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NOTICE

OF

MEETING

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Royal Borough of Windsor & Maidenhead

CORPORATE OVERVIEW & SCRUTINY PANEL

will meet on

MONDAY, 18TH NOVEMBER, 2019

At 6.00 pm

in the

DESBOROUGH 2 & 3 - TOWN HALL, MAIDENHEAD

TO: MEMBERS OF THE CORPORATE OVERVIEW & SCRUTINY PANEL

COUNCILLORS LYNNE JONES, JULIAN SHARPE, CHRIS TARGOWSKI (CHAIR), LEO WALTERS (VICE-CHAIRMAN) AND SIMON WERNER

SUBSTITUTE MEMBERS
COUNCILLORS CLIVE BASKERVILLE, PHIL HASELER, GEOFF HILL, SHAMSUL SHELIM AND JOHN STORY

Karen Shepherd – Head of Governance – Issued: 8th November 2019

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 **Mark Beeley** 01628 796345

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The footage can be found through the council's main Twitter feed @RBWM or via the Periscope website. The audio recording will also be made available on the RBWM website, after the meeting. Filming, recording and photography of public Council meetings may be undertaken by any person attending the meeting. By entering the meeting room you are acknowledging that you may be audio or video recorded and that this recording will be in the public domain. If you have any questions regarding the council's policy, please speak to the Democratic Services or Legal representative at the meeting.

AGENDA

PART I

ITEM	SUBJECT	PAGE NO
1.	APOLOGIES FOR ABSENCE To receive any apologies for absence.	-
2.	DECLARATIONS OF INTEREST To receive any declarations of interest.	5 - 6
3.	MINUTES To consider the minutes of the meeting held on 22nd October 2019.	7 - 12
4.	FINAL STATEMENT OF ACCOUNTS To receive a report on the above titled item.	13 - 118
5.	EXTERNAL AUDIT IAS260 To consider the report.	119 - 176
6.	ANNUAL GOVERNANCE STATEMENT To consider the report.	To Follow
7.	GDPR COMPLIANCE PROGRESS REPORT To consider the report.	177 - 186
8.	REVIEW OF CONTRACTING PROCESS To consider the presentation on the above titled item.	187 - 198
9.	WORK PROGRAMME To consider the Panel's work programme for the remainder of the Municipal year. To include consideration of items scheduled on the Cabinet Forward Plan.	199 - 200

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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 **<u>or</u>** (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.

<u>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.</u>

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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CORPORATE OVERVIEW & SCRUTINY PANEL

TUESDAY, 22 OCTOBER 2019

PRESENT: Councillors Phil Haseler, Lynne Jones, Julian Sharpe, Leo Walters (Vice-Chair, in the Chair) and Simon Werner

Also in attendance: Councillors David Hilton, Jon Davey, Ewan Larcombe and Mandy Brar

Officers: Mark Beeley, David Cook, Nikki Craig, Andy Jeffs, Duncan Sharkey, Ruth Watkins, Peter Robinson and Terry Neaves

APOLOGIES FOR ABSENCE

Apologies for absence were received from Councillor Targowski, Councillor Haseler attended as a substitute.

DECLARATIONS OF INTEREST

There were no declarations of interest received.

MINUTES

RESOLVED UNAMIOUSLY; That the minutes of the meeting held on 25th September 2019 were approved as a true and accurate record.

CIPFA REVIEW

ACTION – The Chairman amended the agenda by bringing item 5: CIPFA Review, to the top of the list of items considered by the Panel.

Councillor Hilton introduced the report and explained that when he became the Lead Member for Finance, he raised concerns about financial monitoring, and as a result agreed with the Managing Director to invite CIPFA to conduct an internal review. The report was commissioned by both the administration and the Managing Director.

Duncan Sharkey, Managing Director, said that there were concerns about financial governance and that CIPFA were asked to focus on one capital project but other wider concerns were found.

Peter Robinson, from CIPFA, explained that CIPFA aimed to promote good financial practise in the public sector. The report set out the initial snapshot findings from an independent six day piece of work carried out by CIPFA approximately twelve weeks ago. Following this, work continued examining the overall arrangements for financial governance within the authority. The work was still ongoing and therefore a final report would not be completed and published until the end of the financial year. While some issues had been identified, these could change as the report enters its second phase. However, Peter Robinson said that he believed improvements were already being made.

The Panel were informed that financial monitoring was the responsibility of everyone within the Council and that an appropriate level of reserves should be set to manage the authorities risks.

Peter Robinson explained that medium term financial plan informed the level at which council tax was set and the long term financial planning of the authority. There was usually a five year plan in place and further work would be carried out in this area.

RBWM's financial monitoring report said that reserves were deemed to be adequate, but it was noted that compared to other unitary authorities they were low. In 2018, Wokingham Borough Council had around £82 million worth of reserves, while for RBWM the level was under £10 million. This therefore meant that RBWM was more susceptible to financial shocks.

There were a few issues with the Treasury Management Strategy, as it did not comply with the Code of Practise and was inadequate as it did not set out the Council's borrowing intentions and risks clearly.

In regards to capital monitoring, CIPFA had highlighted that no slippages were reported during the year but by the end of the year it was reported £23 million worth of slippage had occurred, which was a significant amount. Working with the Lead Member they were looking at introducing quarterly capital monitoring reports.

Peter Robinson reiterated that CIPFA had been asked to look at a capital project in Dedworth and that the findings were Ultra Vires. There was no suggestion that a criminal offence had been committed but good governance had not been adhered to. That said, the works carried out were appropriate and provided benefit to residents.

The Chairman asked for clarification of the term used Ultra Vires. He was informed that it effectively meant to not have authority, so while the action was not illegal, it did mean that some decisions had been made by officers beyond the powers of their position.

Councillor Davey questioned that accountability of borrowing and the large increases month by month on capital spend, and whether ex-councillors were accountable.

In response, the Managing Director explained that once the CIPFA report had been completed it would be brought before the scrutiny panel. There were no implications at this stage that money had been wasted or that RBWM had spent money on things it could not afford, it was about visibility and reporting mechanisms.

Councillor Jones highlighted that she had previously raised concerns with the medium term financial plan at previous scrutiny meetings but none of her concerns had been addressed. She had asked for financial information from the previous Lead Member but this request had been refused. The lack of transparency was a major issue.

The Chairman responded by saying that there had been historical issues but there was now a new Lead Member for Finance and administration who was working at improving transparency.

Councillor Hilton said that before CIPFA were asked to carry out the review he had raised concerns about the need for a budget strategy and improved MTFP. In order to manage the council's finances and continue to protect the most vulnerable in the community, long term planning was essential.

Councillor Werner highlighted that it was important that finances were the responsibility of all councillors and that we should be looking to the past to correct mistakes for the future. He told members that he had asked Councillor Hilton about a £4 million overspend, but had not been told whether it would be recurring. Councillor Werner asked Peter Robinson what information should be open for the public and opposition councillors to view.

Peter Robinson agreed that there should be a certain level of transparency and openness about financial reporting but not all draft reports should be available because not all information would be correct at the initial stages.

This was echoed by the Managing Director, who explained that officers would give members all the appropriate information to do their jobs. He agreed with Peter Robinson in regard to the availability of drafts and the appropriate time of making the correct information available.

Councillor Werner asked if the Desborough project was a one-off incident or if had been repeated. The Panel were informed that CIPFA were not looking at all historical projects but at future reporting mechanisms.

Councillor Sharpe commented that it was clear there was room for improvement in the process and that the Lead Member for Finance was addressing the issues raised. There was a national increasing demand on adult social care and children care and this was something to be aware of when looking at financial management.

Councillor Jones pointed out that in the 2015 budget, she warned of an increase in the cost of adult and child social care but the budget in these areas was reduced. She said that opposition councillors had been previously refused information and asked for reassure that it would not happen again.

Councillor Hilton clarified that in this year's budget, there had been an increase of £3 million put towards adult and child social care. He further explained that there needed to be guidelines on the release of financial information prior to the financial update report going to Cabinet and during the budget build.

Councillor Larcombe asked about £125,000 worth of expenditure on the Raysbury Drain, he had asked this before and would continue to ask until he received an adequate answer. He would be asking the question again at full council.

Councillor Davey argued that all councillors should be given access to the council's financial information.

Perter Robinson reiterated that was not always appropriate to publish draft information and work in progress. However, from a scrutiny perspective all councillors should be aware of what was being budgeted and transparency was being improved.

Councillor Werner understood the point about reports being in draft, and argued the point that the responsibility was with all councillors, both the administration and the opposition. He asked Councillor Hilton if he would be willing to work with the opposition.

In response, Councillor Hilton said that changes would be made to the financial update report to make the information easier to understand and this was one of the drivers in asking CIPFA to come to the authority.

The Managing Director concluded by explaining that officers would give councillors good quality information so that they could make informed decisions. He highlighted that good governance comes about when it is on a non-adversarial basis.

RESOLVED UNAMIOUSLY; That the Panel noted the CIFA report.

FINANCIAL UPDATE

The Lead Member for Finance introduced the Financial Update report that had been considered by Cabinet in September 2019 and had been brought to the Panel at the request of members.

Councillor Jones asked about the £5.68 million in reserves and whether this would be enough or should be reviewed.

The Lead Member for Finance responded that the level of reserves had been stable over the past few years. However, they needed to be reviewed so that they could support risks in the revenue budget and also fund schemes which would generate revenue or improve efficiency.

Peter Robinson added that most councils have a general fund reserve, but this was held to mitigate risks and financial shocks. Areas such as redundancy reserve should be held separately. The interim S151 officer said that it was important RBWM understood its financial risks and only then could the level of reserve be realised.

Councillor Werner argued that there was complacency across the council and that there should be a warning to RBWM that the problems need to be taken seriously or there is a risk of bankruptcy such as seen at Northampton County Council, especially with regard to a £4 million recurring overspend figure. Peter Robinson responded that due to his work with CIPFA he had worked with Northampton County Council and that RBWM were a long way from their position and thus comparisons were unfounded.

He explained that it was all about knowing and reacting to issues, whilst more reserves would make this easier for the authority to be more resilient.

Councillor Jones raised concerns about the number of undeliverable savings and incomes that had previously been reported and the lack of detail, she asked for reassurance that the saving targets for next year’s budget would be achievable.

The interim S151 officer informed the Panel that the savings targets would be reviewed. He explained that there was a base line forecast, but there were optimistic and pessimistic variables that had to be considered.

The Managing Director informed members that there would be a commissioned piece of work to look at adults and children spend and appropriate forecast models.

Councillor Werner queried the capital programme and its £189 million projected spend, he asked if this would be reduced. The Panel were informed there was planned expenditure on infrastructure, the Braywick Leisure Centre and regeneration in Maidenhead but the debt was expected to fall.

Councillor Jones commented that it would good for scrutiny to see the cash flow forecast. The Managing Director confirmed that it would be part of financial reporting.

The Panel noted the report.

PEER REVIEW

The Managing Director introduced the report regarding the progress made since the Local Government Association (LGA) peer review.

The Panel were informed that the Local Government Association undertook a peer review of RBWM in September 2017. On 10-11 June 2019 the same team visited to assess progress. The team found positive progress in relation to the original findings and offered further comments contained within the report.

Councillor Jones commented on how the report had highlighted the need for more robust scrunity but this had not materialised, there needed to be more robust scrutiny, task and finish groups and challenge to the executive.

The Lead Member who held responsibility for Governance responded that she would be undertaking a review of the scrutiny function following the changes to Panel structures in May

2019 as a result of the constitutional review. The review would be in conjunction with Karen Shepherd, Head of Governance. Councillor Jones asked if opposition members could be invited to take part in this review.

The Panel noted the positive progress contained within the report, Councillors Jones and Werner felt that scrutiny had not made positive progress.

MODERN WORKPLACE

The Executive Director, Andy Jeffs, introduced the Modern Workplace report and explained that he had addressed some of the points raised when the item was considered at council.

The project would cost RBWM £405,000 as the current PC equipment was at the end of its life span and needed to be replaced. Subject to approval, a contract would be awarded by 31st March 2020 and there would be a number of benefits that would be significant and make a real difference in the working environment. The recent pilot scheme highlighted the following issues:

- At least 16 GB of RAM was needed, as the programmes and applications that RBWM uses would not be able to run smoothly on 8 GB
- The laptop resolution was not HD and therefore a higher resolution would be needed
- Docking stations at each desk to allow direct network access rather than via Wi-Fi
- More devices (originally it had been assumed that 100 devices could be re-used)
- The addition of 67 Optalis staff
- An increase in basic costs of 30% due to Brexit

Issues that had been raised at full council included:

- £405,000 being an overspend and a significant cost to RBWM
- Issues with the 10 year borrowing term being longer than the new devices life span
- The insufficient memory and the extra cost that this may incur
- That the plan did not provide an answer to RBWMs needs

The Director informed members that he had viewed work undertaken by a number of other Berkshire councils and was confident that it was the best way for RBWM to move forward and modernise its IT equipment. He also explained that the Microsoft Enterprise Licence would be up for renewal next year, and currently the renewal would cost £900,000 more over the next 3 years.

Councillor Hilton commented that he would often see staff unable to get into the system in the morning and that a significant amount of working time was wasted.

Councillor Sharpe said that it was essential and needed to ensure that staff can work properly. The Microsoft Licence was expiring anyway and while the project was a lot of money, it would be better in the long term.

WORK PROGRAMME

Members noted the Work Programme for future meetings of the Panel.

Councillor Jones raised concerns that the Task and Finish group on Highways contract outsourcing had not yet started.

The meeting, which began at 6.00 pm, finished at 7.50 pm

CHAIRMAN……………………………….

DATE………………………………..........

Report Title:	Post Audit Statement of Accounts 2018/19
Contains Confidential or Exempt Information?	NO - Part I
Member reporting:	Councillor Hilton, Lead Member for Finance
Meeting and Date:	Overview & Scrutiny Panel 18 November 2019
Responsible Officer(s):	Terry Neaves Interim Section 151 Officer
Wards affected:	All

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Royal Borough of Windsor & Maidenhead

REPORT SUMMARY

1. This report sets out RBWM's Audited Statement of Accounts for 2018/19 along with the External Auditors report on their audit, the ISA260.

2. It recommends that the Overview and Scrutiny Panel approves the accounts and authorises the Chairman to sign them.

3. Deloitte have not completed their audit of the pension fund accounts that form part of the overall council position. They are still awaiting information from the council's pension administrator LPP. They anticipate completing this work before the Audit Committee and issuing an unqualified audit opinion and the results of this audit will be reported to the committee.

1. DETAILS OF RECOMMENDATION(S)

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

i) Approves the audited accounts, and authorises the Chairman to sign them.

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

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

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

3. KEY IMPLICATIONS

Table 1: Key Implications

Outcome	**Unmet**	**Met**	**Exceeded**	**Significantly Exceeded**	**Date of delivery**
Date when accounts are published, the audit opinion and the number of changes required by auditors	Published later than 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 Deloitte anticipate issuing an unqualified audit opinion on the authority's statement of accounts and their report, the ISA260 is attached as appendix to this report.

4.2 Deloitte did not discover any material misstatements, they have however noted an unreconciled balance when reviewing the bank reconciliation.

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

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

4.5 Deloitte have also identified an unadjusted misstatement of some £3.9m in relation to the McCloud case. This court case was an appeal to the application of transitional arrangements following changes to the pension scheme in 2015. This is disclosed in note 49 to the accounts.

4.6 Deloitte also highlighted a significant risk concerning the valuation of property assets. Deloitte have concluded that this does not lead to a material misstatement of property assets but they highlight the need to:

a) Review the method of valuation i.e. the use of Depreciated Replacement Cost, which is used for specialised assets e.g. schools

b) The need to assess the potential change in valuation for properties that are not valued in year.

4.7 Deloitte has issued a qualified opinion regarding the Authorities arrangements for securing economy, effectiveness and efficiency from the authorities' use of resources. This is on the basis of the:

(a) Annual Governance Statement – this is included within the Statement of Accounts and identifies a number of key governance issues that officers of the council have highlighted and have developed clear plans to address.

(b) The Cipfa report that was reported to the previous meeting of the overview and scrutiny committee on 22 October 2019 that has also been shared with Deloitte. This raises a number of governance issues that Members and Officers have committed to address.

(c) An overspend in 2018/19 and further projected overspending in 2019/20 also adds to the auditors concerns regarding financial sustainability.

4.8 The accounts have been signed by Terry Neaves, the interim S151 officer for the Council. Mr Neaves was only recently be appointed to this role on 24th October 2019 and therefore can only sign the accounts on the basis of the completed audit opinion and having considered the detail annual governance statement that is included within the Statement of Accounts. He has also received a briefing on the accounts from the Chief Accountant.

4.9 Finally, members are advised that the Auditors have been asked to provide a breakdown of their additional fees before they are agreed.

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
Possibility of misstatement of asset values	High	Review method of valuation in the light of audit recommendations	Medium
Shortcoming in council Governance	High	Annual governance statement sets out a clear work plan to address issues	Medium

7. POTENTIAL IMPACTS

None

8. CONSULTATION

8.1 A public notice dated 17 April 2019 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 2018/19

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 Hilton	Lead Member for Finance		
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: Non-Key decision	**Urgency item?** No	**To Follow item?**
Report Author: Terry Neales, Interim Section 151 Officer		

Financial Statements 2018/19

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Royal Borough of Windsor & Maidenhead

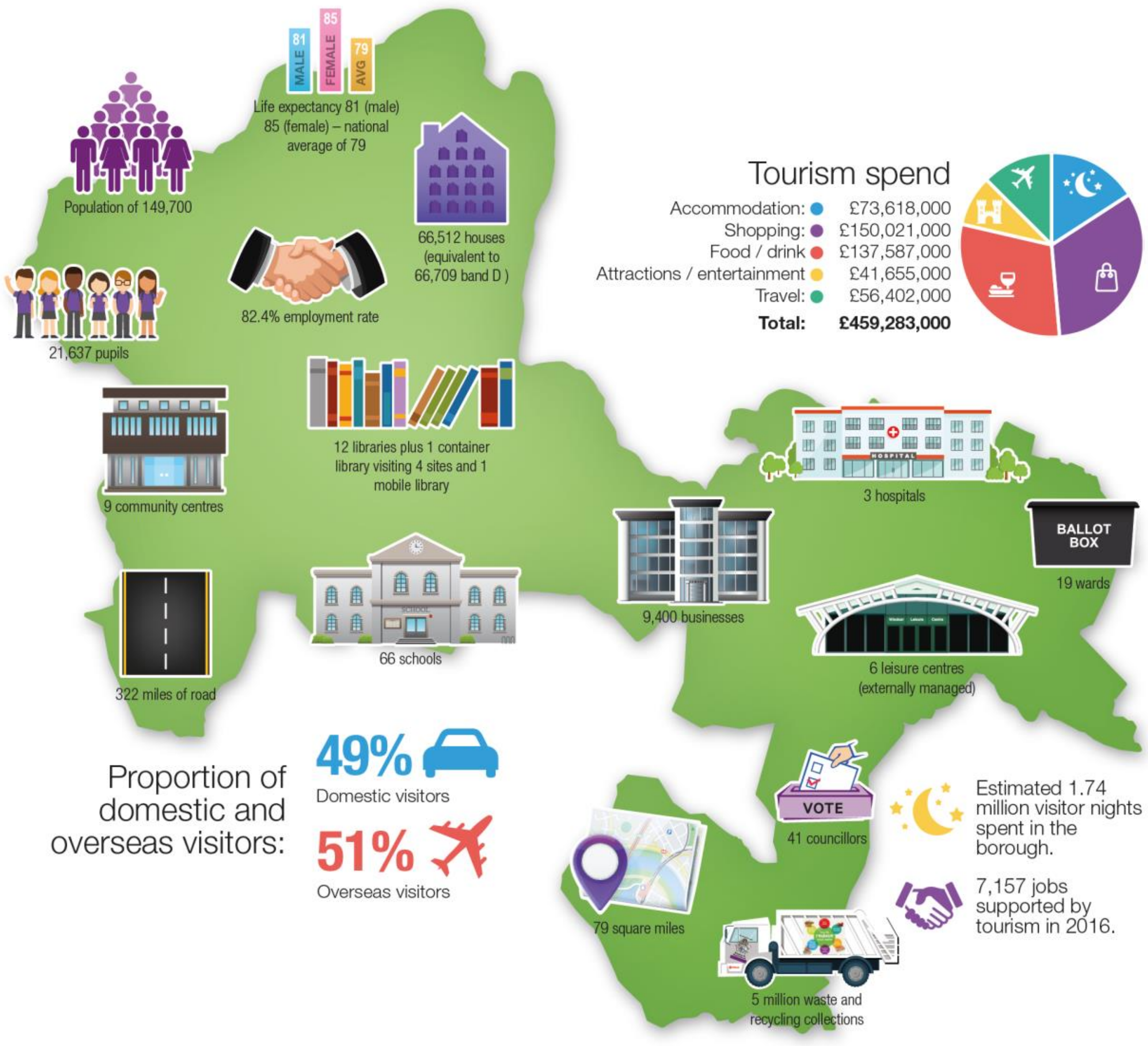
CONTENTS

ROYAL BOROUGH OF WINDSOR & MAIDENHEAD AND GROUP STATEMENT OF ACCOUNT FOR THE YEAR ENDED 31st MARCH 2019

Narrative report

Introduction

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



Source: Annual Report

The financial statements have been prepared in accordance with the Code of Practice on Local Authority Accounting in the UK 2018/19, issued by CIPFA/ LASAAC Local Authority Code Board.

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

The council's financial statements for the year are set out on the following pages. The accounts are supported by the statement of accounting policies, and various notes.

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

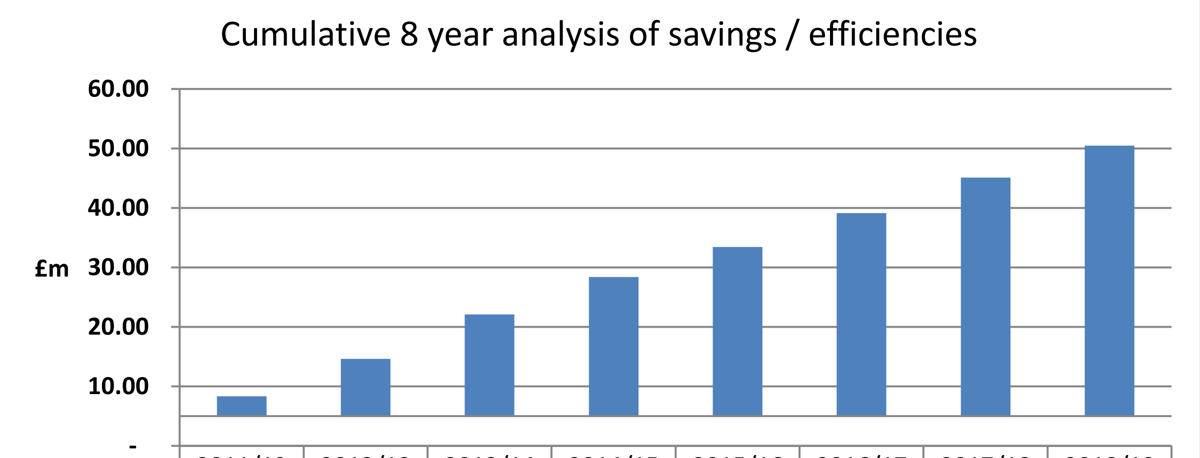
Background

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

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

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

Chart 1



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

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

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

Chart 2

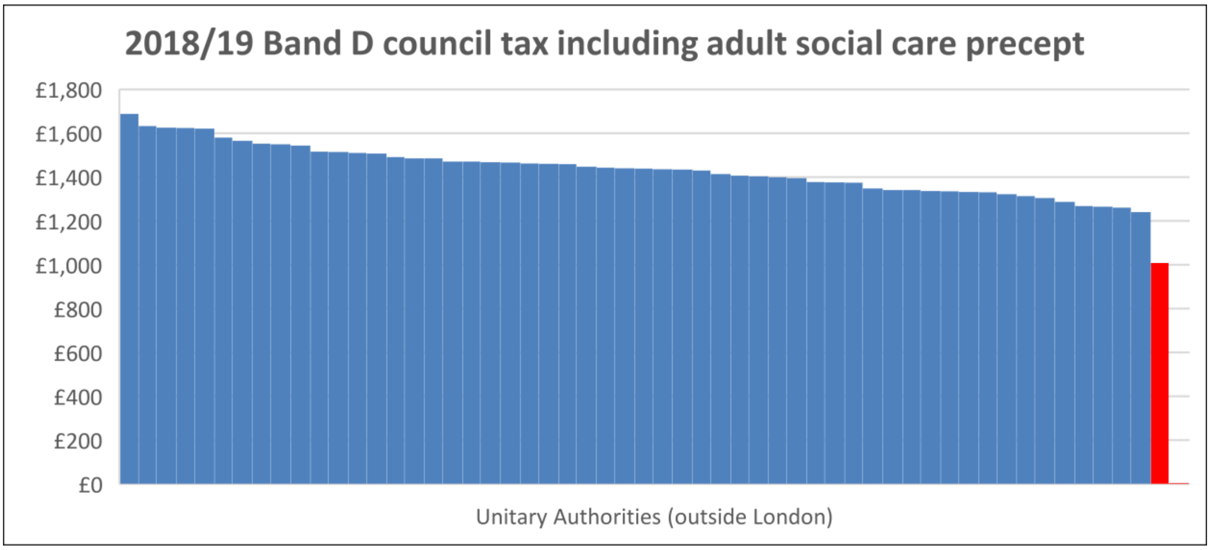
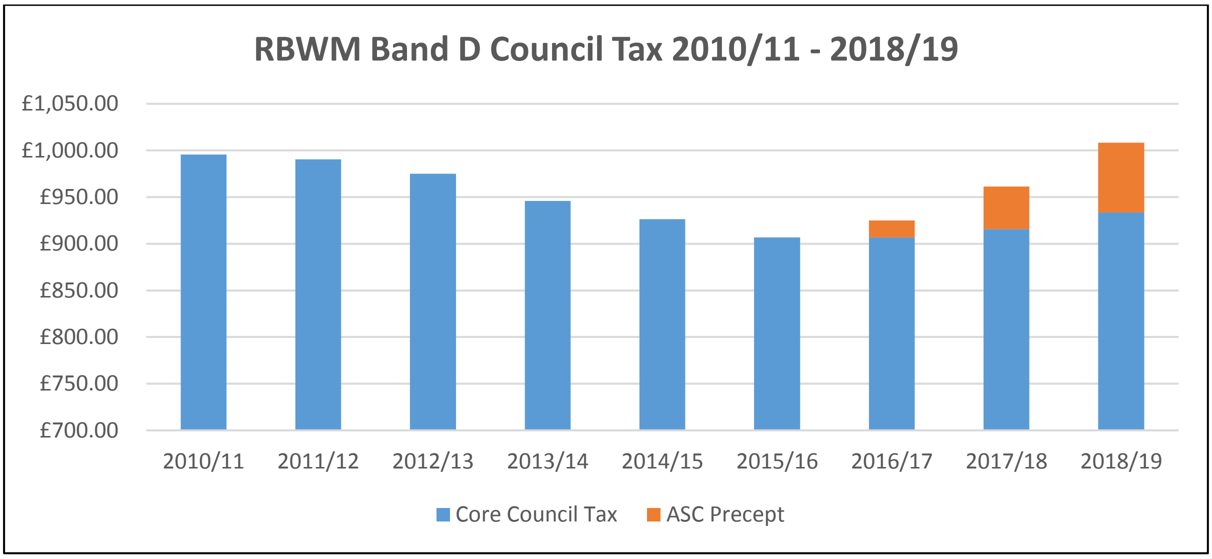


Chart 3 shows the average Band D level of council tax set by the council since the financial year 2010/11.

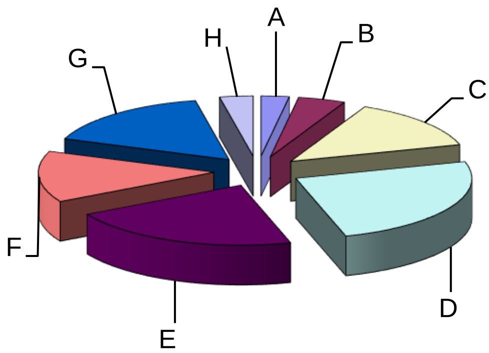
Chart 3



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

Domestic Properties eligible for Council Tax

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



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

Risks
Each year we analyse risks that could impact on the achievement of our objectives in the budget. For the purpose of this narrative some of the risks are included below.

Brexit. There has been and remains a lot of uncertainty but it is widely expected that it will affect interest and inflation rates as well as the business and tourism economies. We are mindful of this when making significant treasury decisions. However we have received direct grant support (£315,000) for issues arising, and this is largely unspent in mid-October 2019.

Environmental risks. Emergency / Disaster relief such as a major flood. Whilst we could reasonably expect government assistance for this, our experience of using the Bellwin formula for shows that we would not be able to recover 100% of our costs and there could be a small impact e.g. £250,000 on our reserves.

Impact of Service Increases. A significant number of our major services are delivered through joint ventures and major contactors e.g. Adult Services. Whilst these services are carefully managed by experienced contract managers there is a risk of delivery failure. This could result in a budgetary pressure and / or the Council's reputation suffering. More importantly would be the potential impact on our service users.

Impact of Service Increases. Each year, service managers put forward savings as part of the budget process for the following year. These receive a great deal of scrutiny prior to their approval in the budget, however there is a small risk that when it comes to implementation some of the savings may not be achieved. This will impact on our reserves which are set at a level to cope with this risk

Strategy and Resource allocation
The council commenced the year with the following objectives and strategies:

- To increase council tax by 1.95% meaning that residents in Windsor and Maidenhead will still have the lowest council tax, for a unitary authority, outside of London.
- To increase the Adult Social Care (ASC) precept by 3% in order to provide additional funding for older people and residents with special needs, an area where the council is also making additional investment within the budget as well as the £6.4 million figure for ASC.
- To make savings of £5.4 million to enable council tax to remain affordable and to continue to provide the services and improvements that residents value.
- To increase visitor parking charges in some locations for non-residents, to more closely align to other council areas. Other fees and charges will be capped at the Retail Prices Index, unless charges have been increased to bring the council close to benchmarked rates.
- Maintain our 18 street wardens working on borough streets to provide a reassuring and responsive presence.
- Upgrade and expand CCTV along with investment in road improvements.
- Keep all 14 libraries open, with extended hours for some and continued investment in stock and buildings.
- Continue to offer a range of services for children and families at our 10 children's centres.
- Provide resident parking permits free of charge in contrast to neighbouring areas such as Reading and Bracknell Forest.

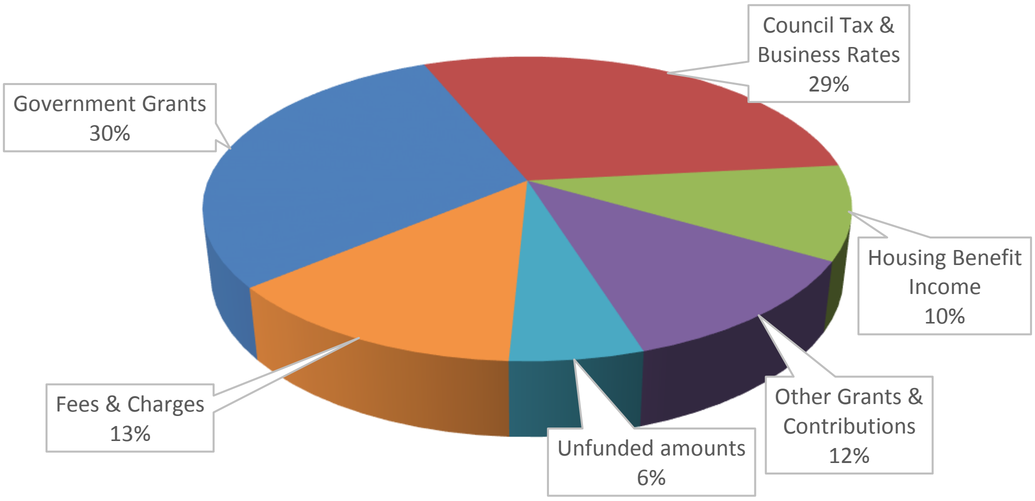
Performance
The Council ended the year with General Fund Reserves of £7.922 million (9.28% of budget) in excess of the £5.860 million (6.87% of budget) recommended minimum level set at Council in February 2018.

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

- Collecting over £92 million in business rates. The council only retains a proportion of this.
- Collecting over £87 million in council tax each year.
- Administering the Royal County of Berkshire Pension Fund, which provides pensions to over 17,850 pensioners and has 25,899 active members.
- Spending approximately £283 million each year on council services.
- Accounting for over £29 million per annum of fees and charges that are used to help deliver services and minimise the level of council tax.

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

Chart 4



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

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

Table 1

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

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

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

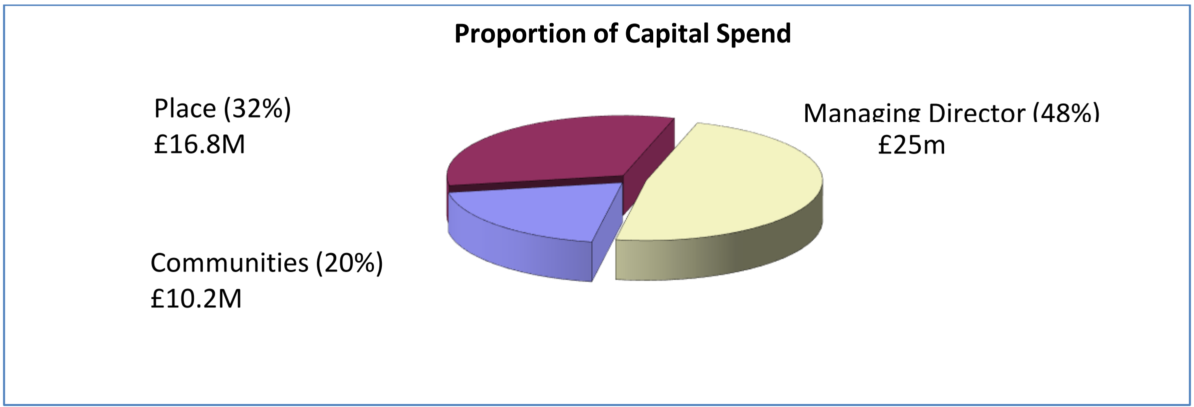
The 2018/19 audited accounts have been audited by Deloitte LLP for the first time this year as a result of a tender process undertaken across the country.

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

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

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

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



Sources of capital finance

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

Revenue Expenditure

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

The approved estimate in the table below includes all budget adjustments in 2018/19. The table compares the actual outturn with the approved estimate for the year for the General Fund. This reflects the structure used for monitoring the budget during the year which focuses on the direct cost of services.

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

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

Capital Expenditure

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

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

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

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

The approved estimate includes 2017/18 slippage of £5.35 million for the Communities Directorate, £9.953 million for the Place Directorate and £25.443 million for the Managing Director's directorate. In addition, the following major schemes were added during 2018/19 after approval by Council; Braywick Leisure Centre £4.9 million in the Communities directorate, Roads Resurfacing £1.7 million in the Managing Director's directorate, York House Refurbishment £3.2 million and Car Parks Maidenhead Regeneration £7.5 million in the Place Directorate. Capital schemes cover a number of years therefore although budget has been approved, expenditure on schemes will be progressed over a number of years.

Pension Fund

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

Treasury Management

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

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

Outlook

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

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

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

A technical consultation on the 2020/21 Local Government Finance Settlement was released on 3rd October 2019. Key points if the consultation are as follows:

- Government intends to “roll forward” the 2019-20 local government finance settlement to 2020/21.
- The threshold for increase in “core” council tax will be 2%.
- The Adult social care (ASC) precept can increased by up to 2% on top of the “core” increase.
- Confirmation of an additional £1 billion funding for social care, and roll-forward of the existing social care grants from 2019-20.
- Continued commitment to fund New Homes Bonus (NHB) using the same arrangements for a further year.
- There remains a commitment to implement the Fair Funding Review and reforms to the Business Rate Retention Scheme in 2021-22.

This is a positive announcement from Central Government, however, to balance the budget there will be continuing need for service transformation, efficiencies and other savings initiatives for the foreseeable future. Further work on regeneration will be seen across the Borough and we will continue to ensure our residents receive the quality services they demand.

Governance

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

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

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

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

Basis of preparation

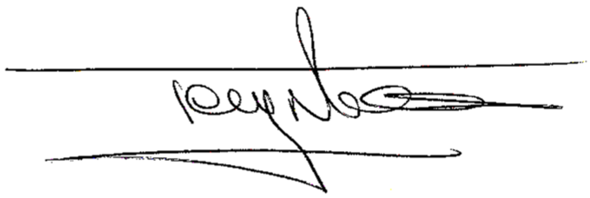
The accounts have been prepared on a group basis which includes the Council's two associates, Optalis Ltd for the provision of adult social care and Achieving for Children for the provision of children's services. The performance of both companies are consolidated into the group accounts of the Authority.

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

Conclusion

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

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



Terry Neaves

Interim Section 151 Officer

APPROVAL OF THE ACCOUNTS

Approval of the Statement of Accounts by full Council

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

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

Councillor Targowski
Chairman of the Corporate Overview and Scrutiny Panel

The Authority's Responsibilities

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

The Authority is also required to :

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

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

- Approve the Statement of Accounts.

The Chief Financial Officer's responsibilities

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

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

- Selected suitable accounting policies and then applied them consistently;

- Made judgements and estimates that were reasonable and prudent;

- Complied with the Code;

- Kept proper accounting records which were up to date;

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

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

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

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

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

Terry Neaves
Interim Section 151 Officer
07 November 2019

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 (refer to note 7) and the Group Movement in Reserves Statement. There is no difference between the Group and Council Comprehenisve Statement of Income and Expenditure.

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

COUNCIL AND GROUP MOVEMENT IN RESERVES STATEMENT

This statement shows the movement in the year on the different reserves held by the Council and 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 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 Council.

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

COUNCIL AND GROUP MOVEMENT IN RESERVES STATEMENT

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

The Balance Sheet shows the value as at the Balance Sheet date of the assets and liabilities recognised by the Council and the Group. The net assets (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 may be used 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 cannot be used 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 Movement in Reserves Statement line 'Adjustments between accounting basis and funding basis under regulations'.

RBWM 31 Mar 18 £'000	Group 31 Mar 18 £'000		Note	RBWM 31 Mar 19 £'000	Group 31 Mar 19 £'000
		Assets			
		Non-current assets			
396,784	396,784	Property, Plant and Equipment	14	421,625	421,625
135,318	135,318	Investment Properties	16	131,824	131,824
2,689	2,689	Intangible Assets	17	2,104	2,104
259	259	Long Term Investments	18	245	245
16	16	Long Term Debtors	18	14	14
1,525	1,525	Investments in Associates	18/54	-	-
536,591	**536,591**			**555,812**	**555,812**
		Current assets			
196	196	Inventories	19	105	105
31,831	31,831	Short Term Debtors	21	32,507	32,507
-	-	Cash and Cash Equivalents	22	1,954	1,954
32,027	**32,027**			**34,566**	**34,566**
568,618	**568,618**	**Total assets**		**590,378**	**590,378**
		Liabilities			
		Current Liabilities			
(643)	(643)	Bank Overdraft	22	-	-
(24,453)	(24,453)	Short Term Borrowing	18	(71,952)	(71,952)
(44,386)	(44,386)	Short Term Creditors	24	(30,980)	(30,980)
(69,482)	**(69,482)**			**(102,932)**	**(102,932)**
		Non current liabilities			
(250)	(250)	Long Term Creditors	18	(250)	(250)
(2,839)	(2,839)	Provisions	25	(3,226)	(3,226)
(57,049)	(57,049)	Long Term Borrowing	18	(57,049)	(57,049)
(12,914)	(12,914)	Capital Grants Receipts in Advance	40	(12,721)	(12,721)
(293,703)	(293,703)	Retirement Benefit Obligations	49	(282,385)	(282,385)
-	-	Interest in net assets of Associates	18/54	(2,959)	(2,959)
(366,755)	**(366,755)**			**(358,590)**	**(358,590)**
132,381	**132,381**	**Net assets**		**128,856**	**128,856**
		Equity			
		Usable Reserves	26		
7,033	7,033	Fund Balances and Reserves		7,778	7,778
12,937	12,937	Other Reserves		10,259	10,259
		Unusable Reserves	27		
212,380	212,380	Capital Adjustment Account		186,401	186,401
200,034	200,034	Revaluation Reserve		214,694	214,694
-	-	Financial Instruments Revaluation Reserve		(4,484)	(4,484)
(293,703)	(293,703)	Pensions Reserve		(282,385)	(282,385)
(4,194)	(4,194)	Collection Fund Adjustment Account		(1,365)	(1,365)
(2,106)	(2,106)	Accumulated Absences Account		(2,042)	(2,042)
132,381	**132,381**			**128,856**	**128,856**

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

At 31 March 2018 £'000	**Group Cash Flow Statement (Indirect Method)**	**Note**	**At 31 March 2019 £'000**
52,797	Net surplus or (deficit) on the provision of services		(23,264)
(34,517)	Adjust net surplus or (deficit) on the provision of services for noncash movements	28	14,620
(14,837)	Adjust for items included in the net surplus or deficit on the provision of services that are investing and financing activities	28	(15,488)
3,443	Net cash (outflows) / inflows from Operating Activities		**(24,132)**
(16,277)	Net cash (outflows) / inflows from Investing Activities	29	(20,770)
11,194	Net cash (outflows) / inflows from Financing Activities	30	47,499
(1,640)	Net Increase or (Decrease) in Cash and Cash Equivalents		**2,597**
997	Cash and cash equivalents at the beginning of the reporting period		(643)
(643)	**Cash and Cash Equivalents at the end of the reporting period**	22	**1,954**

Accounting Policies

i General Principles

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

IFRS 9 Financial Instruments has been adopted for the first time in these financial statements.
IFRS 15 Revenue from Contracts with Customers has no significant impact on these financial statements

ii Accruals of Income and Expenditure

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

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

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

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

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

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

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

iii Cash and Cash Equivalents

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

iv Exceptional Items

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

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

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

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

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

vi Charges to Revenue for Non-Current Assets

Services, support services and trading accounts are debited with the following amounts to record the cost of holding property, plant & equipments during the year:

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

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

• amortisation of intangible property, plant & equipments attributable to the service.

• impairment losses or amortisations.

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

Accounting Policies

vii Employee Benefits

Benefits Payable During Employment

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

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

Termination Benefits

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

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

Post Employment Benefits

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

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

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

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

The Local Government Pension Scheme

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

• The liabilities of the Berkshire pension fund attributable to the Authority are included in the balance sheet on an actuarial basis using the projected unit method i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, etc., and projections of projected earnings for current employees.

• Liabilities are discounted to their value at current prices, using a discount rate set by the Actuary.

• The assets of the Berkshire pension fund attributable to the Authority are included in the balance sheet at their fair value:

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

Accounting Policies

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

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

Discretionary Benefits

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

viii Events after the balance sheet date

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

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

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

ix Financial Instruments

Financial Liabilities

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

For most of the borrowings that the Authority has, this means that the amount presented in the balance sheet is the outstanding principal repayable (plus accrued interest); and interest charged to the CI&E is the amount payable for the year according to the loan agreement.

Where premiums and discounts have been charged to the CIES, regulations allow the impact on the General Fund Balance to be spread over future years. The authority has a policy of spreading the gain or loss over the term that was remaining on the loan against which the premium was payable or discount receivable when it was repaid. The reconciliation of amounts charged to the CIES to the net charge required against the General Fund Balance is managed by a transfer to or from the Financial Instruments Revaluation Reserve in the Movement in Reserves Statement.

Accounting Policies

Financial Assets

Financial assets are classified based on a classification and measurement approach that reflects the business model for holding the financial assets and their cashflow characteristics.
There are three main classes of financial assets measured at:
- amortised cost
- fair value through profit or loss (FVPL), and
- fair value through other comprehensive income (FVOCI)

The authority’s business model is to hold investments to collect contractual cash flows.
Financial assets are therefore classified as amortised cost, except for those whose contractual payments are not solely payment of principal and interest (i.e. where the cash flows do not take the form of a basic debt instrument).

Financial Assets measured at fair value through amortised cost

Financial assets measured at amortised cost are recognised on the Balance Sheet when the authority becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value. They are subsequently measured at their amortised cost. Annual credits to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement (CIES) for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument. For most of the financial assets held by the authority, this means that the amount presented in the Balance Sheet is the outstanding principal receivable (plus accrued interest) and interest credited to the CIES is the amount receivable for the year in the loan agreement. Any gains and losses that arise on the derecognition of an asset are credited or debited to the Financing and Investment Income and Expenditure line in the CIES.

Expected Credit Loss Model

The authority recognises expected credit losses on all of its financial assets held at amortised cost or where relevant FVOCI, either on a 12-month or lifetime basis. The expected credit loss model also applies to lease receivables and contract assets. Only lifetime losses are recognised for trade receivables (debtors) held by the authority. Impairment losses are calculated to reflect the expectation that the future cash flows might not take place because the borrower could default on their obligations. Credit risk plays a crucial part in assessing losses. Where risk has increased significantly since an instrument was initially recognised, losses are assessed on a lifetime basis. Where risk has not increased significantly or remains low, losses are assessed on the basis of 12-month expected losses.

Financial Assets Measured at Fair Value through Profit or Loss

Financial assets that are measured at Fair Value through Profit or Loss are recognised on the Balance Sheet when the authority becomes a party to the contractual provisions of a financial instrument and are initially measured and carried at fair value. Fair value gains and losses are recognised as they arrive in the Surplus or Deficit on the Provision of Services.
The fair value measurements of the financial assets are based on the following techniques:
instruments with quoted market prices – the market price„other instruments with fixed and determinable payments – discounted cash flow analysis.
In 2018/19 the authority does not have any assets in this category

Financial Assets Measured at Fair Value through Other Comprehensive Income

The Council has the option to designate investments in equity instruments to Fair Value through Other Comprehensive Income. This will be appropriate where the investment is made to meet service objectives of the Council and where the primary purpose is not to generate a financial return. In 2018/19 such investments are those in Achieving for Children and Optalis.
There is no quoted market price for shares in these companies and gains or losses are based on equity share of profits / losses in the group accounts. Any gains and losses that arise on the are credited or debited to the Other Comprehensive Income line in the Comprehensive Income and Expenditure Statement.

Accounting Policies

x Foreign Currency Translation

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

xi Government Grants and Contributions

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

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

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

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

xii Heritage Assets

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

xiii Intangible Assets

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

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

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

Accounting Policies

xiv Inventories and Long Term Contracts

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

xv Investment Property

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

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

xvi Jointly Controlled Operations and Jointly Controlled Assets

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

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

xvii Leases

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

The Authority as Lessee

Finance Leases

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

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

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

Accounting Policies

Operating Leases

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

xviii Overheads and Support Services

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

xix Property, Plant and Equipment

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

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

Accounting Policies

Measurement

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

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

Assets included in the balance sheet at fair value are revalued sufficiently regularly to ensure that their carrying amount is not materially different from their fair value at the year-end, but as a minimum every five years. Increases in valuations are matched by credits to the revaluation reserve to recognise unrealised gains. Exceptionally, gains might be credited to the CI&E where they arise from the reversal of a loss previously charged to a service. Where decreases in value are identified, they are accounted for by:
- where there is a balance of revaluation gains for the asset in the revaluation reserve, the accumulated gains)
- where there is no balance in the revaluation reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant service line(s) in the CI&E.

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

Impairment

Assets are assessed at each year-end as to whether there is any indication that an asset may be impaired. Where indications exist and any possible differences are estimated to be material, the recoverable amount of the asset is estimated and, where this is less than the carrying amount of the asset, an impairment loss is recognised for the shortfall. Where impairment losses are identified, they are accounted for by:
- where there is a balance of revaluation gains for the asset in the revaluation reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains)
- where there is no balance in the revaluation reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant service line(s) in the CI&E.

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

Depreciation

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

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

Accounting Policies

Disposals and Non-current Assets Held for Sale

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

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

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

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

xx Provisions, Contingent Liabilities and Contingent Assets

Provisions

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

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

Contingent Liabilities

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

Accounting Policies

Contingent Assets

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

xxi Reserves

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

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

xxii Revenue Expenditure Funded from Capital under Statute

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

xxiii Fair Value

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

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

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

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

• Level 1 - quoted prices.

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

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

xxiv VAT

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

xxv Interests in Companies and Other Entities

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

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

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

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

2 Accounting Standards Issued, Not Adopted

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

• Amendments to IAS 40 Investment Property: Transfers of Investment Property.
• Annual Improvements to IFRS Standards 2014 - 2016 Cycle.
• IFRIC 22 Foreign Currency Transactions and Advance Consideration.
• IFRIC 23 Uncertainty over Income Tax Treatments.
• IFRS 16 Leases
The code requires local authorities as lessees to recognise assets and liablilties for all operating leases of more than a year on their balance sheets. A review is currently underway so the financial impact cannot be quantified presently.
• Amendments to IFRS 9 Financial Instruments: Prepayment Features with Negative Compensation.
The code requires implementation from 1 April 2019 and the changes are not expected to be material. There is no impact on the 2018/19 Financial Statements.

3 Critical Judgements in Applying Accounting Policies

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

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

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

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. Different types of schools within the borough reflect varying degrees of local authority control and therefore judgement is applied in applying the Code to assess whether asset recognition tests have been met by each school resulting in a decision as to whether to recognise the related assets or not. Where there is direct and complete control, assets are always recognised. There can be cases where the local authority has some control over the school but the asset recognition tests are not met. The judgement is driven by the nature and type of the school in question.

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

School Type	No.
Community	19
Voluntary Aided	9
Voluntary	6

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

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

The Statement of Accounts contains estimated figures that are based on assumptions made by the Authority about the future or that are otherwise uncertain. Estimates are made taking into account historical experience, current trends and other relevant factors. However, because balances cannot be determined with certainty actual results could be materially different from the assumptions and estimates. The key assumptions concerning the future, and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

Pension Liability
The estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discounts used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide the Council with expert advice about the assumptions to be applied.

During 2018/19 the Council's actuaries advised that the net pension liability had decreased by £11m to £282m.

The effect of changes in the individual assumptions can be measured. For instance, a 0.1% decrease in the discount rate assumption would result in an increase in the pension liability of £10.2m. A 0.1% increase in the long term salary increase assumption would result in a £0.6m increase in the pension liability and an increase of 0.1% in the pension increases and deferred revaluation assumption would increase the pension liability by £9.6m.

Property, Plant and Equipment
The uncertainties arise as a result of the estimations used by the Council based on information received from the Council's valuation specialists. The basis of these estimations is set out in note 14 but different assumptions about the future could reasonably be used that could arrive at different results whilst still using the same basis for those estimations. This also applies to the areas of the investment property portfolio that have been assessed based on market evidence that can be subject to variation. Investment properties valued based on existing lease terms, rental values and yields are not subject to this same level of estimation.
The actual value of the assets, including both operational and investment property, only becomes apparent when they are sold and therefore there could be a material valuation between the revalued amount at 31 March 2019 and the value realised on disposal even within the next financial period. Given the range of different assumptions that could be applied the potential impact of differences in estimation cannot be quantified. The accounting treatment is set out in the disposals paragraph of the Property, Plant and Equipment section of Note 1.

5 Material Items of Income and Expense

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

6 Events After the Balance Sheet Date

The Statement of Account was authorised for issue by the Head of Finance on the 31 May 2019. Events taking place up to the date of signing the final audited financial statements are reflected in the financial statements and notes. Where events taking place before this date provided information about conditions existing at 31 March 2019 the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information. No further events have occurred which need to be reported here.

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

7 Group Expenditure and Funding Analysis

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

2017/18				2018/19		
Net Exp. chargeable to the General Fund	**Adjustments between the funding and accounting (Note 7) basis**	**Net Exp. in the CI&ES**		**Net Exp. chargeable to the General Fund**	**Adjustments between the funding and accounting (Note 7) basis**	**Net Exp. in the CI&ES**
£'000	**£'000**	**£'000**		**£'000**	**£'000**	**£'000**
64,043	(3,363)	60,680	Managing Director	78,596	12,828	91,424
16,351	6,098	22,449	Communities	7,256	2,502	9,758
3,437	(211)	3,226	Place Directorate	841	2,427	3,268
83,831	**2,524**	**86,355**	**Full Cost of Services**	**86,693**	**17,757**	**104,450**
(86,445)	(52,707)	(139,152)	Other Income and Expenditure	(86,821)	5,635	(81,186)
796	(796)	0	Transfer to/from Earmarked Reserves	(617)	617	
(1,818)	**(50,979)**	**(52,797)**	**(Surplus)/Deficit**	(745)	**24,009**	**23,264**
(5,215)			Opening General Fund Balance	(7,033)		
(1,818)			Less (Surplus) or Deficit on General Fund	(745)		
(7,033)			**Closing General Fund Balance at 31 March**	**(7,778)**		

Note to the Expenditure and Funding Analysis

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

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

Adjustments for capital purposes

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

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

Net change for the Pensions Adjustments

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

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

Other Differences

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

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

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

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

8 Expenditure and Income analysed by Nature

	2017/18	2018/19
	£'000	£'000
Income		
Government Grants	(100,230)	(94,835)
Collection Fund	(80,602)	(93,548)
Housing Benefit Income	(34,115)	(31,709)
Other Grants & Contributions	(20,459)	(21,250)
Fees & Charges	(28,798)	(29,574)
Sales	(4,492)	(3,881)
Rent	(8,645)	(7,718)
Interest	(291)	(262)
Other Operating Income	(75)	(61)
Contributions from other funds/balances	(12,510)	1,195
	(290,217)	**(281,643)**
Expenditure		
Employees		
Direct Employee Costs	46,607	43,118
Teachers Pay	24,134	23,416
Indirect Employee Costs	2,672	2,636
Pension Interest Cost	6,908	5,924
Premises		
Repairs & Maintenance	2,393	2,330
Other Energy	129	111
Gas	227	220
Electricity	1,094	1,451
Other Rent & Rates	1,862	1,734
Rates	2,533	2,584
Water	250	216
Other Premises	1,924	1,890
Depreciation, Amortisation and Impairment	12,441	14,501
Supplies & Services		
Equipment, Furniture & Materials	1,411	1,348
Printing, Stationery & Office Expenses	2,239	1,849
Communications and Computing	2,999	3,176
Grants & Subscriptions	183	104
Other Supplies & Services	18,230	16,236
Transport	1,588	403
Contract Services	114,754	126,922
Housing Benefit Payment	35,194	32,455
Other Operating Expenditure and Income		
Other Operating Expenditure	-	-
Interest Payments	2,914	3,196
Precepts and Levies	1,521	1,585
Changes in the fair value of Investment Properties	(60,366)	3,234
Gain or Loss on Disposal of Propery, plant & equipment	(759)	(1,695)
Adjustment to School Balances	682	320
Adjustments to Provisions	122	145
Adjustments to Other Reserves	189	(438)
Revenue Expenditure Classified as Capital by Statute	13,345	15,936
Gross Expenditure	**237,420**	**304,907**
Surplus or Deficit on the Provision of Services	**(52,797)**	**23,264**

9 Adjustments between Accounting Basis and Funding Basis under Regulations

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

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

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

10 Transfers to/from Earmarked Reserves

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

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

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

Insurance Reserve

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

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

Non Domestic Rate Pilot Reserve

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

Capital Reserve

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

Nature Reserve Maintenance Fund

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

Firestation Maintenance Fund (WAC)

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

Grave Maintenance Fund

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

Brexit Funding

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

Optalis Development Fund

Funds set aside for the business development of Optalis Ltd.

Better Care Fund (BCF)

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

Public Health Fund (PHF)

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

Schools and Dedicated Schools Grant (DSG) Reserves

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

School Revenue Balances

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

Dedicated Schools Grant Reserve

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

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

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

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

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

11 Other Operating Expenditure and Income

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

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

12 Financing and Investment Income and Expenditure

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

13 Taxation and Non-Specific Grant Income

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

14 Property, Plant and Equipment

Movements on Balances

Movements in 2018/19	Other Land and Buildings £'000	Vehicles, Plant, Furniture & Equipment £'000	Infrastructure Assets £'000	Community Assets £'000	Surplus Assets £'000	Assets Under Construction £'000	Total PPE £'000
Cost or Valuation							
At 1 April 2018	297,538	22,328	188,932	6,738	6,503	8,071	530,110
Additions	1,444	2,512	9,353	412		22,047	35,768
Revaluation increases/(decreases) recognised in the Revaluation Reserve	16,321			1,315			17,636
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	(13,409)	775		(262)	27		(12,869)
Derecognition – disposals					(991)		(991)
Derecognition – other	(56)					(967)	(1,023)
Asset reclassifications*	11,119			2	30	(12,766)	(1,615)
Other movements in cost or valuation	280	(400)					(120)
At 31 March 2019	**313,237**	**25,215**	**198,285**	**8,205**	**5,569**	**16,385**	**566,896**

Accumulated Depreciation and Impairment							
At 1 April 2018	(14,447)	(9,356)	(109,338)	(129)	-	-	(133,270)
Depreciation charge	(6,522)	(1,955)	(5,103)				(13,580)
Depreciation written out to the Revaluation Reserve	1,491	54					1,545
Depreciation written out to the Surplus/Deficit on the Provision of Services	34	-					34
At 31 March 2019	**(19,444)**	**(11,257)**	**(114,441)**	**(129)**	**-**	**-**	**(145,271)**

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

Net Book Value

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

Comparative Movements in 2017/18

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

Accumulated Depreciation and Impairment							
At 1 April 2017	(39,999)	(20,097)	(104,484)	(1,395)	(951)	-	(166,926)
Depreciation charge	(4,961)	(1,765)	(4,854)			-	(11,580)
Depreciation written out to the Revaluation Reserve	894					-	894
At 31 March 2018	**(44,066)**	**(21,862)**	**(109,338)**	**(1,395)**	**(951)**	**-**	**(177,612)**

Net Book Value

At 31 March 2018	**283,036**	**12,972**	**79,594**	**6,609**	**6,502**	**8,071**	**396,784**
At 31 March 2017	286,401	12,440	78,348	6,494	2,540	1,204	387,427

Depreciation

The following useful lives and depreciation rates have been used in the calculation of depreciation:

- Other Land and Buildings (30 to 50 years)
- Vehicles, Plant, Furniture & Equipment (4 to 10 years)
- Infrastructure (20 to 25 years)

Capital Commitments

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

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

Revaluations

The Authority carries out a rolling programme that ensures that all Property, Plant and Equipment required to be measured at fair value is revalued at least every five years. Valuations of land and buildings were carried out in accordance with the methodologies and bases of estimation set out in the professional standards of the Royal Institution of Chartered Surveyors' Red Book.The portfolio has been valued at 31 March 2019 in accordance with the methodologies and basis for estimation set out in the professional standards of the Royal Institution for Chartered Surveyors. The assets were valued externally by Lambert Smith Hampton, the Council’s valuing agents. Valuations of vehicles, plant, furniture and equipment are based on current prices where there is an active second-hand market

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

15 Heritage Assets

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

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

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

16 Investment Properties

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

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

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

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

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

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

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

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

17 Intangible Assets

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

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

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

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

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

18 Financial Instruments

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

	Long-term		Current	
	2017/18 £'000	2018/19 £'000	2017/18 £'000	2018/19 £'000
Investments				
Loans and receivables	-	-	-	-
Unquoted equity investment / (liability) at fair value through other comprehensive income**	1,784	(2,714)	-	
Total Investments	**1,784**	**(2,714)**	-	-
Debtors				
Loans and receivables	16	14	31,831	32,507
Total Debtors	**16**	**14**	**31,831**	**32,507**
Borrowings				
Financial liabilities at amortised cost***	(57,049)	(57,049)	(24,453)	(71,952)
Total Borrowings	**(57,049)**	**(57,049)**	**(24,453)**	**(71,952)**
Creditors				
Financial liabilities at amortised cost	(250)	(250)	(44,386)	(30,980)
Total Creditors	**(250)**	**(250)**	**(44,386)**	**(30,980)**

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

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

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

Short term borrowings are loan repayments to Derbyshire Pension Fund £9m, Derbyshire County Council £10m and the London Borough of Camden £26m. Net balances of £26,952m are held on behalf of trusts and other organisations administered by the Council.

Loans and receivables at amortised cost.

The Council holds various term deposits and instant access accounts with banks and other financial institutions and has made loans to its subsidiaries or institutions that it considers to be an important partner in delivering services. These are held at amortised cost and the Council considers these a normal part of its operations and cash flow and holds the instruments to collect contractual cash flows. The Council concludes that these financial instruments should be reclassified at amortised cost at 1 April 2018 with no change in the carrying value.

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

19 Inventories

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

20 Construction Contracts

There were no construction contracts carried out on behalf of other organisations during 2017/18 and 2018/19.

21 Debtors

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

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

Debtors for local taxation (included in the above figures)

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

22 Cash and Cash Equivalents

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

	2017/18 £'000	2018/19 £'000
Cash held by the Authority	1,978	1,883
Bank current accounts*	(2,621)	71
Short-term deposits with bank	-	-
Total Cash and Cash Equivalents	**(643)**	**1,954**

*RBWM's current accounts are managed so that they are always in credit. However the balance in the cash book 2017/18 (£2.621m) is an overdraft. This is due to timing differences at year end.

23 Assets Held for Sale

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

24 Creditors

	2017/18 £'000	2018/19 £'000
Trade payables	(38,136)	(29,307)
Other payables	(6,250)	(1,673)
Total	**(44,386)**	**(30,980)**

25 Provisions

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

National Living Wage Sleep-ins
Payments expected to be made to care providers to fund back pay for their staff who have not received national living wage for sleep-in shifts for up to a 6 year period.
Provision for clearance of Shurlock Road - provision for payments relating to the clearance of Shurlock Road Travellers site.
Provision for MMI (Municipal Mutual Insurance Ltd) clawback liability -
Municipal Mutual Insurance (MMI) was an insurance company which insured 90-95% of local authorities, including the former Berkshire County Council (BCC) and RBWM. Insolvency in 1992 meant it ceased to write new or renew any insurance business. In 2012 the potential liability to pay claims exceeded funds available and liability transferred to those authorities that formed the mutual. Recovery monies were collected by means of ongoing levies.

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

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

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

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

Provision for redundancy - provision for redundancy payments expected in 2019/20 that relate to decisions made in 2018/19.
Appeal Provision for Business Rates - The provision is required to cover the loss of income that may result from appeals made in 2018/19 and previous years.

26 Usable Reserves

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

27 Unusable Reserves (Group)

	2017/18 £'000	2018/19 £'000
Capital Adjustment Account	212,380	186,401
Revaluation Reserve	200,034	214,694
Financial Instruments Revaluation Reserve	-	(4,484)
Pensions Reserve	(293,703)	(282,385)
Collection Fund Adjustment Account	(4,194)	(1,365)
Accumulated Absences Account	(2,106)	(2,042)
Total Unusable Reserves	**112,411**	**110,819**

Capital Adjustment Account

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

The Account is debited with the cost of acquisition, construction or enhancement as depreciation, impairment losses and amortisations are charged to the Comprehensive Income and Expenditure Statement (with reconciling postings from the Revaluation Reserve to convert fair value figures to a historical cost basis). The Account is credited with the amounts set aside by the Authority as finance for the costs of acquisition, construction and enhancement.

The Account contains accumulated gains and losses on Investment Properties and gains recognised on donated assets that have yet to be consumed by the Authority. The Account also contains revaluation gains accumulated on Property, Plant and Equipment before 1 April 2007, the date that the Revaluation Reserve was created to hold such gains. Note 10. provides details of the source of all the transactions posted to the Account, apart from those involving the Revaluation Reserve.

2017/18		Capital Adjustment Account	2018/19	
£'000	£'000		£'000	£'000
	160,065	**Balance at 1 April**		**212,380**
2,054		Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:	2,384	
(11,579)		Charges for depreciation and impairment of noncurrent assets	(13,603)	
(718)		Revaluation losses on Property, Plant and Equipment	(1,663)	
(864)		Amortisation of intangible assets	(898)	
(13,345)		Revenue expenditure funded from capital under statute	(15,936)	
		Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(1,242)	
	(24,452)			**(30,958)**
	5,986	Adjusting amounts written out of the Revaluation Reserve		4,468
		Capital financing applied in the year:		
820		Use of the Capital Receipts Reserve to finance new capital expenditure	2,937	
9,092		Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	8,657	
7,584		Application of grants to capital financing from the Capital Grants Unapplied Account	5,955	
1,200		Capital expenditure charged against the General Fund	-	
(8,295)		AUC reclassification on revaluation, derecognition & other adjustments	(13,804)	
	10,401			**3,745**
	60,380	Movements in the market value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement		(3,234)
	212,380	**Balance as at 31 March**		**186,401**

Revaluation Reserve

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

The balance is reduced when assets with accumulated gains are:

- revalued downwards or impaired and the gains are lost
- used in the provision of services and the gains are consumed through depreciation, or
- disposed of and the gains are realised.

The Reserve contains only revaluation gains accumulated since 1 April 2007, the date that the Reserve was created. Accumulated gains arising before that date are consolidated into the balance on the Capital Adjustment Account.

Revaluation Reserve	2017/18 £'000	2018/19 £'000
Balance at 1 April	204,793	200,034
Upward revaluation of assets	1,227	19,181
Difference between fair value depreciation and historical cost depreciation	(3,844)	(4,399)
Amount written off to the Capital Adjustment Account	(2,142)	(122)
Balance at 31 March	**200,034**	**214,694**

Financial Instruments Revaluation Reserve

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

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

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

Pensions Reserve

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

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

	2017/18 £'000	2018/19 £'000
Balance at 1 April	(313,583)	(293,703)
Actuarial gains or losses on pensions assets and liabilities	17,183	20,561
Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement	(5,662)	(18,760)
Employer's pensions contributions and direct payments to pensioners payable in the year	8,359	9,517
Balance at 31 March	**(293,703)**	**(282,385)**

Collection Fund Adjustment Account

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

Collection Fund - Council Tax

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

Collection Fund - Business Rates

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

Accumulated Absences Account

The Accumulated Absences Account absorbs the differences that would otherwise arise on the General Fund Balance from accruing for compensated absences earned but not taken in the year, e.g. annual leave entitlement carried forward at 31 March. Statutory arrangements require that the impact on the General Fund Balance is neutralised by transfers to or from the Account.

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

28 Cash Flow Statement - Operating Activities

The cash flows for operating activities include the following items:

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

The surplus or deficit on the provision of services has been adjusted for the following non-cash movements	2017/18 £'000	2018/19 £'000
Depreciation	12,443	21,439
Impairment and Valuation Losses	-	(6,938)
Increase/(Decrease) in Creditors	16,843	(13,402)
(Increase)/Decrease in Debtors	(1,021)	(676)
(Increase)/Decrease in Inventories	79	91
Pension Liability	(2,697)	9,243
Contributions to/(from) Provisions	155	387
Carrying amount of non-current assets sold or de-recognised (property plant and equipment, investment property and intangible assets)	61	1,242
Carrying amount of short and long term investments sold	-	-
Change in investment property values	(60,380)	3,234
Adjust net surplus or deficit on the provision of services for non-cash movements	**(34,517)**	**14,620**

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

29 Cash Flow Statement - Investing Activities

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

30 Cash Flow Statement - Financing Activities

	2017/18 £'000	2018/19 £'000
Cash receipts of short and long-term borrowing	11,194	47,499
Net cash flows from financing activities	**11,194**	**47,499**

31 Acquired and Discontinued Operations

The council did not acquire or discontinue any operations in the financial year ended 31 March 2019, or 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. Please refer to the table in note 16, above.

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

33 Agency Services

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

34 Road Charging Schemes

There is a requirement to disclose the nature, income, expenditure and net proceeds of any road charging schemes under the Transport Act 2000. The Council does not have any road charging schemes in operation as at 31 March 2019, or 31 March 2018.

35 Pooled Budgets

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

Better Care Fund

The Better Care Fund (BCF) is a pooled budget under Section 75 of the 2006 National Health Service Act. The BCF is a pooling of resources from East Berkshire CCG and RBWM to fund the health and social care needs of RBWM residents. RBWM is the host authority for the BCF. The objectives of the BCF programmes are all aligned to support the RBWM Health and Wellbeing strategy. The BCF programme covers Intermediate care services including the Short Term Support and Re-ablement Team, community based health services, Integrated Heath and Social Care Teams and projects, self care and prevention programmes designed to promote long term independence and wellbeing and reduce avoidable non-elective hospital admissions.

In 2018/19 the £13.052m expenditure includes £3,819,000 of spend and equivalent funding which was incurred by our CCG partners in their accounts, on activities commissioned directly by them. The table shows gross funding with the council hosting as a principal.

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

Berkshire Community Equipment Service

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

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

36 Members' Allowances

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

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

37 Officers' Remuneration

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

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

Notes:

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

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

Notes:

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

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

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

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

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

38 External Audit Costs

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

	2017/18 £'000	2018/19 £'000
	KPMG	Deloitte
Fees payable with regard to external audit services carried out during the year	107	157
Fees payable in respect of statutory inspections	-	-
Fees payable for the certification of grant claims and returns during the year	12	15
Fees payable in respect of other services provided during the year	-	-
Total	**119**	**172**

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

39 Dedicated Schools Grant

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

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

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

40 Grant Income

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

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

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

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

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

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

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

41 Related Parties

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

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

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

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

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

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

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

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

42 Capital Expenditure and Capital Financing

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

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

43 Leases
Authority as Lessee

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

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

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

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

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

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

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

Authority as Lessor

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

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

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

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

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

44 PFI and Similar Contracts
There were no PFI or similar contracts during 2017/18 or 2018/19.

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

46 Capitalisation of Borrowing Costs
No borrowing costs were capitalised during 2017/18 or 2018/19.

47 Termination Benefits
Refer to note 37 above.

48 Pension Schemes Accounted for as Defined Contribution Schemes
Teachers employed by the Authority are members of the Teachers' Pension Scheme, administered by the Department for Education. The Scheme provides teachers with specified benefits upon their retirement, and the authority contributes towards the costs by making contributions based on a percentage of members' pensionable salaries.
The Scheme is technically a defined benefit scheme. However, the Scheme is unfunded and the Department for Education uses a notional fund as the basis for calculating the employers' contribution rate paid by local authorities. The Authority is not able to identify its share of underlying financial position and performance of the Scheme with sufficient reliability for accounting purposes.

For the purposes of this Statement of Accounts, it is therefore accounted for on the same basis as a defined contribution scheme.
In 2018/19, the council paid £2.623m to Teachers' Pensions in respect of teachers' retirement benefits, representing 16.48% of pensionable pay. The figures for 2017/18 were £2.613m and 16.48%. There were no contributions remaining payable at the year-end. The Authority is responsible for the costs of any additional benefits awarded upon early retirement outside of the terms of the teachers' scheme.

49 Defined Benefit Pension Schemes

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

Transactions Relating to Post-employment Benefits

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

Balance via the Movement in Reserves Statement during the year:

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

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

Assets and Liabilities recognised in the Balance Sheet

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

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

Reconciliation of the present value of scheme liabilities:

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

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

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

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

Fair value of scheme assets comprised:

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

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

The significant assumptions used by the actuary have been:

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

The estimation of the defined benefit obligations is sensitive to the actuarial assumptions set out in the table above. The sensitivity analysis below has been based on reasonably possible changes to the assumptions occurring at the end of the reporting period. It assumes for each change that the assumption analysed changes, while all the other assumptions remain constant. The assumptions in longevity, for example, assume that life expectancy increases or decreases for men and women. In practice, this is unlikely to occur, and changes in some of the assumptions may be interrelated. The estimations in the sensitivity analysis have followed the accounting policies for the scheme, i.e. on an actuarial basis using the projected unit credit method. The methods and types of assumptions used in preparing the sensitivity analysis below did not change from those used in the previous period.

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

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

50 Contingent Liabilities
At 31 March 2019, and 31 March 2018 the Authority had no material contingent liabilities.

51 Contingent Assets
At 31 March 2019, and 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. No Financial assets were deemed to have been impaired in 2018/19 as a resullt of credit risk. The write off policy, requires assets greater than £50,000, that are to be written off are to be approved at a full Council meeting. This was not required in 2018/19.

Liquidity Risk

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

	2017/18 £'000	2018/19 £'000
Less than one year	24,453	71,952
Between one and two years	-	-
Between two and five years	-	785
More than five years	57,049	56,264
Total Financial Liabilities	**81,502**	**129,001**

Interest Rate Risk

The Authority is exposed to risk in terms of its exposure to interest rate movements on its borrowings and investments. Movements in interest rates have a complex impact on the authority. For instance, a rise in interest rates would have the following effects:
• borrowings at variable rates – the interest expense charged to the Surplus or Deficit on the Provision of Services will rise
• borrowings at fixed rates – the fair value of the borrowings will fall
• investments at variable rates – the interest income credited to the Surplus or Deficit on the Provision of Services will rise
• investments at fixed rates – the fair value of the assets will fall.
Borrowings are not carried at fair value, so nominal gains and losses on fixed rate borrowings would not impact on the Surplus of Deficit on the Provision of Services or Other Comprehensive Income and Expenditure.

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

Price Risk

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

Foreign Exchange Risk

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

53 Trusts and Other Entities

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

	2017/18 £'000	Receipts in year £'000	Payments in year £'000	2018/19 £'000
Local Enterprise Partnership (LEP)	18,066	53,160	22,576	**48,650**
Flexible Home Improvements Ltd (FHIL)	323	89	282	**130**
Kidwells Park Trust	444	13	18	**439**
RBWM Flood Relief Fund	189	1	-	**190**
Mayor's Benevolent Fund	30	2	5	**27**
Working Boys Club	690	20	80	**630**
Thames Valley Athletic Centre	59	8	-	**67**
Other Trust Funds	1	-	-	**1**
RBWM Commercial Services Ltd	34	639	650	**23**
RBWM Property Company Ltd	(36)	908	701	**171**
Trusts & Other Entities Total	**19,800**	**54,840**	**24,312**	**50,328**

Local Enterprise Partnership (LEP)

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

Flexible Home Improvements Ltd (FHIL)

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

Kidwells Park Trust

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

Royal Borough of Windsor and Maidenhead Flood Relief Fund

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

Mayor's Benevolent Fund

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

Working Boys Club

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

Thames Valley Athletics Centre

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

Other Trust Funds

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

RBWM Commercial Services Ltd

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

RBWM Property Company Ltd

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

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

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

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

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

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

The liability of £3.010m in the Council's accounts represents the Council's share of AfC's pension deficit. This is unlikely to be realised for the above reasons.

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 £'000	AfC £'000	To Group CI&ES & MiRS £'000
Revenue	44,243	123,067	
Profit/(loss) from continuing operations	19	(5,887)	**(2,446)**
Post-tax profit from discontinued operations	-	(6,388)	
Other comprehensive income/expenditure	40	3,274	**673**
Total comprehensive income	**59**	**(9,001)**	
Attributable to non-controlling interest	-	0	**(1,774)**
Attributable to investee's shareholders	59	(9,001)	
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	-	(1)	
Attributable to investee's shareholders	273	(39,188)	
Group's interest in net assets of investee at beginning of	-	0	
Total comprehensive income attributable to the Group	-	0	
Dividends received during the year	-	-	
Group's interest in net assets of investee at end of year	-	0	**To Balance Sheet £'000**
Carrying amount of interest in investee at year end	**775**	**750**	**1,525**

Supplementary Accounting Statements 2018/19

www.rbwm.gov.uk

Royal Borough of Windsor & Maidenhead

COLLECTION FUND

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

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

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

55 Council Tax Income

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

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

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

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

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

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

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

56 Business Rates Income

Business rates, also known as national non-domestic rates (NNDR), help fund local services provided by councils, the police and fire and rescue services. Business rates are calculated by multiplying a property's rateable value (a valuation carried out by the VOA representing the annual rental value of the premises on a particular date) with a multiplier (a rate in the pound set by Central Government) 49.3p in 2018/19 (49.7p in 2017/18). The total rateable value of business premises in the Borough's area at 31st March 2019 was £184.9m producing a notional yield of £106.08m.
The business rate debt position is reviewed regularly and a provision of £1.039m to cover potentially bad or doubtful debts has been made. RBWM's share of the provision is £1.029m.

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

57 Precepts and Demands on the Funds

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

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

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

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

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

The Royal County of Berkshire Pension Fund fund account

2017/18 £'000		Notes	2018/19 £'000
	Dealings with members, employers and others directly involved in the Fund		
(108,591)	Contributions	64	(116,990)
(13,403)	Transfers in from other pension funds	65	(8,130)
(121,994)			(125,120)
100,493	Benefits	66	102,835
10,184	Payments to and on account of leavers	67	10,526
110,677			113,361
(11,317)	**Net (additions)/withdrawals from dealings with members**		**(11,759)**
9,204	Management expenses	68	11,093
(2,113)	**Net (additions)/withdrawals including fund management expenses**		**(666)**
	Returns on investments		
(40,770)	Investment income	69	(43,766)
3,036	Taxes on income	70	4,734
(48,421)	Profits and losses on disposal of investments and changes in the market value of investments	71	(29,982)
(86,155)	Net return on investments		(69,014)
(88,268)	**Net (increase)/decrease in the net assets available for benefits during the year**		**(69,680)**
1,923,995	**Opening net assets of the scheme**		2,012,263
2,012,263	**Closing net assets of the scheme**		**2,081,943**

The Royal County of Berkshire Pension Fund net assets statement

2017/18 £'000		Notes	2018/19 £'000
2,082,344	Investment assets	71	2,185,058
(63,402)	Investment liabilities	71	(108,271)
2,018,942	**Total net investments**		2,076,787
9,048	Current assets	78	14,814
9,048			14,814
(15,727)	Current liabilities	79	(9,658)
2,012,263	**Net assets of the fund available to fund benefits at the end of the reporting period**		**2,081,943**

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

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

58 Description of Fund

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

a) General

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

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

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

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

b) Membership

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

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

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

Membership details are set out below:

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

c) Funding

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

d) Benefits

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

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

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

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

59 Basis of preparation

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

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

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

60 Summary of significant accounting policies

Fund account - revenue recognition

a) Contribution income

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

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

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

b) Transfers to and from other schemes

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

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

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

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

c) Investment income

i) Interest income

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

ii) Dividend income

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

iii) Distributions from pooled funds

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

iv) Movement in the net market value of investments

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

Fund Account - expense items

d) Benefits payable

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

e) Taxation

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

f) Management expenses

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

Administrative expenses

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

Oversight and governance costs

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

Investment management expenses

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

Net Assets Statement

g) Financial assets

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

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

h) Foreign currency transactions

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

i) Derivatives

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

j) Cash and cash equivalents

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

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

k) Financial liabilities

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

l) Actuarial present value of promised retirement benefits

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

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

m) Additional voluntary contributions

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

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

n) Contingent assets and contingent liabilities

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

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

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

61 Critical judgements in applying accounting policies

Pension fund liability

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

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

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

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

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

The items in the financial statements and notes at 31 March 2019 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

Item	Uncertainties	Effect if actual results differ from assumptions
Actuarial present value of promised retirement benefits	Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide the fund with expert advice about the assumptions to be applied.	The effects on the net pension liability of changes in individual assumptions can be measured. For instance, a 0.1% increase in the discount rate assumption would result in a decrease in the pension liability of approximately £84.2 million. A 0.1% increase in the long term salary increases assumption would increase the value of liabilities by approximately £7.3 million, and a one-year increase in assumed life expectancy would increase the liability by approximately £157.5 million.
Longevity Insurance Policy	The longevity insurance policy is valued by a firm of consulting actuaries. This valuation is the difference between the discounted cash flows relating to the amounts expected to be reimbursed to the fund and the inflation linked premiums expected to be paid by the fund.	There is a risk that the value of the longevity insurance policy may be under- or overstated in the accounts.
Private equity investments	Private equity investments are valued at fair value in accordance with the International Private Equity and Venture Capital Board guidelines. These investments are not publicly listed and as such there is a degree of estimation involved in the valuation.	The total private equity investments in the financial statements are £697 million. There is a risk that this investment may be under- or overstated in the accounts.
Bonds	The convertible bond held by the fund has been valued by discounting the future coupon due to be paid to the Fund. An assumption has been made that the coupon will not be paid from 2020 onwards. On default then bond converts to equity. An assumption has been made that the value of equity is zero.	There is a risk that the value of the bond may be under- or overstated in the accounts.

63 Events after the balance sheet date

Impact of the McCloud judgement

The McCloud court case relates to possible age discrimination within the New Judicial Pension Scheme. At this point in time, it is unclear as to how this judgement, or any future judgement, may affect LGPS members’ past or future service benefits, and the actuary is awaiting guidance from the governing bodies of the LGPS. The actuary has therefore estimated the impact using analysis from the Government Actuary's Department as a starting point. The estimated impact would be an increase of 0.8% of liabilities on total liabilities at 31 March 2019 (which equates to £35,410,000).

64 Contributions receivable

By category

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

By type of employer

2017/18 £'000		2018/19 £'000
9,521	Administering authority	10,680
89,160	Scheduled bodies	105,180
4,657	Admitted bodies	5,761
5,253	Transferee admission body	6,049
108,591		**116,990**

65 Transfers in from other pension funds

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

66 Benefits payable

By category

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

By type of employer

2017/18 £'000		2018/19 £'000
11,652	Administering authority	11,122
79,613	Scheduled bodies	82,004
6,554	Admitted bodies	6,987
2,674	Transferee admission body	2,722
100,493		**102,835**

67 Payments to and on account of leavers

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

68 Management expenses

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

a) Investment management expenses

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

69 Investment income

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

70 Other fund account disclosures

a) Taxes on income

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

b) External audit costs

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

71 Investments

Market value 31 March 2018 £'000		Market value 31 March 2019 £'000
	Investment assets	
100,456	Bonds	2,226
458,806	Equities	23,588
332,724	Pooled investments	997,973
295,208	Pooled liquidity funds	137,972
271,613	Pooled property investments	294,011
583,269	Private equity	696,663
	Derivative contracts:	
3,929	- Forward currency contracts	413
32,836	Cash deposits	29,819
3,503	Investment income due	2,393
-	Amounts receivable for sales	-
2,082,344	**Total investment assets**	**2,185,058**
	Investment liabilities	
	Derivative contracts:	
(289)	- Forward currency contracts	(4,471)
(63,113)	- Longevity Insurance Policy	(103,800)
(63,402)	**Total investment liabilities**	(108,271)
2,018,942	**Net investment assets**	**2,076,787**

a) Reconciliation of movements in investments and derivatives

	Market value 1 April 2018 £'000	Purchases during the year and derivative payments £'000	Sales during the year & derivative receipts £'000	Change in market value during the year £'000	Market value 31 March 2019 £'000
Bonds	**100,456**	363	(65,709)	(32,884)	**2,226**
Equities	**458,806**	75,282	(500,474)	(10,026)	**23,588**
Pooled investments	**332,724**	646,906	(24,147)	42,490	**997,973**
Pooled liquidity funds	**295,208**	323,728	(482,068)	1,104	**137,972**
Pooled property investments	**271,613**	27,442	(20,338)	15,294	**294,011**
Private equity	**583,269**	138,288	(125,532)	100,638	**696,663**
	2,042,076	1,212,009	(1,218,268)	116,616	**2,152,433**
Derivative contracts:					
- Forward currency contracts	**3,640**	82,870	(49,600)	(40,968)	**(4,058)**
- Longevity insurance policy	**(63,113)**	6,760	-	(47,447)	**(103,800)**
	1,982,603	**1,301,639**	**(1,267,868)**	**28,201**	**2,044,575**
Other investment balances:					
- Cash deposits	**32,836**			1,781	**29,819**
- Amount receivable for sales of investments	**-**				**-**
- Investment income due	**3,503**				**2,393**
Net investment assets	**2,018,942**			**29,982**	**2,076,787**

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

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

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

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

b) Analysis of investments

31 March 2018 £'000		31 March 2019 £'000
	Investment assets	
	Bonds	
	Overseas	
100,456	Corporate quoted	2,226
100,456		**2,226**
	Equities	
	UK	
95,766	Quoted	23,588
	Overseas	
363,040	Quoted	-
458,806		**23,588**
	Pooled investments - additional analysis	
	UK	
221,673	Unit Trusts	935,447
	Overseas	
111,051	Unit Trusts	62,526
332,724		**997,973**
	Other investment assets	
295,208	Pooled liquidity funds	137,972
271,613	Pooled property investments	294,011
583,269	Private Equity	696,663
3,929	Derivative contracts - Forward Currency Contra	413
32,836	Cash deposits	29,819
3,503	Investment income due	2,393
1,190,358		**1,161,271**
2,082,344	**Total investment assets**	**2,185,058**
	Investment liabilities	
(289)	Derivative contracts - Forward Currency Contra	(4,471)
(63,113)	Derivative contracts - Longevity insurance polic	(103,800)
(63,402)	**Total investment liabilities**	**(108,271)**
2,018,942	**Net investment assets**	**2,076,787**

c) Investments analysed by fund manager

Market value 31 March 2018 £'000	%		Market value 31 March 2019 £'000	%
-	**-**	LPP Investments	2,076,787	100.0
1,342,739	66.5	Royal County of Berkshire Pension Fund in-house investment team	-	-
221,659	11.0	Aviva Global Investors	-	**-**
242,880	12.0	Kames Capital	-	**-**
207,192	10.3	RWC Partners	-	**-**
4,472	0.2	The Cambridge Strategy	-	**-**
2,018,942			**2,076,787**	

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

All the above organisations are registered in the United Kingdom.

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

Investment	Market value 31 March 2018 £'000	% of total fund	Market value 31 March 2019 £'000	% of total fund
Aviva Global Real Estate	153,161	7.6	167,515	8.0
LPPI Global Equities Fund	-	-	624,010	30.0

72 a) Analysis of derivatives

Objectives and policies for holding derivatives

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

- Forward foreign currency

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

- Longevity Insurance Policy

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

Open forward currency contracts

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

73 Fair value - Basis of valuation

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

Description of asset	Valuation hierarchy	Basis of valuation	Observable and unobservable inputs	Key sensitivities affecting the valuations provided
Market quoted investments	Level 1	Published bid market price ruling on the final day of the accounting 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 Closing single price where single price published	NAV-based pricing set on a forward pricing basis	Not required
Unquoted equity	Level 3	Comparable valuation of similar companies in accordance with *International Private Equity and venture Capital Guidelines (2012)*	EBITDA multiple Revenue multiple Discount for lack of marketability Control premium	Valuations could be affected by material events occurring between the date of the financial statements provided and the pension fund's own reporting date, by changes to expected cash flows, and by any differences between audited and unaudited accounts

Sensitivity of assets valued at level 3

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

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

a) Fair value hierarchy

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

Level 1

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

Level 2

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

Level 3

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

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

Values at 31 March 2019	Quoted market price Level 1 £'000	Using observable inputs Level 2 £'000	With significant unobservable inputs Level 3 £'000	Total £'000
Financial assets at fair value through profit and loss	917,089	245,083	990,674	2,152,846
Financial liabilities at fair value through profit and loss	(4,471)		(103,800)	(108,271)
Net investment assets	**912,618**	**245,083**	**886,874**	**2,044,575**

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

b) Reconciliation of fair value measurements within level 3

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

74 Financial instruments

a) Classification of financial instruments

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

Fair value through profit and loss	Assets at amortised cost	Financial liabilities at amortised cost		Fair value through profit and loss	Assets at amortised cost	Financial liabilities at amortised cost
	31 March 2018				31 March 2019	
£'000	£'000	£'000		£'000	£'000	£'000
			Financial assets			
100,456			Bonds	2,226		
458,806			Equities	23,588		
332,724			Pooled investments	997,973		
295,208			Pooled liquidity funds	137,972		
271,613			Pooled property investments	294,011		
583,269			Private equity	696,663		
3,929			Derivative contracts	413		
	36,131		Cash		39,098	
	3,503		Other investment balances		2,393	
	5,753		Debtors		5,535	
2,046,005	**45,387**	**-**		**2,152,846**	**47,026**	**-**
			Financial liabilities			
(63,402)			Derivative contracts	(108,271)		
		(15,727)	Creditors			(9,658)
(63,402)	**-**	**(15,727)**		**(108,271)**	**-**	**(9,658)**
1,982,603	**45,387**	**(15,727)**		**2,044,575**	**47,026**	**(9,658)**

b) Net gains and losses on financial instruments

31 March 2018		31 March 2019
£'000		£'000
53,435	Fair value through profit and loss	28,201
(5,014)	Assets at amortised cost	1,781
48,421	**Total**	**29,982**

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

75 Nature and extent of risks arising from financial instruments

Risk and risk management

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

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

a) Market risk

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

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

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

The fund manages these risks in two ways:

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

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

Other price risk

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

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

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

Other price risk - sensitivity analysis

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

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

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

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

Asset type	Value as at 31 March 2019	Potential market movement	Value on increase	Value on decrease
	£'000	£'000	£'000	£'000
Investment portfolio assets:				
Bonds	2,226	165	2,390	2,061
Equities - listed	-	-	-	-
Equities - unlisted	23,588	5,874	29,462	17,715
Pooled investments - Equity	847,473	145,765	993,238	701,708
Pooled investments - Bonds	64,597	4,070	68,667	60,527
Pooled investments - Credit	6,979	516	7,495	6,463
Pooled investments - Div. strategies	78,924	6,866	85,790	72,057
Pooled liquidity funds	137,972	-	137,972	137,972
Pooled Property Funds	294,011	55,274	349,285	238,737
Private Equity	263,253	65,550	328,803	197,703
Private Equity - Credit	234,361	17,343	251,703	217,018
Private Equity - Infrastructure	199,049	35,033	234,081	164,016
Net derivative liabilities	(107,858)	-	(107,858)	(107,858)
Cash deposits	29,819	-	29,819	29,819
Investment income due	2,393	-	2,393	2,393
Current assets:				
Debtors	5,535	-	5,535	5,535
Cash balances	9,279	-	9,279	9,279
Current liabilities	(9,658)	-	(9,658)	(9,658)
Total	**2,081,943**		**2,418,396**	**1,745,487**

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

Interest rate risk

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

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

Interest rate risk sensitivity analysis

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

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

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

Asset exposed to interest rate risk	Value as at 31 March 2019	Change in year in the net assets available to pay benefits	
		+ 100 BPS	- 100 BPS
	£'000	£'000	£'000
Investments - Pooled liquidity funds	137,972	-	-
Investments - Cash deposits	29,819	-	-
Current assets - Cash balances	9,279	-	-
Bonds	2,226	(67)	67
Total change in assets available	**179,296**	**(67)**	**67**

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

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

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

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

Currency risk

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

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

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

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

Denominated currency	Value as at 31 March 2019	Potential volatility (+/-)	Value on increase	Value on decrease
	£'000		£'000	£'000
AUD	16,617	9.2%	18,150	15,083
CAD	4	9.0%	4	3
CHF	395	7.8%	426	365
EUR	1,058	6.9%	1,131	985
JPY	28	9.1%	31	25
NOK	221	8.5%	240	202
NZD	19,937	9.2%	21,777	18,097
SEK	-	8.5%	-	-
USD	125,407	8.4%	135,979	114,835
Emerging markets	-	8.7%	-	-
Total	**163,667**		**177,738**	**149,595**

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

b) Credit risk

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

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

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

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

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

c) Liquidity risk

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

The fund defines liquid assets as assets that can be converted to cash within three months. Illiquid assets are those which will take longer than three months to convert to cash. As at 31 March 2019 the value of illiquid assets was £990.6m, which represented 47.6% of the total fund net assets (31 March 2018: £854.9m, which represented 42.5% of the total fund net assets).

Refinancing risk

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

76 Funding arrangements

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

The key elements of the funding policy are:

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

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

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

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

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

Financial assumptions

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

Mortality assumptions

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

Commutation assumption

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

77 Actuarial present value of promised retirement benefits

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

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

Calculated on an IAS19 basis, the actuarial present value of promised retirement benefits at 31 March 2019 was £4,413 million (31 March 2018: £4,264 million). The net assets available to pay benefits as at 31 March 2019 was £2,082 million (31 March 2018: £2,010 million). The implied fund deficit as at March 2019 was therefore £2,331 million (31 March 2018: £2,254 million).

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

IAS19 assumptions used

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

78 Current assets

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

Analysis of debtors

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

79 Current liabilities

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

Analysis of creditors

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

80 Additional voluntary contributions

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

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

81 Related party transactions

The Royal Borough of Windsor and Maidenhead

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

Governance

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

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

Key management personnel

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

82 Contingent liabilities and contractual commitments

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

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

83 Contingent assets

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

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 Propery, plant & equipment used in the provision

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

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

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

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

Creditors

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

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

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

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

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

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

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

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

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

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

Interest Costs (Pensions)
Expected changes during the period in the present value of the schemes liabilities because the benefits are one year nearer their settlement.

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 Propery, plant & equipment are included in the balance sheet, i.e. their historic cost or current value less the cumulative amounts provided for depreciation.

Net Current Realisable Costs
The cost of replacing an asset, or its nearest equivalent, that reflects its current condition.

Net Realisable Value
The open market value of an asset in its existing use less expenses incurred in realising the asset

Non-Operational Assets
Propery, plant & equipment held by the local authority but not directly occupied, used or consumed in the delivery of its services. Examples of non-operational assets include investment properties and those assets which are surplus to requirements and which are being held pending sale or redevelopment.

Operational Assets
Propery, plant & equipment held and occupied, used or consumed by the local authority in the direct delivery of those services for which it has a statutory or discretionary responsibility.

Past Service Costs
Changes in the present value of the schemes liabilities related to employee service in prior periods arising from the introduction of, or improvement in, retirement benefits in the current period.

Precepts
The amount that the authority is required to collect from council tax payers to fund another, non tax collecting authority's expenditure. Precepts are issued by Parish Councils and the local police authority.

Prior Period Adjustments
Those material adjustments which apply to previous years, which have arisen from changes in accounting policies or from the correction of fundamental errors. Such errors would destroy the validity of the financial statements. They do not include normal recurring corrections or adjustments of accounting estimates made in prior years.

Prudence
The concept that revenue is not anticipated but is recognised only when realised in the form of either cash or of other assets whose realisation can be assessed with reasonable certainty.

Related Parties
Parties are related when one party has direct or indirect control or influence over the financial and/ or operational activities of the other. Examples include government departments, local authorities, members and chief officers.

Related Party Transaction
A related party transaction is the transfer of asset or liability or performance of service by, to or for a related party.

Remuneration
Sums (including expenses allowances and non-cash benefits subject to UK income tax) paid to or receivable by employees. They exclude employee and employer pensions contributions.

Reserves

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

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

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

Residual Value

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

Retirement Benefits

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

Revenue Expenditure funded from Capital under Statute

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

Inventories

These comprise the following :-

a) goods or other assets purchased for resale;

b) consumable stores;

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

d) products and services in intermediate stages of completion;

e) long-term contract balances;

f) finished goods for resale.

Tangible Propery, plant & equipment

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

Total Cost

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

Useful Life

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

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Deloitte.

ROYAL BOROUGH OF WINDSOR & MAIDENHEAD
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The Royal Borough of Windsor & Maidenhead

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

Issued 07 November 2019 for the meeting on 18 November 2019

Deloitte Confidential: Government and Public Services

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Introduction

The key messages in this report

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

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

We have pleasure in presenting an updated report to the Corporate Overview & Scrutiny Panel of Royal Borough of Windsor & Maidenhead (the Council) for the 2019 audit. The scope of our audit was set out within our planning report presented to the panel in February 2019 and we provided an update paper to the 30 July 2019 meeting. Amendments and additions to that initial paper are shown in blue text below.

Status of the audit - Council

At the date of issue of this report, our audit on the Statement of Accounts is substantially complete. We present a list of remaining items on the next slide. We expect, however, to conclude on the remaining items and to be in a position to sign the Statement of Accounts and Pension Fund accounts shortly after the meeting on 18 November. Achieving this final deadline will require ongoing support from management to ensure all audit information is received and that any required amendments are posted to the Statement of Accounts. This includes our conclusion on Value for Money ("VFM"). Our slide on value for money on page 14 highlights some areas brought to our attention by recent investigations that have led to the qualification of our VFM conclusion.

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

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

We and the finance team have worked together to resolve these matters but this has taken significantly more time than anticipated. We and the Authority have agreed to meet following the audit to discuss areas of improvement identified through this year's audit and agree a detailed joint action plan for 2019/20, including considering whether additional procedures could be brought forward to our interim audit visit.

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

We have included a section in this report providing observations arising from the work we have so far carried out on the areas of significant risk and other areas of audit focus reported to you in our audit planning report. Our July report did not include any commentary on our work on the significant risk of property valuation. This work has been updated and commentary thereon has been included in this report from page 9. This work includes the use of our valuation specialists, Deloitte Real Estate, to review and challenge the appropriateness of the assumptions used in the valuation of the Council's property assets.

Introduction

The key messages in this report (continued)

Status of the audit - Council

Our July report noted that our work in respect of our value for money conclusion was in progress. As discussed further on page 14, work performed by CIPFA following an investigation into the capital projects approval process identified matters that are relevant to our value for money conclusion and have led to an "except for" qualification to our VFM conclusion. The two exceptions noted relate to identified weaknesses in arrangements in relation to financial governance and financial sustainability and resilience. See page 14 for further details. As noted on page 17, and in the separate Pension Fund report to this committee there are potential significant risks that may lead to a further exception being reported in relation to financial governance over Pension Fund investments. We plan to report orally on the outcomes of this and any impact on our report in the 18 November meeting.

Outside of matters related to VFM, the following areas remain to be completed as part of the audit of the Statement of Accounts:

- Conclusion of the Pension Fund audit and the work involved that overlaps with the main Council audit (see separate report). This includes any impact on our VFM work.
- Update to our subsequent events and going concern procedures including review of relevant Cabinet and Committee minutes and latest financial data to cover to the date of signing.
- Completion of the evaluate, conclude and report stages of the audit including receipt of the management representation letter.

We will provide an oral update on these areas including the Pension Fund audit at the meeting.
Our assurance work on the Housing Benefit Grant Claim is in progress. Field work has been completed and initial findings shared and this is going through Deloitte stages of review. We expect to complete this work in time for the end of November deadline.

Conclusions from our testing

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

Subject to finalising our remaining outstanding procedures, and taking into account the qualification of our VFM conclusion, we expect to issue an unqualified opinion on the Statement of Accounts. We will update the meeting if this changes.

Introduction

The key messages in this report (continued)

Narrative Report and Annual Governance Statement	Under International Standard on Auditing (ISA) (UK) 720A (revised), the Auditor's Responsibilities Relating to Other Information in Documents Containing Audited Financial Statements, we are required to review the content of the Narrative Report and the Annual Governance Statement to identify material inconsistencies (if any) with the statements that they accompany. We are not required to give an opinion on the Narrative Report and Annual Governance Statement (and as such it is not considered an 'audited' statement). We are, however, required to read the Narrative Report and Annual Governance Statement to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by the auditor in the course of performing the audit. In performing our review of the Narrative Report and Annual Governance Statement, we have made observations which we have shared with officers, and summarised within this report, that we consider would further improve the document in line with the guidance set out in the CIPFA Code of Practice on Local Authority Accounting (the Code). Officers have considered our recommendations and have prepared a revised Narrative Report. We consider this revised report to satisfactory.
Duties as public auditor	We did not receive any queries or objections from local electors this year. We have not identified any matters that would require us to issue a public interest report. We have not had to exercise any other audit powers under the Local Audit and Accountability Act 2014.
Audit certificate	We are not able to issue our certificate until we have completed our work on the Council's Whole of Government Accounts (WGA) return and separate pension scheme annual report. Our WGA reporting will be issued following the on conclusion of the audit.
Management representations	We will obtain written representations from the Chief Financial Officer on matters material to the financial statements when other sufficient appropriate audit evidence cannot reasonably be expected to exist. A copy of the draft representation letter is attached as an appendix to this letter.
Audit fee	As explained in our fee letter, our audit fee is based on assumptions about the scope of our work and the completeness and quality of information provided to support the draft financial statements and the timeliness and quality of responses to subsequent requests for information and explanation. We expected our audit to be complete at this point but for the reasons set out above and on page 14 it is ongoing and has required substantial further input. We estimate the amount of additional cost incurred to date to be £70k - £75k and the further time needed to complete the audit from this point all represents additional cost which will be charged using the rate card in the appendix.

Our audit explained

We tailor our audit to your organisation

Identify changes in your business and environment

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

Scoping

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

Other findings

As well as our conclusions on the significant risks we are required to report to you our observations on the internal control environment as well as any other findings from the audit. These are set out from page 19 of this report.

Determine materiality

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

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

Significant risk assessment

In our planning report we explained our risk assessment process and detailed the significant risks we have identified on this engagement. We report our observations on these risks arising from our work carried out to date (other than on the risk of valuation of land and building – as explained in the key messages section) on these risks in this report. No additional financial statement risks have been identified since our Audit Plan. We are however investigating some VFM matters. This is noted on page 14.

Conclude on significant risk areas

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

Our audit report

We expect to issue a clean audit opinion on the Statement of Accounts. As noted earlier in the report and on page 14, we will include qualifications in our VFM conclusion.

Significant risks

Management override of controls

Risk identified

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

Deloitte response

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

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

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

Significant and unusual transactions

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

Journals

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

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

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

Accounting estimates

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

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

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

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

Status of our work and issues identified

We have identified control deficiencies, set out from page 19.

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

Our work is complete and we have not identified instances of management override of controls.

Significant risks (continued)

Capital expenditure

Risk identified

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

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

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

Deloitte response

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

Deloitte view

We have concluded satisfactorily in this area on substantive testing and there are no adjustments to raise. We have however identified control improvements detailed from page 19.

Significant risks (continued)
Valuation of property assets

Risk identified

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

Key judgements and our challenge of them

The Council held other land and buildings of £293.9m (PY: £283.9m) and investment property of £131.8m (PY: £135.3m) at 31 March 2019 which are required to be recorded at current or fair value at the balance sheet date.

The Council's practice is to obtain a valuation at different points in the year. For 2018/19, this meant 20 properties as at 8 January 2019 and 113 properties at 8 January and 28 February 2019. A further letter is issued to bridge the dates 28 February to 31 March 2019 noting any potential material movements. There is a rolling revaluation programme where a full valuation is performed for different asset groups on a rolling basis that ensures that all properties are valued at least every 5 years.

Key judgements include:

- Whether there has been a material change since the date of the last valuation;
- In the valuation of dwellings, defining appropriate beacon groups, such that the level homogeneity of properties within each group is appropriate, and selecting appropriate comparators and, where relevant, making appropriate adjustments; and
- In the valuation of schools, appropriate selection of the location and design of modern equivalents.

Deloitte response

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

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

We tested a sample of inputs to the valuation.

We used our valuation specialists, Deloitte Real Estate, to review and challenge the appropriateness of the assumptions used in the valuation of the Council's property assets including considering the assumptions made of movements between the valuation being performed at earlier stages in the year and the year-end. This included the population of property not directly revalued in the year.

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

On beacon values, we noted that Dwellings did not form a significant part of the 2018/19 valuation exercise. Our specialist has appraised and concluded satisfactorily on the valuation of the out-of-scope properties. We will review beacon values at future valuation points when Dwellings are specifically revalued.

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

Deloitte view

Overall, and after corrections were posted, we have concluded that the net book value of property assets is not materially misstated. The Council's valuation assumptions are generally reasonable and fall within the expected range highlighted by Deloitte Real Estate. We have identified findings and recommendations for management to consider when designing future valuation exercises. The most significant ones of these have been summarised from page 19. One particular point relates to the valuing of properties using Depreciated Replacement Cost ("DRC"). This method is applicable to specialised assets rarely sold or traded such as schools. Only 1 such item, Riverside Primary, was valued for 2018/19. Findings have been raised regarding the application of DRC methodology that could have a greater impact in future years when more of these specialised assets are expected to be in the scope of the review. We also noted there was no process to evaluate the potential movement of assets not revalued in the year, and significant discrepancies in how the movements of revalued assets had been recorded within the accounts, which has been corrected. We also note that finance costs have incorrectly been included in the valuation, which is an uncorrected error at year end.

Other matters

Pension liability

Background

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

The Council's pension liability is affected by the McCloud legal cases in respect of potential discrimination in the implementation of transitional protections following changes in public sector pension schemes in 2015. Subsequent to year-end, the Government was denied leave to appeal the case, removing the uncertainty over recognition of a liability. The actuary has estimated the impact on the Council's liability and has concluded that the impact is not significant (£3.9m) and the Council has made the disclosures relating to this in note 49 of the accounts. We note that most authorities have adjusted for this amount and have advised officers to post this. This is considered an uncorrected misstatement in the accounts.

Deloitte response

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

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

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

Deloitte commentary on findings to date

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

The Council has not adjusted the pension liability for the impact of the McCloud case. Based on our review of the report prepared by the actuary for this purpose we noted that the proposed adjustment would be £3.9m. We have currently reported this as an unadjusted misstatement in the appendix to this report and we note that we have asked officers to adjust the liability for this amount.

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

The work on the Council side aspect of the pension scheme is complete.

Other matters (continued)

Implementation of IFRS 9 and IFRS 15

Matter identified	The Council is required to adopt the new accounting standards IFRS 9 *Financial Instruments* and IFRS 15 *Revenues from contracts with customers* in the year ended 31 March 2019. In both cases, the Council is using a modified retrospective approach to implementation where effectively the cumulative impact of transition to 1 April 2018 is posted as an adjustment to reserves. The scope of IFRS 9 and IFRS 15 is limited to balances arising on “exchange” transactions. Non-exchange debtors, such as council tax, business rates and parking fines are outside of the scope of IFRS 9 and IFRS 15. The Council has posted no retrospective adjustments with regard to IFRS 9 or IFRS 15 as there is no material impact on the financial statements.
Response	We understand that officers held discussions on the impact of the new standards as part of the accounts closure process and concluded that there was no material impact but did not initially prepare a paper setting out information on their process, findings as support for this conclusion. A paper was subsequently prepared by officers and presented to the audit team for review which still did not address all pertinent issues relating to these new standards. The statement of accounting policies in the original version of the financial statements had not been updated to reflect changes introduced by IFRS 9 including the classification of financial instruments and a different credit loss impairment model. The key accounting impact of IFRS 9 is on the calculation of the bad debt provision, which must move to a methodology of expected credit losses. We have completed our work in this area and have not proposed any adjustments but do recommend that full accounting papers are prepared to support such matters in future. IFRS 9 also introduces new or changed disclosure requirements. The Council’s accounts template was not initially updated for these changes and as a result the first financial statements did not fully comply with the Code in this respect. The Council has not made any disclosure of the impact of the transition. We have proposed further improvements to the accounts disclosures and will update the meeting regarding the status of this. Regarding IFRS 15, officers were satisfied that no transitional adjustments would be required as the Council’s larger sources of income including grant income, rents and taxation are outside of the scope of the standard and in other income streams which fall within the scope of IFRS 15 there are not material performance obligations which span the year end. This is consistent with a general expectation for local authorities which have not entered into material unusual transactions. Again, the statement of accounting policies was not initially updated to bring the description of the Council’s policy for the recognition of income into line with the requirements of IFRS 15. IFRS 15 introduces new disclosures around the amount of income, deferred income and receivables which are accounted for under the standard. The Council’s accounts template was not updated to include these new disclosures and as a result the financial statements did not fully comply with the Code in this respect. The Council has not made any disclosure of the impact of the transition. We have proposed further improvements to the accounts disclosures and will update the meeting regarding the status of this.

Deloitte view

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

Other matters (continued)

Other financial reporting matters

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

Other matters (continued)

Other financial reporting matters

Area	Observation
Overstatement of cost and accumulated depreciation in the property, plant and equipment	Based on audit work performed on the brought forward balance of property, plant and equipment a £44m equal but opposite variance between Cost/Valuation and Accumulated Depreciation was noted. Based on discussions with officers, this was found to relate to the 2011/12 financial year when our predecessor requested officers to make this adjustment. While the difference does not impact the overall net book value of property, plant and equipment the amounts disclosed in the notes to the accounts did not reflect the correct balances of cost and accumulated depreciation brought forward. We proposed an adjustment in this regard as noted on page 28 of this report and this was corrected.

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

Background

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

The Code and supporting Auditor Guidance Notes require us to perform a risk assessment to identify any risks that have the potential to cause us to reach an inappropriate conclusion on the audited body’s arrangements. We are required to carry out further work where we identify a significant risk - if we do not identify any significant risks, there is no requirement to carry out further work. During the audit process, we identified significant risks in relation to financial governance and financial sustainability and resilience. Our response to these is outlined below. We concluded with an “except for” qualification in regard to these matters in our VFM conclusion.

Our risk assessment and audit work includes:

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

Additional Work based on outcomes of CIPFA investigation and report issued July 2019

- CIPFA were asked by the Managing Director and s151 Officer to review the governance, approval and management processes in relation to a £350k capital scheme (Clewer and Dedworth Neighbourhood Improvements) approved in the 2018/19 budget.
- This report was issued in July 2019 and circulated to members.
- Whilst the explicit capital schemes the investigation looked into are immaterial to the audit, the report flags a series of concerns in relation the Council’s financial governance and monitoring processes and further highlights issues with financial sustainability and resilience.
- We met with the author of the report – Peter Robinson, CIPFA and authority Managing Director, Duncan Sharkey to discuss the outcomes of the report.
- Having been brought to the attention of the auditor, evidence of these matters and the weaknesses in arrangements they indicate have led to qualification of our VFM conclusion. The Council’s Annual Governance Statement has also been updated to reflect these outcomes.

Deloitte view

Our July report noted that our work in respect of our value for money conclusion was in progress. The work that has been performed by CIPFA has identified matters that are relevant to our value for money conclusion. This has led to the qualification of our VFM Conclusion. On page 18, we include indicative wording of our conclusion. Our work in this area is complete and our conclusion is qualified with an “except for” conclusion.

Significant VFM risks

Key points arising from our work on significant risks

Risk details	Findings	Conclusion
There is a significant risk in respect of weaknesses in financial governance identified by a CIPFA investigation into the approval of the Clewer and Dedworth capital scheme. This report concluded that there was a £48k ultra vires spend. Whilst this is not material, there is a significant risk that weaknesses exist in the governance arrangements and that these gaps increased the risk of this occurrence.	Regarding financial governance, we identified (and the AGS describes) inadequate resourcing of key governance functions and the development of an organisational culture where responsible individuals did not feel empowered or encouraged to speak out when issues arose. Weaknesses have been identified in the robustness of the annual review of the effectiveness of the governance framework including the system of internal control. The AGS notes evidence of spend occurring that had not been through the required approval process and was therefore "ultra vires" – outside the scope of the Authority's powers; and that there is evidence that members were able to circumvent the Council's approved policy framework to include additional schemes in the capital programme without appropriate challenge from officers.	Exception reported.
The CIPFA report goes on to describe weaknesses in key financial governance arrangements including critical documents such as budgets, capital plans and the Medium Term Financial Plan. There is a risk that weaknesses exist in these key arrangements that underpin financial governance.	Our investigations have shown there is evidence of weaknesses in critical financial governance reports such as budgets and budget monitoring, the Capital Programme, the Medium Term Financial Plan and Treasury Management policies indicating these documents did not comply with requirements and were inadequate.	Exception reported.

Significant VFM risks

Key points arising from our work on significant risks

Risk details	Findings	Conclusion
Due to significant volatility and “turbulence” (as quoted in the AGS) in financial performance including large overspends, budget variances and reduction in the Council’s reserves and cash levels there is a significant risk that weaknesses exist in the Council’s arrangements for planning finances effectively to support the sustainable delivery of strategic priorities and maintain statutory functions.	In relation to financial sustainability and resilience, we noted significant volatility in financial performance including large overspends, budget divergences and the resulting depletion of the Council’s reserves and cash levels. In particular, there is evidence of inadequate management of the capital budget and issues with social care functions. The final outturn indicated a variance to budget of £4.1m at the net cost of service line with budget at £79.4m (2017/18: £80.8m) versus actual of £83.5m (2017/18: £81.4m). However, as noted in the AGS, during the year there was “significant turbulence” within Council finances with, at one point, “a forecast £8m budget overspend.” At this stage of greatest divergence, “non-earmarked revenue reserves reached a low point of £7.4m.” In terms of future plans, there is evidence that the Medium Term Financial Planning (“MTFP”) process is limited and does not reflect best practice. In the MTFP, potential savings of £4.2m are required in 2020/21 based on current assumptions but there is no explanation given of how these will be achieved. Overall, there is evidence of weaknesses in budgeting processes at the authority and in monitoring of financial performance.	Exception reported.

Significant VFM risks

Key points arising from our work on significant risks

Risk details	Findings	Conclusion
Our procedures identified some potential issues with regards to the system of governance and internal control in place to oversee the Royal County of Berkshire Pension Fund investments. There is therefore a significant risk that there are weaknesses in the arrangements for planning finances effectively in this area. The key areas of significant risk identified included the following: The audit identified that a pension fund investment into a corporate entity of $50m made up of two $25m investments, one in July 2016, one in April 2017, was deemed to be worth $2.2m as at 31 March 2019. This investment was initially being carried at cost and, following the audit finding raised, was impaired by the Pension Fund. The substantial reduction of value over a short period of time and the fact this was not picked up in the initial closing balance prepared by management indicates a risk that financial governance and monitoring arrangements over Pension Fund investments may be weak. Further areas where controls did not operate to ensure adequate due diligence and conflicts of interest were identified through the Pension Fund audit A further example is the longevity hedge which was valued using incorrect mortality assumptions. This led to a £40.3m adjustment. As reported in the separate Pension Fund ISA 260, obtaining information from LPP has been challenging and not provided in a timely manner and indicated further weaknesses in arrangements. Specifically we have reported weaknesses in controls at the Pension fund for the evaluation and monitoring of the controls at a service organisation. We note at the date of this report work on the Pension Fund is still ongoing.	See separate Pension Fund ISA 260 report where these findings are reported. In relation to #1, the investment here in TEO (“Technology Enhanced Oil”) has lost its value as it is in the form of a convertible bond. It commenced as a debt with a guaranteed interest return to the Pension Fund as investor but converts to equity in the corporate entity at a certain future date or if there is a default on the interest payment (i.e. the company ends up insolvent). Whilst the corporate entity continues to exist at 31 March 2019, a near future default event is deemed virtually certain so the only value remaining is the guaranteed interest receipts until the default event which is forecast for Q2 of calendar year 2020. The KPMG valuation report highlights indicators of high risk that this equity was positioned to lose substantially all of its value. Principally, points identified include that further development was required to ensure growth and there were no robust plans for this, that cash was not available to acquire required additional assets (and there were conditions in the bonds preventing the raising of new capital) and that the knowledge of the technology and operations sat within a separate entity (“Iskandia”) in which the Pension Fund was not invested. Whilst this technology is proven, it was not sufficiently protected between TEO and Iskandia meaning that Iskandia could terminate the service agreement at any time leaving TEO with only the tangible assets but no knowledge, expertise or operational platform. Further, there were no significant barriers to Iskandia engaging with other potential licencees competing in the same market. Both of these factors mean that TEO had no proprietary technology that could be considered part of its valuation at 31 March 2019 once operational results proved loss making. The substantial loss of value in this investment over a short period of time due to factors beyond the Council’s control but evident as part of the information surrounding the investment indicates weaknesses in the financial governance arrangements related to investments. This impairment was not identified in the initial closing balance but arose from further audit investigation. Other findings with respect to controls are as set out to the left and in the separate pension fund report to the committee.	Work is still ongoing in this area to assess whether the significant risk identified and the control findings raised leads to a 2018/19 qualification of our VFM opinion. We will update the 18 November meeting regarding our conclusions in this area.

Arrangements to secure economy, effectiveness and efficiency from the Authority's use of resources – Draft wording of VFM conclusion

REPORT ON OTHER LEGAL AND REGULATORY MATTERS

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

We are required to report to you if, in our opinion, the Authority has not made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. Our conclusion is qualified.

Basis for qualified conclusion

The Authority has described issues in its Annual Governance Statement ("AGS") that indicate weaknesses in arrangements over both financial governance and financial sustainability and resilience.

Regarding financial governance, the AGS describes inadequate resourcing of key governance functions and the development of an organisational culture where responsible individuals did not feel empowered or encouraged to speak out when issues arose. Weaknesses have been identified in the robustness of the annual review of the effectiveness of the governance framework including the system of internal control. The AGS notes evidence of spend occurring that had not been through the required approval process and was therefore "ultra vires" – outside the scope of the Authority's powers; and that there is evidence that members were able to circumvent the Council's approved policy framework to include additional schemes in the capital programme without appropriate challenge from officers. There is evidence of weaknesses in critical financial governance reports such as budgets and budget monitoring, the Capital Programme, the Medium Term Financial Plan and Treasury Management policies indicating these documents did not comply with requirements and were inadequate.

The authority is currently undergoing structural change to address some of these issues but this was not in place by 31 March 2019. We understand CIPFA have urgently recommended that an additional detailed review of these arrangements is undertaken once this action plan is in place and that a further report on these arrangements is due in March 2020. This report was not available to consider as part of this conclusion.

In relation to financial sustainability and resilience, the AGS notes significant volatility in financial performance including large overspends, budget divergences and the resulting depletion of the Council's reserves and cash levels. In particular, the AGS describes inadequate management of the capital budget and issues with social care functions. The final outturn indicated a variance to budget of £4.1m at the net cost of service line with budget at £79.4m (2017/18: £80.8m) versus actual of £83.5m (2017/18: £81.4m). However, as noted in the AGS, during the year there was "significant turbulence" within Council finances with, at one point, "a forecast £8m budget overspend." At this stage of greatest divergence, "non-earmarked revenue reserves reached a low point of £7.4m." There is evidence that the Medium Term Financial Planning ("MTFP") process is limited and does not reflect best practice. In the MTFP, potential savings of £4.2m are required in 2020/21 based on current assumptions but there is no explanation given of how these will be achieved. Overall, there is evidence of weaknesses in budgeting processes at the authority and in monitoring of financial performance.

VFM conclusion in relation to Pension Fund matters to be inserted.

These issues are evidence of weaknesses in proper arrangements for planning and governing finances effectively to support the sustainable delivery of strategic priorities and maintain statutory functions.

Qualified Conclusion:

On the basis of our work to date, having regard to the guidance issued by the Comptroller and Auditor General in December 2017, with the exception of the matters reported in the basis for qualified conclusion paragraph above, we are satisfied that, in all significant respects, The Royal Borough of Windsor of Maidenhead put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2019.

Control observations

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

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

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

Control observations (continued)

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

Control observations (continued)

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

Control observations (continued)

Area	Observation
Accounting for capital expenditure	During our testing of the capital commitments disclosure we noted that £6.4m of expenditure relating to the Braywick Leisure Centre was incorrectly included in the capital commitment disclosures at year end. Officers have subsequently adjusted the accounts disclosure for this misstatement. No further change is required as these amounts have been included in capital additions for the year. We understand that officers use a March to February period for the purposes of accounting for capital items. We suggest that a review is performed at year end to consider the impact of any expenditure incurred in the final month of the financial year for its impact on operating expenditure, property, plant and equipment and the councils commitments disclosures.
Bank and cash	During the our testing of bank and cash we noted a balance of £984k relating to long-outstanding reconciling items for which we were not provided any support. This was identified in the prior year audit and is still under investigation by RBWM's internal audit function. We recommend that this investigation is finalised and the reconciling items cleared as soon as possible. We also recommend that a review of the controls relating to bank reconciliations is undertaken in order to avoid a recurrence of this.
Elimination of internal recharges	Internal recharges should be eliminated from the presentation of income and expenditure in the Comprehensive Income and Expenditure Statement. As set out on page 28, our testing identified an amount of recharges of £32.7m (2017/18: £25.4m) shown gross in income and expenditure. To correct for this, income and expenditure both needed to be reduced by £32.7m (2017/18: £25.4m). We recommend that, going forward, internal recharges are eliminated in the Comprehensive Income and Expenditure Statement before being subject to audit.

Control observations (continued)

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

Control observations (continued)

Area	Observation
Improvements to the valuation exercise	Whilst overall we have concluded that the properties held at revalued amounts are not materially misstated, several insights and improvements for the future have been identified. We have fed back a detailed list to management and include a summary of the more significant items below: • Reports provided to Lambert Smith Hampton and received back from them should include clear categorisation of assets, including whether leasehold or freehold, and a clear statement of the date of valuation to ensure the correct methodology and assumptions have been applied and that this can easily tracked through the working papers. • Valuations required for RBWM Property Company Limited should be commissioned and conducted under separate instructions to the main Council valuation exercise as their assets do not form part of the Council's accounts. • The Depreciated Replacement Cost ("DRC") method of valuation is applicable to specialised assets rarely sold or traded such as schools. Only 1 such item, Riverside Primary, was valued for 2018/19. Findings raised included that the valuation should reflect Modern Equivalent Asset considerations and that valuations should be on an "Instant Build" basis (i.e. not including finance costs). These were weaknesses in the valuation method however they were not material to the overall valuation because only one school was valued this year. These findings could have a greater impact in future years when more of these specialised assets are expected to be in the scope of the review so should be addressed as part of scoping next year's exercise. • Where an asset has been valued at an earlier point in the year, explicit commentary should be included to update the valuation to the balance sheet date. • The impact of Brexit is not noted in the LSH report. As an area of uncertainty we would expect to see commentary on this matter even where the potential impact cannot be fully quantified. • Whilst the Council uses a specialist valuer to inform the process here, it is important that the Council retains responsibility for reviewing the assumptions and confirming their appropriateness and that this is documented appropriately in a management paper. We also note that the Council appraisal of properties not directly valued in order to consider whether there is a risk that they are materially misstated was provided late in the process. We would expect this to be prepared contemporaneously with the preparation of the valuation and the preparation of the draft statement of accounts. We propose that the support for the valuation, both the directly valued areas of the portfolio and the appraisal of the assets not in scope for that year, are provided prior to the start of the audit. We will also seek to be involved, with our DRE specialist team, at the scoping stage of the valuation exercise to mitigate issues arising later in the process next year.

Your annual report

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

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

Purpose of our report and responsibility statement

Our report is designed to help you meet your governance duties

What we report

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

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

What we don't report

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

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

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

The scope of our work

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

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

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

Jonathan Gooding

for and on behalf of Deloitte LLP
St Albans

07 November 2019

Appendices

Audit adjustments

Unadjusted misstatements

The following uncorrected misstatements have been identified up to the date of this report which we request that you ask officers to correct as required by ISAs (UK). Uncorrected misstatements to date increase total comprehensive expenditure in the CIES by £6.5m, decrease net assets by £6.5m, and decrease usable reserves by £6.5m.

		Debit/ (credit) CIES £m	Debit/ (credit) in net assets £m	Debit/ (credit) prior year reserves £m	*Memo: Debit/ (credit) usable reserves £m*	If applicable, control deficiency identified
Misstatements identified in current year						
Accounting for outcome of McCloud judgement	[1]	3.9	(3.9)	-	*3.9*	
Reconciling items in bank reconciliation	[2]	1.0	(1.0)	-	*1.0*	Yes
Debtors with credit balances	[3]	-	0.5/(0.5)	-	-	
Interest cost included in Modern Equivalent for the revalued school	[4]	1.6	(1.6)	-	*1.6*	
Misstatements identified in prior years						
Asset under construction not reclassified in prior period	[5]	-	0.7/(0.7)	-	-	Yes
Total		**6.5**	**(6.5)**	**-**	*6.5*	

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

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

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

(4) Interest was included in the Modern Equivalent Asset valuation for the single school revalued. These valuations are required to be on an "instant build" basis and should only include actual build costs.

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

Audit adjustments (continued)

Corrected misstatements

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

		Debit/ (credit) CIES £m	Debit/ (credit) in net assets £m	Debit/ (credit) prior year reserves £m	*Memo: Debit/ (credit) reserves £m*	If applicable, control deficiency identified
Misstatements identified in current year						
Eliminate internal recharges	[1]	33 / (33)	-	-	-	Yes
Difference in opening cost and accumulated depreciation	[2]	-	44/(44)	-	-	Yes
Accounting treatment for investment in associate	[3]	(7.8)	7.8			
Items in bank reconciliation that should be in ledger	[4]		5.7/(5.7)			
Adjustments in relation to the valuation exercise	[5]	(6.6)			6.6	
Misstatements identified in prior years						
Incorrect classification of prior year Teachers Pay	[6]	3.9/(3.9)	-	-	-	
Total		**(14.4)**	**7.8**	**-**	**6.6**	

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

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

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

(4) The bank reconciliation was performed as at Friday 29 March. Items in the bank reconciliation occurring between 29 and 31 March needed to be reflected in the ledger.

(5) Amounts were credited to the revaluation reserve where the credit should have reversed prior impairment and therefore been posted to the CIES surplus/deficit and carried to the Capital Adjustment Account.

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

Audit adjustments (continued)

Disclosures

Disclosure misstatements

No further uncorrected disclosure misstatements have been identified since our earlier report to this committee. Disclosure misstatements identified in that report have been corrected.

Fraud responsibilities and representations

Responsibilities explained

Responsibilities:

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

Required representations:

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

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

Audit work performed:

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

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

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

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

We have reviewed the Annual Governance Statement.

Independence and fees

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

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

Independence and fees (continued)

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

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

We estimate the amount of additional cost incurred to date, including an estimate of the required time to finalise and sign the accounts, to be £70k-75k. Any further time needed to complete the audit from this point represents additional cost which will be charged using the rate card below.

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

Draft management representation letter

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

Dear Sirs,

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

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

Financial statements

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

Draft management representation letter (continued)

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

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

Draft management representation letter (continued)

Information provided

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

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

Yours faithfully

Signed on behalf of Royal Borough of Windsor & Maidenhead

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Deloitte.

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WINDSOR & MAIDENHEAD
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Royal County of Berkshire Pension Fund

Final report to the Corporate Overview & Scrutiny Panel for the year ended 31 March 2019

Issued in draft on 7 November 2019

Deloitte Confidential: Government and Public Services

Contents

Introduction

The key messages in this report

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

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

We have pleasure in presenting our final report to the Corporate Overview & Scrutiny Panel of Royal Borough of Windsor & Maidenhead (the "Panel") for the 2019 audit of the Royal County of Berkshire Pension Fund (the "Fund"). The scope of our audit was set out within our planning report presented to the panel in April 2019.

Status of the audit – Pension Fund

At the date of issue of this report, our audit is in progress. We present a list of remaining items on the next slide.

As noted in our July paper, this is our first year auditing the Fund and we understand that the level of information we have requested from officers and nature of some of our procedures have been quite different to what the Fund has experienced in previous years.

The progress of the audit in the key areas of testing has been significantly delayed due to issues in the reporting of service organisations and advisers. On investigation the convertible bond was being held at cost and had not been included at fair value in the initial draft accounts and the longevity hedge had been valued using an out of date mortality assumption. Both these issues required additional valuation work by the Fund's service organisations before our internal specialists could begin to test the revised valuations. Furthermore, the investment manager, Local Pensions Partnership ("LPP"), has found it difficult to provide the requested information for our testing of the alternative investment funds. This included audited financial statements of the funds and evidence of capital movements, without which it is not possible for us to conclude on our testing. There is currently information outstanding for six funds, along with several general queries across subsections of the alternative funds population.

Our work in respect of the convertible bond and the longevity hedge has now been concluded. We identified material misstatements in the statement of accounts presented for audit, such that the value of each instrument was overstated by £34.2m and £40.3m respectively. The final statement of accounts has been adjusted accordingly. We have included a section in this report providing observations arising from the work we have carried out on the areas of significant risk reported to you in our audit planning report. We have also identified recommendations in respect of significant control deficiencies in these areas in the Control Observations section of this report.

Conclusions from our testing

We have set out a summary of misstatements and disclosure deficiencies identified to date in an appendix to this report (see pages 13 to 15). As our audit work on the alternative investments is still ongoing, further misstatements may be identified through the completion of our remaining work. We will provide an oral update in the meeting on any further misstatements identified.

Subject to finalising our remaining outstanding procedures, we expect to issue an unqualified opinion on the Financial Statements of the Fund. We will update the Panel at the meeting if this changes.

Introduction

The key messages in this report (continued)

Audit procedures outstanding

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

- Receipt and testing of the outstanding information requested for some of the alternative investment funds;
- Completion of journal entry testing following a revision of our criteria as a result of other audit findings;
- Update of our subsequent events and going concern procedures;
- Completion of our internal quality assurance procedures;
- Finalising the IAS 19 letters following the conclusion of the other outstanding audit matters; and
- Signing of the representation letter.

We will provide a oral update to the Panel at the meeting on the 18 November 2019.

Management representations

We will obtain written representations from the Chief Financial Officer on matters material to the financial statements when other sufficient appropriate audit evidence cannot reasonably be expected to exist. A copy of the draft representation letter will be issued ahead of signing the financial statements.

Audit fee

As explained in our fee letter, our audit fee is based on assumptions about the scope of our work, the completeness and quality of information provided to support the draft financial statements and the timeliness and quality of responses to subsequent requests for information and explanation. We expected our audit to be complete at this point but, for the reasons set out on the previous page, it is ongoing and has required substantial further input. We have estimated the additional costs incurred to date across the Council and Pension audits in our separate report on the Council statement of accounts. Further time is needed to complete the audit from this point and represents additional cost which will be charged using the rate card in the appendix to that separate report.

Our audit explained

We tailor our audit to your organisation

Identify changes in your Fund and environment
In our planning report we identified the key changes in the Fund. These were the transfer of the investment management function of the Fund to LPP and the ongoing transferring into pooled investment vehicles provided by LPP.

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

Other findings
As well as our conclusions on the significant risks we are required to report to you our observations on the internal control environment as well as any other findings from the audit. These are set out from page 9 of this report.

Determine materiality
We set our materiality at £21.5m based on approximately 1% of total net assets of the Fund.

We report to you in this paper all misstatements above £300k.

Significant risk assessment
In our planning report we explained our risk assessment process and detailed the significant risks we have identified on this engagement. We report our observations on these risks arising from our work carried out to date in this report. No additional financial statement risks have been identified since our Audit Plan.

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

Our audit report
Once the outstanding testing is completed, we expect to issue an unmodified audit opinion on the Financial Statements.

Significant risks

Management override of controls

Risk identified

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

Deloitte response

We have considered the overall sensitivity of judgements made in preparation of the financial statements, and note that the Fund's draft statement of accounts was overstated by approximately £74.5m due to estimates used in the valuation of the longevity swap and the convertible bond being out of date.

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

Significant and unusual transactions

We have not identified any significant transactions outside the normal course of business or any transactions where the business rationale was not clear in the current year.

Journals

Elements of our journals testing in relation to the revised journals sample is ongoing. The sample has been revised in light of information discovered during the audit testing.

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

We have used Spotlight data analytics to risk assess journals and select items for detailed follow up testing. The journal entries were selected using computer-assisted profiling based on areas which we consider to be of increased interest. In response to the initial results of other areas of testing, we reconsidered the selection criteria and tested additional journals.

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

Accounting estimates

We have performed a review of the accounting estimates.

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

We reviewed accounting estimates for biases that could result in material misstatements due to fraud.

We tested accounting estimates and judgements, focusing on the areas of greatest judgement and value. Our procedures included comparing amounts recorded or inputs to estimates to relevant supporting information from third party sources. The findings from our work on the longevity swap valuation and convertible bond valuation are included on pages 9 and 10 of this report.

Status of our work and issues identified

Our work is still ongoing, but, to date:

- We have identified control deficiencies, set out on pages 9 and 10;
- We have not identified any significant bias in the key judgements made by officers based on work performed; and
- We have not identified instances of management override of controls in the current year.

Significant risks (continued)
Valuation of the longevity hedge

Risk identified
The Fund holds a material longevity insurance policy to hedge longevity risk. A longevity hedge is designed to insure the Fund against the risk that pensioners live longer than the current mortality assumptions. Valuation of longevity hedges are sensitive to relatively small movements in the key assumptions used in the actuarial calculations. The setting of these assumptions involves judgement. The longevity hedge was valued as a liability of £63.1m in the 2017/18 Statement of Accounts and £63.5m in the 2018/19 Statement of Accounts presented for audit and is therefore quantitatively material. As a result of this we consider the valuation of the longevity hedge to be a significant risk.

Key judgements and our challenge of them

The Fund held a longevity hedge liability of £63.5m (PY: £63.1m) at 31 March 2019 which is required to be recorded at fair value.

The Fund's practice is to obtain a valuation from the Fund's actuary as at each year end. The actuary also reviews the assumptions relating to the overall Fund's liability on a triennial basis. The most recent triennial valuation was completed as at 31 March 2016.

Key judgements include:

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

Deloitte response

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

We obtained a valuation report directly from the actuary and reconciled this to the financial statements disclosure.

We obtained the underlying documentation of the policy, including the population covered, the assumptions and other key inputs used in the calculation, and the agreed cash flows.

An assessment was completed of the design and implementation of key controls in place around the longevity hedge valuation, including how the Fund ensures that the discount rate and mortality rates are appropriate.

Our in-house actuarial specialists challenged and assessed the reasonableness of the valuation of the policy based on the underlying terms of the contract and the forecast cash flows, and provided a view on the key judgements used.

Deloitte view
Following the initial review by our internal specialists we concluded that the mortality assumption was not in line with the market. The mortality tables used were not in line those used in the current valuation of the overall Fund's liability. Aligning the mortality tables with those of the triennial valuation resulted in a revised valuation from the actuary of £104m liability. **This therefore indicates a misstatement in the statement of accounts presented for audit of £40.3m**. Testing of the revised balance has been concluded with no additional valuation issues noted.

We have identified **significant control weaknesses** in this area and made recommendations for management to consider when valuing the longevity hedge in future. Our recommendations have been summarised from page 9.

Significant risks (continued)
Valuation of the convertible bond

Risk identified

The Fund holds a convertible bond as at the 31 March 2019. This instrument is listed on the Singapore stock exchange, but it does not have publicly available pricing. Valuation of convertible bonds requires the use of a complex model that accounts for the embedded option to convert the initial bond holding to equity. The valuation method takes account of the nature of both the bond and equity characteristics, including volatility and spread, and involves the evaluation of discounted cash flows. The convertible bond is quantitatively material in the draft financial statements. As a result we consider the valuation of the convertible bond to be a significant risk.

Key judgements and our challenge of them

The Fund's draft financial statements reflected an investment in a convertible bond of £36.4m (PY: £34.9m) at 31 March 2019 which is required to be recorded at fair value.

The Fund's practice is to obtain a valuation from the Fund's custodian (JP Morgan) as at each year end. The custodian obtains the reporting on this instrument from the Fund's investment manager (LPP). The investment manager is responsible for pricing the instrument.

Key judgements include:

- The estimated ability of the bond issuer to make the interest payments;
- The estimated future value of the equity holding for the converted bond; and
- The discount rate used to discount the future cash flows to calculate the present value.

Deloitte response

We communicated with LPP to identify the valuation methodology adopted and the relevant controls in place to govern that process.

We obtained a valuation report directly from both the custodian and the investment manager and reconciled this to the financial statements disclosure.

We obtained the key details of the convertible bond that have been used by the investment manager to value it.

An assessment was completed of the design and implementation of key controls in place around the convertible bond valuation, including how the Fund assures itself that the estimated future performance of the bond issuer and the discount rate are appropriate.

Our in-house specialists assessed the price of the convertible bond, compared our expectation of the value with that reported by the investment manager and investigated any differences identified that are outside the range of results that we consider to be reasonable.

Deloitte view

Following our initial investigation into the valuation approach adopted by LPP, it was noted that, while other independent third parties were involved in providing pricing information, a valuation of the bond as at 31 March 2019 had not been prepared on a fair value basis. This is a significant deficiency in the preparation of the Statement of Accounts. We therefore requested that a revised valuation be prepared. We raised this issue with management and, subsequently, LPP engaged KPMG to perform the valuation. The resulting valuation report showed that the value of the bond at the year end was approximately £2.2m. **Therefore, this indicates a misstatement of the financial statements presented for audit, of £34.2m**.

Testing of the revised balance by our internal specialists has been completed. No additional adjustments are recommended. It should be noted that the primary reason for the significant drop in value from previous periods is the judgement that the bond issuer will default on interest payments during 2020, and that the remaining assets of the company at that time will have little or no value due to the bespoke nature of the company's operations.

We have identified **significant control weaknesses** in this area and made recommendations for management to consider when valuing the convertible bond in future. The most significant of these have been summarised from page 9.

Control observations

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

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

Area	Observation
Valuation of the longevity swap	When our specialists challenged the assumptions used in the initial valuation of the longevity swap as prepared by the Fund actuary it was noted that the mortality improvement assumption was out of date. While the assumption had been updated on the most recent triennial valuation of the overall Fund liability, this approach had not been applied to the Fund. When the valuation had been amended on our request, the result was a material change as noted on page 7. From our investigation of the design and implementation of the control around the longevity valuation, it appears that: • There is no control specifically around challenging the assumptions used by Barnett Waddingham; and • The broader control around the review of the investment valuations in general had not been implemented for the year end figures. We recommend that the Panel ensures that the valuations provided by the actuary are reviewed and that the assumptions are challenged, understood, and agreed before inclusion of the valuation in the financial statements.
Valuation of the convertible bond	The draft financial statements included a value for the convertible bond as provided by JP Morgan, the Fund custodian. When our internal specialists requested additional details from JP Morgan they were directed to Thomson Reuters for the pricing used in the valuation report. Communication with Thomson Reuters revealed that they were relying on reporting from a broker called Stifel. In subsequent discussions, Stifel confirmed that they were not valuing the bond and were simply providing indicative pricing. We requested that the bond be fair valued and LPP engaged KPMG to prepare a valuation. This KPMG report valued the bond at approx. £2.2m compared with the original value of £36.4m. From our investigation it was clear that: • The bond had not been fair valued by anyone involved in pricing the bond; • That there was a lack of understanding at the Fund as to who was providing the pricing and as to the valuation approach adopted; and • There was no control in place at the investment manager to challenge the pricing before it was reported to the Fund. We recommend that the Panel ensures that the valuation of all bespoke investments is understood by the investment manager and that controls are implemented to ensure an appropriate challenge is made of valuations received from any service organisation.

Control observations (continued)

Area	Observation
Valuation of the private equity portfolio and other alternative funds	Our standard testing approach for alternative investment funds includes obtaining the most recent audited financial statements of the investment fund along with information about capital committed and any capital transactions that occurred since the date of the audited financial statements. Obtaining the specific information we require and receiving this in a timely manner has been difficult. We have experienced delays and have been supplied with incorrect or irrelevant information in some instances. While this has directly impacted the progress of this testing, it is also an indicator of an absence of robust controls around these funds. We would expect that the Fund have controls in place based around challenging the valuations and the performance of these funds. Given the difficulties in obtaining this information for the purposes of our audit, it appears that there are inadequate controls to ensure that valuations are challenged and that investment existence is checked as a standard practice. We recommend that the Fund reviews the terms and conditions of its relationship with all investment service providers and seeks assurance that controls are place to ensure that the most recent audited financial statements of each fund, along with the regular capital valuation statements and any evidence of any capital transactions are received and regularly and reviewed in a timely fashion.

Purpose of our report and responsibility statement

Our report is designed to help you meet your governance duties

What we report

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

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

What we don't report

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

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

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

The scope of our work

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

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

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

Jonathan Gooding

for and on behalf of Deloitte LLP

St Albans

18 November 2019

Appendices

Audit adjustments

Unadjusted misstatements

There are currently no unadjusted misstatements greater than our reporting threshold.

Audit adjustments (continued)
Corrected misstatements

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

		Debit/ (credit) Fund account £m	Debit/ (credit) in Net asset statement £m	If applicable, control deficiency identified
Misstatements identified in current year				
Revaluation of longevity hedge:	Investment liabilities		(40.3)	Yes
Revaluation of longevity hedge:	Change in market value of investments	40.3		Yes
Revaluation of convertible bond:	Investment assets		(34.2)	Yes
Revaluation of convertible bond:	Change in market value of investments	34.2		Yes
Misstatements identified in prior years		-	-	
Total		**74.5**	**(74.5)**	

Audit adjustments (continued)
Disclosures

Disclosure misstatements

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

Disclosure
There are no significant unadjusted disclosure deficiencies in the current draft of financial statements. As part of our review of the Fund’s financial statements we are considering the impact of the McCloud judgement, GMP equilisation and Brexit.

Fraud responsibilities and representations

Responsibilities explained

Responsibilities:

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

Required representations:

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

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

Audit work performed:

In our planning we identified valuation of the longevity hedge, valuation of the convertible bond and management override of controls as key audit risks for the Fund.

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

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

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

Independence and fees

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

Independence confirmation	We confirm the audit engagement team, and others in the firm as appropriate, Deloitte LLP and, where applicable, all Deloitte network firms are independent of the Fund.
Non-audit fees	There are proposed audit related services to be carried out regarding the issuance of assurance letters to the auditors of participating employers. There are no other non-audit fees.
Independence monitoring	We continue to review our independence and ensure that appropriate safeguards are in place including, but not limited to, the rotation of senior partners and professional staff and the involvement of additional partners and professional staff to carry out reviews of the work performed and to otherwise advise as necessary.
Relationships	We have no other relationships with the Fund, its members, officers and affiliates, and have not supplied any services to other known connected parties.

Independence and fees (continued)

	Planned fee £'000s (excl. VAT)	
Code audit fee – Pension fund	19	See note 1 below
Total audit	**19**	
Fees for issuing IAS 19 assurance letters to other auditors in respect of participating employers	3	See note 2 below
Total assurance services	**3**	
Total fees	**22**	

1. We have incurred additional costs in our work on the 2018/19 audit due to difficulties and delays in obtaining information and errors identified in the report. Our estimate of the additional costs incurred to date is reported in a separate report on the RBWM statement of accounts. The further time needed to complete the audit from this point all represents additional cost which will be charged using the rate card below.
2. Our fee for issuing IAS 19 assurance letters is £500 per letter. The proposed fee above is on the basis that we have received six letters to date.

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

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Report Title:	**GDPR Compliance – Progress Report**
Contains Confidential or Exempt Information?	No - Part I
Member reporting:	Councillor Rayner, Lead Member for Resident and Leisure Services, HR, IT, Legal, Performance Management and Windsor
Meeting and Date:	Corporate Overview and Scrutiny Panel 18 November 2019
Responsible Officer(s):	Karen Shepherd, Head of Governance
Wards affected:	All

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REPORT SUMMARY

1. The Corporate Overview and Scrutiny Panel reviewed the 2018/19 Annual Governance Statement (AGS) on 30 July 2019. Although formal approval of the AGS was deferred to a later meeting, the Panel requested that update reports on issues identified in the accompanying Action Plan be presented to the Panel at appropriate future meetings.

2. General Data Protection Regulation (GDPR) compliance was identified in the AGS as an area for improvement, with a timescale for actions to be taken of October 2019. This report therefore provides an update on actions undertaken since spring 2019 when Heads of Service completed Management Assurance Statements identifying GDPR compliance as an area of concern, and proposed future actions to continue to improve GDPR compliance across the council.

1. DETAILS OF RECOMMENDATION(S)

RECOMMENDATION: That Corporate Overview and Scrutiny Panel notes both actions already taken and those planned to further improve GDPR compliance across the council.

2. BACKGROUND

2.1 The Annual Governance statement for 2018/19 identified GDPR compliance as a corporate issue and was therefore included in the AGS Action Plan (see extract at Appendix A).

3. PROGRESS TO DATE TO ADDRESS ACTIONS IDENTIFIED IN THE ANNUAL GOVERNANCE STATEMENT

3.1 The Electoral and Information Governance Services Manager (Suzanne Martin) undertook training in July 2019 to become a certified Data Protection practitioner. Following successful completion of the training and examination, Suzanne was appointed as Deputy Data Protection Officer on 4 September 2019. Suzanne supports the work of Jennifer Shaw, the Data Protection Officer (DPO).

3.2 The council's induction programme for new employees includes mandatory training on data protection. Additionally, all staff are required to undertake annual refresher training. This ensures over 90% staff are fully trained in data protection and data management at all times.

3.3 The DPO attended Member Induction sessions in May 2019 to provide guidance to both new and returning Members on their data protection obligations and a Member FAQ sheet is available on the Members' Hub. Online training has also been made available for Members of the council and promoted to parish clerks and councillors.

3.4 The DPO regularly liaises with the Senior Information Risk Owner (SIRO) and members of the Corporate Leadership Team to inform them of breaches that have occurred, mitigation actions and lessons learned.

3.5 The DPO regularly promotes data protection awareness via all-employee emails and Borough Bulletin articles. The latest all-employee email (see appendix B) highlighted recent Information Commissioners Office (ICO) prosecutions of misuse of data and reminded employees of their responsibility to access data only when they have a business need to do so. The DPO regularly issues Borough Bulletin updates when breaches have occurred in other authorities that would be relevant to our organisation.

3.6 To date over 100 privacy notices have been published to the council website to portray the information journey of personal data processing relevant for each purpose within services. Work is underway to review the privacy notices published since May 2018 to improve the council's compliance with the transparency principle applicable to the GDPR.

3.7 Significant work has been undertaken to assist Members with constructing their own privacy notices as individual data controllers. Members have been provided with a privacy notice template which can be tailored to their specific requirements. As of 7 November 2019, 17 councillor privacy notices have been published on the website; efforts will continue to support and encourage all councillors to complete their privacy notices.

3.8 Since the transfer of the delivery of children's and adult services to partner organisations (Achieving for Children (AfC) and Optalis respectively) responsibility for data protection compliance in respect of these services has also transferred to the partner organisation who are data controllers in their own right. Through the monthly commissioning meetings, the council's DPO is informed when data breaches occur. Information Sharing Agreements (ISAs) between the council and each of its partner organisations are required as part of partnership working, where personal data is shared. ISAs are in place with both Optalis and AfC.

4. PLANNED ACTIONS

4.1 Earlier in 2019, all Heads of Service were requested to identify a Data Protection link officer to liaise with the Data Protection Officer (DPO). Following the senior management restructure that took effect on 1 October 2019, the list of identified officers is under review to ensure all services are covered. Once finalised, a meeting between the DPO and link officers will be arranged to set out the responsibilities of link officers and areas for immediate action. The initial focus will be on reviewing privacy notices already published and updating the service area Information Asset Registers. A second phase will focus on updating service area Record of Processing Activity Registers (RoPA).

4.2 The council's DPO also acts as the DPO for 36 of the borough's schools. This arrangement is currently via formal contracts where the DPO's services are charged at £95 per hour or part thereof. Unfortunately this arrangement has proven inefficient as it is difficult for the DPO to track time spent on schools as work is mostly slotted in between other priorities. Additionally, where significant time is required as a result of a data breach or complex subject access request, the charging rate is unfeasible for schools. It has therefore been decided to move to an alternative format and offer DPO services to schools as part of the traded service agreement. The Director of Children's Services has been consulted and officers are developing a sliding scale charge rate. It is therefore intended that the DPO will then be available to schools as a flat fee service. This will ensure schools can include the cost when setting their budgets and encourage schools to work with the DPO on a regular basis, improving oversight.

4.3 The council's Data Protection service is currently the subject of an internal audit review, in accordance with the 2019-20 Annual Internal Audit Plan agreed by Members. The principal objective is to determine whether controls in place for data protection and GDPR compliance in relation to entries FOI0003 / 06 in the Corporate Risk Register are operating effectively, and that risks are minimised through proper and adequate control measures. The final report is expected in December 2019. All recommendations will be reviewed and actioned as appropriate in conjunction with the proposals in paragraphs 4.1-4.2 above.

5. FINANCIAL DETAILS / VALUE FOR MONEY

5.1 There are no financial implications as a result of the recommendation in this report.

6. LEGAL IMPLICATIONS

6.1 The council is required to comply with both the UK Data Protection Act 2018 and the General Data Protection Regulation (GDPR) 2016. The Information Commissioner's Office (ICO) is the UK's supervisory authority which monitors and regulates data protection compliance. The ICO has powers of enforcement and can issue a monetary penalty to data controllers and processors in the event that data protection legislation has been breached. The GDPR allows the ICO to issue a maximum fine of up to 20 million euros or 4% of annual turnover (whichever is the higher) to a data controller where a serious data protection breach has occurred. The effect of a breach of data protection legislation which results in a fine issued by the ICO may have serious repercussions on the financial integrity of the council and would lead to reputational damage.

7. RISK MANAGEMENT

7.1

Table 1: Impact of risk and mitigation

Risks	Uncontrolled risk	Controls	Controlled risk
Failure to comply with the UK Data Protection Act 2018 and the General Data Protection Regulation 2016	High	Maintain Record of Processing Activity Register (RoPa) Maintain Information Asset Register (IAR) Produce and regularly review information sharing agreements (ISA) between the council and third parties Ensure data protection impact assessments are undertaken where required Ensure services publish privacy notices for all purposes of personal data processing Promote personal data concern/breach reporting process Maintain data breach spreadsheet incorporating remedial actions and review timelines to ensure these are embedded in service areas Ensure all new employees are required to complete data protection e-learning and all employees undertake annual refresher training Targeted training and guidance provided to Members on their data protection obligations	Low

Risks	Uncontrolled risk	Controls	Controlled risk
		Targeted and tailored data protection training delivered to services where a personal data processing concern or breach has been reported. Regular news and articles in Borough Bulletin regarding data protection issues to ensure employee awareness of data protection obligations is maintained	

8. POTENTIAL IMPACTS

8.1 Equalities. No impacts identified

8.2 Climate change/sustainability. No impacts identified

8.3 Data Protection/GDPR. Impacts detailed throughout the report

9. APPENDICES

9.1 This report is supported by two appendices:

- Appendix A - Extract from the Annual Governance Statement Action Plan
- Appendix B – Email sent to all RBWM employees 17/10/19

10. BACKGROUND DOCUMENTS

10.1 This report is supported by one background document:

- The RBWM Annual Governance Statement 2018/19

11. CONSULTATION (MANDATORY)

Name of consultee	Post held	Date sent	Date returned
Cllr Rayner	Lead Member for Resident and Leisure Services, HR, IT, Legal, Performance Management and Windsor	5/11/19	7/11/19
Duncan Sharkey	Managing Director	1/11/19	4/11/19
Russell O’Keefe	Executive Director	1/11/19	

Name of consultee	Post held	Date sent	Date returned
Andy Jeffs	Executive Director	1/11/19	
Terry Neaves	Interim S151 officer	1/11/19	
Elaine Browne	Head of Law	1/11/19	
Mary Severin	Monitoring Officer	1/11/19	4/11/19
Nikki Craig	Head of HR, Corporate Projects and ICT and Senior Information Risk Owner (SIRO)	1/11/19	4/11/19
Louisa Dean	Communications	1/11/19	7/11/19
Kevin McDaniel	Director of Children's Services	1/11/19	1/11/19
Hilary Hall	Director Adults, Commissioning and Health	1/11/19	4/11/19

REPORT HISTORY

Decision type: For information	**Urgency item?** No	**To Follow item?** No
Report Authors: Jennifer Shaw, Data Protection Officer, 01628 796675 and Suzanne Martin, Deputy Data Protection Officer, 01628 682935		

Extract from Annual Governance Statement 2018/19 Action Plan

	Area for Improvement	**Actions**	**Owner**	**Timescale**	**Improvement outcome**
AGS 19.4	GDPR Compliance. There is a lack of clarity in respect of data ownership and information governance procedures.	1. Ensure all staff are fully trained in data protection and data management. 2. Ensure that there are regular liaison meetings the Data Protection link Officers and the Council's Data Protection Officer 3. DPO to provide regular briefings to CLT in respect of breaches 4. Deputy DPO to become certified practitioner to provide resilience	DPO	October 2019	Reduction in breaches Clarity in respect of data ownership and procedures

Email sent to all RBWM employees 17/10/19

Data protection reminder – accessing personal information via borough systems

Many of us will have access to internal systems in the borough that contain information or personal data about the residents we provide services to and the employees who work here. It is our responsibility to ensure that the information we access on a daily basis is used strictly for the purposes of fulfilling the requirements of our roles in the services which we operate. Accessing records where you have no business requirement to do so may be a criminal offence.

All employees are required to complete mandatory data protection/GDPR e-training as part of their induction followed by an annual refresher course. Adherence to data protection obligations is critical not only for the benefit of employees but also for our residents whose information we are custodians of. Any breach or concern regarding data protection compliance is investigated by our data protection officer, Jennifer Shaw. In cases where we believe records may have been accessed without a business need, audits to systems/records will be undertaken which may lead to disciplinary measures and ultimately dismissal.

The borough has had several incidents in recent years where employees have inappropriately accessed records. The individuals involved no longer work with us.

Around the UK, prosecutions have been made by the Information Commissioner's Office when individuals have failed to follow the correct guidelines:

26 February 2019 – prosecution for a senior government officer who shared personal information from job applicants with their partner

A former senior local government officer has been prosecuted for passing the personal information of rival job applicants to his partner who had applied for a job at the council. Kevin Bunsell accessed the authority's recruitment system and emailed the personal information of nine rival shortlisted candidates to his partner's Hotmail account. The recruitment packs included the name, address, telephone number and CV of each candidate. Mr Bunsell of Bedworth appeared before Nuneaton Magistrates' Court and admitted an offence of unlawfully sharing personal data, in breach of s55 of the Data Protection Act 1998. He was fined £660, ordered to pay costs of £713.75 and a victim surcharge of £66.

7 June 2019 – prosecution for a customer service advisor accessing records without authorisation

A former customer service advisor at Stockport Homes has been prosecuted for accessing records relating to anti-social behaviour without authorisation. An internal investigation found that Wendy Masterson had inappropriately accessed cases without any business reason to do so. The records related to victims, witnesses and perpetrators of anti-social behaviour. Ms Masterson of Stockport appeared before Stockport Magistrates' Court and pleaded guilty to the offence of unlawfully obtaining personal data, in breach of s55 of the Data Protection Act 1998. She was fined £300, ordered to pay £364.08 costs and a victim surcharge of £30.

If you have any queries regarding data protection concerns/breaches or whether accessing records or systems is appropriate in a particular scenario please speak to your line manager or contact our data protection officer, Jennifer Shaw on 01628 796675 or by email dpa@rbwm.gov.uk.

Message to all employees in Borough Bulletin 31/10/19

Message from the data protection officer:

West Berkshire Council recently suffered a data breach where 1,107 residents were contacted via email to complete a leisure survey. Unfortunately, the email was not sent using blind copy, and all of the recipients were able to see the other email addresses.

Please be sure to double check that blind copy is used in such instances that a group email is sent to personal email addresses.

Although West Berkshire's incident has a low level of harm, it could have been much more severe if the email contained personal information rather than a leisure survey.

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

Contracting and Tendering Rules

November 2019

Contracting and Tendering Rules

The Council's Contracting and Tendering Rules are laid out in the Council's Constitution and are derived from:

- Local Government Act 1972
- Public Contract Regulations 2015

EU procurement rules have been enshrined into UK legislation

The Contract and Tendering Rules apply, regardless of value and source of money to all:

- Contracts for the supply of works (construction, road and building maintenance);
- Goods (or supplies) or services;
- Service Level Agreements (SLAs), Memorandum of Understandings (MoUs), Grants.

Contracting and Tendering Rules

The purpose of these Contract and Tendering Rules is to provide a structure within which purchasing decisions are made and implemented and which ensures that the Council:

- Furthers its corporate objectives
- Uses its resources efficiently and secures value for money
- Purchases quality goods, services and works
- Safeguards its reputation from any implication of dishonesty or corruption
- Is open, fair and transparent and fully compliant with legislation

Calculating the value of a contract

In order to determine the process the “contract value” needs to be calculated:

- The estimated value of a contract is the sum of its initial term, plus any extensions, plus any variations. Contracts must not be artificially split to avoid thresholds.

For example a contract for services worth £50,000 per year that is for an initial term of 3 years with an option to extend for a further 2 years is calculated as follows:

- 3 x £50,000 plus 2 x £50,000 = £250,000

In this example, the council would have to follow the rules for contracting and tendering a services contract to the value of £250,000

Seeking permission to go to the market

For supplies and services:

Activity	<£181k (Below threshold) (as at 01/18 £181k)	£181k+ (Above threshold) (as at 01/18 £181k)
Seek Approval to Proceed	Head of Service	Corporate Leadership Team and consultation with Lead Member

For works:

Activity	<£500k	£501k+
Seek Approval to Proceed	Head of Service	Corporate Leadership Team and consultation with Lead Member

Determining the procurement route

The council can either run its own tender or procure through a “framework”

Frameworks are contracts set up by central/ collaborative bodies which other parties can utilise. Use of a Framework can speed up the supplier selection process and leverage economies of scale. The Procurement Team can provide guidance on how to find out more about specific Frameworks. Responsible Officers must check that:

- the Council is legally entitled to use the Framework
- the purchases to be made legally fall within the coverage of the Framework
- the Framework meets the Council's own requirements in terms of quality and cost;
- any other pros and cons of using the Framework versus running a Council competition must be considered

Determining the procurement route

For supplies and services:

Activity	£0 - £50k	£51k – EU Supply/Services Threshold (as at 01/18 £181k)	> EU Supply/Services Threshold (as at 01/18 £181k)
Minimum Number of Suppliers	No minimum	Three Notices can be placed in Contracts Finder.	Official Journal of the European Union (OJEU) Notices must be placed in OJEU and Contracts Finder.
Minimum Time for Supplier Response	No minimum but must be reasonable	Not less than ten calendar days but must be reasonable.	As per rules governing Procurement Route selected.

Determining the procurement route

For works:

Activity	£0 - £50k	£50 - £500k	£501k - EU Works threshold (as at 01/18 £4.5M)	> EU Works Threshold (as at 01/18 £4.5M)
Minimum Number of Suppliers	No minimum	Three Notices can be placed in Contracts Finder. Constructionline may be used.	Five Notices can be placed in Contracts Finder. Constructionline may be used.	Official Journal of the European Union (OJEU) Notices must be placed in OJEU and Contracts Finder.
Minimum Time for Supplier Response	No minimum but must be reasonable.	Not less than ten calendar days but must be reasonable.	Not less than ten calendar days but must be reasonable.	As per rules governing Procurement Route selected.

Undertaking a procurement

Set the terms and conditions of the contract:

- Under £50k, purchase order or the council's standard terms and conditions
- Between £50k and £181k, the council's standard terms and conditions
- Over £181k, bespoke terms and conditions following the council's legal advice

Advertising:

- If required the opportunity must be advertised. Above threshold must be advertised by Procurement in OJEU and Contracts Finder. Below threshold need only be placed in Contracts Finder.

Receiving quotes or tenders:

- Above threshold submissions will be submitted on an online portal that ensures bids are not opened early and that late bids can be rejected. For below threshold exercises that are run via email, confidentiality and rigor of process should be no less.

Undertaking a procurement

Evaluation of Submissions

- Evaluators must be selected that have an appropriate level of knowledge of the subject, and be evaluated according to the instructions given to suppliers (i.e. in the quotation or tender documents). Notes of all scores and commentary must be kept.

Awarding a contract

For supplies and services:

Activity	<£181k	£181k - £500k	£500k+
Seek Approval to Contract	Head of Service	Senior Leadership Team and Lead Member	Cabinet/Cabinet Prioritisation Sub Committee

For works:

Activity	<£250k	£251k - £500k	£501k+
Seek Approval to Contract	Head of Service	Senior Leadership Team and Lead Member	Cabinet/Cabinet Prioritisation Sub Committee

Waiving the contract and tendering rules

A waiver to Contract and Tendering Rules can be requested, it is a permission to let a contract without complying with one or more of the Contract and Tendering Rules

Activity	Under £50k	£51k - £181k (EU Services Threshold)	>£181k (Above Threshold)
Waiver Approved	Head of Service	Director Relevant Lead Member to have been consulted	Director and Managing Director Relevant Lead Member to have been consulted

A waiver can be granted in the following circumstances:

- an unforeseeable emergency involving danger to life or health or serious damage to property, in which the work, goods or services are required more urgently than would be possible if the procedure were followed
- acquiring goods or services from a different supplier would result in incompatibility with existing goods or service or disproportionate technical difficulties
- when a grant from a public body includes a recommendation as to the supplier or is time limited

WORK PROGRAMME - CORPORATE OVERVIEW AND SCRUTINY PANEL

DIRECTORS	• Duncan Sharkey (Managing Director) • Russell O'Keefe (Executive Director) • Andy Jeffs (Executive Director)
LINK OFFICERS & HEADS OF SERVICES	• Elaine Browne, (Head of Law) • Nikki Craig, (Head of HR, Corporate Projects & ICT) • Catherine Hickman, (Lead Specialist Audit and Investigation) • Barbara Richardson, (Managing Director RBWM Property Co) • Ruth Watkins, (Chief Accountant and Deputy S151 Officer) • Karen Shepherd (Head of Governance)

MEETING: 4th FEBRUARY 2020

ITEM	RESPONSIBLE OFFICER
Performance Q3 Report	**Rachel Kinniburgh,** *Strategy and Performance*
Budget Report	**Lead Officers & Finance**
Annual Trusts Report	**Karen Shepherd;** *Head of Governance*
2019/20 Interim Audit and Investigation Report	**Catherine Hickman**, *Lead Specialist Audit and Investigation*
Annual Scrutiny Report (Draft)	Chairman & Lead Officers
Work Programme	Panel clerk
TASK AND FINISH	
Highways contract outsourcing	

MEETING: 22nd APRIL 2020

ITEM	RESPONSIBLE OFFICER
Annual Scrutiny Report (Final version for approval and submission for Full Council)	Chairman & Lead Officers
Key Risk Report (Bi-Annual)	**Steve Mappley,** *Insurance and Risk Manager*
Annual Governance Statement; Progress report- Health and Safety Update	**Nikki Craig,** *Head of HR, Corporate Projects & ICT*
Annual Governance Statement; Progress report- Business Continuity Plans	**David Scott;** *Head of Communities*
Work Programme	Panel clerk
TASK AND FINISH	
TBC	

ITEMS SUGGESTED BUT NOT YET PROGRAMMED

ITEM	RESPONSIBLE OFFICER

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