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# NOTICE

# OF

# MEETING

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Royal Borough
of Windsor &
Maidenhead

## AUDIT AND PERFORMANCE REVIEW PANEL

will meet on

**MONDAY, 30TH JULY, 2018**

at

**7.00 PM**

in the

**COUNCIL CHAMBER - TOWN HALL,**

TO: MEMBERS OF THE AUDIT AND PERFORMANCE REVIEW PANEL

COUNCILLOR SAYONARA LUXTON (CHAIRMAN)
COUNCILLORS ADAM SMITH (VICE-CHAIRMAN), MALCOLM ALEXANDER, DR LILLY EVANS, WESLEY RICHARDS, DEREK WILSON, EDWARD WILSON AND PAUL BRIMACOMBE

SUBSTITUTE MEMBERS
COUNCILLORS DAVID EVANS, RICHARD KELLAWAY, ROSS MCWILLIAMS, EILEEN QUICK, COLIN RAYNER, JOHN STORY, JESSE GREY AND LYNNE JONES

Karen Shepherd Service Lead Democratic Services
Issued: 20/07/2018

Members of the Press and Public are welcome to attend Part I of this meeting.

The agenda is available on the Council's web site at www.rbwm.gov.uk or contact the Panel Administrator **David Cook, 01628 796560** david.cook@rbwm.gov.uk

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# AGENDA

## PART I

**MEMBERS' GUIDE TO DECLARING INTERESTS IN MEETINGS**

**Disclosure at Meetings**

If a Member has not disclosed an interest in their Register of Interests, they **must make** the declaration of interest at the beginning of the meeting, or as soon as they are aware that they have a DPI or Prejudicial Interest. If a Member has already disclosed the interest in their Register of Interests they are still required to disclose this in the meeting if it relates to the matter being discussed.

A member with a DPI or Prejudicial Interest **may make representations at the start of the item but must not take part in the discussion or vote at a meeting.** The speaking time allocated for Members to make representations is at the discretion of the Chairman of the meeting. In order to avoid any accusations of taking part in the discussion or vote, after speaking, Members should move away from the panel table to a public area or, if they wish, leave the room. If the interest declared has not been entered on to a Members' Register of Interests, they must notify the Monitoring Officer in writing within the next 28 days following the meeting.

**Disclosable Pecuniary Interests (DPIs) (relating to the Member or their partner) include:**

- Any employment, office, trade, profession or vocation carried on for profit or gain.
- Any payment or provision of any other financial benefit made in respect of any expenses occurred in carrying out member duties or election expenses.
- Any contract under which goods and services are to be provided/works to be executed which has not been fully discharged.
- Any beneficial interest in land within the area of the relevant authority.
- Any licence to occupy land in the area of the relevant authority for a month or longer.
- Any tenancy where the landlord is the relevant authority, and the tenant is a body in which the relevant person has a beneficial interest.
- Any beneficial interest in securities of a body where:
  a) that body has a piece of business or land in the area of the relevant authority, and
  b) either (i) the total nominal value of the securities exceeds £25,000 or one hundredth of the total issued share capital of that body **or** (ii) the total nominal value of the shares of any one class belonging to the relevant person exceeds one hundredth of the total issued share capital of that class.

Any Member who is unsure if their interest falls within any of the above legal definitions should seek advice from the Monitoring Officer in advance of the meeting.

A Member with a DPI should state in the meeting: ***'I declare a Disclosable Pecuniary Interest in item x because xxx. As soon as we come to that item, I will leave the room/ move to the public area for the entire duration of the discussion and not take part in the vote.'***

*Or, if making representations on the item:* ***'I declare a Disclosable Pecuniary Interest in item x because xxx. As soon as we come to that item, I will make representations, then I will leave the room/ move to the public area for the entire duration of the discussion and not take part in the vote.'***

**Prejudicial Interests**

Any interest which a reasonable, fair minded and informed member of the public would reasonably believe is so significant that it harms or impairs the Member's ability to judge the public interest in the item, i.e. a Member's decision making is influenced by their interest so that they are not able to impartially consider relevant issues.

A Member with a Prejudicial interest should state in the meeting: ***'I declare a Prejudicial Interest in item x because xxx. As soon as we come to that item, I will leave the room/ move to the public area for the entire duration of the discussion and not take part in the vote.'***

*Or, if making representations in the item:* ***'I declare a Prejudicial Interest in item x because xxx. As soon as we come to that item, I will make representations, then I will leave the room/ move to the public area for the entire duration of the discussion and not take part in the vote.'***

**Personal interests**

Any other connection or association which a member of the public may reasonably think may influence a Member when making a decision on council matters.

Members with a Personal Interest should state at the meeting: ***'I wish to declare a Personal Interest in item x because xxx'. As this is a Personal Interest only, I will take part in the discussion and vote on the matter.***

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# AUDIT AND PERFORMANCE REVIEW PANEL

## TUESDAY, 12 JUNE 2018

PRESENT: Councillors Sayonara Luxton (Chairman), Adam Smith (Vice-Chairman), Malcolm Alexander, Dr Lilly Evans, Derek Wilson, Edward Wilson and Paul Brimacombe.

Officers: Elaine Brown, Rob Stubbs, Julia Barker, Andrew Moulton and David Cook.

## APOLOGIES

There were no apologies received. Cllr E Wilson reported that he would be late.

## DECLARATIONS OF INTEREST

There were no declarations of interest received.

## MINUTES

The Part I minutes of the meeting held on 12 April 2018 were approved as a true and correct record.

Cllr Saunders, Lead Member for Finance, informed the Panel that the project management protocols had recently been reviewed and that there would be a report presented to Cabinet in July 2018. He felt that this Panel may wish to review the report prior to it being presented to Cabinet along with the director who owns the highest risk rating; the Executive Director of Place who owns the risks for the Borough Local Plan and regeneration projects.

It was noted that the Panel was due to meet on 30th July 2018 to sign the audited accounts. The clerk would see if an alternative date was available prior to Cabinet.

## ANNUAL GOVERNANCE STATEMENT 2018

The Head of Law and Governance presented the 2017/18 Annual Governance Statement. It was recommended that the Audit and Performance Review Panel consider the report and recommend the statement to the Leader and Managing Director for signature and presentation with the Annual Statement of Accounts.

The Panel were informed that the Annual Governance Statement was produced to ensure that the Council meets its statutory requirements and those of this Panel's Terms of Reference to be satisfied that the Council has in place appropriate corporate governance systems and controls.

Cllr Smith informed that he had proof read the document and forwarded comments to the Principal Member for HR, Legal and IT. Cllr Brimacombe mentioned that there were spelling errors within the report.

With regards to the action plan Cllr Smith referenced AGS 18.2 – Lack of and timeliness of responses to internal audit reports, and asked who were responsible to responding to the reports. The Panel were informed that the appropriate service area responded to reports.

The Panel were also informed that with regards to AGS 18.3 – Budget Pressures the expected outcome would be changed from reporting to Cabinet to reporting to SMT as budget pressures were already reported to Cabinet.

Cllr Brimacombe felt that there needed to be some tie in with this report and the constitutional review as there was a symbiotic relationship. The Panel were informed that the report looked at common themes and risks across service areas and good governance.

Cllr Brimacombe said that section 1.2 of appendix A said 'to ensure adherence to these requirements..' but the document cannot ensure compliance and it assurance should be used instead.

Cllr D Wilson mentioned that AGS 18.1- Business Continuity Plans, said that a formal response to the 2017/18 draft Internal audit report is still outstanding. Cllr D Wilson mentioned that this should have been actioned by now. The Panel were informed that it should have been a target date for the independent review of business continuity plans.

(Cllr E Wilson joined the meeting)

Cllr L Evans asked if the peer review findings should be added to the report and was informed that this was a separate issue as this dealt with operational issues of the Council.

Cllr L Evans also mentioned that paragraph 5.4 made reference to the ongoing transformation programme and asked if governance arrangements with outsourced services and our partners should be included. The Panel were informed that each service provided management assurance statements and that the director for commissioning would be responsible for statements covering outsourced services. The statements cover all our services with each service area dealing with their own risks. Cllr L Evans mentioned that this would not allow us to catch unknown unknowns.

Cllr Brimacombe mentioned that if the wrong thing was done correctly this would not be picked up by governance.
In response to concern raised by Cllr E Wilson regarding the lack of and timeliness of responses to internal audit reports, the Panel considered how they should monitor this to ensure that SMT were taking appropriate reviews. It was felt that, as with risks being reviewed by SMT, that there should be a trigger put in place that if SMT are not monitoring then they should be brought to this Panel. This should be accompanied by the Panel receiving 6 monthly updates. This proposed process was approved.

**Resolved unanimously: that the Audit and Performance Review Panel notes the report and:**

- **Consider the draft 2017/18 AGS; and**
- **Recommend the 2017/18 AGS to the Leader and Managing Director for signature and publication with the Council's Statement of Accounts.**

## 2017-18 SHARED AUDIT AND INVESTIGATION SERVICE ANNUAL REPORT AND EXTERNAL ASSESSMENT OF COMPLIANCE WITH THE PUBLIC SECTOR INTERNAL AUDIT STANDARDS.

The Chief Audit Executive, Shared Audit and Investigation Service, introduced the report that provided an update on the Shared Audit and Investigation Service activity, including progress in achieving the 2017/18 Internal Audit and Investigation Plan to 31st March 2018.

The Panel were informed that the report also contained a summary of the outcome of the external assessment of the Internal Audit Service against the CIPFA/IIA Public Sector Internal Audit Standards. This was the first external assessment since the shared service was established in 2014 and it was a credit to the service that it scored the top level with only minor areas for improvement raised.

There was one reported ‘red’ compliance raised regarding that the audit charters did not include the mission statement from the PSIAS as required by the revised (2017) PSIAS. The mission statement was included in the business plan so this would be easily resolved.

During the review Cllr Brimacombe, as previous APRP chairman, the Managing Director and the Head of Finance had all been interviewed. Panel reports and minutes had also been reviewed and an action plan had been put in place. The findings of the review would help the shared service secure further external work.

The first part of the report looked at the Internal Audit Teams audits of key financial systems as well as the Council’s identified key strategic and key operational risks. The overall audit opinion was “Substantially Complete and Generally Effective but with some improvements required. 93% of the audit plan had been delivered.

There had been 9 audits during the year where the opinions were improved from the draft report. This was due to additional supporting evidence being supplied to reduce concerns and compensating or mitigating controls implemented by management to address concerns raised between the draft report.

There were two audit reviews that had received the third category; debtors and housing options. There were also 3 outstanding audits assigned the third category of audit opinion at the draft stage.

During discussion on the reports the following questions and points were raised:

- Once approved Members should also have access to the new set of RIPA procedures and guidance.
- It was felt that with regards to Housing Options there was insufficient detail of the issues and that the reference to the BLP should not have been included.
- Other shared services were audited and any issues reported to the authorities.
- Building control had been reviewed by Panel previously and its aim was to become its own company. It may be worth reviewing again in the future.
- It was an excellent report as it was not easy to get the top rating from CIPFA and was reassurance that the shared service was working.
- Following recommendations from this Panel it was good to see that draft reports were either being challenged or acted upon resulting in better results. Reports being highlighted to SMT and having a month to respond had helped.
- It was questioned that would seeking other external work hinder the current provision and in response it was acknowledged that RBWM and Wokingham remained the key clients and they could call upon the audit team when required.
- The action plan would be updated every 6 month and every five years there would be an external audit of the service.
- The CIPFA finding should be published especially to show that fraud was investigated.
- ICT audits were not obvious as system reviews would be incorporated into appropriate service reviews. The ICT systems today were in a much better position than seven years ago.

  **Resolved unanimously: that:**

  - **Members note the Shared Audit and Investigation Service RBWM activity for the financial year 2017/18 and the outcome of the external assessment by CIPFA against the Public Sector Internal Audit Standards.**

  - **The Panel gave their thanks to the shared service for their excellent work.**

The meeting, which began at 7.00 pm, finished at 8.20 pm

CHAIRMAN……………………………….

DATE……………………………..........

# External Audit ISA260 Report 2017/18

## The Royal Borough of Windsor & Maidenhead

—

July 2018

# Summary for Audit & Performance Review Panel

**This document summarises the key findings in relation to our 2017-18 external audit at the Royal Borough of Windsor & Maidenhead ('the Authority') and the Royal County of Berkshire Pension Fund.**

**This report covers our on-site work, which was completed in February and June to July 2018, on the Authority's significant risk areas, as well as other areas of your financial statements, and the control environment in place to support the production of timely and accurate financial statements.**

| | |
|---|---|
| **Organisational and IT control environment** | We have identified no significant issues with the Authority's organisational control environment and consider that the overall arrangements that have been put in place are reasonable. |
| **Controls over key financial systems** | The controls over the majority of the key financial systems are sound and we have not raised any recommendations as a result of our 2017/18 work. Work to fully implement the recommendations we raised in our 2016/17 ISA260 report is still ongoing. We have reiterated the outstanding recommendations in Appendix 1. |
| **Review of internal audit** | We have used the work performed by internal audit to inform our risk assessments and audit work. We identified no issues with the work performed by internal audit |
| **Accounts production** | Audit standards (ISA 260) require us to communicate our views on the significant qualitative aspects of the Authority's accounting practices and financial reporting. The Authority continues to deliver strong working papers in the necessary timeframes. As the Authority began preparing its financial statements to an advanced timetable in the prior year it was already well placed to meet the new faster close deadlines.<br><br>We also assessed the Authority's process for preparing the accounts and its support for an efficient audit. The Authority has continued the progress made following the dry run in 2016/17 and has prepared the accounts to meet the earlier statutory deadlines, whilst maintaining the quality of the financial statements and working papers. This has taken significant effort from the finance team and we would like to thank the team for their support during this period. |
| **Financial statements** | **Subject to all outstanding queries being resolved to our satisfaction we anticipate issuing an unqualified audit opinion on the Authority's financial statements before the deadline of 31 July 2018.**<br><br>Based upon our initial assessment of risks to the financial statements (as reported to you in our *External Audit Plan 2017/18* and updated during our audit) we identified the following significant risks (excluding those mandated by International Standards on Auditing – see Page 9):<br><br>— **Valuation of PPE** – The Authority operates a cyclical revaluation approach to meet the Code requirement that all land and buildings be held at fair value. We have considered how the Authority ensures that assets not subject to in-year revaluation are not materially misstated, as well as reviewing the basis of valuation for those assets that have been revalued. No issues have been identified as a result of this work. |

# Summary for Audit & Performance Review Panel (cont.)

**Financial statements (continued)**

- **Pensions Liabilities** – The valuation of the Authority's pension liability, as calculated by the Actuary, is dependent upon both the accuracy and completeness of the data provided and the assumptions adopted. We have reviewed the processes in place to ensure accuracy of data provided to the Actuary and have considered the assumptions used in determining the valuation. No issues have been identified as a result of this work
- **Group accounts and faster close** – The Authority has successfully managed the process to achieve faster close. To gain assurance over the Authority's group accounts, we obtained and reviewed the draft financial statements of the Authority's associates, Optalis and Achieving for Children (AfC), and have contacted the external auditors of Optalis and AfC to seek assurance from their work on the financial statements. At the time of drafting this report we are in the process of finalising our review of the accounting treatment of the Authority's investment in Optalis and AfC in both the group and Authority accounts.

We did not identify any material misstatements. We have identified one uncorrected audit difference relating to long-standing unreconciled items in the bank reconciliation, which we have reported in Appendix 2. There was also a small number of presentational adjustments required to ensure that the accounts are compliant with the Code of Practice on Local Authority Accounting in the United Kingdom 2017-18 ('the Code').

We are now in the completion stage of the audit. We will issue our completion certificate once we have received the Pension Fund Annual Report and completed our work to verify consistency with the audited financial statements. We are expecting the annual report to be available at the end of July. Following this, we will issue our Annual Audit letter.

**Pension Fund financial statements**

**We anticipate issuing an unqualified audit opinion on the Pension Fund's financial statements by 31 July 2018.**

Based upon our initial assessment of risks to the Pension Fund financial statements (as reported to you in our *External Audit Plan 2017/18* and updated during our interim visit) we have identified the following significant risks (excluding those mandated by International Standards on Auditing – see Page 9:

- **Valuation of hard to price investments** – The Pension Fund invests in a range of assets and funds, some of which are inherently harder to value due to there being no publicly available quoted prices. We have verified a selection of investments to third party information and confirmations, with no issues being identified.
- **Valuation of the longevity hedge** – The Pension Fund has in place a longevity insurance policy with ReAssure which is recognised on the Pension Fund's Net Asset Statement. We engaged KPMG actuarial specialists to review the Barnett Waddingham model for valuing the longevity contract and have agreed the appropriateness of the assumptions and the reasonableness of the valuation.

# Summary for Audit & Performance Review Panel (cont.)

| | |
|---|---|
| **Value for money arrangements** | We have completed our risk-based work to consider whether in all significant respects the Authority has proper arrangements to ensure has taken properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people. We have concluded that the Authority has made proper arrangements to secure economy, efficiency and effectiveness in its use of resources.<br><br>**We therefore anticipate issuing an unqualified value for money opinion.**<br><br>We set out our assessment of those areas requiring additional risk based work in our *External Audit Plan 2017/18* and have updated this assessment during our interim visit. As a result of this we identified the following significant VFM audit risks:<br><br>— **Delivery of Budgets** – As a result of reductions in central government funding, and other pressures, the Authority is having to make additional savings beyond those from prior years and also pursue income generation strategies. We reviewed the controls in place to ensure financial resilience, specifically that the Medium Term Financial Plan had duly taken into consideration relevant factors and sensitivity analysis. We considered the way in which the Authority identifies, approves and monitors its budgets throughout the year.<br><br>— **Contract management** – As part of its Transformation Programme, the Authority has moved to a new operating model for some services and now delivers Children's Services and Adult Social Care through external providers such as Achieving for Children and Optalis, in which the Authority is a shareholder.<br><br>See further details on pages 23 and 24. |
| **Exercising of audit powers** | We have a duty to consider whether to issue a report in the public interest about something we believe the Authority should consider, or if the public should know about.<br><br>We have not identified any matters that would require us to issue a public interest report.<br><br>In addition, we have not had to exercise any other audit powers under the Local Audit & Accountability Act 2014. |
| **Acknowledgements** | We would like to take this opportunity to thank officers and Members for their continuing help. |

Section one

# Control Environment

# Organisational and IT control environment

**We have identified no significant issues with the Authority's organisational and IT control environment and consider that the overall arrangements that have been put in place are reasonable.**

## Work completed

Controls operated at an organisational level often have an impact on controls at an operational level and if there were weaknesses this would have implications for our audit. We obtain an understanding of the Authority's overall control environment and determine if appropriate controls have been implemented. We do not complete detailed testing of these controls.

## Key findings

We consider that your organisational controls are effective overall.

| Aspect of controls | Assessment |
|---|---|
| Organisational controls: | |
| Management's philosophy and operating style | 3 |
| Culture of honesty and ethical behaviour | 3 |
| Oversight by those charged with governance | 3 |
| Risk assessment process | 3 |
| Communications | 3 |
| Monitoring of controls | 2 |

| Key | |
|---|---|
| 1 | Significant gaps in the control environment. |
| 2 | Deficiencies in respect of individual controls |
| 3 | Generally sound control environment. |

We have assessed monitoring of controls as a 2 as there were control deficiencies identified again in our 2017/18 work in relation to the preparation and review of control account reconciliations that were originally identified and reported in our *ISA 260 Report 2016/17.*

# Controls over key financial systems

**The controls over the key financial systems are generally sound.**

**However, there are some weaknesses in respect of control account reconciliations that we raised in 2016/17 that have not yet been resolved.**

## Work completed

Where we have determined that this is the most efficient audit approach to take, we evaluate the design and implementation of the control and then test selected controls that address key risks within these systems. The strength of the control framework informs the substantive testing we complete during our final accounts visit.

Our assessment of a system will not always be in line with your internal auditors' opinion on that system. This is because we are solely interested in whether our audit risks are mitigated through effective controls, i.e. whether the system is likely to produce materially reliable figures for inclusion in the financial statements.

## Key findings

Based on our work we have determined that the controls over the key financial systems are generally sound and we have not raised any additional control weaknesses as a result of our work in 2017/18. Work to fully implement the recommendations raised in our *ISA 260 Report 2016/17* is still ongoing and the outstanding recommendation has been reiterated in Appendix 1.

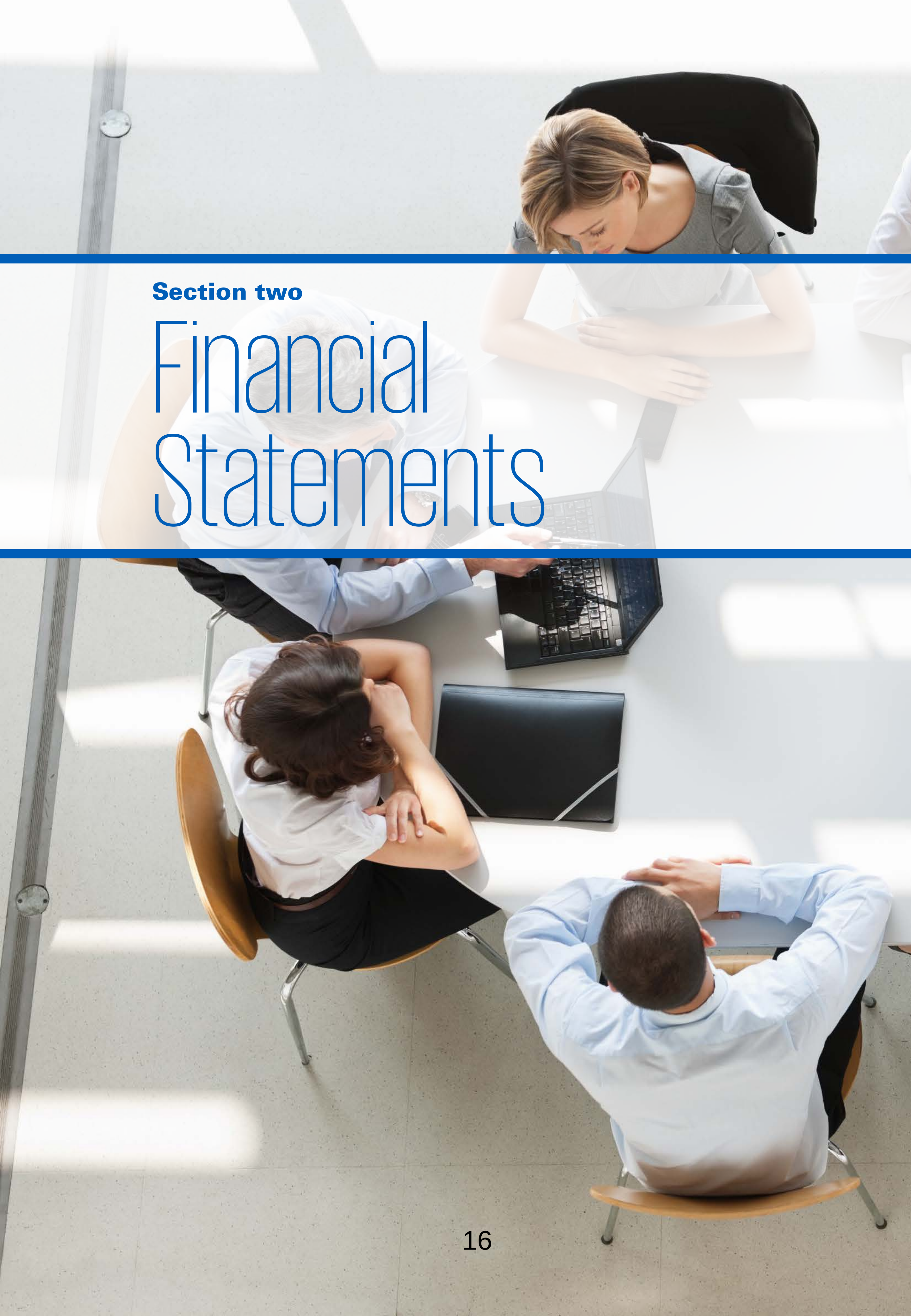
| Aspect of controls | Assessment |
|---|---|
| Property, Plant and Equipment | 3 |
| Cash and Cash Equivalents | 2 |
| Pension Assets and Liabilities | 3 |
| Non pay expenditure | 3 |
| Payroll | 2 |
| Housing benefits expenditure | 3 |
| Business rates income | 3 |
| Council tax income | 3 |

| Key | |
|---|---|
| 1 | Significant gaps in the control environment |
| 2 | Deficiencies in respect of individual controls |
| 3 | Generally sound control environment |

As a result of the control deficiencies identified in relation to the preparation and review of control account reconciliations around payroll and cash, we have assessed the controls for those two systems as a 2.

**Section two**

# Financial Statements



# Accounts production and audit process

**Audit standards (ISA 260) require us to communicate our views on the significant qualitative aspects of the Authority's accounting practices and financial reporting.**

**We also assessed the Authority's process for preparing the accounts and its support for an efficient audit. The efficient production of the financial statements and good-quality working papers are critical to meeting the tighter deadlines.**

**The Authority's overall process for the preparation of the financial statements is good.**

**The Authority has yet to fully implement the recommendations in our *ISA 260 Report 2016/17*.**

## Accounts practices and production process

The Authority continues to deliver strong working papers in the necessary timeframes. As the Authority began preparing its financial statements to an advanced timetable in the prior year it was already well placed to meet the new faster close deadlines.

We consider that the overall process for the preparation of your financial statements is sound. We would like to pay particular thanks to Rob Stubbs and the Finance team for their cooperation throughout the audit.

We also consider the Authority's accounting practices to be appropriate.

## Going concern

The financial statements of both the Authority and the Pension Fund have been prepared on a going concern basis. We confirm that we have identified no significant matters which would, in our view, affect the ability of the Authority or Pension Fund to continue as a going concern.

Further commentary on the Authority's arrangements in place to secure the effective delivery of budgets is included at page 23.

## Implementation of recommendations

We raised three recommendations in our ISA 260 Report 2016/17. The Authority has implemented two of the recommendations in line with the timescales of the action plan. Further details are included in Appendix 1.

## Completeness of draft accounts

A complete set of draft accounts was available on 31 May, in line with the statutory deadline.

## Quality of supporting working papers

Our Accounts Audit Protocol sets out our audit approach and timetable. It also summarises the working papers and other evidence we require the Authority to provide to support our audit work. This helps the Authority and the Pension Fund to provide audit evidence in line with our expectations.

We worked with management to ensure that working paper requirements were understood and aligned to our expectations. We are pleased to report that this has resulted in good-quality working papers with clear audit trails.

## Response to audit queries

We are pleased to report that our agreed turnaround time for dealing with audit queries was achieved by Officers, including those who are not part of the finance team.

# Accounts production and audit process (cont.)

## Group audit

To gain assurance over the Authority's group accounts, we obtained and reviewed the draft financial statements of Optalis and Achieving for Children and contacted the external auditors of Optalis and AfC to seek assurance from their work on the financial statements. At the time of drafting this report we are in the process of finalising our review of the accounting treatment of the Authority's investment in Optalis and AfC in both the group and Authority accounts.

There were no issues to note in relation to the consolidation process.

## Pension Fund audit

The audit of the Pension Fund's financial statements was completed in June to July 2018 with draft financial statements being received by the statutory deadline.

Audit queries relating to the Pension Fund were answered promptly, which helped ensure that we were able to perform our audit within the agreed timeframe.

We brought forward our work on the longevity hedge this year and our experts completed their review of Barnett Waddingham's model and assumptions in May 2018. This enabled us to agree the valuation and the relevant accounting entries ahead of the financial statements being drafted and allowed us to conclude on a high risk area before the main audit started

# Specific audit areas

**We anticipate issuing an unqualified audit opinion on the Authority's 2017-18 financial statements and those of the Pension Fund by 31 July 2018. We will also report that your Annual Governance Statement complies with the guidance issued by CIPFA/SOLACE ('Delivering Good Governance in Local Government') published in April 2016.**

Auditing standards require us to consider two standard risks for all organisations. We consider these as a matter of course in our audit and will have set out the findings arising from our work in our ISA 260 Report below.

01

**Management override of controls**

Professional standards require us to communicate the fraud risk from management override of controls as significant because management is typically in a unique position to perpetrate fraud because of its ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively.

Our audit methodology incorporates the risk of management override as a default significant risk. We have not identified any specific additional risks of management override relating to this audit.

In line with our methodology, we carried out appropriate controls testing and substantive procedures, including over journal entries, accounting estimates and significant transactions that are outside the normal course of business, or are otherwise unusual.

There are no matters arising from this work that we need to bring to your attention.

02

**Fraudulent revenue recognition**

Professional standards require us to make a rebuttable presumption that the fraud risk from revenue recognition is a significant risk.

In our *External Audit Plan 2017-18* we reported that we do not consider this to be a significant risk for Local Authorities as there is unlikely to be an incentive to fraudulently recognise revenue.

This is still the case. Since we have rebutted this presumed risk, there has been no impact on our audit work.

Over the following pages we have set out our assessment of the specific significant risks and areas of audit focus we identified in relation to the audit of the Authority's financial statements and those of the Pension Fund.

# Specific audit areas

## Significant Audit Risks – Authority

Those risks requiring specific audit attention and procedures to address the likelihood of a material financial statement error in relation to the Authority.

| | |
|---|---|
| **Risk:** | **Valuation of PPE**<br><br>The Code requires that where assets are subject to revaluation, their year end carrying value should reflect the appropriate fair value at that date. The Authority has adopted a rolling revaluation model which sees all land and buildings revalued over a five year cycle. As a result of this, however, individual assets may not be revalued for four years.<br><br>This creates a risk that the carrying value of those assets not revalued in a year differs materially from the year-end fair value. In addition, as the valuation is undertaken as at 1 April (the start of the year), there is a risk that the fair value is different at the year-end. |
| **Our assessment and work undertaken:** | We reviewed the approach that the Authority adopted to assess the risk that assets not subject to valuation were materially misstated and considered the robustness of that approach.<br><br>In addition, we considered movements in market indices between revaluation dates and the year-end in order to determine whether these indicate that fair values had moved materially over that time.<br><br>For those assets which have been revalued during the year by Lambert Smith Hampton, the external valuer, we reviewed the accounting entries made to record the results of the revaluation in order to ensure that they were appropriate.<br><br>We also assessed the external valuer’s qualifications, objectivity and independence to carry out such valuations and reviewed the methodology used (including testing the underlying data and assumptions).<br><br>As a result of this work we determined that the valuation at year end was reasonable.<br><br>We have set out our view of the assumptions used in the accounting for Property, Plant & Equipment at page 14. |

# Specific audit areas (cont.)

## Significant Audit Risks – Authority (cont.)

| | |
|---|---|
| **Risk:** | **Pension Liabilities**<br>The pension liability represents a material element of the Authority's balance sheet. The Authority is the administering authority of the Royal County of Berkshire Pension Fund, which had its last triennial valuation completed as at 31 March 2016. This forms an integral basis of the valuation as at 31 March 2018.<br>The valuation of the Local Government Pension Scheme relies on a number of assumptions, most notably around the actuarial assumptions, and the actuarial methodology which results in the Authority's overall valuation.<br>There are financial assumptions and demographic assumptions used in the calculation of the Authority's valuation, such as the discount rate, inflation rates, mortality rates etc. The assumptions should also reflect the profile of the Authority's employees, and should be based on appropriate data. The basis of the assumptions is derived on a consistent basis year to year, or updated to reflect any changes.<br>There is a risk that the assumptions and methodology used in the valuation of the Authority's pension obligation are not reasonable. This could have a material impact on the pension liability accounted for in the financial statements. |
| **Our assessment and work undertaken:** | We reviewed the controls that the Authority has in place over the information sent to the Scheme Actuary, including the Authority's process and controls with over the assumptions used in the valuation. We also evaluated the competency, objectivity and independence of the scheme actuary, Barnett Waddingham.<br>We reviewed the appropriateness of the key assumptions included within the valuation, compared them to expected ranges and involved a KPMG Actuary to provide a specialist assessment of those assumptions. We also reviewed the methodology applied in the valuation by Barnett Waddingham.<br>We reviewed the overall Actuarial valuation and considered the disclosures made in the financial statements.<br>As a result of this work we were satisfied that the assumptions applied were reasonable and that the methodology used by the actuary to calculate the pension liability was appropriate and in line with our expectations. We have set out our view of the assumptions used in valuing pension liabilities at page 16. |

# Specific audit areas (cont.)

## Significant Audit Risks – Authority (cont.)

**Risk:**

**Group accounts and Faster Close**

In prior years, the Authority has been required to prepare draft financial statements by 30 June and then final signed accounts by 30 September. For years ending on and after 31 March 2018, however, revised deadlines apply which require draft accounts by 31 May and final signed accounts by 31 July.

During 2016/17, the Authority started to prepare for these revised deadlines and advanced its own accounts production timetable so that draft accounts were ready by June 2017. Whilst this was an advancement on the timetable applied in preceding years, the Authority will be required to produce Group accounts for the first time and further work is required in order to ensure that the statutory deadlines for 2017/18 are met.

In order to meet the revised deadlines, the Authority may need to make greater use of accounting estimates. In doing so, consideration will need to be given to ensuring that these estimates remain valid at the point of finalising the financial statements. In addition, there are a number of logistical challenges that will need to be managed. These include:

- Ensuring that any third parties involved in the production of the accounts (including valuers, actuaries, associates and associate auditors) are aware of the revised deadlines and have made arrangements to provide the output of their work in accordance with this;
- Revising the closedown and accounts production timetable in order to ensure that all working papers and other supporting documentation are available at the start of the audit process;
- Ensuring that the Audit & Performance Review Panel meeting schedules have been updated to permit signing in July; and
- Applying a shorter paper deadline to the July meeting of the Audit & Performance Review Panel meeting in order to accommodate the production of the final version of the accounts and our ISA 260 report.

In the event that the above areas are not effectively managed there is a significant risk that the audit will not be completed by the 31 July deadline.

There is also an increased likelihood that the Audit Certificate (which confirms that all audit work for the year has been completed) may be issued separately at a later date if work is still ongoing in relation to the Authority's Whole of Government Accounts return and the Pension Fund Annual Report.  This is not a matter of concern and is not seen as a breach of deadlines

**Our assessment and work undertaken:**

We liaised with officers in preparation for our audit in order to understand the steps that the Authority was taking in order to ensure it met the revised deadlines. We also advanced audit work into the interim visit and ahead of the final audit in order to streamline the year end audit work.

We received draft financial statements by 31 May 2018, in line with the statutory deadline. The quality of this draft was consistent with that of prior years, although there were a number of  presentational adjustments in the first draft that were identified by the Finance team, resulting in updated accounts being prepared.

The Authority has successfully managed the process to achieve faster close and we anticipate issuing our audit report by 31 July 2018.

# Specific audit areas (cont.)

## Significant Audit Risks – Pension Fund

Those risks requiring specific audit attention and procedures to address the likelihood of a material financial statement error in relation to the Pension Fund.

**Risk:**

**Valuation of hard to price investments**

The Pension Fund invests in a wide range of assets and investment funds, some of which are inherently harder to value or do not have publicly available quoted prices, requiring professional judgement or assumptions to be made at year end. The pricing of complex investment assets may also be susceptible to pricing variances given the number of assumptions underlying the valuation.

In the prior year financial statements, £840 million out of a total of £1,992 million of investments, or 42%, were in this harder to price category. For year ended 31 March 2018, £855 million out of a total of £2,092 million of investments, or 41%, were in this harder to price category. We have deemed these investments to have significant valuation risk for the purposes of the audit. Whilst the Trustee appoints a third party to value these investments, this control is not one that can be relied on to reduce the level of our audit testing.

**Our assessment and work undertaken:**

We independently verified a selection of investment asset prices to third party information and obtained independent confirmation on asset existence. We also tested the extent to which the Pension Fund had challenged the valuations reported by investment managers for harder to price investments and obtained independent assessment of the figures.

No issues were identified as a result of our testing.

**Risk:**

**Valuation of the longevity hedge**

The Pension Fund has in place a longevity insurance policy with ReAssure Ltd to cover a closed group of pensioner members. The Pension Fund pays the policy an annual fixed premium where in return the insurer pays out benefits to the pensioners. The contract is recognised on the Pension Funds' Net Asset Statement and increases in value if the life expectancy of Fund members increases. Therefore, the contract must be kept under regular review to ensure its valuation and disclosure are in accordance with accounting standards.

**Our assessment and work undertaken:**

We have reviewed the Barnett Waddingham valuation of the longevity contract, which is used in the compilation of the accounts. As in previous years, we have used KPMG actuarial experts to critically assess the methodology and assumptions used by Barnett Waddingham. We are satisfied that the valuation model and the assumptions used are appropriate and that the year end valuation for the longevity hedge is within our expected range.

In addition to the risks set out above, as in previous years, we have received specific requests from the auditors of other admitted bodies for programmes of work to support their audits under the protocols put in place by the PSAA for this purpose. As the work they request is over and above that already planned, there will be additional costs arising from this. The Pension Fund can consider recharging these costs to the relevant admitted bodies.

# Judgements - Authority

**We have considered the level of prudence within key judgements in your 2017-18 financial statements and accounting estimates. We have set out our view below across the following range of judgements.**

**Level of prudence**

| 0 | 1 | 2 | 3 | 4 | 5 | 6 |
|---|---|---|---|---|---|---|
| **Audit Difference** | Cautious | | Balanced | | Optimistic | **Audit Difference** |
| | **Acceptable Range** | | | | | |

| Subjective area | 2017-18 | 2016-17 | Commentary |
|---|---|---|---|
| Provisions (excluding Business Rates) | 2 | 2 | The overall level of provisions is not material but has increased slightly in the year, mainly due to additional provisions for future redundancy costs and for back pay for care providers for sleep-in shifts. In the last couple of weeks, the Court of Appeal has overturned the decision on the liability for this back pay, so it is likely that this provision will no longer be needed.<br><br>We consider the Authority to be on the cautious side of the prudence range and to have sufficient provisions in place. We consider the provision disclosures to be proportionate. |
| Property Plant & Equipment | 3 | 3 | The Authority engaged Lambert Smith Hampton to value its properties in 2017/18. All investment properties are revalued every year, as well as assets held for sale. Investment property valuations increased by approximately £60m, reflecting the impact of regeneration schemes, particularly for Maidenhead golf course. A selection of other land and buildings are revalued during the year if they are due to be revalued as part of the Council's five year programme, or if they are being moved from Assets Held for Sale.<br><br>The valuation methodology used by Lambert Smith Hampton assesses Value in Existing Use for the majority of land and buildings while investment properties have been valued on the basis of market value. This is in line with the requirements of the Code of Practice on Local Authority Accounting and accounting standards. |

# Judgements - Authority (cont.)

| Subjective area | 2017-18 | 2016-17 | Commentary |
|---|---|---|---|
| Valuation of pension liabilities | 3 | 3 | The Authority continues to use Barnett Waddingham to provide actuarial valuations of the assets and liabilities recognised as a result of participation in the Local Government Pension Scheme. Due to the overall value of the pension assets and liabilities, small movements in the assumptions can have a significant impact on the overall valuation. For example, a 0.1% change in the discount rate would change the net liability by £9.3 million.<br><br>The actual assumptions adopted by the actuary fell within our expected ranges as set our below: |

| Assumption | Actuary Value | KPMG Range | Assessment |
|---|---|---|---|
| Discount rate | 2.55% | 2.51% | 3 |
| CPI inflation | 2.30% | 2.15% | 2 |
| Salary Growth | 3.80% | 3.65% | 3 |
| Life expectancy<br>Current male / female<br>Future male/female | <br>23.1/ 25.2<br>25.3/ 27.5 | <br>23.5 / 25.4<br>22.1 / 23.9 | 2 |
| Overall assessment | | | 2/3 |

# Judgements - Pension Fund

**We have considered the level of prudence within key judgements in your 2017-18 financial statements and accounting estimates. We have set out our view below across the following range of judgements.**

**Level of prudence**

| 0 | 1 | 2 | 3 | 4 | 5 | 6 |
|---|---|---|---|---|---|---|
| **Audit Difference** | Cautious | | Balanced | | Optimistic | **Audit Difference** |
| | **Acceptable Range** | | | | | |

| Subjective area | 2017-18 | 2016-17 | Commentary |
|---|---|---|---|
| Pension Fund: Longevity hedge | 2 | 2 | We have reviewed the Barnett Waddingham valuation of the longevity contract, which is used in the compilation of the accounts. We noted that the methodology used by the actuary has been updated from the prior year, in line with our recommendation, and is a much better reflection of the requirements of accounting standard IFRS13. |

# Proposed opinion and audit differences

**We anticipate issuing an unqualified audit opinion on the Authority's 2017-18 financial statements following approval of the Statement of Accounts by the Audit & Performance Review Panel on 30 July.**

## Audit differences

In accordance with ISA 260 we are required to report uncorrected audit differences to you. We also report any material misstatements which have been corrected and which we believe should be communicated to you to help you meet your governance responsibilities.

The final materiality (see Appendix 3) for this year's audit was set at £4.6 million. Audit differences below £230k are not considered significant.

We did not identify any material misstatements. We have identified one uncorrected audit difference relating to long-standing unreconciled items in the bank reconciliation, which we have reported in Appendix 2. There was a small number of presentational adjustments required to ensure that the accounts are compliant with the Code of Practice on Local Authority Accounting in the United Kingdom 2017-18 ('the Code').

## Annual governance statement

We have reviewed the Authority's 2017-18 Annual Governance Statement and confirmed that:

— It complies with Delivering Good Governance in Local Government: A Framework published by CIPFA/SOLACE; and

— It is not misleading and is consistent with other information we are aware of from our audit of the financial statements.

## Narrative report

We have reviewed the Authority's 2017-18 narrative report and have confirmed that it is consistent with the financial statements and our understanding of the Authority.

# Pension Fund financial statements

**We anticipate issuing an unqualified audit opinion on the Pension Fund's 2017-18 financial statements following approval of the Statement of Accounts by the Audit & Performance Review Panel on 30 July.**

## Pension Fund audit

Our audit of the Fund also did not identify any material misstatements.

For the audit of the Fund we used a materiality level of £25 million. Audit differences below £1.25 million are not considered significant.

We did not identify any material misstatements. There were a small number of presentational adjustments required to ensure that the accounts are compliant with the Code of Practice on Local Authority Accounting in the United Kingdom 2017-18 ('the Code').

## Annual report

The Pension Fund Annual Report has not been prepared yet, and so we are not yet in a position to confirm that the financial and non-financial information it contains is not inconsistent with the financial information contained in the audited financial statements.

The statutory deadline for publishing the annual report is 1 December 2018. We will need to complete additional work in respect of subsequent events to cover the period between signing our opinions on the Statement of Accounts and the Pension Fund Annual Report. Once this work is completed, we will be able to issue our audit certificate.

# Completion

**We confirm that we have complied with requirements on objectivity and independence in relation to this year's audit of the Authority's 2017/18 financial statements.**

**Before we can issue our opinion we require a signed management representation letter.**

**Once we have finalised our opinions and conclusions we will prepare our Annual Audit Letter and close our audit.**

## Declaration of independence and objectivity

As part of the finalisation process we are required to provide you with representations concerning our independence.

In relation to the audit of the financial statements of the Royal Borough of Windsor & Maidenhead and the Royal County of Berkshire Pension Fund for the year ending 31 March 2018, we confirm that there were no relationships between KPMG LLP and the Royal Borough of Windsor & Maidenhead and the Royal County of Berkshire Pension Fund, its directors and senior management and its affiliates that we consider may reasonably be thought to bear on the objectivity and independence of the audit engagement lead and audit staff. We also confirm that we have complied with Ethical Standards and the Public Sector Audit Appointments Ltd requirements in relation to independence and objectivity.

We have provided a detailed declaration in Appendix 5 in accordance with ISA 260.

## Management representations

You are required to provide us with representations on specific matters such as your financial standing and whether the transactions within the accounts are legal and unaffected by fraud. We have provided a template to the Head of Finance for presentation to the Audit & Performance Review Panel. We require a signed copy of your management representations before we issue our audit opinion.

As in previous years, we will be requesting a specific representation that the Authority agrees with the findings of Barnett Waddingham as the Authority's specialist in evaluating the longevity hedge.

## Other matters

ISA 260 requires us to communicate to you by exception 'audit matters of governance interest that arise from the audit of the financial statements' which include:

— Significant difficulties encountered during the audit;

— Significant matters arising from the audit that were discussed, or subject to correspondence with management;

— Other matters, if arising from the audit that, in the auditor's professional judgment, are significant to the oversight of the financial reporting process; and

— Matters specifically required by other auditing standards to be communicated to those charged with governance (e.g. significant deficiencies in internal control; issues relating to fraud, compliance with laws and regulations, subsequent events, non disclosure, related party, public interest reporting, questions/objections, opening balances etc.).

There are no others matters which we wish to draw to your attention in addition to those highlighted in this report or our previous reports relating to the audit of the Authority's 2017-18 financial statements.

Section three

# Value for Money Arrangements

# Specific value for money risk areas

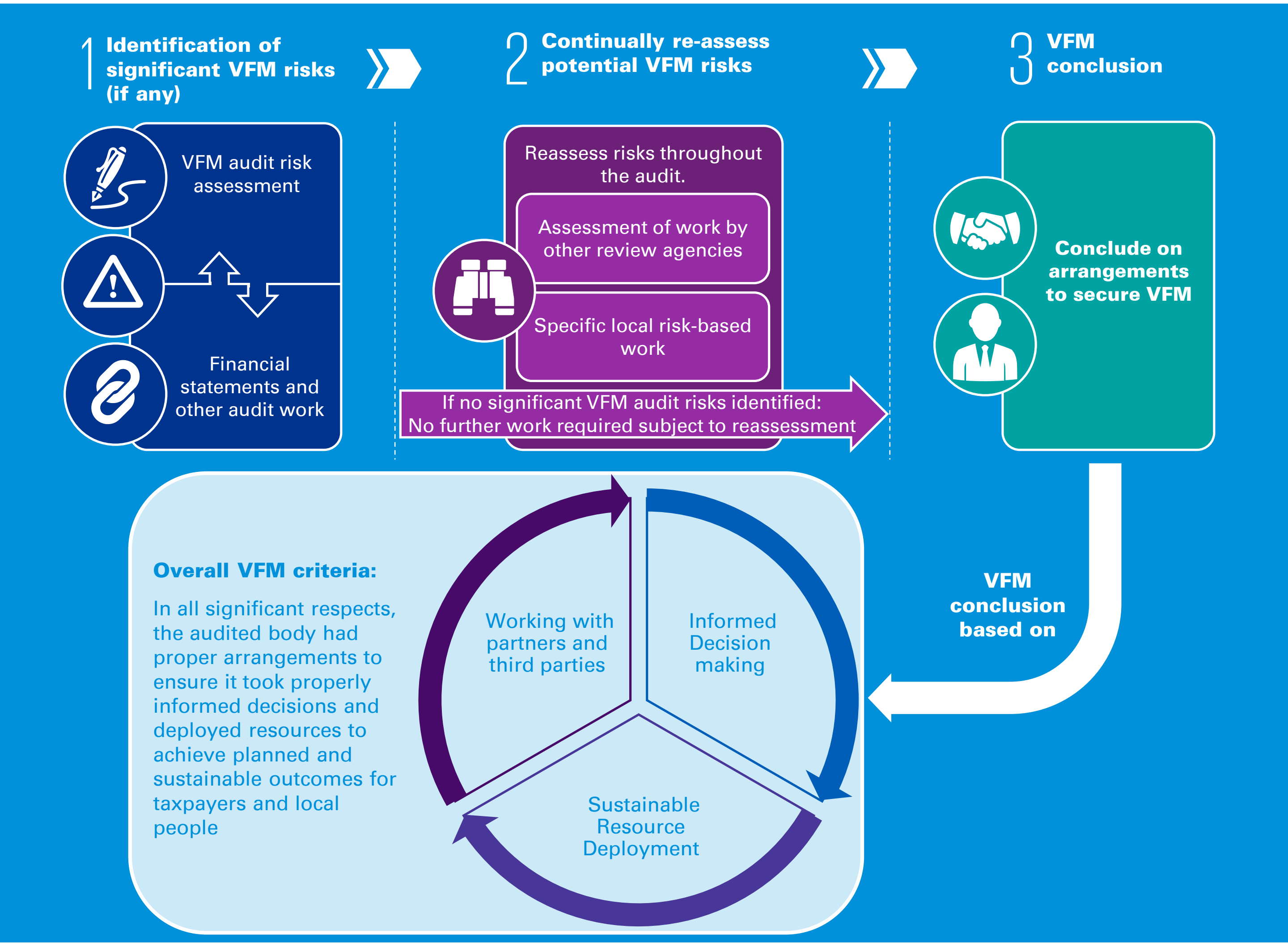
**Our 2017-18 VFM conclusion considers whether the Authority had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people.**

**We have concluded that the Authority has made proper arrangements to ensure it took properly-informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people.**

The Local Audit and Accountability Act 2014 requires auditors of local government bodies to be satisfied that the authority ‘has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources’.

This is supported by the Code of Audit Practice, published by the NAO in April 2015, which requires auditors to ‘take into account their knowledge of the relevant local sector as a whole, and the audited body specifically, to identify any risks that, in the auditor’s judgement, have the potential to cause the auditor to reach an inappropriate conclusion on the audited body’s arrangements.’

We follow a risk-based approach to target audit effort on the areas of greatest audit risk.



# Specific value for money risk areas (cont.)

The table below summarises our assessment of the individual VFM risks identified against the three sub-criteria. This directly feeds into the overall VFM criteria and our value for money opinion.

**Applicability of VFM Risks to VFM sub-criteria**

| VFM Risk | Informed decision making | Sustainable resource deployment | Working with partner and third parties |
|---|---|---|---|
| Delivery of budgets | ✓ | ✓ | ✓ |
| Contract management | ✓ | ✓ | ✓ |

In consideration of the above, we have concluded that in 2017-18, the Authority has made proper arrangements to ensure it took properly-informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people.

Further details on the work done and our assessment are provided on the following pages.

# Specific value for money risk areas (cont.)

**As communicated to you in our *External Audit Plan 2017-18,* we have identified two risks requiring specific audit attention and procedures to address the likelihood that proper arrangements are not in place to deliver value for money.**

**In both cases we are satisfied that external or internal scrutiny provides sufficient assurance that the Authority's current arrangements in relation to these risk areas are adequate.**

We have provided below a summary of the risk areas identified, our work undertaken and the conclusions reached.

**Risk:**

**Delivery of budgets**

The Authority identified the need to make savings of £5.95 million in 2017/18. At the time of drafting our audit plan, the forecast showed that the Authority would deliver an overspend of approximately £0.2 million that would be funded out of reserves.

The Authority's budget for 2018/19 was approved at the Council meeting on 20 February and recognised a need for £5.4 million in savings. This will help to address future reductions to local authority funding alongside service cost and demand pressures. As a result, the need for savings will continue to have a significant impact on the Authority's financial resilience.

**Our assessment and work undertaken:**

Like most of local government, the Authority faces a challenging future driven by funding reductions and an increase in demand for services.

The Authority reported a small overspend on its approved net expenditure budget for 2017/18, but was able to make an overall contribution to the General Fund of £1.8 million. This enabled the General Fund balance to increase to £7 million as of 31 March 2018.

The Authority's MTFP details a balanced budget for 2018/19 including savings of £5.4 million in year, all of which have been identified. The MTFP sets out the budget assumptions and projections until 2021/22. By 2021/22 the net budget requirements is £5m greater than in 2018/19 and is reliant on increasing the council tax base by 2,400 Band D properties. As part of our additional risk-based work, we have reviewed the arrangements the Authority has in place to ensure financial resilience, specifically that the Medium Term Financial Plan has taken into consideration factors such as funding reductions, salary and general inflation, demand pressures, restructuring costs and sensitivity analysis given the degree of variability in the above factors. On the basis of our testing, we have concluded that there are appropriate arrangements to in place address the specific VFM risk.

**Risk:**

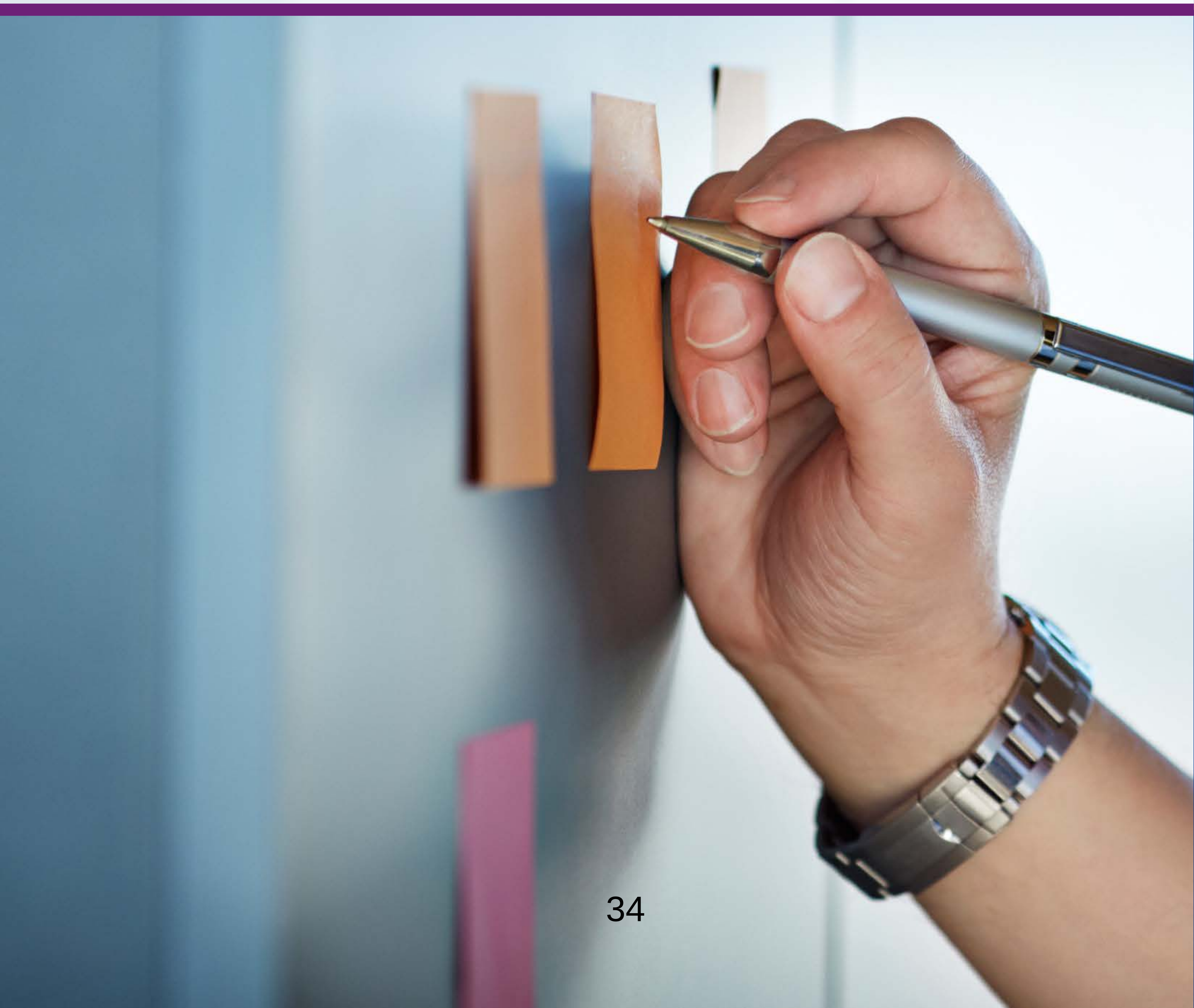
**Contract management**

As part of its Transformation Programme, the Authority has moved to a new operating model for some services and now delivers Children's Services and Adult Social Care through external providers such as Optalis and Achieving for Children, in which the Authority is a shareholder.

**Our assessment and work undertaken:**

We have considered the arrangements in place for managing the contracts, including arrangements for monitoring the performance of the service, such as through the monthly commissioning meetings, quarterly shareholder Board meetings and Lead Member briefings. Performance is regularly monitored and reviewed in line with agreed measures, which are revised annually. Oversight is provided by both the Adult Social Care Scrutiny Panel and the Children's Overview & Scrutiny Panel. On the basis of our testing, we have concluded that there are appropriate arrangements to in place address the specific VFM risk.

# Appendices



**Appendix 1:**

# Follow-up of prior year recommendations

**The Authority has not fully implemented all of the recommendations raised through our previous audit work.**

This appendix summarises the progress made to implement the recommendations identified in our *ISA 260 Report 2016/17* and re-iterates any recommendations still outstanding.

| Number of recommendations that were | |
|---|---|
| Included in the original report | 3 |
| Implemented in year or superseded | 2 |
| Outstanding at the time of our audit | 1 |

| No. | Risk | Issue & Recommendation | Management Response | Status as at July 2018 |
|---|---|---|---|---|
| 1 | 2 | **Control account reconciliations**<br>Our testing of bank reconciliations throughout the year identified that no bank reconciliation had been prepared for December 2016 and that the reconciliation for the March 2017 Summary Account had not been evidenced as prepared and reviewed.<br>In addition, the payroll reconciliation performed is prepared and reviewed by the same person and there is no independent review.<br>Reconciliations are a key part of management's controls over day-to-day operations and failing to complete or review reconciliations increases the risk of fraud or error going undetected.<br>**Recommendation**<br>Complete all expected reconciliations on a timely basis and record evidence of preparation and review by appropriate officers. | Accepted<br>**Owner**<br>Robb Stubbs, Deputy Director and Head of Finance<br>**Deadline**<br>Immediate | During our interim audit in February 2018, we noted that the bank reconciliations for both November and December 2017 had not yet been prepared and the payroll reconciliation was still being prepared and reviewed by the same person.<br>In addition, the Council has identified that there is a balance of £1.02m within cash and cash equivalents that relates to long-standing unreconciled items. The Council will be carrying out a detailed retrospective review to identify what these items relate to and determine how they should be treated, including writing them off if necessary. |

# Audit differences

**We are required by ISA 260 to report all uncorrected misstatements, other than those that we believe are clearly trivial, to those charged with governance (which in your case is the Audit & Performance Review Panel).**

**We are also required to report all material misstatements that have been corrected but that we believe should be communicated to you to assist you in fulfilling your governance responsibilities.**

A number of minor amendments focused on presentational improvements have also been made to the 2017-18 draft financial statements.

### Adjusted audit differences – Authority

We have not identified any adjusted audit differences for the year ended 31 March 2018.

### Unadjusted audit differences - Authority

The following table sets out the uncorrected audit difference we identified by our audit of the Royal Borough of Windsor & Maidenhead's financial statements for the year ended 31 March 2018. This difference is below our materiality level of £4.6m. We have considered the impact of this unadjusted audit differences on the Authority's financial statements in forming our audit opinion.

**Table 2: Unadjusted audit differences – Authority (£'000)**

| No. | Income and expenditure statement | Movement in reserves statement | Assets | Liabilities | Reserves | Basis of audit difference |
|---|---|---|---|---|---|---|
| 1 | Dr Cost of Services £1,023k | | Cr Cash and cash equivalents £1,023k | | | There is a balance of £1.02m within cash and cash equivalents that relates to long-standing unreconciled items. The audit adjustment documented here shows the impact if all those items were written off, however the Council intends to carry out a detailed retrospective review to identify the actual adjustment required.<br><br>As highlighted in the reiterated recommendation on page 26, the Council should continue to work through the unreconciled items to identify what balances are recoverable and determine how they should be treated, including writing them off if necessary. |
| | **Dr £1,023k** | - | **Cr £1,023k** | - | - | **Total impact of adjustments** |

### Adjusted audit differences – Pension Fund

We have not identified any adjusted audit differences for the year ended 31 March 2018.

### Unadjusted audit differences – Pension Fund

We have not identified any adjusted audit differences for the year ended 31 March 2018.

**Appendix 3:**

# Materiality and reporting of audit differences

**The assessment of what is material is a matter of professional judgment and includes consideration of three aspects: materiality by value, nature and context.**

Material errors by value are those which are simply of significant numerical size to distort the reader's perception of the financial statements. Our assessment of the threshold for this depends upon the size of key figures in the financial statements, as well as other factors such as the level of public interest in the financial statements.

Errors which are material by nature may not be large in value, but may concern accounting disclosures of key importance and sensitivity, for example the salaries of senior staff.

Errors that are material by context are those that would alter key figures in the financial statements from one result to another – for example, errors that change successful performance against a target to failure.

We used the same planning materiality reported in our *External Audit Plan 2017-18*, presented to you in February 2018. Materiality for the Authority's accounts was set at £4.6 million which equates to around 1.7 percent of gross expenditure. We design our procedures to detect errors in specific accounts at a lower level of precision.

## Reporting to the Audit & Performance Review Panel

Whilst our audit procedures are designed to identify misstatements which are material to our opinion on the financial statements as a whole, we nevertheless report to the Audit & Performance Review Panel any misstatements of lesser amounts to the extent that these are identified by our audit work.

Under ISA 260, we are obliged to report omissions or misstatements other than those which are 'clearly trivial' to those charged with governance. ISA 260 defines 'clearly trivial' as matters that are clearly inconsequential, whether taken individually or in aggregate and whether judged by any quantitative or qualitative criteria.

ISA 450 requires us to request that uncorrected misstatements are corrected.

In the context of the Authority, an individual difference is considered to be clearly trivial if it is less than £230k for the Authority.

Where management have corrected material misstatements identified during the course of the audit, we will consider whether those corrections should be communicated to the Audit & Performance Review Panel to assist it in fulfilling its governance responsibilities.

## Materiality – Pension fund audit

The same principles apply in setting materiality for the Pension Fund audit. Materiality for the Pension Fund was set at £25 million which is approximately 1.2 percent of gross assets.

We design our procedures to detect errors at a lower level of precision, set at £18.75 million for 2017-18. In the context of the Pension Fund, an individual difference is considered to be clearly trivial if it is less than £1.25 million.

Appendix 4:

# Required communications with the Audit & Performance Review Panel

**We have provided below at-a-glance summary of the information we are required to report to you in writing by International Accounting Standards.**

| Required Communication | Commentary |
|---|---|
| Our draft management representation letter | We have not requested any specific representations in addition to those areas normally covered by our standard representation letter for the year ended 31 December 2018. |
| Adjusted audit differences | We have identified no adjusted differences as a result of our audit of the Authority's and Pension Fund's financial statements. |
| Unadjusted audit differences | We have identified one unadjusted differences as a result of our audit of the Authority's financial statements (see page 27) and no unadjusted difference as a result of our audit of the Pension Fund financial statements. |
| Related parties | There were no significant matters that arose during the audit in connection with the entity's related parties. |
| Other matters warranting attention by the Audit & Performance Review Panel | There were no matters to report arising from the audit that, in our professional judgment, are significant to the oversight of the financial reporting process. |
| Control deficiencies | We have set out our assessment of the Authority's internal control environment, including confirmation that there were no additional significant deficiencies identified, in Section one of this report (see pages 4 to 6).<br>We have identified no deficiencies in internal control of a lesser magnitude than significant deficiencies. |
| Actual or suspected fraud, noncompliance with laws or regulations or illegal acts | We identified no actual or suspected fraud involving the Authority's Members or officers with significant roles in internal control, or where the fraud resulted in a material misstatement in the financial statements. |
| Significant difficulties | No significant difficulties were encountered during the audit. |
| Modifications to auditor's report | There are no modifications to our audit report. |
| Disagreements with management or scope limitations | The engagement team had no disagreements with management and no scope limitations were imposed by management during the audit. |

# Required communications with the Audit & Performance Review Panel (cont.)

| Required Communication | Commentary |
|---|---|
| Other information | No material inconsistencies were identified related to other information in the Narrative Report or Annual Governance Statement.<br>These reports were found to be fair, balanced and comprehensive, and compliant with applicable requirements. |
| Our declaration of independence and any breaches of independence | No matters to report.<br>The engagement team have complied with relevant ethical requirements regarding independence.<br>See Appendix 5 for further details. |
| Accounting practices | Over the course of our audit, we have evaluated the appropriateness of the Authority's accounting policies, accounting estimates and financial statement disclosures. In general, we believe these are appropriate.<br>We have set out our view of the assumptions used in valuing pension assets and liabilities at page 15. |
| Significant matters discussed or subject to correspondence with management | There were no significant matters arising from the audit which were discussed, or subject to correspondence, with management. |

# Declaration of independence

## ASSESSMENT OF OUR OBJECTIVITY AND INDEPENDENCE AS AUDITOR OF THE ROYAL BOROUGH OF WINDSOR & MAIDENHEAD AND THE ROYAL COUNTY OF BERKSHIRE PENSION FUND

Professional ethical standards require us to provide to you at the conclusion of the audit a written disclosure of relationships (including the provision of non-audit services) that bear on KPMG LLP's objectivity and independence, the threats to KPMG LLP's independence that these create, any safeguards that have been put in place and why they address such threats, together with any other information necessary to enable KPMG LLP's objectivity and independence to be assessed.

In considering issues of independence and objectivity we consider relevant professional, regulatory and legal requirements and guidance, including the provisions of the Code of Audit Practice, the provisions of Public Sector Audit Appointments Limited's ('PSAA's') Terms of Appointment relating to independence, the requirements of the FRC Ethical Standard and the requirements of Auditor Guidance Note 1 - General Guidance Supporting Local Audit (AGN01) issued by the National Audit Office ('NAO') on behalf of the Comptroller and Auditor General.

This Statement is intended to comply with this requirement and facilitate a subsequent discussion with you on audit independence and addresses:

— General procedures to safeguard independence and objectivity;

— Independence and objectivity considerations relating to the provision of non-audit services; and

— Independence and objectivity considerations relating to other matters.

### General procedures to safeguard independence and objectivity

KPMG LLP is committed to being and being seen to be independent.  As part of our ethics and independence policies, all KPMG LLP partners, Audit Directors and staff annually confirm their compliance with our ethics and independence policies and procedures. Our ethics and independence policies and procedures are fully consistent with the requirements of the FRC Ethical Standard.  As a result we have underlying safeguards in place to maintain independence through:

— Instilling professional values

— Communications

— Internal accountability

— Risk management

— Independent reviews.

The conclusion of the audit engagement leader as to our compliance with the FRC Ethical Standard in relation to the audit of the Pension Fund is subject to review by an engagement quality control reviewer, who is an Audit Director not otherwise involved in your affairs.

We are satisfied that our general procedures support our independence and objectivity.

# Declaration of independence (cont.)

## Independence and objectivity considerations relating to the provision of non-audit services

*Summary of fees*

We have considered the fees charged by us to the authority for professional services provided by us during the reporting period.  We have detailed the fees charged by us to the authority and its controlled entities for significant professional services provided by us during the reporting period in Appendix 6, as well as the amounts of any future services which have been contracted or where a written proposal has been submitted. Total fees charged by us for the period ended 31 March 2018 can be analysed as follows:

| | 2017-18<br>£ | 2016-17<br>£ |
|---|---|---|
| Audit of the Authority | 81,803 | 81,803 |
| Audit of the Pension Fund | 26,758 | 33,728 |
| **Total audit services** | **108,561** | **115,558** |
| Audit related assurance services | 8,000 | 8,000 |
| Mandatory assurance services | 13,439 | 11,648 |
| **Total Non Audit Services** | **21,439** | **19,648** |

We are required by AGN 01 to limit the proportion of fees charged for non-audit services (excluding mandatory assurance services) to 70% of the total fee for all audit work carried out in respect of the Authority under the Code of Audit Practice for the year. The ratio of non-audit fees to audit fees for the year was 0.2:1.  We do not consider that the total of non-audit fees creates a self-interest threat since the absolute level of fees is not significant to our firm as a whole.

Facts and matters related to the provision of non-audit services and the safeguards put in place that bear upon our independence and objectivity, are set out table on the following page.

# Declaration of independence (cont.)

Analysis of Non-audit services for the year ended 31 March 2018

| Description of scope of services | Principal threats to independence and Safeguards applied | Basis of fee | Value of services delivered in the year ended 31 March 2018 £ | Value of services committed but not yet delivered £ |
|---|---|---|---|---|
| **Audit-related assurance services** | | | | |
| Grant Certification – Teachers Pensions Return and National College of Teaching and Leadership Annual Grant Return | The nature of these audit-related services is to provide independent assurance on each of these returns. As such we do not consider them to create any independence threats. | Fixed Fee | 8,000 | 8,000 |
| **Mandatory assurance services** | | | | |
| Grant Certification – Housing Benefit Subsidy Return | The nature of this mandatory assurance service is to provide independent assurance on each of the returns. As such we do not consider it to create any independence threats. | Fixed Fee | 11,648 | 13,439 |

# Declaration of independence (cont.)

### Independence and objectivity considerations relating to other matters

There are no other matters that, in our professional judgment, bear on our independence which need to be disclosed to the Audit & Performance Review Panel.

### Confirmation of audit independence

We confirm that as of the date of this report, in our professional judgment, KPMG LLP is independent within the meaning of regulatory and professional requirements and the objectivity of the Audit Director and audit staff is not impaired.

This report is intended solely for the information of the Audit & Performance Review Panel of the authority and should not be used for any other purposes.

We would be very happy to discuss the matters identified above (or any other matters relating to our objectivity and independence) should you wish to do so.

**KPMG LLP**

**Appendix 6:**

# Audit fees

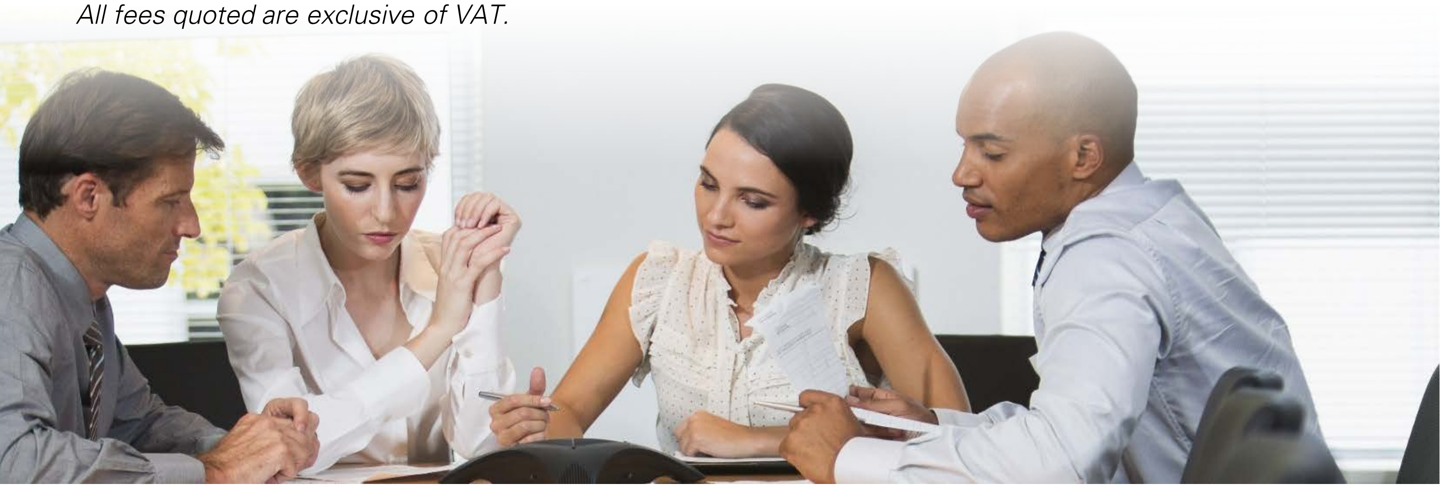
As communicated to you in our *External Audit Plan 2017-18*, our scale fee for the audit is £81,803 plus VAT (£81,803 in 2016/17), which is consistent with the prior year.

However, we propose an additional fee of £1,927 due to additional work requested of us by auditors of admitted bodies to the pension fund. This is still subject to PSAA's final determination.

Our work on the certification of the Authority's Housing Benefit Subsidy return is planned for August 2018. The planned scale fee for this is £13,439 plus VAT (£11,648 in 2016/17). Planned fees for other grants and claims which do not fall under the PSAA arrangements amount to £8,000 plus VAT (£8,000 in 2016/17), see further details below.

| Component of the audit | 2017-18 Planned Fee £ | 2016-17 Actual Fee £ |
|---|---|---|
| **Accounts opinion and value for money work** | | |
| PSAA Scale fee (Royal Borough of Windsor & Maidenhead) | 81,803 | 81,803 |
| PSAA Scale fee (Royal County of Berkshire Pension Fund) | 24,831 | 24,831 |
| Additional fee in relation to work on behalf of admitted body auditors | 1,927 | 1,574 |
| Additional fee in relation to review of updated longevity hedge model | - | 7,350 |
| **Total audit services** | **108,561** | **115,558** |
| **Mandatory assurance services** | | |
| Housing Benefits Certification (work planned for August) | 13,439 | 11,648 |
| **Total mandatory assurance services** | **13,439** | **11,648** |
| **Audit-related assurance services** | | |
| Teachers' Pension Return (work planned for September) | 3,000 | 3,000 |
| Certification of the National College of Teaching and Leadership Annual Grant Return (work planned for December) | 5,000 | 5,000 |
| **Total audit-related assurance services** | **8,000** | **8,000** |
| **Total non-audit services** | **21,439** | **19,648** |
| **Grand total fees for the Authority** | **130,000** | **135,206** |

*All fees quoted are exclusive of VAT.*



The key contacts in relation to our audit are:

**Ian Pennington**
Director

T: 02920 468087
E: ian.pennington@kpmg.co.uk

**Duncan Laird**
Senior Manager

T: 0117 90 4253
E: duncan.laird@kpmg.co.uk

**kpmg.com/uk**

This report is addressed to the Authority and has been prepared for the sole use of the Authority. We take no responsibility to any member of staff acting in their individual capacities, or to third parties. We draw your attention to the Statement of Responsibilities of auditors and audited bodies, which is available on Public Sector Audit Appointment's website (www.psaa.co.uk).

External auditors do not act as a substitute for the audited body's own responsibility for putting in place proper arrangements to ensure that public business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively.

We are committed to providing you with a high quality service. If you have any concerns or are dissatisfied with any part of KPMG's work, in the first instance you should contact Ian Pennington, the engagement lead to the Authority, who will try to resolve your complaint. If you are dissatisfied with your response please contact the national lead partner for all of KPMG's work under our contract with Public Sector Audit Appointments Limited, Andrew Sayers, by email to Andrew.Sayers@kpmg.co.uk. After this, if you are still dissatisfied with how your complaint has been handled you can access PSAA's complaints procedure by emailing generalenquiries@psaa.co.uk by telephoning 020 7072 7445 or by writing to Public Sector Audit Appointments Limited, 3rd Floor, Local Government House, Smith Square, London, SW1P 3HZ.



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| | |
|---|---|
| Report Title: | Post Audit Statement of Accounts 2017-18 |
| Contains Confidential or Exempt Information? | NO - Part I |
| Member reporting: | Councillor Saunders, Lead Member for Finance |
| Meeting and Date: | Audit and Performance Review Panel 30th July 2018. |
| Responsible Officer(s): | Russel O'Keefe, Executive Director, Rob Stubbs, Deputy Director and Head of Finance. |
| Wards affected: | All |

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Royal Borough of Windsor & Maidenhead

**REPORT SUMMARY**

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

2. It recommends that the Chair of the Audit and Performance Review Panel approves the accounts by signing them before the 31st July 2018.

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

## 1. DETAILS OF RECOMMENDATION(S)

**RECOMMENDATION: That Audit and Performance Review Panel notes the report and:**

**i) Approves the audited accounts, a copy of which is then signed by the Chairman before the 31st July 2018.**

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

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

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

## 3. KEY IMPLICATIONS

**Table 1: Key Implications**

| Outcome | Unmet | Met | Exceeded | Significantly Exceeded | Date of delivery |
|---|---|---|---|---|---|
| Date when accounts are published, the audit opinion and the number of changes required by auditors | Published later than 31 July or receive a qualified opinion or > 5 material changes. | Published on or before 31 July with an unqualified opinion and 1-4 material changes. | Published on or before 31 July with an unqualified opinion and no changes. | N/A | 30 July 2018 |

## 4. FINANCIAL DETAILS / VALUE FOR MONEY

4.1 KPMG anticipate issuing an unqualified audit opinion on the authority's statement of accounts. KPMG did not discover any material misstatements, they have however noted an unreconciled balance in the bank reconciliation.

4.2 The error was recently discovered by the Council when it carried out a modified bank reconciliation following a change to the Team Leader in Financial Control.

4.3 The balance (£1,002,000) relates to long-standing unreconciled items and The Council now intends to identify what these items relate to and determine how they should be treated, including writing them off if necessary.

4.4 This report does not include the details of KPMG's findings as these are contained in a separate report (ISA260) which will also be presented to the Panel on the 30th July 2018 by KPMG.

## 5. LEGAL IMPLICATIONS

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

## 6. RISK MANAGEMENT

**Table 2: Impact of risk and mitigation**

| Risks | Uncontrolled risk | Controls | Controlled risk |
|---|---|---|---|
| Possibility of the unreconciled bank items being written off | High | Identify what the items relate to and determine how they should be treated | Medium |

## 7. POTENTIAL IMPACTS

None

## 8. CONSULTATION

8.1 A public notice dated 1 April 2018 was put onto the Council's website giving residents the opportunity to inspect the accounts and related transactions and correspondence.

## 9. TIMETABLE FOR IMPLEMENTATION

9.1 This section is not applicable.

## 10. APPENDICES

10.1 This report is supported by one appendix.

- Appendix A Statement of Accounts 2017-18

## 11. BACKGROUND DOCUMENTS

11.1 This report is not supported by any background documents.

## 12. CONSULTATION (MANDATORY)

| Name of consultee | Post held | Date sent | Date returned |
|---|---|---|---|
| Cllr Saunders | Lead Member for Finance | | |
| Alison Alexander | Managing Director | | |
| Rob Stubbs | Section 151 Officer | | |
| Elaine Browne | Head of Law and Governance | | |
| Nikki Craig | Head of HR and Corporate Projects | | |
| Louisa Dean | Communications | | |
| Russell O'Keefe | Executive Director | | |
| Andy Jeffs | Executive Director | | |
| Kevin McDaniel | Director of Children's Services | | |
| Hilary Hall | Deputy Director of Commissioning and Strategy | | |
| | Other e.g. external | | |

**REPORT HISTORY**

| **Decision type:**<br>Non-Key decision | **Urgency item?**<br>No | **To Follow item?** |
|---|---|---|
| Report Author: Rob Stubbs, Deputy Director and Head of Finance, 01628 796222 | | |

# Financial Statements 2017/18

www.rbwm.gov.uk

IN UNITATE FELICITAS

Royal Borough of Windsor & Maidenhead

## CONTENTS

### GROUP STATEMENT OF ACCOUNTS
### FOR THE YEAR ENDED 31st MARCH 2018

## INTRODUCTION

The Statement of Accounts has been prepared in accordance with the requirements of the Chartered Institute of Public Finance and Accountancy (CIPFA). The accounts provide reassurance to residents and other stakeholders that the public money for which the council is responsible has been accounted for properly.
The aim of the accounts is to enable members of the public, residents, council members, partners and other stakeholders to understand the financial position of the council as at 31 March 2018 and also be assured that it can demonstrate financial resilience moving forward.
The council's financial statements for the year are set out on the following pages. The accounts are supported by the Statement of Accounting Policies, and various notes to the accounts.
The Royal Borough is the Administering Authority for the Royal County of Berkshire Pension Fund and a summarised statement of these accounts is included.
Expenditure on services is classified into two main types, revenue expenditure and capital expenditure. Revenue expenditure is, broadly, day to day expenditure e.g. salaries, wages, rents etc. whilst capital expenditure creates or contributes to the acquisition of assets, e.g. land, buildings, vehicles etc. Current accounting policies require that the council calculates an annual charge for the use of capital assets and these annual charges form part of the revenue expenditure of the council.

## OUTTURN POSITION

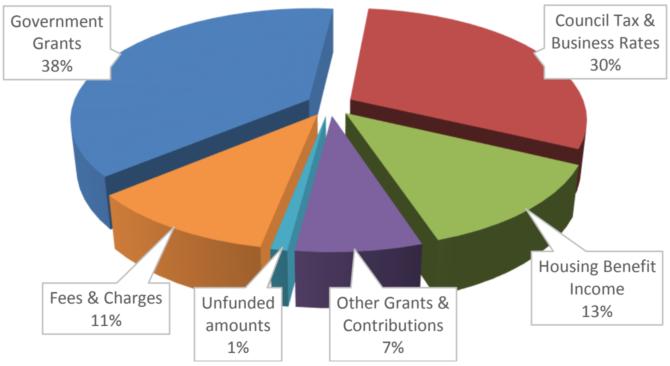
The Council ended the year in a strong financial position; with General Fund Reserves of £7.033m (7.95% of budget) in excess of the £5.780m (6.54% of budget) recommended minimum level set at Council in February 2017. The Capital Fund stands at £1.914m and remains available to fund one-off and transformation costs which are not capitalised. The utilised Development Fund of £3.171m was also released into the General Fund during the year.
There has been a number of challenges during 2017/18 in particular the increasing costs of providing social care to both adults and children. Equally the council is now dealing with the impact of reductions in funding levels provided by the Government. Against these challenges and continued strong financial management the financial result for services for the year is an overspend of £662k (£564k when including non-service areas). Table 1. shows the outturn for service across each of the directorates.

Table 1.

| Directorate | Approved Estimate £'000 | Outturn £'000 | Variance £'000 |
|---|---|---|---|
| Managing Director | 62,818 | 62,791 | (27) |
| Place | 3,109 | 2,992 | (117) |
| Communities | 14,854 | 15,660 | 806 |
| **Total** | 80,781 | 81,443 | 662 |

The financial standing of the Council continues to be robust with well embedded financial management disciplines, processes and procedures. Recent years have been challenging and this year has been no different and we expect this to continue into future years with the potential changes to the way local government is funded. Our income comes from three main sources; government funding, council tax and business rates. Chart 1. below illustrates the sources of income we received throughout 2017/18.

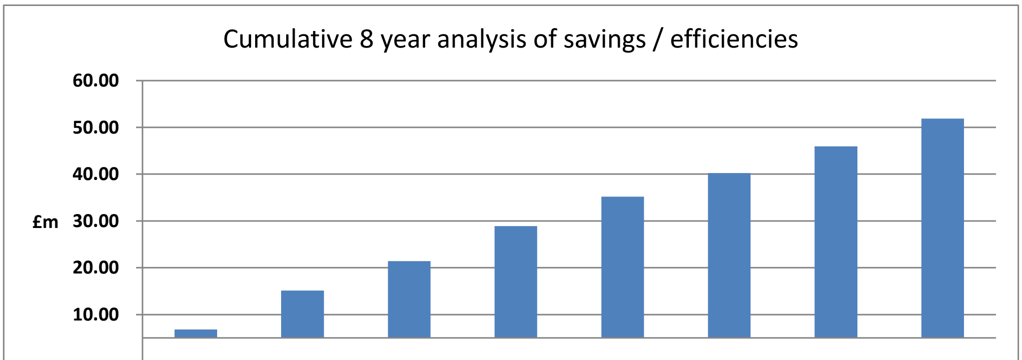
Chart 1.




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

The 2017/18 net budget for the Royal Borough was £87.04m. Within the revenue budget for 2017/18 we have reduced costs through an achievable savings programme. Since 2010 we have made efficiencies of almost £52m and have been able to ensure our residents have the services they demand.

Chart 2.




| | 2010/11 | 2011/12 | 2012/13 | 2013/14 | 2014/15 | 2015/16 | 2016/17 | 2017/18 |
|---|---|---|---|---|---|---|---|---|
| £m | 6.81 | 15.15 | 21.43 | 28.92 | 35.20 | 40.23 | 45.95 | 51.90 |

We continue to provide cost effective quality services that our residents need and we are able to maintain the lowest levels of council tax outside London. Chart 3. below shows the comparison of all unitary authorities equivalent Band D council tax for 2017/18 and Chart 4. shows the average Band D level of council tax set by the council since the financial year 2010/11.

Chart 3.

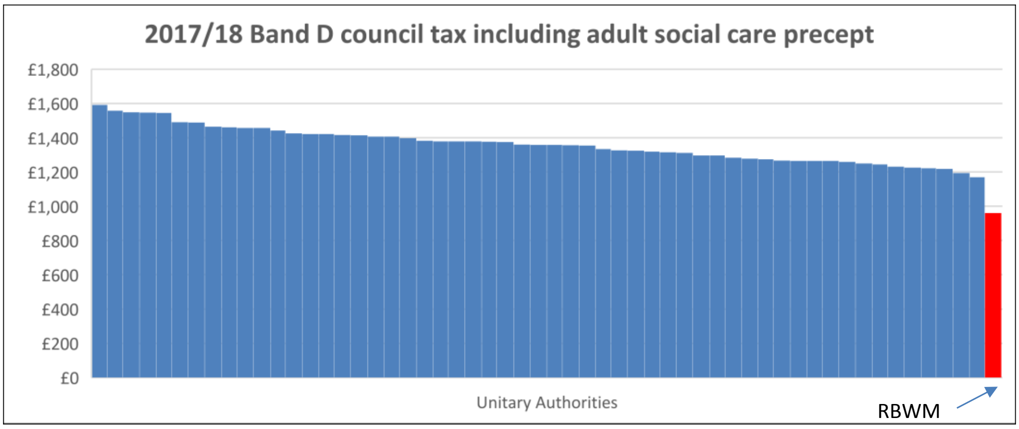
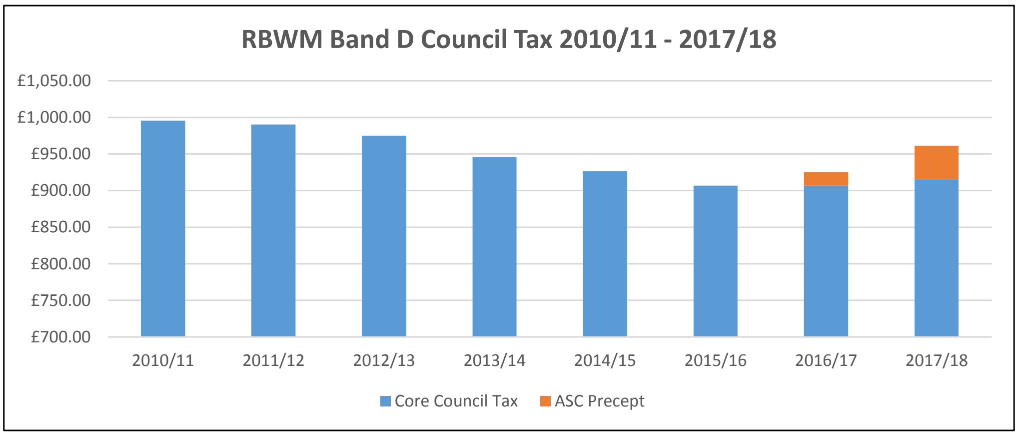



Chart 4.




Cabinet receives a monthly Finance Update with the year end report available at:
Budget, Spending and Performance Details of the Council Budget can also be found in the same place.

## Revenue Expenditure

Gross expenditure and income represents the total value of transactions going out of and coming into the Royal Borough. Schools represent a large element of the value of transactions within the year which are covered by a central government grant known as Dedicated Schools Grant (DSG). DSG must be used in support of schools and central services as prescribed in regulations. Any DSG surplus or deficit must be added to or deducted from the Borough's DSG allocation in following years, and therefore has no impact on the Borough's final out-turn position in 2017/18.

The approved estimate in the table includes all budget adjustments in 2017/18. The table compares the actual outturn with the approved estimate for the year for the General Fund. This reflects the structure used for monitoring the budget during the year which focuses on the direct cost of services.

| GENERAL FUND<br>SERVICE EXPENDITURE | Original Budget £'000 | Approved Estimate £'000 | Actual £'000 | Variance £'000 |
|---|---|---|---|---|
| Managing Director Directorate | 59,992 | 62,818 | 62,791 | (27) |
| Communities Directorate | 14,596 | 14,854 | 15,660 | 806 |
| Place Directorate | 4,167 | 3,109 | 2,992 | (117) |
| **Net Cost of Services** | 78,755 | 80,781 | 81,443 | 662 |
| Contribution to/ (from) Development Fund | 2,255 | (1,004) | (1,004) | - |
| Pensions Deficit Recovery | 2,415 | 2,415 | 2,389 | (26) |
| Pay reward | 500 | | | - |
| Apprentice Levy | 280 | 99 | - | (99) |
| Transfer from Provision for Redundancy | - | (560) | (560) | - |
| Transfer to Provision for Redundancy | | 664 | 664 | - |
| Transfer to/ (from) Capital Fund | | 858 | 858 | - |
| Variance on Trading Companies | | 143 | 143 | - |
| Variance on Education Services Grant | | (109) | (109) | - |
| Variance on Business Rate Income | | (1,522) | (1,522) | - |
| Variance on general grants | | | (34) | (34) |
| Transfer to the bad debt provision | | | 18 | 18 |
| Environment Agency Levy | 153 | 153 | 153 | - |
| Capital Financing including Interest Receipts | 5,069 | 5,127 | 5,170 | 43 |
| **Net Budget Requirement** | 89,427 | 87,045 | 87,609 | 564 |
| Less - unparished area costs | (1,009) | (1,009) | (1,009) | - |
| Transfer (from)/to balances | - | 2,382 | 1,818 | (564) |
| **GROSS COUNCIL TAX REQUIREMENT** | 88,418 | 88,418 | 88,418 | - |
| New Homes Bonus | (3,681) | (3,681) | (3,681) | - |
| Revenue Support Grant / Business Rate Support | (17,089) | (17,089) | (17,089) | - |
| Parish Equalisation Grant | 64 | 64 | 64 | - |
| Transition Grant | (1,263) | (1,263) | (1,263) | - |
| Collection Fund Surplus / Deficit | (1,614) | (1,614) | (1,614) | - |
| Education Services Grant | (478) | (478) | (478) | - |
| Income from Trading Companies | (218) | (218) | (218) | - |
| **NET COUNCIL TAX REQUIREMENT** | 64,139 | 64,139 | 64,139 | - |

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

**Review of 2017/18**

2017/18 saw the first revaluation of business rates since 2010. This brought about its own challenges but we have continued to support our local business by maintaining local business rate reliefs and other reliefs. During the year we supported 2,394 businesses with business rates support, awarding in excess of £4.509m to local businesses.

The statement of accounts this year will reflect the council partnering with two other organisations, Achieving for Children and Optalis. This will be the first time that the Royal Borough has incorporated group accounting into its statement of accounts. In August 2017, the Royal Borough of Windsor and Maidenhead became a co-owner of Achieving for Children, a social enterprise company created in 2014 by the Royal Borough of Kingston upon Thames and the London Borough of Richmond upon Thames to provide children’s services. Achieving for Children now deliver children’s services across all three boroughs. Optalis was set up by Wokingham Borough Council in 2011 to provide care and support services to older people and adults with a disability; the Royal Borough of Windsor and Maidenhead joined ownership of the company on 1 April 2017.

## Capital Expenditure

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

| CAPITAL EXPENDITURE | Original Budget £'000 | Approved Estimate £'000 | Slippage £'000 | Variance £'000 | Actual £'000 |
|---|---|---|---|---|---|
| **Communities Directorate** | | | | | |
| Sports & Leisure | 2,050 | 2,947 | 990 | - | 1,957 |
| Community Facilities | 530 | 882 | 468 | 31 | 445 |
| Outdoor Facilities | 310 | 1,556 | 899 | (1) | 656 |
| Revenues & Benefits | - | 126 | 69 | - | 57 |
| Green Spaces & Parks | 281 | 440 | 171 | (49) | 220 |
| Highways & Countryside | 5,506 | 10,883 | 3,994 | (85) | 6,804 |
| Community, Protection & Enforcement Serv | 600 | 2,977 | 2,059 | 38 | 956 |
| Library & Resident Services | 470 | 2,125 | 950 | 248 | 1,423 |
| **Total Communities Directorate** | **9,747** | **21,936** | **9,600** | **182** | **12,518** |
| **Place Directorate** | | | | | |
| Technology & Change Delivery | 275 | 371 | 37 | (3) | 331 |
| Property & Development* | 4,950 | 12,380 | 4,368 | 157 | 8,169 |
| Regeneration & Economic Development * | 560 | 10,745 | 4,199 | (155) | 6,391 |
| Planning | 470 | 809 | 467 | - | 342 |
| **Total Place Directorate** | **6,255** | **24,305** | **9,071** | **(1)** | **15,233** |
| **Managing Director** | | | | | |
| Human Resources | - | 32 | 32 | - | - |
| Adult Social Care | - | 51 | 6 | 8 | 53 |
| Housing | 500 | 2,570 | 881 | 19 | 1,708 |
| Democratic Representation | 88 | 188 | 26 | (84) | 78 |
| Non Schools | 255 | 725 | 295 | 6 | 436 |
| Schools - Non Devolved | 28,030 | 31,503 | 20,495 | (957) | 10,051 |
| Schools - Devolved Capital | 223 | 997 | 446 | - | 551 |
| **Total Managing Director** | **29,096** | **36,066** | **22,181** | **(1,008)** | **12,877** |
| Total Capital Expenditure | **45,098** | **82,307** | **40,852** | **(827)** | **40,628** |
| Revenue Expenditure Funded from Capital Under Statute ** | | | | | (13,345) |
| **Capital Expenditure on Property, Plant & Equipment** | | | | | **27,283** |

* The Regeneration and Property & Development budgets include projects to enhance the Borough such as the Nicholson's car park & Central House scheme, Maidenhead Waterways project & Windsor office accommodation.

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

Any unspent budget is carried forward to the following year to complete the agreed capital programme works.

When necessary, the Royal Borough borrows long term, to support its capital programme, and short term, to maintain positive cash flow, through approved financial institutions.

The significant increase in capital budgets during the year is as a result of a significant slippage of schemes from 2016/17 to 2017/18 of £20 million coupled with an increase in new capital schemes put forward during the year, such as the York House, Windsor refurbishment, Windsor capital improvements, strategic acquisitions of properties in relation to Maidenhead Golf Course and Maidenhead Waterways totalling around £16 million. Capital schemes cover a number of years therefore although the budget has been approved expenditure on schemes will cover a number of years.

**Pension Fund**

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

**Treasury Management**

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

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

**LOOKING FORWARD**

The Royal Borough of Windsor and Maidenhead continues to focus investment in its communities. During 2017 we published our Council Plan which builds on the regeneration programme for Maidenhead town centre, and ensuring we are building a borough for everyone.

The Council Plan

During 2018 we are expecting announcements on changes to the way local government is funded. The current system and formulae have been in place for over a decade and no longer reflects changes in demography or the way services are now delivered. We expect that the new system will reflect a more up to date picture of needs.

Overall, the Council's finances remain strong. To maintain this position the Council operates continuous monitoring of both income and expenditure. This ensures that services are delivered within approved budgets and ensures value for money is achieved for our residents.

As part of the local government financial settlement we secured business rate pilots status for 2018/19 as a joint pool with our colleague authorities across Berkshire with the possibility of around £25m being made available to the Local Enterprise Partnership to develop infrastructure across the county. Regeneration of the town centre in Maidenhead is moving forward along with a state of the art new leisure centre at Braywick Park.

In summary, the financial year 2018/19 will see an embedding of the changes we have made in delivering our services and continue to build on the work done to date in regenerating our Borough. We continue to ensure our residents receive the quality services they demand.

**CONCLUSION**

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

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

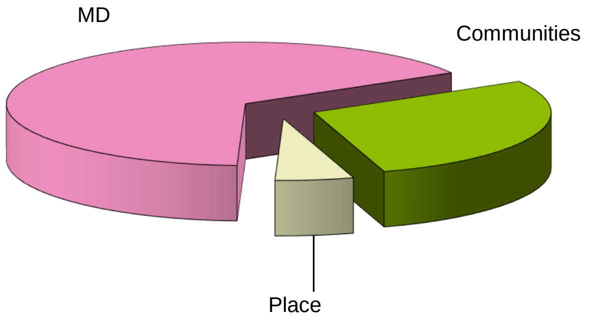
If you have any queries or comments relating to this document please contact me on 01628 796222.

**Robert Stubbs**
**Deputy Director and Head of Finance**

Chart 5.

**Main Services Expenditure**

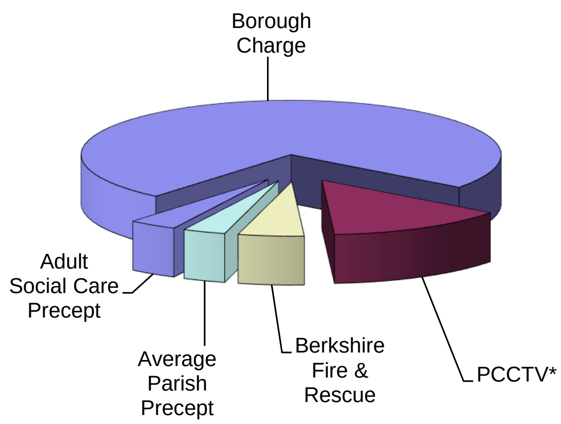
| | £'m | % |
|---|---|---|
| MD | 175 | 66% |
| Communities | 76 | 29% |
| Place | 14 | 5% |
| | 265 | 100% |




Source: Comprehensive Income and Expenditure Statement

Chart 6.

This diagram shows the gross Council Tax levied at band D and amount raised before allowing for Government Grants and the contribution from business rates.




| | Band D (£) | £'000 to be received |
|---|---|---|
| **Council Tax Analysis** | 2017/18 | 2017/18 |
| Borough Charge | 915.57 | 62,098 |
| PCCTV* | 170.28 | 11,359 |
| Berkshire Fire & Rescue | 62.49 | 4,169 |
| Average Parish Precept | 40.59 | 1,298 |
| Adult Social Care Precept | 45.89 | 3,061 |
| | 1,234.82 | 81,985 |

* Police & Crime Commissioner for Thames Valley
Source: Notes to the Collection Fund

Chart 7.

**5 year trend of gross service expenditure**

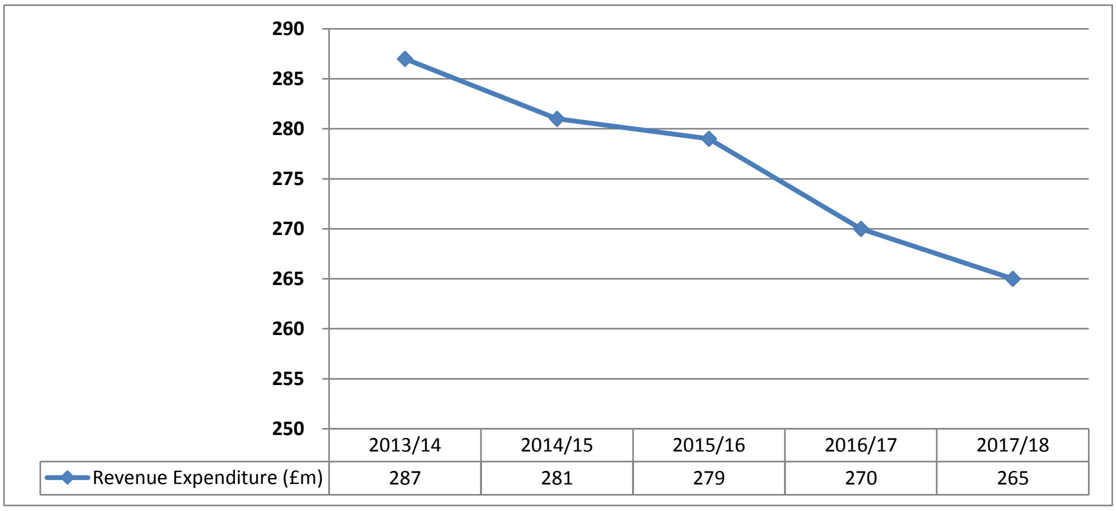
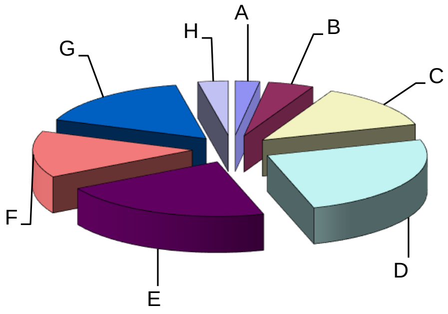


Chart 8.

The following diagrams provide an analysis of the Council Tax.

**Domestic Properties eligible for Council Tax**

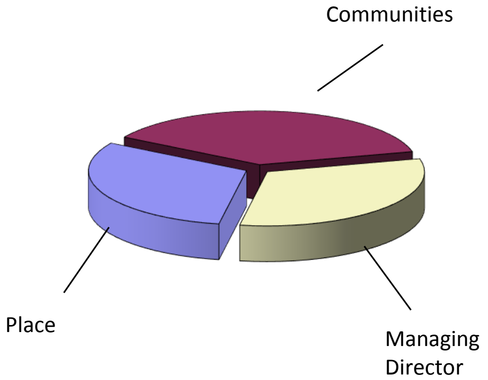
| Charge Band | No. | % |
|---|---|---|
| A | 1,365 | 2.5% |
| B | 2,559 | 4.6% |
| C | 7,290 | 13.2% |
| D | 13,782 | 25.0% |
| E | 11,889 | 21.5% |
| F | 7,601 | 13.8% |
| G | 8,994 | 16.3% |
| H | 1,691 | 3.1% |
| Total Properties | 55,171 | 100.0% |




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

Chart 9.

The Council spent £40.63 million on capital projects in the year and the diagrams below show the proportions for each directorate and the sources from which this expenditure was financed.




**Capital Expenditure**

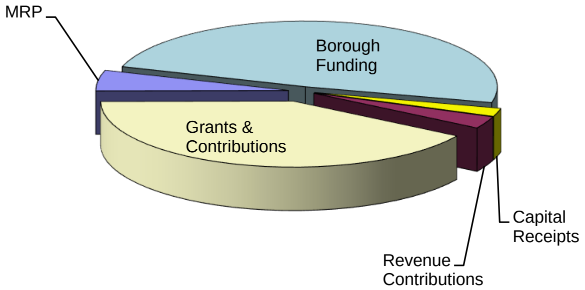
| | £'000 | % |
|---|---|---|
| Communities | 12,518 | 30.8% |
| Place | 15,233 | 37.5% |
| Managing Director | 12,877 | 31.7% |
| | 40,628 | 100.0% |

Source: Capital expenditure from the narrative report.

Chart 10.

**Sources of Capital Finance**

| | | £'000 | % |
|---|---|---|---|
| 1 | Capital Receipts | 820 | 2.0% |
| 2 | Revenue Contributions | 1,200 | 3.0% |
| 3 | Grants & Contributions | 16,676 | 41.0% |
| 4 | MRP | 2,054 | 5.1% |
| 5 | Borough Funding | 19,878 | 48.9% |
| | | 40,628 | 100.0% |




Source: Capital Finance from Note 42.

1 Capital Receipts are amounts received as consideration when assets are sold. These are initially credited to the capital receipts reserve.

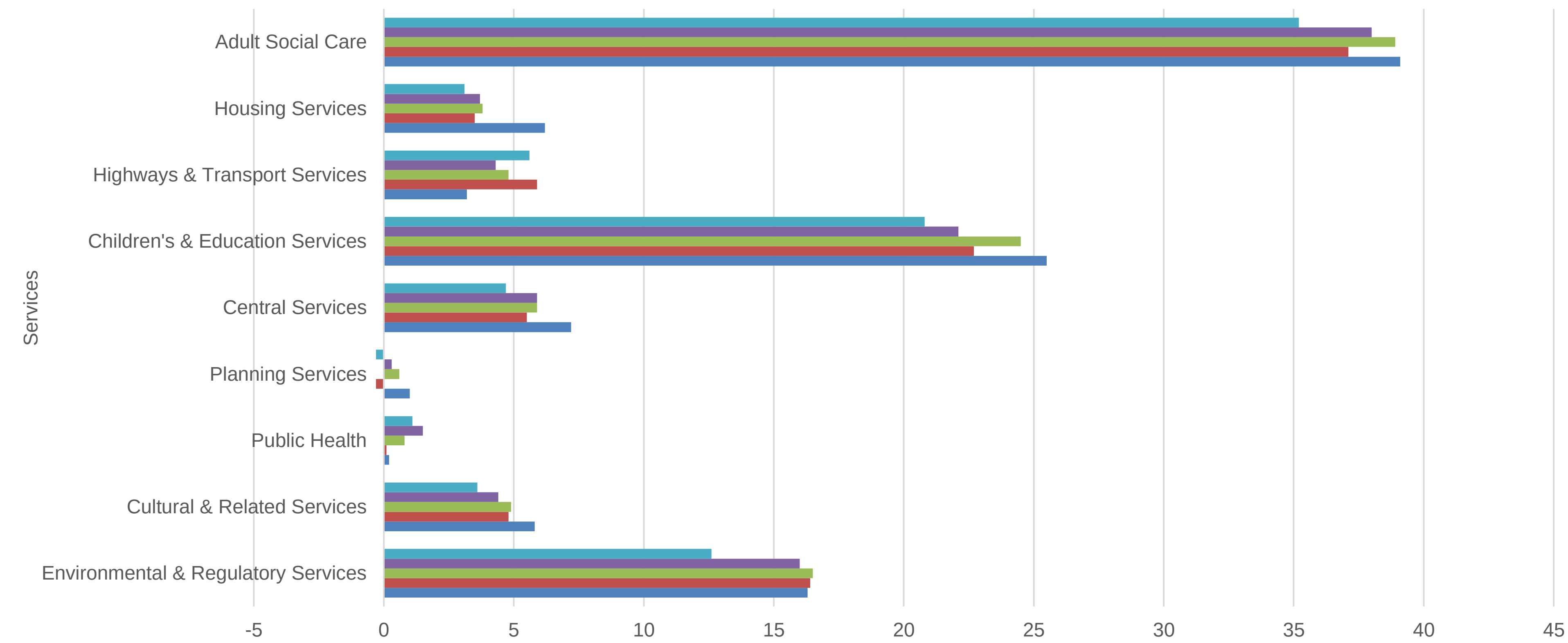
2 Revenue Contributions are amounts charged to revenue to fund the capital programme. These are initially credited to the Capital Fund Reserve.

3 Grants & Contributions are external funding amounts mainly received from Central Government and Developers.

4 MRP (Minimum Revenue Provision) is a charge to revenue which over a period of time is equivalent to the principal amount of external debt.

5 Borough Funding is the underlying need to borrow or short term use of the Council's balances.

Chart 11 - 5 year analysis of service expenditure



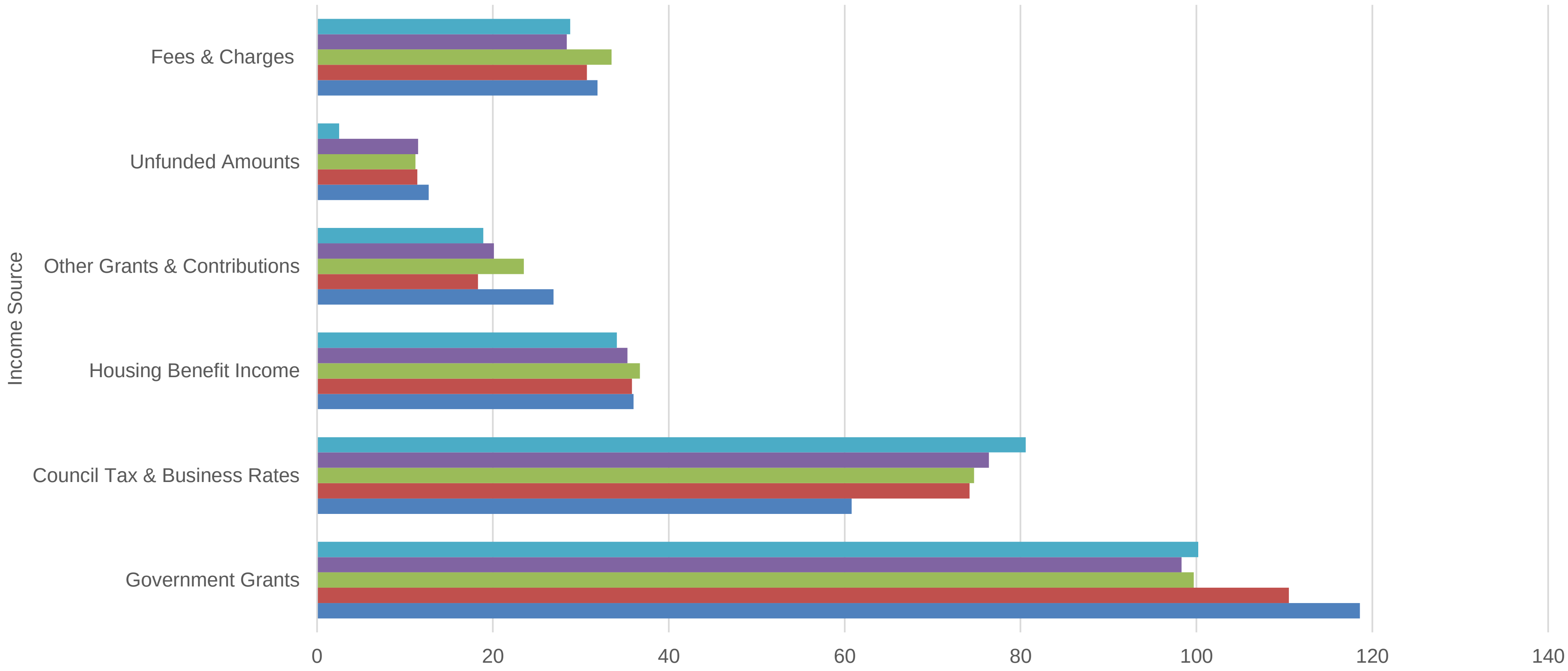

| | Environmental & Regulatory Services | Cultural & Related Services | Public Health | Planning Services | Central Services | Children's & Education Services | Highways & Transport Services | Housing Services | Adult Social Care |
|---|---|---|---|---|---|---|---|---|---|
| 17/18 | 12.6 | 3.6 | 1.1 | -0.3 | 4.7 | 20.8 | 5.6 | 3.1 | 35.2 |
| 16/17 | 16 | 4.4 | 1.5 | 0.3 | 5.9 | 22.1 | 4.3 | 3.7 | 38 |
| 15/16 | 16.5 | 4.9 | 0.8 | 0.6 | 5.9 | 24.5 | 4.8 | 3.8 | 38.9 |
| 14/15 | 16.4 | 4.8 | 0.1 | -0.3 | 5.5 | 22.7 | 5.9 | 3.5 | 37.1 |
| 13/14 | 16.3 | 5.8 | 0.2 | 1 | 7.2 | 25.5 | 3.2 | 6.2 | 39.1 |

£m

17/18 16/17 15/16 14/15 13/14

63

Chart 12 - 5 year analysis of income sources




| | Government Grants | Council Tax & Business Rates | Housing Benefit Income | Other Grants & Contributions | Unfunded Amounts | Fees & Charges |
|---|---|---|---|---|---|---|
| 17/18 | 100.2 | 80.6 | 34.1 | 18.9 | 2.5 | 28.8 |
| 16/17 | 98.3 | 76.4 | 35.3 | 20.1 | 11.5 | 28.4 |
| 15/16 | 99.7 | 74.7 | 36.7 | 23.5 | 11.2 | 33.5 |
| 14/15 | 110.5 | 74.2 | 35.8 | 18.3 | 11.4 | 30.7 |
| 13/14 | 118.6 | 60.8 | 36 | 26.9 | 12.7 | 31.9 |

£m

17/18 16/17 15/16 14/15 13/14

# APPROVAL OF THE ACCOUNTS

**Approval of the Statement of Accounts by full Council**

Council have delegated the approval of the draft statement of accounts to the Audit and Performance Review Panel. The Panel met on 12 July 2018 to approve the audited accounts.

**Signed** **Date: 12 July 2018**

**Councillor Sayonara Luxton**
**Chairman of the Audit and Performance Review Panel**

## INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF THE ROYAL BOROUGH OF WINDSOR & MAIDENHEAD

### REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

**Opinion**

We have audited the financial statements of the Royal Borough of Windsor & Maidenhead ('the Authority') for the year ended 31 March 2018 which comprise the Authority and Group Comprehensive Income and Expenditure Statement(s), the Authority and Group Balance Sheet(s), the Authority and Group Movement in Reserves Statement(s), the Authority and Group Cash Flow Statement(s), the Collection Fund, the Fund Account and Net Assets Statement for the Royal County of Berkshire Pension Fund and the related notes, including the accounting policies in note 1 and the Pension Fund accounting policies in note 60.

In our opinion the financial statements:

- give a true and fair view of the financial position of the Authority and the Group as at 31 March 2018 and of the Authority's and the Group's expenditure and income for the year then ended;
- give a true and fair view of the financial transactions of the Royal County of Berkshire Pension Fund during the year ended 31 March 2018 and the amount and disposition of the Fund's assets and liabilities as at 31 March 2018 other than liabilities to pay pensions and other benefits after the end of the scheme year; and
- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2017/18.

**Basis for opinion**

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the Authority in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

**Going concern**

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least twelve months from the date of approval of the financial statements. We have nothing to report in these respects.

**Other information published with the financial statements**

The Head of Finance is responsible for the other information published with the financial statements, including the Narrative Statement and the Annual Governance Statement. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except as explicitly stated below, any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work we have not identified material misstatements in the other information. In our opinion the other information published with the financial statements for the financial year is consistent with the financial statements.

**Head of Finance's responsibilities**

As explained more fully in the statement set out on page 19, the Head of Finance is responsible for: the preparation of the Authority's 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 2017/18; 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; assessing the Authority's and the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using 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.

**Auditor's responsibilities**

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 our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not 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 aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities

**REPORT ON OTHER LEGAL AND REGULATORY MATTERS**

**Report on the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources**

**Conclusion**

On the basis of our work, having regard to the guidance issued by the Comptroller and Auditor General in November 2017, we are satisfied that, in all significant respects, the Royal Borough of Windsor & Maidenhead put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2018.

**Respective responsibilities in respect of our review of arrangements for securing economy, efficiency and effectiveness in the use of resources**

The Authority is responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources, to ensure proper stewardship and governance, and to review regularly the adequacy and effectiveness of these arrangements.

We are required under Section 20(1) (c) of the Local Audit and Accountability Act 2014 to satisfy ourselves that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We report if significant matters have come to our attention which prevent us from concluding that the Authority has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We are not required to consider, nor have we considered, whether all aspects of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

We have undertaken our review in accordance with the Code of Audit Practice, having regard to the guidance on the specified criterion issued by the Comptroller and Auditor General in November 2017, as to whether the Royal Borough of Windsor & Maidenhead had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people. The Comptroller and Auditor General determined this criterion as that necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether the Royal Borough of Windsor & Maidenhead put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2018.

**Statutory reporting matters**

The Code of Audit Practice requires us to report to you if:

- any matters have been reported in the public interest under Section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of, the audit;

- any recommendations have been made under Section 24 of the Local Audit and Accountability Act 2014;

- an application has been made to the court for a declaration that an item of account is contrary to law under Section 28 of the Local Audit and Accountability Act 2014;

- an advisory notice has been issued under Section 29 of the Local Audit and Accountability Act 2014; or

- an application for judicial review has been made under Section 31 of the Local Audit and Accountability Act 2014.

We have nothing to report in these respects

**THE PURPOSE OF OUR AUDIT WORK AND TO WHOM WE OWE OUR RESPONSIBILITIES**

This report is made solely to the members of the Authority, as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014. Our audit work has been undertaken so that we might state to the members of the Authority, as a body, those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the members of the Authority, as a body, for our audit work, for this report, or for the opinions we have formed.

**DELAY IN CERTIFICATION OF COMPLETION OF THE AUDIT**

We are required to give an opinion on the consistency of the financial statements of the pension fund included in the Pension Fund Annual Report of the Royal County of Berkshire Pension Fund with the pension fund accounts included in the financial statements of the Royal Borough of Windsor & Maidenhead. The Local Government Pension Scheme (Administration) Regulations 2008 require authorities to publish the Pension Fund Annual Report by 1 December following the end of the relevant financial year. As the authority has not yet prepared the Pension Fund Annual Report we have not issued our report on the financial statements included in the Pension Fund Annual Report. Until we have done so, we are unable to certify that we have completed the audit of the accounts in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice.

Ian Pennington
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
66 Queen Square
Bristol
BS1 4BE

31 July 2018

**The Authority's Responsibilities**

The Authority is required to :

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

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

- Approve the Statement of Accounts.

**The Chief Financial Officer's responsibilities**

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

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

- selected suitable accounting policies and then applied them consistently;

- made judgements and estimates that were reasonable and prudent;

- complied with the Code;

- kept proper accounting records which were up to date;

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

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

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

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

I certify that the Statement of Accounts gives a true and fair view of the financial position of the Authority at 31 March 2018 and of its income and expenditure for the year then ended.

Rob Stubbs
Deputy Director and Head of Finance
30 July 2018

## EXPENDITURE AND FUNDING ANALYSIS

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

| 2016/17 | | | | 2017/18 | | |
|---|---|---|---|---|---|---|
| **Net Expenditure chargeable to the General Fund** | **Adjustments between the funding and accounting (Note 7) basis** | **Net Expenditure in the Comprehensive Income & Expenditure Account** | | **Net Expenditure chargeable to the General Fund** | **Adjustments between the funding and accounting (Note 7) basis** | **Net Expenditure in the Comprehensive Income & Expenditure Account** |
| **£'000** | **£'000** | **£'000** | | **£'000** | **£'000** | **£'000** |
| 58,091 | 5,643 | 63,734 | Managing Director | 64,043 | (3,363) | 60,680 |
| 22,003 | 5,811 | 27,814 | Communities Directorate | 16,351 | 6,098 | 22,449 |
| 4,782 | | 4,782 | Place Directorate | 3,437 | (211) | 3,226 |
| **84,876** | **11,454** | **96,330** | **Net Cost of Services** | **83,831** | **2,524** | **86,355** |
| (83,896) | 17,331 | (66,565) | Other Income and Expenditure | (86,445) | (52,707) | (139,152) |
| (1,427) | 1,427 | - | Transfer to / from Earmarked Reserves | 796 | (796) | - |
| **(447)** | **30,212** | **29,765** | **(Surplus) / Deficit** | **(1,818)** | **(50,979)** | **(52,797)** |
| (4,768) | | | Opening General Fund Balance | (5,215) | | |
| (447) | | | Less/Plus (Surplus) or Deficit on General Fund Balance in Year | (1,818) | | |
| **(5,215)** | | | **Closing General Fund Balance at 31 March** | **(7,033)** | | |

# GROUP COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

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

| 2016/17 | | | | 2017/18 | | |
|---|---|---|---|---|---|---|
| **Gross Expenditure £'000** | **Gross Income £'000** | **Net Expenditure £'000** | | **Gross Expenditure £'000** | **Gross Income £'000** | **Net Expenditure £'000** |
| 170,813 | (107,079) | 63,734 | Managing Director | 174,855 | (114,175) | 60,680 |
| 79,700 | (51,886) | 27,814 | Communities Directorate | 76,423 | (53,974) | 22,449 |
| 19,372 | (14,590) | 4,782 | Place Directorate | 14,025 | (10,799) | 3,226 |
| **269,885** | **(173,555)** | **96,330** | **Cost of Services** | **265,303** | **(178,948)** | **86,355** |
| | | 1,301 | Precepts paid to parishes | | | 1,370 |
| | | 149 | Precepts & Levies | | | 151 |
| | | (112) | Adjustments to provisions | | | 122 |
| | | 2,620 | Adjustment to School Balances via Schools Reserve | | | 682 |
| | | 8 | Adjustment to other reserves taken through the cost of services | | | 189 |
| | | 24,342 | Loss on the disposal of school fixed assets on conversion to Academies or Free Schools. | | | 61 |
| | | - | (Gain) / loss on the disposal of other fixed assets | | | (820) |
| | | 84 | Other Operating Expenditure | | | - |
| | | - | Other Operating Income | | | (75) |
| | | 8,544 | Revenue expenditure funded from capital under statute | | | 13,345 |
| | | **36,936** | **Other Operating (Income) / Expenditure (Note 11)** | | | **15,025** |
| | | 2,840 | Interest payable and similar charges | | | 2,914 |
| | | 8,065 | Pensions interest cost | | | 6,908 |
| | | (517) | Interest income | | | (237) |
| | | (12,036) | Changes in the fair value of investment properties | | | (60,366) |
| | | **(1,648)** | **Financing & Investment Income & Expenditure (Note 12)** | | | **(50,781)** |
| | | (101,853) | Taxation and Non-Specific Grant Income (Note 13) | | | (103,396) |
| | | **29,765** | **(Surplus) or Deficit on Provision of Services** | | | **(52,797)** |
| | | - | Associates accounted for on a equity basis (Note 54.) | | | 2,446 |
| | | - | Tax expenses of associates | | | (0) |
| | | **29,765** | **Group Surplus or Deficit** | | | **(50,351)** |
| | | (56,702) | (Surplus) or deficit on revaluation of Property Plant and Equipment assets | | | - |
| | | 9,926 | Other adjustments to value of Property, Plant and Equipment assets | | | 7,715 |
| | | 55,097 | Remeasurements of the net defined benefit liability (asset) | | | (17,183) |
| | | - | Share of Other Income & Expenditure of associates (Note 54.) | | | (673) |
| | | **8,321** | **Other Comprehensive Income and Expenditure** | | | **(10,141)** |
| | | **38,086** | **Total Comprehensive Income and Expenditure** | | | **(60,492)** |

## GROUP MOVEMENT IN RESERVES STATEMENT

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

| 2016/17 | General Fund Balance | Earmarked Reserves | Capital Grants Unapplied | School Revenue Balances | Capital Receipts Reserve | Total Usable Reserves | Unusable Reserves | Total RBWM Reserves | RBWM share of Optalis & AfC reserves | Total Group Reserves |
|---|---|---|---|---|---|---|---|---|---|---|
| | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 |
| **Balance at 31 March 2016** | **4,768** | **5,851** | **9,222** | **4,151** | **-** | **23,992** | **84,210** | **108,202** | | **108,202** |
| **Total Comprehensive Expenditure and Income (surplus or deficit on the provision of services)** | **(29,765)** | **-** | **-** | **-** | **-** | **(29,765)** | **(8,321)** | **(38,086)** | **-** | **(38,086)** |
| Adjustments between group accounts and authority accounts (Group a/cs) | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** |
| **Net increase or decrease before transfers (Group a/cs)** | **(29,765)** | **-** | **-** | **-** | **-** | **(29,765)** | **(8,321)** | **(38,086)** | **-** | **(38,086)** |
| Adjustments between accounting basis & funding basis under regulations (Note 9) | 28,785 | - | (597) | - | - | 28,188 | (28,188) | - | - | - |
| **Net Increase / (Decrease) before Transfers to Earmarked Reserves** | **(980)** | **-** | **(597)** | **-** | **-** | **(1,577)** | **(36,509)** | **(38,086)** | **-** | **(38,086)** |
| Transfers to / from Earmarked Reserves (Note 10) | 1,427 | (7) | - | (2,620) | - | **(1,200)** | 1,200 | **-** | **-** | - |
| **Increase / (Decrease) in Year** | **447** | **(7)** | **(597)** | **(2,620)** | **-** | **(2,777)** | **(35,309)** | **(38,086)** | | **(38,086)** |
| **Balance at 31 March 2017 Carried Forward** | **5,215** | **5,844** | **8,625** | **1,531** | **-** | **21,215** | **48,901** | **70,116** | **-** | **70,116** |

## GROUP MOVEMENT IN RESERVES STATEMENT

| 2017/18 | General Fund Balance £'000 | Earmarked Reserves £'000 | Capital Grants Unapplied £'000 | School Revenue Balances £'000 | Capital Receipts Reserve £'000 | Total Usable Reserves £'000 | Unusable Reserves £'000 | Total RBWM Reserves £'000 | RBWM share of Optalis & AfC Reserves £'000 | Total Group Reserves £'000 |
|---|---|---|---|---|---|---|---|---|---|---|
| **Balance at 31 March 2017** | **5,215** | **5,844** | **8,625** | **1,531** | **-** | **21,215** | **48,901** | **70,116** | **-** | **70,116** |
| **Total Comprehensive Expenditure and Income (surplus or deficit on the provision of services)** | **50,351** | **-** | **-** | **-** | **-** | **50,351** | **10,141** | **60,492** | **-** | **60,492** |
| Adjustments between group accounts and authority accounts (Group a/cs) (Note 54.) | 2,446 | - | - | - | - | 2,446 | (673) | 1,773 | (7,715) | (5,942) |
| **Net increase or decrease before transfers (Group a/cs)** | **52,797** | **-** | **-** | **-** | **-** | **52,797** | **9,468** | **62,265** | **(7,715)** | **54,550** |
| Adjustments between accounting basis & funding basis under regulations (Note 9) | (50,183) | | (2,659) | - | - | **(52,842)** | **52,842** | **-** | | **-** |
| **Net Increase / (Decrease) before Transfers to Earmarked Reserves** | **2,614** | **-** | **(2,659)** | **-** | **-** | **(45)** | **62,310** | **62,265** | **(7,715)** | **54,550** |
| Transfers to / from Earmarked Reserves (Note 10) | (796) | 278 | - | (682) | - | **(1,200)** | **1,200** | **0** | **-** | **0** |
| **Increase / (Decrease) in Year** | **1,818** | **278** | **(2,659)** | **(682)** | **-** | **(1,245)** | **63,510** | **62,265** | **(7,715)** | **54,550** |
| **Balance at 31 March 2018 Carried Forward** | **7,033** | **6,122** | **5,966** | **849** | **-** | **19,970** | **112,411** | **132,381** | **(7,715)** | **124,666** |

# GROUP BALANCE SHEET

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

| **RBWM 31 Mar 17 £'000** | **Assets** | **Note** | **RBWM 31 Mar 18 £'000** | **Group 31 Mar 18 £'000** |
|---|---|---|---|---|
| | **Non-current assets** | | | |
| 384,888 | Property, Plant and Equipment | 14 | 390,281 | 390,281 |
| 76,611 | Investment Properties | 16 | 135,318 | 135,318 |
| 3,317 | Intangible Assets | 17 | 2,689 | 2,689 |
| 2,540 | Surplus Assets | 14 | 6,503 | 6,503 |
| 266 | Long Term Investments | 18 | 259 | 259 |
| 34 | Long Term Debtors | 18 | 16 | 16 |
| 775 | Investments in Associates | 18/54 | 1,525 | 1525 |
| 468,431 | | | 536,591 | 536,591 |
| | **Current assets** | | | |
| - | Short Term Investments | 18 | - | - |
| 275 | Inventories | 19 | 196 | 196 |
| 30,810 | Short Term Debtors | 21 | 31,831 | 31,831 |
| 997 | Cash and Cash Equivalents | 22 | - | - |
| | | | | - |
| 32,082 | | | 32,027 | 32,027 |
| 500,513 | **Total assets** | | 568,618 | 568,618 |
| | **Liabilities** | | | |
| | **Current Liabilities** | | | |
| - | Bank Overdraft | 22 | (643) | (643) |
| (13,259) | Short Term Borrowing | 18 | (24,453) | (24,453) |
| (27,543) | Short Term Creditors | 24 | (44,386) | (44,386) |
| (40,802) | | | (69,482) | (69,482) |
| | **Non current liabilities** | | | |
| (250) | Long Term Creditors | 18 | (250) | (250) |
| (2,684) | Provisions | 25 | (2,839) | (2,839) |
| (57,049) | Long Term Borrowing | 18 | (57,049) | (57,049) |
| (16,029) | Capital Grants Receipts in Advance | 40 | (12,914) | (12,914) |
| (313,583) | Retirement Benefit Obligations | 49 | (293,703) | (293,703) |
| - | RBWM share of Associates Liabilities | 54 | - | (7,715) |
| (389,595) | | | (366,755) | (374,470) |
| 70,116 | **Net assets** | | 132,381 | 124,666 |
| | **Equity** | | | |
| | **Usable Reserves** | 26 | | |
| 5,215 | Fund Balances and Reserves | | 7,033 | 7,033 |
| 16,000 | Other Reserves | | 12,937 | 12,937 |
| | **Unusable Reserves** | 27 | | - |
| 160,065 | Capital Adjustment Account | | 212,380 | 212,380 |
| 204,793 | Revaluation Reserve | | 200,034 | 200,034 |
| (313,583) | Pensions Reserve | | (293,703) | (293,703) |
| 43 | Collection Fund Adjustment Account | | (4,194) | (4,194) |
| (2,417) | Accumulated Absences Account | | (2,106) | (2,106) |
| - | RBWM share of Associates Reserves | 54 | - | (7,715) |
| 70,116 | | | 132,381 | 124,666 |

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

| **At 31 March 2017 £'000** | **Cash Flow Statement (Indirect Method) As at 31 March 2018** | **Note** | **At 31 March 2018 £'000** |
|---|---|---|---|
| (29,765) | Net surplus or (deficit) on the provision of services | | 52,797 |
| 39,956 | Adjust net surplus or (deficit) on the provision of services for noncash movements | 28 | (34,517) |
| (29,317) | Adjust for items included in the net surplus or deficit on the provision of services that are investing and financing activities | 28 | (14,837) |
| (19,126) | Net cash (outflows) / inflows from Operating Activities | | 3,443 |
| 9,238 | Net cash (outflows) / inflows from Investing Activities | 29 | (16,277) |
| 12,059 | Net cash (outflows) / inflows from Financing Activities | 30 | 11,194 |
| 2,171 | Net Increase or Decrease in Cash and Cash Equivalents | | (1,640) |
| (1,174) | Cash and cash equivalents at the beginning of the reporting period | | 997 |
| **997** | **Cash and Cash Equivalents at the end of the reporting period** | | **(643)** |

## 1 Accounting Policies

### i General Principles

The statement of accounts summarises the Authority's transactions for the 2017/18 financial year and its position at the year-end of 31 March 2018. The Authority is required to prepare an annual statement of accounts by the Accounts and Audit Regulations 2016 which those regulations require to be prepared in accordance with proper accounting practices. These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2017/18 supported by International Financial Reporting Standards (IFRS). The accounting convention adopted in the statement of accounts is principally historic cost, modified by the revaluation of certain categories of non-current assets and financial instruments.

### ii Accruals of Income and Expenditure

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

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

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

• Supplies are recorded as expenditure when they are consumed – where there is a gap between the date supplies are received and their consumption, they are carried as inventories on the balance sheet.

• Expenses in relation to services received (including services provided by employees) are recorded as expenditure when the services are received rather than when payments are made.

• Interest receivable on investments and payable on borrowings is accounted for respectively as income and expenditure on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract.

• Where revenue and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the balance sheet. Where debts may not be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.

### iii Cash and Cash Equivalents

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

### iv Exceptional Items

When items of income and expense are material, their nature and amount is disclosed separately, either on the face of the comprehensive income and expenditure statement (CI&E) or in the notes to the accounts, depending on how significant the items are to an understanding of the Authority's financial performance.

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

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

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

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

**1 Accounting Policies**

**vi Charges to Revenue for Non-Current Assets**

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

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

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

• amortisation of intangible fixed assets attributable to the service.

• impairment losses or amortisations.

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

**vii Employee Benefits**

**Benefits Payable During Employment**

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

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

**Termination Benefits**

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

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

**Post Employment Benefits**

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

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

• The Local Government Pensions Scheme, administered by the Authority.

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

## 1 Accounting Policies

**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 pensions liability is analysed into seven components:

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

In relation to retirement benefits, statutory provisions require the GF balance to be charged with the amount payable by the Authority to the pension fund or directly to pensioners in the year, not the amount calculated according to the relevant accounting standards. In the movement in reserves statement, this means that there are appropriations to and from the pensions reserve to remove the notional debits and credits for retirement benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year-end. The negative balance that arises on the pensions reserve thereby measures the beneficial impact to the GF of being required to account for retirement benefits on the basis of cash flows rather than as benefits are earned by employees.

**Discretionary Benefits**

The Authority also has restricted powers to make discretionary awards of retirement benefits in the event of early retirements. Any liabilities estimated to arise as a result of an award to any member of staff (including teachers) are accrued in the year of the decision to make the award and accounted for using the same policies as are applied to the Local Government Pension Scheme.

**1 Accounting Policies**

**viii Events after the balance sheet date**

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

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

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

**ix Financial Instruments**

**Financial Liabilities**

Financial liabilities are recognised on the balance sheet when the Authority becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value and are carried at their amortised cost. Annual charges to the financing and investment income and expenditure line in the CI&E for interest payable are based on the carrying amount of the liability, multiplied by the effective rate of interest for the instrument. The effective interest rate is the rate that exactly discounts estimated future cash payments over the life of the instrument to the amount at which it was originally recognised.

For most of the borrowings that the Authority has, this means that the amount presented in the balance sheet is the outstanding principal repayable (plus accrued interest); and interest charged to the CI&E is the amount payable for the year according to the loan agreement. Gains and losses on the repurchase or early settlement of borrowing are credited and debited to the financing and investment income and expenditure line in the CI&E in the year of repurchase/settlement. However, where repurchase has taken place as part of a restructuring of the loan portfolio that involves the modification or exchange of existing instruments, the premium or discount is respectively deducted from or added to the amortised cost of the new or modified loan and the write-down to the CI&E is spread over the life of the loan by an adjustment to the effective interest rate.

Where premiums and discounts have been charged to the CI&E, regulations allow the impact on the GF 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.

**Financial Assets**

Financial assets are classified into two types:

• loans and receivables - assets that have fixed or determinable payments but are not quoted in an active market

• available-for-sale assets - assets that have a quoted market price and/or do not have fixed or determinable payments.

**Loans and Receivables**

Loans and receivables 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 CI&E 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 loans that the Authority has made, this means that the amount presented in the balance sheet is the outstanding principal receivable (plus accrued interest) and interest credited to the CI&E is the amount receivable for the year in the loan agreement.

Where assets are identified as impaired because of a likelihood arising from a past event that payments due under the contract will not be made, the asset is written down and a charge made to the relevant service (for receivables specific to that service) or the financing and investment income and expenditure line in the CI&E. The impairment loss is measured as the difference between the carrying amount and the present value of the revised future cash flows discounted at the asset's original effective interest rate. 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 CI&E.

## 1 Accounting Policies

**Available-for-Sale Assets**

Available-for-sale assets 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. Where the asset has fixed or determinable payments, annual credits to the financing and investment income and expenditure line in the CI&E for interest receivable are based on the amortised cost of the asset multiplied by the effective rate of interest for the instrument. Where there are no fixed or determinable payments, income (e.g. dividends) is credited to the CI&E when it becomes receivable by the Authority. Assets are maintained in the balance sheet at fair value. Values are based on the following principles:

- instruments with quoted market prices - the market price
- other instruments with fixed and determinable payments - discounted cash flow analysis
- equity shares with no quoted market prices - independent appraisal of company valuations.

Changes in fair value are balanced by an entry in the available-for-sale reserve and the gain/loss is recognised in the surplus or deficit on revaluation of available-for-sale financial assets. The exception is where impairment losses have been incurred, these are debited to the financing and investment income and expenditure line in the CI&E, along with any net gain or loss for the asset accumulated in the available-for-sale reserve.

Where assets are identified as impaired because of a likelihood arising from a past event that payments due under the contract will not be made (fixed or determinable payments) or fair value falls below cost, the asset is written down and a charge made to the financing and investment income and expenditure line in the CI&E. If the asset has fixed or determinable payments, the impairment loss is measured as the difference between the carrying amount and the present value of the revised future cash flows discounted at the asset's original effective interest rate. Otherwise, the impairment loss is measured as any shortfall of fair value against the acquisition cost of the instrument (net of any principal repayment and amortisation). Any gains and losses that arise on the derecognition of the asset are credited or debited to the financing and investment income and expenditure line in the CI&E, along with any accumulated gains or losses previously recognised in the Available-for-Sale Reserve. Where fair value cannot be measured reliably, the instrument is carried at cost (less any impairment losses).

**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.

## 1 Accounting Policies

### xiii Intangible Assets

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

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

Intangible assets are measured initially at cost. Amounts are only revalued where the fair value of the assets held by the Authority can be determined by reference to an active market. In practice, no intangible asset held by the Authority meets this criterion, and they are therefore carried at amortised cost. The depreciable amount of an intangible asset is amortised over its useful life to the relevant service line(s) in the CI&E. An asset is tested for impairment whenever there is an indication that the asset might be impaired, any losses recognised are posted to the relevant service line(s) in the CI&E. Any gain or loss arising on the disposal or abandonment of an intangible asset is posted to the other operating expenditure line in the CI&E. Where expenditure on intangible assets qualifies as capital expenditure for statutory purposes, amortisation, impairment losses and disposal gains and losses are not permitted to have an impact on the GF balance. The gains and losses are therefore reversed out of the GF balance in the movement in reserves statement and posted to the CAA and (for any sale proceeds greater than £10,000) the Capital Receipts Reserve (CRR).

### 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.

## 1 Accounting Policies

### xvii Leases

Leases are classified as finance leases where the terms of the lease transfer substantially all the risks and rewards incidental to ownership of the property, plant or equipment from the lessor to the lessee. All other leases are classified as operating leases. Where a lease covers both land and buildings, the land and buildings elements are considered separately for classification. Arrangements that do not have the legal status of a lease but convey a right to use an asset in return for payment are accounted for under this policy where fulfilment of the arrangement is dependent on the use of specific assets.

**The Authority as Lessee**

Finance Leases

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

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

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

**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).

**1 Accounting Policies**

**The Authority as Lessor**

Finance Leases

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

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

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

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

Where the Authority grants an operating lease over a property or an item of plant or equipment, the asset is retained in the balance sheet. Rental income is credited to the other operating expenditure line in the CI&E. Credits are made on a straight-line basis over the life of the lease, even if this does not match the pattern of payments (e.g. there is a premium paid at the commencement of the lease). Initial direct costs incurred in negotiating and arranging the lease are added to the carrying amount of the relevant asset and charged as an expense over the lease term on the same basis as rental income.

**xviii Overheads and Support Services**

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

**1 Accounting Policies**

**xix Property, Plant and Equipment**

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

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

**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.

## 1 Accounting Policies

**Impairment**

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

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

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

**Depreciation**

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

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

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

**Disposals and Non-current Assets Held for Sale**

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

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

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

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

## 1 Accounting Policies

### xx Provisions, Contingent Liabilities and Contingent Assets

**Provisions**

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

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

**Contingent Liabilities**

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

**Contingent Assets**

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

### xxi Reserves

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

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

### xxii Revenue Expenditure Funded from Capital under Statute

Expenditure incurred during the year that may be capitalised under statutory provisions but that does not result in the creation of a non-current asset has been charged as expenditure to the relevant service in the CI&E in the year. Where the Authority has determined to meet the cost of this expenditure from existing capital resources or by borrowing, a transfer in the movement in reserves statement from the GF balance to the CAA then reverses out the amounts charged so that there is no impact on the level of Authority tax.

**1 Accounting Policies**

**xxiii Fair Value**

The Authority measures some of its non-financial assets, such as surplus assets and investment properties, and some of its financial instruments, such as equity share holdings, at fair value at each reporting date. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement assumes that the transaction to sell the asset or transfer the liability takes place either:

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

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

The Authority measures the fair value of an asset or liability on the same basis that market participants would use when pricing the asset or liability (assuming those market participants were acting in their economic best interest). When measuring the fair value of a non-financial asset, the Authority takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

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

• Level 1 - quoted prices.

• Level 2 - inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

• Level 3 - unobservable inputs for the asset or liability.

**xxiv VAT**

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

**xxv Interests in Companies and Other Entities**

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

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

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

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

**2 Accounting Standards Issued, Not Adopted**

The Code of Practice on Local Authority Accounting in the United Kingdom (the Code) requires the disclosure of information relating to the expected impact of an accounting change that will be required by a new standard that has been issued but not yet adopted. This applies to the adoption of the following amended standards within the 2018/19 Code:

• IFRS 9 Financial Instruments
• IFRS 15 Revenue from contracts with customers
• Amendments to IFRS 12 Income Taxes
• Amendments to IAS 17 Statement of Cash Flows

The Code requires implementation from 1 April 2018 and the changes are expected to be presentational and not material. There is no impact on the 2017/18 Statement of Accounts.

**3 Critical Judgements in Applying Accounting Policies**

**Accounting for Schools – Balance Sheet Recognition of Schools**

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

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

| School Type | No. |
|---|---|
| Community | 19 |
| Voluntary Aided | 9 |
| Voluntary Controlled | 6 |

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

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

The Statement of Accounts contains estimated figures that are based on assumptions made by the Authority about the future or that are otherwise uncertain. Estimates are made taking into account historical experience, current trends and other relevant factors. However, because balances cannot be determined with certainty, for example in non current assets and pension liability, actual results could be materially different from the assumptions and estimates. Items in the Authority's Balance Sheet at 31 March 2018 are not considered to carry a significant risk of material adjustment in the forthcoming financial year.

**5 Material Items of Income and Expense**

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

**6 Events After the Balance Sheet Date**

The Statement of Accounts was authorised for issue by the Head of Finance on the 31 May 2018. Events taking place after this date are not reflected in the financial statements or notes. Where events taking place before this date provided information about conditions existing at 31 March 2018, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information. No further events have occurred which need to be reported here.

## 7 Note to the Expenditure and Funding Analysis

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

| Adjustments between Funding and Accounting Basis 2016/17 | | | | |
|---|---|---|---|---|
| **Adjustments from General Fund to arrive at the Comprehensive Income and Expenditure Statement amounts** | **Adjustment for Capital Purposes** | **Net change for the Pensions Adjustment** | **Other Differences** | **Total Adjustments** |
| | **£'000** | **£'000** | **£'000** | **£'000** |
| Managing Director | 2,910 | (82) | 2,815 | 5,643 |
| Communities Directorate | 7,603 | (49) | (1,743) | 5,811 |
| Place Directorate | 1,469 | (33) | (1,436) | - |
| **Net Cost of Services** | **11,982** | **(164)** | **(364)** | **11,454** |
| Other income and expenditure from the Expenditure and Funding Analysis | 7,672 | 8,065 | 1,594 | 17,331 |
| Transfers to / from Earmarked Reserves (Note 10) | - | - | 1,427 | 1,427 |
| **Difference between General Fund surplus or deficit and Comprehensive Income and Expenditure Statement Surplus or Deficit on the Provision of Services.** | **19,654** | **7,901** | **2,657** | **30,212** |

**Adjustments for capital purposes**

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

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

**Net change for the Pensions Adjustments**

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

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

**Other Differences**

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

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

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

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

## 8 Expenditure and Income analysed by Nature

| | 2016/17<br>£'000 | 2017/18<br>£'000 |
|---|---|---|
| **Income** | | |
| Government Grants | (98,221) | (100,230) |
| Collection Fund | (76,395) | (80,602) |
| Housing Benefit Income | (35,348) | (34,115) |
| Other Grants & Contributions | (21,578) | (20,459) |
| Fees & Charges | (28,386) | (28,798) |
| Sales | (3,432) | (4,492) |
| Rent | (7,561) | (8,645) |
| Interest | (562) | (291) |
| Other Operating Income | - | (75) |
| Contributions from other funds/balances | (4,442) | (12,510) |
| **Gross Income** | **(275,925)** | **(290,217)** |
| **Employees** | | |
| Direct Employee Costs | 65,078 | 42,670 |
| Teachers Pay | 24,330 | 28,071 |
| Indirect Employee Costs | 4,401 | 2,672 |
| Pension Interest Cost | 8,065 | 6,908 |
| **Premises** | | |
| Repairs & Maintenance | 2,835 | 2,393 |
| Other Energy | 120 | 129 |
| Gas | 236 | 227 |
| Electricity | 1,380 | 1,094 |
| Other Rent & Rates | 1,904 | 1,862 |
| Rates | 2,432 | 2,533 |
| Water | 225 | 250 |
| Other Premises | 2,158 | 1,924 |
| Depreciation, Amortisation and Impairment | 11,982 | 12,441 |
| **Supplies & Services** | | |
| Equipment, Furniture & Materials | 1,713 | 1,411 |
| Printing, Stationery & Office Expenses | 2,620 | 2,239 |
| Communications and Computing | 4,178 | 2,999 |
| Grants & Subscriptions | 264 | 183 |
| Other Supplies & Services | 19,277 | 18,230 |
| **Transport** | 3,526 | 1,588 |
| **Contract Services** | 85,003 | 114,754 |
| **Housing Benefit Payment** | 36,307 | 35,194 |
| **Other Operating Expenditure and Income** | | |
| Interest Payments | 2,840 | 2,914 |
| Precepts and Levies | 1,450 | 1,521 |
| Changes in the fair value of Investment Properties | (12,036) | (60,366) |
| Gain or Loss on Disposal of Fixed Assets | 24,342 | (759) |
| Adjustment to School Balances | 2,620 | 682 |
| Adjustments to Provisions | (112) | 122 |
| Adjustments to Other Reserves | 8 | 189 |
| Revenue Expenditure Classified as Capital by Statute | 8,544 | 13,345 |
| **Gross Expenditure** | **305,690** | **237,420** |
| | | |
| **Surplus or Deficit on the Provision of Services** | **29,765** | **(52,797)** |

**9 Adjustments between Accounting Basis and Funding Basis under Regulations**

This note details the adjustments that are made to the total comprehensive income and expenditure recognised by the Group in the year in accordance with proper accounting practice to the resources actually available to the Group to meet future expenditure.

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

| | Usable Reserves | | | | | |
|---|---|---|---|---|---|---|
| **2016/17 Comparative figures** | **General Fund Balance** | **Capital Grants Unapplied** | **School Revenue Balances** | **Capital Receipts Reserve** | **Usable Reserves** | **Unusable Reserves** |
| | **£'000** | **£'000** | **£'000** | **£'000** | **£'000** | **£'000** |
| **Adjustments primarily involving the Capital Adjustment Account:** | | | | | | |
| Charges for depreciation and impairment of non-current assets | (11,982) | | | | (11,982) | 11,982 |
| Movements in the market value of Investment Properties | 12,036 | | | | 12,036 | (12,036) |
| Capital grants and contributions applied | 7,316 | | | | 7,316 | (7,316) |
| Revenue expenditure funded from capital under statute | (8,544) | | | | (8,544) | 8,544 |
| 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 | (24,342) | | | | (24,342) | 24,342 |
| Statutory provision for the financing of capital investment | 1,827 | | | | 1,827 | (1,827) |
| **Adjustments primarily involving the Capital Grants Unapplied Account:** | | | | | | |
| Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement | 4,035 | (4,035) | | | - | - |
| Application of grants to capital financing transferred to the Capital Adjustment Account | | 4,632 | | | 4,632 | (4,632) |
| **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 | | | | | - | - |
| Use of the Capital Receipts Reserve to finance new capital expenditure | | | | | - | - |
| Contribution from the Capital Receipts Reserve to finance the payments to the Government capital receipts pool. | | | | | -<br>- | -<br>- |
| **Adjustments primarily involving the Pensions Reserve:** | | | | | | |
| Reversal of items relating to retirement benefits debited or credited to the CI&E Statement | (7,901) | | | | (7,901) | 7,901 |
| **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 | (1,594) | | | | (1,594) | 1,594 |
| **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 | 364 | | | | 364 | (364) |
| **Total Adjustments** | **(28,785)** | **597** | **-** | **-** | **(28,188)** | **28,188** |

## 10 Transfers to/from Earmarked Reserves

This note sets out the amounts set aside from the General Fund in earmarked reserves to provide financing for future expenditure plans and the amounts posted back from earmarked reserves to meet General Fund expenditure in 2017/18

| | Balance at 31 March 2017 | Transfers Out 2017/18 | Transfers In 2017/18 | Balance at 31 March 2018 |
|---|---|---|---|---|
| | £'000 | £'000 | £'000 | £'000 |
| | | | | |
| Insurance Reserve | 1,236 | (1,274) | 1,173 | 1,135 |
| Capital Fund | 2,027 | (1,435) | 2,696 | 3,288 |
| Equipment Maintenance Fund | 44 | (44) | - | - |
| Nature Reserve Maintenance Fund | 123 | (9) | 9 | 123 |
| Corporate Development Fund | 1,004 | (1,004) | - | - |
| Firestation Maintenance Fund (WAC) | 30 | (5) | - | 25 |
| Grave Maintenance Fund | 8 | - | - | 8 |
| Optalis Development Fund | - | - | 72 | 72 |
| Better Care Fund | 1,254 | | 172 | 1,426 |
| Public Health Fund | 118 | (73) | - | 45 |
| **Total** | **5,844** | **(3,844)** | **4,122** | **6,122** |

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

**Insurance Reserve**

Due to its relatively high policy excesses the council is essentially its own insurer. It maintains an internal insurance provision to cover these self insured claims. The provision meets most claims for loss or damage to RBWM assets and third party/employee compensation claims for injury, loss or damage to personal property caused by the council's negligence. Part of the reserve relates to reported outstanding claims and part is held against the modelled expectation of emerging future claims. Claims of around £798,000 are currently outstanding.

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

**Capital Fund**

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

**Nature Reserve Maintenance Fund**

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

**Corporate Development Fund**

This reserve was supported by contributions from the General Fund and was utilised to pump-prime savings generating initiatives and general infrastructure support around the Borough. Each scheme was subject to Members' approval. In 2017/18 the balance was transferred to the general fund.

**Firestation Maintenance Fund (WAC)**

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

**Grave Maintenance Fund**

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

**Optalis Development Fund**

Funds set aside for the business development of Optalis Ltd.

**Better Care Fund (BCF)**

The Section 75 agreement we have with Clinical Commissioning Groups 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 £1.058m 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 £1.426m.

**Public Health Fund (PHF)**

As permitted by the grant conditions, £45k of the Public Health grant received in 2017/18 has been carried forward to support Public Health expenditure in 2018/19.

**Schools and Dedicated Schools Grant Reserves**

| | Balance at 31 March 2017 | Transfers Out 2017/18 | Transfers In 2017/18 | Balance at 31 March 2018 |
|---|---|---|---|---|
| | £'000 | £'000 | £'000 | £'000 |
| | | | | |
| **School Revenue Balances** | **1929** | **(100)** | | **1,829** |
| | | | | |
| **Dedicated Schools Grant Reserve** | | | | |
| General DSG Reserve | (751) | (460) | | (1,211) |
| Earmarked DSG Reserve - School to School Support | - | | | - |
| Earmarked DSG Reserve - Capacity Building for Two-Year-Olds | 59 | (2) | | 57 |
| Earmarked DSG Reserve - Support for Children In Care | 77 | | | 77 |
| Earmarked DSG Reserve - Mental Health and Wellbeing | 217 | (120) | | 97 |
| **Total DSG Reserve** | **(398)** | **(582)** | **-** | **(980)** |
| **Total Schools and DSG Reserves** | **1,531** | **(682)** | **-** | **849** |

**School Revenue Balances**

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

**Dedicated Schools Grant Reserve**

Dedicated Schools Grant is a ring-fenced grant paid by the Education Funding Agency in support of the local authority's Schools Budget. The School's Budget covers schools' delegated budget shares as well as central expenditure budgets such as those for high needs pupils in mainstream and special schools, the central co-ordinated admissions function, and central SEN support services. Local authorities, in consultation with their Schools Forum, are responsible for determining the split of the grant between central services and delegated schools budgets, and for determining individual school budget shares in accordance with the local schools' funding formula. Grant allocated to schools' delegated budgets is treated as spent as soon as it is allocated. At the end of the financial year any over or underspend on the central Schools Budget is separately identified in the notes to the accounts (see note 39) and must be carried forward to support the Schools Budget in future years. The DSG reserve reflects RBWM's DSG.

Within the DSG reserve, funding has been earmarked, with approval of the Schools Forum, to provide additional support in the following areas:

• Capacity building for two year olds – to help build additional capacity among early years providers to deliver the extension to the free entitlement to education and childcare for two, three and four year olds.

• Support for children in care – to narrow the educational attainment gap of RBWM children in care compared with their peers.

• Mental health and wellbeing in schools - to provide early support for pupils at risk of mental health difficulties.

## 11 Other Operating Expenditure and Income

| | 2016/17 £'000 | 2017/18 £'000 |
|---|---|---|
| Parish council precepts | 1,301 | 1,370 |
| Levies (Environment Agency) | 149 | 151 |
| (Gains)/losses on the disposal of non-current assets* | 24,342 | (759) |
| Adjustments to provisions | (112) | 122 |
| Adjustment to School Balances via Schools Reserve | 2,620 | 682 |
| Adjustment to Other reserves taken through the cost of services | 8 | 189 |
| MMI clawback payments under the Scheme of Arrangement | 84 | - |
| Dividend from RBWM Property Company Ltd | - | (75) |
| Revenue expenditure funded from capital under statute | 8,544 | 13,345 |
| **Total** | **36,936** | **15,025** |

* Disposal of schools converting to academies and other fixed assets

## 12 Financing and Investment Income and Expenditure

| | 2016/17 £'000 | 2017/18 £'000 |
|---|---|---|
| Interest payable and similar charges | 2,840 | 2,914 |
| Pensions interest cost | 8,065 | 6,908 |
| Interest receivable and similar income | (517) | (237) |
| Changes in the fair value of investment properties | (12,036) | (60,366) |
| **Total** | **(1,648)** | **(50,781)** |

## 13 Taxation and Non-Specific Grant Income

| | 2016/17 £'000 | 2017/18 £'000 |
|---|---|---|
| Collection Fund Precepts, Demands and Adjustments | (102,255) | (110,006) |
| Business Rates Tariff payable to Central Government | 26,450 | 30,385 |
| NNDR S31 and Other Collection Fund Grant | (590) | (981) |
| Non-ring-fenced government grants (Revenue Support Grant) | (7,621) | (3,217) |
| Other non-ring-fenced government grants | (6,487) | (5,559) |
| Capital Grants and Contributions | (11,350) | (14,018) |
| **Total** | **(101,853)** | **(103,396)** |

## 14 Property, Plant and Equipment

### Movements on Balances

| Movements in 2017/18 | Other Land and Buildings £'000 | Vehicles, Plant, Furniture & Equipment £'000 | Infrastructure Assets £'000 | Community Assets £'000 | Surplus Assets £'000 | Assets Under Construction £'000 | Total PPE £'000 |
|---|---|---|---|---|---|---|---|
| **Cost or Valuation** | | | | | | | |
| At 1 April 2017 | 326,400 | 32,537 | 182,832 | 7,889 | 3,491 | 1,204 | 554,353 |
| Additions | 2,969 | 2,297 | 6,100 | 115 | | 15,566 | 27,047 |
| Revaluation increases/(decreases) recognised in the Revaluation Reserve | 395 | | | | (1,763) | | (1,368) |
| Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services | | | | | 1,045 | | 1,045 |
| Derecognition – disposals | (61) | | | | | | (61) |
| Derecognition – other | | | | | | (8,699) | (8,699) |
| Assets reclassified (to)/from Held for Sale | (2,452) | | | | 4,345 | | 1,893 |
| Other movements in cost or valuation | (149) | | | | 335 | | 186 |
| **At 31 March 2018** | **327,102** | **34,834** | **188,932** | **8,004** | **7,453** | **8,071** | **574,396** |

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| **Accumulated Depreciation and Impairment** | | | | | | | |
| At 1 April 2017 | (39,999) | (20,096) | (104,484) | (1,395) | (951) | - | (166,925) |
| Depreciation charge | (4,961) | (1,765) | (4,854) | | | - | (11,580) |
| Depreciation written out to the Revaluation Reserve | 893 | | | | | - | 893 |
| Depreciation written out to the Surplus/Deficit on the Provision of Services | | | | | | - | - |
| Derecognition – disposals | | | | | | - | - |
| **At 31 March 2018** | **(44,067)** | **(21,861)** | **(109,338)** | **(1,395)** | **(951)** | **-** | **(177,612)** |

### Net Book Value

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| **At 31 March 2018** | **283,036** | **12,972** | **79,594** | **6,609** | **6,502** | **8,071** | **396,784** |
| **At 31 March 2017** | 286,402 | 12,440 | 78,348 | 6,494 | 2,540 | 1,204 | 387,428 |

### Comparative Movements in 2016/17

| Movements in 2016/17 | Other Land and Buildings £'000 | Vehicles, Plant, Furniture & Equipment £'000 | Infrastructure Assets £'000 | Community Assets £'000 | Surplus Assets £'000 | Assets Under Construction £'000 | Total PPE £'000 |
|---|---|---|---|---|---|---|---|
| **Cost or Valuation** | | | | | | | |
| At 1 April 2016 | 311,492 | 30,136 | 174,436 | 7,154 | 3,231 | 2,315 | 528,764 |
| Additions | | 2,052 | 8,420 | 910 | | 8,556 | 19,938 |
| Revaluation | 78,279 | - | - | - | 814 | - | 79,093 |
| Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services | (35,951) | 89 | - | - | (554) | - | (36,416) |
| Derecognition – disposals | (27,175) | - | - | - | - | - | (27,175) |
| Derecognition – other | - | - | - | - | - | (9,667) | (9,667) |
| Other movements in cost or valuation | (245) | 260 | (24) | (176) | - | - | (185) |
| **At 31 March 2017** | **326,400** | **32,537** | **182,832** | **7,889** | **3,491** | **1,204** | **554,353** |

| Accumulated Depreciation and Impairment | | | | | | | |
|---|---|---|---|---|---|---|---|
| At 1 April 2016 | (51,621) | (18,816) | (99,980) | (1,395) | (951) | - | (172,763) |
| Depreciation charge | (4,957) | (1,559) | (4,504) | - | - | - | (11,020) |
| Depreciation written out to the Revaluation Reserve | 12,463 | - | - | - | - | - | 12,463 |
| Depreciation written out to the Surplus/Deficit on the Provision of Services | 1,283 | 279 | - | - | - | - | 1,562 |
| Derecognition – disposals | 2,833 | - | - | - | - | - | 2,833 |
| **At 31 March 2017** | **(39,999)** | **(20,096)** | **(104,484)** | **(1,395)** | **(951)** | **-** | **(166,925)** |

**Net Book Value**

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| **At 31 March 2017** | **286,402** | **12,440** | **78,348** | **6,494** | **2,540** | **1,204** | **387,428** |

**Depreciation**

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

**Capital Commitments**

At 31 March 2018, the Authority has entered into a number of contracts for the construction or enhancement of Property, Plant and Equipment in 2018/19 and future years budgeted to cost £17.06m. Similar commitments at 31 March 2017 were £9.02m. The major commitments are:

| Scheme | £'000 |
|---|---|
| Brill House | 500 |
| Do-It-Yourself Shared Ownership | 161 |
| Feasibility of additional school places in Maidenhead and Windsor | 125 |
| Charters School expansion | 2,200 |
| Cox Green expansion | 2,455 |
| Furze Platt Senior School-three story teaching block and hall | 6,747 |
| Furze Platt Senior School-three story teaching block and hall design fees | 289 |
| Dedworth Middle expansion to a 2FE School | 3,367 |
| Newlands School expansion | 643 |
| Windsor Office Accommodation | 568 |
| | **17,055** |

**Revaluations**

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

| | Land and Buildings | Vehicles, Plant, Furniture & Equipment | Surplus Assets | Total |
|---|---|---|---|---|
| | £'000 | £'000 | £'000 | £'000 |
| Carried at historical cost | - | 12,972 | - | 12,972 |
| Valued at fair value as at: | | | | |
| 31 March 2018 | 10,398 | - | 6,502 | 16,900 |
| 31 March 2017 | 215,242 | - | - | 215,242 |
| 31 March 2016 | 26,950 | - | - | 26,950 |
| 31 March 2015 | 32,895 | - | - | 32,895 |
| 31 March 2014 | 9,694 | - | - | 9,694 |
| **Total Cost or Valuation** | **295,179** | **12,972** | **6,502** | **314,653** |
| Variations since date of valuation (see below) | (12,143) | - | - | (12,143) |
| **Net Book Value as at 31st March 2018** | **283,036** | **12,972** | **6,502** | **302,510** |

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

**15 Heritage Assets**

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

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

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

**16 Investment Properties**

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

| | 2016/17 £'000 | 2017/18 £'000 |
|---|---|---|
| Rental income from investment property | 3,827 | 4,033 |
| Direct operating expenses arising from investment property | (1,146) | (1,082) |
| **Net gain/(loss)** | **2,681** | **2,951** |

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

| | 2016/17 £'000 | 2017/18 £'000 |
|---|---|---|
| **Balance at start of the year** | 64,674 | 76,611 |
| Additions: | | |
| Purchases | - | - |
| Disposals | - | - |
| Net gains/(losses) from fair value adjustments | 12,037 | 60,380 |
| Transfers: | | |
| (To)/from Property, Plant and Equipment | - | (1,893) |
| Other changes | (100) | 220 |
| **Balance at end of the year** | **76,611** | **135,318** |

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

In estimating the fair value of the Authority's investment properties, the highest and best use of the properties is deemed to be their current use. The investment property portfolio has been valued at 31 March 2018 in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution for Chartered Surveyors. The assets were valued by Lambert Smith Hampton, the Council's valuing agents.

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

- Level 1, quoted prices.
- Level 2, inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3, unobservable inputs for the asset or liability.

The increase in the fair value of investment properties is due to the volume of activity and the performance of UK commercial property in 2017 exceeding the most optimistic of forecasts from the start of the year. A cheaper pound and the fact that the UK's occupier markets have held up well in the wake of last year's Referendum has been crucial to this.

## 17 Intangible Assets

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

The carrying amount of intangible assets is amortised on a straight-line basis. The amortisation of £0.864m charged to revenue in 2017/18 was charged to the relevant service.

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

| | 2016/17 £'000 | 2017/18 £'000 |
|---|---|---|
| **Balance at start of year:** | | |
| Gross carrying amounts | 16,311 | 16,714 |
| Accumulated amortisation | (12,434) | (13,397) |
| **Net carrying amount at start of year** | **3,877** | **3,317** |
| | | |
| Additions: | | |
| Purchases | 378 | 236 |
| Amortisation for the period | (963) | (864) |
| Other changes | 25 | |
| **Net carrying amount at end of year** | **3,317** | **2,689** |
| **Comprising:** | | |
| Gross carrying amounts | 16,714 | 16,950 |
| Accumulated amortisation | (13,397) | (14,261) |
| **Total** | **3,317** | **2,689** |

## 18 Financial Instruments

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

| | Long-term | | Current | |
|---|---|---|---|---|
| | 2016/17 £'000 | 2017/18 £'000 | 2016/17 £'000 | 2017/18 £'000 |
| **Investments** | | | | |
| Loans and receivables | - | - | - | - |
| Unquoted equity investment at cost** | 1,041 | 1,784 | | |
| **Total Investments** | **1,041** | **1,784** | - | - |
| **Debtors** | | | | |
| Loans and receivables | 34 | 16 | 30,810 | 31,831 |
| **Total Debtors** | **34** | **16** | **30,810** | **31,831** |
| **Borrowings** | | | | |
| Financial liabilities at amortised cost*** | (57,049) | (57,049) | (13,259) | (24,453) |
| **Total Borrowings** | **(57,049)** | **(57,049)** | **(13,259)** | **(24,453)** |
| **Creditors** | | | | |
| Financial liabilities at amortised cost | (250) | (250) | (27,543) | (44,386) |
| **Total Creditors** | **(250)** | **(250)** | **(27,543)** | **(44,386)** |

**In 2017/18 the Council joined The Royal Borough of Kingston Upon Thames and The London Borough of Richmond Upon Thames as shared owner(s) of Achieving for Children, providing Children's services. In 2016/17 the Council joined Wokingham Borough Council as shared owner of Optalis Ltd a provider of Adult Social Care services . The Council has an existing Investment in RBWM Commercial Services.

*** The fair value of borrowings has been calculated as £110.915m in 2017/18.

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

Short term borrowings are loan repayments to Greater London Authority £5m, Derbyshire Pension Fund £10m and Basildon District Council £5m and net balances of £4.453m held on behalf of Trust Funds administered by the Council.

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

## 19 Inventories

| | Consumable Stores | | Client Services Work in Progress | | Total Inventories | |
|---|---|---|---|---|---|---|
| | 2016/17 £'000 | 2017/18 £'000 | 2016/17 £'000 | 2017/18 £'000 | 2016/17 £'000 | 2017/18 £'000 |
| Balance outstanding at start of year | 15 | 15 | 82 | 260 | 97 | 275 |
| Purchases | - | - | 3,583 | 2,591 | 3,583 | 2,591 |
| Recognised as an expense in the year | - | - | (3,378) | (2,647) | (3,378) | (2,647) |
| Written off balances | - | (15) | (27) | (8) | (27) | (23) |
| **Balance outstanding at year-end** | **15** | **-** | **260** | **196** | **275** | **196** |

## 20 Construction Contracts

There were no construction contracts carried out on behalf of other organisations during 2017/18.

## 21 Debtors

| | At 31 March 2017 £'000 | At 31 March 2018 £'000 |
|---|---|---|
| Central government bodies | 4,488 | 5,116 |
| Housing benefit overpayment | 4,500 | 4,565 |
| Other local and public authorities | 2,269 | 2,709 |
| Collection Fund | 4,385 | 3,903 |
| Housing Associations | 803 | 286 |
| Other entities and individuals | 14,365 | 15,252 |
| Total | **30,810** | **31,831** |

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

## 22 Cash and Cash Equivalents

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

| | At 31 March 2017 £'000 | At 31 March 2018 £'000 |
|---|---|---|
| Cash held by the Authority | 1,031 | 1,978 |
| Bank current accounts* | (34) | (2,621) |
| Short-term deposits with bank | - | - |
| **Total Cash and Cash Equivalents** | **997** | **(643)** |

*RBWM's current accounts are managed so that they are always in credit. However the balance in the cash book (£2,621k) appears to be an overdraft. This is due to timing differences at year end.

## 23 Assets Held for Sale

As at 31st March 2018 no assets were held for sale.

## 24 Creditors

| | At 31 March 2017 £'000 | At 31 March 2018 £'000 |
|---|---|---|
| Central government bodies | (7,263) | (7,122) |
| Housing associations | (471) | (370) |
| Other local and public authorities | (4,568) | (19,298) |
| Other entities and individuals | (15,241) | (17,596) |
| **Total** | **(27,543)** | **(44,386)** |

## 25 Provisions

| | National Living Wage Sleep-ins | Clearance of Shurlock Road £'000 | Provision for MMI clawback liability £'000 | Provision for redundancy £'000 | Appeal Provision for Collection Fund (Business Rates) £'000 | Total Provisions £'000 |
|---|---|---|---|---|---|---|
| Balance at 1 April 2017 | | (120) | (259) | (389) | (1,916) | (2,684) |
| Additional provisions made in 2017 | (100) | | | (664) | (1,995) | (2,759) |
| Amounts used in 2017/18 | | 49 | | 560 | | 609 |
| 2017/18 | | | | | 1,995 | 1,995 |
| Balance at 31 March 2018 | **(100)** | **(71)** | **(259)** | **(493)** | **(1,916)** | **(2,839)** |

**National Living Wage Sleep-ins**

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

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

**Provision for MMI (Municipal Mutual Insurance Ltd) clawback liability -**

**Municipal Mutual Insurance (MMI)** is an insurance company which insured 90-95% of local authorities including the former Berkshire County Council (BCC) and RBWM until solvency problems meant it ceased to write new or renew any insurance business from November 1992. Attempts of the company to make a solvent run off ceased in 2012. At this point the potential liability exceeded funds available within the MMI run off fund and liability transferred to those authorities that formed the mutual with recovery monies collected by means of a levy.

MMI collected a 15% Levy in February 2014 and then an additional 10% Levy in April 2016. The levy will be adjusted to reflect the changing financial circumstances of MMI. This provision was set in conjunction with the advice of the council’s insurance brokers and research with the other Berkshire unitaries. It is to cover our likely exposure from our total potential liabilities which currently stand at approximately 1/6 of the BCC claims of £4.3m and the RBWM claims of £248k (as at September 2017).

Zurich Municipal (insurers) and Brown Jacobsen (solicitors) handle claims that fall to the MMI policies. This service is free of charge. Most of the claims now coming in regarding BCC and RBWM are typically about child abuse and mesothelioma (asbestos related illness) but we are now also seeing more allegations of industrial deafness.

**Provision for redundancy** - provision for redundancy payments expected in 2018/19 that relate to decisions made in 2017/18.

**Appeal Provision for Business Rates** - The provision is required to cover the loss of income that may result from appeals made in 2017/18 and previous years.

**26 Usable Reserves**

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

**27 Unusable Reserves (Group)**

| | At 31 March 2017 £'000 | At 31 March 2018 £'000 |
|---|---|---|
| Capital Adjustment Account | 160,065 | 212,380 |
| Revaluation Reserve | 204,793 | 200,034 |
| Pensions Reserve | (313,583) | (293,703) |
| Collection Fund Adjustment Account | 43 | (4,194) |
| Accumulated Absences Account | (2,417) | (2,106) |
| RBWM share of Associates Reserves | - | (7,715) |
| **Total Unusable Reserves** | **48,901** | **104,696** |

**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.

| 2016/17 | | Capital Adjustment Account | 2017/18 | |
|---|---|---|---|---|
| £'000 | £'000 | | £'000 | £'000 |
| | **205,741** | **Balance at 1 April** | | **160,065** |
| 1,827 | | Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement: | | **2,054** |
| (11,020) | | Charges for depreciation and impairment of noncurrent assets | (11,579) | |
| (34,040) | | Revaluation losses on Property, Plant and Equipment | (718) | |
| (963) | | Amortisation of intangible assets | (864) | |
| (8,544) | | Revenue expenditure funded from capital under statute | (13,345) | |
| (12,049) | | 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 | | |
| | **(64,789)** | | | **(26,506)** |
| | 3,854 | Adjusting amounts written out of the Revaluation Reserve | | 5,986 |
| | | **Capital financing applied in the year:** | | |
| 0 | | Use of the Capital Receipts Reserve to finance new capital expenditure | 820 | |
| 7,316 | | Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing | 9,092 | |
| 4,633 | | Application of grants to capital financing from the Capital Grants Unapplied Account | 7,584 | |
| 1,200 | | Capital expenditure charged against the General Fund | 1,200 | |
| (9,927) | | Other Adjustments | (8,295) | |
| | **3,222** | | | **10,401** |
| | 12,037 | Movements in the market value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement | | 60,380 |
| | **160,065** | **Balance as at 31 March** | | **212,380** |

**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** | **2016/17 £'000** | **2017/18 £'000** |
|---|---|---|
| Balance at 1 April | 130,198 | 204,793 |
| Upward revaluation of assets | 78,450 | 1,227 |
| Difference between fair value depreciation and historical cost depreciation | (3,832) | (3,844) |
| Amount written off to the Capital Adjustment Account | (23) | (2,142) |
| **Balance at 31 March** | **204,793** | **200,034** |

**Pensions Reserve**

The Pensions Reserve absorbs the timing differences arising from the different arrangements for accounting for post-employment benefits and for funding benefits in accordance with statutory provisions. The Authority accounts for post-employment benefits in the Comprehensive Income and Expenditure Statement as the benefits are earned by employees accruing years of service, updating the liabilities recognised to reflect inflation, changing assumptions and investment returns on any resources set aside to meet the costs.

However, statutory arrangements require benefits earned to be financed as the Authority makes employer’s contributions to pension funds or eventually pays any pensions for which it is directly responsible. The debit balance on the Pensions Reserve therefore shows a substantial shortfall in the benefits earned by past and current employees and the resources the Authority has set aside to meet them. The statutory arrangements will ensure that funding will have been set aside by the time the benefits come to be paid.

| | **2016/17 £'000** | **2017/18 £'000** |
|---|---|---|
| Balance at 1 April | (250,585) | (313,583) |
| Actuarial gains or losses on pensions assets and liabilities | (55,097) | 17,183 |
| Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement | (16,720) | (5,662) |
| Employer’s pensions contributions and direct payments to pensioners payable in the year | 8,819 | 8,359 |
| **Balance at 31 March** | **(313,583)** | **(293,703)** |

**Collection Fund Adjustment Account**

The Collection Fund Adjustment Account manages the differences arising from the recognition of Council Tax /NDR 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**

| | 2016/17 £'000 | 2017/18 £'000 |
|---|---|---|
| Balance at 1 April | 2,386 | 2,515 |
| Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements | 129 | (984) |
| **Balance at 31 March** | **2,515** | **1,531** |

**Collection Fund - Business Rates**

| | 2016/17 £'000 | 2017/18 £'000 |
|---|---|---|
| Balance at 1 April | (749) | (2,472) |
| Amount by which NNDR income credited to the Comprehensive Income and Expenditure Statement is different from NNDR income calculated for the year in accordance with statutory requirements | (1,723) | (3,253) |
| **Balance at 31 March** | (2,472) | **(5,725)** |

**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.

| | 2016/17 £'000 | 2017/18 £'000 |
|---|---|---|
| Balance at 1 April | (2,781) | (2,417) |
| Settlement or cancellation of accrual made at the end of the preceding year | 2,781 | 2,417 |
| Amounts accrued at the end of the current year | (2,417) | 2,106 |
| **Balance at 31 March** | **(2,417)** | **2,106** |

**RBWM share of Associates Reserves**

This reserve represents the RBWM share of the assets/(liabilities) of companies in the Group. Optalis Ltd is a company owned jointly between RBWM and Wokingham Borough Council, RBWM joined the group in 2016/17. The company provides Adult Social Care.

Achieving for Children is a provider of Children's services, it is jointly owned by London Borough of Richmond, The Royal Borough of Kingston Upon Thames and RBWM. RBWM joined the group in 2017/18. Please refer to Note 54.

| | 2016/17 £'000 | 2017/18 £'000 |
|---|---|---|
| Group's interest in net assets/(liabilities) of investee at beginning of year | - | (5,941) |
| Total comprehensive income/(expenditure) attributable to the Group | - | (1,774) |
| Group's interest in net assets/(liabilities) of investee at end of year | - | **(7,715)** |

## 28 Cash Flow Statement - Operating Activities

The cash flows for operating activities include the following items:

| | 2016/17 £'000 | 2017/18 £'000 |
|---|---|---|
| Interest received | 517 | 237 |
| Interest paid | (2,840) | (2,914) |

| The surplus or deficit on the provision of services has been adjusted for the following non-cash movements | 2016/17 £'000 | 2017/18 £'000 |
|---|---|---|
| Depreciation | 11,982 | 12,443 |
| Impairment and Valuation Losses | - | - |
| Increase/(Decrease) in Creditors | (697) | 16,843 |
| (Increase)/Decrease in Debtors | (8,951) | (1,021) |
| (Increase)/Decrease in Inventories | (178) | 79 |
| Pension Liability | 7,901 | (2,697) |
| Contributions to/(from) Provisions | (373) | 155 |
| Carrying amount of non-current assets sold or de-recognised (property plant and equipment, investment property and intangible assets) | 24,342 | 61 |
| Carrying amount of short and long term investments sold | 17,966 | - |
| Upward movement in investment property values | (12,036) | (60,380) |
| **Adjust net surplus or deficit on the provision of services for non-cash movements** | **39,956** | **(34,517)** |

| The surplus or deficit on the provision of services has been adjusted for the following items that are investing and financing activities. | 2016/17 £'000 | 2017/18 £'000 |
|---|---|---|
| Proceeds from short-term (not cash equivalents) and long-term investments | (17,966) | - |
| Proceeds from the sale of property, plant and equipment, investment property and intangible assets | - | (820) |
| Capital Grants credited to the surplus or deficit on the provision of services | (11,351) | (14,017) |
| **Adjust net surplus or deficit on the provision of services for investing activities** | **(29,317)** | **(14,837)** |

## 29 Cash Flow Statement - Investing Activities

| | 2016/17 £'000 | 2017/18 £'000 |
|---|---|---|
| Purchase of property, plant and equipment, investment property and intangible assets including capital expenditure on existing assets | (20,315) | (27,283) |
| Purchase of short-term and long-term investments | - | (743) |
| Other payments for investing activities | - | - |
| Proceeds from the sale of property, plant and equipment, investment property and intangible assets | 17,966 | 820 |
| Other receipts from investing activities | 11,587 | 10,929 |
| **Net cash flows from investing activities** | **9,238** | **(16,277)** |

## 30 Cash Flow Statement - Financing Activities

| | 2016/17 £'000 | 2017/18 £'000 |
|---|---|---|
| Cash receipts of short and long-term borrowing | 12,059 | 11,194 |
| Other receipts from financing activities | - | - |
| Repayments of short and long-term borrowing | - | - |
| Other payments for financing activities | - | - |
| **Net cash flows from financing activities** | **12,059** | **11,194** |

## 31 Acquired and Discontinued Operations

The council did not acquire or discontinue any operations in the financial year ended 31 March 2018.

## 32 Trading Operations

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

### Industrial and commercial estates

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

| | 2016/17 £'000 | 2017/18 £'000 |
|---|---|---|
| Turnover | 3,827 | 4,033 |
| Expenditure | (1,146) | (1,082) |
| **Surplus/(Deficit)** | **2,681** | **2,951** |

The cumulative surplus for the last four trading years is £11.754m.

## 33 Agency Services

The Council did not provide agency services during the years ended 31 March 2017 or 31 March 2018.

## 34 Road Charging Schemes

There is a requirement to disclose the nature, income, expenditure and net proceeds of any road charging schemes under the Transport Act 2000. The Council does not have any road charging schemes in operation as at 31 March 2018.

## 35 Pooled Budgets

During 2017/18, the Council were involved in the following pooled budget arrangements,

### Better Care Fund

The Better Care Fund (BCF) is a pooled budget under Section 75 of the 2006 National Health Service Act. The BCF is a pooling of resources from Bracknell and Ascot Clinical Commissioning Group (CCG), Windsor Ascot and Maidenhead CCG and RBWM to fund the health and social care needs of RBWM residents. RBWM is the host authority for the BCF. The objectives of the BCF programmes are all aligned to support the RBWM Health and Wellbeing strategy. The BCF programme covers Intermediate care services including the Short Term Support and Re-ablement Team, community based health services, Integrated Heath and Social Care Teams and projects, self care and prevention programmes designed to promote long term independence and wellbeing and reduce avoidable non-elective hospital admissions.
In 2017/18 the £12.480m expenditure includes £4.352m of spend and equivalent funding which was incurred by our CCG partners in their accounts, on activities commissioned directly by them. The table shows gross funding with the council hosting as a principal.

| **Council Hosting the Better Care Fund as Principal** | **2016/17 £'000** | **2017/18 £'000** |
|---|---|---|
| Funding from Royal Borough of Windsor and Maidenhead | 2,136 | 2,117 |
| Funding from the Health Service | 8,206 | 8,219 |
| Other Income | 705 | 2,144 |
| **Total Funding** | **11,047** | **12,480** |
| **Total Expenditure on Better Care Fund** | **11,047** | **12,480** |

### 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.

| | **2016/17 £'000** | **2017/18 £'000** |
|---|---|---|
| **Funding** | | |
| Slough Borough Council | 307 | 488 |
| West Berkshire Council | 726 | 778 |
| RBWM | 454 | 466 |
| Other Berkshire Authorities | 1,302 | 1,319 |
| Clinical Commissioning Group (formerly Berkshire Primary Care Trusts) | 4,878 | 4,506 |
| **Total Funding** | **7,667** | **7,557** |
| | | |
| **Expenditure** | | |
| NRS Healthcare Services | 7,667 | **7,557** |
| **Total Expenditure** | **7,667** | **7,557** |
| **Net Expenditure on Joint Stores Services** | **0** | **0** |

## 36 Members' Allowances

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

| | **2016/17 £'000** | **2017/18 £'000** |
|---|---|---|
| Salaries | - | - |
| Allowances | 720 | 735 |
| Expenses | 5 | 5 |
| **Total** | **725** | **740** |

**37 Officers' Remuneration**

The following tables set out the remuneration disclosures for Senior Officers whose salary is more than £50k per year for 2017/18 and 2016/17. Compensation for loss of office excludes payments to the Pension Fund in lieu of future contributions (Pension Strain).

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

**Notes:**

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

| 2016/17 | Notes | Salary (Including Fees & Allowances) £ | Compensation for loss of Office £ | Pension Cont. £ | Total Remuneration incl. Pension contributions £ |
|---|---|---|---|---|---|
| Managing Director/Strategic Director Adult Children and Health | | 140,528 | | 17,844 | 158,372 |
| Strategic Director of Operations & Customer Services | 1 | 109,456 | | 10,723 | 120,179 |
| Interim Strategic Director of Operations & Customer Services | 2 | 91,452 | | - | 91,452 |
| Strategic Director of Corporate & Community Services | | 103,750 | | 13,280 | 117,030 |
| Head of Communities & Economic Development | 3 | 78,290 | | 10,021 | 88,311 |
| Director of Regeneration Development and Property Services | 4 | 90,000 | | 11,520 | 101,520 |
| Head of Planning | 5 | 71,506 | | 9,152 | 80,658 |
| Head of Governance, Partnerships, Performance & Policy | | 93,376 | | 12,646 | 106,022 |
| Head of Law and Governance | 6 | 13,095 | | 1,676 | 14,771 |
| Head of Finance -S151 Officer | 7 | 70,484 | | 9,022 | 79,506 |
| Interim Head of Health, Early Help, MASH* and Assessment | 8 | 40,222 | | 4,649 | 44,871 |
| Interim Head of Safeguarding and Children In Care | 8 | 40,773 | | 5,271 | 46,044 |
| Deputy Director Health & Adult Social Care | | 91,706 | | 11,738 | 103,444 |
| Head of Schools & Educational Services | | 87,696 | | 11,221 | 98,917 |
| Head of Commissioning, Adults, Children & Health | | 75,008 | | 9,600 | 84,608 |
| Head of HR | | 82,083 | | 10,502 | 92,585 |
| Head of Customer Experience | 9 | 79,818 | | 10,246 | 90,064 |
| Deputy Head of Customer Experience | | 70,038 | | 8,965 | 79,003 |
| Interim Head of Information Technology Services | 10 | 80,842 | | 10,348 | 91,190 |
| Interim Head of Information Technology Services | 10 | 75,772 | | 9,699 | 85,471 |
| Head of Community Protection & Enforcement | | 83,042 | | 10,698 | 93,740 |
| Head of Highways & Transport | | 68,075 | | 8,714 | 76,789 |

1. Left in December 2016.
2. Interim from December 2016, Previously Head of Revenue and Benefits /Deputy Director Operations and Customer Services.
3. Left in February 2017.
4. Previously Director of Planning Development and Regeneration and in this role from October 2016.
5. New post not included in prior year disclosure - employed from October 2016.
6. New post not included in prior year disclosure - employed from February 2017.
7. New post not included in prior year disclosure - employed from July 2016.
8. Jointly covering role of Deputy Director Health Early Help and Safeguarding from November 2016.
   * Multi Agency Safeguarding Hub
9. Previously Head of Libraries Information Heritage and Arts and in this role from February 2017.
10. Vacancy covered throughout year by Technology Services Manager and Senior Enterprise & Security Architect.

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

| Remuneration band | 2016/17 Employees | 2017/18 Employees |
|---|---|---|
| £50,000 - £54,999 | 34 | 30 |
| £55,000 - £59,999 | 18 | 19 |
| £60,000 - £64,999 | 13 | 15 |
| £65,000 - £69,999 | 9 | 4 |
| £70,000 - £74,999 | 9 | 5 |
| £75,000 - £79,999 | 6 | 7 |
| £80,000 - £84,999 | 5 | 4 |
| £85,000 - £89,999 | 2 | 3 |
| £90,000 - £94,999 | 4 | 1 |
| £95,000 - £99,999 | - | 2 |
| £100,000 - £104,999 | 1 | 1 |
| £105,000 - £109,999 | 1 | 1 |
| £115,000 - £119,999 | - | 1 |
| £130,000 - £134,999 | - | - |
| £135,000 - £139,999 | - | 1 |
| £140,000 - £144,999 | 1 | - |
| £145,000 - £149,999 | - | - |
| £150,000 - £154,999 | - | - |
| £155,000 - £159,999 | - | - |

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

| Exit Package Cost Band (including special payments) | Number of Compulsory Redundancies | | Number of Other Departures Agreed | | Total Number of Exit Packages by Cost Band | | Total £'000 Cost of Exit Packages in Each Band | |
|---|---|---|---|---|---|---|---|---|
| | 2016/17 | 2017/18 | 2016/17 | 2017/18 | 2016/17 | 2017/18 | 2016/17 | 2017/18 |
| £0- £20,000 | 6 | 7 | 2 | 5 | 8 | 12 | 115 | 109 |
| £20,001 - £40,000 | 1 | | | 2 | 1 | 2 | 25 | 63 |
| £40,001 - £60,000 | 2 | 1 | - | 1 | 2 | 2 | 86 | 88 |
| £60,001 - £80,000 | 1 | | | 1 | 1 | 1 | 70 | 61 |
| £80,001 - £100,000 | | | | | - | - | - | |
| **Total** | **10** | **8** | **2** | **9** | **12** | **17** | **296** | **321** |

## 38 External Audit Costs

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

| | 2016/17 £'000 | 2017/18 £'000 |
|---|---|---|
| Fees payable to KPMG with regard to external audit services carried out during the year | 107 | 107 |
| Fees payable to KPMG in respect of statutory inspections | - | - |
| Fees payable to KPMG for the certification of grant claims and returns during the year | 12 | 12 |
| Fees payable in respect of other services provided by KPMG during the year | - | - |
| **Total** | **119** | **119** |

## 39 Dedicated Schools Grant

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

**Details of the deployment of DSG receivable for 2017/18 are as follows:**

| | Central Exp' £'000 | ISB £'000 | Total £'000 |
|---|---|---|---|
| Final DSG for 2016/17 before Academy recoupment | | | 109,377 |
| Less Academy figure recoupled for 2016/17 | | | 47,517 |
| **Total DSG after Academy recoupment for 2017/18** | | | **61,860** |
| Brought forward from 2016/17 agreed in advance | | | (398) |
| Less Carry Forward to 2018/19 agreed in advance | | | 0 |
| Agreed initial budgeted distribution in 2017/18 | **23,944** | **37,518** | **61,462** |
| In-year adjustments (see below for analysis) | (299) | 177 | (122) |
| **Final Budget distribution for 2017/18** | **23,645** | **37,695** | **61,340** |
| Less actual central expenditure in 2017/18 | 24,625 | | |
| Less actual ISB deployed to schools 2017/18 | | 37,695 | |
| Plus Local Authority contribution for 2017/18 | - | - | - |
| **Carry Forward to 2018/19 agreed in advance** | **(980)** | **0** | **(980)** |

## 40 Grant Income

The Authority credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement in 2017/18.

| **Credited to Taxation and Non Specific Grant Income** | **2016/17 £'000** | **2017/18 £'000** |
|---|---|---|
| Revenue Support Grant | 7,621 | 3,217 |
| Capital Grants and Contributions | 11,350 | 14,018 |
| Council Tax Transition Grant | 1,278 | 1,262 |
| New Homes Bonus | 4,026 | 3,710 |
| Education Services Grant | 1,113 | 587 |
| Other Grants/Renewable Energy Payment | 70 | - |
| **Total Credited to Taxation and Non Specific Grant Income** | **25,458** | **22,794** |

| Credited to Services - Government Grants | 2016/17 £'000 | 2017/18 £'000 |
|---|---|---|
| Dedicated Schools Grant (DSG)* | 60,687 | 61,860 |
| Pupil Premium | 1,942 | 1,720 |
| Teacher Training | 39 | 94 |
| PE and Sports Grant | 331 | 59 |
| Universal Infant Free School Meals (UIFSM) | 1,350 | 1,799 |
| Special Educational Needs Reform | 142 | 109 |
| Other Education Grants | 49 | - |
| Cycle Training Grant | (1) | 10 |
| Extended Rights to Free Travel | 11 | 7 |
| Asylum Seekers & Other Refugee Grants | 156 | 319 |
| Adult Care Support/Improved Better Care | 249 | 1,849 |
| Disabled Facilities Grant | 705 | 857 |
| Independent Living Fund (DCLG) | 124 | 120 |
| Social Care Training & Other Grants | 36 | 13 |
| Other Education Grants (incl GTP & School Workforce Adviser) | 446 | 535 |
| Children Staying Put | 33 | 33 |
| Troubled Families DCLG | 328 | 406 |
| Post 16 Grants | 243 | 243 |
| Community Safety (PCC) | 64 | 101 |
| Public Health Grant | 5,032 | 4,978 |
| Drug Action Teams | 60 | 36 |
| Supporting Community Transport (DFT) | 76 | 76 |
| War Pensions Disregard | - | 22 |
| Collection Allowance | 243 | 249 |
| New Burdens Grant / Service Transformation | 124 | 184 |
| Adoption | 81 | 93 |
| Regional Adoption Agency Pilot Programme Grant | 90 | - |
| Support for Service Children (MoD) | 11 | 49 |
| Homelessness Grant | - | 1,052 |
| Custom Self-Build and Brownfield Register | - | 35 |
| Electoral Registration | 46 | 45 |
| Other grants | 66 | 483 |
| **Total Government Grants** | **72,763** | **77,436** |
| Mandatory Rent Allowances: subsidy | 35,180 | 33,852 |
| Discretionary Benefits | 168 | 263 |
| **Total Housing Benefit Income** | **35,348** | **34,115** |
| **Credited to Services - Other Grants and Contributions** | | |
| Housing Benefit and Council Tax Benefit Administration | 443 | 422 |
| Fraud & Error Reduction | 26 | - |
| Youth Justice Board | 150 | 133 |
| Health-Better Care | 8,206 | 7,181 |
| Health-Other Contributions | 2,227 | 2,751 |
| Contributions | 10,123 | 9,512 |
| Donations | 402 | 538 |
| Contributions from other funds/balances & reallocations | 4,443 | 12,432 |
| **Total Other Grants and Contributions** | **26,020** | **32,969** |
| | | |
| **Total Credited to Services** | **134,131** | **144,520** |

* The Dedicated Schools Grant has reduced since last year mainly due to maintained schools converting to Academies. When this occurs school funding is removed from the DSG and is paid directly to the Academy.

**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:

| | 2016/17<br>£'000 | 2017/18<br>£'000 |
|---|---|---|
| Developers Contributions | 13,101 | 10,441 |
| Other Contributions | 141 | 122 |
| Education Grants | 29 | 27 |
| Other Grants | 2,758 | 2,324 |
| **Total** | **16,029** | **12,914** |

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

| | 2016/17<br>£'000 | 2017/18<br>£'000 |
|---|---|---|
| Education Grants | 8,116 | 4,690 |
| Other Grants | 509 | 1,276 |
| **Total** | **8,625** | **5,966** |

## 41 Related Parties
RBWM is required to disclose material transactions with related parties – bodies or individuals that have the potential to control or influence the council or to be controlled or influenced by the council. Disclosure of these transactions allows readers to assess the extent to which the council might have been constrained in its ability to operate independently or might have secured the ability to limit another party's ability to bargain freely with the Authority.

**Central Government**
Central government has significant influence over the general operations of the Authority – it is responsible for providing the statutory framework within which the Authority operates, provides the majority of its funding in the form of grants and prescribes the terms of many of the transactions that the Authority has with other parties (e.g. council tax bills, housing benefits). Grants received from government departments are set out in the subjective analysis in Note 8 . Grant receipts outstanding at 31 March 2018 are shown in Note 40.

**Members**
Members of the council have direct control over the council's financial and operating policies. The total of members' allowances paid in 2017/18 is shown in Note 36.

During 201718 £1.388m of expenditure was incurred with third parties in which members had an interest.

RBWM paid grants totalling £403k to voluntary organisations in which 18 members had positions on the governing body. In all instances the grants were made with proper consideration of declarations of interest. The relevant members did not take part in any discussion or decision relating to the grants. Details of all of these transactions are recorded in the Register of Members' Interest open to public inspection at the Town Hall during office hours.

**Pension Fund**
The Royal Borough of Windsor and Maidenhead administers the Royal County of Berkshire Pension Fund on behalf of 186 active employers, including the unitary local authorities in Berkshire. The council charged £1.342m for administering the Fund during 2017/18.

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

| | Exp 2017/18 £000 | Income 2017/18 £000 |
|---|---|---|
| Charter School | 139 | 56 |
| Enterprise Cube | 43 | |
| First Steps Pre school | 116 | 3 |
| Forest Bridge School | 242 | 21 |
| Furze Platt Senior School | 370 | 111 |
| Holyport College | 131 | 32 |
| Kings Church International/Kings House School | 226 | 6 |
| SportsAble | 19 | |
| The Old Court | 95 | 1 |
| Windsor Allotments & Home Gardens Association | 7 | 6 |
| **Total** | **1,388** | **236** |

## 42 Capital Expenditure and Capital Financing

The total amount of capital expenditure incurred in the year is shown in the table below together with the resources that have been used to finance it. Where capital expenditure is to be financed in future years by charges to revenue as assets are used by the Authority, the expenditure results in an increase in the Capital Financing Requirement (CFR). This is a measure of the capital expenditure incurred historically by the Authority that has yet to be financed.

| | 2016/17 £'000 | 2017/18 £'000 |
|---|---|---|
| **Opening Capital Financing Requirement** | **72,541** | **86,425** |
| **Capital investment** | | |
| Property, Plant and Equipment | 19,938 | 27,047 |
| Investment Properties | - | - |
| Intangible Assets | 378 | 236 |
| Long Term Investments | | |
| Revenue Expenditure Funded from Capital under Statute | 8,544 | 13,345 |
| **Sources of finance** | | |
| Capital Receipts | - | (820) |
| Government Grants and Other Contributions | (11,949) | (16,676) |
| Sums set aside from Revenue: | | |
| Direct Revenue Contributions | (1,200) | (1,200) |
| Minimum Revenue Provision | (1,827) | (2,054) |
| **Closing Capital Financing Requirement** | **86,425** | **106,303** |
| Explanation of Movements in Year | | |
| Increase in underlying need to borrow (unsupported by government financial assistance) | 13,884 | 19,878 |
| **Increase/(decrease) in Capital Financing Requirement** | **13,884** | **19,878** |

**43 Leases**
**Authority as Lessee**

**Finance Leases**
There were no finance leases in 2017/18, or 2016/17.

**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:

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

| 2016/17 Future Minimum lease payments | Land and buildings £'000 | Vehicles, Plant & Equip't £'000 | Other Leases £'000 | 2016/17 Rental Charge £'000 |
|---|---|---|---|---|
| Not later than one year | 371 | 148 | 98 | **617** |
| Later than one year and not later than five years | 853 | 339 | 302 | **1,494** |
| Later than five years | 3,130 | - | 56 | **3,186** |
| **Total** | **4,354** | **487** | **456** | **5,297** |

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

| | 2016/17 £'000 | 2017/18 £'000 |
|---|---|---|
| Minimum lease payments | 2,132 | 1,841 |
| Contingent rents | 36 | 38 |
| **Total** | **2,168** | **1,879** |

**Authority as Lessor**

**Finance Leases**
There were no finance leases in 2016/17 or 2017/18.

**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:

| | 2016/17 £'000 | 2017/18 £'000 |
|---|---|---|
| Not later than one year | 3,612 | 3,296 |
| Later than one year and not later than five years | 11,736 | 11,749 |
| Later than five years | 252,938 | 210,169 |
| **Total** | **268,286** | **225,214** |

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

**44 PFI and Similar Contracts**

There were no PFI or similar contracts during 2016/17 or 2017/18.

**45 Impairment Losses**

There were no impairment losses during 2016/17 or 2017/18.

**46 Capitalisation of Borrowing Costs**

No borrowing costs were capitalised during 2016/17 or 2017/18.

**47 Termination Benefits**

The Authority terminated the contracts of 17 employees in 2017/18, incurring liabilities of £321k and 12 employees in 2016/17 incurring liabilities of £296k. See note 37 for the number and cost of redundancies by band.

**48 Pension Schemes Accounted for as Defined Contribution Schemes**

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

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

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

In 2017/18, the council paid £2.613m to Teachers' Pensions in respect of teachers' retirement benefits, representing 16.48% of pensionable pay. The figures for 2016/17 were £2.779m and 16.4%. There were no contributions remaining payable at the year-end. The Authority is responsible for the costs of any additional benefits awarded upon early retirement outside of the terms of the teachers' scheme.

**49 Defined Benefit Pension Schemes**

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

**Transactions Relating to Post-employment Benefits**

We recognise the cost of retirement benefits in the reported cost of services when they are earned by employees, rather than when the benefits are eventually paid as pensions. However, the charge we are required to make against council tax is based on the cash payable in the year, so the real cost of post employment/retirement benefits is reversed out of the General Fund via the Movement in Reserves Statement. The following transactions have been made in the Comprehensive Income and Expenditure Statement and the General Fund.

**Balance via the Movement in Reserves Statement during the year:**

| **Comprehensive Income and Expenditure Statement** | **Local Government Pension Scheme £'000** | |
|---|---|---|
| | **2016/17** | **2017/18** |
| Cost of Services: | | |
| Service Cost (comprising current service cost, past service cost and gain / loss from settlements) | 7,814 | (2,490) |
| Financing and Investment Income and Expenditure: | | |
| Net interest expense | 8,743 | 7,995 |
| Administration expenses | 163 | 157 |
| **Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services** | **16,720** | **5,662** |
| Other Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement: | | |
| Re-measurement of the net defined benefit liability comprising: | | |
| Return on plan assets | 25,714 | 1,271 |
| Actuarial gains / (losses) on changes in demographic assumptions | 6,097 | |
| Actuarial gains / (losses) on changes in financial assumptions | (106,678) | 15,912 |
| Other actuarial gains / (losses) on assets | 5,106 | |
| Experience gain/(loss) on defined benefit obligation | 14,664 | |
| **Total Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement** | **(38,377)** | **22,845** |

| **Movement in Reserves Statement** | **Local Government Pension Scheme £'000** | |
|---|---|---|
| | **2016/17** | **2017/18** |
| Reversal of net charges made to the Surplus or Deficit for the Provision of Services for post employment benefits in accordance with the Code. | 38,377 | (22,845) |
| **Actual amount charged against the General Fund Balance for pensions in the year:** | | |
| Employers' contributions payable to scheme | 8,819 | 7,797 |

**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** | |
|---|---|---|
| | **2016/17** | **2017/18** |
| Present value of the defined benefit obligation | (559,909) | (526,866) |
| Fair value of scheme assets | 254,040 | 240,331 |
| **Net Liability** | **(305,869)** | **(286,535)** |
| Present value of unfunded obligation | (7,714) | (7,168) |
| **Net Liability in the Balance Sheet** | **(313,583)** | **(293,703)** |

**Reconciliation of the present value of scheme liabilities:**

| | Local Government Pension Scheme £'000 | |
|---|---|---|
| | **2016/17** | **2017/18** |
| Opening balance at 1 April | 471,508 | 567,623 |
| Current service cost | 10,692 | 11,787 |
| Interest cost | 16,791 | 14,611 |
| Contributions by scheme participants | 2,698 | 1,979 |
| Re-measurement (gains) and losses: | | |
| Arising from changes in demographic assumptions | (6,097) | |
| Arising from changes in financial assumptions | 106,678 | (15,912) |
| Experience gain/(loss) on defined benefit obligation | (14,664) | |
| Past service costs including curtailment (losses)/gains | 217 | 322 |
| Benefits paid | (16,360) | (14,939) |
| Liabilities removed on settlement | (3,261) | (30,875) |
| Unfunded payments | (579) | (562) |
| **Closing balance at 31 March** | **567,623** | **534,034** |

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

| | Local Government Pension Scheme £'000 | |
|---|---|---|
| | **2016/17** | **2017/18** |
| Opening fair value of scheme assets | 220,923 | 254,040 |
| Interest on assets | 8,048 | 6,616 |
| Return on assets less interest | 25,714 | 1,271 |
| Other Actuarial gains / (losses) | 5,106 | |
| Administrative expenses | (163) | (157) |
| Employer contributions | 8,819 | 8,359 |
| Contributions by scheme participants | 2,698 | 1,979 |
| Benefits paid | (16,939) | (15,501) |
| Settlement prices received / (paid) | (166) | (16,276) |
| **Closing balance at 31 March** | **254,040** | **240,331** |

The actual return on scheme assets in the year was £7.9m, 2016/17 £33.8m.

**Fair value of scheme assets comprised:**

| | Local Government Pension Scheme £'000 | |
|---|---|---|
| | **2016/17** | **2017/18** |
| Gilts | 0 | |
| Cash | 26,650 | 35,393 |
| Other Bonds | 37,864 | 36,094 |
| Equities | 123,934 | 115,190 |
| Property | 35,025 | 30,905 |
| Target Return | 26,238 | 10,438 |
| Commodities | 4,210 | 249 |
| Infrastructure | 12,898 | 12,393 |
| Alternative Assets | - | |
| Longevity Insurance | (12,779) | (4,332) |
| **Closing balance at 31 March** | **254,040** | **236,330** |

**Basis for estimating assets and liabilities**

Liabilities have been assessed on an actuarial basis using the projected unit credit method, an estimate of the pensions that will be payable in future years dependant on assumptions about mortality rates , salary levels, etc.

The Local Government Pension Scheme has been estimated by Barnett Wadingham Public Sector Consulting, an independent firm of actuaries, estimates for the Council being based on the latest triennial valuation of the scheme as at 31 March 2016, the results of which were published on the 31 March 2017.

The significant assumptions used by the actuary have been:

| | Local Government Pension Scheme | |
|---|---|---|
| | **2016/17** | **2017/18** |
| Long-term expected rate of return on assets in the scheme | 2.7% | 2.5% |
| Mortality assumptions:<br>Longevity at 65 for current pensioners: | | |
| Men | 23.0 | 23.1 |
| Women | 25.0 | 25.2 |
| Longevity at 65 for future pensioners: | | |
| Men | 25.1 | 25.3 |
| Women | 27.4 | 27.5 |
| Rate of inflation | 2.7% | 2.3% |
| Rate of increase in salaries | 4.2% | 3.2% |
| 44 Rate of increase in pensions | 2.7% | 2.3% |
| Rate for discounting scheme liabilities | 2.7% | 2.5% |

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) | 20,460 | (19,681) |
| Rate of increase in salaries (increase or decrease by 0.1%) | 585 | (582) |
| Rate of increase in pensions (increase or decrease by 0.1%) | 9,484 | (9,307) |
| Rate for discounting scheme liabilities (increase or decrease by 0.1%) | 10,056 | (9,856) |

Amounts are relative to the present value of scheme liabilities £534.034m

**50 Contingent Liabilities**

At 31 March 2018, the Authority had no material contingent liabilities.

**51 Contingent Assets**

At 31 March 2018, the Authority had no material contingent assets.

**52 Nature and Extent of Risks Arising from Financial Instruments**

The Authority's activities expose it to a variety of financial risks:
• credit risk – the possibility that other parties might fail to pay amounts due to the Authority
• liquidity risk – the possibility that the Authority might not have funds available to meet its commitments to make payments
• market risk – the possibility that financial loss might arise for the Authority as a result of changes in such measures as interest rates and stock market movements.

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

**Credit Risk**

Credit risk arises from deposits with banks and financial institutions, as well as credit exposures to the authority's customers. This risk is minimised through the Annual Investment Strategy, which requires that deposits are not made with financial institutions unless they meet identified minimum credit criteria, as laid down by the Fitch Ratings Service. The Annual Investment Strategy also imposes a maximum sum to be invested with a financial institution located within each category.

**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:

| | At 31 March 2017 £'000 | At 31 March 2018 £'000 |
|---|---|---|
| Less than one year | 13,259 | 24,453 |
| Between one and two years | - | |
| Between two and five years | 785 | |
| More than five years | 56,264 | 57,049 |
| **Total Financial Liabilities** | **70,308** | **81,502** |

**Interest Rate Risk**

The Authority is exposed to risk in terms of its exposure to interest rate movements on its borrowings and investments. Movements in interest rates have a complex impact on the authority. For instance, a rise in interest rates would have the following effects:
• borrowings at variable rates – the interest expense charged to the Surplus or Deficit on the Provision of Services will rise
• borrowings at fixed rates – the fair value of the borrowings will fall
• investments at variable rates – the interest income credited to the Surplus or Deficit on the Provision of Services will rise
• investments at fixed rates – the fair value of the assets will fall.

Borrowings are not carried at fair value, so nominal gains and losses on fixed rate borrowings would not impact on the Surplus of Deficit on the Provision of Services or Other Comprehensive Income and Expenditure.

However, changes in interest payable and receivable on variable rate borrowings and investments will be posted to the Surplus or Deficit on the Provision of Services and affect the General Fund Balance. Movements in the fair value of fixed rate investments that have a quoted market price will be reflected in Other Comprehensive Income and Expenditure. The Authority has a number of strategies for managing interest rate risk. Policy is to aim to keep all of its borrowings in fixed rate loans. During periods of falling interest rates, and where economic circumstances make it favourable, fixed rate loans will be repaid early if possible to limit exposure to losses.

**Price Risk**

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

**Foreign Exchange Risk**

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

**53 Trusts and Other Entities**

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

| | Balance at 31st March 2017 £'000 | Receipts in Year £'000 | Payments /Transfers in Year £'000 | Balance at 31st March 2018 £'000 |
|---|---|---|---|---|
| Local Enterprise Partnership (LEP) | 9,239 | 27,336 | 18,509 | **18,066** |
| Flexible Home Improvements Ltd (FHIL) | 519 | 38 | 234 | **323** |
| Kidwells Park Trust | 432 | 22 | 10 | **444** |
| RBWM Flood Relief Fund | 189 | - | - | **189** |
| Mayor's Benevolent Fund | 33 | 1 | 4 | **30** |
| Working Boys Club | 692 | 22 | 24 | **690** |
| Thames Valley Athletic Centre | 49 | 10 | - | **59** |
| Other Trust Funds | 1 | - | - | **1** |
| RBWM Commercial Services Ltd | 34 | 884 | 884 | **34** |
| RBWM Property Company Ltd | (39) | 356 | 353 | **(36)** |
| **Trusts & Other Entities Total** | **11,149** | **28,669** | **20,018** | **19,800** |

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

**Thames Valley Athletics Centre**

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

**Other Trust Funds**

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

**RBWM Commercial Services Ltd**

Covanta RBWM Ltd, provided waste treatment and disposal services, was acquired by RBWM in February 2014 as a result of it's American parent company Covanta Energy Corporation withdrawing from the UK waste market. As part of the acquisition the name of the company was changed.

**RBWM Property Company Ltd**

The company has been created as a dedicated and wholly owned arms length property management and development trading subsidiary of the Council. Its aim is to create a property portfolio primarily available to rent within both the affordable and private rental market.

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

| | Optalis Ltd | Achieving for Children (AfC) |
|---|---|---|
| Nature of relationship with the Group | Shared owner with Wokingham Borough Council providing Adult Social Care services | Shared owner with The Royal Borough of Kingston Upon Thames and The London Borough of Richmond Upon Thames, a community interest company providing Children's services |
| Principal place of business / Country of incorporation | UK | UK |
| Ownership interest / Voting rights held | 45% | 20% |
| | | AfC joined the group in August 2017 |

The following is summarised financial information for Optalis and AfC, for the financial year ended 31 March 2018, based on their respective consolidated financial statements.

| | Optalis Ltd<br>£'000 | AfC<br>£'000 |
|---|---|---|
| Revenue | 44,243 | 123,067 |
| Profit/(loss) from continuing operations | 19 | (5,887) |
| Post-tax profit from discontinued operations | - | (6,388) |
| Other comprehensive income/expenditure | 40 | 3,274 |
| **Total comprehensive income** | **59** | **(9,001)** |
| Attributable to non-controlling interest | 27 | (1,801) |
| Attributable to investee's shareholders | 32 | (7,200) |
| Current assets | 4,609 | 33,619 |
| Non-current assets | 44 | 533 |
| Current liabilities | (4,380) | (35,635) |
| Non-current liabilities | - | (37,706) |
| **Net assets/(liabilities)** | **273** | **(39,189)** |
| Attributable to non-controlling interest | 123 | (7,839) |
| Attributable to investee's shareholders | 150 | (31,350) |
| Group's interest in net assets of investee at beginning of year/date of acquisition | 96 | (6,038) |
| Total comprehensive income attributable to the Group | 27 | (1,801) |
| Dividends received during the year | - | - |
| Group's interest in net assets of investee at end of year | 123 | (7,839) |
| **Carrying amount of interest in investee at year end** | **775** | **750** |

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 due, 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.

# Supplementary Accounting Statements 2017/18

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.

| 2016/17 £'000 | COUNCIL TAX | 2017/18 £'000 |
|---|---|---|
| | **INCOME** | |
| 79,197 | Council Tax receivable | 83,029 |
| **79,197** | **Total Income** | **83,029** |
| | **EXPENDITURE** | |
| | **Apportionment of Previous Year Surplus** | |
| 1,394 | Royal Borough of Windsor and Maidenhead | 2,615 |
| 90 | Berkshire Fire and Rescue Authority | 455 |
| 242 | Thames Valley Police & Crime Commissioner | 167 |
| **1,726** | | **3,237** |
| | **Precepts and Demands** | |
| 62,993 | Royal Borough of Windsor and Maidenhead | 66,457 |
| 4,025 | Berkshire Fire and Rescue Authority | 4,169 |
| 10,969 | Thames Valley Police & Crime Commissioner | 11,359 |
| **77,987** | | **81,985** |
| | **Charges to Collection Fund** | |
| 135 | Less write offs of uncollectable amounts | 146 |
| (1,145) | Less: Increase/(Decrease) in Bad Debt Provision | (1,457) |
| 335 | Less: Disregarded amounts | 333 |
| **(675)** | **Total Expenditure** | **(978)** |
| 159 | **Surplus/(Deficit) arising during the year** | (1,215) |
| 2,932 | **Surplus (Deficit) Brought Forward** | 3,091 |
| **3,091** | **Surplus/(Deficit) Carried Forward** | **1,876** |

| 2016/17 £'000 | BUSINESS RATES | 2017/18 £'000 |
|---|---|---|
| | **INCOME** | |
| 81,400 | Business Rates receivable | 83,150 |
| - | Transitional Protection Payments | 1,286 |
| **81,400** | **Total Income** | **84,436** |
| | **EXPENDITURE** | |
| | **Apportionment of Previous Year Surplus** | |
| 195 | Central Government | (1,001) |
| 192 | Royal Borough of Windsor and Maidenhead | (1,022) |
| 4 | Berkshire Fire and Rescue Authority | (21) |
| **391** | | **(2,044)** |
| | **Precepts and Demands** | |
| 41,880 | Central Government | 46,251 |
| 41,043 | Royal Borough of Windsor and Maidenhead | 45,326 |
| 838 | Berkshire Fire and Rescue Authority | 925 |
| **83,761** | | **92,502** |
| | **Charges to Collection Fund** | |
| 434 | Less write offs of uncollectable amounts | 334 |
| 45 | Less: Increase/(Decrease) in Bad Debt Provision | - |
| - | Less: Increase/(Decrease) in Provision for Appeals | - |
| 243 | Less: Cost of Collection | 249 |
| 41 | Less: Disregarded amounts | 32 |
| **763** | **Total Expenditure** | **615** |
| (3,515) | **Surplus/(Deficit) arising during the year** | (6,637) |
| (1,530) | **Surplus (Deficit) Brought Forward** | (5,045) |
| **(5,045)** | **Surplus/(Deficit) Carried Forward** | **(11,682)** |

### 55 Council Tax Income

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

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

Council Tax support is awarded to residents on low incomes and a 25% single person's discount is given where a property has only one occupant. There are various other discounts, reliefs and exemptions that are available depending on individual circumstances to reduce the payable amount. For 2017/18 the sum of £29.54 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 £45.89 at band D for 2017/18.

| Band | Property Value | Number of Properties | | | Appeals / Non - Collection Provision | TAX BASE |
|---|---|---|---|---|---|---|
| | | Base | Ratio | Band D Equivalent | | |
| A | Up to £40,000 | 1,365 | 6/9 | 910.77 | -4.57 | 906.20 |
| B | £40,001 to £52,000 | 2,559 | 7/9 | 1,990.31 | -9.94 | 1,980.37 |
| C | £52,001 to £68,000 | 7,290 | 8/9 | 6,480.39 | -32.38 | 6,448.01 |
| D | £68,001 to £88,000 | 13,782 | 9/9 | 13,782.07 | -68.90 | 13,713.17 |
| E | £88,001 to £120,000 | 11,889 | 11/9 | 14,530.67 | -72.66 | 14,458.01 |
| F | £120,001 to £160,000 | 7,601 | 13/9 | 10,978.85 | -54.88 | 10,923.97 |
| G | £160,001 to £320,000 | 8,994 | 15/9 | 14,989.47 | -74.95 | 14,914.52 |
| H | more than £320,000 | 1,691 | 18/9 | 3,382.34 | -16.94 | 3,365.40 |
| **Total** | | 55,171 | | 67,044.86 | -335.22 | **66,709.64** |

The average Band D charge for 2017/18 was £1,234.81. Therefore, based on the adjusted tax base of 66,710 the estimated yield was £82.374m. This can be reconciled to the income received as follows:-

| | 2016/17 £'000 | 2017/18 £'000 |
|---|---|---|
| Estimated Yield | 78,308 | 82,374 |
| Transitional Relief | 0 | 0 |
| Other Changes in Yield | 889 | 655 |
| **Council Tax Income** | **79,197** | **83,029** |

The council tax debt position is reviewed regularly and a provision of £1.230m to cover potentially bad or doubtful debts has been made. RBWM's share of this provision is £0.99m.

### 56 Business Rates Income

Business rates, also known as non-domestic rates (NDR), 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) 47.9p in 2017/18 (49.7p in 2016/17). The total rateable value of business premises in the Borough's area at 31st March 2018 was £190.6m producing a notional yield of £96.420m. The business rate debt position is reviewed regularly and a provision of £1.029m to cover potentially bad or doubtful debts has been made. RBWM's share of the provision is £504k.

| | 2016/17 £'000 | 2017/18 £'000 |
|---|---|---|
| Notional Yield | 94,726 | 96,420 |
| Allowances | (13,968) | (13,395) |
| Rateable Value Changes | 715 | 2,088 |
| Occupation Changes | (73) | (716) |
| **Collectable Income** | **81,400** | **84,397** |

## 57 Precepts and Demands on the Funds

The following authorities made demands on the Council Tax Collection Fund in 2017/18:-

| | 2017/18 | |
|---|---|---|
| | £'000 | £'000 |
| **Council Tax** | | |
| Royal Borough of Windsor and Maidenhead | | |
| General Expenses | 61,089 | |
| Adult Social Care Precept | 3,061 | |
| Unparished area costs* | 1,009 | |
| Parishes | 1,298 | |
| | | 66,457 |
| Thames Valley Police & Crime Commissioner | | 11,359 |
| Berkshire Fire and Rescue Authority | | 4,169 |
| **Total Precepts and Demands** | | **81,985** |

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

The following authorities made demands on the Business Rates Collection Fund in 2017/18:-

| | 2017/18 | |
|---|---|---|
| | £'000 | £'000 |
| **Business Rates** | | |
| Royal Borough of Windsor and Maidenhead | 45,326 | |
| | | 45,326 |
| Central Government | | 46,251 |
| Berkshire Fire and Rescue Authority | | 925 |
| **Total Precepts and Demands** | | **92,502** |

### The Royal County of Berkshire Pension Fund Account

| 2016/17 £'000 | | Notes | 2017/18 £'000 |
|---|---|---|---|
| | **Dealings with members, employers and others directly involved in the Fund** | | |
| (98,745) | Contributions | 64 | (108,591) |
| (9,826) | Transfers in from other pension funds | 65 | (13,403) |
| (108,571) | | | (121,994) |
| | | | |
| 96,585 | Benefits | 66 | 100,493 |
| 6,966 | Payments to and on account of leavers | 67 | 10,184 |
| 103,551 | | | 110,677 |
| **(5,020)** | **Net (additions)/withdrawals from dealings with members** | | **(11,317)** |
| | | | |
| **8,378** | **Management expenses** | 68 | **9,204** |
| | | | |
| **3,358** | **Net additions/withdrawals including fund management expenses** | | **(2,113)** |
| | | | |
| | **Returns on investments** | | |
| (34,915) | Investment income | 69 | (40,770) |
| 2,207 | Taxes on income | 70 | 3,036 |
| (238,086) | Profits and losses on disposal of investments and changes in the market value of investments | 71 | (48,421) |
| (270,794) | Net return on investments | | (86,155) |
| | | | |
| **(267,436)** | **Net (increase)/decrease in the net assets available for benefits during the year** | | **(88,268)** |
| | | | |
| 1,656,559 | **Opening net assets of the scheme** | | 1,923,995 |
| **1,923,995** | **Closing net assets of the scheme** | | **2,012,263** |

### Net Assets Statement for the year ended 31 March 2018

| 2016/17 £'000 | | Notes | 2017/18 £'000 |
|---|---|---|---|
| 1,981,322 | Investment assets | 71 | 2,082,344 |
| (65,020) | Investment liabilities | 71 | (63,402) |
| 1,916,302 | **Total net investments** | | 2,018,942 |
| | | | |
| 10,241 | Current assets | 78 | 9,048 |
| (2,548) | Current liabilities | 79 | (15,727) |
| | | | |
| **1,923,995** | **Net assets of the fund available to fund benefits at the end of the reporting period** | | **2,012,263** |

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

**Notes to the Royal County of Berkshire Pension Fund Accounts for the year ended 31 March 2018**

## 58 Description of Fund

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

The following description of the fund is a summary only. For more detail, reference should be made to the Royal County of Berkshire Pension Fund Annual Report 2017/18 and the underlying statutory powers underpinning the scheme, namely the Public Service Pensions Act 2013 and the Local Government Pension Scheme (LGPS) Regulations.

### a) General

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

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

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

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

### b) Membership

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

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.

There are 186 active employer organisations within the Royal County of Berkshire Pension Fund including the administering authority itself, and 70,310 individual members, as detailed below:

| The Royal County of Berkshire Pension Fund | 31 March 2017 | 31 March 2018 |
|---|---|---|
| Number of employers with active members | 218 | **186** |
| **Number of employees in scheme** | | |
| Administering authority | 2,432 | 1,867 |
| Unitary authorities | 15,097 | 12,741 |
| Other employers | 8,541 | 12,990 |
| **Total** | **26,070** | **27,598** |
| **Number of pensioners** | | |
| Administering authority | 1,723 | 1,792 |
| Unitary authorities | 8,324 | 8,822 |
| Other employers | 6,070 | 6,314 |
| **Total** | **16,117** | **16,928** |
| **Deferred pensioners** | | |
| Administering authority | 3,603 | 3,635 |
| Unitary authorities | 14,941 | 15,332 |
| Other employers | 6,358 | 6,817 |
| **Total** | **24,902** | **25,784** |
| | | |
| **Total number of members in pension scheme** | **67,089** | **70,310** |

**c) Funding**
Benefits are funded by contributions and investment earnings. Contributions are made by active members of the fund in accordance with the LGPS Scheme Regulations 2013 and range from 5.5% to 12.5% of pensionable pay for the financial year ending 31 March 2018. Employers' contributions are set based on triennial actuarial funding valuations. The last such valuation was at 31 March 2016. During 2017/18, employer contribution rates ranged from 9.1% to 31.3% of pensionable pay.

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

| | Service pre 1 April 2008 | Service post 1 April 2008 |
|---|---|---|
| **Pension** | Each year worked is worth 1/80 x final pensionable salary. | Each year worked is worth 1/60 x final pensionable salary. |
| **Lump Sum** | Automatic lump sum of 3 x salary.<br>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.<br><br>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 scheme became a career average revalued earnings (CARE) scheme, whereby members accrue benefits based on their pensionable pay in that year at an accrual rate of 1/49th. Accrued pension is updated annually in line with the Consumer Prices Index.

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

**59 Basis of preparation**
The Statement of Accounts summarises the fund's transactions for the 2017/18 financial year and its position at year-end as at 31 March 2018. The accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2017/18 ('the code') which is based upon International Financial Reporting Standards (IFRS), as amended for the UK public sector.

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

**60 Summary of significant accounting policies**
**Fund account - revenue recognition**

**a) Contribution income**
Normal contributions, both from the members and from the employer, are accounted for on an accruals basis at the percentage rate recommended by the fund actuary in the payroll period to which they relate.

Employer deficit funding contributions are accounted for on the due dates on which they are payable under the schedule of contributions set by the scheme actuary or on receipt if earlier than the due date.

Employers' augmentation contributions and pensions strain contributions are accounted for in the period in which the liability arises. 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**
Transfer values represent the amounts received and paid during the year for members who have either joined or left the fund during the financial year and are calculated in accordance with the Local Government Pension Scheme Regulations 2013 (see Notes 65 and 67).

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

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

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

**c) Investment income**

i) Interest income

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

ii) Dividend income

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

iii) Distributions from pooled funds

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

iv) Movement in the net market value of investments

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

**Fund Account - expense items**

**d) Benefits payable**

Pensions and lump-sum benefits payable include all amounts known to be payable during the financial year. Any amounts due but unpaid are disclosed in the net assets statement as current liabilities (Note 79).

**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 code does not require any breakdown of pension fund administrative expenses. However, in the interests of greater transparency, the council discloses its pension fund management expenses in accordance with the CIPFA guidance *Accounting for Local Government Pension Scheme Management Costs (2016)* .

Administrative expenses

All administration expenses are accounted for on an accruals basis. 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 oversight and governance expenses are accounted for on an accruals basis. 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

All investment management expenses are accounted for on an accruals basis.

Fees of the external investment managers 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.

Where an investment manager's fee note has not been received by the balance sheet date, an estimate based upon the market value of their mandate as at the end of the year is used for inclusion in the fund account. In 2017/18, no estimated fees are included in investment management fees (2016/17: zero).

The costs of the council's in-house fund management team are charged direct to the fund and a proportion of the council's costs representing management time spent by officers on investment management is also charged to the fund.

**Net Assets Statement**

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

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

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

**i) Derivatives**
The fund uses derivative financial instruments to manage its exposure to specific risks arising from its investment activities. The fund does not hold derivatives for speculative purposes (see note 72).

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

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

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

**l) Actuarial present value of promised retirement benefits**
The actuarial present value of promised retirement benefits is assessed on a triennial basis by the scheme actuary in accordance with the relevant actuarial standards.

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

**m) Additional voluntary contributions**
The Royal County of Berkshire Pension Fund provides an additional voluntary contributions (AVC) scheme for its members, the assets of which are invested separately from those of the pension fund. The fund has appointed Prudential as its current AVC provider. AVCs are paid to the AVC provider by employers and are specifically for providing additional benefits for individual contributors. Each AVC contributor receives an annual statement showing the amount held in their account and the movements in the year.

The fund has previously used Equitable Life and Clerical Medical as alternative AVC providers to Prudential.

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

**n) Contingent assets and contingent liabilities**
A contingent 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.

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.

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

**61 Critical judgements in applying accounting policies**

**Pension fund liability**

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

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

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

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

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

The items in the financial statements and notes at 31 March 2018 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

| Item | Uncertainties | Effect if actual results differ from assumptions |
|---|---|---|
| **Actuarial present value of promised retirement benefits** | Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide the fund with expert advice about the assumptions to be applied. | The effects on the net pension liability of changes in individual assumptions can be measured. For instance, a 0.1% increase in the discount rate assumption would result in a decrease in the pension liability of approximately £81.3 million. A 0.1% increase in the long term salary increases assumption would increase the value of liabilities by approximately £7.0 million, and a one-year increase in assumed life expectancy would increase the liability by approximately £157.7 million. |
| **Private equity investments** | Private equity investments are valued at fair value in accordance with the International Private Equity and Venture Capital Board guidelines. These investments are not publicly listed and as such there is a degree of estimation involved in the valuation. | The total private equity investments in the financial statements are £597 million. There is a risk that this investment may be under- or overstated in the accounts. |

**63 Events after the balance sheet date**

There have been no events since 31 March 2018, and up to the date when these accounts were authorised, that require any adjustments to these accounts.

## 64 Contributions receivable

### By category

| 2016/17 £'000 | | 2017/18 £'000 |
|---|---|---|
| 26,433 | Employees' contributions | 26,650 |
| | **Employers' contributions** | |
| 53,021 | Normal contributions | 61,089 |
| 17,291 | Deficit recovery contributions | 18,602 |
| 2,000 | Augmentation contributions | 2,250 |
| **72,312** | **Total employer's contributions** | **81,941** |
| **98,745** | | **108,591** |

### By authority

| 2016/17 £'000 | | 2017/18 £'000 |
|---|---|---|
| 90,217 | Scheduled bodies | 98,681 |
| 4,759 | Admitted bodies | 4,657 |
| 3,769 | Transferee admission body | 5,253 |
| **98,745** | | **108,591** |

## 65 Transfers in from other pension funds

| 2016/17 £'000 | | 2017/18 £'000 |
|---|---|---|
| 9,826 | Individual transfers from other pension funds | 13,356 |
| - | AVC to purchase scheme benefits | 47 |
| **9,826** | | **13,403** |

## 66 Benefits payable

### By category

| 2016/17 £'000 | | 2017/18 £'000 |
|---|---|---|
| 75,843 | Pensions | 80,065 |
| 17,733 | Commutation and lump sum retirement benefits | 17,520 |
| 3,009 | Lump sum death benefits | 2,908 |
| **96,585** | | **100,493** |

### By authority

| 2016/17 £'000 | | 2017/18 £'000 |
|---|---|---|
| 87,847 | Scheduled bodies | 91,265 |
| 6,780 | Admitted bodies | 6,554 |
| 1,958 | Transferee admission body | 2,674 |
| **96,585** | | **100,493** |

## 67 Payments to and on account of leavers

| 2016/17 £'000 | | 2017/18 £'000 |
|---|---|---|
| 366 | Refunds to members leaving service | 478 |
| 6,600 | Individual transfers to other pension funds | 9,706 |
| **6,966** | | **10,184** |

**68 Management expenses**

| 2016/17 £'000 | | 2017/18 £'000 |
|---|---|---|
| 1,316 | Administrative costs | 1,342 |
| 6,940 | Investment management expenses | 7,816 |
| 122 | Oversight and governance costs | 46 |
| **8,378** | | **9,204** |

**a) Investment management expenses**

| 2016/17 £'000 | | 2017/18 £'000 |
|---|---|---|
| 6,714 | Management Fees | 7,583 |
| 226 | Custody Fees | 233 |
| **6,940** | | **7,816** |

**69 Investment income**

| 2016/17 £'000 | | 2017/18 £'000 |
|---|---|---|
| 17,148 | Income from equities | 19,090 |
| 1,125 | Income from bonds | 2,348 |
| 5,281 | Private equity income | 7,671 |
| 9,594 | Pooled property investments | 9,199 |
| 1,348 | Pooled investments - unit trusts and other managed funds | 1,616 |
| 419 | Interest on cash deposits | 846 |
| **34,915** | **Total before taxes** | **40,770** |

**70 Other fund account disclosures**

**a) Taxes on income**

| 2016/17 £'000 | | 2017/18 £'000 |
|---|---|---|
| 687 | Withholding tax - equities | 1,064 |
| 1,201 | Withholding tax - pooled property investments | 1,342 |
| 319 | Withholding tax - pooled investments | 630 |
| **2,207** | | **3,036** |

b) **External audit costs**

| 2016/17 £'000 | | 2017/18 £'000 |
|---|---|---|
| 26 | Payable in respect of external audit | 30 |
| **26** | | **30** |

## 71 Investments

| Market value 31 March 2017 | | Market value 31 March 2018 |
|---|---|---|
| £'000 | | £'000 |
| | **Investment assets** | |
| 84,320 | Bonds | 100,456 |
| 471,187 | Equities | 458,806 |
| 387,279 | Pooled investments | 332,724 |
| 81,518 | Pooled liquidity funds | 295,208 |
| 259,548 | Pooled property investments | 271,613 |
| 580,664 | Private equity | 583,269 |
| | Derivative contracts: | |
| 21,426 | - Forward currency contracts | 3,929 |
| 31,119 | Cash deposits | 32,836 |
| 3,120 | Investment income due | 3,503 |
| 61,141 | Amounts receivable for sales | - |
| **1,981,322** | **Total investment assets** | **2,082,344** |
| | | |
| | **Investment liabilities** | |
| | Derivative contracts: | |
| (820) | - Forward currency contracts | (289) |
| (64,200) | - Longevity Insurance Policy | (63,113) |
| (65,020) | **Total investment liabilities** | (63,402) |
| | | |
| **1,916,302** | **Net investment assets** | **2,018,942** |

### a) Reconciliation of movements in investments and derivatives

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

| | Market value 1 April 2016 | 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 2017 |
|---|---|---|---|---|---|
| | £'000 | £'000 | £'000 | £'000 | £'000 |
| Bonds | **85,131** | 19,432 | (30,793) | 10,550 | **84,320** |
| Equities | **215,784** | 233,074 | (57,107) | 79,436 | **471,187** |
| Pooled investments | **707,409** | 31,779 | (447,175) | 95,266 | **387,279** |
| Pooled liquidity funds | **72,580** | 526,639 | (517,797) | 96 | **81,518** |
| Pooled property investments | **189,902** | 23,575 | - | 46,071 | **259,548** |
| Private equity | **415,680** | 172,954 | (92,624) | 84,654 | **580,664** |
| | **1,686,486** | 1,007,453 | (1,145,496) | 316,073 | **1,864,516** |
| Derivative contracts: | | | | | |
| - Forward currency contracts | **3,498** | 226,382 | (130,506) | (78,768) | **20,606** |
| - Longevity insurance policy | **(65,071)** | 6,297 | - | (5,426) | **(64,200)** |
| | **1,624,913** | **1,240,132** | **(1,276,002)** | **231,879** | **1,820,922** |
| Other investment balances: | | | | | |
| - Cash deposits | **15,942** | | | 6,207 | **31,119** |
| - Amount receivable for sales of investments | **5,032** | | | | **61,141** |
| - Investment income due | **1,415** | | | | **3,120** |
| - Payment made in advance | **3,050** | | | | **-** |
| **Net investment assets** | **1,650,352** | | | **238,086** | **1,916,302** |

**Purchases and sales of derivatives are recognised in note 71a above as follows:**
Forward currency contracts - forward foreign exchange contracts settled during the period are reported on a gross basis as gross receipts and payments.

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

**b) Analysis of investments**

| 31 March 2017 £'000 | | 31 March 2018 £'000 |
|---|---|---|
| | **Investment assets** | |
| | **Bonds** | |
| | **Overseas** | |
| 84,320 | Corporate quoted (Overseas) | 100,456 |
| **84,320** | | **100,456** |
| | **Equities** | |
| | **UK** | |
| 96,330 | Quoted | 95,766 |
| | **Overseas** | |
| 374,857 | Quoted | 363,040 |
| **471,187** | | **458,806** |
| | **Pooled investments - additional analysis** | |
| | **UK** | |
| 209,456 | Unit Trusts | 221,673 |
| | **Overseas** | |
| 177,823 | Unit Trusts | 111,051 |
| **387,279** | | **332,724** |
| | **Other investment assets** | |
| 81,518 | Pooled liquidity funds | 295,208 |
| 259,548 | Pooled property investments | 271,613 |
| 580,664 | Private Equity | 583,269 |
| 21,426 | Derivative contracts | 3,640 |
| 31,119 | Cash deposits | 32,836 |
| 3,120 | Investment income due | 3,503 |
| 61,141 | Amounts receivable for sales | - |
| **1,038,536** | | **1,190,069** |
| **1,981,322** | **Total investment assets** | **2,082,055** |
| | **Investment liabilities** | |
| (65,020) | Derivative contracts | (63,113) |
| **(65,020)** | **Total investment liabilities** | **(63,113)** |
| **1,916,302** | **Net investment assets** | **2,018,942** |

**c) Investments analysed by fund manager**

| Market value 31 March 2017 £'000 | % | | Market value 31 March 2018 £'000 | % |
|---|---|---|---|---|
| 1,214,524 | 63.4 | Royal County of Berkshire Pension Fund in-house investment team | 1,342,739 | 66.5 |
| 213,028 | 11.1 | Aviva Global Investors | 221,659 | 11.0 |
| 242,276 | 12.6 | Kames Capital | 242,880 | 12.0 |
| 225,868 | 11.8 | RWC Partners | 207,192 | 10.3 |
| 20,606 | 1.1 | The Cambridge Strategy (Asset Management | 4,472 | 0.2 |
| **1,916,302** | | | **2,018,942** | |

All the above organisations are registered in the United Kingdom.

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

| Security | Market value 31 March 2017 £'000 | % of total fund | Market value 31 March 2018 £'000 | % of total |
|---|---|---|---|---|
| Aviva Global Real Estate | 148,550 | 7.8 | 153,161 | 7.6 |
| JP Morgan Sterling Liquidity Fund | 11,150 | 0.6 | 158,931 | 7.9 |

**72 Analysis of derivatives**

**Objectives and policies for holding derivatives**

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

**- Forward foreign currency**

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

**- Longevity Insurance Policy**

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

**Open forward currency contracts**

| Settlement | Currency bought | Local value 000 | Currency sold | Local value 000 | Asset value £000 | Liability value £000 |
|---|---|---|---|---|---|---|
| One to six months | GBP | 492,402 | USD | (690,363) | 1,878 | |
| One to six months | GBP | 136,019 | EUR | (153,156) | 1,407 | |
| One to six months | GBP | 10,918 | AUD | (19,374) | 357 | |
| One to six months | GBP | 11,513 | NOK | (124,644) | 204 | |
| One to six months | USD | 22,478 | GBP | (15,924) | 47 | |
| One to six months | USD | 1,176 | BRL | (3,859) | 16 | |
| One to six months | USD | 1,170 | TRY | (818) | 14 | |
| One to six months | USD | 1,262 | CLP | (757,586) | 4 | |
| One to six months | USD | 867 | SGD | (1,595) | 1 | |
| One to six months | USD | 1,179 | INR | (77,372) | 1 | |
| One to six months | USD | 1,228 | KRW | (1,303,855) | | (1) |
| One to six months | GBP | 605 | EUR | (693) | | (3) |
| One to six months | GBP | 521 | USD | (742) | | (7) |
| One to six months | GBP | 10,942 | CAD | (19,840) | | (8) |
| One to six months | USD | 1,236 | MXN | (23,290) | | (18) |
| One to six months | JPY | 2,112,904 | GBP | (14,229) | | (40) |
| One to six months | CHF | 18,111 | GBP | (13,740) | | (212) |
| **Open forward currency contracts at 31 March 2018** | | | | | **3,929** | **(289)** |
| **Net forward currency contracts at 31 March 2018** | | | | | | **3,640** |
| **Prior year comparative** | | | | | | |
| **Open forward currency contracts at 31 March 2017** | | | | | **21,426** | **(820)** |
| **Net forward currency contracts at 31 March 2017** | | | | | | **20,606** |

### 73 Fair value - Basis of valuation

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

| Description of asset | Valuation hierarchy | Basis of valuation | Observable and unobservable | Key sensitivities affecting the valuations |
|---|---|---|---|---|
| **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 - overseas unit trusts and property funds** | Level 2 | Closing bid price where bid and offer prices are published<br>Closing single price where single price published | NAV-based pricing set on a forward pricing basis | Not required |
| **Unquoted equity** | Level 3 | Comparable valuation of similar companies in accordance with *International Private Equity and venture Capital Guidelines (2012)* | EBITDA multiple<br>Revenue multiple<br>Discount for lack of marketability<br>Control premium | Valuations could be affected by material events occurring between the date of the financial statements provided and the pension fund's own reporting date, by changes to expected cash flows, and by any differences between audited and unaudited accounts |

**Sensitivity of assets valued at level 3**

Having analysed historical data and current market trends the fund has determined that the valuation methods described above are likely to be accurate to within the following ranges, and has set out below the consequent potential impact on the closing value of investments held at 31 March 2018.

| | Assessed valuation range (+/-) | Value at 31 March 2018 | Value on increase | Value on decrease |
|---|---|---|---|---|
| | | £'000 | £'000 | £'000 |
| Pooled property investments | 0% | 271,613 | 271,613 | 271,613 |
| Private equity | 3% | 583,269 | 600,767 | 565,771 |
| Derivative contracts | 0% | (63,113) | (63,113) | (63,113) |
| **Total** | | **791,769** | **809,267** | **774,271** |

**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 2018 | Quoted market price Level 1 £'000 | Using observable inputs Level 2 £'000 | With significant unobservable inputs Level 3 £'000 | Total £'000 |
|---|---|---|---|---|
| **Financial assets** | | | | |
| Financial assets at fair value through profit and loss | 814,713 | 377,010 | 854,882 | 2,046,605 |
| Loans and receivables | 44,777 | | | 44,777 |
| **Total financial assets** | **859,490** | **377,010** | **854,882** | **2,091,382** |
| **Financial liabilities** | | | | |
| Financial liabilities at fair value through profit and loss | (279) | | (63,113) | (63,392) |
| Financial liabilities at amortised cost | (15,727) | | | (15,727) |
| **Total financial liabilities** | **(16,006)** | **-** | **(63,113)** | **(79,119)** |
| **Net financial assets** | **843,484** | **377,010** | **791,769** | **2,012,263** |

| Values at 31 March 2017 | Quoted market price Level 1 £'000 | Using observable inputs Level 2 £'000 | With significant unobservable inputs Level 3 £'000 | Total £'000 |
|---|---|---|---|---|
| **Financial assets** | | | | |
| Financial assets at fair value through profit and loss | 596,627 | 449,102 | 840,212 | 1,885,941 |
| Loans and receivables | 105,622 | | | 105,622 |
| **Total financial assets** | **702,249** | **449,102** | **840,212** | **1,991,563** |
| **Financial liabilities** | | | | |
| Financial liabilities at fair value through profit and loss | (820) | | (64,200) | (65,020) |
| Financial liabilities at amortised cost | (2,548) | | | (2,548) |
| **Total financial liabilities** | **(3,368)** | **-** | **(64,200)** | **(67,568)** |
| **Net financial assets** | **698,881** | **449,102** | **776,012** | **1,923,995** |

**b) Reconciliation of fair value measurements within level 3**

| | Market value 31 March 2017 | Purchases during the year and derivative receipts | Sales during the year and derivative receipts | Unrealised gains/(losses) | Realised gains/(losses) | Market value 31 March 2018 |
|---|---|---|---|---|---|---|
| | **£'000** | **£'000** | **£'000** | **£'000** | **£'000** | **£'000** |
| Private equity | 580,664 | 128,326 | (128,686) | (32,060) | 35,025 | 583,269 |
| Pooled property investments | 259,548 | 25,283 | (45,730) | 32,710 | (198) | 271,613 |
| Derivative contracts | (64,200) | 6,894 | - | (5,807) | | (63,113) |
| | **776,012** | **160,503** | **(174,416)** | **(5,157)** | **34,827** | **791,769** |

## 74 Financial instruments

**a) Classification of financial instruments**

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

| Fair value through profit and loss | Loans and receivables | Financial liabilities at amortised cost | | Fair value through profit and loss | Loans and receivables | Financial liabilities at amortised cost |
|---|---|---|---|---|---|---|
| | **31 March 2017** | | | | **31 March 2018** | |
| **£'000** | **£'000** | **£'000** | | **£'000** | **£'000** | **£'000** |
| | | | **Financial assets** | | | |
| 84,320 | | | Bonds | 100,456 | | |
| 471,187 | | | Equities | 458,806 | | |
| 387,279 | | | Pooled investments | 332,724 | | |
| 81,518 | | | Pooled liquidity funds | 295,208 | | |
| 259,548 | | | Pooled property investments | 271,613 | | |
| 580,664 | | | Private equity | 583,269 | | |
| 21,426 | | | Derivative contracts | 3,929 | | |
| | 35,699 | | Cash | | 36,131 | |
| | 64,261 | | Other investment balances | | 3,503 | |
| | 5,661 | | Debtors | | 5,753 | |
| **1,885,942** | **105,621** | **-** | | **2,046,005** | **45,387** | **-** |
| | | | **Financial liabilities** | | | |
| (65,020) | | | Derivative contracts | (63,402) | | |
| | | (2,548) | Creditors | | | (15,727) |
| **(65,020)** | **-** | **(2,548)** | | **(63,402)** | **-** | **(15,727)** |
| **1,820,922** | **105,621** | **(2,548)** | | **1,982,603** | **45,387** | **(15,727)** |

**b) Net gains and losses on financial instruments**

| 31 March 2017 | | 31 March 2018 |
|---|---|---|
| **£'000** | | **£'000** |
| 231,879 | Fair value through profit and loss | 53,435 |
| 6,207 | Loans and receivables | (5,014) |
| **238,086** | **Total** | **48,421** |

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

**75 Nature and extent of risks arising from financial instruments**

**Risk and risk management**

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

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 council 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 by the council 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 movement during the financial year the council has determined that the following movements in market price risk are reasonably possible for the 2017/18 reporting period:

| Asset type | Potential market movements (+/-) |
|---|---|
| Bonds | 9.5% |
| Equities | 9.0% |
| Private Equity | 9.2% |
| Pooled investments | 11.5% |
| Pooled Property Funds | 4.2% |

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 2018 | Potential market movement | Value on increase | Value on decrease |
|---|---|---|---|---|
| | £'000 | £'000 | £'000 | £'000 |
| **Investment portfolio assets:** | | | | |
| Bonds | 100,456 | 9,543 | 109,999 | 90,913 |
| Equities | 458,806 | 41,293 | 500,099 | 417,513 |
| Pooled investments | 332,724 | 38,263 | 370,987 | 294,461 |
| Pooled Property Funds | 271,613 | 11,408 | 283,021 | 260,205 |
| Private Equity | 583,269 | 53,661 | 636,930 | 529,608 |
| Net derivative liabilities | (59,473) | - | (59,473) | (59,473) |
| Cash and cash equivalents | 328,044 | - | 328,044 | 328,044 |
| Investment income due | 3,503 | - | 3,503 | 3,503 |
| Amounts receivable for sales | - | - | - | - |
| Payment made in advance | - | - | - | - |
| **Current assets:** | | | | |
| Debtors | 5,753 | - | 5,753 | 5,753 |
| Cash balances | 3,295 | - | 3,295 | 3,295 |
| **Current liabilities** | (15,727) | - | (15,727) | (15,727) |
| **Total** | **2,012,263** | | **2,166,431** | **1,858,095** |

| Asset type | Value as at 31 March 2017 | Potential market movement | Value on increase | Value on decrease |
|---|---|---|---|---|
| | £'000 | £'000 | £'000 | £'000 |
| **Investment portfolio assets:** | | | | |
| Bonds | 84,320 | 8,010 | 92,330 | 76,310 |
| Equities | 471,187 | 42,407 | 513,594 | 428,780 |
| Pooled investments | 387,279 | 44,537 | 431,816 | 342,742 |
| Pooled Property Funds | 259,548 | 10,901 | 270,449 | 248,647 |
| Private Equity | 580,664 | 53,421 | 634,085 | 527,243 |
| Net derivative liabilities | (43,594) | - | (43,594) | (43,594) |
| Cash and cash equivalents | 112,637 | - | 112,637 | 112,637 |
| Investment income due | 3,120 | - | 3,120 | 3,120 |
| Amounts receivable for sales | 61,141 | - | 61,141 | 61,141 |
| Payment made in advance | - | - | - | - |
| **Current assets:** | | | | |
| Debtors | 5,661 | - | 5,661 | 5,661 |
| Cash balances | 4,580 | - | 4,580 | 4,580 |
| **Current liabilities** | (2,548) | - | (2,548) | (2,548) |
| **Total** | **1,923,995** | | **2,083,271** | **1,764,719** |

**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 2018 and 31 March 2017 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 council 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 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 ri | Value as at 31 March 2018 | Change in year in the net assets available to pay benefits | |
|---|---|---|---|
| | | + 100 BPS | - 100 BPS |
| | £'000 | £'000 | £'000 |
| Cash and cash equivalents | 328,044 | - | - |
| Cash balances | 3,295 | - | - |
| Bonds | 100,456 | (4,379) | 4,379 |
| **Total change in assets available** | **431,795** | **(4,379)** | **4,379** |

| Asset exposed to interest rate ri | Value as at 31 March 2017 | Change in year in the net assets available to pay benefits | |
|---|---|---|---|
| | | + 100 BPS | - 100 BPS |
| | £'000 | £'000 | £'000 |
| Cash and cash equivalents | 112,637 | - | - |
| Cash balances | 4,580 | - | - |
| Bonds | 84,320 | (3,926) | 3,926 |
| **Total change in assets available** | **201,537** | **(3,926)** | **3,926** |

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

| Income exposed to interest rate risk | Amount receivable in year ending 31 March 2017 | Effect on income values | |
|---|---|---|---|
| | | + 100 BPS | - 100 BPS |
| | £'000 | £'000 | £'000 |
| Cash balances/cash and cash equivalents | 419 | 1,203 | (1,203) |
| Bonds | 1,125 | - | - |
| **Total change in income receivable** | **1,544** | **1,203** | **(1,203)** |

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

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

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, the council considers the likely volatility associated with foreign exchange rate movements to be 10.1% (as measured by one standard deviation).

A 10.1% fluctuation in the currency is considered reasonable based on analysis of long-term historical movements in the month-end exchange rates over a rolling 3 year period.

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

A 10.1% strengthening/weakening of the pound against the various currencies in which the fund holds investments would increase/decrease the net assets available to pay benefits as follows:

| Assets exposed to currency risk | Asset value as at 31 March 2018 | Change to net assets available to pay benefits | |
|---|---|---|---|
| | | +10.1% | -10.1% |
| | £'000 | £'000 | £'000 |
| Overseas equities | 363,040 | 36,667 | (36,667) |
| Overseas unit trusts | 111,051 | 11,216 | (11,216) |
| **Total change in assets available** | **474,091** | **47,883** | **(47,883)** |

| Assets exposed to currency risk | Asset value as at 31 March 2017 | Change to net assets available to pay benefits | |
|---|---|---|---|
| | | +10.1% | -10.1% |
| | £'000 | £'000 | £'000 |
| Overseas equities | 374,857 | 37,861 | (37,861) |
| Overseas unit trusts | 177,823 | 17,960 | (17,960) |
| **Total change in assets available** | **552,680** | **55,821** | **(55,821)** |

**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.

In essence, the fund's entire investment portfolio is exposed to some form of credit risk, with the exception of the derivatives positions, where the risk equates to the net market value of a positive derivative position. However, 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.

Contractual credit risk is represented by the net payment or receipt that remains outstanding, and the cost of replacing the derivative position in the event of a counterparty default. The residual risk is minimal due to the various insurance policies held by the exchanges to cover defaulting counterparties.

Credit risk on over-the-counter derivative contracts is minimised as counterparties are recognised financial intermediaries with acceptable credit ratings determined by a recognised rating agency.

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

The council 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 2018 was £331.3m (31 March 2017: £117.2m). This was held with the following institutions:

| | Rating | Balances as at 31 March 2017 | Balances as at 31 March 2018 |
|---|---|---|---|
| | | £'000 | £'000 |
| **Money Market funds** | | | |
| Aviva | A+ | 25,003 | **41,090** |
| JP Morgan | A+ | 11,629 | **177,106** |
| Legal & General | A+ | 24,925 | **36,009** |
| Northern Trust | AA- | 19,960 | **41,002** |
| **Bank deposit accounts** | | | |
| JP Morgan | A+ | 31,119 | **32,836** |
| **Bank current accounts** | | | |
| Lloyds | A+ | 4,580 | **3,295** |
| **Total** | | **117,216** | **331,339** |

**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 council therefore takes steps to ensure that it has adequate cash resources to meet its commitments.

The council has immediate access to its pension fund cash holdings.

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 2018 the value of illiquid assets was £854.9m, which represented 42.5% of the total fund assets (31 March 2017: £840.2m, which represented 43.7% of the total fund assets).

Management prepares periodic cash flow forecasts to understand and manage the timing of the fund's cash flows. The appropriate strategic level of cash balances to be held forms part of the fund investment strategy.

**Refinancing risk**

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

**76 Funding arrangements**

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

The key elements of the funding policy are:

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

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

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

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

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

**Financial assumptions**

| | |
|---|---|
| Discount Rate | 5.9% per annum |
| Pension and Deferred Pension Increases | 2.4% per annum |
| Short term pay increases | CPI for period from 31 March 2016 to 31 March 2020 |
| Long term pay increases | 3.9% per annum |

**Mortality assumptions**

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

**Commutation assumption**

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

**77 Actuarial present value of promised retirement benefits**

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

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

Calculated on an IAS19 basis, the actuarial present value of promised retirement benefits at 31 March 2018 was £4,264 million (31 March 2017: £4,185 million). The net assets available to pay benefits as at 31 March 2018 was £2,010 million (31 March 2017: £1,924 million). The implied fund deficit as at March 2018 was therefore £2,254 million (31 March 2017: £2,261 million).

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

**IAS19 assumptions used**

| | |
|---|---|
| Inflation/pension increase rate assumption | 2.30% |
| Salary increase rate | 3.80% |
| Discount rate | 2.55% |

**78 Current assets**

| 31 March 2017 | | 31 March 2018 |
|---|---|---|
| **£'000** | | **£'000** |
| 4,905 | Contributions due | 5,157 |
| 756 | Sundry debtors | 596 |
| 5,661 | Debtors | 5,753 |
| 4,580 | Cash balances | 3,295 |
| **10,241** | | **9,048** |

**Analysis of debtors**

| 31 March 2017 | | 31 March 2018 |
|---|---|---|
| **£'000** | | **£'000** |
| 2,363 | Other local authorities | 1,549 |
| 3,298 | Other entities and individual | 4,204 |
| **5,661** | | **5,753** |

**79 Current liabilities**

| 31 March 2017 | | 31 March 2018 |
|---|---|---|
| **£'000** | | **£'000** |
| (2,452) | Sundry creditors | (15,727) |
| (96) | Benefits payable | - |
| **(2,548)** | | **(15,727)** |

**Analysis of creditors**

| 31 March 2017 £'000 | | 31 March 2018 £'000 |
|---|---|---|
| (886) | Central government bodies | (902) |
| (253) | Other local authorities | (11,940) |
| (1,409) | Other entities and individual | (2,885) |
| **(2,548)** | | **(15,727)** |

**80 Additional voluntary contributions**

| Market value 31 March 2017 £'000 | | Market value 31 March 2018 £'000 |
|---|---|---|
| 14,068 | Prudential | 13,874 |
| 4 | Equitable Life | 4 |
| 18 | Clerical Medical | 18 |
| **14,090** | **Total** | **13,896** |

AVC Contributions of £2.051 million were paid directly to Prudential during the year (2016/17: £2.029 million).

**81 Related party transactions**
**The Royal Borough of Windsor and Maidenhead**

The Royal County of Berkshire Pension Fund is administered by The Royal Borough of Windsor and Maidenhead. Consequently there is a strong relationship between the council and the pension fund.

During the reporting period, the council incurred costs of £1.342m (2016/17 £1.316m) in relation to the administration of the fund and was subsequently reimbursed by the fund for these expenses. The council is also the 5th largest employer of members of the pension fund and contributed £9.7m (2016/17 £11.0m).

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

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

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

**82 Contingent liabilities and contractual commitments**
Outstanding capital commitments (investments) at 31 March 2018 totalled £321.046m (31 March 2017: £397.835m).

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

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

## GLOSSARY OF TERMS

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

**Accounting Policies**
Define the process whereby transactions and other events are reflected in the financial statements.
**Accruals**
The concept that income and expenditure are recognised as they are earned or incurred, not as money is received or paid.
**Actuarial Gains and Losses**
The change in actuarial deficits or surpluses arising from actual gains/ losses since the last valuation or changes in actuarial assumptions.
**Capital Charge**
A charge to service revenue accounts to reflect the cost of fixed assets used in the provision of services.
**Capital Expenditure**
Expenditure on the acquisition of a fixed asset or expenditure which adds to and not merely maintains the value of an existing asset.
**Community Assets**
Assets that the local authority intends to hold in perpetuity, that have no specific life span, and that may have restrictions on their disposal. Examples of such assets include parks and historic buildings.
**Classes of Tangible Assets**
Operational Assets:
Council Dwellings, Other land and building, Vehicles, plant, furniture and equipment
Infrastructure Assets; Community Assets
Non Operational Assets:
Investment property, Assets under construction and Surplus assets for disposal
**Contingent Asset or Liability**
A condition which exists at the balance sheet date, where the outcome will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events which are not wholly within our control.
**Current Service Costs (Pensions)**
The increase in the present value of the pensions scheme's liabilities expected to arise from employee service in the current period.
**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.
**Creditors**
Amounts owed by an authority at the balance sheet date for goods received or work done.
**Debt**
This refers to the amount of long term debt borrowed by an authority or for which the authority has responsibility to repay and which was used to finance the acquisition of fixed assets. It is similar to a mortgage on a private person's home.
**Debtor**
Amounts due to an authority but unpaid at the balance sheet date.
**Depreciation**
The measure of the wearing out, consumption or other reduction in the useful economic life of a fixed asset, whether arising from use, passage of time, or of obsolescence through technological or other changes.
**Events after the Balance Sheet date**
Those events, both favourable and unfavourable, which occur between the balance sheet date and the date on which the Statement of Accounts is signed by the responsible officer.
**Fair value**
The fair value of an asset is the price at which it could be exchanged in an "arms length" transaction less, where applicable, any income receivable towards the purchase or use of that asset.
**Finance Lease**
A lease that transfers substantially all the risks and rewards of ownership of a fixed asset to the lessee. Such a transfer may be presumed to occur if, at the inception of the lease, the present value of the minimum lease payments, including any initial payment, amounts to substantially all of the fair value of the leased asset.
**Impairment**

A reduction in the value of a fixed asset arising from changes in market value, obsolescence or change in business.
**Infrastructure Assets**
Fixed assets that are inalienable or immovable, expenditure on which is recoverable only by the continued use of the asset created. Examples of infrastructure assets are highways and footpaths.

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

**Reserves**
Reserves are maintained by transferring money to and from the Income and Expenditure Account. There are generally two types of Reserve:
1.General Reserves which create a cushion against unexpected events or emergencies or to even out the effect of variations in cash flow (i.e. to avoid temporary borrowing)
2. Earmarked Reserves created to meet known or predicted liabilities (e.g. Capital Reserves, Insurance Reserves and schools balances)

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

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

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

**Stocks**
These comprise the following :-
a) goods or other assets purchased for resale;
b) consumable stores;
c) raw materials and components purchased for incorporation into products for sale;
d) products and services in intermediate stages of completion;
e) long-term contract balances;
f) finished goods for resale.

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

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

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