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NOTICE OF MEETING

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AUDIT AND GOVERNANCE COMMITTEE

will meet on

MONDAY, 14TH SEPTEMBER, 2020

At 6.15 pm

by

VIRTUAL MEETING - ONLINE ACCESS ON RBWM [YOUTUBE](#)

TO: MEMBERS OF THE AUDIT AND GOVERNANCE COMMITTEE

COUNCILLORS CHRISTINE BATESON (CHAIRMAN), LYNNE JONES (VICE-CHAIRMAN), JULIAN SHARPE, JOHN STORY AND SIMON WERNER

SUBSTITUTE MEMBERS

COUNCILLORS SIMON BOND, JOHN BOWDEN, WISDOM DA COSTA, GREG JONES AND SHAMSUL SHELIM

Karen Shepherd – Head of Governance - Issued: 4th September 2020

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 / mark.beeley@rbwm.gov.uk

Recording of Meetings – In line with the council's commitment to transparency the Part I (public) section of the virtual meeting will be streamed live and recorded via Zoom. By participating in the meeting by audio and/or video, you are giving consent to being recorded and acknowledge that the recording will be in the public domain.

If you have any questions regarding the council's policy, please speak to Democratic Services or Legal representative at the meeting.

AGENDA

PART I

| <u>ITEM</u> | <u>SUBJECT</u> | <u>PAGE NO</u> |
|--------------------|--|---------------------------|
| 1. | <u>APOLOGIES FOR ABSENCE</u> To receive any apologies for absence. | - |
| 2. | <u>DECLARATIONS OF INTEREST</u> To receive any declarations of interest. | 5 - 6 |
| 3. | <u>DRAFT STATEMENT OF ACCOUNTS</u> To consider the draft accounts for 2019/20. | 7 - 126 |
| 4. | <u>2019/20 AUDIT AND INVESTIGATION ANNUAL REPORT</u> To consider the report. | 127 - 148 |
| 5. | <u>2020/21 AUDIT AND INVESTIGATION PLAN - IN YEAR REVIEW</u> To consider and approve the updated plan. | 149 - 166 |
| 6. | <u>VALUATION OF THE NICHOLSON'S CENTRE</u> To consider the above titled item. | 167 - 168 |
| 7. | <u>WORK PROGRAMME</u> To consider the Committee's work programme for the remainder of the Municipal year. To include consideration of items scheduled on the Cabinet Forward Plan . | 169 - 170 |

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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 **or** (ii) the total nominal value of the shares of any one class belonging to the relevant person exceeds one hundredth of the total issued share capital of that class.

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

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

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

Prejudicial Interests

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

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

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

Personal interests

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

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

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| | |
|--|--|
| Report Title: | Draft Statement of Accounts 2019-20 |
| Contains Confidential or Exempt Information? | No - Part 1 |
| Member reporting: | Councillor Hilton, Lead Member for Finance and Ascot |
| Meeting and Date: | Audit and Governance Committee 14 th November 2020 |
| Responsible Officer(s): | Adele Taylor, Director of Resources |
| Wards affected: | All |

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REPORT SUMMARY

1. The report presents RBWM's Draft Statement of Accounts, including the pension fund accounts, for 2019-20.
2. The Government has extended the deadline for the approval and publication of the audited accounts until 31 December 2020 as a result of the Covid-19 pandemic.
3. The audit of the accounts has not yet been completed and the work of our auditors is ongoing. As the audit has yet to be concluded, the report asks the panel to discuss the report and auditors' comments to date. The completed audit opinion and any changes to the statements will be presented for approval at the November meeting of the committee.

1. DETAILS OF RECOMMENDATION(S)

RECOMMENDATION: That Audit and Governance Committee:

- i) **notes the report.**

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 Committee can however, ask questions of the Council's officers and auditors (Deloitte LLP), and make recommendations that may assist a reader of the Statement of Accounts.

3. KEY IMPLICATIONS

Table 1: Key Implications

| Outcome | Unmet | Met | Exceeded | Significantly Exceeded | Date of delivery |
|--------------------|----------------------|-----------------|-----------------|------------------------|------------------|
| Date when accounts | Published later than | Published on or | Published on or | N/A | |

| Outcome | Unmet | Met | Exceeded | Significantly Exceeded | Date of delivery |
|---|---|--|--|------------------------|------------------|
| are published, the audit opinion and the number of changes required by auditors | 31 December or receive a qualified opinion or > 5 material changes. | before 31 December with an unqualified opinion and 1-4 material changes. | before 31 December with an unqualified opinion and no changes. | | |

4. FINANCIAL DETAILS / VALUE FOR MONEY

- 4.1 Draft accounts for 2019/20, including the pension fund accounts, are attached as Appendix A.
- 4.2 Both approval and publication of the final signed accounts are now required to take place no later than 31 December 2020 or as soon as reasonably practicable after the receipt of the auditor's final findings (if later). The final audited accounts will be presented for approval at the November meeting of this Committee.
- 4.3 This report does not include the details of Deloitte LLP's findings as these will be contained in separate reports (ISA260s) which will be presented to the Panel on 9th November 2020. A progress report from Deloitte is attached as Appendix B.

5. LEGAL IMPLICATIONS

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

6. RISK MANAGEMENT

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

7. POTENTIAL IMPACTS

None

8. CONSULTATION

- 8.1 A public notice dated 3rd August 2020 was put onto the Council's website giving residents the opportunity to inspect the accounts and related transactions and correspondence. The notice period ends at 4.45pm on 14th September.

9. TIMETABLE FOR IMPLEMENTATION

- 9.1 The section is not applicable.

10. BACKGROUND DOCUMENTS

10.1 This report is supported by two appendices

- Appendix A Published Draft Statement of Accounts 2019-20
- Appendix B Deloitte progress report on audit

11. CONSULTATION (MANDATORY)

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

REPORT HISTORY

| | | |
|---|----------------------------|------------------------|
| Decision type: Non-key decision | Urgency item? No | To Follow item? |
| Report Author: Andrew Vallance, Head of Finance | | |

DRAFT

Statement of Accounts

2019/20

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

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| <ul style="list-style-type: none"> - Provides an explanation of the Group's financial position - Assists in the interpretation of the financial statements - Contains a commentary on the major influences affecting the authority's income and expenditure, cash flow and information on the financial needs and resources of the Group. | |
| Approval of Accounts | 19 |
| <ul style="list-style-type: none"> - Formal approval of the accounts by Council. | |
| Auditor's Report | |
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| <u>Supplementary Accounting Statements</u> | |
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Narrative Report

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

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

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

Our priorities

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

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

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

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

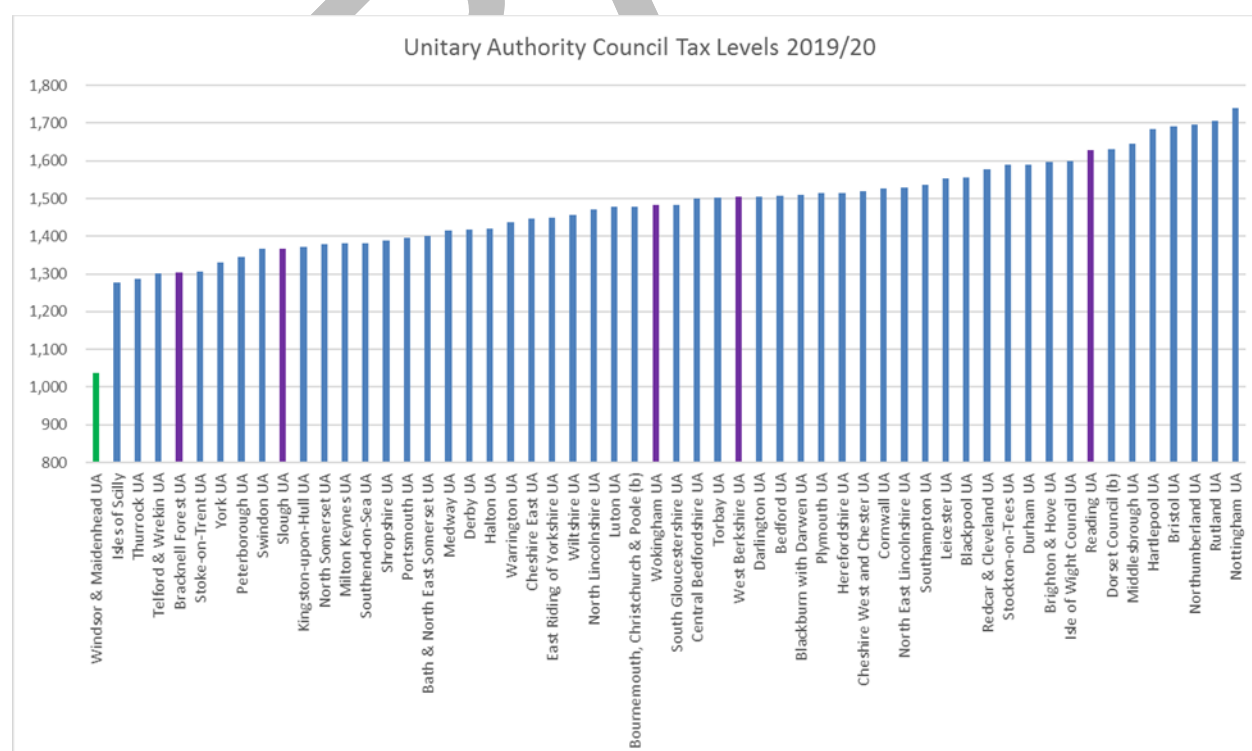
Achievements in 2019/20

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

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

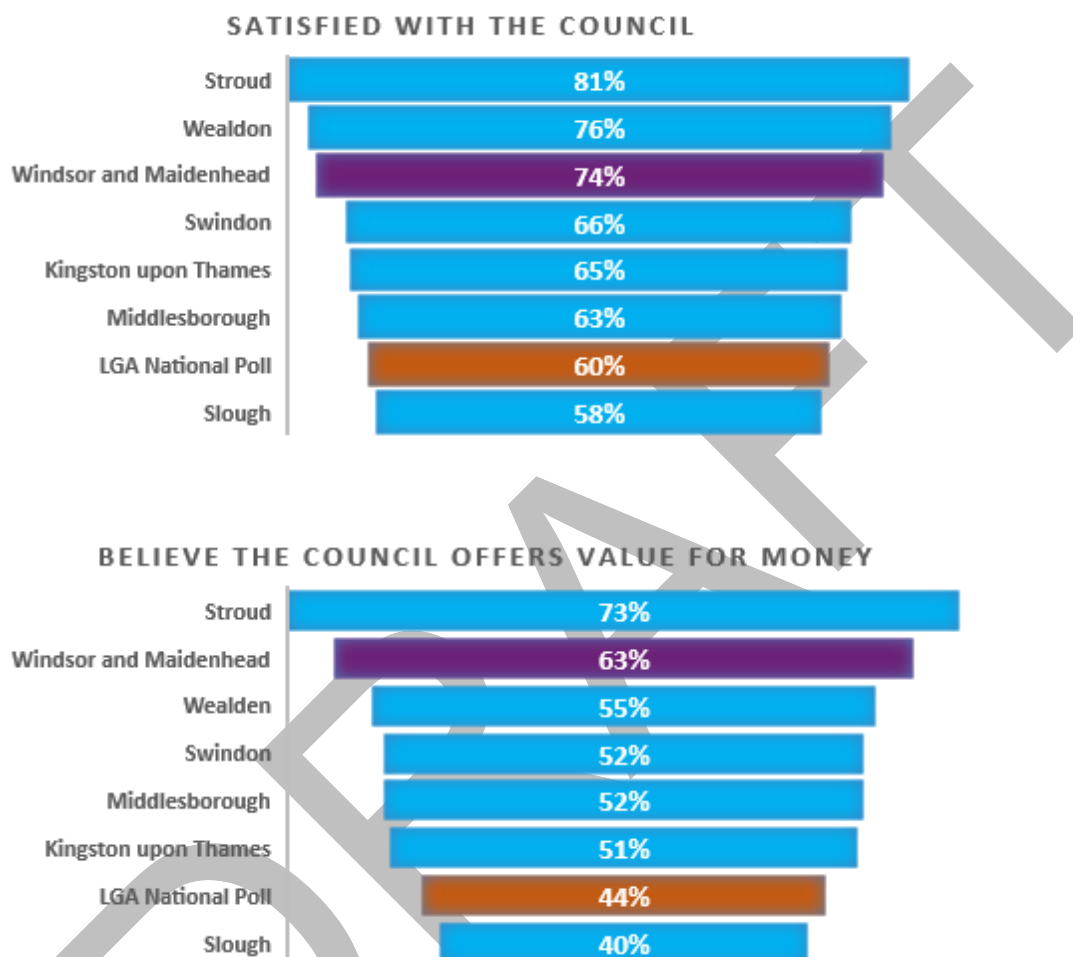
We are committed to providing high quality services for everyone in our community and in January 2020 we were pleased to be rated as 'good' by the regulator Ofsted for our children's services (<https://files.ofsted.gov.uk/v1/file/50146539>). Also, 94% of schools were rated either good, or outstanding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

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



What Residents Think

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



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

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

| Outturn Statement 2019/20 | | | | | |
|---------------------------|--|----------------|--|---|---|
| | | | | | |
| Original Budget | SUMMARY | Revised Budget | Actual Outturn including COVID19 costs | Actual Variance including COVID19 costs | Total COVID19 costs included in Actuals |
| £000 | | £000 | £000 | £000 | £000 |
| 398 | Management | 687 | 750 | 63 | 0 |
| 466 | Communications & Marketing | 475 | 717 | 242 | 0 |
| 1,293 | Human Resources | 1,218 | 1,233 | 15 | 0 |
| 1,898 | Law & Governance | 1,907 | 1,925 | 18 | 0 |
| 2,101 | Commissioning & Support | 2,048 | 2,392 | 344 | 305 |
| 9,826 | Commissioning - Communities | 10,352 | 11,917 | 1,565 | 562 |
| 24,526 | AfC Contract - Children's Services | 24,524 | 26,363 | 1,839 | 14 |
| 11,140 | AfC Contract - Dedicated Schools Grant | 11,139 | 11,656 | 517 | 0 |
| (2,546) | Children's Services - Retained | (2,546) | (2,431) | 115 | 0 |
| 53,293 | Dedicated Schools Grant - Retained | 52,776 | 52,504 | (272) | 0 |
| 29,199 | Adult Social Care - Optalis Contract | 30,081 | 31,646 | 1,565 | 0 |
| 16,335 | Adult Social Care - Spend | 15,770 | 15,917 | 147 | 0 |
| (11,725) | Adult Social Care - Income | (11,957) | (13,524) | (1,567) | 157 |
| 12,728 | Better Care Fund | 13,292 | 14,110 | 818 | 0 |
| 4,659 | Public Health | 4,656 | 4,656 | 0 | 0 |
| (80,585) | Grant Income | (80,633) | (81,693) | (1,060) | 0 |
| 1,143 | Finance | 1,222 | 915 | (307) | 25 |
| | | | | | 0 |
| 74,149 | Total Managing Director's Directorate | 75,011 | 79,053 | 4,042 | 1,063 |
| 141 | Executive Director of Communities | 203 | 173 | (30) | 0 |
| 830 | Revenues & Benefits | 902 | 1,361 | 459 | 68 |
| 1,327 | Communities, Enforcement & Partnerships | 1,679 | 2,300 | 621 | 613 |
| 3,150 | Library & Resident Services | 3,195 | 3,233 | 38 | 0 |
| 1,351 | ICT | 1,320 | 1,462 | 142 | 0 |
| | | | | | 0 |
| 6,799 | Total Communities Directorate | 7,299 | 8,529 | 1,230 | 681 |
| 365 | Executive Director of Place | 359 | 212 | (147) | 0 |
| 1,086 | Housing | 1,085 | 1,866 | 781 | 21 |
| 1,302 | Planning Service | 1,332 | 1,139 | (193) | 0 |
| (2,546) | Property Service | (2,587) | (2,951) | (364) | 62 |
| | | | | | 0 |
| 207 | Total Place Directorate | 189 | 266 | 77 | 83 |

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

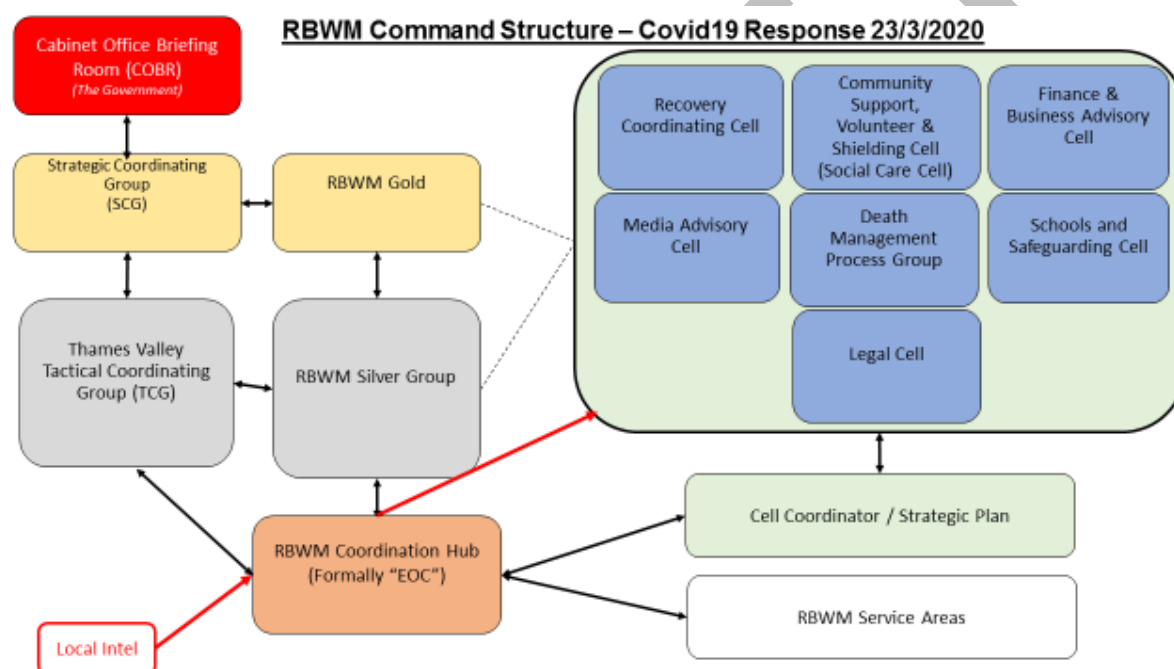
| Original Budget | SUMMARY | Revised Budget | Actual Outturn including COVID19 costs | Actual Variance including COVID19 costs | Total COVID19 costs included in Actuals |
|-----------------|---|----------------|--|---|---|
| £000 | | £000 | £000 | £000 | £000 |
| 81,155 | Total Service Expenditure |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

COVID-19 Initial Financial Assessment

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

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

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



Provision of services during the COVID-19 pandemic

Adult Social Care services

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

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

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

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

Schools and Children's Services

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

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

Impact on the Council's workforce

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

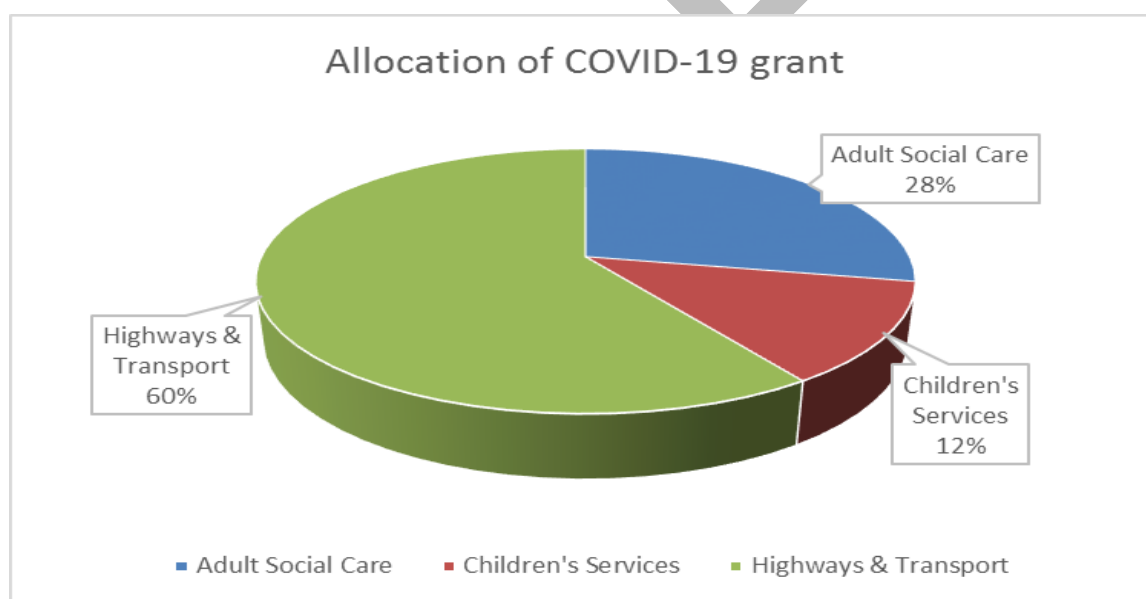
Throughout the Covid-19 pandemic the Council has been able to maintain sufficient staffing levels across all of its services. A small number of staff were redeployed to undertake key roles to support the council's formal emergency response. Staff working in services which were required to close by the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

Reserves, financial performance and financial position

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

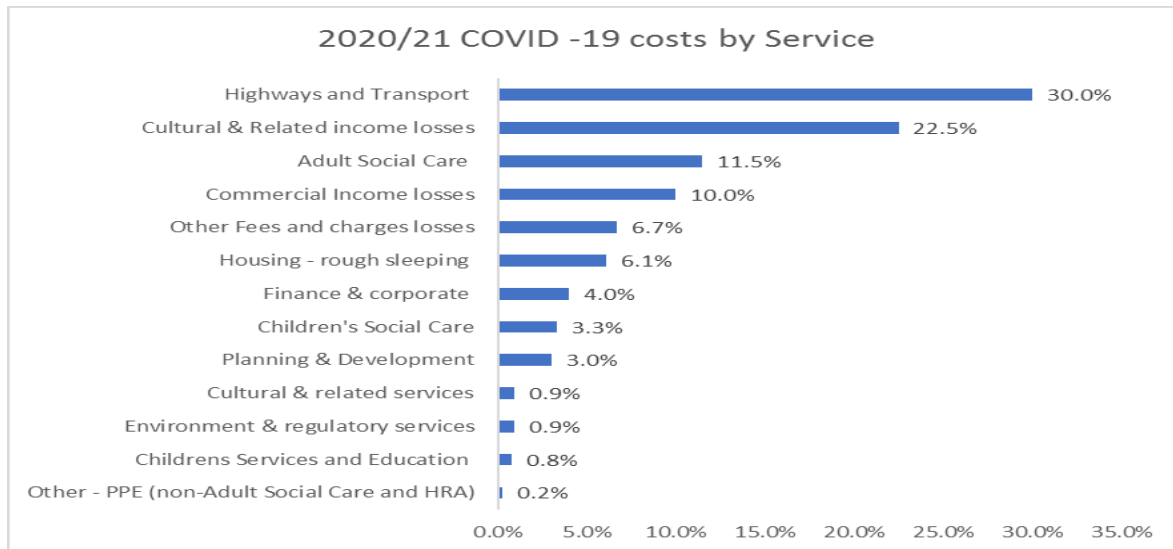
The Royal Borough is experiencing an extensive loss of income for parking, leisure, commercial rents, council tax and business rates. Much of this income loss is foregone and the impact is being reflected in the projected revenue outturn for 2020/21.

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

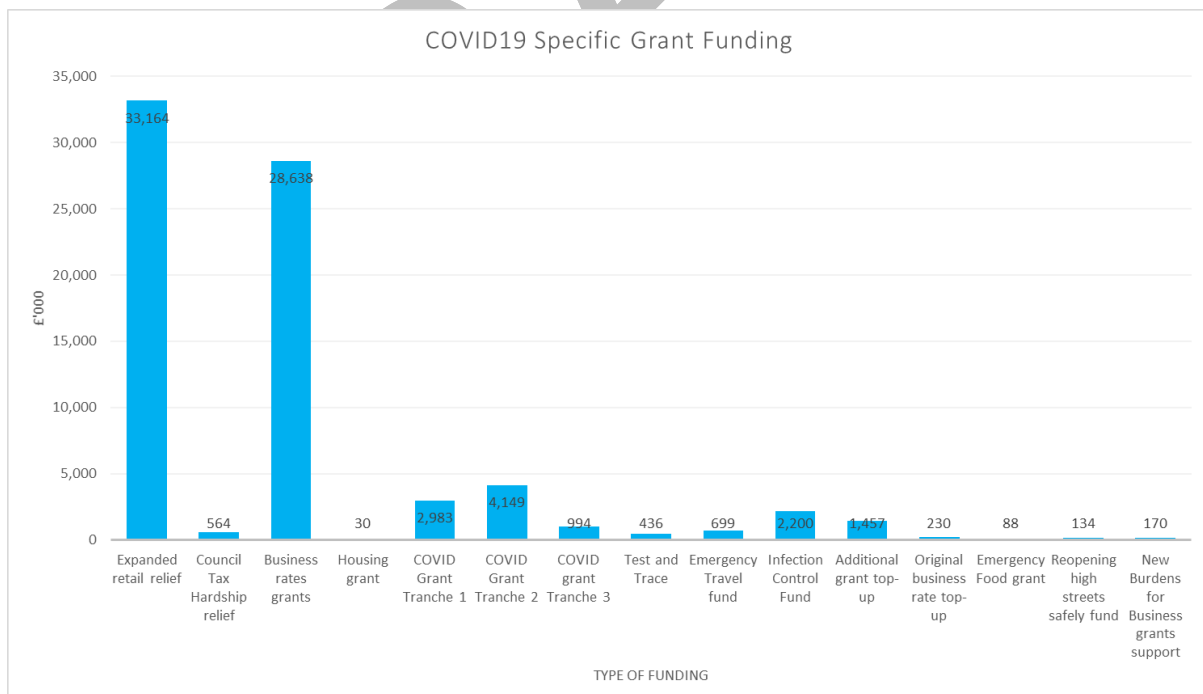


The Royal Borough of Windsor and Maidenhead Statement of Accounts 2019/20

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



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



Recovery Plans

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

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

Our Financial Strategy

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

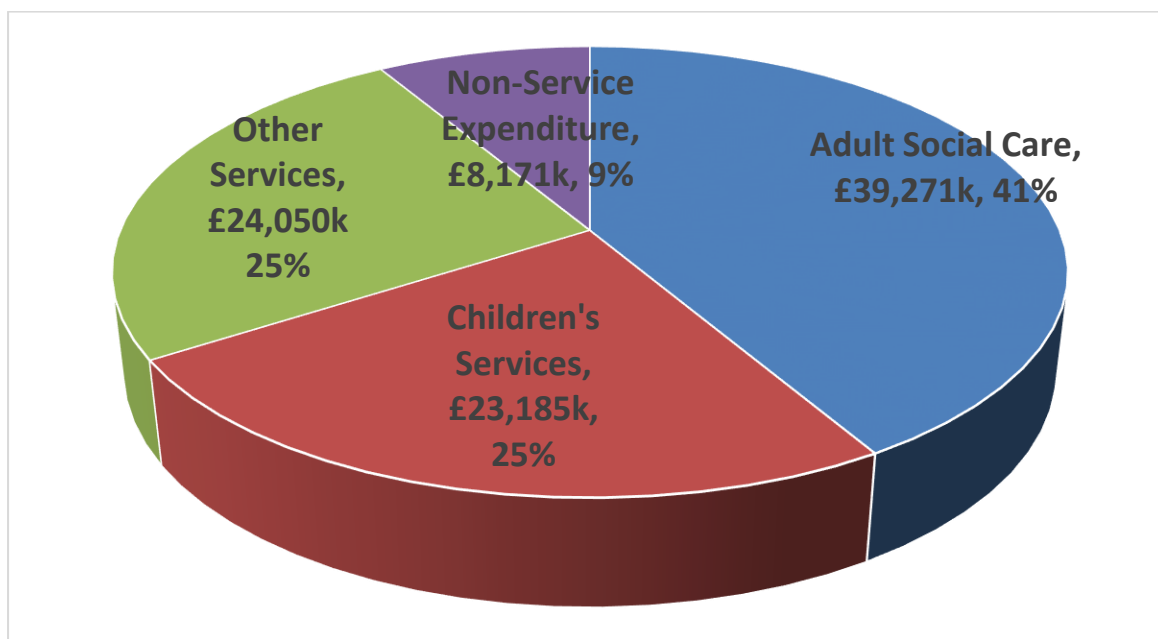
An increasing proportion of our expenditure is being spent on services that support individual and vulnerable people. In all the services we either commission or deliver we will strive to achieve the best outcomes for our residents achieving the best value for money.

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

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

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

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



The Royal Borough approved its 2020/21 -2024/25 medium-term financial strategy in February 2020. At that point estimated savings required over the period, with the impact on reserves if these are not identified and delivered, are shown below. Given the significant effects of Covid-19, the Council will revise its Medium Term Financial Strategy during this year. It should be noted that at the outturn position the reserves increased.

| | 2020/21 | 2021/22 | 2022/23 | 2023/24 | 2024/25 | Total |
|-----------------------------|---------|---------|---------|---------|---------|---------|
| | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 |
| Savings Target | 7,643 | 4,223 | 2,637 | 4,758 | 3,572 | 22,832 |
| Savings Identified | (5,426) | (2,035) | 67 | - | - | (7,394) |
| Use of Reserves(from)/to | (2,218) | | | | | |
| Savings Required | - | 2,188 | 2,703 | 4,758 | 3,572 | 15,438 |
| Cumulative Savings Required | 2,218 | 4,405 | 7,109 | 11,866 | 15,438 | |
| Estimated Year End Reserves | 6,521 | 2,115 | | | | |

No estimate of reserve levels is made after 2021/22 as the Royal Borough is legally required to set a balanced budget and cannot have negative reserves.

Treasury Management

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

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

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

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

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

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

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

Financial Performance 2019/20

Net Asset Position and Reserves

The table below shows the movement:

| | At 31/3/2019 £000 | At 31/3/2020 £000 |
|--|----------------------|----------------------|
| Non –current assets – these include: <ul style="list-style-type: none"> • Other buildings and equipment used to deliver services • Assets being held to generate a rental income • Investments in joint ventures and subsidiaries | 555,812 | 628,586 |
| Net current assets – debtors, stock and cash less short-term creditors and liabilities | 34,566 | 41,180 |
| Pensions Liabilities | (282,385) | (249,304) |
| Long term borrowing | (57,049) | (57,049) |
| Other long-term liabilities and provisions | (122,088) | (181,073) |
| Net assets | 128,856 | 182,340 |

Operational assets include:

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

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

Reserves and Working Balances

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

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

(1) These balances represent a combination of:

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

(2) These balances are for held for schools.

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

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

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

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

Looking Ahead

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

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

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

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

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

An introduction to the 2019/20 Statement of Accounts

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

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

Core Statements are:

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

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

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

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

Supplementary Financial Statements are:

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

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

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

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

| | |
|------------------------------|--|
| Property Plant and Equipment | <p>The authority carries out a rolling programme of valuations to ensure that operational property valuations are carried out at least every five years. These are carried out in accordance with the CIPFA code and RICS professional standards.</p> <p>For property, plant and equipment the Code requires a valuation to be at the asset's highest and best use and is a measure of financial capacity.</p> <p>Assets are measured using one of the following, which is most appropriate for the property, plant and equipment asset in question:</p> <ul style="list-style-type: none"> • Existing Use Value (EUV) • Existing Use Value – Social; Housing (EUV-SH) • Depreciated Replacement Cost (DRC) |
| Depreciation rates | <p>Depreciation charges are based on the expected useful life of assets and property, which has been assessed as follows:</p> <p>Other land and buildings 30-50 years</p> <p>Vehicles plant and equipment 4-10 years.</p> <p>Infrastructure assets 1-40 years</p> |
| Rating appeals | <p>The level of this provision reflects assumptions made about the number and value of successful rating appeals, based on our experience to date.</p> |
| Pension liabilities | <p>Key assumptions made by the actuary when calculating pension liabilities include future wage and price increases linked to inflation, the longevity(life expectancy) of retired members who have pensions already in payment and the discount rate (which is essentially a calculation of the amount of money which, if invested now, would be sufficient together with the income and growth in the accumulating assets to make these payments in future, using assumptions about investment returns</p> |
| Investment properties | <p>Investment properties have been valued using the Income approach (previously known as the investment method) and are revalued on an annual basis.</p> |

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

Adele Taylor FCPFA

Director of Resources (S151 Officer)

Date: 03 August 2020

APPROVAL OF THE ACCOUNTS

Approval of the Statement of Accounts by full Council

Council have delegated the approval of the draft statement of accounts to the Corporate Overview and Scrutiny Panel. The Panel met on ??????? 2020 to approve the audited accounts.

Signed

Date:

2020

????????????

Chairman of the Corporate Overview and Scrutiny Panel

DRAFT

STATEMENT OF RESPONSIBILITIES

The Authority's Responsibilities

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

The Authority is also required to :

- Make arrangements for the proper administration of its financial affairs and to secure that one of its officers (the Chief Financial Officer) has responsibility for the administration of those affairs;
- Manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets; and
- Approve the Statement of Accounts.

The Chief Financial Officer's responsibilities

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

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

- Selected suitable accounting policies and then applied them consistently;
- Made judgements and estimates that were reasonable and prudent;
- Complied with the Code;
- Kept proper accounting records which were up to date;
- Taken reasonable steps for the prevention and detection of fraud and other irregularities;
- Assessed the Authority's and the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern;
- Used the going concern basis of accounting on the assumption that the functions of the Authority and the Group will continue in operational existence for the foreseeable future; and
- Maintained such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error,

I certify that the Statement of Accounts gives a true and fair view of the financial position of the Authority at 31 March 2020 and of its income and expenditure for the year then ended.

Date:

Adele Taylor

Director of Resources and Section 151 Officer

GROUP COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

| 2018/19 | | | | 2019/20 | | |
|----------------------------|-----------------------|--------------------------|---|----------------------------|-----------------------|--------------------------|
| Gross Expenditure £'000 | Gross Income £'000 | Net Expenditure £'000 | | Gross Expenditure £'000 | Gross Income £'000 | Net Expenditure £'000 |
| 215,411 | (123,987) | 91,424 | Managing Director | 226,016 | (135,633) | 90,383 |
| 50,335 | (40,577) | 9,758 | Communities Directorate | 47,873 | (35,198) | 12,675 |
| 17,699 | (14,431) | 3,268 | Place Directorate | 14,068 | (12,391) | 1,677 |
| 283,445 | (178,995) | 104,450 | Full Cost of Services | 287,957 | (183,222) | 104,735 |
| | | 1,432 | Precepts paid to parishes | | | 1,508 |
| | | 153 | Precepts & Levies | | | 156 |
| | | 145 | Adjustments to provisions | | | 2,367 |
| | | 320 | Adjustment to School Balances via Schools Reserve | | | 92 |
| | | (438) | Adjustment to other reserves taken through the cost of services | | | 337 |
| | | (1,695) | (Gain) / loss on the disposal of other fixed assets | | | 626 |
| | | (61) | Other Operating Expenditure & Income (Note 11) | | | (205) |
| | | 15,936 | Revenue exp.funded from capital under statute | | | 12,099 |
| | | 15,792 | Other Operating (Income) / Expenditure (Note 11) | | | 16,980 |
| | | 3,196 | Interest payable and similar charges | | | 2,977 |
| | | 5,924 | Pensions interest cost | | | 8,030 |
| | | (229) | Interest income | | | (265) |
| | | 3,234 | Changes in the fair value of investment properties | | | (15,205) |
| | | 12,125 | Financing & Investment Income & Expenditure (Note 12) | | | (4,463) |
| | | (109,103) | Taxation and Non-Specific Grant Income (Note 13) | | | (107,810) |
| | | 23,264 | (Surplus) or Deficit on Provision of Services | | | 9,442 |
| | | 1,346 | Associates accounted for on a equity basis (Note 54) | | | (2,450) |
| | | - | Tax expenses of associates | | | - |
| | | 24,610 | Group (Surplus) or Deficit | | | 6,992 |
| | | (3,659) | Other adjustments to value of Property, Plant and Equipment assets | | | (14,620) |
| | | (20,564) | Remeasurement of the net defined benefit liability (asset) | | | (42,357) |
| | | 4,484 | (Surplus) or deficit from investments in equity instruments designated at fair value through other comprehensive income (Note 54) | | | (2,450) |
| | | 1,713 | Share of Other (Income) & Expenditure of associates (Note 54) | | | (420) |
| | | (18,026) | Other Comprehensive (Income) and Expenditure | | | (59,847) |
| | | 6,584 | Total Comprehensive (Income) and Expenditure | | | (52,855) |

COUNCIL AND GROUP BALANCE SHEET

| 2018/19 | | | 2019/20 | | |
|--------------------------------|------------------|-------|------------------|------------------|---|
| RBWM £'000 | Group £'000 | Note | RBWM £'000 | Group £'000 | |
| Assets | | | | | |
| Non-current assets | | | | | |
| 421,625 | 421,625 | 14 | 458,955 | 458,955 | Property, Plant and Equipment |
| 131,824 | 131,824 | 16 | 96,230 | 96,230 | Investment Properties |
| 2,104 | 2,104 | 17 | 1,721 | 1,721 | Intangible Assets |
| - | - | | 73,057 | 73,057 | Assets Held for Sale |
| 245 | 245 | 18 | 250 | 250 | Long Term Investments |
| 14 | 14 | 18 | - | - | Long Term Debtors |
| - | - | 18/54 | - | - | Investments in Associates |
| 555,812 | 555,812 | | 630,213 | 630,213 | Total Non-Current Assets |
| Current assets | | | | | |
| - | - | 18 | 10,559 | 10,559 | Short Term Investments |
| 105 | 105 | 19 | 22 | 22 | Inventories |
| 32,507 | 32,507 | 21 | 24,310 | 24,310 | Short Term Debtors |
| 1,954 | 1,954 | 22 | 7,622 | 7,622 | Cash and Cash Equivalents |
| 34,566 | 34,566 | | 42,513 | 42,513 | Total Current Assets |
| 590,378 | 590,378 | | 672,726 | 672,726 | Total Assets |
| Liabilities | | | | | |
| Current Liabilities | | | | | |
| (71,952) | (71,952) | 18 | (134,000) | (134,000) | Short Term Borrowing |
| (30,980) | (30,980) | 24 | (36,102) | (36,102) | Short Term Creditors |
| (102,932) | (102,932) | | (170,102) | (170,102) | Total Current Liabilities |
| Non-Current Liabilities | | | | | |
| (250) | (250) | 18 | (243) | (243) | Long Term Creditors |
| (3,226) | (3,226) | 25 | (3,710) | (3,710) | Provisions |
| (57,049) | (57,049) | 18 | (57,049) | (57,049) | Long Term Borrowing |
| (12,721) | (12,721) | 40 | (8,941) | (8,941) | Capital Grants Receipts in Advance |
| (282,385) | (282,385) | 49 | (249,304) | (249,304) | Retirement Benefit Obligations |
| (2,959) | (2,959) | 18/54 | (509) | (509) | Interest in net assets of Associates |
| (358,590) | (358,590) | | (319,756) | (319,756) | Total Non-Current Liabilities |
| 128,856 | 128,856 | | 182,868 | 182,868 | Net Assets |
| Equity | | | | | |
| Usable Reserves | | | | | |
| 7,778 | 7,778 | 26 | 8,231 | 8,231 | Fund Balances and Reserves |
| 10,259 | 10,259 | | 14,666 | 14,666 | Other Reserves |
| Unusable Reserves | | | | | |
| 186,401 | 186,401 | 27 | 193,414 | 193,414 | Capital Adjustment Account |
| 214,694 | 214,694 | | 227,477 | 227,477 | Revaluation Reserve |
| (4,484) | (4,484) | | (2,034) | (2,034) | Financial Instruments Revaluation Reserve |
| (282,385) | (282,385) | | (249,304) | (249,304) | Pensions Reserve |
| (1,365) | (1,365) | | (7,648) | (7,648) | Collection Fund Adjustment Account |
| (2,042) | (2,042) | | (1,934) | (1,934) | Accumulated Absences Account |
| 128,856 | 128,856 | | 182,868 | 182,868 | |

COUNCIL AND GROUP MOVEMENT IN RESERVES STATEMENT

| | 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 |
|---|-------------------------|-----------------------|-----------------------------|-------------------------------|--------------------------------|--------------------------|----------------------|------------------------|--|-------------------------|
| 2019/20 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 |
| Balance at 31 March 2019 | 7,778 | 5,825 | 3,905 | 529 | - | 18,037 | 110,819 | 128,856 | - | 128,856 |
| Total Comprehensive Expenditure and Income (surplus or deficit on the provision of services) | (6,992) | - | - | - | - | (6,992) | 61,877 | 54,885 | - | 54,885 |
| Adjustments between group accounts and authority accounts (Group a/cs) (Note 54) | (2,450) | - | - | - | - | (2,450) | 420 | (2,030) | - | (2,030) |
| Net increase or decrease before transfers (Group a/cs) | (9,442) | - | - | - | - | (9,442) | 62,297 | 52,855 | - | 52,855 |
| Adjustments between accounting basis & funding basis under regulations (Note 9) | 9,467 | - | 3,127 | - | 551 | 13,145 | (13,145) | - | - | - |
| Net Increase / (Decrease) before Transfers to Earmarked Reserves | 25 | - | 3,127 | - | 551 | 3,703 | 49,153 | 52,855 | - | 52,855 |
| Transfers to / from Earmarked Reserves (Note 10) | 428 | 821 | - | (92) | - | 1,157 | - | 1,157 | - | 1,157.0000 |
| Increase / (Decrease) in Year | 453 | 821 | 3,127 | (92) | 551 | 4,860 | 49,153 | 54,012 | - | 54,012 |
| Balance at 31 March 2020 | | | | | | | | | | |
| Carried Forward | 8,231 | 6,646 | 7,032 | 437 | 551 | 22,897 | 159,972 | 182,868 | - | 182,868 |

COUNCIL AND GROUP MOVEMENT IN RESERVES STATEMENT

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

GROUP CASH FLOW STATEMENT

| 2018/19 | | | 2019/20 |
|-----------------|--|------|--------------|
| £'000 | Group Cash Flow Statement (Indirect Method) | Note | £'000 |
| (23,264) | Net surplus or (deficit) on the provision of services | | (9,442) |
| 14,620 | Adjust net surplus or (deficit) on the provision of services for noncash movements | 28 | 23,029 |
| (15,488) | Adjust for items included in the net surplus or deficit on the provision of services that are investing and financing activities | 28 | (11,064) |
| (24,132) | Net cash (outflows) / inflows from Operating Activities | | 2,523 |
| (20,770) | Net cash (outflows) / inflows from Investing Activities | 29 | (60,059) |
| 47,499 | Net cash (outflows) / inflows from Financing Activities | 30 | 63,204 |
| 2,597 | Net Increase or (Decrease) in Cash and Cash Equivalents | | 5,668 |
| (643) | Cash and cash equivalents at the beginning of the reporting period | | 1,954 |
| 1,954 | Cash and Cash Equivalents at the end of the reporting period | 22 | 7,622 |

NOTES TO THE ACCOUNTS

1 Accounting Policies - Following Note 54.

2 Accounting Standards Issued, Not Adopted

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

- IFRS 16 Leases

The code requires local authorities as lessees to recognise assets and liabilities for all operating leases of more than a year on their balance sheets. A review is currently underway so the financial impact cannot be quantified presently.

- IAS19 Employee Benefits

Will require the remeasurement of net pension asset/liability following plan amendments, curtailments or settlements to be used to determine current service cost and net interest for the remainder of the year after the change to the plan. The updating of these assumptions only applies to changes from 1st April 2020 and, since this could result in positive, negative or no movement in the net pension liability, no prediction can be made of the possible accounting impact.

3 Critical Judgements in Applying Accounting Policies

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

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

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

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 Controlled | 6 |

Where the Council directly owns the assets the schools non current (fixed) assets are recognised on its Balance Sheet. Community schools are owned by the Council and thus recognised on the balance sheet.

Voluntary aided and voluntary controlled school buildings are owned by the respective diocese with no formal rights to use the assets passed to the school or governing bodies. These schools are therefore not recognised in the balance sheet. Where the playing fields are owned by the Council these are recognised in the balance sheet. A school by school assessment has been undertaken to determine the treatment of each asset.

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

The Statement of Accounts contains estimated figures that are based on assumptions made by the Authority about the future or that are otherwise uncertain. Estimates are made taking into account historical experience, current trends and other relevant factors. However, because balances cannot be determined with certainty 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.

NOTES TO THE ACCOUNTS

Pension Liability

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

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

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

Property, Plant and Equipment

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

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

5 Material Items of Income and Expense

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

6 Events After the Balance Sheet Date

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

NOTES TO THE ACCOUNTS

7 Group Expenditure and Funding Analysis

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

| 2018/19 | | | 2019/20 | | |
|---|---|---|---|---|-----------------------|
| Net Exp. chargeable to the General Fund | Adjustments between the funding and accounting (Note 7) basis | Net Exp. in the CI&ES | Net Exp. chargeable to the General Fund | Adjustments between the funding and accounting (Note 7) basis | Net Exp. in the CI&ES |
| £'000 | £'000 | £'000 | £'000 | £'000 | £'000 |
| 78,596 | 12,828 | 91,424 | 78,079 | 12,304 | 90,383 |
| 7,256 | 2,502 | 9,758 | 8,821 | 3,854 | 12,675 |
| 841 | 2,427 | 3,268 | 363 | 1,314 | 1,677 |
| 86,693 | 17,757 | 104,450 | 87,263 | 17,472 | 104,735 |
| | | Full Cost of Services | | | |
| (86,821) | 5,635 | (81,186) | (87,288) | (8,006) | (95,293) |
| (617) | 617 | Transfer to/from Earmarked Reserves | (428) | 428 | |
| (745) | 24,009 | 23,264 | (453) | 9,895 | 9,442 |
| | | (Surplus)/Deficit | | | |
| (7,033) | | Opening General Fund Balance | (7,778) | | |
| (745) | | Less (Surplus) or Deficit on General Fund | (453) | | |
| (7,778) | | Closing General Fund Balance at 31 March | (8,231) | | |

NOTES TO THE ACCOUNTS

Note to the Expenditure and Funding Analysis

| Adjustments between Funding and Accounting Basis 2019/20 | | | | |
|---|--|---|--------------------------|--------------------------|
| Adjustments from General Fund to arrive at the Comprehensive Income and Expenditure Statement amounts | Adjustment for Capital Purposes | Net change for the Pensions Adjustment | Other Differences | Total Adjustments |
| | £'000 | £'000 | £'000 | £'000 |
| Managing Director | 10,840 | 1,557 | (93) | 12,304 |
| Communities Directorate | 2,038 | 1,850 | (34) | 3,854 |
| Place Directorate | 685 | 610 | 19 | 1,314 |
| Net Cost of Services | 13,563 | 4,017 | (108) | 17,472 |
| Other (income) and expenditure from the Expenditure and Funding Analysis | (19,543) | 5,255 | 6,283 | (8,006) |
| Transfers to / from Earmarked Reserves (Note 10) | - | - | 428 | 428 |
| Difference between General Fund surplus or deficit and Comprehensive Income and Expenditure Statement Surplus or Deficit on the Provision of Services. | (5,980) | 9,272 | 6,603 | 9,895 |

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

Adjustments for capital purposes

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

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

Net change for the Pensions Adjustments

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

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

Other Differences

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

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

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

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

NOTES TO THE ACCOUNTS

8 Expenditure and Income analysed by Nature

| | 2018/19 | 2019/20 |
|---|------------------|------------------|
| | £'000 | £'000 |
| Income | | |
| Government Grants | (94,835) | (101,558) |
| Collection Fund | (93,548) | (89,997) |
| Housing Benefit Income | (31,709) | (26,222) |
| Other Grants & Contributions | (21,250) | (24,335) |
| Fees & Charges | (29,574) | (30,920) |
| Sales | (3,881) | (4,475) |
| Rent | (7,718) | (8,028) |
| Interest | (262) | (265) |
| Other Operating Income | (61) | (205) |
| Contributions from other funds/balances | 1,195 | 526 |
| | (281,643) | (285,479) |
| Expenditure | | |
| Employees | | |
| Direct Employee Costs | 43,118 | 42,596 |
| Teachers Pay | 23,416 | 25,123 |
| Indirect Employee Costs | 2,636 | 1,944 |
| Pension Interest Cost | 5,924 | 8,030 |
| Premises | | |
| Repairs & Maintenance | 2,330 | 2,057 |
| Other Energy | 111 | 116 |
| Gas | 220 | 258 |
| Electricity | 1,451 | 1,648 |
| Other Rent & Rates | 1,734 | 2,063 |
| Rates | 2,584 | 2,787 |
| Water | 216 | 303 |
| Other Premises | 1,890 | 1,934 |
| Depreciation, Amortisation and Impairment | 14,501 | 13,563 |
| Supplies & Services | | |
| Equipment, Furniture & Materials | 1,348 | 1,572 |
| Printing, Stationery & Office Expenses | 1,849 | 2,176 |
| Communications and Computing | 3,176 | 3,597 |
| Grants & Subscriptions | 104 | 8,618 |
| Other Supplies & Services | 16,236 | 18,743 |
| Transport | 403 | 376 |
| Contract Services | 126,922 | 125,677 |
| Housing Benefit Payment | 32,455 | 26,783 |
| Other Operating Expenditure and Income | | |
| Interest Payments | 3,196 | 2,977 |
| Precepts and Levies | 1,585 | 1,664 |
| Changes in the fair value of Investment Properties | 3,234 | (15,205) |
| Gain or Loss on Disposal of property, plant & equipment | (1,695) | 626 |
| Adjustment to School Balances | 320 | 92 |
| Adjustments to Provisions | 145 | 2,367 |
| Adjustments to Other Reserves | (438) | 337 |
| Revenue Expenditure Classified as Capital by Statute | 15,936 | 12,099 |
| Gross Expenditure | 304,907 | 294,921 |
| Surplus or Deficit on the Provision of Services | 23,264 | 9,442 |

NOTES TO THE ACCOUNTS

9 Adjustments between Accounting Basis and Funding Basis under Regulations

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

| 2019/20 | Usable Reserves | | | | |
|--|-------------------------|-----------------------------|--------------------------------|--------------------|----------------------|
| | General Fund Balance | Capital Grants Unapplied | Capital Receipts Reserve | Usable Reserves | Unusable Reserves |
| | £'000 | £'000 | £'000 | £'000 | £'000 |
| Adjustments primarily involving the Capital Adjustment Account: | | | | | |
| Charges for depreciation and impairment of non-current assets | (12,971) | | | (12,971) | 12,971 |
| Movements in the market value of Investment Properties | 15,205 | | | 15,205 | (15,205) |
| Amortisation of intangible assets | (592) | | | (592) | 592 |
| Capital grants and contributions applied | 10,179 | | | 10,179 | (10,179) |
| Revenue expenditure funded from capital under statute | (12,099) | | | (12,099) | 12,099 |
| Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement (CI&E) | (1,505) | | | (1,505) | 1,505 |
| Statutory provision for the financing of capital investment | 1,652 | | | 1,652 | (1,652) |
| Adjustments primarily involving the Capital Grants Unapplied Account: | | | | | |
| Capital grants and contributions unapplied credited to the CI&E | 5,232 | (5,232) | | - | - |
| Application of grants to capital financing transferred to the Capital Adjustment Account | | 2,105 | | 2,105 | (2,105) |
| Adjustments primarily involving the Capital Receipts Reserve: | | | | | |
| Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the CI&E Statement | 879 | | (879) | - | - |
| Use of the Capital Receipts Reserve to finance new capital expenditure | | | 328 | 328 | (328) |
| Adjustments primarily involving the Pensions Reserve: | | | | | |
| Reversal of items relating to retirement benefits debited or credited to the CI&E Statement | (9,272) | | | (9,272) | 9,272 |
| Adjustments primarily involving the Collection Fund Adjustment Account: | | | | | |
| Amount by which council tax income credited to the CI&E Statement is different from council tax income calculated for the year in accordance with statutory requirements | (6,283) | | | (6,283) | 6,283 |
| Adjustment primarily involving the Accumulated Absences Account: | | | | | |
| Amount by which officer remuneration charged to the CI&E Statement on an accruals basis is different from that charged in the year in accordance with statutory requirements | 108 | | | 108 | (108) |
| Total Adjustments | (9,467) | (3,127) | (551) | (13,145) | 13,145 |

NOTES TO THE ACCOUNTS

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

NOTES TO THE ACCOUNTS

10 Transfers to/from Earmarked Reserves

This note sets out the amounts set aside from the General Fund in earmarked reserves to provide financing for future expenditure plans and the amounts posted back from earmarked reserves to meet General Fund expenditure in 2019/20.

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

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

Insurance Reserve

Due to its high policy excesses the council is essentially its own insurer. It therefore maintains an internal insurance provision to cover these self insured claims. The provision meets most claims for loss or damage to RBWM assets and third party/employee compensation claims for injury, loss or damage to personal property caused by the council's negligence. Part of the reserve relates to reported outstanding claims and part is held against the modelled expectation of emerging future claims. Claims of around £740k are currently outstanding (as at 30th April 2020).

The next bi-annual actuarial review is scheduled to be complete by September 2020. Depending on the outcome the fund may be adjusted in future years.

Non Domestic Rate Pilot Reserve

The reserve contains surpluses arising from the Council taking part in a pilot project run by the MHCLG. For 2019/20 the six Berkshire Unitary authorities formed a pool for the retention of 74% of business rates. County wide surpluses will fund a £11m payment to the Local Enterprise Partnership (LEP) which in turn will support economic growth. Final payments to the LEP will be calculated in 2020/21 and funded from the reserve if required.

Nature Reserve Maintenance Fund

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

Firestation Maintenance Fund (WAC)

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

Grave Maintenance Fund

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

Brexit Funding

The Secretary of State for the Ministry of Housing, Communities and Local Government announced in January 2019, funding which is intended to support Councils in the need to prepare for an orderly exit from the EU and to carry out contingency planning. The first instalment of this funding (£105,000) is contained within this earmarked reserve, subsequent instalments will also be credited here. In 2019/20 £11,000 was spent, in 2018/19 £5,000.

Optalis Development Fund

Funds set aside for the business development of Optalis Ltd.

Covid-19 Grant

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

Public Health Fund (PHF)

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

Schools and Dedicated Schools Grant (DSG) Reserves

| | 2018/19 | Transfers Out | Transfers In | 2019/20 |
|--|---------|------------------|-----------------|---------|
| | £'000 | £'000 | £'000 | £'000 |

NOTES TO THE ACCOUNTS

| | | | | |
|---|--------------|--------------|------------|----------------|
| School Revenue Balances (Net of Loans) | 1312 | - | 150 | 1,462 |
| | | | | |
| Dedicated Schools Grant Reserve | | | | |
| General DSG Reserve | (917) | (242) | - | (1,159) |
| Earmarked DSG Reserve - School to School Support | - | - | - | - |
| Earmarked DSG Reserve - Capacity Building for Two-Year-Olds | 57 | - | - | 57 |
| Earmarked DSG Reserve - Support for Children In Care | 77 | - | - | 77 |
| Earmarked DSG Reserve - Mental Health and Wellbeing | | | - | - |
| Total DSG Reserve | (783) | (242) | - | (1,025) |
| Total Schools and DSG Reserves | 529 | (242) | 150 | 437 |

School Revenue Balances

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

Dedicated Schools Grant Reserve

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

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

- Capacity building for two year olds – to help build additional capacity among early years providers to deliver the extension to the free entitlement to education and childcare for two, three and four year olds.
- Support for children in care – to narrow the educational attainment gap of RBWM children in care compared with their peers.

NOTES TO THE ACCOUNTS

11 Other Operating Expenditure and Income

| | 2018/19 £'000 | 2019/20 £'000 |
|---|------------------|------------------|
| Parish council precepts | 1,432 | 1,508 |
| Levies (Environment Agency) | 153 | 156 |
| (Gains)/losses on the disposal of non-current assets* | (1,695) | 626 |
| Adjustments to provisions | 145 | 2,367 |
| Adjustment to School Balances via Schools Reserve | 320 | 92 |
| Adjustment to other reserves taken through the cost of services | (438) | 337 |
| Royal Wedding | 130 | - |
| VAT Refund HMRC - Leisure | (31) | - |
| Dividend from RBWM Property Company Ltd | (160) | (210) |
| Revenue expenditure funded from capital under statute | 15,936 | 12,099 |
| Transfer of residual mortgage balance | - | 5 |
| Total | 15,792 | 16,980 |

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

12 Financing and Investment Income and Expenditure

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

13 Taxation and Non-Specific Grant Income

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

NOTES TO THE ACCOUNTS

14 Property, Plant and Equipment

Movements on Balances

| | Other Land and Buildings | Vehicles, Plant, Furniture & Equipment | Infrastructure Assets | Community Assets | Surplus Assets | Assets Under Construction | Total PPE |
|--|-----------------------------|--|-----------------------|------------------|----------------|------------------------------|----------------|
| Movements in 2019/20 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 |
| Cost or Valuation | | | | | | | |
| At 1 April 2019 | 313,633 | 25,215 | 198,285 | 8,205 | 5,569 | 16,385 | 567,292 |
| Additions | 1,437 | 8,431 | 8,221 | 952 | 7,907 | 29,629 | 56,577 |
| Revaluation increases/(decreases) recognised in the Revaluation Reserve | 21,436 | | | | | | 21,436 |
| Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services | (12,049) | | | (105) | (3,303) | | (15,457) |
| Derecognition – disposals | (700) | | | | | | (700) |
| Derecognition – other | | | | | | (2,064) | (2,064) |
| Asset reclassifications* | (6,170) | | | | 62,883 | (2,626) | 54,088 |
| At 31 March 2020 | 317,587 | 33,646 | 206,506 | 9,052 | 73,057 | 41,324 | 681,172 |

| | | | | | | | |
|--|-----------------|-----------------|------------------|--------------|----------|----------|------------------|
| Accumulated Depreciation and Impairment | | | | | | | |
| At 1 April 2019 | (19,444) | (11,257) | (114,441) | (129) | | | (145,271) |
| Depreciation charge | (4,631) | (2,103) | (6,236) | | | | (12,971) |
| Depreciation written out to the Revaluation Reserve | 8,143 | | | | | | 8,143 |
| Depreciation written out to the Surplus/Deficit on the Provision of Services | 944 | | | | | | 944 |
| At 31 March 2020 | (14,988) | (13,360) | (120,677) | (129) | - | - | (149,155) |

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

Net Book Value

| | | | | | | | |
|-------------------------|----------------|---------------|---------------|--------------|---------------|---------------|----------------|
| At 31 March 2020 | 302,599 | 20,286 | 85,829 | 8,923 | 73,057 | 41,324 | 532,018 |
| At 31 March 2019 | 293,793 | 13,958 | 83,844 | 8,076 | 5,569 | 16,385 | 421,625 |

NOTES TO THE ACCOUNTS

Comparative Movements in 2018/19

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

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

Net Book Value

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

Depreciation

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

- Other Land and Buildings (30 to 50 years)
- Vehicles, Plant, Furniture & Equipment (4 to 10 years)
- Infrastructure (1 to 40 years)

NOTES TO THE ACCOUNTS

Capital Commitments

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

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

Revaluations

The Authority carries out a rolling programme that ensures that all Property, Plant and Equipment required to be measured at fair value is revalued at least every five years. Valuations of land and buildings were carried out in accordance with the methodologies and bases of estimation set out in the professional standards of the Royal Institution of Chartered Surveyors' Red Book. The portfolio has been valued at 31 March 2020 in accordance with the methodologies and basis for estimation set out in the professional standards of the Royal Institution for Chartered Surveyors. The assets were valued externally by Kempton Carr Croft, the Council's valuing agents. Valuations of vehicles, plant, furniture and equipment are based on current prices where there is an active second-hand market

| | Land & Buildings | Vehicles, Plant, Furniture & Equipment | Surplus Assets | Total |
|--|------------------|--|----------------|----------------|
| | £'000 | £'000 | £'000 | £'000 |
| Carried at historical cost | | 20,286 | | 20,286 |
| Valued at fair value as at: | | | | |
| 31 March 2020 | 55,464 | | 73,057 | |
| 31 March 2019 | 14,005 | | | 14,005 |
| 31 March 2018 | | | | |
| 31 March 2017 | 207,733 | | | 207,733 |
| 31 March 2016 | 26,950 | | | 26,950 |
| Total Cost or Valuation | 304,152 | 20,286 | 73,057 | 397,494 |
| Variations since date of valuation (see below) | (1,553) | | | (1,553) |
| Net Book Value as at 31st March 2020 | 302,599 | 20,286 | 73,057 | 395,942 |

NOTES TO THE ACCOUNTS

15 Heritage Assets

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

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

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

16 Investment Properties

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

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

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

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

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

In estimating the fair value of the Authority's investment properties, the highest and best use of the properties is deemed to be their current use. The investment property portfolio has been valued at 31 March 2020 in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution for Chartered Surveyors. The assets were valued by Kempton Carr Croft, the Council's valuing agents.

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

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

NOTES TO THE ACCOUNTS

17 Intangible Assets

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

The carrying amount of intangible assets is amortised on a straight-line basis. The amortisation of £0.592m charged to revenue in 2019/20 was charged to the relevant service.

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

| | 2018/19 £'000 | 2019/20 £'000 |
|---|------------------|------------------|
| Balance at start of year: | | |
| Gross carrying amounts | 16,950 | 17,263 |
| Accumulated amortisation | (14,261) | (15,159) |
| Net carrying amount at start of year | 2,689 | 2,104 |
| Additions: | | |
| Purchases | 313 | 209 |
| Amortisation for the period | (898) | (592) |
| Net carrying amount at end of year | 2,104 | 1,721 |
| Comprising: | | |
| Gross carrying amounts | 17,263 | 17,472 |
| Accumulated amortisation | (15,159) | (15,751) |
| Total | 2,104 | 1,721 |

NOTES TO THE ACCOUNTS

18 Financial Instruments

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

| | Long-term | | Current | |
|---|------------------|------------------|------------------|------------------|
| | 2018/19 £'000 | 2019/20 £'000 | 2018/19 £'000 | 2019/20 £'000 |
| Investments | | | | |
| Loans and receivables | - | - | - | 10,559 |
| Unquoted equity investment / (liability) at fair value through other comprehensive income** | (2,714) | (259) | - | |
| Total Investments | (2,714) | (259) | - | 10,559 |
| | | | | |
| Debtors | | | | |
| Loans and receivables | 14 | - | 32,507 | 24,310 |
| Total Debtors | 14 | - | 32,507 | 24,310 |
| | | | | |
| Borrowings | | | | |
| Financial liabilities at amortised cost*** | (57,049) | (57,049) | (71,952) | (134,000) |
| Total Borrowings | (57,049) | (57,049) | (71,952) | (134,000) |
| | | | | |
| Creditors | | | | |
| Financial liabilities at amortised cost | (250) | (243) | (30,980) | (36,102) |
| Total Creditors | (250) | (243) | (30,980) | (36,102) |

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

** The fair value of borrowings has been calculated as £216.504m in 2019/20

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

Short term borrowings are loans from other Local Authorities.

Loans and receivables are at amortised cost.

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

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

NOTES TO THE ACCOUNTS

19 Inventories

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

20 Construction Contracts

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

21 Debtors

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

| | 2018/19 £'000 | 2019/20 £'000 |
|--------------------------|------------------|------------------|
| Trade receivables | 22,308 | 17,524 |
| Prepayments | 4,801 | 1,232 |
| Other receivable amounts | 5,398 | 5,554 |
| Total | 32,507 | 24,310 |

Debtors for local taxation (included in the above figures)

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

22 Cash and Cash Equivalents

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

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

23 Assets Held for Sale

As at 31st March 2020 no assets were held for sale.

NOTES TO THE ACCOUNTS

24 Creditors

| | 2018/19 £'000 | 2019/20 £'000 |
|----------------|------------------|------------------|
| Trade payables | (29,307) | (30,912) |
| Other payables | (1,673) | (5,190) |
| Total | (30,980) | (36,102) |

25 Provisions

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

National Living Wage Sleep-ins

Payments expected to be made to care providers to fund back pay for their staff who have not received national living wage for sleep-in shifts for up to a 6 year period. 19/20 this provision is no longer required.

Provision for Business Rates deficit

The provision was created in 19/20 to cover the deficit identified in the NNDR1 submitted in February 2020 that would accrue in 2020/21.

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

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

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

Our current provision was set in conjunction with the advice of the council's insurance brokers noting the approach taken by the other Berkshire unitaries. It is set to cover the likely maximum exposure from our total potential liabilities. These are currently RBWM claims of £187,000 and approximately 1/6 of the BCC claims of £4.5m.

It remains possible that the entire remaining exposure will eventually be called upon by further levies but this won't be known for many years. No reserve strengthening has been required by MMI since the 16/17 financial year. In MMI's most recently published annual report and accounts from December 2019 relating to y/e 30/06/19 they say that no further increases to the levy are currently anticipated. The forecast assumes that the run-off will continue until the year 2059 when the final claim will be received.

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

Provision for redundancy - provision for redundancy payments expected in 2020/21 that relate to decisions made in 2019/20

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

NOTES TO THE ACCOUNTS

26 Usable Reserves

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

27 Unusable Reserves (Group)

| | 2018/19 £'000 | 2019/20 £'000 |
|---|------------------|------------------|
| Capital Adjustment Account | 186,401 | 193,414 |
| Revaluation Reserve | 214,694 | 227,477 |
| Financial Instruments Revaluation Reserve | (4,484) | (2,034) |
| Pensions Reserve | (282,385) | (249,304) |
| Collection Fund Adjustment Account | (1,365) | (7,648) |
| Accumulated Absences Account | (2,042) | (1,934) |
| Total Unusable Reserves | 110,819 | 159,971 |

Capital Adjustment Account

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

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

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

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

NOTES TO THE ACCOUNTS

Revaluation Reserve

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

The balance is reduced when assets with accumulated gains are:

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

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

| Revaluation Reserve | 2018/19 £'000 | 2019/20 £'000 |
|---|------------------|------------------|
| Balance at 1 April | 200,034 | 214,694 |
| Upward revaluation of assets | 19,181 | 29,579 |
| Difference between fair value depreciation and historical cost depreciation | (4,399) | (3,721) |
| Amount written off to the Capital Adjustment Account | (122) | (13,075) |
| Balance at 31 March | 214,694 | 227,477 |

Financial Instruments Revaluation Reserve

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

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

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

Pensions Reserve

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

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

| | 2018/19 £'000 | 2019/20 £'000 |
|--|------------------|------------------|
| Balance at 1 April | (293,703) | (282,385) |
| Actuarial gains or losses on pensions assets and liabilities | 20,561 | 42,354 |
| Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement | (18,760) | (19,896) |
| Employer's pensions contributions and direct payments to pensioners payable in the year | 9,517 | 10,623 |
| Balance at 31 March | (282,385) | (249,304) |

NOTES TO THE ACCOUNTS

Collection Fund Adjustment Account

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

Collection Fund - Council Tax

| | 2018/19 £'000 | 2019/20 £'000 |
|--|------------------|------------------|
| Balance at 1 April | 1,531 | (128) |
| Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements | (1,659) | 74 |
| Balance at 31 March | (128) | (54) |

Collection Fund - Business Rates

| | 2018/19 £'000 | 2019/20 £'000 |
|--|------------------|------------------|
| Balance at 1 April | (5,725) | (1,237) |
| Amount by which NNDR income credited to the Comprehensive Income and Expenditure Statement is different from NNDR income calculated for the year in accordance with statutory requirements | 4,488 | (6,357) |
| Balance at 31 March | (1,237) | (7,594) |

Accumulated Absences Account

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

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

NOTES TO THE ACCOUNTS

28 Cash Flow Statement - Operating Activities

The cash flows for operating activities include the following items:

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

| The surplus or deficit on the provision of services has been adjusted for the following non-cash movements | 2018/19 £'000 | 2019/20 £'000 |
|---|------------------|------------------|
| Depreciation | 21,439 | 13,563 |
| Impairment and Valuation Losses | (6,938) | - |
| Increase/(Decrease) in Creditors | (13,402) | 5,228 |
| (Increase)/Decrease in Debtors | (676) | 8,197 |
| (Increase)/Decrease in Inventories | 91 | 83 |
| Pension Liability | 9,243 | 9,272 |
| Contributions to/(from) Provisions | 387 | 484 |
| Carrying amount of non-current assets sold or de-recognised (property plant and equipment, investment property and intangible assets) | 1,242 | 1,505 |
| Carrying amount of short and long term investments sold | - | - |
| Change in investment property values | 3,234 | (15,303) |
| Adjust net surplus or deficit on the provision of services for non-cash movements | 14,620 | 23,029 |

| The surplus or deficit on the provision of services has been adjusted for the following items that are investing and financing activities. | 2018/19 £'000 | 2019/20 £'000 |
|--|------------------|------------------|
| Proceeds from short-term (not cash equivalents) and long-term investments | - | - |
| Proceeds from the sale of property, plant and equipment, investment property and intangible assets | (2,937) | (879) |
| Capital Grants credited to the surplus or deficit on the provision of services | (12,551) | (10,185) |
| Adjust net surplus or deficit on the provision of services for investing activities | (15,488) | (11,064) |

29 Cash Flow Statement - Investing Activities

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

NOTES TO THE ACCOUNTS

30 Cash Flow Statement - Financing Activities

| | 2018/19 £'000 | 2019/20 £'000 |
|---|------------------|------------------|
| Cash receipts of short and long-term borrowing | 47,499 | 62,048 |
| Other receipts from financing activities | - | 1,156 |
| Net cash flows from financing activities | 47,499 | 63,204 |

31 Acquired and Discontinued Operations

The council did not acquire or discontinue any operations in the financial year ended 31 March 2020, or 31 March 2019.

32 Trading Operations

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

Industrial and commercial estates

The Authority lets 62 units in industrial and commercial estates located in various parts of the Borough. The most sizeable incomes are generated from shopping centres in Windsor & Maidenhead including estate shops & flats, Reform Road, Howarth Road, Waldeck House, Rawcliffe House & Stafferton Way. Please refer to the table in note 16, above.

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

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

33 Agency Services

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

34 Road Charging Schemes

There is a requirement to disclose the nature, income, expenditure and net proceeds of any road charging schemes under the Transport Act 2000. The Council does not have any road charging schemes in operation as at 31 March 2020, or 31 March 2019.

NOTES TO THE ACCOUNTS

35 Pooled Budgets

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

Better Care Fund

The Section 75 agreement with the Clinical Commissioning Group specifies that any net underspend on planned projects at the year-end may be used by the Council to contribute towards the cost of adult social care services, which have a health benefit. This is an allowable use of BCF funding. The S75 agreement states that should RBWM use net underspends in this way, then it must contribute an equivalent sum into the BCF in future. The BCF net underspend of £1.074m in 2019/20 has been used to fund Homecare and Council reserves have been increased accordingly. Total reserves ring-fenced for pooling into the BCF in future are £1.383m.

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

Berkshire Community Equipment Service

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

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

36 Members' Allowances

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

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

NOTES TO THE ACCOUNTS

37 Officers' Remuneration

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

| 2019/20 | Notes | Salary (Including Fees & Allowances) | Compensation for loss of Office | Pension Cont. | Total Remuneration incl. Pension Contributions |
|--|-------|--|------------------------------------|---------------|---|
| | | £ | £ | £ | £ |
| Managing Director - Alison Alexander | 1 | | 62,000 | | 62,000 |
| Managing Director - Duncan Sharkey | | 149,000 | | 21,307 | 170,307 |
| Executive Director | 2 | 75,349 | 16,138 | | 91,487 |
| Executive Director | | 122,952 | | 17,582 | 140,534 |
| Director of Resources | 3 | 12,115 | | 1,732 | 13,847 |
| Head of Communities, Enforcement & Partnerships | | 94,326 | | 13,489 | 107,815 |
| Head of Revenues & Benefits | | 85,707 | | 12,542 | 98,249 |
| Head of Planning | 4 | 1,984 | | 284 | 2,268 |
| Head of Planning | 5 | 61,548 | | 8,004 | 69,552 |
| Deputy Director and Head of Finance | 6 | 51,904 | 49,086 | 7,098 | 108,088 |
| Director of Adults, Health and Commissioning | | 108,128 | | 15,462 | 123,590 |
| Head of Human Resources and Corporate Projects | | 83,280 | | 11,909 | 95,189 |
| Communications & Marketing Manager | | 58,991 | | 8,436 | 67,427 |
| Deputy Director Health & Adult Social Care | 7 | 18,294 | | 2,682 | 20,976 |
| Head of Property Services | 8 | 44,370 | | 5,724 | 50,094 |
| Head of Commissioning - Infrastructure | | 77,167 | | 10,940 | 88,106 |
| Head of Infrastructure, Sustainability and Transport | | 59,247 | | 8,472 | 67,720 |
| Head of Governance | | 65,643 | | 9,387 | 75,031 |
| Head of Commissioning - People | | 73,138 | | 10,392 | 83,530 |
| Head of Housing and Environmental Health | 9 | 44,000 | | 6,292 | 50,292 |

Notes:

1. Left in June 2019
2. Left in January 2020
3. Employed since February 2020
4. Employed since March 2020
5. Left in November 2019
6. Left in October 2019
7. Left in May 2019
8. 30% of salary as Head of Property Services, 70% as Managing Director of RBWM Property Company Ltd.
9. Employed since June 2019

NOTES TO THE ACCOUNTS

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

Notes:

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

NOTES TO THE ACCOUNTS

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

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

| Exit Package Cost Band (including special payments) | Number of Compulsory Redundancies | | Number of Other Departures Agreed | | Total Number of Exit Packages by Cost Band | | Total £'000 Cost of Exit Packages in Each Band | |
|---|-----------------------------------|----------|-----------------------------------|----------|--|----------|--|------------|
| | 2018/19 | 2019/20 | 2018/19 | 2019/20 | 2018/19 | 2019/20 | 2018/19 | 2019/20 |
| £0- £20,000 | 10 | 3 | 2 | 3 | 12 | 6 | 116 | 35 |
| £20,001 - £40,000 | 2 | - | 4 | 1 | 6 | 1 | 170 | 21 |
| £40,001 - £60,000 | 1 | - | 1 | - | 2 | - | 87 | - |
| £60,001 - £80,000 | - | - | - | - | - | - | - | - |
| £80,001 - £100,000 | - | 2 | - | - | - | 2 | - | 198 |
| Total | 13 | 5 | 7 | 4 | 20 | 9 | 373 | 254 |

38 External Audit Costs

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

| | 2018/19 £'000 | 2019/20 £'000 |
|---|------------------|------------------|
| Fees payable with regard to external audit services carried out during the year | 157 | - |
| Fees payable in respect of statutory inspections | - | - |
| Fees payable for the certification of grant claims and returns during the year | 15 | - |
| Fees payable in respect of other services provided during the year | - | - |
| Total | 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.

NOTES TO THE ACCOUNTS

39 Dedicated Schools Grant

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

Details of the deployment of DSG receivable for 2019/20 are as follows:

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

NOTES TO THE ACCOUNTS

40 Grant Income

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

| | 2018/19 | 2019/20 |
|--|----------------|----------------|
| | £'000 | £'000 |
| Credited to Taxation and Non Specific Grant Income | | |
| Business Rates & Council Tax Support Grants (Collection Fund) | 93,548 | 89,997 |
| Capital Grants and Contributions | 12,549 | 15,409 |
| New Homes Bonus | 2,691 | 2,089 |
| Education Services Grant | 315 | 315 |
| Total Credited to Taxation and Non Specific Grant Income | 109,103 | 107,810 |
| | | |
| | 2018/19 | 2019/20 |
| | £'000 | £'000 |
| Credited to Services - Government Grants | | |
| Dedicated Schools Grant (DSG)* | 63,053 | 63,916 |
| Pupil Premium | 1,730 | 1,753 |
| Teacher Training | 52 | - |
| PE and Sports Grant | 612 | 341 |
| Universal Infant Free School Meals (UIFSM) | 1,250 | 1,247 |
| Special Educational Needs Reform | 101 | - |
| Teachers Pay Grant | 196 | 299 |
| Teachers' Pension Grant | - | 934 |
| Cycle Training Grant | 37 | 37 |
| Extended Rights to Free Travel | 8 | 13 |
| Asylum Seekers & Other Refugee Grants | 513 | 505 |
| Adult Care Support/Improved Better Care/Winter Pressures | 2,428 | 3,093 |
| Disabled Facilities Grant | 946 | 910 |
| Independent Living Fund (DCLG) | 116 | 113 |
| Other Education Grants (incl GTP & School Workforce Adviser) | 623 | 1,240 |
| Children Staying Put | 35 | 35 |
| Troubled Families DCLG | 265 | 196 |
| Post 16 Grants | 243 | 80 |
| Community Safety (PCC) | 149 | 149 |
| Public Health Grant | 4,739 | 4,656 |
| Drug Action Teams | - | 40 |
| Supporting Community Transport (DFT) | 76 | 116 |
| War Pensions Disregard | 21 | 20 |
| Collection Allowance | 245 | 252 |
| New Burdens Grant / Service Transformation | 312 | 185 |
| Adoption and Fostering | 4 | 10 |
| Homelessness Grants | 1,289 | 1,536 |
| Custom Self-Build and Brownfield Register | 35 | 4 |
| COVID-19 Funding (DCLG) | - | 1,827 |
| Elections and Electoral Registration | 37 | 199 |
| Other grants | 650 | 268 |
| Total Government Grants | 79,765 | 83,974 |
| Mandatory Rent Allowances: subsidy | 30,900 | 26,022 |
| Discretionary Benefits | 235 | 200 |
| Total Housing Benefit Income | 31,135 | 26,222 |
| Credited to Services - Other Grants and Contributions | | |
| Housing Benefit and Council Tax Benefit Administration associated grants | 487 | 360 |
| Youth Justice Board | 184 | 119 |
| Health-Better Care | 7,167 | 8,605 |
| Health-Other Contributions | 1,949 | 2,214 |
| Contributions | 10,987 | 10,937 |
| Donations | 500 | 623 |
| Contributions from other funds/balances & reallocations | 5,616 | 5,869 |
| Total Other Grants and Contributions | 26,890 | 28,727 |
| Total Credited to Services | 137,790 | 138,923 |

NOTES TO THE ACCOUNTS

Capital Grants Receipts in Advance

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

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

Capital Grants Unapplied

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

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

41 Related Parties

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

Central Government

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

Members

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

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

RBWM paid grants totalling £574,000 to voluntary organisations in which 7 members had positions on the governing body. In all instances the grants were made with proper consideration of declarations of interest. The relevant members did not take part in any discussion or decision relating to the grants. Details of all of these transactions are recorded in the Register of Members' Interest open to public inspection at the Town Hall during office hours.

Pension Fund

The Royal Borough of Windsor and Maidenhead administers the Royal County of Berkshire Pension Fund on behalf of 205 active employers, including the unitary local authorities in Berkshire. The council charged £1.749m for administering the Fund during the year.

NOTES TO THE ACCOUNTS

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

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

42 Capital Expenditure and Capital Financing

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

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

NOTES TO THE ACCOUNTS

43 Leases

Authority as Lessee

Finance Leases

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

Operating Leases

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

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

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

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

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

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

Authority as Lessor

Finance Leases

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

Operating Leases

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

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

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

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

NOTES TO THE ACCOUNTS

44 PFI and Similar Contracts

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

45 Impairment Losses

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

46 Capitalisation of Borrowing Costs

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

47 Termination Benefits

Refer to note 37 above.

48 Pension Schemes Accounted for as Defined Contribution Schemes

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

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

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

In 2019/20, the council paid £3.214m to Teachers' Pensions in respect of teachers' retirement benefits, representing 21% of pensionable pay. The figures for 2018/19 were £2.623m and 16.48%. There were no contributions remaining payable at the year-end. The Authority is responsible for the costs of any additional benefits awarded upon early retirement outside of the terms of the teachers' scheme.

NOTES TO THE ACCOUNTS

49 Defined Benefit Pension Schemes

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

Transactions Relating to Post-employment Benefits

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

Balance via the Movement in Reserves Statement during the year:

| Comprehensive Income and Expenditure Statement | Local Government Pension Scheme £'000 | |
|---|---------------------------------------|---------------|
| | 2018/19 | 2019/20 |
| Cost of Services: | | |
| Service Cost (comprising current service cost, past service cost and gain / loss from settlements) | 11,281 | 13,086 |
| Financing and Investment Income and Expenditure: | | |
| Net interest expense | 7,329 | 6,657 |
| Administration expenses | 150 | 152 |
| Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services | 18,760 | 19,895 |
| Other Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement: | | |
| Re-measurement of the net defined benefit liability comprising: | | |
| Return on plan assets | 15,212 | (9,888) |
| Actuarial gains / (losses) on changes in demographic assumptions | 30,366 | 4,527 |
| Actuarial gains / (losses) on changes in financial assumptions | (25,017) | 45,478 |
| Other actuarial gains / (losses) on assets | - | (17,548) |
| Experience gain/(loss) on defined benefit obligation | - | 19,785 |
| Total Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement | 39,321 | 62,249 |

| Movement in Reserves Statement | Local Government Pension Scheme £'000 | |
|--|---------------------------------------|----------|
| | 2018/19 | 2019/20 |
| Reversal of net charges made to the Surplus or Deficit for the Provision of Services for post employment benefits in accordance with the Code. | (39,321) | (62,249) |
| Actual amount charged against the General Fund Balance for pensions in the year: | | |
| Employers' contributions payable to scheme | 8,970 | 10,073 |

Assets and Liabilities recognised in the Balance Sheet

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

| | Local Government Pension Scheme £'000 | |
|---|---------------------------------------|------------------|
| | 2018/19 | 2019/20 |
| Present value of the defined benefit obligation | (533,101) | (477,724) |
| Fair value of scheme assets | 257,272 | 232,671 |
| Net Liability | (275,829) | (245,053) |
| Present value of unfunded obligation | (6,556) | (4,251) |
| Net Liability in the Balance Sheet | (282,385) | (249,304) |

NOTES TO THE ACCOUNTS

Reconciliation of the present value of scheme liabilities:

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

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

| | Local Government Pension Scheme £'000 | |
|--------------------------------------|--|----------------|
| | 2018/19 | 2019/20 |
| Opening fair value of scheme assets | 240,331 | 257,273 |
| Interest on assets | 6,075 | 6,137 |
| Return on assets less interest | 15,212 | (9,888) |
| Other Actuarial gains / (losses) | - | (17,548) |
| Administrative expenses | (150) | (152) |
| Employer contributions | 9,517 | 10,623 |
| Contributions by scheme participants | 1,871 | 1,900 |
| Benefits paid | (15,402) | (15,673) |
| Settlement prices received / (paid) | (181) | - |
| Closing balance at 31 March | 257,273 | 232,672 |

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

Fair value of scheme assets comprised:

| | Local Government Pension Scheme £'000 | |
|------------------------------------|--|----------------|
| | 2018/19 | 2019/20 |
| Gilts | - | - |
| Cash | 20,424 | 27,476 |
| Other Bonds | 38,615 | 21,657 |
| Equities | 130,558 | 131,375 |
| Property | 35,721 | 31,968 |
| Target Return | 13,383 | 9,800 |
| Commodities | 1,966 | 1,371 |
| Infrastructure | 24,238 | 19,074 |
| Alternative Assets | - | - |
| Longevity Insurance | (7,633) | (10,050) |
| Closing balance at 31 March | 257,272 | 232,671 |

NOTES TO THE ACCOUNTS

Basis for estimating assets and liabilities

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

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

The significant assumptions used by the actuary have been:

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

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

| | Local Government Pension Scheme £'000 | |
|--|---------------------------------------|------------------------|
| | Increase in assumption | Decrease in assumption |
| Longevity (increase or decrease in 1 year) | (9,138) | 9,324 |
| Rate of increase in salaries (increase or decrease by 0.1%) | 445 | (441) |
| Rate of increase in pensions (increase or decrease by 0.1%) | 8,911 | (8,745) |
| Rate for discounting scheme liabilities (increase or decrease by 0.1%) | 19,742 | (18,923) |

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

50 Contingent Liabilities

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

51 Contingent Assets

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

52 Nature and Extent of Risks Arising from Financial Instruments

The Authority's activities expose it to a variety of financial risks:

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

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

Credit Risk

Credit risk arises from deposits with banks and financial institutions, as well as credit exposures to the authority's customers. This risk is minimised through the Annual Investment Strategy, which requires that deposits are not made with financial institutions unless they meet identified minimum credit criteria, as laid down by the Fitch Ratings Service. The Annual Investment Strategy also imposes a maximum sum to be invested with a financial institution located within each category. No Financial assets were deemed to have been impaired in 2019/20 as a result of credit risk. The write off policy, requires assets greater than £50,000, that are to be written off are to be approved at a full Council meeting. This was not required in 2019/20.

Liquidity Risk

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

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

Interest Rate Risk

The Authority is exposed to risk in terms of its exposure to interest rate movements on its borrowings and investments. Movements in interest rates have a complex impact on the authority. For instance, a rise in interest rates would have the following effects:

- borrowings at variable rates – the interest expense charged to the Surplus or Deficit on the Provision of Services will rise
- borrowings at fixed rates – the fair value of the borrowings will fall
- investments at variable rates – the interest income credited to the Surplus or Deficit on the Provision of Services will rise
- investments at fixed rates – the fair value of the assets will fall.

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

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

Price Risk

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

Foreign Exchange Risk

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

NOTES TO THE ACCOUNTS

53 Trusts and Other Entities

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

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

Local Enterprise Partnership (LEP)

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

Flexible Home Improvements Ltd (FHIL)

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

Kidwells Park Trust

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

Royal Borough of Windsor and Maidenhead Flood Relief Fund

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

Mayor's Benevolent Fund

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

Working Boys Club

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

Thames Valley Athletics Centre

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

Other Trust Funds

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

RBWM Commercial Services Ltd

Covanta RBWM Ltd, provided waste treatment and disposal services, was acquired by RBWM in February 2014 as a result of it's American parent company Covanta Energy Corporation withdrawing from the UK waste market. As part of the acquisition the name of the company was changed. Further details can be accessed at the Companies House website. Both contracts have now reverted back to RBWM, the company is no longer trading.

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 2020, based on their respective consolidated financial statements.

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

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

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

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

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

Year on Year Comparison OPTALIS Ltd

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

Year on Year Comparison Achieving for Children

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

NOTES TO THE STATEMENT OF ACCOUNT

Accounting Policies

i. General Principles

The statement of accounts summarises the Authority's transactions for the 2019/20 financial year and its position at the year-end of 31 March 2020. The Authority is required to prepare an annual statement of accounts by the Accounts and Audit Regulations 2016 which those regulations require to be prepared in accordance with proper accounting practices. These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2019/20 supported by International Financial Reporting Standards (IFRS). The accounting convention adopted in the statement of accounts is principally historic cost, modified by the revaluation of certain categories of non-current assets and financial instruments.

ii. Accruals of Income and Expenditure

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

- Revenue from the sale of goods is recognised when the Authority transfers the significant risks and rewards of ownership to the purchaser and it is probable that economic benefits or service potential associated with the transaction will flow to the Authority.
- Revenue from the provision of services is recognised when the Authority can measure reliably the percentage of completion of the transaction and it is probable that economic benefits or service potential associated with the transaction will flow to the Authority.
- Supplies are recorded as expenditure when they are consumed – where there is a gap between the date supplies are received and their consumption, they are carried as inventories on the balance sheet.
- Expenses in relation to services received (including services provided by employees) are recorded as expenditure when the services are received rather than when payments are made.
- Interest receivable on investments and payable on borrowings is accounted for respectively as income and expenditure based on the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract.
- Where revenue and expenditure have been recognised, but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the balance sheet. Where debts may not be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.

iii. Cash and Cash Equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are investments that mature in three months or less from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

In the cash flow statement, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and form an integral part of the Authority's cash management.

NOTES TO THE STATEMENT OF ACCOUNT

iv. Exceptional Items

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

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

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

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

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

vi. Charges to Revenue for Non-Current Assets

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

- depreciation attributable to the assets used by the relevant service.
- revaluation and impairment losses on assets used by the service where there are no accumulated gains in the Revaluation Reserve against which the losses can be written off.
- amortisation of intangible property, plant & equipment attributable to the service.
- impairment losses or amortisations.

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

vii. Employee Benefits

Benefits Payable During Employment

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

NOTES TO THE STATEMENT OF ACCOUNT

An accrual is made for the cost of holiday entitlements (or any form of leave, e.g. time off in lieu) earned by employees but not taken before the year-end which employees can carry forward into the next financial year. The accrual is made at the wage and salary rates applicable in the following accounting year, being the period in which the employee takes the benefit.

The accrual is charged to surplus or deficit on the provision of services, but then reversed out through the movement in reserves statement so that holiday benefits are charged to revenue in the financial year in which the holiday absence occurs.

Termination Benefits

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

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

Post-Employment Benefits

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

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

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

NOTES TO THE STATEMENT OF ACCOUNT

The Local Government Pension Scheme

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

- The liabilities of the Berkshire pension fund attributable to the Authority are included in the balance sheet on an actuarial basis using the projected unit method i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, etc., and projections of projected earnings for current employees.
- Liabilities are discounted to their value at current prices, using a discount rate set by the Actuary.
- The assets of the Berkshire pension fund attributable to the Authority are included in the balance sheet at their fair value:
 - quoted securities, current bid price
 - unquoted securities, professional estimate
 - unitised securities, current bid price
 - Property, market value
- The change in the net pension's liability is analysed into seven components:
 - current service cost, the increase in liabilities as a result of years of service earned this year, allocated in the CI&E to the services for which the employees worked.
 - past service cost, the increase in liabilities arising from current year decisions whose effect relates to years of service earned in earlier years – debited to the surplus or deficit on the provision of services in the CI&E as part of non-distributed costs.
 - interest cost on liabilities, the expected increase in the present value of liabilities during the year as they move one year closer to being paid – debited to the financing and investment income and expenditure line in the CI&E.
 - interest on assets, the annual investment return on the fund assets attributable to the Authority, calculated with reference to the discount rate – credited to the financing and investment income and expenditure line in the CI&E - gains or losses on settlements and curtailments, the result of actions to relieve the Authority of liabilities or events that reduce the expected future service or accrual of services in the CI&E as part of non-distributed costs.
 - actuarial gains and losses, changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions – debited to the Pensions Reserve.
 - contributions paid to the Berkshire pension fund – cash paid as employers' contributions to the pension fund in settlement of liabilities; not accounted for as an expense.

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

NOTES TO THE STATEMENT OF ACCOUNT

Discretionary Benefits

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

viii. Events after the balance sheet date

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

Two types of events can be identified:

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

ix. Financial Instruments

Financial Liabilities

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

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

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

NOTES TO THE STATEMENT OF ACCOUNT

Financial Assets

Financial assets are classified based on a classification and measurement approach that reflects the business model for holding the financial assets and their cashflow characteristics. There are three main classes of financial assets measured at:

- amortised cost
- fair value through profit or loss (FVPL), and
- fair value through other comprehensive income (FVOCI)
-

The authority's business model is to hold investments to collect contractual cash flows.

Financial assets are therefore classified as amortised cost, except for those whose contractual payments are not solely payment of principal and interest (i.e. where the cash flows do not take the form of a basic debt instrument).

Financial Assets measured at fair value through amortised cost

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

Any gains and losses that arise on the derecognition of an asset are credited or debited to the Financing and Investment Income and Expenditure line in the CIES.

Expected Credit Loss Model

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

Financial Assets Measured at Fair Value through Profit or Loss

Financial assets that are measured at Fair Value through Profit or Loss are recognised on the Balance Sheet when the authority becomes a party to the contractual provisions of a financial instrument and are initially measured and carried at fair value. Fair value gains and losses are recognised as they arrive in the Surplus or Deficit on the Provision of Services.

NOTES TO THE STATEMENT OF ACCOUNT

The fair value measurements of the financial assets are based on the following techniques:

- instruments with quoted market prices – the market price,
- other instruments with fixed and determinable payments – discounted cash flow analysis.

In 2019/20 the authority does not have any assets in this category.

Financial Assets Measured at Fair Value through Other Comprehensive Income

The Council has the option to designate investments in equity instruments to Fair Value through Other Comprehensive Income. This will be appropriate where the investment is made to meet service objectives of the Council and where the primary purpose is not to generate a financial return. In 2019/20 such investments are those in Achieving for Children and Optalis. There is no quoted market price for shares in these companies and gains or losses are based on equity share of profits / losses in the group accounts. Any gains and losses that arise on the derecognition of an asset are credited or debited to the Other Comprehensive Income line in the Comprehensive Income and Expenditure Statement.

x. Foreign Currency Translation

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

xi. Government Grants and Contributions

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

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

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

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

NOTES TO THE STATEMENT OF ACCOUNT

xii. Heritage Assets

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

xiii. Intangible Assets

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

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

Intangible assets are measured initially at cost. Amounts are only revalued where the fair value of the assets held by the Authority can be determined by reference to an active market. In practice, no intangible asset held by the Authority meets this criterion, and they are therefore carried at amortised cost. The depreciable amount of an intangible asset is amortised over its useful life to the relevant service line(s) in the CI&E.

An asset is tested for impairment whenever there is an indication that the asset might be impaired, any losses recognised are posted to the relevant service line(s) in the CI&E. Any gain or loss arising on the disposal or abandonment of an intangible asset is posted to the other operating expenditure line in the CI&E. Where expenditure on intangible assets qualifies as capital expenditure for statutory purposes, amortisation, impairment losses and disposal gains and losses are not permitted to have an impact on the GF balance. The gains and losses are therefore reversed out of the GF balance in the movement in reserves statement and posted to the CAA and (for any sale proceeds greater than £10,000) the Capital Receipts Reserve (CRR).

NOTES TO THE STATEMENT OF ACCOUNT

xiv. Inventories and Long-Term Contracts

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

xv. Investment Property

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

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

xvi. Jointly Controlled Operations and Jointly Controlled Assets

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

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

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

xvii. Leases

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

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

NOTES TO THE STATEMENT OF ACCOUNT

The Authority as Lessee

Finance Leases

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

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

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

Operating Leases

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

xviii Overheads and Support Services

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

xviii. Property, Plant and Equipment

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

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

NOTES TO THE STATEMENT OF ACCOUNT

Measurement

Assets are initially measured at cost, comprising:

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

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

Assets are then carried in the balance sheet using the following measurement bases:

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

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

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

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

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

NOTES TO THE STATEMENT OF ACCOUNT

Impairment

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

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

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

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

Depreciation

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

Depreciation is calculated on the following bases:

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

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

Disposals and Non-current Assets Held for Sale

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

NOTES TO THE STATEMENT OF ACCOUNT

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

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

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

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

xix. Provisions, Contingent Liabilities and Contingent Assets

Provisions

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

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

When payments are eventually made, they are charged to the provision carried in the balance sheet.

NOTES TO THE STATEMENT OF ACCOUNT

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

Contingent Liabilities

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

Contingent Assets

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

xx. Reserves

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

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

xxi. Revenue Expenditure Funded from Capital under Statute

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

NOTES TO THE STATEMENT OF ACCOUNT

xxii. Fair Value

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

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

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

This takes into account the three levels of categories for inputs to valuations for fair value assets:

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

xxiii. VAT

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

xxiv. Interests in Companies and Other Entities

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

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

The performance of both companies, representing the Authority's ownership share are consolidated into the group accounts of the Authority. From the Council's perspective both Optalis Ltd and AfC are classified as associates and are consolidated into the group accounts using the equity method. The Council records the name, business, shareholding, net assets and results of operations and other financial transactions of any related companies.

NOTES TO THE STATEMENT OF ACCOUNT

xxv. Capitalisation of Borrowing Costs

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

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

DRAFT

Supplementary Accounting Statements 2019/20

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**Royal Borough
of Windsor &
Maidenhead**

COLLECTION FUND

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

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

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

NOTES TO THE COLLECTION FUND

53 Council Tax Income

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

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

Council Tax support is awarded to residents on low incomes and a 25% single person's discount is given where a property has only one occupant. There are various other discounts, reliefs and exemptions that are available depending on individual circumstances to reduce the payable amount. For 2019/20 the sum of £31.02 per Band D property is included to cover Special Expenses of the unparished areas of the Borough. These are the costs associated with providing parish-type services in the non-parished areas of the Borough. A precept in accordance with revised regulations was also included to cover additional Adult Social Care costs and resulted in an additional charge of £74.74 at band D for 2019/20.

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

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

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

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

54 Business Rates Income

Business rates, also known as national non-domestic rates (NNDR), help fund local services provided by councils, the police and fire and rescue services. Business rates are calculated by multiplying a property's rateable value (a valuation carried out by the VOA representing the annual rental value of the premises on a particular date) with a multiplier (a rate in the pound set by Central Government) 50.4p in 2019/20 (49.3p in 2018/19). The total rateable value of business premises in the Borough's area at 31st March 2020 was £185.1m producing a notional yield of £104.2m. The business rate debt position is reviewed regularly and a provision of £0.936m to cover potentially bad or doubtful debts has been made. RBWM's share of the provision is £0.693m.

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

NOTES TO THE COLLECTION FUND

55 Precepts and Demands on the Funds

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

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

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

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

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

PENSION FUND ACCOUNTS

The Royal County of Berkshire Pension Fund fund account

| 2018/19 £'000 | | Notes | 2019/20 £'000 |
|------------------|--|-------|------------------|
| | Dealings with members, employers and others directly involved in the Fund | | |
| (116,990) | Contributions | 7 | (127,112) |
| (8,130) | Transfers in from other pension funds | 8 | (14,448) |
| (125,120) | | | (141,560) |
| 102,835 | Benefits | 9 | 113,361 |
| 10,526 | Payments to and on account of leavers | 10 | 20,532 |
| 113,360 | | | 133,894 |
| (11,759) | Net (additions)/withdrawals from dealings with members | | (7,666) |
| 11,093 | Management expenses | 11 | 24,764 |
| (666) | Net (additions)/withdrawals including fund management expenses | | 17,099 |
| | Returns on investments | | |
| (43,766) | Investment income | 12 | (40,415) |
| 4,734 | Taxes on income | 13 | (48) |
| (29,982) | Profits and losses on disposal of investments and changes in the market value of investments | 14 | 70,988 |
| (69,014) | Net return on investments | | 30,526 |
| (69,680) | Net (increase)/decrease in the net assets available for benefits during the year | | 47,625 |
| 2,012,263 | Opening net assets of the scheme | | 2,081,943 |
| 2,081,943 | Closing net assets of the scheme | | 2,033,719 |

The Royal County of Berkshire Pension Fund net assets statement

| 2018/19 £'000 | | Notes | 2019/20 £'000 |
|------------------|---|-------|------------------|
| 2,185,058 | Investment assets | 14 | 2,180,854 |
| (108,271) | Investment liabilities | 14 | (156,149) |
| 2,076,787 | Total net investments | | 2,024,705 |
| 14,814 | Current assets | 21 | 11,624 |
| 14,814 | | | 11,624 |
| (9,658) | Current liabilities | 22 | (2,610) |
| 2,081,943 | Net assets of the fund available to fund benefits at the end of the reporting period | | 2,033,719 |

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

NOTES TO THE PENSION FUND

Notes to the Royal County of Berkshire Pension Fund Accounts for the year ended 31 March 2020

1 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 2019 | 31 March 2020 |
|--|------------------|------------------|
| Number of employers with active members | 204 | 205 |
| Number of employees in scheme | | |
| Administering authority | 1,594 | 1,584 |
| Unitary authorities | 13,297 | 14,840 |
| Other employers | 11,008 | 9,271 |
| Total | 25,899 | 25,695 |
| Number of pensioners | | |
| Administering authority | 1,878 | 1,991 |
| Unitary authorities | 9,354 | 10,201 |
| Other employers | 6,618 | 6,593 |
| Total | 17,850 | 18,785 |
| Deferred pensioners | | |
| Administering authority | 3,564 | 3,559 |
| Unitary authorities | 15,601 | 17,076 |
| Other employers | 7,403 | 6,875 |
| Total | 26,568 | 27,510 |
| Total number of members in pension scheme | 70,317 | 71,990 |

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 2020. Employers' contributions are set based on triennial actuarial funding valuations. The last such valuation was at 31 March 2019. During 2019/20, employer contribution rates ranged from 10.1% to 31.3% of pensionable pay.

NOTES TO THE PENSION FUND

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.

2 Basis of preparation

The Statement of Accounts summarises the fund's transactions for the 2019/20 financial year and its position at year-end as at 31 March 2020. 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 2019/20.

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

3 Summary of significant accounting policies

Fund account - revenue recognition

a) Contribution income

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

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

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

b) Transfers to and from other schemes

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

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

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

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

c) Investment income

i) Interest income

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

ii) Dividend income

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

iii) Distributions from pooled funds

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

iv) Movement in the net market value of investments

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

Fund Account - expense items

d) Benefits payable

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

e) Taxation

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

f) Management expenses

The fund discloses its pension fund management expenses in accordance with the CIPFA guidance *Accounting for Local Government Pension Scheme Management 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.

NOTES TO THE PENSION FUND

Net Assets Statement

g) Financial assets

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

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

h) Foreign currency transactions

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

i) Derivatives

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

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 20).

m) Additional voluntary contributions

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

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

n) Contingent assets and contingent liabilities

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

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

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

NOTES TO THE PENSION FUND

4 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 20.

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.

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

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

The items in the financial statements and notes at 31 March 2020 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 £84.7 million. A 0.1% increase in pension increases and deferred revaluation assumption would increase the value of liabilities by approximately £80.7 million, and a one-year increase in assumed life expectancy would increase the liability by approximately £165.6 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 £638 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. |

6 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 0.7% of liabilities on total liabilities at 31 March 2020 (which equates to £27,975,000).

NOTES TO THE PENSION FUND

7 Contributions receivable

By category

| 2018/19 | | 2019/20 |
|----------------|---------------------------------------|----------------|
| £'000 | | £'000 |
| 27,654 | Employees' contributions | 28,635 |
| | Employers' contributions | |
| 64,323 | Normal contributions | 69,417 |
| 22,604 | Deficit recovery contributions | 27,506 |
| 2,409 | Augmentation contributions | 1,555 |
| 89,336 | Total employer's contributions | 98,477 |
| 116,990 | | 127,112 |

By type of employer

| 2018/19 | | 2019/20 |
|----------------|---------------------------|----------------|
| £'000 | | £'000 |
| 10,680 | Administering authority | 11,709 |
| 94,499 | Scheduled bodies | 101,630 |
| 5,761 | Admitted bodies | 6,248 |
| 6,049 | Transferee admission body | 7,525 |
| 116,989 | | 127,112 |

8 Transfers in from other pension funds

| 2018/19 | | 2019/20 |
|--------------|---|---------------|
| £'000 | | £'000 |
| 8,055 | Individual transfers from other pension funds | 14,133 |
| 75 | AVC to purchase scheme benefits | 315 |
| 8,130 | | 14,448 |

9 Benefits payable

By category

| 2018/19 | | 2019/20 |
|----------------|--|----------------|
| £'000 | | £'000 |
| 85,105 | Pensions | 90,704 |
| 15,674 | Commutation and lump sum retirement benefits | 19,557 |
| 2,056 | Lump sum death benefits | 3,100 |
| 102,835 | | 113,361 |

By type of employer

| 2018/19 | | 2019/20 |
|----------------|---------------------------|----------------|
| £'000 | | £'000 |
| 11,122 | Administering authority | 12,722 |
| 82,004 | Scheduled bodies | 89,402 |
| 6,987 | Admitted bodies | 8,295 |
| 2,722 | Transferee admission body | 2,942 |
| 102,835 | | 113,361 |

10 Payments to and on account of leavers

| 2018/19 | | 2019/20 |
|---------------|---|---------------|
| £'000 | | £'000 |
| 485 | Refunds to members leaving service | 639 |
| 10,041 | Individual transfers to other pension funds | 19,893 |
| 10,526 | | 20,532 |

NOTES TO THE PENSION FUND

11 Management expenses

| 2018/19 £'000 | | 2019/20 £'000 |
|------------------|--------------------------------|------------------|
| 1,349 | Administrative costs | 1,754 |
| 9,698 | Investment management expenses | 22,954 |
| 46 | Oversight and governance costs | 57 |
| 11,093 | | 24,764 |

a) Investment management expenses

| 2018/19 £'000 | | 2019/20 £'000 |
|------------------|-----------------|------------------|
| 9,414 | Management Fees | 22,756 |
| 284 | Custody Fees | 198 |
| 9,698 | | 22,954 |

12 Investment income

| 2018/19 £'000 | | 2019/20 £'000 |
|------------------|--|------------------|
| 14,080 | Income from equities | 12,205 |
| 2,874 | Income from bonds | 4,054 |
| 15,151 | Private equity income | 11,712 |
| 9,153 | Pooled property investments | 10,272 |
| 733 | Pooled investments - unit trusts & other managed funds | 435 |
| 1,775 | Interest on cash deposits | 1,736 |
| 43,766 | Total before taxes | 40,415 |

13 Other fund account disclosures

a) Taxes on income

| 2018/19 £'000 | | 2019/20 £'000 |
|------------------|---|------------------|
| 583 | Withholding tax - equities | (280) |
| 175 | Withholding tax - pooled property investments | 233 |
| 3,976 | Withholding tax - pooled investments | 0 |
| 4,734 | | (48) |

b) External audit costs

| 2018/19 £'000 | | 2019/20 £'000 |
|------------------|--------------------------------------|------------------|
| 21 | Payable in respect of external audit | 55 |
| 21 | | 55 |

NOTES TO THE PENSION FUND

14 Investments

| Market value 31 March 2019 | | Market value 31 March 2019 |
|-------------------------------|-------------------------------------|-------------------------------|
| £'000 | | £'000 |
| Investment assets | | |
| 2,226 | Bonds | 2,339 |
| 23,588 | Equities | 25,217 |
| 997,973 | Pooled investments | 995,687 |
| 137,972 | Pooled liquidity funds | 189,099 |
| 294,011 | Pooled property investments | 291,193 |
| 696,663 | Private equity | 638,263 |
| | Derivative contracts: | |
| 413 | - Forward currency contracts | 1,281 |
| 29,819 | Cash deposits | 35,724 |
| 2,393 | Investment income due | 2,051 |
| 2,185,058 | Total investment assets | 2,180,854 |
| Investment liabilities | | |
| | Derivative contracts: | |
| (4,471) | - Forward currency contracts | (32,245) |
| (103,800) | - Longevity Insurance Policy | (123,904) |
| (108,271) | Total investment liabilities | (156,149) |
| 2,076,787 | Net investment assets | 2,024,705 |

a) Reconciliation of movements in investments and derivatives

| | Market value 1 April 2019 | Purchases during the year and derivative payments | Sales during the year & derivative receipts | Change in market value during the year | Market value 31 March 2020 |
|------------------------------|------------------------------|---|--|---|-------------------------------|
| | £'000 | £'000 | £'000 | £'000 | £'000 |
| Bonds | 2,226 | 0 | 0 | 113 | 2,339 |
| Equities | 23,588 | 1,245 | 0 | 383 | 25,217 |
| Pooled investments | 997,973 | 79,074 | (19,886) | (61,474) | 995,687 |
| Pooled liquidity funds | 137,972 | 309,180 | (260,461) | 2,407 | 189,099 |
| Pooled property investments | 294,011 | 0 | 0 | (2,818) | 291,193 |
| Private equity | 696,663 | 129,504 | (241,482) | 53,578 | 638,263 |
| | 2,152,433 | 519,003 | (521,829) | (7,810) | 2,141,797 |
| Derivative contracts: | | | | | |
| - Forward currency contracts | (4,058) | 149,235 | (140,144) | (35,996) | (30,964) |
| - Longevity insurance policy | (103,800) | 8,463 | | (28,567) | (123,904) |
| | 2,044,575 | 676,700 | (661,973) | (72,372) | 1,986,930 |
| Other investment balances: | | | | | |
| - Cash deposits | 29,819 | | | 1,384 | 35,724 |
| - Investment income due | 2,393 | | | | 2,051 |
| Net investment assets | 2,076,787 | | | (70,988) | 2,024,705 |

NOTES TO THE PENSION FUND

| | Market value 1 April 2018 | Purchases during the year and derivative payments | Sales during the year & derivative receipts | Change in market value during the year | Market value 31 March 2019 | |
|--|------------------------------|---|--|---|-------------------------------|-------|
| | £'000 | £'000 | £'000 | £'000 | £'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 | |

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

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

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

NOTES TO THE PENSION FUND

b) Analysis of investments

| 31 March 2019 £'000 | 31 March 2020 £'000 |
|--|------------------------|
| Investment assets | |
| Bonds | |
| Overseas | |
| 2,226 Corporate quoted | 2,339 |
| 2,226 | 2,339 |
| Equities | |
| UK | |
| 23,588 Quoted | 25,217 |
| 23,588 | 25,217 |
| Pooled investments - additional analysis | |
| UK | |
| 935,447 Unit Trusts | 933,161 |
| Overseas | |
| 62,526 Unit Trusts | 62,526 |
| 997,973 | 995,687 |
| Other investment assets | |
| 137,972 Pooled liquidity funds | 189,099 |
| 294,011 Pooled property investments | 291,193 |
| 696,663 Private Equity | 638,263 |
| 413 Derivative contracts - Forward Currency Contra | 1,281 |
| 29,819 Cash deposits | 35,724 |
| 2,393 Investment income due | 2,051 |
| 1,161,271 | 1,157,612 |
| 2,185,058 Total investment assets | 2,180,855 |
| Investment liabilities | |
| (4,471) Derivative contracts - Forward Currency Contra | (32,245) |
| (103,800) Derivative contracts - Longevity insurance polic | (123,904) |
| (108,271) Total investment liabilities | (156,149) |
| 2,076,787 Net investment assets | 2,024,706 |

c) Investments analysed by fund manager

| Market value 31 March 2019 | | Market value 31 March 2020 | |
|-------------------------------|-------|-------------------------------|-------|
| £'000 | % | £'000 | % |
| 2,076,787 | 100.0 | 2,024,705 | 100.0 |
| 2,076,787 | | 2,024,705 | |

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 2019 £'000 | % of total fund | Market value 31 March 2020 £'000 | % of total fund |
|------------------------------------|---|-----------------|---|-----------------|
| Dorchester Capital Credit Opportun | 89,211 | 4.3 | 103,495 | 5.1 |
| Lasalle Global Real Estate | 167,515 | 8.0 | 170,681 | 8.4 |
| LPPI Global Equities Fund | 624,010 | 30.0 | 632,076 | 31.1 |

15 a) Analysis of derivatives

Objectives and policies for holding derivatives

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

- Forward foreign currency

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

- Longevity Insurance Policy

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

Open forward currency contracts

| Settlement | Currency bought | Local value '000 | Currency sold | Local value '000 | Asset value £000 | Liability value £000 |
|---|-----------------|------------------|---------------|------------------|------------------|----------------------|
| One to six months | GBP | 10,372 | NOK | (128,579) | 507 | |
| One to six months | JPY | 3,854,479 | GBP | (28,366) | 484 | |
| One to six months | GBP | 10,467 | AUD | (20,813) | 206 | |
| One to six months | CHF | 9,707 | GBP | (8,026) | 85 | |
| One to six months | GBP | 10,399 | CAD | (18,510) | | (82) |
| One to six months | CLP | 4,413,252 | USD | (5,294) | | (84) |
| One to six months | KRW | 7,187,741 | USD | (6,028) | | (95) |
| One to six months | INR | 433,346 | USD | (5,761) | | (97) |
| One to six months | SGD | 8,342 | USD | (5,997) | | (105) |
| One to six months | TRY | 35,162 | USD | (5,597) | | (304) |
| One to six months | BRL | 25,035 | USD | (5,332) | | (426) |
| One to six months | MXN | 119,863 | USD | (5,727) | | (545) |
| One to six months | GBP | 69,424 | EUR | (79,444) | | (989) |
| One to six months | GBP | 587,247 | USD | (765,789) | | (29,517) |
| Open forward currency contracts at 31 March 2020 | | | | | 1,281 | (32,245) |
| Net forward currency contracts at 31 March 2020 | | | | | | (30,964) |
| Prior year comparative | | | | | | |
| Open forward currency contracts at 31 March 2019 | | | | | 413 | (4,471) |
| Net forward currency contracts at 31 March 2019 | | | | | | (4,058) |

NOTES TO THE PENSION FUND

16 Fair value - Basis of valuation

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

| 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 | 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 <i>International Private Equity and venture Capital Guidelines (2012)</i> | 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 2020.

| | Assessed valuation range (+/-) | Value at 31 March 2020 | Value on increase | Value on decrease |
|----------------|--------------------------------|------------------------|-------------------|-------------------|
| | | £'000 | £'000 | £'000 |
| Private equity | 3% | 638,263 | 657,411 | 619,115 |
| Total | | 638,263 | 657,411 | 619,115 |

NOTES TO THE PENSION FUND

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.

| | Quoted market price | Using observable inputs | With significant unobservable inputs | Total |
|---|------------------------|-------------------------------|--|------------------|
| Values at 31 March 2020 | Level 1 £'000 | Level 2 £'000 | Level 3 £'000 | £'000 |
| Financial assets at fair value through profit and loss | 975,231 | 198,365 | 969,386 | 2,142,983 |
| Financial liabilities at fair value through profit and loss | (32,245) | | (123,904) | (156,149) |
| Net investment assets | 942,986 | 198,365 | 845,482 | 1,986,834 |

| | Quoted market price | Using observable inputs | With significant unobservable inputs | Total |
|---|------------------------|-------------------------------|--|------------------|
| Values at 31 March 2019 | Level 1 £'000 | Level 2 £'000 | Level 3 £'000 | £'000 |
| Financial assets at fair value through profit and loss | 914,863 | 245,083 | 992,899 | 2,152,846 |
| Financial liabilities at fair value through profit and loss | (4,471) | | (103,800) | (108,271) |
| Net investment assets | 910,392 | 245,083 | 889,099 | 2,044,575 |

b) Reconciliation of fair value measurements within level 3

| | Market value 31 March 2019 | Purchases during the year | Sales during the year | Unrealised gains/ (losses) | Realised gains/ (losses) | Market value 31 March 2020 |
|-----------------|-------------------------------|------------------------------|--------------------------|-------------------------------|-----------------------------|-------------------------------|
| | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 |
| Unquoted bond | 2,226 | | | | 113 | 2,339 |
| Private equity | 696,663 | 129,504 | (241,482) | (26,926) | 80,503 | 638,263 |
| Pooled property | 294,011 | | | (2,818) | | 294,011 |
| | 992,899 | 129,504 | (241,482) | (29,743) | 80,617 | 934,613 |

NOTES TO THE PENSION FUND

17 Financial instruments

a) Classification of financial instruments

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

| Fair value through profit and loss | Assets at amortised cost | Financial liabilities at amortised cost | Fair value through profit and loss | Assets at amortised cost | Financial liabilities at amortised cost |
|--|--------------------------------|--|--|--------------------------------|--|
| 31 March 2019 | | | 31 March 2020 | | |
| £'000 | £'000 | £'000 | £'000 | £'000 | £'000 |
| Financial assets | | | | | |
| 2,226 | | | Bonds | 2,339 | |
| 23,588 | | | Equities | 25,217 | |
| 997,973 | | | Pooled investments | 995,687 | |
| 137,972 | | | Pooled liquidity funds | 189,099 | |
| 294,011 | | | Pooled property investments | 291,193 | |
| 696,663 | | | Private equity | 638,263 | |
| 413 | | | Derivative contracts | 1,281 | |
| 29,819 | 9,279 | | Cash | 35,724 | 6,233 |
| | 2,393 | | Other investment balances | | 2,051 |
| | 5,535 | | Debtors | | 5,391 |
| 2,182,665 | 17,207 | - | 2,178,803 | 13,675 | - |
| Financial liabilities | | | | | |
| (108,271) | | | Derivative contracts | (156,149) | |
| | | (9,658) | Creditors | | (2,610) |
| (108,271) | - | (9,658) | (156,149) | - | (2,610) |
| 2,074,394 | 17,207 | (9,658) | 2,022,654 | 13,675 | (2,610) |

The above table has been prepared in line with the changes to the CIPFA Code resulting from the adoption of IFRS 9, and the comparative figures have been reclassified accordingly.

b) Net gains and losses on financial instruments

| 31 March 2019 | | 31 March 2020 | |
|---------------|------------------------------------|-----------------|--|
| £'000 | | £'000 | |
| 28,201 | Fair value through profit and loss | (72,372) | |
| 1,781 | Assets at amortised cost | 1,384 | |
| 29,982 | Total | (70,988) | |

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

18 Nature and extent of risks arising from financial instruments

Risk and risk management

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

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

NOTES TO THE PENSION FUND

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 2020/21 reporting period:

| Asset type | Potential market movements (+/-) |
|--|----------------------------------|
| Bonds | 13.5% |
| Equities - listed | 21.8% |
| Equities - unlisted | 32.7% |
| Private Equity | 32.7% |
| Private Equity - Credit | 13.5% |
| Private Equity - Infrastructure | 18.9% |
| Pooled investments - Equity | 21.8% |
| Pooled investments - Bonds | 8.3% |
| Pooled investments - Credit | 13.5% |
| Pooled investments - Diversifying strategies | 10.4% |
| Pooled Property Funds | 24.1% |

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

NOTES TO THE PENSION FUND

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 2020 | Potential market movement | Value on increase | Value on decrease |
|--------------------------------------|---------------------------------|------------------------------|----------------------|----------------------|
| | £'000 | £'000 | £'000 | £'000 |
| Investment portfolio assets: | | | | |
| Bonds | 2,339 | 316 | 2,654 | 2,023 |
| Equities - listed | - | - | - | - |
| Equities - unlisted | 25,217 | 8,233 | 33,450 | 16,984 |
| Pooled investments - Equity | 823,338 | 179,488 | 1,002,826 | 643,850 |
| Pooled investments - Bonds | 62,166 | 5,172 | 67,338 | 56,994 |
| Pooled investments - Credit | 4,586 | 619 | 5,204 | 3,967 |
| Pooled investments - Div. strategies | 67,910 | 7,083 | 74,993 | 60,827 |
| Pooled liquidity funds | 189,099 | - | 189,099 | 189,099 |
| Pooled Property Funds | 291,193 | 70,265 | 361,458 | 220,928 |
| Private Equity | 305,973 | 99,900 | 405,873 | 206,073 |
| Private Equity - Credit | 183,548 | 24,761 | 208,309 | 158,788 |
| Private Equity - Infrastructure | 170,723 | 32,267 | 202,989 | 138,456 |
| Net derivative liabilities | (154,868) | - | (154,868) | (154,868) |
| Cash deposits | 35,724 | - | 35,724 | 35,724 |
| Investment income due | 2,051 | - | 2,051 | 2,051 |
| Current assets: | | | | |
| Debtors | 5,391 | - | 5,391 | 5,391 |
| Cash balances | 6,233 | - | 6,233 | 6,233 |
| Current liabilities | (2,610) | - | (2,610) | (2,610) |
| Total | 2,018,013 | | 2,446,116 | 1,589,910 |

| 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 |

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 20120 and 31 March 2019 is set out below. These disclosures present interest rate risk based on the underlying financial assets at fair value.

NOTES TO THE PENSION FUND

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 \pm 100 BPS change in interest rates:

| Asset exposed to interest rate risk | Value as at 31 March 2020 £'000 | Change in year in the net assets available to pay benefits | |
|---|------------------------------------|--|--------------------|
| | | + 100 BPS £'000 | - 100 BPS £'000 |
| Investments - Pooled liquidity funds | 189,099 | - | - |
| Investments - Cash deposits | 35,724 | - | - |
| Current assets - Cash balances | 6,233 | - | - |
| Bonds | 2,339 | (47) | 47 |
| Total change in assets available | 233,394 | (47) | 47 |

| Asset exposed to interest rate risk | Value as at 31 March 2019 £'000 | Change in year in the net assets available to pay benefits | |
|---|------------------------------------|--|--------------------|
| | | + 100 BPS £'000 | - 100 BPS £'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 |

| Income exposed to interest rate risk | Amount receivable in year ending 31 March 2020 £'000 | Effect on income values | |
|--|---|-------------------------|--------------------|
| | | + 100 BPS £'000 | - 100 BPS £'000 |
| Cash balances/cash and cash equivalents | 1,736 | 2,248 | (2,248) |
| Bonds | 4,054 | - | - |
| Total change in income receivable | 5,791 | 2,248 | (2,248) |

| Income exposed to interest rate risk | Amount receivable in year ending 31 March 2019 £'000 | Effect on income values | |
|--|---|-------------------------|--------------------|
| | | + 100 BPS £'000 | - 100 BPS £'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) |

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.

NOTES TO THE PENSION FUND

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 2020 | Potential volatility (+/-) | Value on increase | Value on decrease |
|-------------------------|---------------------------------|----------------------------------|-------------------|-------------------|
| | £'000 | | £'000 | £'000 |
| AUD | 15,699 | 18.4% | 18,588 | 12,811 |
| CAD | 1 | 14.6% | 1 | 1 |
| CHF | 428 | 13.4% | 485 | 370 |
| EUR | 8,918 | 12.6% | 10,042 | 7,794 |
| JPY | 30 | 16.1% | 35 | 25 |
| NOK | 196 | 29.3% | 254 | 139 |
| NZD | 18,129 | 9.2% | 19,803 | 16,456 |
| SEK | | | | |
| USD | 519,062 | 14.4% | 593,651 | 444,473 |
| Emerging markets | | | | |
| Total | 562,464 | | 642,859 | 482,069 |

| 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 |

NOTES TO THE PENSION FUND

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 2020 was £167.4m (31 March 2019: £177.1m). This was held with the following institutions:

| | Rating | Balances as at 31 March 2019 | Balances as at 31 March 2020 |
|------------------------------|--------|---------------------------------|---------------------------------|
| | | £'000 | £'000 |
| Money Market funds | | | |
| Aviva | AAA | 17,286 | 17,374 |
| JP Morgan | AAA | 77,334 | 64,736 |
| Legal & General | AAA | 26,207 | 16,316 |
| Northern Trust | AAA | 17,146 | 17,221 |
| Bank deposit accounts | | | |
| JP Morgan | AA- | 29,819 | 42,215 |
| Bank current accounts | | | |
| Lloyds | A+ | 9,279 | 9,571 |
| Total | | 177,071 | 167,433 |

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 2020 the value of illiquid assets was £929.5m, which represented 45.7% of the total fund net assets (31 March 2019: £990.6m, which represented 47.6% 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.

NOTES TO THE PENSION FUND

19 Funding arrangements

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

The key elements of the funding policy are:

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

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

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

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

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

Financial assumptions

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

Mortality assumptions

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

Commutation assumption

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

20 Actuarial present value of promised retirement benefits

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

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

Calculated on an IAS19 basis, the actuarial present value of promised retirement benefits at 31 March 2020 was £4,158 million (31 March 2019: £4,413 million). The net assets available to pay benefits as at 31 March 2020 was £2,032 million (31 March 2019: £2,082 million). The implied fund deficit as at March 2020 was therefore £2,126 million (31 March 2019: £2,331 million).

NOTES TO THE PENSION FUND

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

Guaranteed Minimum Pension (GMP) Equalisation

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

IAS19 assumptions used

| | |
|--|-------|
| Inflation/pension increase rate assumption | 1.90% |
| Salary increase rate | 2.90% |
| Discount rate | 2.35% |

21 Current assets

| 31 March 2019 | | 31 March 2020 |
|---------------|-------------------|---------------|
| £'000 | | £'000 |
| 4,750 | Contributions due | 5,142 |
| 785 | Sundry debtors | 249 |
| 5,535 | Debtors | 5,391 |
| 9,279 | Cash balances | 6,233 |
| 14,814 | | 11,624 |

Analysis of debtors

| 31 March 2019 | | 31 March 2020 |
|---------------|------------------------------|---------------|
| £'000 | | £'000 |
| 2,138 | Other local authorities | 240 |
| 3,397 | Other entities & individuals | 5,152 |
| 5,535 | | 5,391 |

22 Current liabilities

| 31 March 2019 | | 31 March 2020 |
|----------------|------------------|----------------|
| £'000 | | £'000 |
| (9,658) | Sundry creditors | (2,610) |
| (9,658) | | (2,610) |

Analysis of creditors

| 31 March 2019 | | 31 March 2020 |
|----------------|------------------------------|----------------|
| £'000 | | £'000 |
| (968) | Central government bodies | (963) |
| (5,051) | Other local authorities | 5,336 |
| (3,639) | Other entities & individuals | (6,982) |
| (9,658) | | (2,610) |

23 Additional voluntary contributions

| Market value | | Market value |
|---------------|------------------|---------------|
| 31 March 2019 | | 31 March 2020 |
| £'000 | | £'000 |
| 13,861 | Prudential | 12,766 |
| 4 | Equitable Life | 5 |
| 18 | Clerical Medical | 18 |
| 13,883 | Total | 12,789 |

AVC Contributions of £1.730 million were paid directly to Prudential during the year (2018/19: £1.914 million).

24 Related party transactions

The Royal Borough of Windsor and Maidenhead

The Royal County of Berkshire Pension Fund is administered by The Royal Borough of Windsor and Maidenhead. During the reporting period, The Royal Borough of Windsor and Maidenhead incurred costs of £1.754m (2018/19 £1.349m) 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 £11.7m (2018/19 £10.9m).

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.

25 Contingent liabilities and contractual commitments

Outstanding capital commitments (investments) at 31 March 2020 totalled £315.655m (31 March 2019: £314.621m).

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

26 Contingent assets

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

GLOSSARY OF TERMS

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

Accounting Policies

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

Accruals

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

Actuarial Gains and Losses

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

Capital Charge

A charge to service revenue accounts to reflect the cost of Property, plant & equipment used in the provision

Capital Expenditure

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

Community Assets

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

Classes of Tangible Assets

Operational Assets:

Council Dwellings, Other land and building, Vehicles, plant, furniture and equipment
Infrastructure Assets; Community Assets

Non Operational Assets:

Investment property, Assets under construction and Surplus assets for disposal

Contingent Asset or Liability

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

Creditors

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

Defined Benefit Scheme

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

Debt

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

Debtor

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

Depreciation

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

Events after the Balance Sheet date

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

Fair value

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

Finance Lease

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

Impairment

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

Infrastructure Assets

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

GLOSSARY OF TERMS

Interest Costs (Pensions)

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

Investments

A long-term investment is an investment that is intended to be held on a continuing use basis in the activities of the authority. Investments, other than those in relation to pensions fund, that do not meet the above criteria are classed as current assets

Investment Properties

Interest in land and / or buildings :

- a) in respect of which construction work and development have been completed; and
- b) which is held for its investment potential, rather than its use in the provision of the local authority's service to the public, any rental income being negotiated at arms length.

Liquid Resources

Current assets and investments that are readily disposable without disrupting the authority's day to day business.

Minimum Revenue Provision

The minimum amount of an authority's external debt that must be repaid in accordance with Government regulations, by the revenue account in the year of account.

Net Debt

The amount of long-term borrowing less cash and liquid resources such as cash.

Net Book Value

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

Net Current Realisable Costs

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

Net Realisable Value

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

Non-Operational Assets

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

Operational Assets

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

Past Service Costs

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

Precepts

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

Prior Period Adjustments

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

Prudence

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

Related Parties

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

Related Party Transaction

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

Remuneration

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

GLOSSARY OF TERMS

Reserves

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

1. General Reserves which create a cushion against unexpected events or emergencies or to even out the effect of variations in cash flow (i.e. to avoid temporary borrowing)
2. Earmarked Reserves created to meet known or predicted liabilities (e.g. Capital Reserves, Insurance Reserves and schools balances)

Residual Value

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

Retirement Benefits

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

Revenue Expenditure funded from Capital under Statute

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

Inventories

These comprise the following :-

- a) goods or other assets purchased for resale;
- b) consumable stores;
- c) raw materials and components purchased for incorporation into products for sale;
- d) products and services in intermediate stages of completion;
- e) long-term contract balances;
- f) finished goods for resale.

Tangible property, plant & equipment

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

Total Cost

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

Useful Life

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



The Royal Borough of Windsor & Maidenhead

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

Issued 04 September 2020 for the meeting on 14 September 2020

Audit Status Update Report

We are pleased to present this report to the newly formed Audit and Governance Committee ("the committee").

The external audit for both the Council's statement of accounts and the Pension Fund are in progress at the date of writing this report.

We will attend the meeting on 14 September where we plan to give an oral update on the matters below including an update on progress between the issue of this report and the meeting.

Timetable

Due to the impact of Covid-19, central government extended the timetable for completion and finalisation of the 2019/20 statement of accounts from 31 July 2020 to 30 November 2020.

The Council issued the unaudited statement of accounts on its website on 3 August 2020 for the 30-working-day public inspection period (in a standard year, the statutory deadline for this to be issued is 31 May). This document forms part of the papers for this meeting.

We have already completed a large proportion of the audit field work for the Council, and have received much of the information required for audit purposes. However, some work is still in progress, including further queries following manager and partner review of our work. Please see notes below on the progress of the Pension Fund audit.

We have further, additional resource planned for the Council audit in weeks beginning 7 September and 14 September with an internal target to conclude the audit (assuming successful conclusion to Pension related issues noted below) by the end of September. We will provide an oral update on progress at the committee meeting.

Once audit procedures are substantially complete and we are in a position to issue audit completion reports, we will advise the Council and discuss the timing of the next committee. We note the next pre-arranged meeting is 9 November 2020.

Pension Fund

The Pension Fund work continues to progress with the planned main field team booking having occurred in June and July 2020 with the team working remotely, and, similar to the main council audit team, using an online platform (Sharepoint) to facilitate the sharing of information. There have been some issues with the Pension Fund audit this year. The trial balance with final figures was only received on 23 July after the original team booking and we have therefore had to revise and add to our field team booking. We were able to progress with some work on the asset information without the trial balance and were also able to engage our specialists early to look at the longevity swap – a key area of the asset testing which is complex to audit. We note that, due to situation with Covid-19 and its impact on global markets, 31 March 2020 is a more complex valuation date than usual. We have maintained constant communication in relation to audit deliverables but there are several items of information we are waiting for along with some further ongoing issues we wish to bring to the Committee's attention:

- We continue to work with the Pension Fund's third party fund managers LPP ("Local Pensions Partnership") on the information required to audit the investment portfolio – a key area of testing.
- At the date of writing this report we have between 30-40 funds on which there are still outstanding queries or information not received from LPP. There are in total approximately 50 funds in the scheme.
- In order to meet the end of September target, we require responses in early September – a timeline we have communicated to key stakeholders.
- A full tracker of the outstanding areas has been maintained throughout the audit and provided to LPP and shared with Council officers.
- The RBWM Main Council statement of accounts includes the Pension Fund and so completion is required to allow audit sign off on the main Council in addition.
- We have received "IAS 19" (the pension accounting standard) letters requesting audit sign off from several of the participating employers in the Berkshire Pension Fund. We are unable to conclusively respond to these until we have concluded our procedures. There is one 2018/19 IAS 19 letter remaining. This was a late receipt of the request in June 2020.

Audit Status Update Report continued

Pension Fund cont'd

- Not specific to RBWM, there are 2 issues impacting the Pension Fund that are deemed to be post balance sheet adjusting events. These are the "McCloud" and "Goodwin" cases. Both matters relate to legal cases finalised post year end but impacting 31 March 2020 balances. Nationally, the impact of these is still being assessed by actuarial experts. A final view on the impact is required before the audit of the Pension Fund (and consequently the main Council) can be finalised.
- We will provide an oral update on progress on these matters in the 14 September meeting.

Value for Money ("VFM")

Our 2018/19 VFM conclusion was qualified with an "except for" conclusion noting weaknesses in arrangements in relation to financial sustainability and resilience, financial governance and specific governance issues in relation to the Pension Fund.

We have received the final CIPFA report on financial governance arrangements and the Council's action plan in response to this.

Our work in this area, on the 1 April 2019 to 31 March 2020 period, is in progress. Part of this work includes a risk assessment that may lead to further areas of enquiry and potential qualification – this work is still ongoing and we can update the Committee on the outcomes of the risk assessment at the 14 September meeting. Given our final 2018/19 conclusion was issued in December 2019 and given evidence in the reports noted above that some issues persisted into the 2019/20 period combined with ongoing pressure for the Council's financial sustainability and its medium term financial plan, we expect to issue a qualified conclusion in the 2019/20 audit opinion.

We note that given the period under review ended at 31 March 2020, arrangements in relation to Covid-19 are viewed as an "emerging risk" for the 2019/20 audit opinion. Unless severe pre 31 March 2020 weaknesses in arrangements are identified, the Council's response to this will form part of our risk assessment for the 2020/21 audit only.

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| | |
|--|--|
| Report Title: | 2019/20 Shared Audit and Investigation Service Annual Report |
| Contains Confidential or Exempt Information? | No - Part I |
| Meeting and Date: | Audit and Governance Committee, 14 September 2020 |
| Responsible Officer(s): | Andrew Vallance, Head of Finance and Deputy S151 Officer |
| Wards affected: | None |

www.rbwm.gov.uk



REPORT SUMMARY

- 1 This report and supporting appendices summarise the Shared Audit and Investigation Service (SAIS) activity and outline the progress in achieving the 2019/20 Audit and Investigation Plan as at 31 March 2020.
- 2 This recommendation is being made to ensure that the Council meets its legislative requirements and those of the Audit and Governance Committee's Terms of Reference.

1. DETAILS OF RECOMMENDATION(S)

RECOMMENDATION: That the Audit and Governance Committee notes:-

- i) The SAIS activity for the financial year end 31 March 2020
- ii) Progress in achieving the 2019/20 Internal Audit and Investigation Plan

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

- 2.1 Regulation 6 (1) of the Accounts and Audit Regulations (2015) requires the Council to undertake an adequate and effective internal audit of its accounting records and the system of internal control in accordance with proper internal audit practices.

2.2 Proper practices for Internal Audit are defined in the CIPFA/IIA Public Sector Internal Audit Standards (PSIAS) and require that the 'Chief Audit Executive' (Assistant Director, Governance – Wokingham Borough Council) delivers an annual internal audit opinion and report that can be used by the organisation to inform its Annual Governance Statement (AGS). The annual internal audit opinion must conclude on the overall adequacy and effectiveness of the organisation's framework of governance, risk management and control. The Annual Report is required to:-

- include an opinion on the overall adequacy and effectiveness of the Council's internal control environment,
- present a summary of the audit work on which the opinion is based,
- draw attention to any key issues that may impact on the level of assurance provided,
- provide a summary of the performance of the Service
- comment on the Audit Service's level of compliance with PSIAS.

2.3 The aim of the report at Appendix A and the supporting Appendix A(I) is to cover these legislative requirements and those of the Audit and Governance Committee's Terms of Reference.

Options

Table 1: Options arising from this report

| Option | Comments |
|--|--|
| Note the attached report and supporting appendices and the activity of the SAIS during 2019/20 and progress in achieving the 2019/20 Audit and Investigation Plan. Recommended | This will ensure that the Council meets its statutory requirements. In addition, the Audit and Governance Committee will comply with its responsibilities as set out within their Terms of Reference. |
| Note the attached report with amendments. | Members may wish to request that this report be amended / altered if they feel that there are material issues which have not received sufficient emphasis or if there are specific issues the report is deficient in. |
| Not note the attached report. | This may expose the Council to unnecessary risks by not having an adequate internal control framework leading to poor performance and poor outcomes for service users/residents. It may result in a qualification in the External Auditor's Annual Management Letter. |

3. KEY IMPLICATIONS

Table 2: Key Implications

| Outcome | Unmet | Met | Exceeded | Significantly Exceeded | Date of delivery |
|--|---|--|-----------------|-------------------------------|-----------------------------|
| Residents have confidence that public funds are being used economically, efficiently and effectively and that Council assets and interests are being safeguarded from misappropriation / loss. | <p>Failure of the Council to meet its statutory requirements and failure of the Audit and Governance Committee to discharge its responsibilities.</p> <p>Loss of residents' confidence. Council reputation may be affected.</p> | <p>Council meets its statutory requirements to provide an adequate and effective internal audit of its accounting records and system of internal control. Audit and Governance Committee discharges its responsibilities.</p> <p>Gain residents' confidence. Council reputation protected.</p> | n/a | n/a | 31 March 2020 * (Note 1) |
| Unqualified External Audit Financial Accounts and Management Letter. | Adverse comment and a qualified External Audit Management Letter if the Council fails to maintain an adequate Internal Audit function. | Unqualified External Audit Management Letter as Council meets its requirements to provide an adequate and effective Internal Audit function. | n/a | n/a | 31 March 2020 *(Note 1) |

4. FINANCIAL DETAILS / VALUE FOR MONEY

4.1 a) Financial impact on the budget

Revenue - Officer time in dealing with provision of the SAIS.
Capital – None.

b) Financial Background

Revenue - Officer time in dealing with provision of the SAIS. The proposal relates to existing budgets, no new funds are being sought.
Capital – None.

5. LEGAL IMPLICATIONS

5.1 Internal Audit carry out their activities under:-

- Regulations 6 (1), 6(3) and (4) of the Accounts and Audit Regulations 2015.
- S151 Local Government Finance Act 1972.
- CIPFA/IIA Public Sector Internal Audit Standards 2013 (Revised 2017).

5.2 Investigatory activities are carried out under:-

- Fraud Act 2006.
- Criminal Justice Act 1987.
- Theft Act 1968.
- Forgery and Counterfeiting Act 1981.
- Social Security Administration Act 1992.
- Welfare Reform Act 2012.

6. RISK MANAGEMENT

Table 3: Impact of risk and mitigation

| Risks | Uncontrolled risk | Controls | Controlled risk |
|---|--------------------------|---|------------------------|
| Failure of the SAIS to adequately plan and undertake audit reviews leading to failure of the Council to meet its statutory requirements. The Council's key systems and services are consequently at risk of not achieving their objectives in the most economic, efficient and effective way thus being exposed to misappropriation / loss. | High | Ensure and demonstrate internal audit coverage and compliance with nationally recognised standards for internal audit. Provide a regular written progress report on the work of Internal Audit to those charged with governance for endorsement. Ensure and demonstrate that corporate investigations are undertaken in accordance with legislation and local approved governance arrangements. | Low |

| Risks | Uncontrolled risk | Controls | Controlled risk |
|---|--------------------------|---|------------------------|
| Failure to provide assurance that the work of the SAIS properly supports the governance framework and the content of the AGS and the requirement for additional External Audit work at an enhanced cost to the Council. | High | Internal audit coverage included as part of the governance assurance framework and informing the AGS. | Low |

7. POTENTIAL IMPACTS

7.1 Equalities, GDPR/Data Protection, Sustainability - None.

8. CONSULTATION

8.1 Consultations were undertaken with both internal stakeholders (Members of Corporate Leadership Team, S151 Officer, Insurance and Risk Manager and External Audit in preparing the 2019/20 Internal Audit and Investigation Plan.

8.2 Management and staff have been consulted prior to and during the course of the audit and investigation reviews to ensure that work is timed to suit both parties, to incorporate managements' priorities and to agree a course of action to implement the outcome of those reviews.

9. TIMETABLE FOR IMPLEMENTATION

Table 4: Implementation timetable

| Date | Details |
|-------------------------------------|---|
| 31 March 2020 (*Note ¹) | 2019/20 Internal Audit and Investigation Plan |

10. APPENDICES

10.1 This report is supported by two appendices:

- Appendix A – 2019/20 Shared Audit and Investigation Service Annual Report
- Appendix A(I) – 2019/20 Internal Audit and Investigation Plan Status as at 31 March 2020

Note ¹ 31 March 2020 denotes end of 2019/20 Financial year. Report previously deferred from Corporate Overview and Scrutiny Panel meeting on 27 July 2020 due to the establishment on the new Audit and Governance Committee

11. BACKGROUND DOCUMENTS

- This report is supported by the 2019/20 Internal Audit and Investigation Plan and working papers.

12. CONSULTATION (MANDATORY)

| Name of consultee | Post held | Date sent | Date returned |
|-------------------|---|-----------|---------------|
| Cllr Bateson | Chair of Audit and Governance Committee | | |
| Duncan Sharkey | Managing Director | 26/8/2020 | |
| Russell O'Keefe | Director of Place | 26/8/2020 | |
| Adele Taylor | Director of Resources/S151 Officer | 26/8/2020 | |
| Kevin McDaniel | Director of Children's Services | 26/8/2020 | |
| Hilary Hall | Director, Adults, Commissioning and Health | 26/8/2020 | 27/8/2020 |
| Andrew Vallance | Head of Finance | 26/8/2020 | 4/9/2020 |
| Elaine Browne | Head of Law | 26/8/2020 | 27/8/2020 |
| Mary Severin | Monitoring Officer | 26/8/2020 | 27/8/2020 |
| Nikki Craig | Head of HR, Corporate Projects and IT | 26/8/2020 | |
| Louise Freeth | Head of Revenues, Benefits, Library and Resident Services | 26/8/2020 | |
| Ben Smith | Head of Commissioning / Infrastructure | 26/8/2020 | |
| Louisa Dean | Communications | 26/8/2020 | |
| Karen Shepherd | Head of Governance | 26/8/2020 | 27/8/2020 |

REPORT HISTORY

| | | |
|--|----------------------------|------------------------------|
| Decision type: Audit and Governance Committee for noting | Urgency item? No | To Follow item? No |
| Report Authors: Andrew Moulton, Assistant Director Governance; Wokingham Borough Council for the Shared Audit and Investigation Service; Tel no.07747 777298; Catherine Hickman, Lead Specialist, Audit and Investigation; Tel no: 07885 983378 | | |



ANNUAL INTERNAL AUDIT & INVESTIGATION REPORT

2019/20

CONTENTS

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| 2 | Head of Internal Audit Opinion and Key Headlines | |
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| 4 | Internal Audit Service Performance and Contribution | |
| 5 | Resources | |
| 6 | Fraud and Irregularities | |
| 7 | Conformance with Public Sector Internal Auditing Standards | |
| 8 | Context and Compliance | |

1. PURPOSE OF THE ANNUAL REPORT

1.1 This Annual Report provides a summary of the work completed by the Shared Audit and Investigation Service (SAIS) during 2019/20. Its purpose is:-

- to include an opinion on the overall adequacy and effectiveness of the Council's internal control environment,
- present a summary of the audit work on which the opinion is based,
- draw attention to any key issues that may impact on the level of assurance provided,
- provide a summary of the performance of the Service
- comment on the Audit Service's level of compliance with PSIAS.

2. HEAD OF INTERNAL AUDIT OPINION AND KEY HEADLINES

2.1 This report provides a summary of the work undertaken by the SAIS in the financial year 2019-20 and the results of that work, whilst also taking account of other assurance mechanisms, which feed into that Head of Internal Audit (Chief Audit Executive) overall opinion. The overall opinion is given based on the audits undertaken during the 2019-20 financial year and summarise the opinion on the internal control environment based on the work in those areas of coverage. Members will be aware of the CIPFA review that identified weaknesses in the overall wider financial governance arrangements of the council and given the initial independent review that was being undertaken, certain areas were omitted from the internal audit scope in order to avoid duplication with the CIPFA work and additionally with work that would be undertaken by External Audit.

2.2 From the work undertaken during the year, and from assurances provided by other assurance frameworks, our overall opinion on the adequacy of the Council's arrangements internal controls within the areas reviewed during the year is that:-

Audit Opinion 2019/20

Substantially Complete and Generally Effective but with some improvements required". Based on audits completed during the year, most key controls are in place and are operating effectively with the majority of residual risks being reduced to an acceptable level and reported concerns being aimed by management to be reduced to a predominately moderate impact level. A small number of exceptions were identified and these have been presented to previous meetings of the Audit and Governance Committee and the current position in respect of these specific reviews is summarised in the body of this report. This audit opinion supports other assurance mechanisms such as External Audit, external professional body inspections and the Annual Governance Statement (AGS).

- 2.3 Our opinion is based on evidenced assessment of the control framework in a number of areas in accordance with our annual audit and investigation plan. It should be noted that in devising the annual audit and investigation plan, a risk-based approach is taken and as such areas of highest risk are targeted for review of the mitigation and controls in place in these higher risk areas.
- 2.4 Full details of the internal audit work we have completed that has informed this opinion can be seen in Appendix A(I), together with the assurance levels we have been able to provide for each review. For each audit review completed, the assurance level is determined based on the level of control found as set out in Appendix A(I) - Legend Section.

3. AREAS OF RISK EXPOSURE

- 3.1 From internal audit work undertaken during 2019/20, for those audits completed to Final Report stage resulted in two audits falling into the third category of audit opinion. For a third audit (Flooding) that was previously reported as a Category 3 audit, audit testing during 2019/20 confirmed that this audit has now improved to a Category 2 opinion. These are summarised below.

2019/20 Debtors

- The 2018/19 audit identified two major concerns that related to the failure to make progress in addressing a number of high value older debts, with no clear escalation protocol to prevent inaction and delay, or, to highlight failures within the organisation that have contributed to our inability to resolve the debt (including a failure to retain and/or provide the Debt Recovery Team/SLS with sufficient information and evidence in support of valid debt) and a significant increase in Social Care debt since February 2017 (although it should be noted that this is in the context of increasing expenditure in Adult Social Care).
- A full Debtors audit was undertaken during 2019/20 and audit findings again categorised this area in the third audit opinion category. Actions were being agreed with management to address the concerns at the time of reporting

Data Protection and GDPR Compliance

- The Data Protection Policy was recently updated and Subject Access Requests (SAR) and Points of Interest (PoI) enquiries are well managed. A Deputy Data Protection Officer (DPO) was appointed to provide support the DPO, however, due to other day to day responsibilities and priorities for both, there was stalled progress of key statutory GDPR requirements, e.g. the Register of Processing Activities (RoPA), the Information Assets Register (IAR), together with being able to ensure that other records are also complete, e.g. Information Sharing Agreements (ISA). This also impacted on the provision of targeted training where needed, e.g. teams

with recent data breaches, and school audits where they have been requested. The embedding of Data Protection Impact Assessments (DPIA) in all standard procurement, contract/project management practices, also needed improvement as did the inconsistent completion of the e-Learning module for all new starters (permanent / temporary staff / agency officers).

- A start had been made to identify Link Officers in each Directorate to act as the data protection champion and assist with local queries and raising awareness but this had also stalled and needed to be re-visited to align with the new corporate structure.
- Management has progressed actions since the audit with link officers identified for each service area and they have been provided with initial guidance and training and tasked with reviewing and updating their service area IAR and RoPA by the end of June 2020. Once achieved by all service areas, monitoring will continue to ensure ongoing reviews of the key documents are undertaken and that they remain up to date. The Deputy DPO obtained the Data Protection Practitioner Certificate in September 2019.

Flooding

- At the time of the 2017/18 audit, flood prevention works had been delayed, there was a risk that capital funds may not be being used efficiently for flood prevention projects and there was poor progress of gully cleansing by the contractor in the first nine months of their contract, which may result in future flood issues. This audit resulted in a Category 3 opinion.
- The 2019/20 review identified that management responded with positive actions resulting in an improvement in the overall audit opinion from 3 previously reported to 2 and audit testing has confirmed this improvement. The capital projects are now managed in a more pragmatic manner and the gully cleansing undertaken by Volker Highways was up to date.
- Emergency Planning arrangements are more robust, co-ordinated by the Joint Emergency Planning Manager across the three authorities of the Joint Emergency Planning Unit (JEPU), RBWM, West Berkshire (host) and Bracknell Forest. For the parishes, the first emergency planning tele-conference for the Flood Wardens was held in late November 2019 and this will now be an annual event.

4. INTERNAL AUDIT SERVICE PERFORMANCE AND CONTRIBUTION

- 4.1 Appendix A (I) details the status of audits against the 2019/20 Audit and Investigation Plan as at 31 March 2020 and those audits completed from the 2018/19 financial year. Table 1 provides a summary.

Table 1: Status of 2019/20 audits

| Audit Status | Number of audits |
|---|------------------|
| Work in progress and carried forward to 2020/21 | 2 |
| Draft Report | 8 |
| Final Report | 19 |
| Total | 29 |

- 4.2 For the reviews completed, where an audit opinion was appropriate (i.e. Final Report stage), the following breakdown of classification is summarised in Table 2 below.

Table 2: Summary of 2019/20 Audit Opinions

| Overall Audit Opinion | Summary of Audit Opinion | No of Audits (2019/20) |
|-----------------------|---|------------------------|
| 1 | Complete and Effective | 2 |
| 2 | Substantially Complete and Generally Effective | 15 |
| 3 | Range of Risk Mitigation Controls is incomplete and risks are not effectively mitigated | 2 |
| 4 | There is no effective Risk Management process in place | 0 |
| Total | | 19 |

- 4.3 Audit reports are presented using lean terminology, using the cause, concern and countermeasure and management are given the opportunity to treat, tolerate, terminate or transfer the concerns and associated risks. Management Action Plans have been put in place to address issues identified during audit work and audit follow up verification will confirm whether agreed countermeasures for Major and Extreme concerns have been actioned within agreed timescales.
- 4.4 Where concerns are classified as being major or extreme that have been tolerated by management, these are highlighted to the Audit and Governance Committee. There are no cases of Major or Extreme concerns being tolerated by management.

Grant Certification

- 4.5 Where a grant giving body requires an internal audit certificate before releasing payment, the team carries out work to verify and certify amounts that the Council can claim. Without this certification, grants may become repayable. Grants certified include:-
- Bus Service Operators Grant,
 - Disabled Facilities Grant,
 - Local Enterprise Partnership,
 - Local Transport Capital Funding Grant,
 - Troubled Families Grant.
 - Achieving for Children Grant

Consultancy, Contingency and Advice

- 4.6 As well as completing planned audit reviews, the team also provide ad hoc advice and guidance across the Council to assist colleagues with ensuring control and governance arrangements are considered in developing processes/policies etc. details are provided in Appendix A(I) to this report.
- 4.7 Consultancy, Contingency and Advice work has been undertaken in respect of Council Reconciliations

Outstanding management responses

- 4.8 There are no outstanding management responses to audit reports.

5. RESOURCES

- 5.1 The SAIS has carried a couple of vacancies through the year and the long term sickness of one member of the team. This has been addressed by the recruitment to one post and the engagement of a temporary resource for part of the year to cover the long term sickness. A number of audits that were deferred have been carried forward to be undertaken in 2020/21.

6. FRAUD AND IRREGULARITIES

- 6.1 The work undertaken by the SAIS has included re-active investigations as well as developing pro-active fraud drives.
- 6.2 There have been no incidences of material fraud, irregularities or corruption discovered or reported during the year.
- 6.3 A key piece of work undertaken during the year was a Cash and Bank Reconciliation and Housing Benefit Subsidy Fact Finding investigation, the outcome of which is summarised below:-

Cash and Bank Reconciliation and Housing Subsidy Fact Finding Investigation

- There has been an historical weakness in control within the cash and bank reconciliation process that continued to go unreconciled since 2017. In January 2019, a fact finding investigation was commissioned from Internal Audit, by the then S151 Officer, the objective of which was to identify the unreconciled items within the bank reconciliation and to rectify any underlying causes that could affect future reconciliations.
- The unreconciled balance on the bank reconciliation is £1,136,953, and this is now located on the Council's balance sheet. The investigation included review of the housing benefit subsidy accounts due to the number of bank transactions in these accounts. Subsequently, a credit of £1,152,758 was identified in the housing benefit revenue accounts which related to inaccurate prior year accruals arising as a result of incorrect allocation of entries between the bank account and the housing benefit accounts which is believed to be the source of the bank reconciliation balance.
- The internal audit fact finding investigation identified bulk payments from the Housing Benefit files for historic data but could not identify individual payments and the bank reconciliation outstanding entries could not be matched off due to an incomplete audit trail on historic payment data storage.

- This credit has been carried forward into the 20/21 accounts and correction requires a technical financial adjustment in the accounts. The retention of these payment records is now taking place in accordance with council requirements as a result of discussions between the Chief Accountant, Internal Audit and Revenues and Benefits.
- On 23 June 2020, Full Council approved the write off of the unreconciled bank reconciliation entries of £1,136,953 and allocation of credit balances of the same value in the Housing benefit subsidy accounts.
- Areas identified as still outstanding where there were anomalies found by Internal Audit included the memorandum account, there is a non-material transaction within the 2019-20 reconciliation that needs further investigation. This investigation will continue during the course of the 2020-21 bank reconciliation control audit.
- The bank reconciliation is now completed successfully with correct entries and was last audited by internal audit in 2018/19. The revised cash and bank reconciliation process will be audited as part of the Key Financial Systems audits for 2020/21 to enable the processes and procedures to be fully adopted. This audit will be carried out during the next few months and agreed with the Section 151 Officer and Chief Accountant to ensure that appropriate assurance can be obtained. The audit report will be reviewed by the Section 151 Officer as is the process for all internal audit reports

Proactive Fraud Exercises

- 6.4 Work this year has also focussed on pro-active exercises which has included the following:-
- **Business Rates Relief/Exemption Proactive** - work to identify property occupation and rate reviews. Financial losses to the Council identified for Quarters 1 to 3 of 2019/20 resulted in **£174,490** being identified as being billable to the charge payer. The results of the Business Rates proactive exercises are as a result of joint working with the Revenues and Benefits Section.
 - **Council Tax Empty Property Relief** - calculation of the results has been delayed due to Revenues and Benefits staff being deployed on Covid work. It should be noted that the properties identified in the Council Tax Empty Property Relief exercise as occupied that were previously shown as unoccupied feed in to the New Homes Bonus Scheme formula. The results also affect the CTB1 return that the Revenues and Benefits Service has to report to Central Government.

Reactive Investigations

- 6.5 In terms of Reactive investigations during the year, work has been undertaken on :-
- 1 Grievance investigation
 - 1 School investigation finalised in 2019/20 in respect of Governance issues that have been successfully addressed

Other Investigations Activity

- 6.6 Work has commenced to update Council's Anti Fraud and Anti Corruption Policies and will be presented to a future meeting of this Committee. for approval. In addition, a review of investigation processes is in progress to ensure they remain fit for purpose and are efficient.

Regulation of Investigatory Powers Act – IPCO Inspection April 2020

- 6.7 An Investigatory Powers Commissioners Office (IPCO) Regulation of Investigatory Powers Act (RIPA) desktop inspection took place in March/April 2020 during the COVID-19 pandemic. A report by the IPCO inspector was received in May 2020, which summarised that the Inspector was impressed with the level of 'RIPA awareness' shown and that they had been assured from the work they had undertaken and the interviews conducted that the integrity of the Council's processes and governance procedures will be maintained to ensure that high standards of compliance with the Act and relevant codes of practice are achieved.
- 6.8 No investigations have been undertaken during 2019/20 that has required Regulation of Investigatory Powers Act surveillance approval to be requested.

7. CONFORMANCE WITH PUBLIC SECTOR INTERNAL AUDITING STANDARDS

- 7.1 The PSIAS, as revised in April 2017, define the service and professional standards for public sector internal audit services. The standards apply to the Internal Audit function in all parts of the public sector in the UK and are mandatory. Within the PSIAS there is a requirement for an independent external review of the internal audit function once every five years.
- 7.2 The external inspection of the Internal Audit Service against the PSIAS took place in 2018 and assessed the service as 'generally' conforming to the standards (the top category of opinion). The action plan and progress against it has been previously reported to the former Audit and Performance Review Panel. The responsibility for Member overview of audit activity moved to the Audit and Governance Committee for 2019/20. A further subsequent self-assessment had taken place and work continues to address the action points identified to assist the service in continuous improvement.

- 7.3 In addition, Internal Audit completes an annual self-assessment of its compliance with the requirements of the PSIAS and the relevant CIPFA's Local Government Application Note (LGAN). The purpose of the self-assessment is firstly to provide assurance to the Audit Committee and management that Internal Audit is compliant with the PSIAS and that consequently they can rely on the work of Internal Audit, and secondly, to further enhance delivery of the internal audit function through the identification of opportunities for development.
- 7.4 Overall, the 2019-20 self-assessment has concluded that Internal Audit continues to be "generally compliant" with the PSIAS/LGAN requirements with a small number of actions to be addressed from the external assessment.
- 7.5 It was found that 7 individual actions (comprising 4 Recommendations and 3 Suggestions) are still required to demonstrate full compliance with the Standards. A summary of the areas is set out below:-
- Update the Audit Charter and Audit Protocol to set out the potential impairment of the Head of Internal Audit's (HoIA) independence and objectivity from directly managing services the SAIS may review. In addition, how and where the SAIS will report results of these audits.
 - SAIS to commission external ICT audit specialists to carry out an ICT Audit Needs Assessment for the primary clients and to use this to inform the Audit Plan.
 - Review the Audit Manual to ensure it is up to date and fit for purpose. Include statements within this on:-
 - Distribution and use of the content of Internal Audit reports to each report.
 - The process for releasing Audit reports to 3rd parties.
 - The evaluation processes if the Head of Internal Audit believes management is accepting a level of risk that's unnecessarily high.
 - The SAIS should routinely obtain copies of the Penetration Testing (PSN) reviews and consider the work done in the reviews to contribute to the Head of Internal Audit (HoIA) annual opinion.

8. CONTEXT AND COMPLIANCE

- 8.1 Internal audit is an independent, objective assurance and consulting activity designed to add value and improve an organisation's operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, internal control and governance processes. (Source: Public Sector Internal Audit Standards and Local Government Application Note: Chartered Institute of Public Finance and Accountancy in collaboration with the Chartered Institute of Internal Auditors).
- 8.2 Internal Audit is a statutory requirement for local authorities. There are two key pieces of relevant legislation:
- Section 151 of the Local Government Act 1972 requires every local authority to make arrangements for the proper administration of its financial affairs and to ensure that one of the officers has responsibility for the administration of those affairs
 - The Accounts and Audit Regulations 2015 (Amendment) (England) states that "A relevant authority must undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance"
- 8.3 Internal Audit independence is achieved by reporting lines which allow for unrestricted access to the Managing Director, the S151 Officer, Directors, and the Chair of the Audit and Governance Committee.
- 8.4 The HoIA can confirm there have been no restrictions on the scope of internal audit work or reporting of audit findings during 2019/2020.

**2019/20 Royal Borough of Windsor and Maidenhead Internal Audit Plan Status
(as at 31 March 2020)**

| AUDIT TITLE | DIRECTORATE | STATUS | FINAL AUDIT REPORT OPINION |
|---|--|--------|----------------------------------|
| Key Financial Systems | | | |
| Creditors | Resources | FINAL | 2 |
| General Ledger | Resources | FINAL | 1 |
| Council Tax* | Resources | FINAL | 2 |
| Housing Benefit and Council Tax Reduction Scheme* | Resources | FINAL | 2 |
| NNDR* | Resources | FINAL | 2 |
| Debtors | Resources | DRAFT | |
| Pensions Payroll and Administration | Resources | WIP | |
| Governance Building Blocks | | | |
| Children's Safeguarding Statutory Responsibilities and Contract Performance | Children's Services | FINAL | 2 |
| Highways | Adults, Health and Commissioning | DRAFT | |
| Key Strategic and Operational Risks | | | |
| Flooding* | Adults, Health and Commissioning and Place | FINAL | 2 |
| Data Protection and GDPR Compliance | Managing Director's | FINAL | 3 |
| Auditor Judgement | | | |
| <u>Maintained Schools</u> | | | |
| Boyne Hill C of E Infant and Nursery School | Children's Services | FINAL | 2 |
| Churchmead C of E (VA) School | Children's Services | FINAL | 2 |
| Woodlands Park Primary and Nursery School | Children's Services | FINAL | 2 |
| Cheapside | Children's Services | DRAFT | |
| School Traded Services | Children's Services | FINAL | 2 |
| SEND Transport | Children's Services | FINAL | 2 |
| Servicing the Business | | | |
| Grants including; Bus Service Operators Grant, Disabled Facilities Grant, Local Enterprise Partnership, Local Transport Capital Funding Grant, Troubled Families Grant. | | | C |
| Consultancy | | | |
| Reconciliations | Cross Cutting | DRAFT | |

| AUDIT TITLE | DIRECTORATE | STATUS | FINAL AUDIT REPORT OPINION |
|--|---------------------|--------|----------------------------------|
| 2018/19 Audits completed in 2019/20 | | | |
| Key Financial Systems | | | |
| Cash and Banking Arrangements | Resources | FINAL | 2 |
| Debtors (follow up) | Resources | FINAL | 3 |
| Housing Benefit/CTRS (follow up) | Resources | FINAL | 2 |
| Pensions Payroll and Administration | Resources | FINAL | 1 |
| Governance Building Blocks | | | |
| Financial Management | Cross Cutting | FINAL | 2 |
| Key Operational Risks | | | |
| Tree Management (follow up) | Place | FINAL | 2 |
| Homelessness | Place | FINAL | 2 |
| Auditor Judgement | | | |
| Manor Green School | Children's Services | FINAL | 2 |
| Wessex Primary School | Children's Services | FINAL | 2 |
| Commercial Properties | Place | FINAL | 2 |

- Finalised in 2020/21 (Quarter 1)

Audit Opinion Definitions

- 1 Complete and Effective
- 2 Substantially Complete and Generally Effective
- 3 Range of Risk Mitigation Controls is incomplete and risks are not effectively mitigated
- 4 There is no effective Risk Management process in place

Legend

C - Certification
E - Exempt

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| | |
|--|--|
| Report Title: | 2020/21 Audit and Investigation Plan – In Year Review |
| Contains Confidential or Exempt Information? | No - Part I |
| Meeting and Date: | Audit and Governance Committee, 14 September 2020 |
| Responsible Officer(s): | Andrew Vallance, Head of Finance and Deputy S151 Officer |
| Wards affected: | None |

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REPORT SUMMARY

The Council's 2020/21 Audit and Investigation Plan details the proposed Internal Audit and Investigation activity and seeks to:

- 1 provide key stakeholders with independent assurance that the risks within the Council's fundamental systems and processes are being effectively and efficiently managed;
- 2 allow the Council to demonstrate it is complying with the relevant legislation and applicable professional standards;
- 3 demonstrate the Council's commitment to good governance and a zero tolerance approach towards fraud and corruption; and
- 4 set out that the Team's resources are being properly utilised.

The originally approved Plan has been updated to refocus and reprioritise audit and investigation activity in light of the impact of the Covid-19 pandemic on the council's control and governance processes, with the aim of providing an overall Head of Audit opinion on these processes at year end.

1. DETAILS OF RECOMMENDATION

- i) **RECOMMENDATION: That the Audit and Governance Committee approves the updated 2020/21 Audit and Investigation Plan.**

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

- 2.1 The original 2020/21 Audit and Investigation Plan, ([Appendix A](#)) was approved by the Corporate Overview and Scrutiny Panel on 4 February 2020. This Plan has been reviewed and updated following the impact of the Covid-19 pandemic on both the risk profile of the organisation and the resources to deliver the internal audit and investigation activity.
- 2.2 A consultation draft of the updated Audit and Investigation Plan has been considered and agreed by the Corporate Leadership Team.
- 2.3 Due to the impact of the Covid-19 pandemic on the council, and further to conversations with various other Heads of Internal Audit, and taking into account other advice from professional bodies, we have been carefully considering what we need to achieve in 2020/21 with regards Internal Audit and

Investigation work during these unprecedented times. We are mindful that a proportionate approach to Internal Audit must be taken to allow council staff and Members to focus on the recovery from the Covid-19 crisis and council priorities.

- 2.4 Audit work in Quarters 1 and 2 has seen delays with the commencement of specific audit work being put on hold due to services responding to the impacts of Covid-19. The work of the team has been refocussed and reprioritised and a positive example is in respect of support provided to the Revenues and Benefits and Finance teams in respect of the Business Rate Grants process and associated risk mitigations.
- 2.5 The Shared Audit and Investigation Service (SAIS) is being flexible to support the organisation and responding to new and emerging risks.
- 2.6 The SAIS has responded to the impacts of Covid-19 by adapting its processes to respond to services being delivered remotely and by providing its own service remotely.
- 2.7 As a result of all the above, an In Year Review has been undertaken to determine which areas of internal audit and investigations activity should be deferred during the remainder of this year but in the context of being able to provide adequate assurance over key risk areas and provide an opinion at the end of the year.
- 2.8 The proposed changes to the original Audit and Investigation Plan are included at Appendix A and are highlighted in 'grey'. The changes include some audits to be postponed to 2021/22, some to be amalgamated with other audits and new audit areas which have been identified as high risk.
- 2.9 Several audits are now in progress and the outputs will be reported to the future meetings of this Committee.

Options

Table 1: Options arising from this report

| Option | Comments |
|---|---|
| Approve the updated 2020/21 Audit and Investigation Plan. Recommended | This will ensure that the Council meets its statutory requirements. In addition, the Audit and Governance Committee will comply with its responsibilities as set out within their Terms of Reference. |
| Approve the updated 2020/21 Audit and Investigation Plan, with amendments. | Members may wish to request that this report be amended / altered if they feel that there are material issues which have not received sufficient emphasis or if there are specific issues the report is deficient in. |

| Option | Comments |
|---------------------|---|
| Reject this report. | <p>This may expose the Council to unnecessary risks by not having an adequate internal control framework leading to poor performance and poor outcomes for service users/residents.</p> <p>It may result in a qualification in the External Auditor's Annual Management Letter.</p> |

3. KEY IMPLICATIONS

Table 2: Key Implications

| Outcome | Unmet | Met | Exceeded | Significantly Exceeded | Date of delivery |
|--|--|---|----------|------------------------|------------------|
| Residents have confidence that public funds are being used economically, efficiently and effectively and that Council assets and interests are being safeguarded from misappropriation / loss. | <p>Failure of the Council to meet its statutory requirements and failure of the Audit and Governance Committee to discharge its responsibilities.</p> <p>Loss of residents' confidence. Council reputation may be affected</p> | <p>Council meets its statutory requirements to provide an adequate and effective internal audit of its accounting records and system of internal control. Audit and Governance Committee discharges its responsibilities.</p> <p>Gain residents' confidence. Council reputation protected</p> | n/a | n/a | 31 March 2021 |
| Unqualified External Audit Financial Accounts and Management Letter. | Adverse comment and a qualified External Audit Management Letter if the Council fails to maintain an adequate Internal Audit function. | Unqualified External Audit Management Letter as Council meets its requirements to provide an adequate and effective Internal Audit function. | n/a | n/a | 31 March 2021 |

4. FINANCIAL DETAILS / VALUE FOR MONEY

4.1 a) Financial impact on the budget

Revenue - Officer time in dealing with provision of the SAIS.
Capital – None.

b) Financial Background

Revenue - Officer time in dealing with provision of the SAIS. The proposal relates to existing budgets, no new funds are being sought.
Capital – None.

5. LEGAL IMPLICATIONS

5.1 Internal Audit carry out their activities under:-

- Regulations 6 (1), 6(3) and (4) of the Accounts and Audit Regulations 2015.
- S151 Local Government Finance Act 1972.
- CIPFA/IIA Public Sector Internal Audit Standards 2017.

5.2 Investigatory activities are carried out under:-

- Fraud Act 2006.
- Criminal Justice Act 1987.
- Theft Act 1968.
- Forgery and Counterfeiting Act 1981.
- Social Security Administration Act 1992.
- Welfare Reform Act 2012.

6. RISK MANAGEMENT

Table 3: Impact of risk and mitigation

| Risks | Uncontrolled risk | Controls | Controlled risk |
|---|--------------------------|---|------------------------|
| Failure of the SAIS to adequately plan and undertake audit reviews leading to failure of the Council to meet its statutory requirements. The Council's key systems and services are consequently at risk of not achieving their objectives in the most economic, efficient and effective way thus being exposed to misappropriation / loss. | High | Ensure and demonstrate internal audit coverage and compliance with nationally recognised standards for internal audit. Provide a regular written progress report on the work of Internal Audit to those charged with governance for endorsement. Ensure and demonstrate that corporate investigations are undertaken in accordance with legislation and local approved governance arrangements. | Low |

| Risks | Uncontrolled risk | Controls | Controlled risk |
|---|--------------------------|---|------------------------|
| Failure to provide assurance that the work of the SAIS properly supports the governance framework and the content of the Annual Governance Statement (AGS) and the requirement for additional External Audit work at an enhanced cost to the Council. | High | Internal audit coverage included as part of the governance assurance framework and informing the AGS. | Low |

7. POTENTIAL IMPACTS

7.1 Equalities, GDPR, Sustainability - None.

8. CONSULTATION

8.1 Consultations have been undertaken with Corporate Leadership Team in preparing the updated 2020/21 Audit and Investigation Plan.

8.2 Management and staff are consulted prior to and during the course of the audit and investigation reviews to ensure that work is timed to suit both parties, to incorporate managements' priorities and to agree a course of action to implement the outcome of those reviews.

9. TIMETABLE FOR IMPLEMENTATION

Table 4: Implementation timetable

| Date | Details |
|---------------|--|
| 31 March 2021 | 2020/21 Updated Audit and Investigation Plan |

10. APPENDICES

10.1 This report is supported by one appendix:-

- Appendix A – 2020/21 Updated Audit and Investigation Plan

11. BACKGROUND DOCUMENTS

- N/a

12. CONSULTATION (MANDATORY)

| Name of consultee | Post held | Date sent | Date returned |
|-------------------|---|-----------|---------------|
| Cllr Bateson | Chair of Audit and Governance Committee | | |
| Duncan Sharkey | Managing Director | 26/8/2020 | |
| Russell O'Keefe | Director of Place | 26/8/2020 | |
| Adele Taylor | Director of Resources/S151 Officer | 26/8/2020 | |
| Kevin McDaniel | Director of Children's Services | 26/8/2020 | |
| Hilary Hall | Director, Adults, Commissioning and Health | 26/8/2020 | 27/8/2020 |
| Andrew Vallance | Head of Finance | 26/8/2020 | 4/9/2020 |
| Elaine Browne | Head of Law | 26/8/2020 | 27/8/2020 |
| Mary Severin | Monitoring Officer | 26/8/2020 | 27/8/2020 |
| Nikki Craig | Head of HR, Corporate Projects and IT | 26/8/2020 | |
| Louise Freeth | Head of Revenues, Benefits, Library and Resident Services | 26/8/2020 | |
| Ben Smith | Head of Commissioning / Infrastructure | 26/8/2020 | |
| Louisa Dean | Communications | 26/8/2020 | |
| Karen Shepherd | Head of Governance | 26/8/2020 | 27/8/2020 |

REPORT HISTORY

| | | |
|--|----------------------------|------------------------------|
| Decision type: Audit and Governance Committee for approval | Urgency item? No | To Follow item? No |
| Report Authors:- Andrew Moulton, Assistant Director Governance; Wokingham Borough Council for the Shared Audit and Investigation Service, Tel no.07747 777298; Catherine Hickman, Lead Specialist, Audit and Investigation; Tel no: 07885 983378 | | |

ROYAL BOROUGH OF WINDSOR AND MAIDENHEAD
2020/21 AUDIT AND INVESTIGATION PLAN – IN YEAR REVIEW

Chargeable Audit & Investigation Work

Details

| Key Financial Systems | | | | | |
|--|-----------------------|---|-----------------------|----------------------|-------|
| Traditionally, the service has undertaken full coverage of the key financial systems below. The coverage is listed in the outline scope. The Service will be continually reviewing this coverage in consultation with the Council's External Auditor and the Director of Resources (Section 151 officer) in year to ensure that audit coverage, if any, is relevant and focused correctly. | | | | | |
| Audit | Reason for Audit | Outline Scope | 2020/21 Original Plan | 2020/21 Revised Plan | Notes |
| Payroll (including AfC Payroll) | Main financial system | To provide assurance that only bona fide, authorised and accurate payments are made in a timely manner; to ensure that all payroll transactions are accurately reflected in the accounting system; to ensure correct classification on payments made to individuals to confirm the Council is compliant with guidance regarding the employment status of workers. | Y | Y | |
| Debtors | Main financial system | To provide assurance that income-generating activities are identified and accurately invoiced; that all invoices are paid and the income is accounted for and reflected in the Council's accounts; the extent of debt is minimised and overdue accounts are promptly followed up. | Y | Y | |

ROYAL BOROUGH OF WINDSOR AND MAIDENHEAD
2020/21 AUDIT AND INVESTIGATION PLAN – IN YEAR REVIEW

| | | | | | |
|-------------------------------|-----------------------|--|---|---|--|
| Creditors | Main financial system | To provide assurance that creditor payments are valid authorised, accurate and timely in respect of goods and services ordered and received by the Council. | Y | Y | |
| Covid-19 Response | Main financial system | To provide assurance on the supplier payment/emergency payments/decision making process during the Covid-19 pandemic | | Y | New audit to look at supplier payment/emergency payments/decision making process |
| General Ledger | Main financial system | To provide assurance that all financial transactions of the Council are recorded, including ensuring their completeness and integrity with the aim of providing the data from which management accounts, final accounts and statutory returns can be prepared. | Y | Y | |
| Cash & bank reconciliation | Main financial system | To provide assurance on the effectiveness, accuracy and completeness of reconciliations. | Y | Y | |
| Cash and banking arrangements | Main financial system | To provide assurance on the following; legislation, policy and procedures, cash transactions and records, cash collection, cash payments, cash holdings, banking, management reporting and future customer payment options. | Y | Y | |
| Treasury Management | Main financial system | To provide assurance on the implementation and operation of the treasury function in compliance with the Treasury Management Strategy. | Y | Y | |

ROYAL BOROUGH OF WINDSOR AND MAIDENHEAD
2020/21 AUDIT AND INVESTIGATION PLAN – IN YEAR REVIEW

| | | | | | |
|--|-----------------------|--|---|---|--|
| Pensions Payroll and Administration | Main financial system | To provide assurance on the following; Roles and responsibilities, adherence to policy and procedures, administrative controls between administration and payroll systems, payment authorisation and process, reconciliations, management reviews of; pension fund transfers, pension and benefit calculations, pensions Masterfile, capital costs and suspensions and write offs, maintenance of files and retention documents and computer security. | Y | Y | |
| Benefits/CTRS | Main financial system | To provide assurance on Benefit/CTRS operations. | Y | Y | |
| Council tax and NNDR | Main financial system | To provide assurance on Council tax and NNDR collection and recovery processes. | Y | Y | |
| Capital Programme, Accounting and Expenditure Monitoring | Main financial system | To provide assurance that the Council is correctly and accurately accounting for its assets. | Y | Y | |

ROYAL BOROUGH OF WINDSOR AND MAIDENHEAD
2020/21 AUDIT AND INVESTIGATION PLAN – IN YEAR REVIEW

| Governance Building Blocks These reviews cover the key governance elements and are necessary for the formation of the Chief Audit Executive (CAE) and Annual Governance Statement (AGS) | | | | | |
|---|---------------------------|--|------------------------------|-----------------------------|---|
| Audit | Reason for Audit | Outline Scope | 2020/21 Original Plan | 2020/21 Revised Plan | Notes |
| Risk Management | Governance Building Block | To provide assurance on the assessment of risks scores and risk appetites and compliance with the Risk Management Strategy. | Y | Y | |
| Procurement | Governance Building Block | To provide assurance on ;Compliance with Procurement Directive, engagement with consultants, compliance with EU thresholds, compliance with RBWM thresholds, material decisions, use of standing lists, major suppliers. | Y | Y | Changed to Procurement Cards audit due to potential increased usage during Covid-19 |
| Performance Management | Governance Building Block | To provide assurance on; Objective of the Performance Management, alignment of the Key Performance Indicators (KPIs) with the Council's Vision and Council Plan, alignment of the KPIs with Service Plans, progress of the KPI reporting and plans for implementation, clarity of roles and responsibilities for maintaining the Performance Management System and accuracy of KPIs and Quality Assurance. | Y | Y | |

ROYAL BOROUGH OF WINDSOR AND MAIDENHEAD
2020/21 AUDIT AND INVESTIGATION PLAN – IN YEAR REVIEW

| | | | | | |
|---|---------------------------|---|---|---|---------------------------------|
| Financial Governance and Management (AGS 19.5 & 19.7) | Governance Building Block | To provide assurance on; Governance, Savings Delivery, Budgetary setting, monitoring and control measures, including the Forward Plan, income against targets and response to economic and emerging policy signals, Medium Term Financial Plan - assumptions made for financial reserves required including average risk and confidence levels, mitigation in case MTFP fails, funding and budgets to deliver the regeneration programme and insufficient resources to meet demands leading to Pension Fund substantial deficit. Financial management in projects. Non systems risks. Management information and reporting. | Y | Y | Reduced for part year coverage. |
| Corporate Governance (AGS 19.1, 19.2, 19.10 & 19.11) | Governing Building Block | To provide assurance on; Codes of Conduct – Members and Officers, Annual Governance Statement including compliance, statutory responsibilities and policies. | Y | Y | |

ROYAL BOROUGH OF WINDSOR AND MAIDENHEAD
2020/21 AUDIT AND INVESTIGATION PLAN – IN YEAR REVIEW

| Key Strategic Risks | | | | | |
|--|-------------------------|--|--------------------------------------|-------------------------------------|--|
| With reference to the Council's Corporate Risk Register, these audits are intended to provide assurance to management that the expected mitigating actions and controls to manage risks are operating as expected. All key strategic risks are expected to be covered over a two to three year period. | | | | | |
| Audit | Reason for Audit | Outline Scope | 2020/21 Original Plan | 2020/21 Revised Plan | Notes |
| Commissioned Services | Key Corporate Risk | Contract audit coverage for key partners including contract tendering, management, renewal and extension of Adult Services including Adult Safeguarding and statutory responsibilities (20), Children's Services including Children's Safeguarding and statutory responsibilities (20), Highways (15). | Y | Y | Highways Commissioned Service review only; other Commissioned Services reviews deferred to 2021/22 |
| Inadequate strategic planning between children's services, adults and health (Transitions between children and adults) | Key Corporate Risk | To provide assurance on; Management controls within Optalis, collaborative working and transitions - governance, planning and operations. | Y | | Defer to 2021/22 |
| Security | Key Corporate Risk | To provide assurance on; Integrated permanent HVM measures, Evacuation Plan, Community Safety Partnership Strategy, Key partnership working with Police and military, Channel Panel and One Borough partnership working. | Y | | Defer to 2021/22 |
| Viability of key partners under outsourced/partnership business processes | Key Corporate Risk | To provide assurance on financial viability of key partner organisations. | Y | | Defer to 2021/22 |

ROYAL BOROUGH OF WINDSOR AND MAIDENHEAD
2020/21 AUDIT AND INVESTIGATION PLAN – IN YEAR REVIEW

| | | | | | |
|--------------------------------------|---------------------|--|---|---|------------------|
| Business Continuity Plans (AGS 19.6) | Key Corporate Risks | To provide assurance on; Policy, Completion, Review, Testing and Audit. | Y | Y | |
| Shared Emergency Planning Service | Key Corporate Risks | To provide assurance on; Robustness of the Council's Emergency Plan including governance and operations. | Y | | Defer to 2021/22 |
| GDPR (AGS 19.4) | Key Corporate Risks | To provide assurance on; Governance, Policy, Compliance, Training, Reporting and Audit. | Y | Y | |

ROYAL BOROUGH OF WINDSOR AND MAIDENHEAD
2020/21 AUDIT AND INVESTIGATION PLAN – IN YEAR REVIEW

| Key Operational Risks | | | | | |
|--|-------------------------|---|--------------------------------------|-------------------------------------|------------------|
| With reference to the Corporate Risk Register and through discussion with Directors, these audits are intended to provide assurance to management that the expected mitigating actions and controls to manage risks are operating as expected. | | | | | |
| Audit | Reason for Audit | Outline Scope | 2020/21 Original Plan | 2020/21 Revised Plan | Notes |
| Enforcement | Key Operational Risk | To provide assurance on; Homes with Multiple Occupants, statutory inspections, staffing and promotions. | Y | | Defer to 2021/22 |
| Health and Safety (AGS 19.8) | Key Operational Risk | To provide assurance on; Policies, operational management, risk assessments, accident/dangerous incidents reporting, training, monitoring and reporting and self-audit process. | Y | | Defer to 2021/22 |
| Optalis – Delivery of Statutory Responsibilities of provider including Stewardship of the Public Purse. | Key Operational Risk | To provide assurance on the internal control environment of Optalis. | Y | | Defer to 2021/22 |

ROYAL BOROUGH OF WINDSOR AND MAIDENHEAD
2020/21 AUDIT AND INVESTIGATION PLAN – IN YEAR REVIEW

| | | | | | |
|---|----------------------|---|---|---|--|
| Risk of a significant fine and reputational damage due to loss of confidential/sensitive data. (Computer Audit).(AGS 19.9) | Key Operational Risk | <p>To provide assurance on; Information Security Management System - governance for this area including Senior Information Risk Owner & Information Governance Group roles, encrypted IT equipment, secure storage/ lockers at council offices , robust policies in this area, mandatory refresher programme recently undertaken, archiving of physical records, training for staff on document / information handling and basic information security practice, secure e-mail solution, document marking scheme and SIRO responsibilities - Information Security incident follow up.</p> <p>PSN Compliance including It security vulnerabilities such as out of date software, missing security patches and weak passwords.</p> | Y | Y | Reduction in days for part year and defer remainder to 2021/22 |
| School standards improvement | Key Operational Risk | To provide assurance on; Engagement with the Regional Schools Commissioners, education and early years links, school to school support and education agenda - termly meetings with Heads, Chairs of Governors and Ofsted. | Y | | Defer to 2021/22 |

| Fraud and Investigation | | | | |
|-----------------------------|--|-----------------------------|-------------------------|---|
| Activity | Outline Scope | 2020/21 Original Plan | 2020/21 Revised Plan | Notes |
| Reactive Investigations | Investigation of ad hoc referrals, including whistleblowing work where suspected irregularity has been detected. | Y | Y | |
| Proactive Investigations | Proactive counter fraud work that includes targeted testing of processes with inherent risk of fraud (Council Tax Empty Property Relief, Business Rates, and Council Tax Reduction). | Y | Y | Days increased due to additional investigation activity during Covid-19, Including additional Business Rate Grants assurance work and associated risk assessments to support Revenues and Benefits Team |
| National Fraud Initiative | Management of Council's provision of data and investigation of matches. | Y | Y | |
| Disciplinary investigations | Investigations on behalf of management. | Y | Y | Reduced for part year |
| Other | Continued development of Counter Fraud policies in line with current legislation and best practice; providing Statutory data such as Transparency information. | Y | Y | |

ROYAL BOROUGH OF WINDSOR AND MAIDENHEAD
2020/21 AUDIT AND INVESTIGATION PLAN – IN YEAR REVIEW

| Auditor Judgement and Servicing the Business | | | | |
|--|---|-----------------------|----------------------|------------------|
| Reason for Audit | Outline Scope | 2020/21 Original Plan | 2020/21 Revised Plan | Notes |
| Maintained Schools | To provide assurance on; General School Management and Governance Framework, budgetary setting, monitoring & control, imprest account (Non-Agresso schools only), procurement of goods and services, income, school vehicles (if appropriate), school trips and children's Safeguarding including DBS checks. | Y | | Defer to 2021/22 |
| Children's Centres | As per AfC contract requirements. | Y | | Defer to 2021/22 |
| Property Company | To provide assurance on; Governance, income generation and value for money. | Y | Y | |
| Spot checks | To undertake various spot checks. | Y | | Defer to 2021/22 |
| Contract Auditing | Pre, current and post contract auditing. | Y | | Defer to 2021/22 |
| Grant Certifications | Mandatory certification of grants received from central government. | Y | Y | |
| Annual Governance Statement | To aid the preparation of the Annual Governance Statement. | Y | Y | |
| Public Sector Internal Audit Standards | Mandatory Quality Assurance review. | Y | | Defer to 2021/22 |
| Advice on demand | Requests for adhoc advice on control, risk management and governance issues. | Y | Y | |
| Contingency (including management and member requests) | To cover management/member and other unforeseen requests throughout the year for both audit and investigation. | Y | Y | Defer to 2021/22 |
| Follow up countermeasures and testing) | Extreme and Major risks only. | Y | Y | |

ROYAL BOROUGH OF WINDSOR AND MAIDENHEAD
2020/21 AUDIT AND INVESTIGATION PLAN – IN YEAR REVIEW

| AfC Audits | | | | |
|--|--|-----------------------|----------------------|-------|
| To undertake audits in the Children's Services Directorate | | | | |
| Reason for Audit | Outline Scope | 2020/21 Original Plan | 2020/21 Revised Plan | Notes |
| Buildings and Facilities Management | To provide assurance on; Roles and responsibilities, Service Level Agreement and escalation process. | Y | Y | |
| Information Governance | To provide assurance on; information creation, storage, access, retention and disposal. | Y | Y | |
| Leaving Care | To provide assurance on; Compliance with the Care Act, payment of allowances and accommodation. | Y | Y | |

| | |
|----------------------------------|---|
| Subject: | Nicholson's Valuations |
| Reason for briefing note: | Request for information on the valuations |
| Responsible officer(s): | Russell O'Keefe |
| Senior leader sponsor: | Russell O'Keefe |
| Date: | 4 September 2020 |

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SUMMARY

The note explains the difference between the valuation commissioned by Denhead and carried out by Knight Frank relating to the Nicholson's site and referenced in their planning submission and the valuation (section 123 report) commissioned by the Council and carried out by Lambert Smith Hampton on its interests relating to the site.

The two valuations are valuing different elements of the site and the different interests of the two parties but based on the information provided it is believed they align with each other.

1 BACKGROUND

- 1.1 Nicholson's Shopping Centre currently provides approximately 190,000 square feet of retail space over 4.5 acres in Maidenhead Town centre.
- 1.2 In line with shopping centres across the country the Nicholson's Shopping Centre has seen a decline in footfall and consumer spending over a number of years as consumer habits have been changing. It has seen increasing vacancy levels and declining rental values as it has struggled to attract and retain retailers to an outmoded shopping destination.
- 1.3 Nicholson's Shopping Centre was previously owned by Vixcroft (Maidenhead Ltd) and hedge fund Cheyne Capital. In October 2018 BDO were appointed as receivers with CBRE brought in to sell the centre.
- 1.4 In February 2019 Tikehau Capital in partnership with Areli Real Estate completed the purchase of Nicholson's shopping centre. They purchased from the receivers approximately 50% of the freehold and a long term lease (115 years remaining) on the whole site encompassing the income producing assets and covering the part of the freehold owned by the Council.
- 1.5 The Council also owns Central House, a vacant 1970s office building totalling 38,000 sq ft of unrefurbished office accommodation over 6 floors. Central House sits above the Nicholson's Shopping Centre and is linked to the Broadway Car Park. The Council bought back the long leasehold in 2017 from its former owners' administrators to facilitate redevelopment of the Broadway car park and the regeneration of the wider area.
- 1.6 Denhead (the company set up by Arelli and Tikehau) commenced work on developing proposals for a comprehensive redevelopment of the site.

- 1.7 Following negotiations informed by surveyors, valuers and lawyers acting on behalf the Council, the Council entered into a conditional sale agreement with Denhead for the sale of its freehold interest in the Nicholson's shopping centre and Central House for a combined fee of £6 million (£1million and £5 million respectively). This decision was supported by an independent valuation (section 123 report) carried out by Lambert Smith Hampton.
- 1.8 A valuation by Knight Frank was referenced in the planning information submitted on the site as part of the Financial Viability Assessment.

2 DETAILS

- 2.1 The valuation by Knight Frank is an existing use valuation, commissioned by Denhead (the company set up by Arelli and Tikehau), that covers the Nicholsons shopping centre including the ownerships of Denhead relating to their freehold interest in the site and their long leasehold interest until 2135 on the whole shopping centre site which included the income producing assets, in addition to the part of freehold that the Council owns.
- 2.2 The long leasehold (115 years remaining) purchased by Denhead from the receivers, also includes the ability for Denhead to develop the whole site, without permission being unreasonably withheld from the freeholder (the Council).
- 2.3 In regards to the Council's interests they were valued via an independent valuation (a section 123 report) by Lambert Smith Hampton (which just values the Council's interests) and the conditional sale contract that was negotiated with Denhead for their sale is in line with that. From the information we have seen in the Financial Viability Assessment (the Knight Frank valuation) it is also in line with that.
- 2.4 The Knight Frank Valuation is not in the public domain, but would have been used to support the Financial Viability Assessment in the planning submission by Denhead.
- 2.5 The two valuations are valuing different elements of the site and the different interests of the two parties but based on the information provided it is believed they align with each other.

WORK PROGRAMME – AUDIT AND GOVERNANCE COMMITTEE

| | |
|--|--|
| DIRECTORS | <ul style="list-style-type: none"> • Duncan Sharkey (Managing Director) • Adele Taylor (Director of Resources) |
| LINK OFFICERS & HEADS OF SERVICES | <ul style="list-style-type: none"> • Catherine Hickman (Lead Specialist Audit and Investigation) • Steve Mappley (Insurance and Risk Manager) • Ruth Watkins (Chief Accountant) • Andrew Vallance (Head of Finance) • Karen Shepherd (Head of Governance) |

MEETING: 9th NOVEMBER 2020

| ITEM | RESPONSIBLE OFFICER |
|--|---|
| Audited Annual Statement of Accounts | Andrew Vallance , <i>Head of Finance</i> |
| External Audit IAS260 | Andrew Vallance , <i>Head of Finance</i> |
| Annual Governance Statement | Duncan Sharkey , <i>Managing Director</i> |
| Key Risk Report | Steve Mappley , <i>Insurance and Risk Manager</i> |
| 2020/21 Interim Audit and Investigation Progress Report (to 30 September 2020) | Catherine Hickman , <i>Lead Specialist Audit and Investigation</i> |
| Effectiveness of Audit Committees | Catherine Hickman , <i>Lead Specialist Audit and Investigation</i> |
| Fraud Policies Refresh | Catherine Hickman , <i>Lead Specialist Audit and Investigation</i> |
| Work Programme | Panel Clerk |

MEETING: 16th FEBRUARY 2021

| ITEM | RESPONSIBLE OFFICER |
|-----------------|--|
| Key Risk Report | Steve Mappley , <i>Insurance and Risk Manager</i> |
| Work Programme | Panel clerk |

ITEMS SUGGESTED BUT NOT YET PROGRAMMED

| ITEM | RESPONSIBLE OFFICER |
|---|---|
| 2020/21 Annual Audit and Investigation Report | Catherine Hickman , <i>Lead Specialist Audit and Investigation</i> |

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