**Sales during the year £000**	**Unrealised gains/ (losses) £000**	**Realised gains/ (losses) £000**	**Market value 31 March 2021 £000**
Unquoted bond	2,339	0	(4,418)	37,126	(35,047)	0
Unquoted equity	0	4,376	0	0	0	4,376
Private equity	605,868	63,700	(75,671)	(65,372)	33,455	561,980
Pooled property	292,107	200,242	(205,436)	(58,719)	65,423	293,617
Longevity insurance policy	(121,829)	8,704	0	(20,066)	0	(133,191)
	778,485	**277,022**	**(285,525)**	**(107,031)**	**63,831**	**726,782**

	Market value 31 March 2019	Purchases during the year	Sales during the year	Unrealised gains/ (losses)	Realised gains/ (losses)	Market value 31 March 2020
	£000	**£000**	**£000**	**£000**	**£000**	**£000**
Unquoted bond	2,226				113	2,339
Private equity	696,663	129,504	(241,482)	(59,321)	80,504	605,868
Pooled property	294,011			(1,904)		292,107
Longevity insurance policy	(103,800)	8,463		(26,492)		(121,829)
	889,100	**137,967**	**(241,482)**	**(87,717)**	**80,617**	**778,485**

17 Financial instruments

a) Classification of financial instruments

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

Fair value through profit and loss	Assets at amortised cost	Liabilities at amortised cost		Fair value through profit and loss	Assets at amortised cost	Liabilities at amortised cost
	31 March 2020				31 March 2021	
£000	**£000**	**£000**		**£000**	**£000**	**£000**
			Financial assets			
2,339			Bonds	0		
25,217			Equities	42,986		
995,687			Pooled investments	1,517,667		
189,099			Pooled liquidity funds	84,048		
292,107			Pooled property investments	293,617		

605,868			Private equity	561,980		
1,281			Derivative contracts	475		
35,724	6,233		Cash	17,149	7,493	
	2,051		Other investment balances		972	
	6,025		Debtors		13,902	
2,147,322	**14,309**	**-**		**2,517,923**	**22,367**	**-**
			Financial liabilities			
(154,074)			Derivative contracts	(136,302)		
			Amounts payable for purchases	(0)		
		(2,610)	Creditors			(3,780)
(154,074)	**-**	**(2,610)**		**(136,303)**	**-**	**(3,780)**
1,993,248	**14,309**	**(2,610)**		**2,381,620**	**22,367**	**(3,780)**

b) Net gains and losses on financial instruments

31 March 2020 £000		**31 March 2021 £000**
	Financial Assets	
25,505	Fair value through profit and loss	416,375
25,505		416,374
	Financial Liabilities	
(125,866)	Fair value through profit and loss	(52,391)
(125,866)		(52,391)
(100,361)	**Total**	**363,983**

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

18 Nature and extent of risks arising from financial instruments

Risk and risk management

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

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

a) Market risk

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

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

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

The fund manages these risks in two ways:

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

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

Other price risk

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

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

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

Other price risk - sensitivity analysis

Following analysis of historical data and expected investment return by the Fund's investment advisors during the financial year the Fund has determined that the following movements in market price risk are reasonably possible for the 2021/22 reporting period:

Asset type	**Potential market movements (+/-)**
Bonds	10.1%
Equities - listed	20.5%
Equities - unlisted	32.2%
Private Equity	32.2%
Private Equity - Credit	10.1%
Private Equity - Infrastructure	17.7%
Pooled investments - Equity	20.5%
Pooled investments - Bonds	8.6%
Pooled investments - Credit	10.1%

Pooled investments - Diversifying strategies	10.3%
Pooled Property Funds	18.1%

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

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

Asset type	**Value as at 31 March 2021**	**Potential market movement**	**Value on increase**	**Value on decrease**
	£000	**£000**	**£000**	**£000**
Investment portfolio assets:				
Bonds	0	0	0	0
Equities - listed	-	-	-	-
Equities - unlisted	42,986	13,837	56,823	29,149
Pooled investments - Equity	1,093,019	223,850	1,316,869	869,169
Pooled investments - Bonds	68,410	5,897	74,307	62,513
Pooled investments - Credit	263,273	26,485	289,758	236,787
Pooled investments - Div. strategies	92,965	9,585	102,550	83,380
Pooled liquidity funds	84,048	-	84,048	84,048
Pooled Property Funds	293,617	53,203	346,821	240,414
Private Equity	303,791	97,790	401,582	206,001
Private Equity - Credit	63,273	6,365	69,638	56,907
Private Equity - Infrastructure	194,916	34,500	229,416	160,416
Net derivative liabilities	(135,827)	-	(135,827)	(135,827)
Cash deposits	17,149	-	17,149	17,149
Investment income due	972	-	972	972
Current assets:				
Debtors	13,902	-	13,902	13,902
Cash balances	7,493	-	7,493	7,493
Current liabilities	(3,780)	-	(3,780)	(3,780)
Total	**2,400,207**		**2,871,721**	**1,928,693**

Asset type	**Value as at**	**Potential market**	**Value on**	**Value on**

	31 March 2020	movement	increase	decrease
	£000	£000	£000	£000
Investment portfolio assets:				
Bonds	2,339	316	2,655	2,023
Equities - listed	-	-	-	-
Equities - unlisted	25,217	8,233	33,450	16,984
Pooled investments - Equity	861,025	187,703	1,048,728	673,322
Pooled investments - Bonds	62,166	5,172	67,338	56,994
Pooled investments - Credit	4,586	619	5,205	3,967
Pooled investments - Div. strategies	67,910	7,083	74,993	60,827
Pooled liquidity funds	189,099	-	189,099	189,099
Pooled Property Funds	292,107	70,485	362,592	221,622
Private Equity	262,331	85,651	347,982	176,680
Private Equity - Credit	165,566	22,335	187,901	143,231
Private Equity - Infrastructure	177,972	33,637	211,609	144,335
Net derivative liabilities	(152,794)	-	(152,794)	(152,794)
Cash deposits	35,724	-	35,724	35,724
Investment income due	2,051	-	2,051	2,051
Current assets:				
Debtors	6,025	-	6,025	6,025
Cash balances	6,233	-	6,233	6,233
Current liabilities	(2,610)	-	(2,610)	(2,610)
Total	**2,004,947**		**2,426,180**	**1,583,712**

Interest rate risk

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

The Fund's interest rate risk is routinely monitored by the council and its investment advisors in accordance with the fund's risk management strategy, including monitoring the exposure to interest rates and assessment of actual interest rates against the relevant benchmarks.

The Fund's direct exposure to interest rate movements as at 31 March 2021 and 31 March 2020 is set out below. These disclosures present interest rate risk based on the underlying financial assets at fair value.

Interest rate risk sensitivity analysis

The Fund recognises that interest rates can vary and can affect both income to the Fund and the value of the net assets available to pay benefits. A 100 basis point (BPS) movement in interest rates is consistent with the level of sensitivity applied as part of the Fund's risk management strategy. The Fund's investment advisor's has advised that long-term average rates are expected to move less than 100 basis points (1%) from one year to the next and experience suggests that such movements are likely.

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

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

Asset exposed to interest rate risk	**Value as at 31 March 2021**	**Change in year in the net assets available to pay benefits**	
		+ 100 BPS	**- 100 BPS**
	£000	**£000**	**£000**
Investments - Pooled liquidity funds	84,048	0	0
Investments - Cash deposits	17,149	0	0
Current assets - Cash balances	7,493	0	0
Total change in assets available	**108,690**	**0**	**0**

Asset exposed to interest rate risk	**Value as at 31 March 2020**	**Change in year in the net assets available to pay benefits**	
		+ 100 BPS	**- 100 BPS**
	£000	**£000**	**£000**
Investments - Pooled liquidity funds	189,099	0	0
Investments - Cash deposits	35,724	0	0
Current assets - Cash balances	6,233	0	0
Bonds	2,339	(47)	47
Total change in assets available	**233,395**	**(47)**	**47**

Income exposed	**Amount**	**Effect on income values**

to interest rate risk	receivable in year ending 31 March 2021		
		+ 100 BPS	- 100 BPS
	£000	£000	£000
Cash balances / cash and cash equivalents	116	117	115
Bonds	3,004	3,004	3,004
Total change in income receivable	**3,120**	**3,121**	**3,119**

Income exposed	Amount		Effect on income values
to interest rate risk	receivable in year ending 31 March 2020		
		+ 100 BPS	- 100 BPS
	£000	£000	£000
Cash balances / cash and cash equivalents	1,736	1,754	1,719
Bonds	4,054	4,054	4,054
Total change in income receivable	**5,790**	**5,808**	**1,719**

The analysis assumes that all variables, in particular exchange rates, remain constant, and shows the effect in the year on net assets available to pay benefits of a +/- 1% change in interest rates. The analysis demonstrates that a 1% increase in interest rates will not affect the interest received on fixed bonds but will reduce their fair value and vice-versa. Changes in interest rates do not impact on the value of cash/cash equivalent balances but they will affect the interest income received on those balances.

Currency risk

Currency risk represents the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

The Fund is exposed to currency risk on financial instruments that are denominated in any currency other than the functional currency of the fund GBP. The fund holds both monetary and non-monetary assets denominated in currencies other than GBP.

The Fund's currency rate risk is routinely monitored by the council and its investment advisors in accordance with the Fund's risk management strategy, including monitoring the range of exposure to currency fluctuations.

Currency risk - sensitivity analysis

Following analysis of historical data by the Fund's investment advisors during the financial year the fund has determined that the following likely volatility associated with foreign exchange rate movements are reasonably possible for 2021/22.

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

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

Denominated currency	Value as at 31 March 2021	Potential volatility (+/-)	Value on increase	Value on decrease
	£000		£000	£000
AUD	17,461	8.5%	18,952	15,970
CAD	0	8.0%	0	0
CHF	79	8.3%	86	73
EUR	4,684	7.4%	5,033	4,336
JPY	26	9.1%	28	24
NOK	237	12.1%	266	208
NZD	19,012	8.5%	20,636	17,388
USD	270,211	9.3%	295,449	244,973
Total	**311,710**		**340,450**	**282,972**

Denominated currency	Value as at 31 March 2020	Potential volatility (+/-)	Value on increase	Value on decrease
	£000		£000	£000
AUD	15,699	18.4%	18,588	12,811
CAD	1	14.6%	1	1
CHF	428	13.4%	485	370
EUR	8,918	12.6%	10,042	7,794
JPY	30	16.1%	35	25
NOK	196	29.3%	254	139
NZD	18,129	9.2%	19,803	16,456
SEK				
USD	519,062	14.4%	593,651	444,473
Total	**562,463**		**642,859**	**482,069**

b) Credit risk

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

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

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

The Fund believes it has managed its exposure to credit risk and has had no experience of default or uncollectable deposits over the past five financial years.

The Fund's cash holding under its treasury management arrangements at 31 March 2021 was £108.7m (31 March 2020: £231.1m). This was held with the following institutions:

	Rating	Balances as at 31 March 2020	Balances as at 31 March 2021
		£000	£000
Money Market funds			
Aviva	AAA	42,446	**17,508**
JP Morgan	AAA	67,993	**45,811**
Legal & General	AAA	36,380	**3,409**
Northern Trust	AAA	42,280	**17,321**
Bank deposit accounts			
JP Morgan	AA-	35,724	**17,149**
Bank current accounts			
Lloyds	A+	6,233	**7,493**
Total		**231,056**	**108,691**

c) Liquidity risk

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

The Fund defines liquid assets as assets that can be converted to cash within three months. Illiquid assets are those which will take longer than three months to convert to cash. As at 31 March 2021 the value of illiquid assets was £855.6m, which represented 36.4% of the total fund net assets (31 March 2020: £898m, which represented 44.1% of the total fund net assets).

Refinancing risk
The key risk is that the fund will be bound to replenish a significant proportion of its pension fund financial instruments at a time of unfavourable interest rates.

The Fund does not have any financial instruments that have a refinancing risk as part of its treasury management and investment strategies.

Longevity risk
This is the risk of higher-than-expected life expectancy trends amongst the Fund's pensioners. A longevity swap has been entered into with ReAssure to protect the Fund against costs associated with potential increases in life expectancy of the Fund's pensioners. This arrangement covers all pensions in payment as at the end of July 2009.

19 Funding arrangements

In line with the Local Government Pension Scheme Regulations 2013, the Fund's actuary undertakes a funding valuation every three years for the purpose of setting employer contribution rates for the forthcoming triennial period. The last such valuation took place as at 31 March 2019. The next valuation will take place as at 31 March 2022.

The key elements of the funding policy are:

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

The aim is to achieve 100% solvency over a period of 21 years from the valuation date and to provide stability in employer contribution rates by spreading any increases in rates over a period of time. Solvency is achieved when the funds held, plus future expected investment returns and future contributions, are sufficient to meet expected future pension benefits payable.

At the 2019 actuarial valuation, the Fund was assessed as 78% funded (73% at the March 2016 valuation). This corresponded to a deficit of £597m (2016 valuation: £597m) at that time.

At the 2019 actuarial valuation the average required employer contribution to restore the funding position to 100% over the next 21 years was 22.0% of pensionable pay.

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

Financial assumptions

Discount Rate	5.3% per annum for both unitary authorities and other employers
Pension and Deferred Pension Increases	2.6% per annum
Short term pay increases	not applicable
Long term pay increases	3.6% per annum

Mortality assumptions

Current mortality	115% (Male) / 110% (Female) of the S3PA tables
Mortality Projection	2018 CMI Model with a long-term rate of improvement of 1.25% p.a

Commutation assumption

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

20 Actuarial present value of promised retirement benefits

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

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

Calculated on an IAS19 basis, the actuarial present value of promised retirement benefits at 31 March 2021 was £5,471m (31 March 2020: £4,158m).

The net assets available to pay benefits as at 31 March 2021 was £2,390m (31 March 2020: £2,032m). The implied Fund deficit as at March 2021 was therefore £3,081m (31 March 2020: £2,126m).

As noted above, the liabilities above are calculated on an IAS 19 basis and therefore differ from the results of the 2019 triennial funding valuation (see Note 19) because IAS 19 stipulates a discount rate rather than a rate which reflects market rates.

IAS19 assumptions used

Guaranteed Minimum Pension (GMP) Equalisation

In valuing the present value of promised retirement benefits the Fund's actuary has assumed that for GMP the Fund will pay limited increases for members that have reached statutory pension age (SPA) by 6 April 2016, with the Government providing the remainder of the inflationary increase. For members that reach SPA after this date, the Fund actuary has assumed that the Fund will be required to pay the entire inflationary increase. Therefore, the Fund actuary does not believe that any adjustments are needed to the value placed on the liabilities as a result of the High Court's recent ruling on the equalisation of GMP.

21 Current assets

31 March 2020 £000		31 March 2021 £000
5,142	Contributions due	9,322
883	Sundry debtors	4,580
6,025	Debtors	13,902
6,233	Cash balances	7,493
12,258		**21,395**

Analysis of debtors

31 March 2020 £000		31 March 2021 £000
2,083	Other local authorities	9,562
3,942	Other entities & individuals	4,340
6,025		**13,902**

22 Current liabilities

31 March 2020 £000		31 March 2021 £000
(2,609)	Sundry creditors	(3,594)
(1)	Benefits payable	(186)
(2,610)		**(3,780)**

Analysis of creditors

31 March 2020 £000		31 March 2021 £000
(963)	Central government bodies	(2,047)
1,274	Other local authorities	1,530
(2,921)	Other entities & individuals	(3,263)
(2,610)		**(3,780)**

23 Additional voluntary contributions

Market value		Market value

31 March 2020 £000		31 March 2021 £000
12,766	Prudential*	12,766
5	Equitable Life	6
18	Clerical Medical	18
12,789	**Total**	**12,790**

AVC Contributions of £xxxm were paid directly to Prudential during the year (2019/20: £1.730m).
*Prudential 2020-21 figures not yet available.

24 Related party transactions

The Royal Borough of Windsor and Maidenhead
The Royal County of Berkshire Pension Fund is administered by The Royal Borough of Windsor and Maidenhead. During the reporting period, The Royal Borough of Windsor and Maidenhead incurred costs of £1.888m (2019/20: £1.754m) in relation to the administration of the fund and was subsequently reimbursed by the fund for these expenses. The council is also the 6th largest employer in the pension fund (by contributions paid) and contributed £12.2m (2019/20: £11.7m).

Governance
No members of the pension fund panel are in receipt of pension benefits from The Royal County of Berkshire Pension Fund. Each member of the pension fund panel is required to declare their interests at each meeting.

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

The key management personnel of the Fund are the Members of the Pension Fund Committee, the Director of Resources, the Head of Finance, and the interim Head of Pension Fund. Their remuneration is set out below:

2019/20 £000		2020/21 £000
0	Short-term benefits	87
0	Post-employment benefits	12
0		**99**

25 Contingent liabilities and contractual commitments
Outstanding capital commitments (investments) at 31 March 2021 totalled £349.324m (31 March 2020: £315.655m).

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

26 Contingent assets
Several admitted body employers in the Royal County of Berkshire Pension Fund hold insurance bonds to guard against the possibility of being unable to meet their pension obligations. These funds are drawn in favour of the pension fund and payment will only be triggered in the event of employer default. It is not practicable to disclose the financial effect of the contingent assets.

Annual Governance Statement 2020/21

www.rbwm.gov.uk

Royal Borough of Windsor & Maidenhead

Annual Governance Statement 2021

Scope of Responsibility

1. The Royal Borough of Windsor and Maidenhead ('the Council') is responsible for ensuring that its business is conducted in accordance with the law, proper standards and that public money is safeguarded, properly accounted for and used economically, efficiently and effectively. The Council also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

2. This statement summarises the outcome of the Council's review of the governance arrangements that have been in place during 2020/21.

3. The Council is responsible for ensuring that there is a sound system of governance which incorporates the system of internal control. The local code of governance is underpinned by the seven principles of good governance set out in the CIPFA/SOLACE publication 'Delivering Good Governance in Local Government: Framework 2016'.

4. The Local Code of Governance framework comprises a collection of systems, policies, procedures, rules, processes, behaviours and values by which the Council is controlled and governed. The Framework has been reviewed during the current financial year.

5. The effectiveness of key elements of the governance framework are assessed throughout the year by the Statutory Officer Group, Directors Team, Corporate Leadership Team (CLT), the Audit and Governance Committee, Internal Audit and other Officers and Members as required. The review of effectiveness is informed by the work of senior officers who have responsibility for the development and maintenance of the governance environment, the Head of Internal Audit's annual report, and from comments received from external auditors and other review agencies and inspectorates.

6. This Annual Governance Statement (AGS) explains how the Council has complied with its Code of Corporate Governance and also meets the requirements of regulation 6(1)(b) of the Accounts and Audit Regulations 2015.

7. This year the AGS also takes into account the guidance provided by CIPFA Bulletin 06 Application of the Good Governance Framework 2020/21 in relation to the Covid 19 pandemic.

The purpose of the governance framework

8. The governance framework comprises the systems, processes, culture and values by which the Council is managed and controlled. The framework also sets out how the Council accounts to, engages with and leads the community.

9. The governance framework enables the Council to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate and cost-effective services.

10. The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives as an individual's failure to comply with policies and procedures, even when provided with comprehensive training on them, can never be entirely eliminated.

11. The system of internal control is based on an ongoing process designed to:
    a) identify the risks to the achievement of the Council's policies, aims and objectives;
    b) evaluate the likelihood and impact of the risks should they be realised; and
    c) identify and implement measures to reduce the likelihood of the risks being realised and to manage them efficiently, effectively and economically.

The governance framework

In 2016 CIPFA/SOLACE issued revised best practice guidance for Delivering Good Governance in Local Government. The framework sets out seven principles that should underpin the governance of each Local Authority as:

A. Behaving with integrity, demonstrating a strong commitment to ethical values, and respecting the rule of law.

B. Ensuring openness and comprehensive stakeholder engagement.

C. In addition to the overarching requirements for acting in the public interest in principles A and B, achieving good governance in the public sector also requires effective arrangements for:

D. Defining outcomes in terms of sustainable economic, social, and environmental benefits.

E. Determining the interventions necessary to optimise the achievement of the intended outcomes.

F. Developing the entity's capacity, including the capability of its leadership and the individuals within it.

G. Managing risks and performance through robust internal control and strong public financial management.

H. Implementing good practices in transparency, reporting, and audit, to deliver effective accountability.

I. This has now been supplemented by work done by the Centre for Governance and Scrutiny through the "Governance Risk and Resilience Framework" 2021 which give authorities a method of strength testing their governance control environment against the CIPFA principles.

Review of effectiveness

The Council has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework, including the system of internal control.
In 2021 this review was led by the Statutory Governance Officers Group comprising the Chief Executive, Monitoring Officer, s151 Officer, Head of Legal, Head of Finance and Head of Governance, with input from other officers as relevant. The review was informed by the work of:

- The Chief Executive, Directors and Monitoring Officer (and Deputies) who have responsibility for the development and maintenance of the governance environment. This was through a process of consulting on a draft Annual Governance Statement.

- The Head of Internal Audit's annual report and opinion, and by comments made by the external auditors and other review agencies and inspectorates.

- Deloitte, the Council's external auditor.

- The Council's Section 151 Officer who has statutory responsibility for ensuring the proper management of the Council's financial affairs.

- The Council's Overview & Scrutiny Panels and Audit and Governance Committee

- The CIPFA review of Financial Governance undertaken in 2019 and early 2020, with the full report published in June 2020

- The independent Review of Pension Fund Governance, with final report published in July 2020

The Statutory Governance Officers Group meets regularly to discuss corporate governance arrangements and issues, and to reflect on recurring themes and spheres of activity relating to Council improvement. References in this document referring to the statutory officers will also include reference to the deputy positions. The Group has reviewed and updated the Local Code of Corporate Governance to ensure it reflects the 2016 CIPFA/SOLACE guidance in respect of delivering good governance. The revised document was published following review by the Corporate Overview and Scrutiny Panel on 27 May 2020.

The review this year has been undertaken in line with the Centre for Public Scrutiny's Risk and Resilience framework which is underpinned by the CIPFA Good Governance Principles resulting in the areas for action be identified in the action plan below.

Findings

The external and internal reviews identified a number of significant weaknesses and areas for improvement in the Council's governance arrangements. Many of these were identified during 2019/20 or in early 2020/21, and action plans put in place to address them. However, some required actions take time to implement and embed, and this therefore impacted the effectiveness of arrangements in place during the year. The Action Plan reflects the work required for future years.

Behaving with integrity

A. Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law

The detailed findings of this review are outlined under points below:

All Council employees and Members must conduct themselves in accordance with the terms of the Officers' Code of Conduct and Members' Code of Conduct (part 7C and 7A of the Constitution).

On joining the Council officers are provided with a contract outlining the terms and conditions of their appointment. All staff must sign a code of conduct and declare any financial interests, gifts or hospitality on a register.

All Members have attended training on the Code of Conduct. A new Code has been adopted this year by Council and training has been made compulsory.

The Member Standards Panel advises the Council on the Code of Conduct for Members and promotes high standards of conduct by Members. The Committee's terms of reference are set out in Part 6 of the Constitution. Records of the Committee's meetings and decisions are available online.

On becoming a Member of the Royal Borough, all Councillors are required to sign a declaration of acceptance of office which includes an undertaking to observe the code of conduct and the Nolan Principles.

Members are required to register details of Disclosable Pecuniary Interests and a series of interests defined by the Code of Member Conduct. Declarations are required to be completed within 28 days of becoming a Member (or being re-elected or reappointed) in the Authority's Register of Members' Interests.

Further work is now needed on further defining the different roles of Members and Officers. CLT have had recent training on political awareness and the separation on
officer/Member roles. The Member/Officer Protocol will be reviewed as part of the action plan attached to the AGS.
Members will also be asked to take part in workshops to identify any governance issues for consideration by the Statutory Officers Group.

Demonstrating strong commitment to ethical values

A new full time Monitoring Officer has been appointed to give focus around some of the conduct and ethical standards issues for the Council.

A new Code of Conduct has been developed by the LGA for adoption on a national basis. This was considered by full Council in April 2021 and a new code adopted, which was followed by additional training. Guidance and support is being provided to Members across all groups in relation to the application of the Code.
The Monitoring Officer reports annually to the Member Standards Panel on the operation of the Code of Conduct and other associated ethical issues through their annual report.

The Section 151 Officer is the Executive Director for Resources and is responsible for financial administration and financial probity and prudence in decision making and supported by the Head of Finance as the Deputy s151. Both roles are defined within Part 5B of the Constitution.

The Head of Internal Audit is responsible for providing assurance on internal controls, governance and risk management arrangements and ensuring that there are adequate mechanisms in place for the investigation and reporting of fraud.

The Council is committed to protecting any funds and property to which it has been entrusted and expects the highest standards of conduct from Members and officers regarding the administration of financial affairs. The Corporate Policy on the Prevention and Detection of Fraud and Corruption (updated Feb 2021) conforms to legislative requirements and sets out steps to minimise the risk of fraud, bribery, corruption and dishonesty and procedures for dealing with actual or expected fraud.

The Council is committed to achieving the highest possible standards of openness and accountability in all its practices. The Council's Whistleblowing Policy (updated March 2019) sets out the options and associated procedures for Council staff to raise concerns about potentially illegal, unethical or immoral practice and summarises expectations around handling the matter.

Members and officers are required to comply with approved policies.

As identified above the Member/Officer Protocol will be reviewed as part of the Action Plan attached to the AGS.

Respecting the rule of law

The Monitoring Officer is the Deputy Director, Law and Strategy and is responsible for ensuring lawfulness in decision making supported by two Deputy Monitoring Officers, the Head of Governance and the Head of Law.

All reports prepared for Cabinet require legal advice to be sought prior to their submission, and all reports to Cabinet or Cabinet Members must incorporate comments from both the Section 151 Officer and Monitoring Officer before they are submitted for consideration. The reports are also considered at a Leaders Board meeting before the public meeting.

The scheme of delegations to officers, to committees and to Cabinet members ensures that decisions are not ultra vires whilst allowing the Council to exercise its powers in a convenient way.

The Action Plan for the 2019/20 AGS identified that better guidance, controls and instructions to officers were needed to ensure that all decision making complied with the scheme of delegation in the Constitution. Guidance documentation on decision making has been revised and updated and issued to all members of the Corporate Leadership Team for wider dissemination. Training for key officers and Members on roles and responsibilities has been delivered.

Delegated decisions are recorded.

The Council seeks to comply with both the specific requirements of legislation and the general responsibilities placed on it by the common law and public law, bringing the key principles of good administrative law into processes and decision making.

In particular, the process around equality impact assessments (EQIAs) has been strengthened this year to make it more robust.
As part of regular reviews of the Council processes, this year the control environment relating to procurement will be further embedded.

B: Ensuring openness and comprehensive stakeholder engagement.

Openness

It is recognised that people need information about the decisions the Council has taken into account that impact the services they provide. The views of customers are at the heart of the Council's service delivery arrangements. The Council uses a number of methods to communicate the Council's objectives and achievements to local people, including:

- 'Around the Royal Borough' – a newsletter sent to all residents and weekly online residents Newsletter and other service specific newsletters.
- The Council Website
- Social Media including Facebook and Twitter
- The annual online Council Tax leaflet
- E newsletter to parishes

The RBWM website is accessible to a wide audience, with relevant and regularly updated news articles online.

The council also has a number of user forums, including the Learning Disability Partnership Board, and the Children in Care Council, which it uses to engage with people it supports, residents, businesses and other stakeholders to enable them to inform the development and delivery of council services.

Copies of the agendas, documents, minutes and decisions of all Committees, Cabinet and Council are available promptly online and an interactive online calendar of future meetings enables public attendance where appropriate.

All public meetings during the pandemic have been live streamed via the Council's e-democracy channel on YouTube. This has ensured more transparent decision making.

The Council has a dedicated webpage for consultations where details of current consultations can be located and is seeking to support wider consultation through the use of a dedicated engagement platform, Engagement HQ.

The Council operates a clear and transparent policy and procedure for dealing with complaints about the Council's services and reports on complaints received and lessons learnt.
RBWM publishes data under the Government's Transparency Code including Council spending, Council contracts and senior salaries.

The Council's Publication scheme details the different classes of information which RBWM routinely makes available and the Freedom of Information webpage provides guidance for the public about what information is available to them and how they can access it, including via Freedom of Information (FOI), Environmental Information and Subject Access Requests. RBWM publishes all responses to FOI requests.

RBWM’s commitment to transparency, as detailed above, enables the public to assess this and they can then use the complaints policy and the consultation process to feed back their views.

The Corporate Plan, developed with partners, outlines how RBWM commits to work in the public interest. This takes an evidence-based approach and is in the consultation draft stage at the moment.

A new Engagement Strategy is in the process of development to further underline the Council’s commitment to meaningful engagement with residents and communities.

Engaging comprehensively with institutional stakeholders

Partnerships are about the Council coming together with the right organisations to deliver improved outcomes for local people. The Council is involved in many different partnerships at different levels, each with their own set of terms of reference for effective joint working which is set out in the Council’s Partnership Protocol. The Communications Strategy 2019/20 outlines how RBWM communicates with all sections of the community, employees and stakeholders.

RBWM proactively engages with the community in order to seek out their views, actively listen to them and support them to respond. There are a range of ways in which people can be involved in shaping decisions. These are inclusive and meet individual needs. RBWM also supports a number of groups to provide views to the Council including a Youth Council and the Disability and Inclusion Forum.

A consultation framework has been developed so that there is a consistency of approach across all of RBWM.

A group of officers hold an oversight role for all consultations that RBWM is currently undertaking or planning to undertake. This seeks to ensure that the Consultation that is presented to the public engages with the target communities and seeks a full set of responses which can be used to inform the Council’s decision making. The consultation portal ‘Engagement HQ” is used by RBWM for both public and internal consultations.

There is a list of open and closed consultations available on the website and purpose of each consultation is described so it is possible to take part in those that are open.

This includes statutory consultations, surveys which can be completed online or paper questionnaires plus telephone and accessible format options, focus groups, face to face interviews, workshops and consultation/discussion events.

A budget consultation was undertaken during December 2020 and January 2021, for 6 weeks. It was open to the public and promoted through social media, print media, business, voluntary and charity sector networks.

Key stakeholders are being consulted on the emerging Corporate Plan.

All communications are branded to ensure that they are easily recognised, and the information can be translated into different languages and alternative formats as required.

The constitution allows public speaking at Cabinet and other committees, and for public questions to be heard at Full Council.

The pandemic has encouraged the public to attend meetings on line in increasing numbers. These can also be viewed on demand through the council’s e democracy channel on YouTube. Work is being undertaken to capture the benefits from this and to make Council meetings more easily accessible.

The Petitions Scheme is available online.

C. Defining outcomes in terms of sustainable economic, social, and environmental benefits

In response to the developing pandemic, the Council reviewed its existing strategic framework and established a number of Interim Strategic Objectives to cover the period 2020-21 including several Interim Focus Objectives as follows;

- Service Stand Up Plans (business continuity)
- Revised Service Operating Plans
- Transformation Plan
- Climate Strategy
- Governance
- People Plan – Values, Leadership, Black Lives Matter

A new Corporate Plan is in the process of development and currently at consultation stage. This will align with the budget process through into autumn 2021.

Defining outcomes

The development of the new Corporate Plan will help the Council define outcomes from its priorities clearly using the OGSM (outcomes, goals, strategies, measures) methodology.

This will be supported by the development of a new performance management system that will be able to track progress towards those outcomes. This will be underpinned by better data management through InPhase (the Council's performance management software) giving officers and Members better information to track and challenge performance.

Sustainable economic, social and environmental benefits

The Council approved a four year plan in July 2017 through to March 2021, which informs individual area service plans. Together these documents help the Council focus on its six strategic objectives:

- Healthy, skilled and independent residents
- Safe and vibrant communities
- An excellent customer experience
- Growing economy, affordable housing
- Attractive and well-connected borough

A new Corporate Plan is being developed based on a data driven approach to policy making including engagement with our communities and partners. This is currently at the engagement stage with adoption of the new plan intended to be in the autumn.

It will comprise a set of ambitions which can only be delivered through effective, joined-up partnership working and RBWM is clear that 'whole system thinking' is the key to improving public services, reducing costs to taxpayers and getting the best outcomes for residents.

D. Determining the interventions necessary to optimise the achievement of the intended outcomes

Determining interventions

Business Continuity training and workshops took place between September – December 2019. Each service has completed a business impact assessment and rated the priority of their services that were required to keep functioning, dependent on timing and what the 'event' is.

Wider governance issues are being addressed through the implementation of a "corporate core" model and this has been resourced in the 21/22 budget to give more resource to the strategic planning of the council in particular, which will support better decision making and planning.

This is being implemented through the development of the new corporate plan, the emerging priorities of which are based upon a data driven approach, and wide community and stakeholder engagement.

The Strategy and Performance Team provides RBWM with the evidence it needs to inform decisions affecting commissioning and operational service delivery, such as population analysis, demand forecasting and needs assessments, as well as enabling the organisation to manage performance, engage with citizens and service users and maintain key business intelligence systems.

As identified above, the implementation of a new performance management system will enhance this aspect of the governance framework.

Planning interventions

Article 12 of the Constitution defines the responsibilities for decision making and the principles in accordance with which decisions must be made.

All reports are reviewed and signed off by the S151 Officer and the Monitoring Officer to ensure the financial impact of any decision is properly recognised before that decision is taken, and the Council's decisions are lawful.

All agendas, minutes and decisions taken by Cabinet members are available to the public through RBWM's website.

The online committee management system which ensures easily accessible and good quality information is always available about decisions and Member meetings, this also ensures that the committee process is efficiently managed.

Reports to Cabinet are considered at a Leaders Board before the formal Cabinet meeting. This allows members of the Cabinet and the senior officers to review the quality of reports and ensure they are easy for the public to understand before they are formally submitted to a Cabinet meeting.

The Overview and Scrutiny Panels play a key role to inform and challenge decisions carried out within each service. Each Overview and Scrutiny Panel has its own terms of reference and these are set out in the Constitution.

Scrutiny members were trained this year on good scrutiny practice.

All relevant papers can be found on RBWM's Committee Management Information System (ModGov).

RBWM intranet pages provide officers and councillors with access to information about decision making.

Reports require an Equality Impact Assessment to be completed and, where appropriate, a Data Protection Impact Assessment.

Optimising achievement of intended outcomes

The Council's performance management framework has 42 different measures aligned to the strategic objectives in the Council Plan 2017-21, 22 of which are key measures reported to Cabinet bi-annually. The Overview and Scrutiny Panels have oversight of the relevant key measures reported to Cabinet as well as a range of other performance measures relating to the Council's strategic priorities.

The Performance Report is reviewed by The Corporate Leadership Team (CLT) on a quarterly basis.

Following the adoption of the new Corporate Plan, the new performance management framework will be introduced so that outcomes can be better tracked.

Scrutiny plays a key role in ensuring quality is delivered, providing an independent and robust challenge to delivery of RBWM's objectives and holding Cabinet to account for delivery. Further work will be undertaken with Scrutiny as identified in the action plan to enhance this element of the governance environment.

RBWM has a comprehensive set of procurement rules to ensure value for money and good procurement practices, which are due for review as part of the Action Plan.

E. Developing the entity's capacity, including the capability of its leadership and the individuals within it

Developing the entity's capacity

RBWM operates a robust interview and selection process to ensure that Officers are only appointed if they have the right levels of skills and experience to effectively fulfil their role. If working with children and/or vulnerable adults they will be subject to an enhanced Disclosure and Barring Service (DBS) check prior to appointment. New officers must attend an induction meeting, which provides information about how the organisation works and managers must complete an induction checklist.

All Officers complete a number of mandatory e-learning courses on an annual basis including health and safety, equalities and diversity and information governance. Officers and Members have access to a range of IT, technical, soft skills and job specific training courses.

Employees' annual training and development needs are identified through the performance management process. In addition to a comprehensive induction programme, there are a number of internal training courses available to employees, covering a wide range of topics and issues. Each service area completes and annual Training Needs Analysis to identify individual officer development.

All Officers receive regular one to ones with their Manager in order to monitor workload and performance. Opportunities are provided for identifying future training and development needs, and to track progress against objectives. The effectiveness of individual performance monitoring is tracked in a number of ways, including by asking staff about it as part of regular staff satisfaction surveys.

RBWM has developed an online 'Members' Hub' which is a dedicated area containing documents, news, training and forms. The hub can be accessed from Members' corporate iPads.

A new People Strategy is currently under development and identified in the Action Plan.

A LGA Peer Review is being planned for the Spring 2022.

Developing the capability of the entity's leadership and other individuals

The law and Constitution clearly define the responsibilities of key Member and officer roles.

Part 3 of the Constitution sets out how powers delegated to Cabinet Members and Officers. Chief Officers are in turn responsible for authorising delegations to their officers. All delegations are updated when roles or structures change.

The protocol on Member/officer relations contained within Part 7 of the Constitution further defines the day-to-day roles and responsibilities of officers and Members. Following elections in May 2019 all Members were offered a comprehensive Induction and there are regular briefing and development sessions throughout their term of office.

Newly elected Councillors induction includes information on roles and responsibilities, political management and decision-making, financial management and processes, health and safety, information governance, data protection, the Members' Code of Conduct and safeguarding.

Compulsory training is provided for Members who sit on the Licensing Panel, Appeals Panel and the Development Management Committees. The Council has developed an online 'Members' Hub' which is a dedicated area containing documents, news, training and forms. The hub can be accessed from Members' corporate iPads.

A new management structure has been in place since 1st October 2019, which provided stability after the restructure of 2018 was not completed. This reflects the "investing in strong foundations" approaching the Values work that the Council has done. This management structure has added some additional capacity to the organisation at Director level but should not be seen as resolving the governance issues in full.

A review of the pension fund structure was undertaken in 2020 following an adverse ISA260 report being issued in December 2019 and a subsequent independent review of Pension Fund governance. The independent review was used to inform a wider restructure of the governance of the Pension Fund and in October 2020 the Berkshire Pension Fund Advisory Panel agreed to the appointment of a permanent Head of Pension Fund who will be responsible for all aspects of Pension Fund management.

F. Managing risks and performance through robust internal control and strong public financial management

Managing risk

The Council has Finance Procedure Rules which are updated on a rolling basis. They set the framework on how the Council manages its financial arrangements and form part of the Council's Constitution. They also set the financial standards that will ensure consistency of approach and the controls needed to minimise risks.

It is available to staff with accompanying guidance and these are reviewed at least annually to ensure they remain fit for purpose.

RBWM has a corporate risk management system that records both strategic and service risks and the assigned owners. A Strategic Risk Report is formally considered on a quarterly basis by the Directors Team where they consider current and emerging risks.

Risks are identified within any reports submitted for decision making.

RBWM has an adopted Risk Management Strategy and this is regularly reviewed and refreshed and considered at Audit and Governance Committee.

The risk management framework will be reviewed this year as part of the Action Plan.

Managing performance

The Council's performance management framework has 42 different measures aligned to the strategic objectives in the Council Plan 2017-21, 22 of which are key measures reported to Cabinet bi-annually. The Overview and Scrutiny Panels have oversight of the relevant key measures reported to Cabinet as well as a range of other performance measures relating to the Council's strategic priorities.

As part of the development of the Corporate Plan a new performance management framework will be developed to link our new outcome based approach to tracking performance and delivery more closely.

Robust internal control

The Council has Finance Procedure Rules which are updated on a rolling basis. They set the framework on how the Council manages its financial arrangements and form part of the Council's Constitution. They also set the financial standards that will ensure consistency of approach and the controls needed to minimise risks.

Work has been undertaken this year in the way which contracts are procured and then managed. Further work is recommended this year on the Procurement Toolkit with officers to embed good practice.

A review of the Property Company governance has been undertaken (supported by the Statutory Governance Officer Group) and reported on to Members. This has resulted in an Action Plan, to be monitored by Corporate Overview and Scrutiny Panel. This is included in the AGS Action Plan as a governance issue for completeness rather than detailed monitoring.

A review of the pension fund structure was undertaken in 2020 following an adverse ISA260 report being issued in December 2019 and a subsequent independent review of Pension Fund governance. Subsequent to thee review the Pension Fund Governance arrangements were re-structured.

Managing data

RBWM's Publication scheme details the different classes of information which RBWM routinely makes available and the 'Transparency' webpage which provides guidance for the public about what information is available to them and how they can access it, The Council also has a webpage for Freedom of Information (FOI), Environmental Information and Subject Access Requests. We also publish all responses to FOI requests.

The Council has appointed a SIRO (Head of HR, Corporate Projects and IT) to manage information risks and the Council is working towards PSN compliance.

In relation to GDPR, link officers identified for each service area have been provided with ongoing support to ensure all documents including service area Information Asset Registers (IAR) and Registers of Processing Activity (RoPA) are regularly reviewed, monitored and kept up to date.

Strong public financial management

Financial management arrangements conform with the governance requirements of the CIPFA Statement on the Role of the Chief Financial Officer in Local Government (April 2016). The Chief Financial Officer is the Executive Director for Resources and is supported by the Deputy S151 Officer (Head of Finance)

The s151 Officer is responsible for leading the promotion and delivery of good financial management so that public money is safeguarded at all times, ensuring that budgets are agreed in advance and are robust, that value for money is provided by council services, and that the finance function is fit for purpose. The s151 Officer advises on financial matters to both the Cabinet and full Council and should be actively involved in ensuring that the authority's strategic objectives are delivered sustainably in line with long term financial goals. The s151 Officer together with finance staff should ensure that new policies or service proposals are accompanied by a full financial appraisal which is properly costed, fully funded and identifies the key assumptions and financial risks that face the Council.

The s151 Officer has a statutory duty to report any unlawful financial activity or failure to set or maintain a balanced budget. The s151 Officer also has a number of statutory powers in order to allow this role to be carried out: e.g. Under Section 25 of the Local Government Act 2003 the S151 officer is required to state in the budget report their view on the robustness of estimates for the coming year, the medium-term financial strategy, and the adequacy of proposed reserves and balances. Under Section 114 of the Local Government Finance Act 1988 the chief financial officer has the power to issue a Section 114 notice (S114) if they judge that the council is unable to set or achieve a balanced budget.

The Council has Financial Regulations which provide a framework to identify financial responsibilities and the financial limits assigned to individual Officers. These also outline the responsibilities in relation to partnerships and commissioning arrangements. The Financial Regulations are kept under regular review.

Training for all budget holders on financial processes of compliance for approving spend and monitoring have been held; further training will be provided throughout the financial year on relevant topics to ensure that financial best practice is core to the way the organisation operates.

A new officer Capital Review Board was introduced during 2020/21 to provide more oversight and challenge around the capital programme as well as consider the council's capital strategy.

The Council was in the process of implementing the principles of CIPFA Financial Management Code 2019 (FM Code) during 2020/21.

G. Implementing good practices in transparency, reporting, and audit to deliver effective accountability

Implementing good practice in transparency

The Council and its decisions are open and accessible to the community, service users, partners and its staff. The Freedom of Information Act 2000 and the Environmental Information Regulations 2004 gives anyone the right to ask for any information held by the Council except where an exemption or exception can be lawfully applied to such information.
All reports requiring a decision must be considered by appropriately qualified legal and finance staff with expertise in the particular function area before they are progressed to the relevant committee/forum. The Council is committed to its equality responsibilities. To meet these responsibilities, equality impact assessments are undertaken where appropriate. EQIAs are a systematic way of taking equal opportunities into consideration when making a decision, and should be conducted when there is a new or reviewed strategy, policy, plan, project, service or procedure in order to determine whether there will likely be a detrimental and/or disproportionate impact on particular groups, including those within the workforce and customer/public groups.

The Action Plan for the 2019/20 AGS identified that better guidance, controls and instructions to officers were needed to ensure that all decision making complied with the scheme of delegation in the Constitution.
Guidance documentation on decision making has been revised and updated and issued to all members of the Corporate Leadership Team for wider dissemination.

Following the issuing of updated guidance on decision making to all relevant officers and a joint Member/CLT workshop on officer/Member roles and responsibilities, there has been a clear improvement in the application of governance procedures.

This has included regular review of the Forward Plan, ensuring sign-off of reports by statutory officers and an increased use of officer decision forms. Ongoing Member peer support via the LGA has also been provided to political groups.

Implementing good practices in reporting

All reports are checked by the statutory officers or their staff prior to submission and seen by Directors Team. Reports are on a standard template. Delegated decisions are recorded with reasons.

The Forward Plan is available on the website.
Oversight is provided through the Overview and Scrutiny Panels.

Assurance and effective accountability

RBWM's values focus on accountability and the work leading to the development of those values has been important in driving forward the culture of the Council in the past year. For the forthcoming year we need to do more work in embedding those values and this is reflected in the Action Plan.

The Local Government Act 2000 requires a local authority acting under Executive arrangements to have one or more Overview and Scrutiny Panels. The Council operates four Overview and Scrutiny Panels. These panels support the work of the Cabinet and the Council as a whole. They may make reports and recommendations which advise the Cabinet and the Council as a whole on its policies, budget and service delivery.

The Overview and Scrutiny Panels also monitor the decisions of the Cabinet. They can 'call-in' a decision which has been made by the Cabinet but not yet implemented. This enables the Panel to consider whether the decision is appropriate. It may recommend that the Cabinet reconsider the decision. The Panels may also be consulted by the Cabinet or the Council on forthcoming decisions and the development of policy. Details of the Council's Overview and Scrutiny Panels can be located here.

Induction, training and support is provided to individual Members and whole committees to support them in their policy development and holding-to-account roles.

In 2020/21 scrutiny in RBWM was supported by officers within Democratic Services and the Democratic Services Team Manager is the Statutory Scrutiny Officer. Work will be undertaken as part of the AGS Action Plan to develop the role of other officers in the Council to support Overview and Scrutiny more effectively.

The Head of Finance, Executive Director of Resources and Internal Audit meet with the external auditors on a regular basis to discuss audit activity and ensure that appropriate support is being provided.
The Audit and Governance Committee has undertaken the key functions required of it by Chartered Institute of Public Finance's (CIPFA) guidance on the role of audit committees.

The Audit and Governance Committee role and purpose is set out in Articles of the constitution.

The Committee has a close working relationship with the internal and external auditors.

In July 2020, the Overview and Scrutiny Committee approved RBWM's 2019/20 Statement of Accounts and it approved the Internal Audit Plan which is regularly reported to Committee.

The Committee met 4 times during the 2020/21 financial year, in public.

Their work has included receiving internal audit and counter fraud progress reports, including detail of all limited assurance reviews and the extent to which remedial recommendations have been implemented.

Head of Internal Audit Opinion

The Head of Internal Audit's overall audit opinion on the internal control environment (framework of governance, risk management and internal control) is one of adequate assurance.

The Head of Assurance Annual Report provides a summary of the activity used to support this opinion and concludes 'this adequate assurance opinion demonstrates that the control environment has remained relatively stable during 20120/21, with a similar percentage of limited and no assurance opinions compared to the prior year'.

External Audit

The External Auditors qualified their conclusion on the Council's arrangements to secure economy, efficiency and effectiveness in the use of resources (Value for Money) in their 2019/20 audit opinion. Their findings on arrangements for 2019/20 were reported to the Audit and Governance Committee in May 2021.

New requirements for the work of external auditors were introduced for 2020/21. The External Auditors concluded that during the year ended 31 March 2021, there continued to be significant weaknesses in Value for Money arrangements in respect of arrangements for reliable and timely financial reporting and maintaining a sound system of internal control, and governance arrangements in particular in respect of informed decision making and risk management. Their findings and recommendations were reported to the Audit and Governance Committee in November 2023, and will be included in their Auditor's Annual Report.

Subject	Action (s)	Responsible Officer	Target completion date
A. Behaving with integrity, demonstrating a strong commitment to ethical values, and respecting the rule of law.	1. Member training on the new Code of Conduct. 2. Development of a Overview and Scrutiny Development Plan based of the CfGPS resilience framework to include work with the Audit and Governance Committee, Corporate Overview and Scrutiny Panel and Member Standards Panel . 3. Review of Member/Officer Protocol 4. Launch of Procurement Toolkit	Deputy Director of Governance, Law and Strategy/Monitoring Officer (A1,2 &3) Head of Law (A4)	July 2021 (A1) October 2021 (A2) October 2021 (A0) October 2021 (A1)
B. Ensuring openness and comprehensive stakeholder engagement	1. Embedding of the new consultation framework 2. Adoption of a new Engagement Strategy	Deputy Director of Governance, Law and Strategy/Monitoring Officer (B1&2)	September 2021 (B1&2)
C. Defining outcomes in terms of sustainable economic, social, and environmental benefits.	1. Adoption of new corporate plan based on OGGS model 2. Implement InPhase system	Deputy Director of Governance, Law and Strategy/Monitoring Officer (C1&2)	Nov 2021 (C1/C2)
D. Determining the interventions necessary to optimise the achievement of the intended outcomes.	1. Adoption of new corporate plan 2. Adoption of a new performance management framework	Deputy Director of Governance, Law and Strategy/Monitoring Officer (D1&2)	Nov 2021 (D1/D2)
E. Developing the entity's capacity, including the capability of its leadership and the individuals within it.	1. Adoption of People strategy 2. Consideration of leadership development for all officers in a leadership role 3. Development of a Overview and Scrutiny Development Plan based of the CfGPS resilience	Head of HR, Corporate Projects and IT (E1&2) Head of Governance (E3&4) Scrutiny Officer (E4)	Nov 2021 (E1&2) Oct 2021 (E3&4)
F. Managing risks and performance through robust internal control and strong public financial management.	1. Development of a new performance management framework 2. Review of Risk Management 3. Council's Governance of the Property Company Action Plan	Deputy Director of Governance, Law and Strategy/Monitoring Officer (F1) Head of Finance (F2) Deputy Director	Nov 2021 (F1) Feb 2022(F2) April 2022 (F3)

G. Implementing good practices in transparency, reporting, and audit, to deliver effective accountability.	1. Further training for O&S panels on questioning techniques and scrutiny work 2. CfGS resilience framework workshops for Audit and Governance Committee, Corporate Overview and Scrutiny Panel and Member Standards	Head of Governance (G1) Deputy Director of Governance, Law and Strategy/Monitoring Officer (G2)	Oct 2021 (G1) Nov 2021 (G2)

CONCLUSION

The Council recognises that there were weaknesses in governance arrangements, which have been highlighted through external and internal reviews. Although in the past year we have strengthened our governance foundations and culture to help us make better decisions for our communities and whilst we have made considerable steps forward, we know that there is work yet to do.

The Council has many elements of a good governance system in place. It is important that over the coming years efforts are made to further develop the culture of the organisation to operate these systems consistently.

The Action Plan will help us address those areas that will support our new culture to embed the key principles of good governance at the heart of our organisations making it more accountable.

We propose over the coming year to take steps to address the above matters to further enhance our governance arrangements, including an LGA Peer Review. We are satisfied that these steps will address the need for proper governance arrangements to be in place. We will undertake ongoing monitoring of the implementation of any improvements that were identified in our review of effectiveness and as part of our next annual review.

Cllr C Bateson Chairman, Audit and Governance Committee	Signed: Date:
Duncan Sharkey Chief Executive	Signed: Date:
Cllr Andrew Johnson Leader of the Council	Signed: Date

Independent Auditor's Report

The auditor's report will be added on closure of the audit

GLOSSARY OF TERMS

For the purposes of the Financial Statements, 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 of services.

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

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

Classes of Tangible Assets
Operational Assets:
Investment property, Assets under construction and Surplus assets for disposal
Infrastructure Assets; Community Assets

Non-Operational Assets:
Council Dwellings, Other land and building, Vehicles, plant, furniture, and equipment

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.

Covid-19
Coronavirus disease. The global pandemic first identified in China in 2019.

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.

DLUHC
Department for Levelling up, Homes and Communities

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 financial statements 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 "arm’s 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.

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.

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.

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 arm’s 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

Net Realisable Value

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 taxpayers to fund another, non-tax collecting authority's expenditure. Precepts are issued by Parish Councils and the local police authority.

Prior Period Adjustments
Those material adjustments which apply to previous years, which have arisen from changes in accounting policies or from the correction of fundamental errors. Such errors would destroy the validity of the financial statements. They do not include normal recurring corrections or adjustments of accounting estimates made in prior years.

Prudence
The concept that revenue is not anticipated but is recognised only when realised in the form of either cash or of other assets whose realisation can be assessed with reasonable certainty.

Related Parties
Parties are related when one party has direct or indirect control or influence over the financial and/ or operational activities of the other. Examples include government departments, local authorities, members, and chief officers.

Related Party Transaction
A related party transaction is the transfer of asset or liability or performance of service by, to or for a related party.

Remuneration
Sums (including expenses allowances and non-cash benefits subject to UK income tax) paid to or receivable by employees. They exclude employee and employer pensions contributions.

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

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

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

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

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

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

Tangible Property, plant & equipment
Tangible assets that yield benefits to the local authority and the services it provides for a period 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.

Management response to Control Observations – 2020/21 accounts

Control area		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: • The non-receipt of a completed CIPFA disclosure checklist accompanying the financial statements subject to audit; • Material misstatements in the underlying accounting for transactions; • Inconsistencies between notes in the financial statements; • 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	**Management response** The Borough has put in place a new team and a new methodology for the production of its financial statements. The model that has been developed draws directly on the Trial Balance drawn directly from the financial information system. The format of the statements and notes drawn from the trial balance can be flexed to meet any changes in reporting requirements specified in the CIPFA Code. As part of the development of the model attention has been paid to: • Linking the format of the model to the requirements set out in the Disclosure checklist • Understanding the requirements of the Code and the impact of activity entered into by the Borough • Self-checking within the model to ensure consistency throughout the accounts • The primary statements being drawn from the notes • Use of excel to ensure that tables are correct The Borough has implemented improvements through the production of the 2021/22 and 2022/23 financial statements which include ensuring: • The financial accounts model can be flexed to meet the new code requirements. • The preparation of papers to support material accounting transactions and judgements for consideration by senior management and external auditors • Recording of activity within the financial statements on the disclosure checklist • Validations built into the financial statements model to ensure consistency of reporting • That the checks are made on the statements and supporting papers so that they are ready for external audit at the start

Control area		Current year update
	• documented and reviewed internal tie back and referencing of the draft financial statements to supporting working papers.	• That working papers are tied into the trial balance and financial statements, evidenced and reviewed to ensure that the information is clear and understandable **Conclusion: Ongoing**
Maintenance of debtors listing (Council Tax and business rates)	Management is not able to produce council tax and Business rates receivables listing as at 31 March 2021. The main reason is that the system is a live system, and these reports were not run at year-end date. This therefore limits the ability of management to perform assessments of these listings and perform reviews which presents a significant control weakness and may impact our audit opinion. We recommend that a process is put in place to allow the retrospective running of these reports, and that copies are retained for all year-end positions.	The report on council tax receivables was run for 2020/21 and provided to audit satisfaction. Also, the reports for the financial years 2021/22 and 2022/23 have been run successfully for council tax and available for future audits. The revenues team exhausted all available means to run business rates reports retrospectively, however, it was not possible to provide the position at that time as the feeder system is live and continually updated as accounts are raised, and payments made. The council will make sure that the business rates reports are scheduled and run on 31/03/2024 for financial year 2023/24 audit. **Conclusion: On-going**
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 in 2018/19, 2019/20 and 2020/21.	**Management response** The Finance team has been changed since the completion and publication of the draft 2020/21 financial statements and the commencement of initial audit post draft submission. The new finance team possesses a broader skill set and experience to prepare accounts to the enhanced standards and audit expectations. The process of the production of the financial statements has been reviewed and a new year-end closedown model for the Statement of Accounts has been set-up with an emphasis on producing and linking major statements and the majority of the key notes to the trial balance for better audit trail. The new model is designed in such a way that it will enable direct population of major/key notes from the trial balance using automated reports from FMS. Also, checks have been built in to make sure accounts and movements to balance sheet codes are balanced and tie back to sub notes. The 2021/22 and 2022/23 accounts have been produced using the new model with the automation of majority of notes. Training sessions have been and will continue to be provided to the finance team to refresh and update skills. The sessions will cover a number of topics but will include expectations on working papers and

Control area		Current year update
	We recommend that the Council considers whether there are year-end processes which can be streamlined or pulled forward to earlier in the year.	documentation that is expected to be provided and reviewed as part of the production of the financial statements. A wash up session of the 2020/21 accounts will be undertaken with external auditors so that lessons can be learned from the audit and fed into future years' accounts production and fed back to finance teams so that lessons learned can be shared. **Conclusion: Ongoing**
Capacity and capability in the finance function and other functions to support the financial reporting and close process	The Council should undertake a detailed review of the capability and capacity in the finance function, including the capability and capacity to deliver a high quality statement of accounts and supporting work papers before the deadline for the audit, and sufficient capacity and capability to respond to audit queries during the audit period. This should include training of finance function and other functions that input to the financial reporting process on the adequacy of information prepared and retained to support the accounting entries, a detailed review of the control framework for financial reporting which includes implementation of internal and external recommendations, and review and implementation of improved quality control arrangements over the preparation of the statement of accounts and supporting work papers;	The Council has lost a number of staff from the time of the production of the 2020/21 draft financial statements and has had to backfill with interim staff to provide capacity within the team. The Council is in the process of filling vacancies within the finance team to establishment levels. The recruitment process will be focussed on the capability of candidates to meet role criteria. The process of the production of the financial statements has been reviewed and a new year-end closedown model for the Statement of Accounts has been developed with an emphasis on producing and linking major statements and the majority of the key notes to the trial balance to provide a more automated approach to the production of the statements and also to provide a clearer audit trail. Emphasis has been put on production of quality working papers, their review by senior finance staff and approval before being processed in the financial management system. Training sessions have been and will continue to be provided to the finance team to refresh and update skills. The sessions will cover a number of topics but will include expectations on working papers and documentation that is expected to be provided and reviewed as part of the production of the financial statements. **Conclusion: Ongoing**
Missing interest disclosure forms	In order to prepare related party disclosures and as part of controls of conflicts of interest, the Council obtains signed interest disclosure forms from “key management personnel” (which includes councillors).	**Management Response** Of the two missing interest disclosures, one was subsequently provided. With regards to the other, the staff member left the council

Control area		Current year update
	Management was unable to provide the disclosure form for two key management personnel, which is contrary to RBWM policies, and limits the evidence available to support completeness and accuracy of the related party disclosures. We recommend that Management should put in place measures to ensure all the interest disclosure forms from the key management personnel are completed and these should remain up to date	on 20 November 2022 and it has not been possible to get a disclosure completed retrospectively. The council has put in place measures to make sure that the returns are completed by "key management personnel" where the senior managers are required to complete their returns. **Conclusion: Closed**
Journal Controls	During our testing of the design and implementation of controls relating to management override and specifically relating to review of journals, we noted there is no audit trail to evidence the review of the control where each month a report of the journals posted to each general ledger code area is run and passed to the responsible officer for review. We recommend that management should keep records for the review of the journals.	**Management Response:** The Council has automated workflow process, and the majority of journals can be processed through Agresso using the automated workflow process. When a finance officer enters a journal, it is routed via predefined distribution rules to the relevant finance line manager. Backup documentation is also added which is reviewed at the point of authorisation. The automated system process then posts any approved journals to the general ledger in the current period. **Retrospective Approval of Journals** Certain types of journal (non JL transactions) cannot be routed through the system workflow process. These journals are downloaded each month and manually reviewed and signed off by the relevant finance officer (Senior Finance Business Partner/Chief Accountant/Finance Business Partner). The data files and sign off confirmations are electronically stored for future reference. **Conclusion: Closed**
Review of completeness of Investment properties valued by Valuers	During the audit we noted that there was no control in place to check the completeness of Investment properties in the valuation report. We recommend introducing controls over review of completeness of information provided to the valuer and also to reconcile the 3rd party valuation back to the fixed asset register, as key controls to address risks of errors and omissions in accounting for a significant accounting estimate.	The Borough is reviewing its processes for management of all property transactions within its Fixed Asset Register, TechForge. This will include reviewing the information provided to and received from the external valuers. Protocols will be put in place to ensure that the system use is maximised. The Borough will also be undertaking training on the use of TechForge to ensure that there is a wider understanding of how to

Control area		Current year update
		maintain records and to improve the understanding of accounting for non-current assets. **Conclusion: Ongoing**
Trial balance and financial statements preparation	The Council's financial statement preparation and underlying ledger and related mappings do not provide a robust audit trail to map balances to the financial statements and track adjustments, with changes hard coded in the excel accounts draft. We recommend the following: • revisiting the underlying general ledger structure to provide clear support and mapping to the principal financial statement line items; • preparing a clear consolidation schedule to support group numbers; and maintaining a clear extended trial balance with documented rationale for adjustments made between versions of accounts (and whether updated in ledger).	The process of the production of the financial statements has been reviewed and a new year-end closedown model for the Statement of Accounts has been set-up with an emphasis on producing and linking major statements and the majority of the key notes to the trial balance for better audit trail. The new model is designed in such a way that would enable direct population of major/key notes from the trial balance using automated reports from FMS or provides a control total that would be provided from alternative systems, e.g. Tech Forge. Also, checks built in to make sure accounts and movements to balance sheet codes are balanced and tie back to sub notes. The 2021/22 and 2022/23 accounts have been produced using the new model with the automation of majority of notes. The coding structure has been reviewed and new codes created to ensure greater granularity of items that form the statement of accounts. The coding structure will continue to be reviewed and training will be given to the finance team on the accounting processes to be followed to ensure smoother statutory reporting. **Conclusion: Ongoing**
No audit trail of detailed review of the revaluation journal posting	Although there is evidence of reviewer sign-off on the revaluation journal, in testing the implementation of this control we were not able to obtain evidence of the detailed review of the journal and its underlying support, including checking back to the valuer's report of the figures included in the journal. We recommend that evidence of review and challenge should be maintained as part of the audit trail for the review process. Although we understand management have planned responses to this for the 2022/23 financial statements, this was not addressed for 2020/21.	**Management Response** As part of the improvements on the use of the Borough's Fixed Asset Register, TechForge, there will be a greater use of the reports from within the system to provide a check against the valuation reports and to support revaluation journals. **Conclusion: Ongoing**
Review of property valuation reports	The valuation of properties is dependent on officers' assumptions (or input from officers in forming assumptions) including the location and functional obsolescence of the	**Management Response:** The Borough will review its current processes for supporting property valuations, both in providing information to the valuers and then

Control area		Current year update
	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. There was no evidence of a documented review control by officers over the valuation report received from KCC. 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.	reviewing the output of the valuation report. As part of the improvements in the use of the Borough's Fixed Asset Register, a review of the valuation process will be undertaken in light of the external audit recommendations. **Conclusion: Ongoing**
Review of capital spending classification	The control over capital spending classification requires review of each invoice, and where there is a question over whether a particular invoice is capital or revenue this is raised through the ranks of seniority (where appropriate training has been delivered). However, the limit of the control is that the check centres on whether a given spend amount is within a budget or not (with budgets already having been pre-approved).This control would capture extra budgetary spend on a project but does not address the risk that items are inappropriately treated as capital when not meeting the requirements of IAS 16. We further identified that in the review of Capital Additions by Budget Steering Group meeting and approval by Cabinet control, there is no sufficiently detailed control at the budget approval stage to address the risk of classification. There is not a documented control which demonstrates a challenge on the capital or revenue classification of items. The meetings consider the value and worth of a project from a budget/spend perspective i.e. "is this work necessary and worthwhile" but do not challenge on whether it is revenue or capital. We recommend putting in place explicit consideration and documentation of the accounting treatment of expenditure, supported where needed by reference to the requirements of	**Management response** As part of the financial monitoring of capital projects, a review of expenditure incurred is undertaken to determine whether it meets the criteria for classification as capital. Where expenditure against capital codes is identified as being revenue in nature then it is transferred to the relevant revenue budget head. Document poster and reviewer info on Agresso. Items that are not capital in nature are removed from the bids list prior to capital review board prioritising capital bids. If essential, these are put forward as a revenue pressure by the service. This applies to both items that are revenue in nature and items below the £20k capital de minimis. **Conclusion: on-going**

Control area		Current year update
	relevant accounting standards and the Code, with documented evidence of the operation of this control.	
Review of information provided to property valuation experts.	The accuracy of the valuation of properties is dependent on the accuracy and completeness of the data provided to the valuers. During the audit we noted that there was not an audit trail to evidence the review process on the information provided to the valuer. We recommend that the Council puts in place measures where the information which is provided to the valuer is reviewed by appropriate individuals within both operational and finance teams to ensure accurate and complete information is provided, and where relevant assumptions and knowledge about the assets are shared with the valuer, with evidence of review retained.	**Management response** The Borough will review its current processes for supporting property valuations, both in providing information to the valuers and then reviewing the output of the valuation report. As part of the improvements in the use of the Borough's Fixed Asset Register, a review of the valuation process will be undertaken in light of the external audit recommendations. Property colleagues have been advised to maintain documentation to verify that valuation information has been checked by a senior member of staff before passing on to external valuers. **Conclusion: Ongoing**
Preparation of Accounting papers	Accounting papers were not prepared to explain and support key judgements and estimates, including the on-going 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.	**Management response** The development of the Statement of Accounts model for 2021/22 improved the evidence base in supporting the values used in the statement of accounts. Measures have been put in place and the finance staff advised to make sure working papers tie back explicitly to the trial balance. Training sessions have been provided and continue to be provided to the finance team to refresh skills. The sessions covered a number of topics but explicitly included expectations on working papers and documentation that is expected to be provided and reviewed as part of the production of the financial statements. A retrospective review of the 2020/21 accounts will be undertaken with external auditors so that lessons can be learned from the audit and fed into future years' accounts production." **Conclusion: On-going**

Control area		Current year update
	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.	
Assessment of impairment of receivables and loans	The Council did not consider requirements of IFRS9, Financial instruments to assess the expected loss on loans and receivables. Historical rates were not adjusted for by forward looking information. We recommend that the expected credit losses calculation is based on historic recoverability rates adjusted by forward looking information and based on historical recoverability on those where IFRS9, financial instruments is not applicable.	**Management Response:** We have amended our approach in accordance with IFRS9 **Conclusion: Closed**
NNDR debtor provisioning	The methodology adopted for provisioning for NNDR receivables at 31 March 2021 was not appropriate, as it does not take any consideration of the level of debtor outstanding in assessing the expected amount recoverable. We recommend management review the approach adopted and amend for future accounting periods.	**Management Response:** In light of Covid-19 impact, advice was taken from external consultants on NNDR provision and based on that advice, the debtors' provision was provided. As part of 2024/25 budget setting process, the approach based on the external consultants' advice on debtors' provision is being benchmarked and will be reviewed. This will be agreed with senior management team and implemented accordingly. **Conclusion: On-going**
Taxation debtor provisioning	We recommend management review the data used for debtor provisioning for taxation and other non-exchange debtors, and whether historical experience appropriately supports the provision rates used. Although particularly challenging to estimate at 31 March 2021 in the context of the pandemic, the underlying provision rates are not supported by suitable documented analysis and justification of the provision rates used.	**Management Response:** At the point of preparation of the 2020/21 outturn report and the draft financial statements, the Borough used the most up to date information available. The methodology has been reviewed as a part of 2024/25 budget setting process. This has been bench marked against the neighbouring authorities and a revised provision has been made. **Conclusion: On-going**
Redundancy Provisions	Under IAS 37 Provisions, Contingent Liabilities and Contingent Assets, a restructuring provision is recognised only when both of the following conditions are met:	**Management Response:** Recommendation noted and advice has been shared with finance team

Control area		Current year update
	• there is a detailed formal plan for the restructuring; and • an organisation has raised a valid expectation in those affected that the plan will be implemented i.e. either by starting to implement the plan or announcing its main features to those affected. Deloitte noted that the council made provision for redundancies which did not meet the recognition criteria above. We recommend management to consider the requirements of Accounting standards in recognising the provisions.	**Conclusion: Closed**
Monthly management accounts process	The Council's management accounts process and monthly monitoring is focused upon net outturn (rather than review of income and expenditure values against budget, or of the balance sheet and cashflow movements in the period). Although this approach is common in local government, this means that the review processes are less able to detect fraud or error, and we do not consider this to be in line with best practice. We recommend management consider implementing a full monthly management account process, with review against budget for income and expenditure by type, and review of the balance sheet position. This may require consideration of which accruals processes are appropriate to operate each month (or quarter), and which are appropriate as annual processes.	**Management Response:** RBWM is committed to best practice and as we continue to focus attention on our budgets and monitoring, there is a rigorous process of monthly monitoring process in place. Actuals are compared to budgets and variances are reported both on income and expenditure to Senior Management Team. Reports are provided to Cabinet monthly but at a variance level to ensure that information is focussed on the major issues identified and not hidden by extraneous data. In addition to monthly review of revenue and capital, measures have been put in place to carry out monthly reconciliations on the balance sheet codes including control accounts. **Conclusion: On-going**
Review of Covid 19 grants	In our testing of the design and implementation of controls around Covid-19 grants, no supporting documentation could be provided to evidence that officers review each grant agreement at the start of each grant and assess whether there are any conditions or restrictions associated with the grant and the review process of this judgement is not documented. We noted differences in treatment to that which we would expect for a number of grants as noted on page 17. We recommend that inspection of grant agreements and review of judgements in relation to these are formally documented.	**Management Response:** The current finance team has been trained on grants accounting from their inception to their utilisation with correct accounting treatment required and to be followed. A Grants Register is maintained which records each grant received, conditions attached to it and its subsequent utilisation. **Conclusion: Closed**
Reclassification of assets under	We identified that an item of assets under construction that was completed in 2019/20. This asset was however not	**Management Response:**

Control area		Current year update
construction when complete	fully transferred out of assets under construction into the category of property, plant and equipment to which it relates. This was also the case in prior year. We recommend the Council implements a documented control where assets held under construction are reviewed in order to verify whether or not they are complete at 31 March, and to ensure appropriate transfers to other categories of fixed assets.	Accountants are reminded regularly to inform budget managers of the importance of updating the status of projects on a monthly basis. This aids the identification of completed assets by year end. In addition, Property services send out a request to managers towards the end of each year to inform them of completed projects as part of the enhancement an impairment review. Capital training will be provided to the finance team, which will include the requirements for capital accounting and statutory reporting. Managers will be reminded of the importance of updating project status. **Conclusion: On-going**
Ledger structure and preparation of the CIES and reserves notes.	The Council's ledger structure is focused upon management accounts requirements and is not structured to support the requirements of the financial statements. A single ledger grouping, "AK20", is used for posting a range of different accounts movements effectively directly to reserves, which then need reanalysis to prepare the CIES and to allocate to appropriate financial statement lines. The Councils' historic audit trail and support for this reanalysis has not been adequate and has not included appropriate review and control steps over the entries required, resulting in errors identified in the audit (including entries requiring restatement). We consider the ledger structure used in 2020/21, in the absence of a rigorous structure of mitigating controls, to be a significant weakness in the council's financial reporting arrangements. We recommend the council revisit its ledger structure, with at least one separate general ledger account code underpinning each required line in the CIES and supporting notes, a clear and maintained mapping of ledger codes to financial statement line items (with appropriate review controls over the mapping and changes thereto), and, where reanalysis of ledger codes for accounts preparation is required, a clear structure of high quality reconciliations with documented rationale and evidence for analysis and appropriate controls	**Management response** A new below the line hierarchy structure was set up for 2021/22 accounts. This included separate account codes, cost centres and analysis codes for below the line accounting on CIES including separate codes for appropriations between the cost of services and the reserves codes on balance sheet. 2021/22 MiRS derived from newly set up appropriation codes and a new below the line hierarchy set up to prepare CIES entries direct from the trial balance. The coding structure will continue to be developed to ensure that the Statement of Accounts production can be more automated. **Conclusion: On-going**

Control area		Current year update
	over the reanalysis process. We understand that changes have been made for subsequent periods, with changes partially implemented in 2021/22 and further extended during 2022/23.	
Documentation of arrangements about funds held on behalf of other entities	The Council holds funds on behalf of a number of other organisations, most significantly the Thames Valley Local Enterprise Partnership. In 2020/21, the Council used cash to fund Council capital expenditure rather than borrowing from other sources (while recognising amounts due to other entities as borrowings in the financial statements). We recommend the Council put in place documented agreements with the other organisations setting out arrangements over funds held on their behalf, and ensuring appropriate governance that reflects individual arrangements.	**Management Response** The Council will set out its accounting arrangements in an Accounting Paper for those activities where it acts as an agent. This will be shared with relevant organisations so that they understand the basis of arrangements between them and the Council. **Conclusion: On-going**
Fixed asset system	There is an identified issue in the fixed asset system, where changes to the register (in particular splitting assets) can lead to changes to the reported opening balances of cost and accumulated depreciation. This can then result in inconsistencies between reports from the fixed asset system and the correct cumulative position, and so reconciling differences to the financial statements. We recommend reviewing the system and report set up to mitigate if possible, and otherwise to put in controls over the reconciliation of the correct cumulative position against the ledger.	**Management response** The Borough's Fixed Asset Register, TechForge, provides a whole suite of reports to provide information for the production of financial statements. Differences between closing balances for one year and opening balances for another year on detailed reports can be due to a number of reasons: • transfer of assets between categories • splitting assets • deletion of assets • changing assets to de minimis when they had a carrying value in the prior year The first two bullet points are normal functions within the operation of the Fixed Asset Register and there are reports within the system which shows all movements to enable reconciliations to be undertaken. The second two bullet points, whilst allowable in the system, result in records being removed from reports for the current year which then means that manual reconciliations need to be undertaken to balance closing balances for one year with the opening balances for the next. The summary report that produces the notes to the financial statements takes in to account the movements of assets in relation to the first two bullet points.

Control area		Current year update
		The introduction of protocols, controlled by the capital accountant, for the recording of data impacting on financial records within the system will mitigate the difficulties previously identified. **Conclusion: On-going**
Consideration of sale of assets	From our investigation into the objection in respect of the Nicholsons Shopping Centre valuation, we recommend going forward that the Council formally documents its consideration of the best valuation approach to use for the sale of assets together with any supporting calculations, consideration of development value and appetite for risk.	**Management response** The Royal Borough will review its processes in respect of the sale of assets and the judgements made in determining best value and document actions taken. **Conclusion: Ongoing**
Public approval of transfer of assets to RBWM Property Company Limited	From our investigation into the objection in respect of transfers of properties to RBWM Property Company Limited, as we could not identify the transfer of property at 106 West Borough Road in publicly available documentation (it was included in Part 2 Cabinet minutes) we recommend to the Council that the approval of all assets transferred to the property company are included in publicly available information (Cabinet public document packs).	**Management response** There may be considerations with certain property transactions where there is a need to maintain commercial confidentiality. However, the Royal Borough will strive to ensure that all appropriate information is made publicly available. **Conclusion: Ongoing**
Balance sheet reconciliations review controls	The Council has historically not had in place a “balance sheet reconciliation” process to reconcile the general ledger to supporting analyses, with documented review over this. In many instances, we noted that the supporting analyses of balances showing the actual make up of balances (rather than a transaction listing) were not available. We understand that subsequent to 2020/21, the Council has begun introducing this type of control, but this was not fully in place by 31 March 2023. We recommend the Council put in place a regular balance sheet reconciliation and review process. Best practice would be to do this on a monthly basis, and minimum frequency we would expect is quarterly, with more detailed review as part of the year-end process (as not all accounting estimates are prepared each month).	**Management Response:** The reconciliation of balance sheet codes process has been formalised and undertaken more regularly, with management reviews, to ensure that information in the balance sheet can be relied on. **Conclusion: Ongoing**

Control area		Current year update
Review of Capital additions during Capital Review Board meetings and approval by Cabinet.	Deloitte has noted that there is a control in place in which capital additions are reviewed during capital review board meetings and there is approval of capital additions by the cabinet. The meetings consider the value and worth of a project from a budget/spend perspective i.e., "is this work necessary and worthwhile" but do not challenge on whether it is revenue or capital in nature. We recommend that there is consideration and challenge whether the items included as additions are of revenue or capital nature.	Currently, as part of the financial monitoring of capital projects, a review of expenditure incurred is undertaken to determine whether it meets the criteria for classification as capital. Where expenditure against capital codes is identified as being revenue in nature then it is transferred to the relevant revenue budget head. **Conclusion: On-going**
Lack of audit trail for the review of pension reports.	The valuation of pension liabilities is performed by the Actuary. However, there was no evidence of management review of the IAS19 reports issued by the Actuary. We recommend that a paper is prepared and set out the review of key assumptions, and officer's view on why the assumptions are appropriate and evidence of review and challenge should be maintained.	Going forward, the Council will make sure that the review of the ISA 19 reports by the Pension Fund Manager is done in conjunction with the S151 officer and documented. **Conclusion: On-going**
Those in charge in governance lack significant influence over financial reporting internal controls.	Deloitte have noted several financial reporting control deficiencies in the prior year (such as reconciliations), which have not been implemented by entity management in the 2020/21 audit period. We also identified multiple misstatements that had occurred as a result. We recommend that those charged in governance follow up on the implementation of the control observations.	**Management Response** These will be reported regularly to the Audit and Governance Committee **Conclusion: On-going**
Recording of accruals and payables in the general ledger	During our testing of accruals , we noted that within accruals listing , there were several balances which were supposed to be recorded in the Trade payables account code because the council had received the related invoices before the year end. We recommend that proper process is put in place to identify what constitutes payables and accruals.	**Management Response** Yearend processes will be reviewed to mitigate this issue. **Conclusion: On-going**
User access reviews	In our test of access controls, we noted that for the Agresso application, the users access are not reviewed for appropriateness based on their access privileges and role-based segregation of duties, furthermore, there is no formal evidence maintained to corroborate that the review had taken place. We recommend that this review is performed on a regular basis and formally documented	**Management response** Access to raise purchase orders and sales orders is delegated and reviewed on an annual basis. The Approval of transactions is restricted to the assigned cost centre manager. The Approver role is segregated from access to input purchase order transactions. **Conclusion: Closed**

Control area		Current year update
Agresso application passwords configuration.	In our test of access controls on Agresso application, we noted that password configurations were not in line with the recommended industry standards. Weak passwords configurations exposes the council to unauthorised individuals gaining access to the system. We recommend that the password expiry period should be updated to align with the recommended best practice.	**Management response** The system is set up with Windows authentication so users access the system using their IT password which complies with their controls. Specific Agresso password use is set with 35 days expiry as per previous IT recommendation. Password length and configuration will be reviewed to strengthen control. However, strong controls are in place to access the network prior to accessing the application. **Conclusion: Closed**
Change Management	It was identified that there is no formal change management policy in place. Furthermore, although changes are tested and approved, there is typically no segregation of duties between those who develop changes, and those who implement changes. We recommend the council to implement a change management policy which should also address segregation of duties.	**Management response** The Royal Borough has a Change Management Procedure for any applications/infrastructure that are hosted within the RBWM data centres with controls in place to ensure that any issues are mitigated. For any applications that are managed outside of IT Services but require RBWM IT resources to make changes to the servers, the Administrators are required to raise a Change Request which then comes through to the IT Services CAB (Change Advisory Board) for comment, approval, and assignment. Any changes outside of this are managed by the Administrators within their areas. IT Services staff also follow the same procedure. Any requests for change, development/changes for RBWM IT Services or new implementations are reviewed by the strategic team first and are then be passed to the appropriate team for implementation. **Conclusion: Closed**
Compliance with LAAA 2014 (regulation 15)	In relation to public inspection period for 2020/21 accounts, the Council did not fully comply with the Local Audit and Accountability Act 2014 (regulation 15) as it did not include its Annual Governance Statement (AGS) within the draft financial statements when uploading the document on its website. Furthermore, although not directly required by the Council, it did not consider other options in relation to local taxpayers	**Management Response** Annual Governance Statements for the financial years 2021/22 and 2022/23 formed part of draft statements those financial years and published alongside the draft statements. The statutory requirements for the publication of public inspection rights only refer to the need for publication on the Council's website.

Control area		Current year update
	accessibility of the notice to inspect the accounts by only publishing the notice on its website. We recommend that Council ensures the AGS is included within the draft financial statements when it is made available for public inspection on the website. Further, we recommend the Council consider whether it should use other avenues for making the local taxpayer aware that the draft statement of accounts are available for inspection other than on their website to improve accessibility.	The Council met its statutory obligation but will consider what further avenues are available to make the public aware of the publication of financial statements. **Conclusion: Closed**

Deloitte.

ROYAL BOROUGH OF WINDSOR & MAIDENHEAD
WWW.RBWM.GOV.UK

The Royal Borough of Windsor & Maidenhead

Report to the Audit & Governance Committee on the audit for the year ended 31 March 2021

Issued 8 November 2023 for the meeting on 16 November 2023

Deloitte Confidential: Government and Public Services

Contents

01 Our final report

Introduction	3
Quality indicators	7
Our audit explained	9
Significant Risks	10
Other areas of audit focus	15
Value for money	22
Control observations	32
Purpose of our report and responsibility statement	43

02 Appendices

Audit adjustments	45
Independence and fees	49
Fraud responsibilities and representations	51
Our approach to quality	52

Introduction

The key messages in this report

This report sets out the findings from our 2020/21 audit for consideration by the Audit and Governance Committee.

The scope of our audit was set out within our planning report presented to the Corporate Overview and Scrutiny Panel ("CO&SP") in July 2021 and we provided written updates to the Audit and Governance Committee meeting in February 2022 (as well as oral updates to other meetings).

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.

Overview of the accounts preparation and audit process

The external audit for both the Council's statement of accounts and the Royal County of Berkshire Pension Fund ("RCBPF") are substantially complete, subject to the outstanding items set out on page 5, which we will update you on orally at the committee meeting.

The original timelines for the 2020/21 audit were affected by the issues identified in the finalisation of the 2019/20 audit. These required significant amendments to the 2019/20 financial statements, including restatement of the 2018/19 comparatives. The issues identified were included in our final reports on the 2019/20 audit, reissued on 1 March 2023 on signing.

The 2020/21 financial statement close process had been undertaken prior to resolution of these issues, with the draft accounts published in June 2021. Although the current finance team updated the 2020/21 accounts for these changes, and other issues that they have identified, this does not address the underlying issues in accounting processes and the financial reporting and close process which therefore have continued to impact the 2020/21 audit. The Council has taken on-going steps to address these issues for subsequent years, with initial changes to the 2021/22 financial reporting and close process, underlying accounting changes in year for 2022/23, though with some changes only effective in the 2023/24 financial year.

In addition to consequent changes to the 2020/21 financial statements from the matters impacting 2019/20, issues impacting on the 2020/21 audit following resumption of audit work have included:

- The quality of the original draft financial statements and supporting working papers, together with the impact of the control deficiencies identified in the current and prior years (including the absence of accounting papers and weaknesses in the ledger structure and audit trail supporting the financial statements), impacting on the time taken for completion of the audit;
- Although revised financial statements were prepared addressing issues in the financial statements themselves, limitations in the original working papers and historic accounting practices, together with loss of historic knowledge to address accounting, have led to on-going delays in provision of information and completion of testing. The pace of receipt of information has been impacted by overall capacity within the finance team, reliance on key individuals (including part time staff) and availability of officers during the summer due to the impact of leave;
- The availability of information to test collection fund related balance sheet accounts. The Council has to date been unable to provide breakdowns of the year-end National Non-Domestic Rates debtor and creditor balances, which are material to the financial statements. This represents a limitation of scope to our audit opinion, as discussed further on page 15;
- Issues identified by management in the historic accounting treatment of a property disposal (via long leasehold) and of transfers to RBWM Property Company Limited, which management proposes to restate for in the comparatives in the 2020/21 financial statements; and
- We received 22 potential objections to the 2020/21 accounts which take considerable time to review and consider. Following liaison with lawyers and review by PSAA, we have replied to the elector advising that we have concluded not to accept any of the potential objections.

Introduction

The key messages in this report

Overview of the accounts preparation and audit process **(continued)**	A significant number of adjustments have been identified through the audit process (as well as additional internal reviews and work by the finance team). We have set out below the principal adjustments that have been made to date (in addition to less material adjustments and disclosure changes): • The Council's historic presentation of "Other operating income/expenditure" included items (in particular for 2020/21 a £37.1m inappropriate classification of items as "adjustment to reserves taken through the cost of services", and £3.6m "revenue expenditure funded from capital under statute (REFCUS)"), which should have been presented within the cost of services. (Corrected in the final 2019/20 financial statements, with adjustments then required to the 2020/21 financial statements); • Misstatements in respect of the treatment of the Council's interest in joint ventures, requiring changes to both Council and Group financial statements. (Corrected in the final 2019/20 financial statements, with adjustments then required to the 2020/21 financial statements); • Misstatements in the presentation of items within the CIES between Surplus/Deficit on Provision of Services and Other Comprehensive Expenditure, and in the related reserves movements. (Corrected in the final 2019/20 financial statements, with adjustments then required to the 2020/21 financial statements); • Misstatements in respect of the Council's property valuations due to the cumulative impact of the movement of asset values since the last valuation (The final 2019/20 financial statements were corrected by £18.7m, with consequent £18.7m impact on the opening balances in the 2020/21 financial statements); • Misstatements identified by management in the historic accounting treatment of a property disposal (via long leasehold) and of transfers to RBWM Property Company Limited. (Corrected in the 2020/21 financial statements, with restatement proposed of the 2019/20 comparative figures. Cumulative impact £4.3m in respect of the disposal and £3.2m in respect of RBWM Property Company transactions); • Adjustment to the pension valuation for finalised actuarial valuation figures. (£5.3m adjustment to the 2020/21 financial statements); • Adjustment to property valuations to correct for a £7.2m overstatement of PPE due to an error in transfers between assets under construction and operational assets and its interaction with revaluations. (Corrected in the updated financial statements); • Changes to the presentation of infrastructure assets, following the issue of a Statutory Instrument in December 2022. (Amended in the final 2019/20 financial statements and in the 2020/21 financial statements); and. • Adjustments to correct various disclosures, including omitted disclosures, and clarification of narrative disclosures, including matters amended in the final 2019/20 financial statements and additional matters arising in the context of 2020/21 disclosures. Management has updated the Statement of Account for the principal matters noted above and are addressing our observations on the updated accounts. Further adjustments may be required following the resolution of the outstanding areas set out on the next page.

Introduction

The key messages in this report

Outstanding matters

The Council has prepared updated financial statements, reflecting agreed changes, which are being presented to the 16 November 2023 meeting of the Audit & Governance Committee. Management is investigating queries raised on the indexation of properties not subject to full revaluation with their valuers. The resolution of these queries (or our checking and tie-through of the updated version presented to the committee, and remaining matters below) may identify matters requiring adjustment or inclusion in our final schedule of unadjusted misstatements.

Other matters we require to complete our audit procedures on the Council are:

- Receipt and review of management paper assessing impact of subsequent events on the financial statements including in respect of recovery of debtors, property disposals, and investigation of other matters impacting property valuations such as any presence of Reinforced Autoclaved Aerated Concreted (RAAC) in the Council's estate;
- Receipt of miscellaneous other supporting information from queries including from quality assurance procedures; and
- Receipt of a final draft Statement of Account reflecting any remaining required amendments,

Remaining areas of audit work include:

- Evaluation of the final misstatements identified and their impact on the financial statements;
- Completion of procedures on finalised financial statements (including final version of cashflow statement and Movement in Reserves Statement);
- Completion of required internal consultations on restatements and limitation of scope to the financial statements;
- Completion of our concluding and reporting procedures reflecting the finalised audit and accounts;
- Completion of internal quality assurance procedures and clearance of matters arising through these review procedures;
- Update of our subsequent events review to the date of signing; and
- Receipt of the signed management representation letter and Statement of Account for signing.

In light of the issues and weaknesses identified in the prior year, the need to follow up upon those matters, and the issues identified in the current year, we have increased the resources that we have allocated to the engagement and the seniority of the resources. This has included continuing with both a director and an associate partner in the engagement team to help progress the audit and address the heightened risks and complexities that are a result of the weaknesses identified at the authority. We have allocated a full engagement team over the Summer to complete the audit, with the issues identified resulting in significant additional work. We have discussed our proposed fee variations with management, and have submitted them to the PSAA for review.

Introduction

The key messages in this report (continued)

Status of the audit – Value for Money (”VFM”)

In our 2019/20 audit, we reported three exceptions to our value for money conclusion, in respect of weaknesses in arrangements for planning finances, weaknesses in arrangements for reliable and timely financial reporting and maintaining a sound system of internal control, and weaknesses in governance arrangements.

The National Audit Office issued a revised Code of Audit Practice applicable for 2020/21 audits onward, which made a number of changes to the required work in respect of value for money arrangements.

Under the new approach:

- We performed risk assessment procedures to identify risks of significant weakness in arrangements;
- From our audit work to date, we identified risks of significant weakness in respect of the three areas giving rise to reported exceptions in 2019/20;
- We performed procedures to conclude whether there was a significant weakness in arrangements for 2020/21;
- We concluded that the progress made in respect of arrangements for planning finances during 2020/21 (as reflected in the final CIPFA Review report dated June 2020) meant that, although there remained areas that the Council continued to work to address through the period, there was not a significant weakness in arrangements (as discussed on pages 23-24 and 30-31);
- We concluded that the status of actions to address the other identified weaknesses were insufficiently advanced during 2020/21 to conclude that there was no longer a significant weakness in arrangements. As discussed on pages 25 to 29, we have made recommendations in respect of these weaknesses; and
- Our audit report will make reference to the significant weaknesses and recommendations included in this report.

Our final Auditor’s Annual Report (which replaces the Annual Audit Letter) will include our value for money commentary - a draft of this report accompanies this paper. This will include discussion of the longer-term financial sustainability risks for the Council, including from the macro-economic factors impacting after 2020/21, which we anticipate identifying as a risk of significant weakness in considering how the Council responds to these risks in future years.

Findings from our audit procedures to date

As noted on page 3, there have been several material misstatements identified during the 2020/21 audit (including matters identified requiring adjustment in both 2019/20 and 2020/21 accounts), which have required extensive revisions to the draft financial statements and additional audit procedures on the adjustments made.

We have included a section in this report providing observations arising from the audit work we have carried out to date on the areas of significant risk and other areas of audit focus reported to you in our audit planning report.

As noted above, the conclusions from our value for money procedures and recommendations in respect of identified significant weaknesses in arrangements are set out from page 23 onwards.

We have identified several significant control findings for 2020/21, which are noted from page 32 onwards.

We have set out a summary of unadjusted misstatements in an appendix to this report. These are noted on page 44 of this report.

The status of our pension fund audit and findings from our work are set out in the accompanying paper.

Impact of 2020/21 audit on later audits

The agreed target for completion of the 2020/21 audit on the financial statements was 30 September 2023. Due to the delays and issues noted above, this target date was not met. We have therefore reallocated our originally scheduled staffing for the 2021/22 audit from October for finalisation of 2020/21.

The Government, CIPFA, the FRC and the National Audit Office are working on proposals for a national approach to outstanding local authority audits and for requirements for 2023/24 onwards. We are discussing with management the realistically achievable timeframes for the work required dependent upon the final proposals from Government.

Quality indicators

Impact on the execution of our audit

Management and those charged with governance are in a position to influence the effectiveness of our audit, through timely formulation of judgements, provision of accurate information, and responsiveness to issues identified in the course of the audit. This slide summarises some key metrics related to your control environment which can significantly impact the execution of the audit. We consider these metrics important in assessing the reliability of your financial reporting and provide context for other messages in this report.

We expect management and those charged with governance to recognise the importance of a strong control environment and take proactive steps to deal with identified on a timely basis, and this reflects expectations set by the Financial Reporting Council for preparers.

Area	Grading	Reason
Quality of draft financial statements	!	The original draft financial statements contained a number of material misstatements, internal inconsistencies, and omitted or unclear disclosures requiring correction in the final financial statements. Although management has taken actions to improve the accounts preparation process, the historic issues will require further consideration in finalising the 2021/22 and 2022/23 financial statements.
Quality of underlying financial records	!	As we noted in our 2019/20 control findings, the underlying financial ledger structure introduced additional risks and complexities to the financial reporting process, resulting in misstatements and additional audit complexity. As noted above in respect of collection fund balances, breakdowns as at 31 March 2021 were not retained and reconciled to the ledger for all balances, and due to "live" systems management has been unable to provide required records for testing. Although initial steps were taken in preparation for the 2021/22 year-end to address some of these issues, we understand not all changes were fully embedded by 31 March 2023, and so some issues are expected to remain for future audits.
Adherence to deliverables timetable	!	The initial circumstances of auditing remotely during Covid impacted the timeliness and completeness of provision of deliverables. Subsequent loss of historic knowledge due to staff changes, and the limitations on availability of some information and quality of records noted above have impacted on-going delivery.
Quality and accuracy of management accounting papers	!	The Council has not historically prepared accounting papers, and these were not available for initial judgements in the audit. Papers have been prepared by the current finance team in respect of additional judgements such as the proposed restatements in respect of a lease transaction and property transactions with RBWM Property Company Ltd.

! Lagging ! Developing Mature

Quality indicators(continued)

Impact on the execution of our audit

Area	Grading	Reason
Volume and magnitude of identified errors	!	The draft financial statements were materially misstated, requiring material revisions in a number of areas and overall changes to the structure of the financial statements.
Quality and timing of audit committee papers	!	The Council has historically not prepared papers for the audit committee on significant accounting issues and judgements. Although this historically has not been common practice for Local Government, given the increasing focus upon the operation of Audit Committees and requisite financial reporting expertise, we recommend moving towards Audit Committee oversight of key accounting judgements.
Access to finance team and other key personnel	!	Access to the finance team has been impacted over the course of the audit by both the effect of remote working during initial phases, and capacity within areas of Council staff to address audit queries during specific periods (including impact of leave where dependency on key individuals (although due to the extended overall process this means there will be periods where impacted in this way)). This reflects the overall challenges on capacity and ability to recruit suitable permanent staff within the finance team.
Response to control deficiencies identified	!	Significant control recommendations were identified through both the external audit and other processes (such as the CIPFA Review and pension governance review) during previous years. Although progress was made against actions, particularly from the CIPFA review, the level of issues identified (and further matters identified during the finalisation of the 2019/20 audit, which due to timing could therefore not be addressed in the period) mean that significant control weaknesses and significant weaknesses in VFM arrangements remained for 2020/21. As noted elsewhere in this report, work is still on-going in some areas as part of the Council's transformation agenda, and therefore not all deficiencies were fully addressed by 31 March 2023.

! Lagging ! Developing Mature

Our audit explained

We tailor our audit to your organisation

Identify changes in your business and environment

As with other organisations, Covid and related changes in funding and support schemes materially impacted the Council during 2020/21. This included material new grant schemes (both accounted for in the Council income and expenditure and where acting as agent for government in passing funding on). The Council also continues to work on major capital projects.

Scoping

Our work is carried out in accordance with the Code of Audit Practice and supporting auditor guidance notes issued by the NAO, which were revised for 2020/21 with consequent changes in our Value for Money approach as detailed on page 22 onwards.

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 from page 33.

Determine materiality

At planning, we set materiality at £6.2m based on 1.97% of gross expenditure. We updated materiality to £6.0m for Council and £6.4m for Group materiality, based upon final outturn.

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

We report to you in this paper all misstatements above £299k for Council and £322k for Group.

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. Although not identified as significant risks, we highlight the other areas of audit focus detailed from page 15 onwards as we consider these require communication to the Audit Committee.

Our VFM risks of significant weakness are considered separately (page 23 et seq).

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

Our audit opinion will refer to the significant weaknesses identified in respect of value for money arrangements (as detailed from page 22 onward).

As detailed on page 15, our opinion will include a limitation of scope in respect of NNDR balance sheet amounts.

Significant risks
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.

The Council held other land and buildings of £348.4m (PY: £280.1m) and investment property of £87.7m (PY: £89.6m) at 31 March 2021 which are required to be recorded at current or fair value at the balance sheet date.

The property portfolio is divided into five key asset categories. The Council's practice is to obtain a specific valuation on one of the five asset categories at the start of the year on a cyclical basis. This approach leads to the full asset portfolio being evaluated within each five-year period. For 2020/21, the in-scope section of the portfolio for full revaluation is the specialised properties such as leisure centres, libraries and car parks. In addition to this specific exercise the Council also obtains advice as to whether there has been a material change in the period up to the balance sheet date based on indices. For Other Land and Buildings and Surplus Assets, there is both the roll forward of the assets valued at the start of the year and an assessment of whether all assets not revalued in the year could have moved materially and need to be adjusted. Both areas have been considered in the audit. Any changes based on index factors are then applied to the total asset base. Investment properties are revalued to fair value every year.

Deloitte response and challenge

Our response to the risk includes:

- Testing 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;
- Obtaining an understanding of the approach adopted to the valuation, including assessing the valuer's qualifications, objectivity and independence and reviewing the methodology used;
- Testing a sample of inputs to the valuation for testing;
- Using our valuation specialists, Deloitte Real Assets Advisory, 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;
- Testing 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; and
- For assets which had not been revalued by KCC, our valuation specialists reviewing the indexation values suggested by KCC and challenging their appropriateness. Based on the index values, management has calculated the impact since the last revaluation as £20.3m, a £1.6m movement in year after an £18.7m adjustment posted in the final 2019/20 financial statements. This movement has been adjusted for in the updated financial statements.

Findings and conclusions

A £7.2m overstatement of PPE was identified due to an error in transfers between assets under construction and operational assets and its interaction with revaluations. We have also identified an overstatement of the valuation of one property of £1.0m. These have been corrected in the updated draft financial statements.

We have identified control deficiencies relating to property valuations which are set out in control observations section.

We are awaiting responses from management on queries raised on the indexation adjustments made for the year, and the results of their consideration of subsequent events (including investigation of whether any instances of Reinforced Autoclaved Aerated Concrete (RAAC) in the Council's estate), which may result in the identification of further misstatements. We will update you orally on findings from this at the committee.

Significant risks (continued)

Capital expenditure

Risk identified

As part of the Medium-Term Financial Strategy, the Council has a substantial capital programme of £233m over the next four years.

The capital programme included £56.6m spend budgeted for 2020/21. The accounts disclose capital additions of £23.5m for the year, and a further £3.6m on revenue expenditure which, for funding purposes, is treated in the same way as capital expenditure (REFCUS) in 2020/21.

Determining whether expenditure should be capitalised can involve judgement as to whether costs should be capitalised under International Financial Reporting Standards.

As capital expenditure is depreciated over time and the council has greater flexibility over the use of revenue resource compared to capital resource. There is therefore an incentive for officers to misclassify revenue expenditure as capital to enhance financial performance results. We therefore identified a risk that revenue expenditure is classified as capital expenditure as a fraud risk in the financial statements.

Deloitte response and challenge

Our response to the risk included:

- Testing the design and implementation of controls around the capitalisation of costs;
- Selecting a sample of capital items (including REFCUS) in the year to test whether they have been appropriately capitalised or expensed in accordance with the accounting requirements. The sample included assets under construction; and
- In our audit plan, we noted that as spend has come in lower than budgeted we would also consider repairs and maintenance accounts in the CIES where material to a significant risk level. We did not identify any significant repairs and maintenance expense balances beyond the REFCUS figures, with an immaterial total value, and so have not included this in our significant risk testing.

Findings and conclusions

Our testing in this area is complete.

We have identified control deficiencies on capital expenditure, which are included in the control observations section of the report.

We have identified

- a projected misstatement a £0.7m cut off error in respect of REFCUS,
- a misstatement of £1.7m in respect of expenditure incorrectly capitalised in the prior year, and written off in the current year (so incorrectly impacting the current year income statement, and
- a misstatement of £1.4m for capitalisation of infrastructure expenditure with a useful life of less than a year.

These have been included in our schedule of unadjusted misstatements.

Significant risks (continued)
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.

The most significant accounting estimates in the financial statements are discussed separately in this report over valuation of the Authority's estate, and pension valuations. (Our audit plan noted that capital expenditure could also involve accounting estimates, but we did not note significant estimation in our testing of capital expenditure balances). Our testing of these accounting estimates is detailed on the relevant pages of the report. We discuss below findings from testing of other accounting estimates.

Deloitte response

Journals

We have performed design and implementation testing of the controls in place for journal approval, and noted control findings in respect of this as set out which are included in the control observations section of the report.

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 responded to the control findings identified through additional consideration of data analytic reports to identify whether any anomalous patterns or exceptions to change our journal selections or for other investigation.

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, and noted control findings in respect of this in respect of monthly management accounts reviews, balance sheet reconciliation processes, debtor provisioning as set out in the control observations section of the report.

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 have detailed our testing and findings in respect of the principal accounting estimates over property valuations and pensions on the relevant pages of this report.

We note that there have been significant increases in the provision in respect of NNDR balances, which there was an incentive to increase during 2020/21 (rather than having risk of adverse movements in subsequent periods) due to the interaction of government compensation arrangements in respect of Covid.

- The allowance for NNDR debtors increased by £5.4m to £6.4m on debtors at 31 March 2021 of £8.1m (on a total collection fund basis). This reflected a change in the methodology on the advice of external consultants to an approach that did not take account of the actual level of debtors, and instead estimated recovery by reference to the original billed rates amounts. Although there were challenges in estimating allowances for debtor recovery at 31 March 2021, we have identified issues in the methodology adopted– in principle, it could even require a negative provision, depending on the actual debtor level. Based on outstanding arrears at July 2023, we estimate the maximum supportable provision (for all debt not yet collected) to be £3.4m, resulting in an overprovision of at least £2.9m, of which RBWM's share is £1.4m, which we have included in our schedule of unadjusted misstatements.

Significant risks (continued)
Management override of controls (continued)

Deloitte response *Significant accounting judgements and estimates (continued)*

- The NNDR appeals provision (for the collection fund as a whole) has increased by £12.8m from £1.4m to £13.8m, of which RBWM's share is an increase of £6.3m to £6.7m. The Council used Analyse Local as expert to review their risks from NNDR appeals. The increase reflects both revisiting a historically relatively lower level of provision than for other councils, and the increased level of appeals claims during the pandemic (certain of which have been excluded due to legislative changes that limit the basis for appeals). Our initial testing of this provision indicated that this balance is overprovided, with only £0.9m of the £2.8m provision for the selection of large appeals balances being required based on eventual results. We requested management perform further investigation of the results of completed appeals, based upon which we have estimated a total misstatement of £6.1m, of which RBWM's share is £3.0m. We have included this in our schedule of unadjusted misstatements. We have also identified a misstatement of £0.3m (in RBWM's share) due to the double counting of some cases within the data used for the calculation of the appeals provision.

With respect to other debtor provisions:

- The allowance for housing benefit overpayment debtors has increased by £1.7m to £2.5m on debtors at 31 March 2021 of £4.0m. Based on recovery to July 2023, we estimate that the original allowance was overprovided by at least £1.2m.
- The allowance for council tax debtors increased by £0.2m to £1.6m on arrears at 31 March 2021 of £7.6m (on a total collection fund basis). Given arrears at July 2023 remained £4.5m in respect of balances up to 2020/21, this indicates a potential under-provision. If there were no further recovery (and historically there has been some on-going recovery of aged council tax arrears), the original provision could be underprovided by up to £3.0m, of which RBWM's share would be £2.4m.
- For loans and debtors from exchange transactions, the Council is required to consider whether any allowance required for expected credit losses (ECL) under IFRS 9, Financial instruments. We have identified an estimated misstatement of £0.5m in respect of the loan to Achieving for Children, reflecting the net liability position of that entity (even before impact of pension liabilities). The overall increase in RBWM's debtor provisions (including RBWM's share of collection fund provisions) is £4.2m from £5.2m to £9.4m at 31 March 2021. The net impact of the differences noted in respect of debtor provisions is c£0.7m for RBWM's share, though we note that the actual under-provision for council tax debtors could be smaller, and overprovision for NNDR debtors and Housing Benefit overpayments be smaller, which would increase this net impact.

We have raised control findings in respect of review of the approach to debtor provisioning, as set out in the control observations section of the report

We have recommended management includes additional disclosure in the Key Sources of Estimation Uncertainty note in respect of the appeals provision and allowances for debtor balance recoverability, which have been included in the updated financial statements.

With respect to other accounting estimates:

- The Council recognised a provision of £0.4m for restructuring costs, which did not meet the requirements of IAS 37 for the recognition of a provision at 31 March 2021. We have included this in our schedule of unadjusted misstatements and included a control finding in the control observations section.

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.

Significant risks (continued)

Management override of controls (continued)

Overall challenge	• 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. • We have considered whether the conditions resulting from Covid-19 impacted the level of risk of fraud and adjusted our audit procedures accordingly.
Findings and conclusions	As noted above, we have identified a number of misstatements in respect of accounting estimates, as included in our schedule of unadjusted misstatements, and a number of control observations in respect of journal controls and controls over accounting estimates. While we have not identified indications of fraudulent financial reporting, with the NNDR provisions discussed above being based on professional advice, there has been an overall increase in the level of prudence in the estimate made (including through adoption of an inappropriate methodology for NNDR debtors), which aligned to incentives for the council at 31 March 2021. Our audit work is complete, subject to any matters arising from the finalisation of work on property valuations discussed above.

Other areas of audit focus

Limitation of scope over National Non-Domestic Rates debtor and creditor balances

Issue	As billing authority, the Council is responsible for the collection of council tax and rates on behalf of itself, other authorities, and central government. The Council recognises its own share of collection fund related debtors and creditors, and shows the net balance receivable from/due to other bodies for their share of collection fund balances. At 31 March 2021, the Council's Collection Fund debtor balance included £0.9m of NNDR debtors (net of provisions) for RBWM's share, and £24.6m due from other bodies (primarily amounts due from government to compensate for covid-related reliefs, which we have been able to test recoverability of but not final valuation. The creditor balance included £6.2m for RBWM's share of amounts due to tax payers (e.g. for refunds) and other adjustments. Due to system limitations, the Council has been unable to provide a breakdown of the NNDR-related debtor and creditor balances as at 31 March 2021. We have therefore not been able to perform testing on these balances, including testing post year-end recovery of debtors.
Deloitte response and challenge	This represents a "limitation of scope" upon our audit on these balances. This also affects related balances that would be affected by errors in these balances, which would affect the amounts reported in the Collection Fund note for NNDR balances, and the Collection Fund Adjustment Account in reserves. We will therefore issue a qualified opinion on the Council and group's financial statements in respect of this limitation of scope.

Other areas of audit focus (continued)

Valuation of Pension liability

Risk identified	The net pension liability balance of £333.6m (2019/20:£252.8m) is a material element of the Council's balance sheet. The Council is both the administering authority and is an admitted body of the Royal County of Berkshire Pension Fund. The valuation of the Scheme relies on a number of assumptions, including actuarial assumptions, and actuarial methodology which results in the Council's overall valuation. Furthermore, there are financial and demographic assumptions used in the calculation of the Council's valuation – e.g., the discount rate, inflation rates, and mortality rates. These assumptions are required to reflect the profile of the Council's employees and need to be based on appropriate data. Whilst we have not identified a significant risk in relation to this area, there is a risk that the assumptions and methodology used in the valuation of the Council's pension obligation are not calculated on the correct basis.
Deloitte response and challenge	We used our actuarial specialists and our pension fund team to inform our work in this area. Our procedures to address this risk are now complete and were as follows: • Testing the design and implementation of controls around the review of the valuation; • 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 against our expected range of assumptions at 31 March 2021; • Assessing the reasonableness of the Council's share of the total assets of the scheme with the Pension Fund financial statements; • Performing substantive analytical procedures on movements; and • Reviewing the disclosures within the accounts against the Code. We have made suggestions for improving pensions disclosures in future (including on responses to the changes to inflation measures from 2030, and sensitivity analysis on key assumptions), but do not consider these to be disclosure deficiencies.
Findings and conclusions	The work performed by our actuarial specialists in relation to the Council only actuary report has concluded satisfactorily. The Council has not adjusted for a potential impact of the Goodwin case on its pension liability (assessed by Deloitte Actuary) of £1.0m as at 31 March 2021 and between £0.5m - £1.0m as at 31 March 2020 – the Council has followed the approach recommended by the pension fund actuary. This has been included in our schedule of uncorrected misstatements. Our testing in this area is complete.

Other areas of audit focus (Continued)

Impact of the Covid-19 pandemic on reporting and other areas of our audit

Impact on property, plant and equipment	The Royal Institute of Chartered Surveyors issued a practice alert, because of which valuers identified a material valuation uncertainty at 31 March 2020 for most types of property valuation. This practice alert was withdrawn in September 2020. Valuation reports at March 2020 typically identified a need to consider potential impairments in future periods, and this year's valuations, including the separate report on assets not valued in the year prepared by the Council's valuer, may reflect more significant movements. The Council included disclosure of a material valuation uncertainty in its 2019/20 financial statements. The Council has considered the approach to its valuation (including any changes because of the pandemic). The Council's valuer did not identify a material valuation uncertainty at 31 March 2021, and the Council has concluded additional disclosure is not required. The Council has also considered whether there are any indications of impairment of assets requiring adjustment at 31 March 2021 and no issues have been identified from this.
Expected credit losses on debtors from exchange transactions and loans	For debtors arising from exchange transactions and loans consideration is needed of the impact on the required level of provision for expected credit losses under IFRS 9. As discussed on page 13, we have identified misstatements in the allowance for ECL for exchange debtors and loans to Achieving for Children (£9m), which is in a net liability position. We have raised a control deficiency in respect of the council's assessment of expected losses.
Bad debt provisions for taxation related debtors	As discussed on page 13, the Council has increased its level of provisioning for non-exchange debtors (council tax and NNDR debtors). The appropriate level of provisioning at 31 March 2021 was more judgemental than usual due to the circumstances of the pandemic, and we have noted misstatements and control recommendations in respect of this.
Narrative and other reporting issues	We have considered how the Council has reflected the impact of the pandemic in its reporting, including: • Narrative Report - discussion of the impact on services, operations, performance, strategic direction, resources and financial sustainability. Ensuring that this reflected the significant financial challenge that the Council has experienced; and • Accounts disclosures on the impact on judgements and estimation uncertainty.
Events after the reporting period	The Council is required to consider whether any matters arising subsequently to year-end represent adjusting post balance sheet events. Our testing in relevant areas of the audit have included inquiry and challenge in respect of subsequent events. As noted above, based on subsequent experience, we have proposed adjustments to provisions for non-exchange debtor balances (which are not accounted for under IFRS 9). Management has confirmed that direct exposure to events in Russia and Ukraine is small and a representation will be included in management letter in relation to this. We have requested management prepares a paper setting out their assessment of the impact of subsequent information upon the amounts recorded within the financial statements, including the results of their consideration of whether any presence of RAAC in non-school properties.

Other areas of audit focus (Continued)

Recognition of Covid-19 grants

Risk identified	During 2020/21, the Council received funding in relation to Covid-19 grants of £84.8m, including amounts received in respect of business support schemes designed to help eligible businesses during the Covid-19 pandemic that are being administered by Councils on behalf of Central Government The key judgements for management are assessing: • Any conditions associated with the Covid-19 grants (i.e. conditions which would lead to a requirement to repay/defer recognition of elements of the grant funding); and • Whether the Council is acting as a principal or agent in administering the Covid-19 schemes, and how this is subsequently recognised in both the Comprehensive Income and Expenditure Statement and Balance Sheet. Whilst we do not identify a significant risk in relation to this area, there is a higher risk relating to completeness, accuracy, occurrence and disclosures of Covid-19 grants.
Deloitte response and challenge	We have assessed the design and implementation of the controls in relation to the accounting treatment of Covid-19 related funding and identified control weaknesses and associated recommendations in respect of this. We have tested a sample of funding for Covid-19 grants and confirmed that these have been recognised in accordance with any conditions applicable, including appropriate recognition in both the Comprehensive Income and Expenditure Statement and Balance Sheet. We have considered the adequacy of disclosures in the financial statements, including accounting policies and where relevant critical accounting judgements and key sources of estimation uncertainty disclosures. We have considered the completeness and accuracy of disclosure of grants where Council acted as Agent. We have tested the agency arrangement disclosures to confirm, where it is concluded that the Council is acting as an agent, that: • Transactions have been excluded from the Comprehensive Income and Expenditure Statement; • The Balance Sheet reflects the debtor or creditor position at 31 March 2021 in respect of cash collected or expenditure incurred on behalf of the principal; and • The net cash position at 31 March 2021 is included in the financing activities in the Cash Flow Statement.
Findings and conclusions	We have recommended improvements in the disclosures around Covid grants, which have been updated in the latest financial statements. We have identified control recommendations in respect of controls over grants, which are included in the controls observations section.

Other areas of audit focus (Continued)

Restatement for accounting for a property disposal

Restatement for accounting for a property disposal	The Council signed an agreement to transfer a non-current asset in York Road, Maidenhead to Countrywide Properties UK Ltd (the developer) in the 2018/19 financial year under a long leasehold. The developer agreed to pay the Council £7,632,310 for the transfer of the non-current asset with the payments arranged as: •A deposit of 10%, £0.8m, paid in the 2018/19 financial year •The balance of £6.9m to be paid in instalments as each of the 85 apartments sold, with a backstop date for full payment The Council has accounted for the payments received from the developer as capital receipts in the year that they were received, instead of accounting for the transaction as an overall transaction (which would be a finance lease "disposal"). This means only the deposit was recognised in 2018/19, and due to delays in the project during Covid the majority of the payments (£4.3m) remained outstanding at 31 March 2021. The correct accounting treatment for the Council would have been to recognise the full value of the disposal in the year that the agreement was entered into and then recognise the cash amounts received as capital receipts and the amount remaining outstanding as a receivable (which for reserves purposes would then be treated as a deferred capital receipt). In subsequent years, as instalment payments were made, the sums would be transferred from the deferred capital receipts reserve (DCRR) to the capital receipts reserve. In assessing whether to account for the transaction as a disposal, management has made a judgement that this is a finance lease rather than an operating lease. The Borough has adopted an accounting policy that there is a rebuttable presumption on the premise that long term land leases, typically greater than 110 years, and long-term building leases, typically greater than 50 years, are accounted for on the basis of finance leases. Receipts, where the Borough is acting as lessor in finance lease arrangements, will be accounted for as capital receipts. The judgement has been disclosed on note 4 of the financial statements, and we concur this is appropriate in the context of the transaction. As the issue noted impacts on prior periods, management has proposed to restate the comparative financial statements to recognise the £6.9m receivable.
Deloitte response and challenge	We are completing required internal consultations on the adequacy of disclosures in respect of the restatement. We note that the structure of the transaction with delayed payment means that the receivables should be discounted to reflect the timing of payments. The nature of payment as apartments are sold means that management do not consider this practical to determine, and the impact on the financial statements of this is immaterial due to the size of the balance. We have included an estimate of the impact of this of £0.7m in our schedule of unadjusted misstatements, though note that this depends on assumptions on interest rates and timing of payments. We have not proposed a separate control recommendation in respect of this, as there are other findings on accounts preparation and review and preparation of accounting papers for complex transactions.

Other areas of audit focus (continued)

Infrastructure assets

Background

Our Report to the Corporate Overview & Scrutiny Panel on the audit for the year ended 31 March 2019 noted weaknesses in the Council's recording of infrastructure assets. During the finalisation of our 2019/20 audit, a number of related issues around infrastructure assets were noted nationally, which were the subject of extensive discussions led by CIPFA and DLUHC to seek a solution to the issues identified.

The CIPFA Code envisages that councils will adopt a componentised approach to infrastructure assets, and for example, when road resurfacing occurs will be able to derecognise the existing surface component and recognise a replacement component.

In practice, councils typically do not componentise infrastructure assets in this way, do not hold information sufficient to readily do so, and so do not record disposals of infrastructure assets. At a minimum, this means that there will be some level of overstatement of the gross cost and accumulated depreciation for users. However, even if this is quantitatively material, overstatement of this disclosure (which has no net impact on the financial statements) does not affect the users of the financial statements or their decision making.

Accordingly, a statutory override was introduced in December 2022 which removed the disclosure of gross values as not relevant to users, with infrastructure assets presented separately from other assets. RBWM applied this statutory override in the 2019/20 final financial statements and has updated the 2020/21 financial statements to follow this approach.

There is also a risk that councils are not applying appropriate useful economic lives to infrastructure assets (and may not have adequate records to enable them to adjust their accounting). In some cases, councils appear to have adopted unrealistically long asset lives. More widely, where councils are not componentising assets, this requires an appropriate overall asset life to be applied so that effectively shorter-lived elements of assets are fully depreciated before replacement and longer-lived elements of assets are less depreciated as part of an overall blended useful economic life.

Application to RBWM

In response to our 2018/19 findings, management reviewed the asset lives used for infrastructure assets (which had historically all been depreciated over 25 years), and determined new asset lives to apply to infrastructure assets (with various amendments to their initial approach following audit challenges as reported on in our final report on the 2019/20 audit).

These revised asset lives had not been applied in preparing the 2019/20 or 2020/21 financial statements. We requested management perform an analysis of the impact of applying the revised asset lives prospectively 2019/20 (in accordance with IAS 16 provisions for changes in asset life assumptions). This noted one significant variance to the approach applied in later years for a bridge asset and suggested a £3.5m overstatement of assets as at 31 March 2021. Although the timing of full depreciation of these assets (inherited from the previous authority on the creation of the Council) is judgemental, management's assessment going forward is that they should be fully depreciated.

In response to the wider challenges on infrastructure assets, we considered the approach adopted, and noted that: a) although there is scope for improvement in the asset register, RBWM has relatively disaggregated information in its fixed asset register, enabling it to review its accounting; b) the asset lives adopted are appropriately supported, and are short enough that there is not a risk of material overstatement of net book value for disposals; c) the adoption the statutory override to disclosures is appropriate.

Findings and conclusions

Our audit work on infrastructure is complete subject to completion of quality assurance reviews.

The analysis of depreciation rates used vs expected rates has indicated a £4.1m difference in carrying value, which management has adjusted in the updated draft accounts.

In the prior period, we identified that £0.8m of road repairs had been capitalised where the useful economic life is less than one year and should not be capitalised. The current year equivalent value is £1.4m which we have included in our schedule of unadjusted misstatements.

The Council will need to consider national guidance on improving infrastructure asset record keeping as and when a longer-term approach is proposed nationally.

Other areas of audit focus (Continued)

Restatement of cash and investment balances held for other entities

Restatement of the presentation of cash and investment balances held for other entities.

The Council holds funds on behalf of a number of other organisations, most significantly the Thames Valley Local Enterprise Partnership, as disclosed in note 43 to the financial statements. The Council has historically netted the amount due to the entity against cash or investments held. During the current year, the Council's cash and investment balances were lower than amounts held for other bodies, as cash had been used to fund Council capital expenditure rather than borrowing from other sources, and the amounts due to the Local Enterprise Partnership and other bodies have been presented as borrowings rather than netted off. Following review of the arrangements and whether identifiable investments on behalf of other bodies, the Council restated the comparative financial statements to consistently show cash and investments held in Council accounts as assets, and a related liability in borrowings.

The impact of the restatement is

- At 31 March 2019, to increase cash balances by £14.3m, investments by £8.1m, and borrowings by £22.4m.
- At 31 March 2020, to increase cash balances by £34.8m, reduce investments by £0.6m (due to reclassification to cash on review), and increase borrowings by £34.2m.

Deloitte response and challenge

We have reviewed the underlying cash and investment balances affected to check whether investments held by the Council or in name of the other entity, and to consider the treatment of the principal entities affected. We have tested the adjustments for the restatement, including the related disclosures in the financial statements.

We have recommended the Council put in place documented agreements with the other organisations setting out arrangements over funds held on their behalf, and ensuring appropriate governance that reflects individual arrangements

We are completing required internal consultations on the adequacy of disclosures in respect of the restatement.

Accounting for transfers of assets to RBWM Property Company Ltd

Accounting for transfers of assets to RBWM Property Company Ltd

The majority of assets transferred from the Council to RBWM Property Company Ltd have been transferred for £1 consideration to the subsidiary (which is not unusual within groups, although for Councils requires approval from the Secretary of State).

The Council has historically treated these as disposals for £1 consideration in its entity only accounts, recognising a valuation loss prior to the transfer of the carrying value of the assets.

The correct accounting for these transactions would be to derecognise the property asset, and recognise an increase in the investment value in RBWM Property Company Ltd. (This would then be subject to consideration of impairment if the value of the investment in the company did not support the revised carrying value in future).

Management has processed the adjustment of £3.2m for the value of the assets transferred in the current year of which £2.3 million relates to prior year.

Deloitte response and challenge

Our schedule of uncorrected misstatements includes a £2.3m prior year error in respect of this. However, as this is not material, we would not expect this to be restated for unless material in aggregate with other items.

Our work in this area is complete

Value for money

Value for Money requirements

We are required to consider the Council's arrangements for securing economy, efficiency and effectiveness in the use of resources. Under the revised requirements of the Code of Audit Practice 2020 and related Auditor Guidance Note 03 ('AGN03'), we are required to:

- Perform work to understand the Council's arrangements to secure economy, efficiency and effectiveness in the use of resources against each of the three reporting criteria (financial sustainability, governance, and improving economy, efficiency and effectiveness);
- Undertake a risk assessment to identify whether there are any risks of significant weaknesses in arrangements;
- If any risks of significant weaknesses are identified, perform procedures to determine whether there is in fact a significant weakness in arrangements, and if so to make recommendations for improvement;
- Issue a narrative commentary in the Auditor's Annual Report, setting out the work undertaken in respect of the reporting criteria and our findings, including any explanation needed in respect of judgements or local context for findings; and
- Where significant weaknesses are identified, report this by exception within our financial statement audit opinion.

Work performed to obtain an understanding of the Council's arrangements to secure economy, efficiency and effectiveness in the use of resources

As part of our risk assessment, we have:

- Reviewed the summary of value for money arrangements prepared by the Council;
- Considered the potential impact of matters identified in previous audits;
- Reviewed the Council's draft Narrative Report, Annual Governance Statement, and relevant Council papers and minutes.
- Reviewed reports into governance arrangements at the Council produced by outside parties, including the CIPFA report issued in June 2020, the report into governance at the Pension Fund issued in July 2020, and Local Government Association Corporate Peer Challenge report issued in January 2022 with follow up report issued in October 2022, together with action plans and internal reporting of progress against actions.
- Reviewed financial planning and monitoring documentation including budget setting reports, in year monitoring reports, and the Medium-Term Financial Strategy and Medium-Term Financial Plan;
- Made enquiries of senior officers;
- Reviewed reports issued by internal audits;
- Considered matters arising from the Pension Fund audit (which would be reflected in the main Statement of Accounts opinion if matters to report);
- Considered findings identified through our other audit procedures;
- Considered matters identified by the National Audit Office for auditors to consider in the value for money work for 2020/21;
- Considered local and sector developments and how they impact on the Council; and
- Considered the impact of potential objections received on the accounts to our value for money work.

Findings and conclusions

Based on our procedures, we identified three risks of significant weakness. Our responses to these risks, and conclusions upon each risk and recommendations in respect of the matters which are identified as significant weaknesses, are set out on the following pages.

We have included on pages 30-31 our wider observations in respect of the Council's financial sustainability, beyond our considerations of the arrangements in place during 2020/21.

Value for money (continued)

Risk of significant weakness in arrangements

Risk title	Arrangements for planning finances
Relevant VFM criteria per AGN03	*Financial sustainability: how the body plans and manages its resources to ensure it can continue to deliver its services* • *How the body ensures that it identifies all the significant financial pressures that are relevant to its short and medium-term plans and builds these into them*
Risk description	In 2019/20, we concluded that there were significant weaknesses in the Council's arrangements with respect to planning its finances effectively to support the delivery of strategic priorities, and maintaining its statutory functions. This was due to: • Weaknesses identified through the CIPFA independent review of financial governance arrangements, including in the Medium-Term Financial Strategy (MTFS), treasury management strategy (and its compliance with relevant guidance and the legislation governing these documents), budget setting, budget monitoring against performance, the capital strategy, and the updated capital programme; • Our audit findings which included arrangements for understanding and using appropriate and reliable financial information to monitor performance, and support informed decision making and financial planning; • An overspend of the Council's revenue budget of £2.4m (excluding the impact of Covid-19); and • The level of the Council's usable reserves being at the lower end of the range when benchmarked against other similar Councils. We therefore identified a risk of significant weakness for the 2020/21 audit in these areas.
Work performed	• We have reviewed the CIPFA Report issued in July 2020, which concluded that the actions taken by that point had addressed the principal issues in this area in setting the 2020/21 budget in February 2020, which then has been monitored against during 2020/21. • We have reviewed the Annual Governance Statement and other documentation in respect of the Council's arrangements in year and performance in monitoring and planning finances (in the highly unusual context of the Covid-19 pandemic). • We have reviewed the financial outturn against budget for 2020/21, the budget setting process for 2021/22 in February 2021, and outturn during 2021/22. The Council had an underspend in 2021/22 of £2.4m, which resulted in an increase in the usable reserves balance. The main reason for the underspend related an underspend of a Covid-19 budget that was gradually released in the year. • We have reviewed the updated MTFS and considered it in the context of budget setting and budget monitoring. The Council has clearer linkages in reporting and monitoring between the MTFS and monitoring which was demonstrated in the reports to the relevant committees. • We have reviewed the updated Treasury Management Strategy (including the mid-year update, and its compliance with guidance), the updated Capital Strategy, and the updated capital programme. All three have been improved following the findings of the CIPFA review and have incorporated the wider objectives of the Council, including linkage to the transformation plan which demonstrates an improvement in the planning for the Council's finances.

211

Value for money (continued)

Risk of significant weakness in arrangements

<table>
<tr><td>Risk title</td><td colspan="4">Arrangements for planning finances</td></tr>
<tr><td>Conclusion</td><td colspan="4">We have not identified a significant weakness in the arrangements for planning finances in respect of 2020/21.

As discussed on pages 30-31, the wider economic environment has significantly changed since 2021, which, together with on-going demand pressures on services (particularly social care) has resulted in the Council forecasting an overspend in 2023/24 and 2024/25. The overall financial position of the Council, with relatively higher borrowings due to capital programmes, relatively lower level of council tax income, and relatively low funding levels in the Pension Fund, increase its exposure to these pressures. The Council highlighted the risk of a Section 114 notice if the forecast overspend is not addressed as part of their 27 September 2023 Cabinet meeting.

Therefore, although we have concluded that there was not a significant weakness in the Council’s arrangements in this area for 2020/21, we will consider as part of our work in future years whether there are weaknesses in how the Council responded to, and on an on-going basis planned for, the developing pressures upon local authority financial sustainability.</td></tr>
<tr><td>Conclusions</td><td>Does a weakness exist in the current year?
No - as set out above we have concluded that there is not a significant weakness.</td><td>Is a recommendation required in the current year?
No – no recommendation has been given as no significant weakness has been identified.</td><td>Has this matter be referred to in our audit opinion?
No – as no significant weakness has been identified, it will not be referred to in our opinion.</td><td>Will this matter be referred to in our Auditor’s Annual Report?
Yes – we will discuss the identified risk and our conclusions within our VfM commentary, together with our wider observations in respect of financial sustainability.</td></tr>
</table>

Value for money (continued)

Risk of significant weakness in arrangements (continued)

Risk title	Arrangements for reliable and timely financial reporting and maintaining a sound system of internal control
Relevant VFM criteria per AGN03	*Governance: how the body ensures it makes informed decisions and properly manages its risk* • *How the body ensures effective processes and systems are in place to ensure budgetary control; to communicate relevant, accurate and timely management information (including non-financial information where appropriate); supports its statutory financial reporting requirements; and ensures corrective action is taken where needed.*
Risk description	In 2019/20, we concluded that there were significant weaknesses in the Council's arrangements with respect to reliable and timely financial reporting and maintaining a sound system of internal control. This reflected that: • a number of significant control recommendations made following the prior year audit had not yet been implemented by the Authority and the Pension Fund, with further significant deficiencies in internal control identified in the 2019/20 audit; and • whilst the Council had taken action in accordance with its action plan to respond to the findings of the CIPFA review, not all recommendations had been implemented in the period, with on-going review into 2020/21. We therefore identified a risk of significant weakness for the 2020/21 audit in these areas.
Work performed	• We reviewed the 2020/21 draft Annual Governance Statement, which highlighted a weakness in arrangements in relation to 'implementing good practices in transparency, reporting, and audit, to deliver effective accountability'. • We reviewed the progress against the action plans in response to the CIPFA Review. Although progress was made in the year against the action plan, a number of actions in this area were not fully complete during the period (such as reporting debt management in budget monitoring reports and reviewing bad debt provisions on a regular basis), or only completed late in the year (such as the improving management of the capital programme, and improving the understanding of the impact of decisions on financial sustainability and wider aims of the Council). • We considered the control findings identified during previous periods that had not yet been addressed during 2020/21, and the additional significant control findings identified in our audit of the 2020/21 accounts, set out in our Audit & Governance Committee Report. • We considered our observations on the quality of the draft financial statements and working papers presented for audit. As noted elsewhere in this report, there were significant issues with the quality, timeliness, and accuracy of the information provided, and material misstatements identified in both the 2019/20 and 2020/21 financial statements.

Value for money (continued)

Risk of significant weakness in arrangements (continued)

Risk title	Arrangements for reliable and timely financial reporting and maintaining a sound system of internal control (continued)
Conclusions:	We have concluded that here is a significant weakness in the Council’s arrangements for reliable and timely financial reporting and maintaining a sound system of internal control As required by the Code of Audit Practice and Auditor Guidance Note 03, Value for Money, we have made recommendations below, which reflect on-going actions taken since the period.

Does a weakness exist in the current year?	**Is a recommendation required in the current year?**	**Will this matter be referred to in our audit opinion?**	**Will this matter be referred to in our Auditor’s Annual Report?**
Yes - there is evidence of a significant weakness in the Council’s governance arrangements.	Yes – recommendations have been set out below.	Yes - the significant weakness identified will be referred to in our audit opinion	Yes - we are required to include conclusions and findings within our VfM commentary.

Recommendation

We recommend:

- The Council undertakes a detailed review of the capability and capacity in the finance function, including the capability and capacity to deliver a high-quality statement of accounts and supporting work papers before the deadline for the audit, and sufficient capacity and capability to respond to audit queries during the audit period. This should include training of finance function and other functions that input to the financial reporting process on the adequacy of information prepared and retained to support the accounting entries, a detailed review of the control framework for financial reporting which includes implementation of internal and external recommendations, and review and implementation of improved quality control arrangements over the preparation of the statement of accounts and supporting work papers;
- The Council continues to progress actions to address other control recommendations we have reported for both the Authority and Pension Fund raised in both the current year and prior years, and, where already implemented, to maintain and monitor the process improvements and control changes; and
- Following completion of implementation of the Council’s action plan to respond the CIPFA Review of Financial Governance, the Council ensures on-going maintenance and monitoring of the operation of the new processes and procedures.

Value for money (continued)

Risk of significant weakness in arrangements (continued)

Risk title	Governance arrangements in respect of informed decision making and risk management
Relevant VFM criteria per AGN03	*Governance: how the body ensures it makes informed decisions and properly manages its risk* • *How the body ensures it makes properly informed decisions, supported by appropriate evidence and allowing for challenge and transparency. This includes arrangements for effective challenge from those charged with governance/audit committee*
Risk description	In 2019/20, we concluded that there were significant weaknesses in the Council’s governance arrangements (including in respect of the Pension Fund) with respect to arrangements for acting in the public interest through demonstrating and applying the principles and values of sound governance. In particular: • The pensions governance review noted a disconnect between the pension fund and the council with no regular reporting. The report also made several recommendations that highlighted weaknesses in arrangements relating to the size and membership of the relevant Boards, Panels and Group; the level of involvement and training of individuals within those governance structures; and the adequacy of recording and reporting of discussions and decisions made within those governance structures, as well as a number of other recommendations in respect of the Pension Fund; and • The Council’s Annual Governance Statement drew attention to weaknesses in a number of other areas, including: a lack of organisational capacity in key areas; a lack of clarity from officers and members with regard to their roles, responsibilities and the associated required procedures; a culture within the organisation that did not encourage people to speak out or properly exercise their roles as advisors; non-compliance with public sector network requirements due to the significant investment needed in IT infrastructure and on-going work on the IT strategy and implementation; and weaknesses in financial governance including robustness of challenge of business cases and benefit reporting, weaknesses in procurement and contract management. We therefore identified a risk of significant weakness for the 2020/21 audit in these areas.
Work performed	• We reviewed progress against the 2019/20 Annual Governance Statement action plan, and the 2020/21 draft Annual Governance Statement and related action plan (which included further actions required in respect to 'Behaving with integrity, demonstrating strong commitment to ethical values and respecting rule of law’, ‘Ensuring openness and comprehensive stakeholder engagement’, ‘Developing the entity’s capacity, including the capability of its leadership and the individuals within it’, ‘Determining the interventions necessary to optimise the achievement of the intended outcomes’, ‘Managing risks and performance through robust internal control and strong public financial management’, and ‘Implementing good practices in transparency, reporting and audit to deliver effective accountability’). • From our review of the progress against the 2019/20 Annual Governance Statement plan, we note the Council made significant progress in the 2020/21 year including a revision of the roles and responsibilities of officers and members including knowledge of appropriate procedures, workshops on good governance, a new code of conduct, establishment of a Capital Review Board, external training, initial reviews of organisational capacity in key areas and circulation of reports to key officers prior to publication to ensure stronger decision making. A number of actions were not completed until 2021/22 per management action trackers, which we will consider in further detail in our 2021/22 VfM work, which included training on interactions and behaviours between members and officers, further independent reviews around partnerships (noting Optalis and AFC were underway), delivery of a new Corporate Plan and filling the organisational capacity gaps in key areas.

Value for money (continued)

Risk of significant weakness in arrangements (continued)

Risk title	Governance arrangements in respect of informed decision making and risk management
Work performed	• The actions in the 2020/21 Annual Governance Statement plan were identified as actions for future periods, and so had not been implemented in the period. Management's action tracker against this plan shows progress during 2021/22 (which we will consider in our 2021/22 VfM work), including the completion of a new Corporate Plan, development of a new performance management framework, review of risk management arrangements and further training for the Overview and Scrutiny panels. Management considered the remaining actions to be completed by the end of 2022, which included the implementation of the leadership development programme, and improvements in the Council's governance of over RBWM Property Company Ltd. • We reviewed progress against the pension governance review action plan, and noted that 14 of the 21 recommendations were addressed in the 2020/21 year including reducing the size of the Pension Fund Advisory Panel, abolishing the Pension Fund Panel Sub-Committee (investment group), putting in place a control that governance changes are approved in line with the Council's Constitution and all meetings are properly clerked and minuted, with minutes checked before publication. Management's action tracker (which we will consider in subsequent year's VFM work) shows that of the remaining seven recommendations five were actioned by the end of 2021/22, including the appointment of a new post for a Head of Pension Fund (to drive further improvements) and reviewing of the Pension Board membership, and the final two by September 2022. • We considered the findings from the Local Government Association Corporate Peer Challenge which, although taking place after the 2020/21 year, highlighted continued weaknesses in governance arrangements that were in place during the year. Areas for improvement identified included prioritising embedding the Corporate Plan across the Council including the establishment of a new performance framework which links service plans and priorities to budget and risks over the medium-term, reviewing the current model of scrutiny committees, and developing a clear and consistent framework on the role and governance of the arms-length Council entities. • We reviewed progress of actions arising from the CIPFA review which indicated that although progress had been made in addressing the recommendations raised, not all were completed until after the 2020/21 year-end. These included the review of the capital programme (to ensure there were robust business cases with clear delivery outcomes and risk management), improvements to culture in the Council, and review of the internal audit partnership arrangement. • We reviewed the changes made to capital project governance as a result of establishing the Capital Review Board. This has increased consideration of factors such as longer term funding costs and, on-going monitoring of project feasibility, compared to historic emphasis on speed of delivery to achieve regeneration aims (reflected in previous findings from the CIPFA review). The Council has also revised its capital strategy.

Value for money (continued)

Risk of significant weakness in arrangements (continued)

<table>
<tr><td>Risk title</td><td colspan="4">Governance arrangements in respect of informed decision making and risk management</td></tr>
<tr><td>Conclusions</td><td colspan="4">We have concluded that there is a significant weakness in the Council’s arrangements in respect of informed decision making and risk management.
As required by the Code of Audit Practice and Auditor Guidance Note 03, Value for Money, we have made recommendations below, which reflect on-going actions taken since the period.</td></tr>
<tr><td></td><td>Does a weakness exist in the current year?

Yes - there is evidence of a significant weakness in that the Council’s governance arrangements</td><td>Is a recommendation required in the current year?

Yes – recommendations have been set out below</td><td>Will this matter be referred to in our audit opinion?

Yes - the significant weakness identified will be referred to in our audit opinion.</td><td>Will this matter be referred to in our Auditor’s Annual Report?

Yes - we are required to include conclusions and findings within our VfM commentary.</td></tr>
<tr><td>Recommendation</td><td colspan="4">We recommend that the Council:
• Following the post year-end implementation of the action plans responding to the CIPFA Review of Financial Governance and independent review of Pension Fund governance , continue to monitor the on-going operation of the new processes and procedures.
• Following the post year-end implementation of the AGS action plans put in place for 2019/20 and 2020/21, continue to maintain and monitor the on-going operation of the new processes and procedures.
• Implement actions identified in response to the LGA Corporate Peer Challenge reports in 2022, and, once implemented, continue to maintain and monitor the on-going operation of the new processes and procedures</td></tr>
</table>

Value for money (continued)

Financial sustainability

The financial pressures upon local authorities, together with the significant impact on the Council's operations and performance of the pandemic, have put increasing pressures on many authorities going beyond the 2020/21 period considered by this report. The government allocated emergency funding to local authorities during the pandemic, and allowed the impact of tax shortfalls to be spread, which mitigated some of the direct impact of the pandemic on local authority finances.

For 2020/21, in the context of the pandemic and the increased uncertainty applicable to planning, we have concluded that there was not a significant weakness in the Council's arrangements in this area for 2020/21. This reflects improvements that were made in the year in response to previous recommendations from us and other third parties in respect of financial planning and budgeting.

For subsequent year's audits, this may change and we may identify a risk of significant weakness in arrangements that we will conclude upon as part of those audits. This reflects both national factors including on-going pressures from the pandemic on public finances, macro-economic trends and the cost of living crisis, and specific challenges for RBWM reflecting factors discussed further below.

The revenue outturn for 2020/21 (including movements in earmarked reserves) was a £1.2m reduction in the general fund, followed by net increases (again after earmarked reserve movements) of £1.7m in 2021/22 and £1.5m in 2022/23 (i.e. effectively net underspends against planned movements in the general fund).

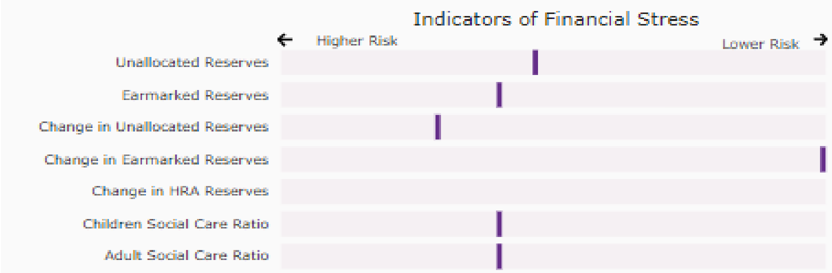
However, we note that on-going financial pressures mean that the Council is forecasting a significant overspend for 2023/24, and has a £3.7m budget gap for 2024/25 (£10.1m to 2028/29, which exceeds the Council's available reserves). The Council highlighted the risk of a Section 114 notice if the overspend is not addressed as part of their 27 September 2023 Cabinet meeting. The Council needs to focus on ensuring it has suitable plans in place to meet the demands of the services it provides and producing a balanced budget, which is more challenging in its specific financial context (of relatively lower council tax income, higher pension contributions, and relatively higher borrowings compared to other bodies).

Royal Borough of Windsor and Maidenhead's position

We have included below extracts from the 2021/22 CIPFA Financial Resilience Index (the most recent available). Although this shows a "Reserves Sustainability Measure" of "100" for the Council, our understanding of CIPFA's index is that this reflects increases in reserves over the pandemic, rather than longer-term strength of the balance sheet (reflected in the level of available reserves being below average).

2021-22 Financial Resilience Index

Indicator	Min	Indicator Value	Max
Reserves Sustainability Measure	100.00	100.00	100.00
Level of Reserves	23.71%	49.65%	105.90%
Change In Reserves	23.75%	246.17%	246.17%
Interest Payable/ Net Revenue Expenditure	1.28%	3.20%	10.76%
Gross External Debt	£22,058k	£190,265k	£452,672k
Social care ratio	56.51%	67.94%	77.10%
Fees & Charges to Service Expenditure Ratio	7.37%	11.86%	25.73%
Council Tax Requirement / Net Revenue Expenditure	58.46%	86.09%	89.69%
Growth Above Baseline	-3.27%	61.75%	61.75%



Indicator	Min	Indicator Value	Max
Unallocated Reserves	3.98%	9.29%	37.46%
Earmarked Reserves	15.01%	40.36%	96.35%
Change in Unallocated Reserves	-10.27%	12.54%	208.38%
Change in Earmarked Reserves	9.39%	562.92%	562.92%
Change in HRA Reserves	-52.82%	na	49.99%
Children Social Care Ratio	16.49%	22.78%	31.46%
Adult Social Care Ratio	38.77%	45.16%	51.35%

Value for money (continued)

Financial sustainability (continued)

Royal Borough of Windsor and Maidenhead's position (continued)

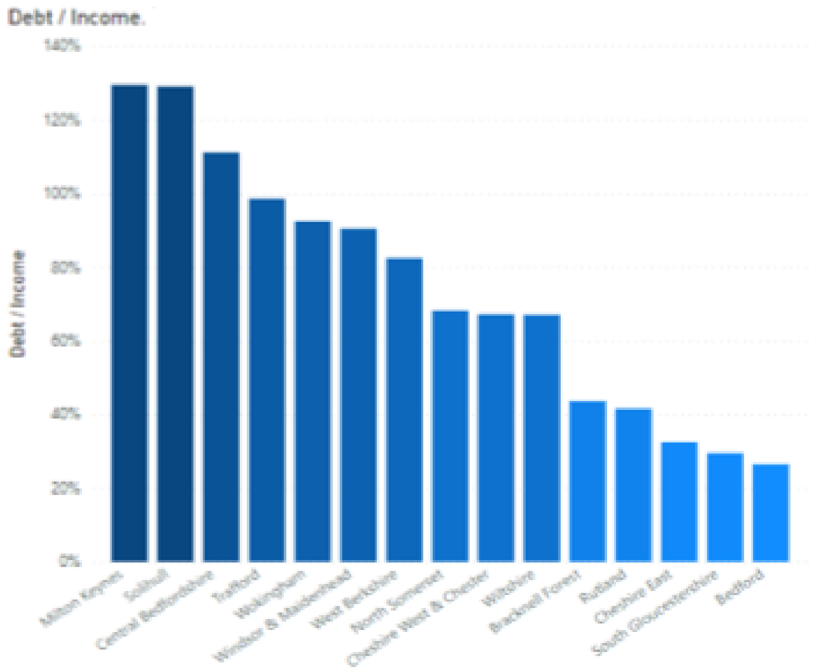
The Council's general fund and earmarked reserves position has historically been relatively low (£13.6m at 31 March 2019), with increases during the pandemic due to the timing of receipt of support funding compared to related costs. The general fund is relatively low for the size of the Council.

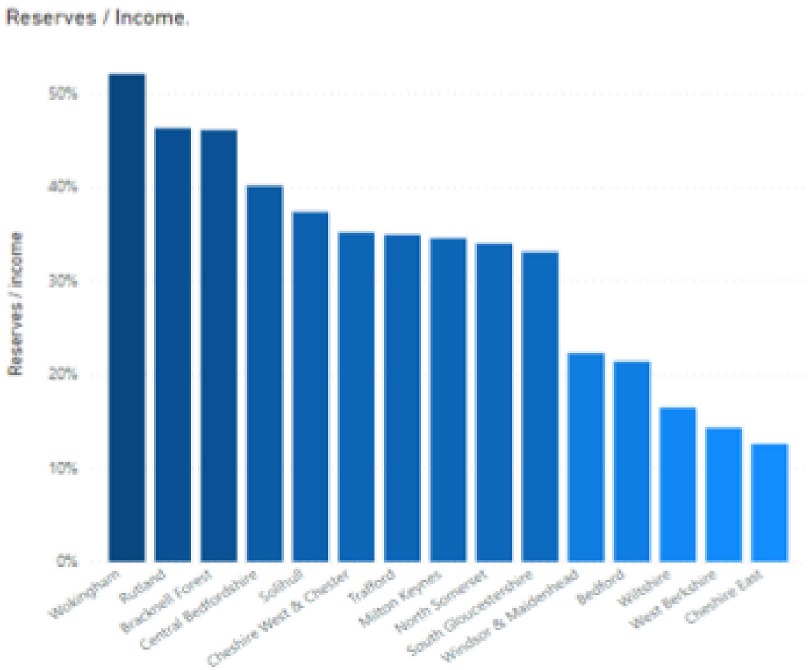
Comparing to the CIPFA comparator group, while not at the extremes of the comparator group, the Council has above average debt compared to its income, and lower reserves compared to income. Factors impacting the Council's longer-term sustainability include:

- The Council's relatively lower level of council tax income, reflecting historic decisions not to increase council tax by the maximum permitted in previous years;
- The Council's level of borrowing for capital programmes, which is planned to be repaid from the proceeds of development projects; and
- The level of funding of the Pension Fund, which is relatively low at 86% funded (as at the 31 March 2022 actuarial revaluation), which requires additional deficit contributions to restore the funding position to 100% funded. The Council also needs to fund its share of the pension deficit in its joint venture, Achieving for Children.

These factors are reflected in the Council's Medium-Term Financial Strategy and Plan. The increasing focus upon the financial sustainability of local authorities means that this will be an area of on-going consideration in auditor's value for money work and commentary for future periods.

219





Control Observations

We note that there are a large number of significant control weaknesses with respect to the financial reporting arrangements of the authority which have been identified in the current and prior year audits. Due to the timing of completion of the 2019/20 audit, not all matters identified during that audit could be addressed during the 2020/21 close process. We have reported below the status of the control observations which remained open during 2020/21, based on the position for the 2020/21 audit, and, where relevant, have indicated which have been previously reported.

We recommend that the Audit and Governance Committee asks management to prepare a paper setting out the actions that will be taken in response to these recommendations, including a further update on progress against prior year recommendations, and puts in place arrangements to assure the committee that these recommendations have been implemented on a timely basis. We may identify additional observations from the resolution of the remaining areas of the audit.

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.

Ranking of control observations

Red: Control findings identified in respect of areas identified through the audit as significant risk of material misstatement, significant areas relating directly to the preparation of the statement of accounts and other areas where material errors were identified during the audit — **High Priority**

Amber: Other significant control deficiencies including those to weaknesses that led to errors that were nontrivial but below our materiality threshold. — **Medium Priority**

Area	Observation	First reported	Priority
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: • The non-receipt of a completed CIPFA disclosure checklist accompanying the financial statements subject to audit; • Material misstatements in the underlying accounting for transactions; • Inconsistencies between notes in the financial statements; • 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.	December 2019	Red (High)

Control Observations (Continued)

Internal control and risk management

Area	Observation	First reported	Priority
Maintenance of debtors listing (Council Tax and business rates)	Management is not able to produce council tax and Business rates receivables listing as at 31 March 2021. The main reason is that the system is a live system, and these reports were not run at year-end date. This therefore limits the ability of management to perform assessments of these listings and perform reviews which presents a significant control weakness and may impact our audit opinion. We recommend that a process is put in place to allow the retrospective running of these reports, and that copies are retained for all year-end positions.	Current report	
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 in 2018/19, 2019/20 and 2020/21. We recommend that the Council considers whether there are year-end processes which can be streamlined or pulled forward to earlier in the year.	December 2019	
Capacity and capability in the finance function and other functions to support the financial reporting and close process	The Council should undertake a detailed review of the capability and capacity in the finance function, including the capability and capacity to deliver a high quality statement of accounts and supporting work papers before the deadline for the audit, and sufficient capacity and capability to respond to audit queries during the audit period. This should include training of finance function and other functions that input to the financial reporting process on the adequacy of information prepared and retained to support the accounting entries, a detailed review of the control framework for financial reporting which includes implementation of internal and external recommendations, and review and implementation of improved quality control arrangements over the preparation of the statement of accounts and supporting work papers;	Current report	

Control Observations (Continued)

Internal control and risk management

Area	Observation	First reported	Priority
Missing interest disclosure forms	In order to prepare related party disclosures and as part of controls of conflicts of interest, the Council obtains signed interest disclosure forms from “key management personnel” (which includes councillors). Not all forms were obtained during the close process, and due to a departure one form was not possible for the Council to obtain. The absence of disclosure forms for key management personnel is contrary to RBWM policies, and limits the evidence available to support completeness and accuracy of the related party disclosures. We recommend that Management should put in place measures to ensure all the interest disclosure forms from the key management personnel are completed and these should remain up to date.	**Current report**	
Journal controls	During our testing of the design and implementation of controls relating to management override and specifically relating to review of journals, we noted there is no audit trail to evidence the review of the control where each month a report of the journals posted to each general ledger code area is run and passed to the responsible officer for review. We recommend that management should keep records for the review of the journals.	**December 2019**	
Review of completeness of Investment properties valued by Valuers	During the audit we noted that there was no control in place to check the completeness of Investment properties in the valuation report. We recommend introducing controls over review of completeness of information provided to the valuer and also to reconcile the 3rd party valuation back to the fixed asset register, as key controls to address risks of errors and omissions in accounting for a significant accounting estimate.	**March 2023**	

Control Observations (Continued)

Internal control and risk management

Area	Observation	First reported	Priority
Trial balance and financial statements preparation	The Council's financial statement preparation and underlying ledger and related mappings in place for the 2020/21 financial year (and applied in the initial close process) do not provide a robust audit trail to map balances to the financial statements and track adjustments, with changes hard coded in the excel accounts draft. We recommend the following: • revisiting the underlying general ledger structure to provide clear support and mapping to the principal financial statement line items; • preparing a clear consolidation schedule to support group numbers; and • maintaining a clear extended trial balance with documented rationale for adjustments made between versions of accounts (and whether updated in ledger). The Council has taken action to amend the accounts preparation process for future periods and to make changes to ledger structures to address these recommendations.	September 2022	
No audit trail of detailed review of the revaluation journal posting	Although there is evidence of reviewer sign-off on the revaluation journal, in testing the implementation of this control we were not able to obtain evidence of the detailed review of the journal and its underlying support, including checking back to the valuer's report of the figures included in the journal. We recommend that evidence of review and challenge should be maintained as part of the audit trail for the review process. Although we understand management has planned responses to this for the 2022/23 financial statements, this was not addressed for 2020/21.	September 2022	
Review of property valuation reports	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. There was no evidence of a documented review control by officers over the valuation report received from KCC. 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.	December 2019	

Control Observations (Continued)

Internal control and risk management

Area	Observation	First Reported	Priority
Review of capital spending classification	The control over capital spending classification requires review of each invoice, and where there is a question over whether a particular invoice is capital or revenue this is raised through the ranks of seniority (where appropriate training has been delivered). However, the limit of the control is that the check centres on whether a given spend amount is within a budget or not (with budgets already having been pre-approved).This control would capture extra budgetary spend on a project but does not address the risk that items are inappropriately treated as capital when not meeting the requirements of IAS 16. We further identified that in the review of Capital Additions by Budget Steering Group meeting and approval by Cabinet control, there is no sufficiently detailed control at the budget approval stage to address the risk of classification. There is not a documented control which demonstrates a challenge on the capital or revenue classification of items. The meetings consider the value and worth of a project from a budget/spend perspective i.e. "is this work necessary and worthwhile" but do not challenge on whether it is revenue or capital. We recommend putting in place explicit consideration and documentation of the accounting treatment of expenditure, supported where needed by reference to the requirements of relevant accounting standards and the Code, with documented evidence of the operation of this control.	**September 2022**	
Review of information provided to property valuation experts.	The accuracy of the valuation of properties is dependent on the accuracy and completeness of the data provided to the valuers. During the audit we noted that there was not an audit trail to evidence the review process on the information provided to the valuer. We recommend that the Council puts in place measures where the information which is provided to the valuer is reviewed by appropriate individuals within both operational and finance teams to ensure accurate and complete information is provided, and where relevant assumptions and knowledge about the assets are shared with the valuer, with evidence of review retained.	**September 2022**	

Control Observations (Continued)

Internal control and risk management

Area	Observation	First reported	Priority
Preparation of accounting papers	Accounting papers were not prepared to explain and support key judgements and estimates, including the on-going 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.	September 2022	
Assessment of impairment of receivables and loans	The Council did not consider requirements of IFRS9, Financial instruments to assess the expected loss on loans and receivables. Historical rates were not adjusted for by forward looking information. We recommend that the expected credit losses calculation is based on historic recoverability rates adjusted by forward looking information and based on historical recoverability on those where IFRS9, financial instruments is not applicable.	Current report	
NNDR debtor provisioning	The methodology adopted for provisioning for NNDR receivables at 31 March 2021 was not appropriate, as it does not take any consideration of the level of debtor outstanding in assessing the expected amount recoverable. We recommend management review the approach adopted and amend for future accounting periods.	Current report	
Taxation debtor provisioning	We recommend management review the data used for debtor provisioning for taxation and other non-exchange debtors, and whether historical experience appropriately supports the provision rates used. Although particularly challenging to estimate at 31 March 2021 in the context of the pandemic, the underlying provision rates are not supported by suitable documented analysis and justification of the provision rates used.	Current report	

Control Observations (Continued)

Internal control and risk management

Area	Observation	First reported	Priority
Redundancy Provisions	Under IAS 37 Provisions, Contingent Liabilities and Contingent Assets, a restructuring provision is recognised only when both of the following conditions are met: • there is a detailed formal plan for the restructuring; and • an organisation has raised a valid expectation in those affected that the plan will be implemented i.e. either by starting to implement the plan or announcing its main features to those affected. Deloitte noted that the council made provision for redundancies which did not meet the recognition criteria above. We recommend management to consider the requirements of Accounting standards in recognising the provisions.	Current report	
Monthly management accounts process	The Council's management accounts process and monthly monitoring is focussed upon net outturn (rather than review of income and expenditure values against budget, or of the balance sheet and cashflow movements in the period). Although this approach is common in local government, this means that the review processes are less able to detect fraud or error, and we do not consider this to be in line with best practice. We recommend management consider implementing a full monthly management account process, with review against budget for income and expenditure by type, and review of the balance sheet position. This may require consideration of which accruals processes are appropriate to operate each month (or quarter), and which are appropriate as annual processes.	Current report	
Review of Covid 19 grants	In our testing of the design and implementation of controls around Covid-19 grants, no supporting documentation could be provided to evidence that officers review each grant agreement at the start of each grant and assess whether there are any conditions or restrictions associated with the grant and the review process of this judgement is not documented. We noted differences in treatment to that which we would expect for a number of grants as noted on page 17. We recommend that inspection of grant agreements and review of judgements in relation to these are formally documented.	Current report	

Control Observations (Continued)

Internal control and risk management

Area	Observation	First reported	Priority
Fixed asset system	Activities within the fixed asset system such as transfers of assets between asset categories can mean that summary asset category totals within a detailed report may differ between the closing balance for one year and the opening balance for the following year. Other reports within the suite of available reports show movements between asset categories. Differences can also be caused between closing and opening balances on all reports within the suite of reports where assets are either made inactive or as de minimis assets when they previously had a carrying balance. The system does not report on inactive or de minimis assets. We recommend reviewing the use of the fixed asset system and report set up with working protocols put in place to ensure that transactions are recorded correctly as per the system design and that asset movements are monitored and reconciled, both within the suite of reports within the system and against the ledger.	September 2022	
Consideration of sale of assets	From our investigation into the objection in respect of the Nicholsons Shopping Centre valuation, we recommend going forward that the Council formally documents its consideration of the best valuation approach to use for the sale of assets together with any supporting calculations, consideration of development value and appetite for risk.	September 2022	
Public approval of transfer of assets to RBWM Property Company Limited	From our investigation into the objection in respect of transfers of properties to RBWM Property Company Limited, as we could not identify the transfer of property at 106 West Borough Road in publicly available documentation (it was included in Part 2 Cabinet minutes) we recommend to the Council that the approval of all assets transferred to the property company are included in publicly available information (Cabinet public document packs).	September 2022	
Balance sheet reconciliations review controls	The Council has historically not had in place a “balance sheet reconciliation” process to reconcile the general ledger to supporting analyses, with documented review over this. In many instances, we noted that the supporting analyses of balances showing the actual make up of balances (rather than a transaction listing) were not available. We understand that subsequent to 2020/21, the Council has begun introducing this type of control, but this was not fully in place by 31 March 2023. We recommend the Council put in place a regular balance sheet reconciliation and review process. Best practice would be to do this on a monthly basis, and minimum frequency we would expect is quarterly, with more detailed review as part of the year-end process (as not all accounting estimates are prepared each month).	Current report	

Control Observations (Continued)

Internal control and risk management

Area	Observation	First reported	Priority
Reclassification of assets under construction when complete	We identified that an item of assets under construction that was completed in 2019/20. This asset was however not fully transferred out of assets under construction into the category of property, plant and equipment to which it relates. This was also the case in prior year. We recommend the Council implements a documented control where assets held under construction are reviewed in order to verify whether or not they are complete at 31 March, and to ensure appropriate transfers to other categories of fixed assets.	**December 2019**	
Ledger structure and preparation of the CIES and reserves notes	The Council's ledger structure is focused upon management accounts requirements and is not structured to support the requirements of the financial statements. A single ledger grouping, "AK20", is used for posting a range of different accounts movements effectively directly to reserves, which then need reanalysis to prepare the CIES and to allocate to appropriate financial statement lines. The Councils' historic audit trail and support for this reanalysis has not been adequate and has not included appropriate review and control steps over the entries required, resulting in errors identified in the audit (including entries requiring restatement). We consider the ledger structure used in 2020/21, in the absence of a rigorous structure of mitigating controls, to be a significant weakness in the council's financial reporting arrangements. We recommend the council revisit its ledger structure, with at least one separate general ledger account code underpinning each required line in the CIES and supporting notes, a clear and maintained mapping of ledger codes to financial statement line items (with appropriate review controls over the mapping and changes thereto), and, where reanalysis of ledger codes for accounts preparation is required, a clear structure of high quality reconciliations with documented rationale and evidence for analysis and appropriate controls over the reanalysis process. We understand that changes have been made for subsequent periods, with changes partially implemented in 2021/22 and further extended during 2022/23.	**September 2022**	
Documentation of arrangements about funds held on behalf of other entities	The Council holds funds on behalf of a number of other organisations, most significantly the Thames Valley Local Enterprise Partnership. In 2020/21, the Council used cash to fund Council capital expenditure rather than borrowing from other sources (while recognising amounts due to other entities as borrowings in the financial statements). We recommend the Council put in place documented agreements with the other organisations setting out arrangements over funds held on their behalf, and ensuring appropriate governance that reflects individual arrangements.	**Current report**	

Control Observations (Continued)

Internal control and risk management

Area	Observation	First reported	Priority
Review of Capital additions during Capital Review Board meetings and approval by Cabinet.	Deloitte have noted that there is a control in place in which capital additions are reviewed during capital review board meetings and there is approval of capital additions by the cabinet. The meetings consider the value and worth of a project from a budget/spend perspective i.e., "is this work necessary and worthwhile" but do not challenge on whether it is revenue or capital in nature. We recommend that there is consideration and challenge whether the items included as additions are of revenue or capital nature.	**Current report**	
Lack of audit trail for the review of pension reports.	The valuation of pension liabilities is performed by the Actuary. However, there was no evidence of management review of the IAS19 reports issued by the Actuary. We recommend that a paper is prepared and set out the review of key assumptions, and officer's view on why the assumptions are appropriate and evidence of review and challenge should be maintained.	**Current report**	
Those in charge in governance lack significant influence over financial reporting internal controls.	Deloitte have noted several financial reporting control deficiencies in the prior year (such as reconciliations), which have not been implemented by entity management in the 2020/21 audit period. We also identified multiple misstatements that had occurred as a result. We recommend that those charged in governance follow up on the implementation of the control observations.	**Current report**	
Recording of accruals and payables in the general ledger	During our testing of accruals , we noted that within accruals listing , there were several balances which were supposed to be recorded in the Trade payables account code because the council had received the related invoices before the year end. We recommend reviewing the year-end liability capture process, and the extent to which payables can been captured in the appropriate coding (which would support separate accounts disclosure of payables and accruals).	**Current report**	

Control Observations (Continued)

Internal control and risk management

Area	Observation	First reported	Priority
User access reviews	In our test of access controls, we noted that for the Agresso application, the users access are not reviewed for appropriateness based on their access privileges and role-based segregation of duties, furthermore, there is no formal evidence maintained to corroborate that the review had taken place. We recommend that this review is performed on a regular basis and formally documented.	Current report	
Agresso application passwords configuration.	In our test of access controls on Agresso application, we noted that password configurations were not in line with the recommended industry standards. Weak passwords configurations exposes the council to unauthorised individuals gaining access to the system. We recommend that the password expiry period should be updated to align with the recommended best practice.	Current report	
Change Management	It was identified that there is no formal change management policy in place. Furthermore, although changes are tested and approved, there is typically no segregation of duties between those who develop changes, and those who implement changes. We recommend the council to implement a change management policy which should also address segregation of duties.	September 2022	
Compliance with LAAA 2014 (regulation 15)	In relation to public inspection period for 2020/21 accounts, the Council did not fully comply with the Local Audit and Accountability Act 2014 (regulation 15) as it did not include its Annual Governance Statement (AGS) within the draft financial statements when uploading the document on its website. Although not directly required of the Council, it did not consider other options in relation to local taxpayers accessibility of the notice to inspect the accounts by only publishing the notice on its website. We recommend that Council ensures the AGS is included within the draft financial statements when it is made available for public inspection on the website. We recommend the Council consider whether it should use other avenues for making the local taxpayer aware that the draft statement of accounts are available for inspection other than on their website to improve accessibility.	September 2022	

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 Statement of Account
- 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

Deloitte LLP

St Albans

8 November 2023

Appendices

232

Audit adjustments

Uncorrected misstatements

After the adjustments that have been made in the updated draft financial statements (and subject to completion of our checks of that updated draft), the following uncorrected misstatements have been identified. We request that you ask management to correct as required by ISAs (UK). Uncorrected misstatements, if corrected would reduce total comprehensive expenditure by £1.6m (i.e. represent net reduction in costs to the Council of £1.6m), reduce net assets by £0.3m, and decrease usable reserves by £1.8m.

There may be more misstatements as we finalise our audit work and an updated schedule will be included within our final report that we will issue at the point of signing, including in respect of any uncorrected disclosure deficiencies.

			Debit/ (credit) CIES £m	Debit/ (credit) in net assets £m	Debit/ (credit) prior year reserves £m	*Memo: Debit/ (credit) Council usable reserves £m*
Factual misstatements identified in current year						
Overstatement of the carrying amount of investment in RBWM Commercial Services Limited	Investments	[1]	0.2	(0.2)	-	-
Inappropriate recognition of redundancy provisions	Provisions	[2]	(0.4)	0.4	-	(0.4)
Over accrual of DLUHC receivables	Receivables	[3]	0.3	(0.3)	-	0.3
Sub total			**0.1**	**(0.1)**	**-**	**(0.1)**
Judgemental misstatements identified in current year						
Allowance for Doubtful Debts – Council Tax Debtors	Receivables	[4]	2.3	(2.3)	-	-
Allowance for Doubtful Debts – Housing Benefit Debtors	Receivables	[4]	(1.2)	1.2	-	-
Allowance for Doubtful Debts – NNDR Debtors	Receivables	[4]	(1.4)	1.4	-	-
Potential impact of the Goodwin ruling	Pensions	[15]	0.5	(0.5)	-	-
Capitalisation of infrastructure expenditure with a useful life of less than a year	Infrastructure assets	[5]	1.4	(1.4)	-	1.4
Judgemental misstatements continued on the next page						

Audit adjustments

Uncorrected misstatements

			Debit/ (credit) CIES £m	Debit/ (credit) in net assets £m	Debit/ (credit) prior year reserves £m	*Memo:Debit/ (credit) Council usable reserves £m*
Judgemental misstatements identified in the current year (continued)						
Expected credit loss on AFC loan	Loans	[6]	0.5	(0.5)	-	0.5
Overstatement of appeals provision due to double counting of appeals	Provisions	[7]	(0.3)	0.3	-	-
Overstatement of appeals provision due to estimation approach used	Provisions	[8]	(3.0)	3.0	-	-
Overstatement of income – Sales fees and other charges	Revenue	[9]	-	0.4	(0.4)	(0.4)
Sub total			**(1.2)**	**1.6**	**(0.4)**	**1.5**
Prior period misstatements identified in the current year						
Prior year REFCUS expenditure only recognised in the current year	Cost of services	[10]	(0.7)	-	0.7	-
Prior year REFCUS expenditure incorrectly capitalised in prior year	Cost of services	[11]	(1.7)		1.7	
Impact of discounting deferred receipts on finance lease	Receivables	[12]	-	(0.7)	0.7	-
Error in accounting treatment for the transfer of properties to RBWM Property Company Limited	PPE	[13]	2.3	-	(2.3)	-
Sub total			**(0.1)**	**(0.7)**	**0.8**	**-**
Misstatements identified in prior year that remain uncorrected						
Joint venture accounting error (group only)		[14]	-	1.4	(1.4)	-
Capitalisation of infrastructure expenditure with a useful life of less than a year	Infrastructure	[5]	(0.4)	(0.4)	0.8	0.4
Potential impact of Goodwin case on pension liability	Pension	[15]	-	(0.5)	0.5	-
Interest cost included in Modern Equivalent for the revalued school assets	PPE	[16]	-	(1.6)	1.6	-
Sub total			**(0.4)**	**(1.1)**	**1.5**	**0.4**
Grand total			**(1.6)**	**(0.3)**	**1.9**	**1.8**

Audit adjustments (continued)

Uncorrected misstatements (continued)

1. The carrying amount of the Investment in RBWM Commercial Services was higher by £160k when compared to the net assets of RBMW Commercial Services which dissolved on 7th December 2023 via voluntary strike off, with net assets of £66k on 31 March 2020, the last available financial statements.
2. The council recognised a redundancy provision of £400k which did not meet the recognition criteria under IAS 37, *Provision, Contingent liabilities and Contingent Assets.*
3. The Council over accrued £0.3m receivable from DLUHC.
4. Debtor provisions were based on the information at the time of calculation. As part of our subsequent review procedures, we have considered the level of recovery by the council against debtors compared to the level expected when making the provisions and have estimated that the provision for council tax was understated by £2.3m, housing benefit was overstated by £1.2m and non-domestic rates debtors is potentially overstated by £1.4m based on rate of recovery and remaining outstanding balances. These are judgemental misstatements. The impact of this upon usable reserves is over time with interactions with the collection fund adjustment account, and for 31 March 2021 we have not included any impact on usable reserves in the table. We have included in disclosure misstatements the impact on the Collection Fund of the gross value of this including preceptor's shares.
5. Road repairs (patches) were assessed by the council that they have useful life of one year. Deloitte is of the view that these repairs should be written off as incurred because they do not meet the criteria for capitalisation. This impacts usable reserves.
6. Deloitte assessed the Expected Credit Loss on the Revolving Credit Facility to Achieving for Children (AfC) as £0.4m. This is RBWM's share (20%) of the net liability position £2.3m of AfC as at 31 March 21 (excluding pension balances).
7. Within outstanding appeals data report balance of £6.8m, there are 12 duplicate properties. To correct, RBWM has provided for the higher of the multiple amounts arising for duplicates to remain prudent. Other amounts totalling £0.5m represent an overprovision of which RBWM has a £0.3k share.
8. The NNDR appeals provision (for the collection fund as a whole) has increased by £12.8m from £1.4m to £13.8m, of which RBWM's share is an increase of £6.3m to £6.7m. Based on our review of the estimate, this provision (£6.7m RBWM share, plus related balance for other preceptors) is overstated by £3.0m. We have included in disclosure misstatements the impact on the Collection Fund of the gross value of this including preceptor's shares.
9. Within fees and charges, we identified a consortium arrangement where income is received for each year, and then any "surplus" is deferred. There is not an IFRS 15 analysis supporting this, and from understanding of arrangement it appears income should be recognised for periods received. The estimated impact for this type of arrangement is £0.4m opening and £0.4m closing deferred income, and so limited impact on the current year income statement.
10. Our testing of revenue expenditure funded as capital under statute (REFCUS) identified items which should have been recognised in the prior year rather than the current period. We have estimated an impact of £0.7m of this (of which £0.3million is a known error). This does not impact on usable reserves in year.
11. The Council has expensed in year £1.7m of revenue expenditure funded as capital under statute (REFCUS) which was incorrectly capitalised in fixed assets in the prior year, correcting the balance sheet position but affecting the current year accounts.
12. The council did not recognise the impact of discounting deferred capital receipts of £7.6m on a finance lease transaction. We have estimated the overstatement of the receivable balance to be £0.7m.
13. Transfer of properties to RBWM Property Company Limited at £1 consideration was accounted for as disposals instead of a capital contribution (an increase in the carrying amount of the investment in the subsidiary). Historic transfers of £2.3m have been corrected in the current year, but this impacts the current year income statement and leaves an immaterial misstatement in the comparative figures.
14. JV accounting in the Group financial statements: The restated joint venture opening position in 2019/20 was been calculated including the impact of impairment in the council only accounts, rather than taking just the initial investment plus the council's share of gains and losses. The impact on net assets is £1.4m, with no impact on usable reserves.
15. 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. We understand that the Council plans to correct this when schools next fall into their year of full revaluation within the cycle. The impact on net assets was £1.6m at 31 March 2020, with no impact on usable reserves. We will update for any change in impact in 2020/21 following resolution of queries on the indexation adjustment.
16. The Goodwin case has not been adjusted for in the pension liability. Deloitte actuaries have assessed the impact as of £1.0m (incremental impact of £0.5m) at 31 March 2021 (and between £0.5 and £1.0m at 31 March 2020), with no impact on usable reserves.

Audit adjustments (continued)

Uncorrected disclosure misstatements

1. Presentation of correction of treatment of Cashflow treatment of property transfers

The Council has recognised a "gain" in the current year of £3.2m in Financing and Investment Income and Expenditure from the correction of the historic treatment of transfers to RBWM Property Company Ltd (which had incorrectly been treated as a loss on disposal, rather than just a balance sheet transfer). The reversal of this transaction should have been netted within gains/losses on disposal, rather than shown as a separate gain, and for new transactions should be treated as not having any gain or loss (i.e. should not show a loss on disposal and a gain on financial asset). The Council had based their treatment on an example in the CIPFA Code Guidance - while we agree with principles in the example, we do not agree this requires the presentation adopted.

2. Useful economic lives disclosure

The accounts disclose a useful economic life range of 4-10 years for vehicles, plant and equipment, and of 30-50 years for other land and buildings.

The underlying lives in the fixed asset registers include (by net book value at 31 March 2021)

- For other land and buildings, 17% with a shorter life and 2% with a longer life (81% within range)
- For vehicles, plant and equipment, 7% of assets have a longer life

The accounting policy is therefore not fully accurate in its description of the assets.

The assets include £0.5m of buildings with a 999 year useful economic life. We have not raised a misstatement for this, as would be below our clearly trivial threshold, but note as a matter for the Council to investigate and correct.

3. Pension interest cost disclosure

Pension interest cost for prior year has been disclosed as £8.0m on Note 12,Financing and Investment income and expenditure instead of £6.7m as disclosed on Note 40, Defined Benefit Pension Scheme.

4. **Impact on collection fund of over of gross understatement of collection fund provisions and overstatement of NNDR Appeals Provisions on Collection Fund Disclosures**

The Collection Fund includes the gross value of movements in bad debt provisions and provision for appeals, including the shares in respect of other preceptors (with the Council CIES and balance sheet only affected by the Council's share). The Collection Fund figures are therefore misstated by the gross value of the misstatements noted for the Council balance sheet values, as summarised below:

£m	Reported figure	Under / (over) statement
Council tax – increase in bad debt provision	0.1	2.4
Business rates – increase in bad debt provision	5.4	(1.4)
Business rates – increase in provision for appeals	12.4	(6.8)

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 2021.
Audit fees	The final fee for the 2019/20 audit of the Council's statement of accounts was £355k. This includes the scale fee of £63k, additional fees in respect of objections of £91k, and other costs incurred as a result of issues identified in our 2019/20 audit report and changes in accounting and audit requires. This has been agreed with the Authority and PSAA Ltd. The final fee for the 2019/20 audit of the Council's pension fund was £139k. This includes the scale fee of £19k, and other costs incurred as a result of issues identified through the pension fund report to the committee for the 2019/20 audit and changes in accounting and audit requirements. This has been agreed with Officers and we await final agreement from PSAA Ltd. The scale fees for the 2020/21 audit of the Council were £63k and for the Pension Fund £19k. These are the same scale fees as the 2018/19 and 2019/20 audits. The scale fee is based on assumptions about the scope and required time to complete our work and does not reflect any additional audit issues for the year, or the increasing scope of work required due to new auditing requirements and regulatory requirements. These are subject to separate agreement with the Council and PSAA. For 2020/21 there are significant additional costs arising from: •Changes in auditing standards and requirements for 2020/21 audits, including in respect of Value for Money and the impact of regulatory changes; •The auditing and accounting matters set out in this report (particularly requiring significant input at senior level); and •Consideration of potential objections received. We have included our expected final fee variation analysis on the next slide which has been discussed with the Council and provided to PSAA for approval.
Non audit fees	In our role as pension scheme auditor, we have provided reporting to the auditors of member authorities, for which we have charged £23k in respect of 2020/21. There are no other non-audit fees in relation to financial year 2020/21.
Independence monitoring	We continue to review our independence and ensure that appropriate safeguards are in place including, but not limited to, the rotation of senior partners and professional staff and the involvement of additional partners and professional staff to carry out reviews of the work performed and to otherwise advise as necessary.
Relationships	We have no other relationships with the Authority, its members, officers and affiliates, and have not supplied any services to other known connected parties.

Independence and fees (Continued)

2020/21 Fee Variation analysis

The table below shows the fee variation analysis which we have discussed with management, and which has been submitted to PSAA Ltd for their review and approval. They are shown at the applicable PSAA rates for 2020/21.

Category	Main Council		Pension		Total	
	Hours	Cost at PSAA rates	Hours	Cost at PSAA rates	Hours	Cost at PSAA rates
Group work	243	16,807	-	-	243	16,807
Pension Valuation	171	12,161	147	10,153	318	22,314
PPE and investment properties	492	32,082	-	-	482	32,082
Prior period adjustments	310	23,496	-	-	310	23,496
Technical accounting issues	351	29,549	-	-	351	29,549
Quality and preparation issues	1,184	81,844	215	14,887	1,399	96,731
Value for money additional risks	200	28,384	-	-	200	28,384
Value for money commentary	207	19,099	-	-	207	19,099
Increased FRC challenge (not included in other sections)	313	20,403	124	8,072	437	28,475
Covid-19 impact	428	26,360	41	2,867	469	29,227
ISA 540	68	6,030	46	3,694	114	9,724
Work of internal experts (pensions and property valuations)	184	16,080	-	-	184	16,080
Reduced performance materiality	449	27,791	232	15,976	681	43,767
Investment valuation (level 3)	-	-	590	40,716	590	40,716
McCloud	-	-	51	3,539	51	3,539
Other	605	41,021	431	29,837	1,036	70,858
Total for the audit (excluding objections)	**5,205**	**381,107**	**1,877**	**129,741**	**7,082**	**510,848**
Objections (includes legal costs of £20,000).	***312***	***71,521***	-	-	***312***	***71,521***

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 capital expenditure recognition and management override of controls as key audit risks in respect of fraud 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.

Conclusion:

We have no matters to report from our procedures in this regard.

Our approach to quality

FRC 2022/23 Audit Quality Inspection and Supervision report

Audit quality is at the heart of everything we do. We are committed to acting with the highest levels of integrity in the public interest to deliver confidence and trust in business.

In July 2023, the Financial Reporting Council (“FRC”) issued individual reports on each of the seven largest firms, including Deloitte on Audit Quality Inspection and Supervision, providing a summary of the findings of its Audit Quality Review (“AQR”) team for the 2022/23 cycle of reviews.

We greatly value the FRC reviews of our audit engagements and firm-wide quality control systems, a key aspect of evaluating our audit quality.

In that context, our inspection results for our audits selected by the FRC as part of the 2022/23 inspection cycle remain consistent year-on-year, with 82% of all inspections in the cycle assessed as good or needing limited improvement. This reflects the on-going investment we continue to make in audit quality, with a relentless focus on continuous improvement. Our audit culture and the audit quality environment we create are critical to our resilience and reputation as a business and we remain committed to our role in protecting the public interest and creating pride in our profession.

We value the observations raised by both the FRC AQR and Supervision teams, both in identifying areas for improvement and also the increasing focus on sharing good practice to drive further and continuous improvement.

We are pleased to see the positive impact of actions taken over the last 12-18 months to address findings raised by the FRC in the prior year relating to EQCR, Independence & Ethics and Group Audits, with none of these areas identified as key findings in this year’s engagement inspection cycle. The reduction in findings in this area reflects the on-going effectiveness of the actions taken, particularly the successful rollout of our group audit coaching programme. Our EQCR transformation programme, which commenced in the second half of 2021, has served to further enhance the effectiveness of our EQCR process and led to improved evidence on our audit files demonstrating the EQCR challenge.

We welcome the breadth and depth of good practice points raised by the FRC, particularly in respect of effective group oversight and effective procedures for impairments, where we have made sustained efforts and investment to drive consistency and high quality execution.

All the AQR public reports are available on the FRC's website:

Audit Firm Specific Reports - Tier 1 audit firms | Financial Reporting Council (frc.org.uk)

Our approach to quality

FRC 2022/23 Audit Quality Inspection and Supervision report

The AQR's 2022/23 Audit Quality Inspection and Supervision Report on Deloitte LLP

"In the 2021/22 public report, we concluded that the firm had continued to show improvement in relation to its audit execution and firm-wide procedures.

82% of audits inspected were found to require no more than limited improvements. None of the audits we inspected this year were found to require significant improvements and 82% required no more than limited improvements, the same as last year. This was the case for 78% of FTSE 350 audits (91% last year). The firm has maintained its focus on audit quality on individual audits, with consistent FRC inspection results.

The areas of the audit that contributed most to the audits assessed as requiring improvements were revenue and margin recognition, and provisions. There continues to be findings related to the audit of provisions, which was a key finding last year, although in different areas of provisioning. At the same time, we identified a range of good practice in these and other areas."

Inspection results: review of the firm's quality control procedures

"This year, our firm-wide work focused primarily on evaluating the firm's actions to implement the FRC's Revised Ethical Standard; partner and staff matters; acceptance, continuance, and resignation procedures; and audit methodology relating to settlement and clearing processes.

Our key findings related to compliance with the FRC's Revised Ethical Standard, timely continuance procedures, and audit methodology relating to settlement and clearing processes.

We identified good practice points in the areas of compliance with the FRC's Revised Ethical Standard, partner and staff matters, and acceptance, continuance and resignation procedures."

Deloitte.

Deloitte.

ROYAL BOROUGH OF WINDSOR & MAIDENHEAD
WWW.RBWM.GOV.UK

Royal County of Berkshire Pension Fund

Final report to the Audit & Governance Committee for the year ended 31 March 2021

Issued on 8 November 2023 for the meeting on the 16 November 2023

Contents

01 Our audit status update report

Introduction	3
Our audit explained	5
Significant risks	6
Control observations and findings	8
Purpose of our report and responsibility statement	16

02 Appendices

Prior Year Findings	18
Audit adjustments	20
Fraud responsibilities and representations	22
Independence and fees	23

Introduction

The key messages in this report

We have pleasure in presenting our final report to the Audit & Governance Committee of Royal Borough of Windsor & Maidenhead (the "Committee") for the 2021 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 Audit Committee on 29 July 2021.

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 2021 is substantially complete. We have set out on page 4 the procedures that are in progress.

Changes have been made to the audit timetable we presented in our planning report, initially as a result of delays experienced in receiving information from the Fund and its third-party service organisations across key areas of testing. 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. Subsequent delays to the audit of the administering authority have resulted in a significant change to the reporting timetable for the pension Fund audit.

As part of our approach for the 31 March 2021 audit, we have obtained authority to liaise directly with the Fund's investment managers rather than having information collated through Local Pensions Partnership ("LPP"). This has improved the flow of information for our testing of the alternative investment funds and reduced the communication burden on LPP. This included directly obtaining audited financial statements of the alternative investment 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.

On investigation, the alternative investment portfolio was materially understated in the draft financial statements by £48.1m. This was due to the inclusion of some stale valuations that had not been adjusted for trading activity across the first quarter of 2021. This is the third year we have performed the audit of the Fund and we have identified material misstatements in all three years (£31.5m and £74.5m overstatements in 2020 and 2019 respectively). We therefore draw your attention to the high priority recommendations on pages 8 and 9.

Responses have been provided for all IAS 19 requests received during the original audit timescale from auditors of other Fund employers. We have noted in those letters that incomplete cash flow information was provided to the Fund actuary, that there was an associated control weakness, that the assets were adjusted by £48.1m as noted above and that there were other control weaknesses that would be reported to this Committee at the conclusion of the audit. The letters also note that the audit was still in progress at the time of writing. Another request has subsequently been received and we are in the process of preparing our response, pending the completion of the audit.

Introduction
The key messages in this report (continued)

Conclusions from our testing	We have set out a summary of misstatements and disclosure deficiencies identified on pages 19 and 20 of this report. The main adjusted misstatement relates to the overstatement of alternative investments as noted above. There is an uncorrected disclosure misstatement relating to the absence of an adjustment to the IAS 26 disclosure to account for the expected impact of the Goodwin case on the Fund's future liabilities.
Audit procedures outstanding	The audit is substantially complete. We anticipate issuing an unqualified audit opinion on the pension Fund financial statements within the Royal Borough of Windsor and Maidenhead ('RBWM') statement of accounts and the related consistency opinion within the Fund's own annual report subject to the completions of the following procedures: • Receipt of the final Berkshire Pension Fund 2021 financial statements; • Finalisation of our internal quality review procedures; • Update of our subsequent events and finalise going concern procedures; and • Receipt of the signed representation letter. Following the Government budget announcements on Friday 23 September 2022, gilt yields rose significantly. This has had a material impact on pension assets and liabilities across many schemes, with the value of both falling dramatically. For many schemes using a liability driven investment ("LDI") strategy, this has prompted calls for collateral to top up their LDI, often at short notice, which can cause liquidity problems. An LDI investment is a holding or portfolio of holdings primarily slated toward gaining enough assets to cover all present and future liabilities through exposure to derivatives such as swaps or repurchase agreements. Deloitte worked with management to understand the impact of this on the Fund when considering subsequent events. Given the lack of LDI exposure within the Fund's investment portfolio, the impact was limited.
Management representations	We will obtain written representations from the Section 151 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 will be issued ahead of signing the financial statements.
Audit fee	As explained in our 2020 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 30 September 2021 deadline, and it has required substantial further input. The audit has also required additional procedures in response to COVID-19, Russia's invasion of Ukraine, the gilts crisis in September 2022 and the banking crisis in early 2023. 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

247

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

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 continued to impact ways of working both for officers, members of the Fund and the Deloitte audit team throughout much of the audit.

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. These are set out starting on page 8 of this report.

Determine materiality

We set our final materiality at £24.0m based on approximately 1% of total net assets of the Fund.

We report to you in this paper all misstatements above £1.2m.

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 planning report.

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 understated by approximately £48.1m due to the inclusion of stale valuations for some alternative investment funds that had not been adjusted for updated valuations or transactions across the first quarter of 2021.

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 have not noted any significant unusual transactions relating to the current year. During the course of the audit we received a copy of the communication with the Pensions Regulator to report the issue of the unauthorised overnight loan. This was addressed in our audit report on the year ended 31 March 2020.

Journals

We have performed design and implementation testing of the controls in place for journal approval. We also performed an assessment of the mandates in place for the transactions with the custodian and with the Fund's bank account.

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 have performed a review of the accounting estimates.

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 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. 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 15;
- 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 financial statements.

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 £133.2m in the 2020/21 Statement of Accounts (£121.8m in 2019/20) 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'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 before the year end was completed as at 31 March 2019.

We note that the initial valuation included in the draft accounts was updated during the audit from a liability of £131.2m to £133.2m following a revised report by the Fund actuary.

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;
- Tested the design and implementation of the valuation review control in place at the actuary;
- 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 have concluded 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.

The valuation control in place at the actuary was designed satisfactorily and implemented in respect of the year end valuation.

We recommend 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. This represents a process insight from our specialists which has been communicated with management.

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 controls 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 controls. 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 private equity portfolio and other alternative funds	In our final reports on the 2019 and 2020 audits, 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 investment 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 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 and we have experienced delays. This had a direct impact on 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 observation. Audit testing in the 2021 year audit revealed that the alternative funds were understated in the draft financial statements by approximately £48.1m. This error has been 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 alternative funds at the year end for which only stale pricing was available, or to update the financial statements for any year end valuations of these funds that were released before the financial statements were finalised for signing. 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. Where the Fund does not have the appropriate resource within its staff, it should provide clear instructions to LPP or the custodian to perform the processes and controls required. **Management comment:** *A formal process for updating the financial statements for material changes in valuations arising from stale pricing has been implemented for the year ended 31 March 2022 onwards. This includes a peer review control of the adjustment.*

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 2021 financial statements there was no evidence of a formal review and, at the time of testing this control, there was an absence 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. Deloitte performed a detailed review of the first draft financial statements against the CIPFA 2020/21 checklist requirements. We noted a number of deficiencies and these were communicated to Fund management for amendment in later versions of the financial statements which included the insufficient disclosure of transaction costs, inappropriate fair value classifications and insufficient disclosure of management remuneration. We recommend that the design of the financial statement review control is amended to include checking to underlying working papers, the 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. **Management comment:** *A control involving a peer review of a completed CIPFA checklist has been implemented from the year ended 31 March 2022 onwards.*
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 at year end, before the nominal ledger was circulated for our testing. 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 by the same user. 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. We also recommend that it 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. **Management comment:** *A system driven journal workflow process was implemented in April 2022.*

Control observations (continued)

Area	Observation
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 2021. 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 and authorised by the Fund before payments are made. Furthermore, sufficient appropriate evidence should be retained demonstrating that the control has operated for all such transactions. **Management comment:** *Separation of the ledgers was implemented on 1 April 2023.*
Lack of formal policies to ensure compliance with laws and regulations	From discussions with Fund management during the audit, we have noted that there is neither a formal policy nor a procedure in place to ensure compliance with relevant laws and regulations. There is a schedule of topics to be brought to the Panel for consideration, but this relies on the pension manager maintaining his knowledge of the legal environment. Management also confirmed that there was no formal professional development or annual learning requirement for the pensions manager to enable them to perform this role with consistency. We recommend that a formal process is implemented to ensure the Fund is aware of, and complies with, all relevant laws and regulations. **Management comment:** *A Head of Fund has subsequently been appointed. The job description for this role includes ensuring compliance with all relevant laws and regulations. There is also a retrospective check in place each year that confirms compliance with laws and regulations (statutory governance compliance statement presented annually to the Pension Fund Committee).*
Lack of controls to identify and respond to accounting estimates	From discussions held with Fund management and procedures performed in our response to the impact of ISA 540 on the current year audit, we have identified that there is no formal control in place to identify and report on accounting estimates. Although there has been no change in accounting estimates across the previous years’ audits, which has meant that this issue has not impacted the completeness of financial statement disclosures around these estimates, this represents a control deficiency. We recommend that a control is designed to identify and report on accounting estimates, and implemented on at least an annual basis in conjunction with the preparation of the financial statements. **Management comment:** *Consideration of estimates will be incorporated into the financial statements preparation checklist and subjected to peer review.*

Control observations (continued)

Area	Observation
Lack of review of data extraction and provision to the actuary	There was no evidence available during the audit of a formal review of the data extraction and the subsequent provision of this data to the actuary in respect of IAS19 letters and, at the time of testing this control, there was a lack of awareness of any review process. We recommend that a control is implemented to review the data extraction, along with any other information required as part of the IAS 19 reporting, before this is provided to the actuary. We recommend that this includes a reasonableness check against expectations of the Fund's activity. We recommend that the implementation of the control is evidenced appropriately and this evidence is retained for a sufficient period. **Management comment:** *A reasonableness check of the information is carried out before providing the data extraction to the actuary. Formal documentation of this review will be implemented in future periods.*
Unauthorised journal posting	As part of our review of journals, we considered the authority of the personnel posting each journal. A list is maintained by the Authority of the authorisations in place for members of the team, indicating which types of journal entry they are permitted to post. We noted one journal was posted outside these authority limits. The journal had been authorised by the CFO and we received evidence to support the posting. However, this demonstrates another aspect of the weakness in control over the journal posting process. We recommend that the design of the journal posting review control is amended to include confirmation that the preparer has the authority to post the journal. We also recommend that it 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. **Management comment:** *A system driven journal workflow process was implemented in April 2022.*
IT control – Lack of formalised process for revoking user access and user access review	Deloitte noted that access rights reviews for the Fund's accounting software, PTX, are only partially performed as only users account status is reviewed, and no documentation is maintained. For Altair, it was noted that there were no user access right reviews performed during the period under audit. Without a formalised process for removing access, the both Altair & PTX systems are vulnerable to unauthorised access. We recommend that user access reviews are formally documented and communicated with control owners. This will ensure they will be operated in a consistent manner by different control owners. Furthermore, it is recommended that the access right review procedures are expanded to cover level of access granted to each user and are not only verifying appropriateness of user. **Management comment:** *A solution is being considered and, where possible, will be implemented for the year ending 31 March 2024.*

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
IT control - Finance and operations users with elevated access	User Access Provisioning Business Users have administrative access to provision access in the Altair system. The Pension Administration Manager has access to create/edit/delete users in the system. This represents a lack of segregation of duties as business users should not have administrative access to the system. Privileged-level Access The following Business Users have administrative access within the Altair system: Pension Services Manager, Pension Administrator Manager and Head of Pension Fund. They have access to provision and deprovision user access as well as make changes to the system configurations. This represents a lack of segregation of duties as business users should not have administrative access to the system. User access provisioning controls are a vital measure to help ensure access is provided only on a “need to do” or “need to know” basis. With business users identified with elevated access in the system, there is a risk that unauthorised transactions are performed bypassing the principle of “least access” and violating segregation of duties. We recommend that administrative accounts within the Altair system are restricted to IT personnel only. Senior finance or operations users can be granted higher privileges commensurate with their job roles and responsibilities however we recommend that it does not include IT administration level privileges. IT administration level privileges in the systems often provide access to make changes into logged transactions which might prevent identification of inappropriate actions on a timely basis. **Management comment:** *A solution is being considered and, where possible, will be implemented for the year ending 31 March 2024.*

Other Findings (continued)

Area	Observation
Approach to the pension liability disclosure	Our actuarial specialists reviewed aspects of the IAS 26 disclosure of the Fund's future liabilities. Following a case involving the Teachers' Pension scheme, known as the Goodwin case, differences between survivor benefits payable to members with same-sex or opposite-sex survivors have been identified within a number of public sector pension schemes. As a result, the Government have confirmed that a remedy is required in all affected public sector pension schemes, which includes the LGPS. It was noted that no allowance has been made by the Fund actuary in the liability valuation for the Goodwin case. Our actuarial specialists confirmed that this assumption is not reasonable and there is an estimated cost of approximately £5m (0.1% of the liability). This has been included within this report as an unadjusted misstatement. We recommend that the Fund takes steps to ensure that all non-trivial adjustments to the liability are included at each valuation and that it satisfies itself that appropriate procedures are in place at the actuary to cleanse and check the member data used in each valuation. **Management comment:** *This finding has been noted. We also note that the Fund actuary does not agree with Deloitte's conclusion on the impact of the Goodwin ruling.*
Inappropriate fair value hierarchy classifications	Following testing of the fair value hierarchy disclosure within the initial draft financial statements, it was noted that five pooled funds had been classified as level 1 holdings. From our assessment, this appeared to be based on the nature of funds' underlying holdings rather than the nature of the investment held by the pension Fund i.e. units in a pooled investment vehicle. This approach to the classification is not in line with accounting standards. When the issue was identified it was corrected by management in both 2020 and 2021 financial statements. Similarly, forward foreign exchange contracts had been given a level 1 classification. These are exchange traded derivatives and therefore they are available across an active market. However, this market in not sufficiently liquid to justify a level 1 classification. In the absence of trading volume, we consider a level 2 classification to be appropriate for these instruments and an adjustment has been raised. We recommend that the Fund takes steps to ensure that all holdings are reviewed against fair value literature to ensure that appropriate levels are being allocated and disclosed within the financial statements. **Management comment:** *A change of process was implemented for the year ended 31 March 2022 onwards.*
Maintenance of records	We note that lump sums are often paid as part of the pensioner payroll. Due to the way in which lump sums are recorded on the accounting ledgers, the Fund was unable to provide a definitive list of payees for some of the accounting entries sampled as part of our testing. It is important that the Fund ensures that adequate records are created and retained to evidence the rationale for all payments leaving the Fund. **Management comment:** *A solution is being considered and, where possible, will be implemented for the year ending 31 March 2024.*

Other Findings (continued)

Area	Observation
Bank and custodian mandates	We examined the mandates provided for the bank account and for investment/disinvestment transactions with the custodian. On review of the list of names on the mandates it was noted that they included personnel within RBWM who were not officers of the Fund. We also noted that they included the names of personnel who were no longer employed by RBWM. We note that in April 2021, an updated JP Morgan mandate has been signed which removes personnel that have left RBWM, however, this has been signed post year end and was therefore not effective during the year ended 31 March 2021. We recommend that all mandates are reviewed and updated accordingly when changes to key personnel occur to ensure they are complete and contain only relevant personnel. We recommend that they are reviewed at least on an annual basis, and sooner if signatories leave office. **Management comment:** *This finding has been noted.*
Multiple members with the same member identifier	From analytics performed around the pension payroll and pensioner membership, we noted two member identifiers for which there were two different members allocated. This means that the member identifiers were not unique to individual members. We have raised this with Fund management who confirmed this is due to an error, with these identifiers being allocated outside the system. The identifiers have since been updated for each of the members affected. We recommend that steps are taken by the Fund to ensure that all members have a unique member identifier which is consistent within the Fund administration system. **Management comment:** *A solution is being considered and, where possible, will be implemented for the year ending 31 March 2024.*
Initial nominal ledgers and trial balances were incomplete	Deloitte received nominal ledgers and trial balances from Fund management in June 2021 in line with the audit timetable. This information was reviewed within analytics software used for assessing journal entries. In subsequent discussions with management, we became aware that other journals in the form of re-analysis and updates to the change in market value of the longevity swap were to be posted in addition to the nominal and trial balance provided initially. Deloitte has performed specific testing procedures to obtain evidence and assurance over these additional postings, with no issues noted. We recommend that the Fund finalise its nominal ledger and trial balance reporting before sharing this with Deloitte for audit purposes. **Management comment:** *A review process was implemented for the year ended 31 March 2022 onwards.*

Other Findings (continued)

Area	Observation
Oversight by those charged with governance	The high volume of control observations and other findings are an indicator of weaknesses in governance arrangements. In respect of the prior year's audit, governance weaknesses in the pension Fund contributed to a qualified Value For Money opinion for RBWM. In respect of the current year's audit, we have concluded that these weaknesses contribute the significant weaknesses in Value For Money arrangements that we have reported to the Audit & Governance Committee in the accompanying report on the council audit. We acknowledge that these findings and observations have been raised based on work on the financial statements for the year ended 31 March 2021, and that since then progress has been made by management in line with their comments within. We recommend that those charged with governance ensure that a robust governance structure is in place. This could involve, for example, implementing the Three Lines of Defence model or similar. Within this governance structure, management should design and implement appropriate controls to manage risks, and report on these controls to those charged with governance. The governance structure should also include sufficient involvement of an internal audit function to provide those charged with governance assurance about the effectiveness of governance and internal controls.

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 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 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

Deloitte LLP

St Albans

8 November 2023

Appendices

Prior Year Findings

In our 2020 final audit report, we noted the following significant issues. Within these slides, we have provided an update on the status of these matters following our 2021 audit.

Finding	2020/21 Status
A material error of £31.5m in the value of alternative funds arising from the absence of a controls to determine the valuation of stale price funds and to update the financial statements if new information came to light. We recommended that the Fund ensures controls within the financial reporting process are implemented such that the best estimate of the fair value of investments is used and that material changes to the investment balances are reflected in the financial statements.	We note that this finding was still present in the 2020/21 audit year and therefore we have raised this as a control finding on page 8 of this report.
In our final report on the 2019 audit, we recommended that the Authority ensures that the longevity swap valuations provided by the actuary are reviewed and that the assumptions are understood and agreed before inclusion in the financial statements. Procedures performed during our 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 recommended that evidence of this review and assessment is clearly documented.	We note that a control was implemented by management in 2020/21 in response to this finding. Deloitte have tested the design and implementation of this new control in the year with no issues noted.
We noted that administration 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, there is no formal review of this editing activity and no evidence was available of any other mitigating controls. We recommended 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.	We note that a control was implemented by management in 2020/21 in response to this finding. Deloitte have tested the design and implementation of this new control in the year with no issues noted.

Prior Year Findings (continued)

Finding	Status
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 28 June 2019. We recommended that the Fund does not enter into similar transactions in the future, at least not without appropriate consideration by those charged with governance and a breach has been reported to the Pensions Regulator.	We note that we have not identified any such transactions across our 2020/21 audit. This breach was reported to the Pensions Regulator in line with expectations and no further issues are noted to date.
The design of the control for review of the financial statements did not include checking the draft statements to the underlying workings, nor was there evidence of formal review of this. We recommended that the design of the financial statement review control is amended to include checking to underlying working papers, the completion of a full CIPFA checklist, and is communicated clearly to all those involved in the preparation and review process.	We note that this finding was still present in the 2020/21 audit year and therefore we have raised this as a control finding on page 9 of this report.
The design of the control for review of journal postings did not include a formal description of the review process. There was no clear evidence available that a review took place through testing performed. We recommended that the design of the journal posting review control is amended to include a well defined scope. We also recommended that this amendment 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.	We note that this finding was still present in the 2020/21 audit year and therefore we have raised this as a control finding on page 9 of this report.

Audit adjustments

Uncorrected misstatements

No adjustment has been made to the IAS 26 disclosure of the Fund’s liability in light of the Goodwin case. We estimate the value of the disclosure misstatement to be approximately £5m (0.1% of the total liability).

There are no other 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 identified misstatements 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				
Understatement of investments from stale priced alternative funds	(1)	(48.1)	48.1	Yes
Understatement of longevity liability position	(2)	2.0	(2.0)	Yes
Total		**(46.1)**	**46.1**	

(1) 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 increased in value in aggregate by a material amount.

(2) The longevity swap was initially included in the draft financial statements at (£131m). The actuary’s revised valuation received during the audit showed a final value of (£133m). An adjustment was posted to correct this misstatement in the final financial statements.

Audit adjustments (continued)

Disclosures

Disclosure misstatements

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

Disclosure

Insufficient Disclosure of Transaction Costs

On review of the Transaction Cost disclosure in note 11a of the financial statements we noted that these expenses had not been sufficiently split between the investment asset classes they arose against.

Inappropriate Fair Value Hierarchy Allocation

On review of the Fair Value Hierarchy disclosure in note 16a of the financial statements we noted that five pooled funds and some forward foreign exchange contracts had been incorrectly classified as level 1 holdings. See page 13 of our report for more details.

Insufficient Disclosure of Management Renumeration

On review of the Related Party Transactions disclosure in note 24 of the financial statements we noted that total renumeration paid to key management personnel in the year was not disclosed.

All of the above matters were communicated to management and the changes have been made in full.

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, valuation of the convertible bond 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 audit scale fee for the year ended 31 March 2021 is £19,120 however this is subject to change. Now that the audit is largely complete, we will discuss and agree the additional costs on the audit with Officers and Public Sector Audit Appointments Limited. Our fees for issuing IAS 19 assurance letters to other auditors in respect of participating employers are not included in the above audit fee. We have charged a fee of £2,650 per letter for any requests received to date in respect of scheduled bodies, which totals £10,600 for the 2021 audit. Additionally, we have charged £5,500 for a bespoke request in respect of an admitted body. This fee will increase should we need to issue another set of letters. The above fees exclude VAT and include out of pocket expenses.
Non-audit fees	In our opinion there are no inconsistencies between the FRC's Ethical Standard and the Fund's policy for the supply of non-audit services or any apparent breach of that policy. 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.
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 more than 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.

Deloitte.

ROYAL BOROUGH OF WINDSOR & MAIDENHEAD
WWW.RBWM.GOV.UK

The Royal Borough of Windsor & Maidenhead

Auditor’s Annual Report 2020/21

Draft Issued on 8 November 2023 for the meeting on 16 November 2023 to the Audit & Governance committee

The final report will be issued on signing of our audit opinion

Contents

Auditor's Annual Report

Key messages	3
Purpose of the report	6
Assurance sources for the Council	7
Opinion on the financial statements	8
Our audit approach	9
Auditor's work on VfM arrangements	11
Risk of significant weaknesses in VfM arrangements	12
VfM commentary:	
• Financial sustainability	19
• Governance	21
• Improving economy, efficiency and effectiveness	24
Purpose of our report and responsibility statement	25

Appendices

Insights	26
Council's responsibilities	29
Auditor's responsibilities	30

Key Messages

Note on status of report	The Auditor's Annual Report is required to be issued after issue of our audit opinion. This draft report has been provided to the Audit & Governance Committee to bring to your attention the planned content of the report. When issued, the text in red and square brackets will be updated to confirm the final reported position.
Audit opinion on the financial statements	[We issued a qualified opinion on the Council and group's financial statements on [Date]. The basis of the qualification was a limitation of scope over National Non-Domestic Rates balances (and related figures in the Collection Fund and Collection Fund Adjustment Account), as due to system limitations the Council was unable to provide a breakdown of the NNDR-related debtor and creditor balances as at 31 March 2021.] [We issued an unqualified opinion on the Pension Fund financial statements on [date].] As noted on page 11 to 15, a number of material adjustments were required to both the Council and Pension Fund draft financial statements, which have been reflected in the published accounts. We identified a number of significant control findings, which have been reflected in our reporting to the Audit and Governance Committee and which informed our value for money considerations and the significant weaknesses identified.

269

The Council's arrangements to secure Value for Money

Significant weaknesses in the Council's arrangements

Our 2019/20 Value for Money conclusion was qualified in three respects:

- weaknesses in arrangements for planning finances;
- weaknesses in arrangements for reliable and timely financial reporting and maintaining a sound system of internal control; and
- weaknesses in governance arrangements.

We identified a risk of significant weakness in each of these areas for 2020/21, as detailed on pages 17 to 23. Based on the work undertaken, we have reported to the Council that there remain significant weaknesses in arrangements in respect of:

- arrangements for reliable and timely financial reporting and maintaining a sound system of internal control; and
- governance arrangements in particular in respect of informed decision making and risk management.

Our recommendations for improvements are set out on page 30.

Key Messages (continued)

Commentary on the Council's arrangements

Financial Sustainability

How the body plans and manages its resources to ensure it can continue to deliver its services

The Council recognised a final net revenue outturn position of an underspend of £1.1m (which included sales, fees and charges compensation), however there was a decrease to the general fund balance at year end of £1.1m (£8.2m to £7.1m). This was due to a one-off contribution from the balance to the revenue budget of £2.2m (as per the planned budget). At 31 March 2021, the Council had net assets of £97.4m (31 March 2020: £159.1m), total current assets of £76.5m (31 March 2020: £76.5m), and cash and cash equivalents of £11.9m (31 March 2020: £42.16m).

Management undertook significant improvements in their budget setting, budget monitoring, and governance processes as a result of an independent review completed by the Chartered Institute of Public Finance and Accounting (CIPFA), previous external audit findings, and internal challenge by senior management at both Board and Committee level.

Updated budget reports with increased detail were produced for Cabinet on a bi-monthly basis as a result of the findings. These included financial pressures for the Council, although we note 2020/21 was a unique year with increased pressures due to the Covid-19 pandemic.

We have concluded that there was not a significant weakness in the Council's arrangements in this area for 2020/21. This reflects improvements that were made in the year in response to previous recommendations from us and other third parties in respect of financial planning and budgeting (further details are included on page 17). In forming this view, we have considered the more recent financial challenges facing the Authority. However, the arrangements made by the Council in 2020/21 for 2021/22 and the medium term were based on the information available at the time and assumed a continued environment of low inflation and interest rates. The wider economic environment has significantly changed since 2021, which, together with on-going demand pressures on services (particularly social care) has resulted in the Council forecasting an overspend in 2023/24 and 2024/25 of £7.3m and £6.2m, respectively. The level of Council debt of £203m has resulted in increased costs of servicing the debt due to the interest rate rises, with payments of £8m and £14m forecast for 2023/24 and 2024/25, respectively. The Council highlighted the risk of a Section 114 notice if the overspend is not addressed as part of their 27 September 2023 Cabinet meeting.

We note that the factors impacting the Council's longer-term sustainability include:

- The Council's relatively lower level of council tax income, reflecting historic decisions not to increase council tax by the maximum permitted in previous years;
- The Council's level of borrowing for capital programmes, which is planned to be partly repaid from future capital receipts and the proceeds of development projects including the sale of assets; and
- The level of funding of the Pension Fund, which is relatively low at 86% funded (as at the 31 March 2022 actuarial revaluation), which requires additional deficit contributions to restore the funding position to 100% funded. The Council also needs to fund its share of the pension deficit in its joint venture, Achieving for Children.

Given the subsequent changes in the overall economic environment and increased pressures on councils in subsequent years, we will consider as part of our work in future years whether there are weaknesses in how the Council responded to, and on an on-going basis planned for, the developing pressures upon local authority financial sustainability.

Key Messages (continued)

Commentary on the Council's arrangements (continued)

Governance

How the body ensures that it makes informed decisions and properly manages its risks

The Council continues to monitor and assess risks in line with its risk management policy, and the risk register is reviewed and updated on a periodic basis.

As part of the Council's improvement plans from the recommendations for the CIPFA review, progress had been made. However, there remained outstanding actions at year end, including review of debt collection and provisioning procedures.

In addition, the Council's review of the 2020/21 Annual Governance Statement (AGS) highlighted weaknesses in arrangements in relation to 'implementing good practices in transparency, reporting, and audit to deliver effective accountability' and highlighted areas for improvement, such as review of the risk management arrangements and further training for the Overview and Scrutiny Panel.

We also note that the completion of our audit was delayed due to the quality of the draft financial statements and the working papers presented for the audit, and the significant issues we experienced in relation to the timeliness and accuracy of the information provided. This included material misstatements identified in both the 2019/20 and 2020/21 financial statements, which indicated serious and pervasive weaknesses in the financial accounting process and system of internal control.

The progress the Council has made against the action plan for the 2019/20 AGS highlighted improvements in areas such as revision of the roles and responsibilities of officers and members, establishment of a Capital Review Board (in 2020/21), additional external training, and reviews of organisational capacity. However, there were still areas in progress that were not completed until the 2021/22 financial year, including interactions and behaviours between members and officers, independent reviews of partnerships, and the delivery of a new Corporate Plan.

The Council has progressed on the action plan in relation to the independent pension governance review completed in year, however, only 14 of the 21 recommendations were complete by the end of the 2020/21 financial year (including reviewing and reducing the size of the Pension Fund Advisory Panel and implementing governance improvements, such as properly clerked and minuted meetings, with minutes checked before publication). We note that the remaining actions were completed by September 2022.

As detailed on pages 19 to 23, our consideration of the governance arrangements by the Council has identified two areas of significant weakness:

- Arrangements for reliable and timely financial reporting and maintaining a system of internal control; and
- Governance arrangements in respect of information decision making and risk management.

Key Messages (continued)

Commentary on the Council's arrangements (continued)

Improving economy, efficiency and effectiveness

How the body uses information about its costs and performance to improve the way it manages and delivers its services

The Council uses financial and performance information to identify areas for improvement, address poor performance, and focus on areas for improvement. There is a bi-monthly budget monitoring process that is reported to the Cabinet and allows for the identification of emerging risks.

The Council works with various partners, and as part of the findings of the CIPFA review, it reviewed some of its larger partnerships to ensure they were providing the expected outcomes. We noted that the CIPFA review noted a recommendation in relation to reviewing key partnerships which the Council undertook in 2020/21, resulting in change where appropriate and recommendations being implemented where required.

The Council has a procurement framework in place which maintains a contracts register and includes key performance indicators (KPIs) which are routinely monitored.

We did not identify a significant weakness in the Council's arrangements in this area.

Purpose of this report

Our Auditor's Annual Report sets out the key findings arising from the work we have carried out at The Royal Borough of Windsor & Maidenhead ("the Council") for the year ended 31 March 2021.

This report is intended to bring together the results of our work over the year at the Council, including commentary on the Council's arrangements to secure economy, efficiency and effectiveness in the use of resources ("Value for Money", "VfM"). This report fulfils the requirements of the Accounts and Audit Regulations for an Annual Audit Letter. The scope of our work is in respect of arrangements in place during the financial year ended 31 March 2021, and so, although we have considered subsequent events where they provide additional information about arrangements in year, our work, and this report, does not consider arrangements in place subsequent to 31 March 2021.

In preparing this report, we have followed the National Audit Office's ("NAO") Code of Audit Practice and its Auditor Guidance Note ("AGN") 03, Value for Money, and AGN 07, Auditor Reporting. These are available from the NAO website.

A key element of this report is our commentary on the Council's arrangements to secure economy, efficiency and effectiveness in the use of resources ("Value for Money", "VfM"). Our work considering these arrangements is based on our assessment of the adequacy of the arrangements the Council has put in place, based on our risk assessment. The commentary does not consider the adequacy of every arrangement the Council has in place, nor does it provide positive assurance that the Council is delivering or represents value for money.

Where we identify recommendations, we indicate whether these are:

- Recommendations in respect of significant weaknesses in the Council's VfM arrangements, which we are required to make in accordance with paragraph 54 of AGN 03 where we identify a significant weakness, or
- Other recommendations, which we have referred to as "Deloitte Insights" (which are summarised in Appendix 1).

The significant weaknesses in the Council's VFM arrangements and related recommendations are set out on pages 15 onwards.

Assurance sources for the Council

The diagram below illustrates how the assurances provided by external audit around finance, quality, controls and systems and the future of the Council (in the green rows) fits with some of the other assurances available over the Council's position and performance.

	Financial	Quality and Operational	Controls and systems	Future of the Council
	How is the Council performing financially?	How is the Council performing operationally and in quality of outcomes?	Does the Council have adequate processes?	Is the Council's strategy appropriate and sustainable?

Business processes and Council oversight

- Is reliable reporting and data being produced through the year, at each level within the Council, and appropriately reviewed and followed up?
- Is the Statement of Accounts, taken as a whole, fair, balanced and understandable?
- Are the Council's processes operating effectively?
- Are the Council's plans realistic and achievable?
- Is the Council meeting its legal and regulatory obligations, and are appropriate plans in place to maintain compliance?
- Has the Council delivered on its financial plans?
- Are KPIs and other priorities selected appropriate for the Council?
- Does the Council have efficient systems and processes?
- Are appropriate actions in place to deliver the Council's plans?
- Is the Council generating sufficient surplus for reinvestment?
- Are KPIs and other operational priorities reported to committees?
- Are risks around legacy systems etc appropriately mitigated?
- What are the risks to achievement of the Council's plans and are appropriate mitigations in place?

Internal audit assurance

- Is there a generally sound system of internal control on key financial and management processes?
- Has the Council suffered losses due to fraud?
- Does the Council have appropriate arrangements in place to mitigate fraud risks?

External Audit assurance on reported performance

- Do the financial statements give a true and fair view?

  Have the financial statements been properly prepared?
- Is the Annual Governance Statement misleading or inconsistent with information we are aware of from our audit? *
- Is there significant uncertainty over the going concern assumption?
- Is the Narrative Report consistent with the financial statements? *
- Has the Council made proper arrangements for securing economy, efficiency and effectiveness in the use of resources?

* The scope of external audit in this area is "negative assurance" of reporting by exception of issues identified.

Opinion on the financial statements

We provide an independent opinion whether the Council's financial statements:

- Give a true and fair view of the financial position of the Council and its group at 31 March 2021 and of the Council's and group's income and expenditure for the year then ended;
- Have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom in 2020/21.

The full opinion is included in the Council's Statement of Accounts, which can be obtained from the Council's website.

We conduct our audit in accordance with the NAO's Code of Audit Practice, International Standards on Auditing (UK) ("ISAs (UK)") and applicable law.

We are independent of the Council in accordance with applicable ethical requirements, including the Financial Reporting Council's Ethical Standard.

Audit opinion on the financial statements:	[We issued a qualified opinion on the Council and group's financial statements on [Date]. The basis of the qualification was a limitation of scope over National Non-Domestic Rates balances (and related figures in the Collection Fund and Collection Fund Adjustment Account), as due to system limitations the Council was unable to provide a breakdown of balances as at 31 March 2021.] [We issued an unqualified opinion on the Pension Fund financial statements on [date].] As noted on page 11 to 15, a number of material adjustments were required to the draft financial statements, which have been reflected in the published accounts. We identified a number of significant control findings, which have been reflected in our reporting to the Audit and Governance Committee and which informed our value for money considerations and the significant weaknesses identified.
Narrative Report:	We reported that the information given in the Narrative Report for the year ended 31 March 2021 is consistent with the financial statements.
Annual Governance Statement:	We recommended that the Annual Governance Statement more clearly articulate the weaknesses identified in the Council's governance arrangements by internal and external reviews during 2019/20 and 2020/21, and include details of governance arrangements over the pension fund. Following amendments made, we did not identify any matters where, in our opinion, the Annual Governance Statement did not meet the disclosure requirements, was misleading, or was inconsistent with information of which we are aware from our audit.
Reports in the public interest and duties as public auditor:	We did not exercise any of our additional reporting powers in respect of the year ended 31 March 2021. We received 22 potential objections from local electors during the year. We have reviewed these and concluded that we would not accept any as formal objections to be further investigated. This is as we did not identify any matters which we consider may warrant further consideration or a public interest report, or note any matters which required further consideration whether they gave rise to items of account that may be unlawful.
Audit Certificate:	We certified completion of the audit on [date], following completion of our responsibilities in respect of the audit for the year ended 31 March 2021.

Our audit approach

An overview of the scope of the audit

Our audit was scoped by obtaining an understanding of the Council and the environment it operates in, including internal control, and assessing the risks of material misstatement to the financial statements. Our risk assessment procedures include considering the size, composition, and qualitative factors relating to account balances, classes of transactions, and disclosures. This enables us to determine the scope of further audit procedures to address identified risks of material misstatement.

Audit work to respond to the risks of material misstatement was performed directly by the audit engagement team, led by the audit partner, Jonathan Gooding. The audit team included integrated Deloitte specialists bringing specific skills and experience in property valuations, pensions, and Information Technology systems.

Materiality

Financial statements

Our work is planned and performed to detect material misstatements. We define materiality as the magnitude of misstatement in the financial statements that makes it probable that the economic decisions of a reasonably knowledgeable person would be changed or influenced. We use materiality both in planning the scope of our audit work and in evaluating the results of our work.

Based on our professional judgement, we determined materiality for the Group to be £6.4m and Council to be £6m, on the basis of 1.97% of Gross Expenditure.

We agreed with the Audit & Governance Committee that we would report to the Committee all audit differences in excess of £322k for the group and £299k for the Council as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds. We also report to the Audit & Governance Committee on disclosure matters that we identified when assessing the overall presentation of the financial statements.

Pension Fund

Based on our professional judgement, we determined materiality for the Pension fund to be £24.0m, on the basis of 1% of total net assets of the Fund. We agreed with the Audit & Governance Committee that we would report to the Committee all audit differences in excess of £1.2m for the pension fund, as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds.

Procedures for auditing the financial statements (including the pension fund statements)

Our audit of the financial statements included:

- developing an understanding of the Council, pension fund and group, including its systems, processes, risks, challenges, and opportunities and then using this understanding to focus audit procedures on areas where we consider there to be a higher risk of misstatement in the financial statements;
- performing sample tests on balances in the financial statements to supporting documentary evidence, as well as other analytical procedures, to test the validity, accuracy and completeness of those balances; and
- data analytic techniques were used as part of audit testing, in particular to support profiling of populations to identify items of audit interest and in journal testing, using our Spotlight data analytics platform.

Our audit approach (continued)

Approach to audit risks

We focused our work on areas where we considered there to be a higher risk of misstatement, which we refer to as significant risks. We have summarised below the significant risks we identified for the Council and Pension Fund audits, and whether findings were identified.

We identified a number of material misstatements which required correction in both the Council and Pension Fund financial statements (including misstatements in other areas of the accounts preparation process where errors identified in finalisation of the 2019/20 audit which also impacted upon the 2020/21 financial statements). We also identified a number of significant control findings, including over the overall financial reporting and close process and quality of draft financial statements (which informed the significant weaknesses we have identified in VfM arrangements). Our detailed findings, including our schedule of unadjusted misstatements, were reported to the Audit and Governance Committee on [date].

Following completion of our audit procedures, and after the adjustments made to the financial statements, we concluded that we had obtained sufficient appropriate audit evidence in respect of each area of our audit, other than in respect of NNDR-related balance sheet items (as discussed on page [], for which supporting breakdowns were not available to enable testing].

Significant risk	Adjusted misstatements identified	Unadjusted misstatements identified	Control findings identified
Valuation of property assets - Council 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. Our approach included using Deloitte valuation specialists to review and challenge the assumptions used in the valuation, testing a sample of inputs to the valuation, and testing whether valuation entries had been appropriately recorded.	✓	-	✓
Capital expenditure - Council The Council recognised capital additions of £23.5m for the year, and a further £3.6m on revenue expenditure which, for funding purposes, is treated in the same way as capital expenditure (REFCUS). Determining whether expenditure should be capitalised can involve judgement as to whether costs should be capitalised under International Financial Reporting Standards. We tested a sample of capital items to determine whether they had been appropriately capitalised in accordance with the accounting requirements.	-	✓	✓

Our audit approach (continued)

Significant risk (continued)	Adjusted misstatements identified	Unadjusted misstatements identified	Control findings identified
Management override of controls – Council Auditing standards require us to identify a significant risk of management override of controls, and perform work specifically in certain areas, including journals, accounting estimates and significant or unusual transactions. We used data analytic tools to risk assess journals and select items for testing. We tested accounting estimates and judgements, focusing on the areas of greatest judgement and value.	✓*	✓*	✓
	* Adjustments were identified in respect of accounting estimates through our standard audit procedures, but we did not identify any as being due to fraud		
Valuation of the longevity hedge – Pension Fund 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. The valuation of the longevity hedge is sensitive to relatively small movements in the key assumptions used in the actuarial calculations. Our approach included using Deloitte actuarial specialists to review and challenge the valuation based on the underlying terms of the contract and forecast cash flows.	-	-	✓
Management override of controls – Pension fund Auditing standards require us to identify a significant risk of management override of controls, and perform work specifically in certain areas, including journals, accounting estimates and significant or unusual transactions. We used data analytic tools to risk assess journals and select items for testing. We tested accounting estimates and judgements, focusing on the areas of greatest judgement and value.	-	-	✓

Our audit approach (continued)

Other areas of audit focus

Although not identified as significant risks under auditing standards, we have also summarised below our approach to other areas of audit focus relevant to an understanding of our 2020/21 audit and our overall findings.

Other area of audit focus	Adjusted misstatements identified	Unadjusted misstatements identified	Control findings identified
National Non-Domestic Rates debtor and creditor balances As billing authority, the Council is responsible for the collection of council tax and rates on behalf of itself, other authorities, and central government. The Council recognises its own share of collection fund related debtors and creditors, and shows the net balance receivable from/due to other bodies for their share of collection fund balances. At 31 March 2021, the Council's Collection Fund debtor balance included £0.9m of NNDR debtors (net of provisions) for RBWM's share, and £24.6m due from other bodies (primarily amounts due from government to compensate for covid-related reliefs). The creditor balance included £6.2m for RBWM's share of amounts prepaid by taxpayers and other adjustments. Due to system limitations, the Council has been unable to provide a breakdown of the NNDR-related debtor and creditor balances as at 31 March 2021. We have therefore not been able to perform testing on these balances, including testing post year-end recovery of debtors. This represents a "limitation of scope" upon our audit on these balances. This also affects related balances that would be affected by errors in these balances, which would affect the amounts reported in the Collection Fund note for NNDR balances, and the Collection Fund Adjustment Account in reserves. [We therefore issued a qualified opinion on the Council and group's financial statements].	N/A – limitation of scope	N/A – limitation of scope	✓

Our audit approach (continued)

Other area of audit focus (continued)	Adjusted misstatements identified	Unadjusted misstatements identified	Control findings identified
Valuation of pension liability - Council The Council is both the administering authority and is an admitted body of the Royal County of Berkshire Pension Fund. The valuation of the pension lability in the Council accounts is based upon actuarial assumptions and calculations. Our approach included using Deloitte actuarial specialists to review and challenge the assumptions used in the valuation of the pension liability, including benchmarking against our expected range of assumptions.	-	✓	-
Recognition of Covid-19 grants - Council During 2020/21, the Council received funding in relation to Covid-19 grants of £84.8m, including amounts received in respect of business support schemes designed to help eligible businesses during the Covid-19 pandemic that are being administered by Councils on behalf of Central Government. The Council needed to assess whether it was acting as agent to pass grants on, or principal receiving funding, and whether grants had conditions impacting timing of income recognition. We tested a sample of grants and considered whether the treatment was consistent with the terms of the agreements and our expectations for the grant type.	-	-	✓
Infrastructure assets - Council We noted weaknesses in our 2018/19 audit in the Council's recording of infrastructure assets. During the finalisation of our 2019/20 audit, a number of related issues around infrastructure assets were noted nationally, which were the subject of extensive discussions led by CIPFA and DLUHC to seek a solution to the issues identified. This resulted in a statutory override being made available to councils, which the Council adopted in preparing the final 2019/20 and 2020/21 financial statements. The Council has reassessed the useful economic lives of assets for future periods, and we have reviewed and challenged the approach adopted and evaluated the impact of not adjusting useful lives in the current year.	✓	✓	✓

Our audit approach (continued)

Other area of audit focus (continued)	Adjusted misstatements identified	Unadjusted misstatements identified	Control findings identified
Restatement of cash and investment balances held for other entities - Council The Council holds funds on behalf of a number of other organisations, most significantly the Thames Valley Local Enterprise Partnership, as disclosed in note 43 to the financial statements. The Council has historically netted the amount due to the entity against cash or investments held. During the current year, the Council's cash and investment balances were lower than amounts held for other bodies, as cash had been used to fund Council capital expenditure rather than borrowing from other sources, and the amounts due to the Local Enterprise Partnership and other bodies have been presented as borrowings rather than netted off. Following review of the arrangements and whether separately identifiable investments were held on behalf of other bodies, the Council restated the comparative financial statements to consistently show cash and investments held in Council accounts as assets, and a related liability in borrowings. We have recommended the Council put in place documented agreements with the other organisations setting out arrangements over funds held on their behalf, and ensuring appropriate governance that reflects individual arrangements (see Insight 1 on page 32). We have not identified a risk of significant weakness in respect of this, as amounts due to other parties have been correctly recorded in the underlying financial records, and there are not specific requirements for how such funds should be managed.	✓	-	✓
Restatement for accounting for a property disposal - Council The Council had entered into a transaction to transfer land to a developer on a 250 year lease in 2018/19. The lease premium is payable at the start of the lease term, with only peppercorn rentals thereafter. The Council received an initial 10% deposit in 2018/19, but did not account for the remaining 90% of the premium which was receivable as plots within the development were sold. The financial statements have been restated to recognise the outstanding receivable at 31 March 2019 and 31 March 2020, with the residual outstanding amount adjusted in the 31 March 2021 accounts. We tested the adjustments made and the adequacy of the accounts disclosures on the restatement.	✓	✓	-

Auditor's work on Value for Money (VfM) arrangements

The Accounting Officer and the Council are responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in the use of resources. This includes taking properly informed decisions and managing key operational and financial risks so that they can deliver their objectives and safeguard public money.

The Accounting Officer reports on the Council's arrangements, and the effectiveness with which the arrangements are operating as part of their Annual Governance Statement.

Under the Local Audit and Accountability Act 2014, we are required to be satisfied that proper arrangements have been made to secure economy, efficiency and effectiveness in the use of resources. Under the National Audit Office's Auditor Guidance Note 3, we are required to assess arrangements under three areas:

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

In this report, we set out the findings from the work we have undertaken:

We identified three risks of significant weakness, which are set out with our conclusions and recommendations on pages in the following pages.

- Our overall VfM commentary on each of financial sustainability, governance, and improving economy, efficiency and effectiveness are set out on pages 24 to 30. Other recommendations (not in respect of significant weaknesses) are included in Appendix 1: Insights.

In planning and performing our work, we consider the arrangements that we expect bodies to have in place, and potential indicators of risks of significant weaknesses in those arrangements. As a result of the Covid-19 pandemic, there have been changes in nationally led processes, changes in expectations around Council's arrangements, and events occurring outside of the Council's control, which affect the relevance of some of these indicators. We have still considered whether these indicators are present, but have considered them in the context of the circumstances of 2020/21 in assessing whether they are indicative of a risk of significant weakness.

In addition to our financial statement audit, we performed a range of procedures to inform our VfM commentary, including:

- **Interviews with key stakeholders, including the Deputy Director of Finance, the Director of Law & Governance and the Head of the Pension Fund.**
- **Review of Council and committee reports and attendance at Audit & Governance meetings.**
- **Reviewing reports from third parties including internal audit.**
- **Considering the findings from our audit work on the financial statements.**
- **Review of the Council's Annual Governance Statement and Narrative Report.**

Risk of significant weaknesses in VfM arrangements

Risk title	**1. Arrangements for planning finances**
Relevant VFM criteria per AGN03	*Financial sustainability: how the body plans and manages its resources to ensure it can continue to deliver its services* • *How the body ensures that it identifies all the significant financial pressures that are relevant to its short and medium-term plans and builds these into them*
Risk description	In 2019/20, we concluded that there were significant weaknesses in the Council's arrangements with respect to planning its finances effectively to support the delivery of strategic priorities, and maintaining its statutory functions. This was due to: • Weaknesses identified through the CIPFA independent review of financial governance arrangements, including in the Medium-Term Financial Strategy (MTFS), treasury management strategy (and its compliance with relevant guidance and the legislation governing these documents), budget setting, budget monitoring against performance, the capital strategy, and the updated capital programme; • Our audit findings which included arrangements for understanding and using appropriate and reliable financial information to monitor performance, and support informed decision making and financial planning; • An overspend of the Council's revenue budget of £2.4m (excluding the impact of Covid-19); and • The level of the Council's usable reserves being at the lower end of the range when benchmarked against other similar Councils. We therefore identified a risk of significant weakness for the 2020/21 audit in these areas.
Work performed	• We have reviewed the CIPFA Report issued in July 2020, which concluded that the actions taken by that point had addressed the principal issues in this area in setting the 2020/21 budget in February 2020, which then has been monitored against during 2020/21. • We have reviewed the Annual Governance Statement and other documentation in respect of the Council's arrangements in year and performance in monitoring and planning finances (in the highly unusual context of the Covid-19 pandemic). • We have reviewed the financial outturn against budget for 2020/21, the budget setting process for 2021/22 in February 2021, and outturn during 2021/22. The Council had an underspend in 2021/22 of £2.4m, which resulted in an increase in the usable reserves balance. The main reason for the underspend related an underspend of a Covid-19 budget that was gradually released in the year.

Risk of significant weaknesses in VfM arrangements (continued)

Risk title	1. Arrangements for planning finances (continued)
Work Performed (continued)	• We have reviewed the updated MTFS and considered it in the context of budget setting and budget monitoring. The Council have clearer linkages in reporting and monitoring between the MTFS and monitoring which was demonstrated in the reports to the relevant committees. • We have reviewed the updated Treasury Management Strategy (including the mid-year update, and its compliance with guidance), the updated Capital Strategy, and the updated capital programme. All three have been improved following the findings of the CIPFA review and have incorporated the wider objectives of the Council, including linkage to the transformation plan which demonstrates an improvement in the planning for the Council's finances.
Conclusion	We have not identified a significant weakness in the arrangements for planning finances in respect of 2020/21. As discussed on page 25, the wider economic environment has significantly changed since 2021, which, together with on-going demand pressures on services (particularly social care) has resulted in the Council forecasting an overspend in 2023/24 and 2024/25. The overall financial position of the Council, with relatively higher borrowings due to capital programmes, relatively lower level of council tax income, and relatively low funding levels in the Pension Fund, increase its exposure to these pressures. The Council highlighted the risk of a Section 114 notice if the forecast overspend is not addressed as part of their 27 September 2023 Cabinet meeting. Therefore, although we have concluded that there was not a significant weakness in the Council's arrangements in this area for 2020/21, we will consider as part of our work in future years whether there are weaknesses in how the Council responded to, and on an on-going basis planned for, the developing pressures upon local authority financial sustainability.

Does a weakness exist in the current year?	Is a recommendation required in the current year?	Has this matter be referred to in our audit opinion?
No - as set out above we have concluded that there is not a significant weakness.	No – no recommendation has been given as no significant weakness has been identified.	No – as no significant weakness has been identified, it has not been referred to in our opinion.

Risk of significant weaknesses in VfM arrangements (continued)

Risk title

2. Arrangements for reliable and timely financial reporting and maintaining a sound system of internal control

Relevant VFM criteria per AGN03

Governance: how the body ensures it makes informed decisions and properly manages its risk

- *How the body ensures effective processes and systems are in place to ensure budgetary control; to communicate relevant, accurate and timely management information (including non-financial information where appropriate); supports its statutory financial reporting requirements; and ensures corrective action is taken where needed.*

Risk description

In 2019/20, we concluded that there were significant weaknesses in the Council's arrangements with respect to reliable and timely financial reporting and maintaining a sound system of internal control.

This reflected that:

- a number of significant control recommendations were made following the prior year audit had not yet been implemented by the Authority and the Pension Fund, with further significant deficiencies in internal control identified in the 2019/20 audit; and
- whilst the Council had taken action in accordance with its action plan to respond to the findings of the CIPFA review, not all recommendations had been implemented in the period, with on-going review into 2020/21.

We therefore identified a risk of significant weakness for the 2020/21 audit in these areas.

Work performed

- We reviewed the 2020/21 draft Annual Governance Statement, which highlighted a weakness in arrangements in relation to 'implementing good practices in transparency, reporting, and audit, to deliver effective accountability'.
- We reviewed the progress against the action plans in response to the CIPFA Review. Although progress was made in the year against the action plan, a number of actions in this area were not fully complete during the period (such as reporting debt management in budget monitoring reports and reviewing bad debt provisions on a regular basis), or only completed late in the year (such as the improving management of the capital programme, and improving the understanding of the impact of decisions on financial sustainability and wider aims of the Council).
- We considered the control findings identified during previous periods that had not yet been addressed during 2020/21, and the additional significant control findings identified in our audit of the 2020/21 accounts, set out in our Audit & Governance Committee Report.
- We considered our observations on the quality of the draft financial statements and working papers presented for audit. As noted elsewhere in this report, there were significant issues with the quality, timeliness, and accuracy of the information provided, and material misstatements identified in both the 2019/20 and 2020/21 financial statements.

Risk of significant weaknesses in VfM arrangements (continued)

Risk title

2. Arrangements for reliable and timely financial reporting and maintaining a sound system of internal control (continued)

Conclusion:

We have concluded that there is a significant weakness in the Council's arrangements in this area.
As required by the Code of Audit Practice and Auditor Guidance Note 03, Value for Money, we have made recommendations below, which reflect on-going actions taken since the period.

Does a weakness exist in the current year?	Is a recommendation required in the current year?	Has this matter be referred to in our audit opinion?
Yes - there is evidence of a significant weakness in the Council's governance arrangements.	Yes – recommendations have been as set out below.	Yes - the significant weakness identified and our recommendation were referred to in our audit opinion.

Recommendation

We recommend:

- The Council undertakes a detailed review of the capability and capacity in the finance function, including the capability and capacity to deliver a high-quality statement of accounts and supporting work papers before the deadline for the audit, and sufficient capacity and capability to respond to audit queries during the audit period. We recommend that this includes training of finance function and other functions that input to the financial reporting process on the adequacy of information prepared and retained to support the accounting entries, a detailed review of the control framework for financial reporting which includes implementation of internal and external recommendations, and review and implementation of improved quality control arrangements over the preparation of the statement of accounts and supporting work papers;
- The Council continues to progress actions to address other control recommendations we have reported for both the Authority and Pension Fund raised in both the current year and prior years, and, where already implemented, to maintain and monitor the process improvements and control changes; and
- Following completion of implementation of the Council's action plan to respond the CIPFA Financial Governance Review, the Council ensures on-going maintenance and monitoring of the operation of the new processes and procedures.

Risk of significant weaknesses in VfM arrangements (continued)

Risk title	**3. Governance arrangements in respect of informed decision making and risk management**
Relevant VFM criteria per AGN03	*Governance: how the body ensures it makes informed decisions and properly manages its risk* • *How the body ensures it makes properly informed decisions, supported by appropriate evidence and allowing for challenge and transparency. This includes arrangements for effective challenge from those charged with governance/audit committee*
Risk description	In 2019/20, we concluded that there were significant weaknesses in the Council's governance arrangements (including in respect of the Pension Fund) with respect to arrangements for acting in the public interest through demonstrating and applying the principles and values of sound governance. In particular: • The pensions governance review noted a disconnect between the pension fund and the council with no regular reporting. The report also made several recommendations that highlighted weaknesses in arrangements relating to the size and membership of the relevant Boards, Panels, and Group; the level of involvement and training of individuals within those governance structures; and the adequacy of recording and reporting of discussions and decisions made within those governance structures, as well as a number of other recommendations in respect of the Pension Fund; and • The Council's Annual Governance Statement drew attention to weaknesses in a number of other areas, including: a lack of organisational capacity in key areas; a lack of clarity from officers and members with regard to their roles, responsibilities, and the associated required procedures; a culture within the organisation that did not encourage people to speak out or properly exercise their roles as advisors; non-compliance with public sector network requirements due to the significant investment needed in IT infrastructure and on-going work on the IT strategy and implementation; and weaknesses in financial governance including robustness of challenge of business cases and benefit reporting, weaknesses in procurement and contract management. We therefore identified a risk of significant weakness for the 2020/21 audit in these areas.
Work performed	• We reviewed progress against the 2019/20 Annual Governance Statement action plan, and the 2020/21 draft Annual Governance Statement and related action plan (which included further actions required in respect to 'Behaving with integrity, demonstrating strong commitment to ethical values, and respecting rule of law', 'Ensuring openness and comprehensive stakeholder engagement', 'Developing the entity's capacity, including the capability of its leadership and the individuals within it', 'Determining the interventions necessary to optimise the achievement of the intended outcomes', 'Managing risks and performance through robust internal control and strong public financial management', and 'Implementing good practices in transparency, reporting and audit to deliver effective accountability').

287

Risk of significant weaknesses in VfM arrangements (continued)

Risk title	**3. Governance arrangements in respect of informed decision making and risk management (continued)**
Work performed (continued)	• From our review of the progress against the 2019/20 Annual Governance Statement plan, we note the Council made progress in the 2020/21 year including a revision of the roles and responsibilities of officers and members, including knowledge of appropriate procedures, workshops on good governance, a new code of conduct, establishment of a Capital Review Board, external training, initial reviews of organisational capacity in key areas, and circulation of reports to key officers prior to publication to ensure stronger decision making. A number of actions were not completed until 2021/22 per management action trackers, which we will consider in further detail in our 2021/22 VfM work, which included training on interactions and behaviours between members and officers, further independent reviews around partnerships (noting Optails and AFC were underway), delivery of a new Corporate Plan and filling the organisational capacity gaps in key areas. • The actions in the 2020/21 Annual Governance Statement plan were identified as actions for future periods, and so had not been implemented in the period. Management's action tracker against this plan shows progress during 2021/22 (which we will consider in our 2021/22 VfM work), including the completion of a new Corporate Plan, development of a new performance management framework, review of risk management arrangements, and further training for the Overview and Scrutiny panels. Management considered the remaining actions to be completed by the end of 2022, which included the implementation of the leadership development programme, and improvements in the Council's governance of over RBWM Property Company Ltd. • We reviewed progress against the pension governance review action plan, and noted that 14 of the 21 recommendations were addressed in the 2020/21 year including reducing the size of the Pension Fund Advisory Panel, abolishing the Pension Fund Panel Sub-Committee (investment group), putting in place a control that governance changes are approved in line with the Council's Constitution and all meetings are properly clerked and minuted, with minutes checked before publication. Management's action tracker (which we will consider in subsequent year's VFM work) shows that of the remaining seven recommendations, five were actioned by the end of 2021/22, including the appointment of a new post for a Head of Pension Fund (to drive further improvements) and reviewing of the Pension Board membership, and the final two were actioned by September 2022. • We considered the findings from the Local Government Association Corporate Peer Challenge which, although taking place after the 2020/21 year, highlighted continued weaknesses in governance arrangements that were in place during the year. Areas for improvement identified included prioritising embedding the Corporate Plan across the Council, including the establishment of a new performance framework which links service plans and priorities to budget and risks over the medium-term, reviewing the current model of scrutiny committees, and developing a clear and consistent framework on the role and governance of the arms-length Council entities.

Risk of significant weaknesses in VfM arrangements (continued)

Risk title	**3. Governance arrangements in respect of informed decision making and risk management**
Work performed (continued)	• We reviewed progress on actions arising from the CIPFA review which indicated that although progress had been made in addressing the recommendations raised, not all were completed until after the 2020/21 year-end. These included the review of the capital programme (to ensure there were robust business cases with clear delivery outcomes and risk management), improvements to culture in the Council, and review of the internal audit partnership arrangement. • We reviewed the changes made to capital project governance as a result of establishing the Capital Review Board. This has increased consideration of factors such as longer-term funding costs and on-going monitoring of project feasibility, compared to historic emphasis on speed of delivery to achieve regeneration aims (reflected in previous findings from the CIPFA review). The Council has also revised its capital strategy.
Conclusion	We have concluded that there is a significant weakness in the Council's arrangements in this area. As required by the Code of Audit Practice and Auditor Guidance Note 03, Value for Money, we have made recommendations below, which reflect on-going actions taken since the period.

Does a weakness exist in the current year?	**Is a recommendation required in the current year?**	**Has this matter be referred to in our audit opinion?**
Yes - there is evidence of a significant weakness in that the Council's governance arrangements	Yes – recommendations have been set out below	Yes - the significant weakness identified and our recommendation were referred to in our audit opinion.

Recommendation	We recommend that the Council: • Following the post year-end implementation of the action plans responding to the CIPFA Financial Governance Review and independent review of Pension Fund governance, continues to monitor the on-going operation of the new processes and procedures. • Following the post year-end implementation of the AGS action plans put in place for 2019/20 and 2020/21, continues to maintain and monitor the on-going operation of the new processes and procedures. • Implements actions identified in response to the LGA Corporate Peer Challenge reports in 2022, and, once implemented, continues to maintain and monitor the on-going operation of the new processes and procedures.

VfM arrangements: Financial Sustainability

Approach and considerations

We have considered how the Council plans and manages its resources to ensure it can continue to deliver its services, including:

- How the Council ensures it identifies all the significant financial pressures that are relevant to its short and medium-term plans and builds these into them;
- How the Council plans to bridge its funding gaps and identifies achievable savings;
- How the Council plans finances to support the sustainable delivery of services in accordance with strategic and statutory priorities;
- How the Council ensures that its financial plan is consistent with other plans such as workforce, capital, investment, and other operational planning; and
- How the Council identifies and manages risks to financial resilience, including challenge of the assumptions underlying its plans.

Commentary

The Council recognised a final net revenue outturn position as an underspend for the year of £1.1m (including sales, fees and charges compensation), that included a one-off general fund movement of £2.2m (per the planned budget). At 31 March 2021, the Council had net assets of £97.4m (31 March 2020: £159.1m), total current assets of £76.5m (31 March 2020: £76.5m), and cash and cash equivalents of £11.9m (31 March 2020: £42.16m). At 31 March 2021, the Council had total usable reserves of £62.3m, which included a general fund balance of £7.1m and earmarked reserves of £35.7m.

As part of its response to the CIPFA review findings and our 2019/20 audit findings, the Council reviewed and revised its medium term financial strategy (MTFS) alongside updated budget setting and budget monitoring processes for the year. This resulted in an increased level of detail being included and challenged before being presented to Cabinet in February 2021.

Updated budget reports, which incorporate the recommendations raised, were produced for Cabinet on a bi-monthly basis, which identified overspends or underspends compared to budget. The Council continued to identify financial pressures through its monitoring reports and strategic risk register, which considered the impact and likelihood of key risks as well as mitigating actions.

The Council's annual planning process and process around the identification of significant pressures was significantly impacted by the Covid-19 pandemic. We saw evidence that the Council adapted its arrangements to respond, and they were in line with our expectations in the current operating environment.

The reporting to relevant committees and Cabinet was improved, and we note that the budgets and MTFS make references to capital strategy and treasury management strategy, ensuring the financial plan is consistent with other plans, such as the Corporate plan.

The Council incorporated sensitivity analysis in relation to its reporting, which included the impact of borrowing as part of interest rate rises and the cost to service the debt in such areas. Where risks have been identified by the Council in relation to financial sustainability, these have not been quantified, and we therefore recommend that the potential impact of the risks be quantified. See insight four in Appendix 1.

The Council's consideration of its financial commitments and of the interaction of capital expenditure, borrowing, and proceeds from property disposals, requires consideration of transactions which go beyond the term of the MTFS. We recommend that the Council documents at least high level longer term planning assumptions and interactions, to ensure longer term commitments and risks are fully understood and considered by members. See insight five in Appendix 1.

We have not identified significant weaknesses in respect of these insights, as the Council's arrangements are consistent with the expected arrangements for local authorities, and represent best practice recommendations.

VfM arrangements: Financial Sustainability (continued)

Commentary

The arrangements made by the Council in 2020/21 for 2021/22 and the medium term were based on the information available at the time and assumed a continued environment of low inflation and interest rates. However, the wider economic environment has significantly changed, which, together with on-going demand pressures on services (particularly social care) has resulted in the Council forecasting an overspend in 2023/24 and 2024/25 of £7.3m and £6.2m, respectively. The level of Council debt of £203m has resulted in increased costs of servicing the debt due to the interest rate rises, with payments of £8m and £14m forecast for 2023/24 and 2024/25, respectively. The Council highlighted the risk of a Section 114 notice if the overspend is not addressed as part of their 27 September 2023 Cabinet meeting.

The Council's general fund and earmarked reserves position has historically been relatively low (£13.6m at 31 March 2019), with increases during the pandemic due to the timing of receipt of support funding compared to related costs. The general fund is relatively low for the size of the Council.

Comparing to the CIPFA comparator group, while not at the extremes of the comparator group as noted in our audit report, the Council has above average debt compared to its income, and lower reserves compared to income.

We note that the factors impacting the Council's longer-term sustainability include:

- The Council's relatively lower level of council tax income, reflecting historic decisions not to increase council tax by the maximum permitted in previous years;
- The Council's level of borrowing for capital programmes, which is planned to be repaid from the proceeds of development projects; and
- The level of funding of the Pension Fund, which is relatively low at 86% funded (as at the 31 March 2022 actuarial revaluation), which requires additional deficit contributions to restore the funding position to 100% funded. The Council also needs to fund its share of the pension deficit in its joint venture, Achieving for Children.

These factors are reflected in the Council's Medium Term Financial Strategy and Plan. The increasing focus upon the financial sustainability of local authorities means that this will be an area of on-going consideration in auditor's value for money work and commentary for future periods.

The Council's pension position was a deficit in 2020/21 which resulted in the Council making secondary contributions to reduce the deficit. The Council will need to ensure it manages its cashflows in the medium and longer term in order to ensure it can continue to meet the requirements of the funding agreed with the actuary.

VfM arrangements: Governance

Approach and considerations

We have considered how the Council ensures that it makes informed decisions and properly manages its risks, including:

- How the body monitors and assesses risk and how the body gains assurance over the effective operation of internal controls, including arrangements to prevent and detect fraud;
- How the body approaches and carries out its annual budget setting process;
- How the body ensures effective processes and systems are in place to ensure budgetary control; to communicate relevant, accurate and timely management information (including non-financial information); supports its statutory financial reporting requirements; and ensures corrective action is taken where needed;
- How the body ensures it makes properly informed decisions, supported by appropriate evidence and allowing for challenge and transparency; and
- How the body monitors and ensures appropriate standards, such as meeting legislative/regulatory requirements and standards in terms of officer behaviour.

Commentary

The Council continues to monitor and assess risks in line with its risk management policy and the risk register is reviewed and updated on a periodic basis.

The Council also has a Counter Fraud function (via their internal audit team) that supports in mitigating the risks of fraud and corruption. An annual counter fraud programme is agreed upon, which includes fraud detection, investigation, and loss recovery. The results of the counter fraud activity are reported to the Audit & Governance Committee throughout the year.

The budget setting process is a collaborative approach that involves directorate management as well as core finance teams. The budget is presented to Cabinet annually in February for the year ahead, which is subject to scrutiny from the Senior Leadership Team and Cabinet.

The Council undertakes budget reviews on a bi-monthly basis, and all decisions and approvals are made in line with the Constitution. The Council publishes and maintains its Constitution, which details the structure and workings of the Council, including all the rules and procedures under which it operates. The Constitution sets out who makes decisions, how they are made, and the rights of citizens to obtain information and influence decisions. The Constitution is reviewed regularly by the Council.

The Council has a series of policies covering internal controls, including a whistleblowing policy. These policies are readily available for all staff to review on the Council's website.

In response to Covid-19, Covid Silver/Gold meetings were held consisting of senior leadership teams, which were reduced to bi-weekly meetings to discuss the impact on services and solutions to continually deliver key services.

Internal audit undertakes a risk-based programme of internal audit. The Audit & Governance Committee approves the annual Internal Audit Plan and receives updates at committee meetings throughout the year. The Council decided to move to a different internal audit service (SWAP) from their IA function in 2020/21 (joint with Wokingham Borough Council). This was on the basis of a finding from the CIPFA review.

VfM arrangements: Governance (continued)

Commentary

The Council has a number of staff policies in place, including a code of conduct. These are all contained within the Constitution and are readily available for all staff to access. A register of officers' interests and a register of officers' gifts and hospitality are maintained.

The Council also had a code of conduct for members, which includes a register of members' interests, a register of members’ gifts and hospitality, and a compliant procedure for complaints that members may have breached the code. The Standards Committee, supported by the Monitoring Officer, assists and advises members and the Council on standards issues, monitors the operation of the members’ code of conduct, and where necessary, determines complaints that members may have breached the code.

The Council has included as part of their review of the 2020/21 draft Annual Governance Statement an area of weakness in relation to the arrangements for 'implementing good practices in transparency, reporting, and audit to deliver effective accountability'.

The overall progress against the action plan as a result of the CIPFA review highlighted that although significant progress was made in the year, a number of actions in this area were not completed during the period (such as debt collection and provisioning) or only completed late in the year (such as the capital programme).

A number of audit recommendations that were raised during the 2019/20 audit have remained open during 2020/21. We recognise that the timing of the 2020/21 accounts preparation process means that issues could not necessarily be addressed in this period – however, we also note that on-going work has been needed by the finance team to address issues in financial processes, that are still being embedded (and so also impact later years. We have also identified further recommendations as part of our 2020/21 audit and the completion of our audit was significantly delayed due to the quality of the draft financial statements and working papers that were presented for audit. We also identified significant issues in relation to the timeliness and accuracy of the information provided, which has resulted in a number of material misstatements in the 2020/21 financial statements. On the basis of the above, we have concluded that these matters are indicative of a significant weakness in the arrangements for reliable and timely financial reporting and maintaining a sound system of internal control.

The progress the Council has made against the action plan for the 2019/20 AGS highlighted improvements in areas such as revision of the roles and responsibilities of officers and members, establishment of a Capital Review Board (in 2020/21), additional external training, and reviews of organisational capacity. However, there were areas that were still not complete in relation to the 2019/20 action plan until the 2021/22 financial year, such as interactions and behaviours between members and officers, independent reviews of partnerships, and the delivery of a new Corporate Plan.

VfM arrangements: Governance (continued)

Commentary

We noted improvements in relation to the governance decisions made for taking capital projects forward as a result of the establishment of the Capital Review Board. The Council shifted its focus in relation to projects such as the Braywick Leisure Centre (completed in summer 2020), where previously the focus on projects was weighted on speed of delivery for regeneration of the area, it was now made broader to ensure more emphasis was made to other considerations such as longer-term impacts of costs to fund the project (increased borrowing), increased continual feasibility monitoring and the revised capital strategy.

In relation to the findings and progress against the action plan of the independent pension governance review, 14 of the 21 recommendations were complete by the end of the 2020/21 financial year (including reviewing and reducing the size of the Pension Fund Advisory Panel and implementing governance improvements such as properly clerked and minuted meetings, with minutes checked before publication). We note that the remaining actions were completed by September 2022.

The Council is continually improving its governance arrangements as a result of the reviews that have occurred; however, the findings from the Local Government Association Corporate Peer Challenge, which took place after the 2020/21 year, highlighted continued weaknesses in the governance arrangements that were in place during the year to 31 March 2021. Areas for improvement identified included prioritising embedding the Corporate Plan across the Council, including the establishment of a new performance framework that links service plans and priorities to budget and risks over the medium term, reviewing the current model of scrutiny committees, and developing a clear and consistent framework on the role and governance of the arms-length Council entities.

In addition, progress against the action plan following the CIPFA review indicated that although progress had been made in addressing the recommendations raised, not all were completed until after the 2020/21 year-end. These included the review of the capital programme (to ensure there were robust business cases with clear delivery outcomes and risk management), improvements to culture in the Council, and a review of partnership arrangements (which we note the Council has now undertaken for the major partnerships that were highlighted in the findings). On this basis, we have concluded that these matters are indicative of a significant weakness in the governance arrangements with respect to informed decision-making and risk management.

In relation to public inspection period for 2020/21 accounts, the Council did not fully comply with the Local Audit and Accountability Act 2014 (Regulation 15) as it did not include its Annual Governance Statement (AGS) within the draft financial statements when uploading the document on its website – the Annual Governance Statement was separately published in committee papers. We also note that, although the Council is only required to publish notice of the inspection period on its website, the Council may wish to consider whether other notice mechanisms could improve accessibility for members of the public who may not have internet access. See insight three in Appendix 1. We have not identified a significant weakness in respect of this as this is primarily an administrative point

VfM arrangements: Improving economy, efficiency and effectiveness

Approach and considerations

We have considered how the body uses information about its costs and performance to improve the way it manages and delivers its services, including:

- How financial and performance information has been used to assess performance to identify areas for improvement;
- How the Council evaluates the services it provides to assess performance and identify areas for improvement;
- How the Council ensures it delivers its role within significant partnerships, engages with stakeholders it has identified, monitors performance against expectations, and ensures action is taken where necessary to improve; and
- Where the Council commissions or procures services, how the Council ensures that this is done in accordance with relevant legislation, professional standards and internal policies, and how the Council assesses whether it is realising the expected benefits.

Commentary

Financial and performance information is used by the Council to identify areas for improvement, addressing any poor performance, and using information on good performance to continuously improve. There is continual monitoring by senior officers, service leads, and the senior leadership team, which is reported to Cabinet bimonthly.

The Council's management accounts process and monthly monitoring is focussed upon net outturn (rather than review of income and expenditure values against budget, or of the balance sheet and cashflow movements in the period). Although this approach is common in local government, this means that the review processes are less able to detect fraud or error, and we do not consider this to be in line with best practice. We recommend management consider implementing a full monthly management account process, with review against budget for income and expenditure by type, and review of the balance sheet position. This may require consideration of which accruals processes are appropriate to operate each month (or quarter), and which are appropriate as annual processes. See insight two in Appendix 1. We have not identified a significant weakness in this regard, as the Council's arrangements are in line with general practice for local authorities.

The Council works with various partners to achieve its objectives, which include the review and consideration of outputs in relation to key objectives and their wider strategy. As part of the CIPFA review findings, the Council reviewed its key partnership arrangements and reported the recommendations and actions taken to Cabinet.

The Council has a procurement framework in place and maintains a contract register. All contracts agreed upon are reviewed to ensure they comply with the rules set by the Council, and all contain key performance indicators that are routinely monitored. There is legal oversight through Shared Legal Services, and monthly contract meetings are used to monitor activity and assess performance and potential financial implications. The level of scrutiny for each procurement contract depends on the value of the contract and the bands set out in the Financial Regulations.

The Council assesses whether it is realising the expected benefits of contracts by reviewing procurement contracts using corporate evaluation methods.

The Council undertook a review of its key partnerships following the CIPFA review and identified recommendations for these (specifically in relation to internal audit services, Optalis and Achieving For Children). The Council has actioned the recommendations in relation to the findings.

VfM arrangements: Improving economy, efficiency and effectiveness (continued)

Commentary

The Council holds funds on behalf of a number of other organisations, most significantly the Thames Valley Local Enterprise Partnership (recognising a liability for amounts due to them). The Council has used cash received on their behalf to fund Council capital expenditure rather than borrowing from other sources such as the Public Works Loan Board. As noted on page 15, the Council has restated its financial statements to more clearly present these relationships in the financial statements.

We have recommended the Council put in place documented agreements with the other organisations setting out arrangements over funds held on their behalf, and ensuring appropriate governance that reflects individual arrangements (see Insight 1 on page 32). We have not identified a risk of significant weakness in respect of this, as amounts due to other parties have been correctly recorded in the underlying financial records, and there are not specific requirements for how such funds should be managed.

Purpose of our report and responsibility statement

What we report

Our report fulfils our obligations under the Code of Audit Practice to issue an Auditor’s Annual Report that brings together all of our work over the year, including our commentary on arrangements to secure value for money, and recommendations in respect of identified significant weaknesses in the Council’s arrangements.

What we don’t report

Our audit was not designed to identify all matters that may be relevant to the Audit & Governance Committee.

Also, there will be further information you need to discharge your governance responsibilities, such as matters reported on by management 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 work under the Code of Audit Practice in respect of Value for Money arrangements.

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 plans for the Council and the Pension Fund.

We have reported our final findings to the Audit & Governance Committee on the 16 November 2023 for both the Council and its Pension Fund.

Use of this report

This report has been prepared for the 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.

Deloitte LLP

St Albans | 8 November 2023

Appendix 1: Insights

Insight one:

Documentation of arrangements about funds held on behalf of other entities

The Council holds funds on behalf of a number of other organisations, most significantly the Thames Valley Local Enterprise Partnership. In 2020/21, the Council used cash to fund Council capital expenditure rather than borrowing from other sources (while recognising amounts due to other entities as borrowings in the financial statements).

We recommend the Council puts in place documented agreements with the other organisations setting out arrangements over funds held on their behalf, and ensuring appropriate governance that reflects individual arrangements.

Observation – See page 14

Insight two:

Monthly management accounts process

The Council's management accounts process and monthly monitoring is focussed on net outturn (rather than review of income and expenditure values against budget, or of the balance sheet and cashflow movements in the period). Although this approach is common in local government, this means that the review processes are less able to detect fraud or error, and we do not consider this to be in line with best practice.

We recommend management consider implementing a full monthly management account process, with review against budget for income and expenditure by type, and review of the balance sheet position. This may require consideration of which accruals processes are appropriate to operate each month (or quarter), and which are appropriate as annual processes.

Observation – See page 24

Appendix 1: Insights (continued)

Insight three:

Accounts inspection process

In relation to public inspection period for 2020/21 accounts, the Council did not fully comply with the Local Audit and Accountability Act 2014 (Regulation 15) as it did not include its Annual Governance Statement (AGS) within the draft financial statements when uploading the document on its website – the Annual Governance Statement was separately published in committee papers.

We recommend that Council ensures the AGS is included within the draft financial statements when it is made available for public inspection on the website.

We also note that, although the Council is only required to publish notice of the inspection period on its website, the Council may wish to consider whether other notice mechanisms could improve accessibility for members of the public who may not have internet access.

Observation – See page 23

Insight four:

Quantification of financial sustainability risks

The Council's financial planning process includes identification of risks to the financial plan. Where risks have been identified by the Council in relation to financial sustainability, these have not been quantified. We recommend that management consider whether the extent of quantification and sensitivity analysis used in financial planning and approval, to support consideration of their potential impact on the medium/long term financial sustainability of the Council.

Observation – See page 19

Appendix 1: Insights (continued)

Insight five:

Longer term financial planning

The Council's consideration of its financial commitments and of the interaction of capital expenditure, borrowing, and proceeds from property disposals, requires consideration of transactions which go beyond the term of the MTFS.

We recommend that the Council documents at least high-level longer-term planning assumptions and interactions, to ensure longer term commitments and risks are fully understood and considered by members.

Observation – See page 19

Appendix 2: Council's responsibilities

Public bodies spending taxpayers' money are accountable for their stewardship of the resources entrusted to them. They should account properly for their use of resources and manage themselves well so that the public can be confident.

Financial statements are the main way in which local public bodies account for how they use their resources. Local public bodies are required to prepare and publish financial statements setting out their financial performance for the year. To do this, bodies need to maintain proper accounting records and ensure they have effective systems of internal control.

All local public bodies are responsible for putting in place proper arrangements to secure economy, efficiency, and effectiveness from their resources. This includes taking properly informed decisions and managing key operational and financial risks so that they can deliver their objectives and safeguard public money. Local public bodies report on their arrangements, and the effectiveness with which the arrangements are operating, as part of their annual governance statement.

The Chief Financial Officer, as Section 151 Officer of the Council, is responsible for the preparation of the Council's Statement of Accounts in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting.

In preparing the Statement of Accounts the Chief Financial Officer is required to select suitable accounting policies and make judgements and estimates that are reasonable and prudent. The Chief Financial Officer is required to confirm that the Statement of Accounts, taken as a whole, is fair, balanced, and understandable, and provides the information necessary for Council Tax payers, regulators and stakeholders to assess the Council's performance, business model and strategy.

The Chief Financial Officer is required to comply with the CIPFA Code of Practice and prepare the financial statements on a going concern basis, unless the Council is informed of the intention for dissolution without transfer of services or function to another entity. In applying the going concern basis of accounting, the Chief Financial Officer has applied the 'continuing provision of services' approach set out in the CIPFA code of practice as it is anticipated that the services the Council provides will continue into the future.

The Chief Financial Officer and Council are responsible for putting in place proper arrangements to secure economy, efficiency, and effectiveness in the use of the Council's resources, for ensuring that the use of public funds complies with the relevant legislation, delegated authorities and guidance, for safeguarding the assets of the Council, and for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Appendix 3: Auditor’s responsibilities

Auditor’s responsibilities for the audit of the financial statements

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

A further description of our responsibilities for the audit of the financial statements is located on the FRC’s website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor’s report.

Auditor’s responsibilities relating to the Council’s arrangements for securing economy, efficiency and effectiveness in the use of resources

We are required under the Code of Audit Practice and the Local Audit and Accountability Act 2014 to satisfy ourselves that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

We are not required to consider, nor have we considered, whether all aspects of the Council’s arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

We undertake our work in accordance with the Code of Audit Practice, having regard to the guidance, published by the Comptroller & Auditor General in April 2021, as to whether the Council has proper arrangements for securing economy, efficiency and effectiveness in the use of resources against the specified criteria of financial sustainability, governance, and improving economy, efficiency and effectiveness.

The Comptroller & Auditor General has determined that under the Code of Audit Practice, we discharge this responsibility by reporting by exception if we have reported to the Council a significant weakness in arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2021. Other findings from our work, including our commentary on the Council’s arrangements, are reported in our Auditor’s Annual Report.

Auditor’s other responsibilities

We are also required to report to you if we exercise any of our additional reporting powers under the Local Audit and Accountability Act 2014 to:

- make a written recommendation to the Council, copied to the Secretary of State;
- make a referral to the Secretary of State if we believe that the Council or an officer of the Council is:
    - about to make, or has made, a decision which involves or would involve the Council incurring unlawful expenditure; or
    - about to take, or has begun to take a course of action which, if pursued to its conclusion, would be unlawful and likely to cause a loss or deficiency; and
- consider whether to issue a report in the public interest.

Deloitte.

This page is intentionally left blank