

Report Title:	<b>Post Audit Statement of Accounts 2016-17</b>
Contains Confidential or Exempt Information?	NO - Part I
Member reporting:	Councillor Saunders, Lead Member for Finance
Meeting and Date:	Audit and Performance Review Panel 6th September 2017.
Responsible Officer(s):	Russel O'Keefe, Executive Director, Rob Stubbs, Deputy Director and Head of Finance.
Wards affected:	All

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## REPORT SUMMARY

1. This report presents RBWM's Statement of Accounts following audit by KPMG.
2. It recommends that the Chair of the Audit and Performance Review Panel approves the accounts by signing them before the 30th September 2017.
3. These recommendations are being made because the Council has a statutory duty to approve the Statement of Accounts every year.

## 1 DETAILS OF RECOMMENDATION(S)

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

- i) **Approves the audited accounts, a copy of which is then signed by the Chairman before the 30th September 2017.**

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

- 2.1 Because of the statutory requirement for the Council to produce audited and signed accounts no other options are considered in producing this report.
- 2.2 The format and content of the accounts is subject to legislation and guidance contained in the Code of Practice on Local Authority Accounting. Members of the Audit and Performance Review Panel can however, ask questions of the Council's officers and auditors (KPMG) and make recommendations that may assist a reader of the Statement of Accounts.

### 3 KEY IMPLICATIONS

**Table 1: Key implications**

<b>Outcome</b>	<b>Unmet</b>	<b>Met</b>	<b>Exceeded</b>	<b>Significantly Exceeded</b>	<b>Date of delivery</b>
Date when accounts are published, the audit opinion and the number of changes required by auditors	Published later than 30 September or receive a qualified opinion or > 5 material changes.	Published on or before 30 September with an unqualified opinion and 1-4 material changes.	Published on or before 30 September with an unqualified opinion and no changes.	N/A	30 September 2017

### 4 FINANCIAL DETAILS / VALUE FOR MONEY

- 4.1 One material change was required to the accounts following the audit. This was the result of an asset valuation not being recorded correctly in the Fixed Asset Register (FAR). A new procedure for checking the FAR prior to running reports has been implemented which will avoid such an error re-occurring. A small number of minor changes have also been made to the accounts but these are mainly presentational and there are no financial implications as a result.
- 4.2 This report does not include the details of KPMG's findings as these are contained in a separate report (ISA260) which will also be presented to the Panel on the 6<sup>th</sup> September 2017 by KPMG. The report will also include KPMG's audit opinion which will be included in the final published accounts.
- 4.3 A management representation letter is required by KPMG as part of the audit and a copy of this, signed by the Head of Finance, is appended to this report.

### 5 LEGAL IMPLICATIONS

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

### 6 RISK MANAGEMENT

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

<b>Risks</b>	<b>Uncontrolled Risk</b>	<b>Controls</b>	<b>Controlled Risk</b>
None			

## 7 POTENTIAL IMPACTS

7.1 None

## 8 CONSULTATION

8.1 A public notice dated 1 June 2016 was put onto the Council's website giving residents the opportunity to inspect the accounts and related transactions and correspondence.

## 9 TIMETABLE FOR IMPLEMENTATION

9.1 This section is not applicable.

## 10 APPENDICES

- Appendix A Statement of Accounts 2016-17
- Appendix B Management Representation Letter

## 11 BACKGROUND DOCUMENTS

11.1 Background Papers: Budget Report to Council February 2016.

## 12 CONSULTATION (MANDATORY)

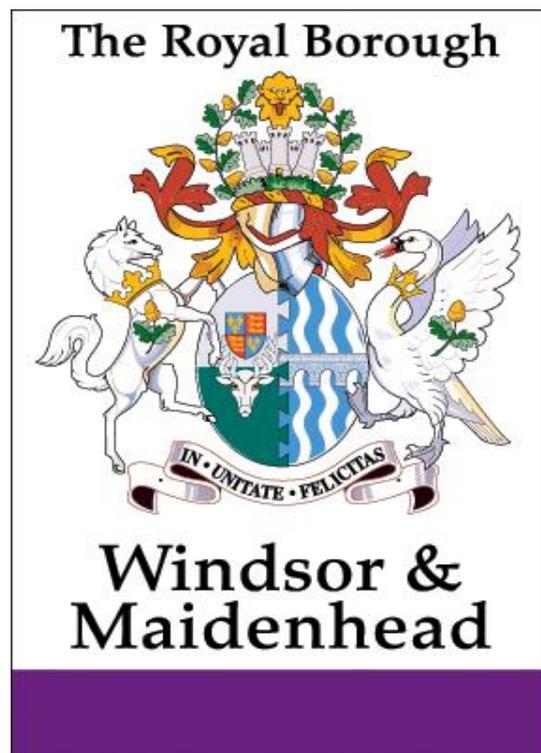
<b>Name of consultee</b>	<b>Post held</b>	<b>Date sent</b>	<b>Commented &amp; returned</b>
Cllr Saunders	Lead Member for Finance	25/8/17	28/8/17
Russell O'Keefe	Executive Director	25/8/17	28/8/17
Rob Stubbs	Section 151 Officer	23/8/17	24/8/17

## REPORT HISTORY

<b>Decision type:</b> Non-key decision	<b>Urgency item?</b> No
Report Author: Richard Bunn, Chief Accountant, 01628 796510	

# Statement of Accounts

## 2016/17



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<ul style="list-style-type: none"><li>- is fundamental to the understanding of the Council's financial position at the year end. It shows the balances and reserves and its long-term indebtedness.</li></ul>	
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<ul style="list-style-type: none"><li>- summarises the inflows and outflows of cash arising from transactions with third parties for revenue and capital purposes.</li></ul>	
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<ul style="list-style-type: none"><li>- provides information about the financial position, performance and financial adaptability of the Pension Fund. They show how the resources entrusted to it have been managed and nature of its assets at the year end.</li></ul>	
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# NARRATIVE REPORT

## INTRODUCTION

The Statement of Accounts has been prepared in accordance with the requirements of the Chartered Institute of Public Finance and Accountancy (CIPFA). The accounts provide reassurance to residents and other stakeholders that the public money for which the Council is responsible has been accounted for properly.

The aim of the accounts is to enable members of the public, residents, council members, partners and other stakeholders to understand the financial position of the Council as at 31 March 2017 and also be assured that the can demonstrate financial resilience moving forward.

The Council's Financial Statements for the year are set out on the following pages. They consist of:

<b>Expenditure and Funding Analysis</b>	- shows how annual expenditure is used and funded from resources in comparison with those resources consumed or earned in accordance with generally accepted accounting practices.
<b>Comprehensive Income and Expenditure Statement</b>	- shows the net cost of the Royal Borough's services and their funding.
<b>Movement in Reserves Statement</b>	- shows the movement in the year on different reserves held by the authority.
<b>Balance Sheet</b>	- setting out the financial position of the Council at 31st March 2017
<b>Cash Flow Statement</b>	- showing cash movements from transactions with third parties.

These accounts are supported by the Statement of Accounting Policies, and various notes to the accounts.

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

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

## NARRATIVE REPORT

### OUTTURN POSITION

The financial standing of the Council continues to be robust with well embedded financial management disciplines, processes and procedures. Recent years have been challenging and this year has been no different and we expect this to continue into future years with the intention that local government becomes more self-supporting with less funding coming directly from central government.

We continue to provide cost effective quality services that our residents need. The future financial challenges are also coupled with growth in the population, especially the older with higher, more complex needs.

The 2016/17 net budget for the Royal Borough was £83.156m. Within the revenue budget for 2016/17 we have reduced costs through an achievable savings programme. This programme has sought innovative ways to reduce spend and deliver our services differently to protect and improve front line services.

Against these challenges, strong management has resulted in the net approved budget of £83.156m underspending by £477,000. This saving will go into the Council's general fund reserve which now stands at £5.215m.

Cabinet receives a monthly Finance Update with the year end report available at:

[http://www3.rbwm.gov.uk/downloads/200125/budgets\\_spending\\_and\\_performance](http://www3.rbwm.gov.uk/downloads/200125/budgets_spending_and_performance)

Details of the Council Budget for 2016/17 can be found at:

[http://www3.rbwm.gov.uk/downloads/200125/budgets\\_spending\\_and\\_performance](http://www3.rbwm.gov.uk/downloads/200125/budgets_spending_and_performance)

### **Revenue Expenditure**

Gross expenditure and income represents the total value of transactions going out of and coming into the Royal Borough. Schools represent a large element of the value of transactions within the year which are covered by a central government grant known as Dedicated Schools Grant (DSG). DSG must be used in support of schools and central services as prescribed in regulations. Any DSG surplus or deficit must be added to or deducted from the Borough's DSG allocation in following years, and therefore has no impact on the Borough's final out-turn position in 2016/17.

The approved estimate in the table overleaf includes all budget adjustments in 2016/17. The table compares the actual outturn with the approved estimate for the year for the General Fund. This reflects the structure used for monitoring the budget during the year which focuses on the direct cost of services.

For the first time this year, the Comprehensive Income and Expenditure Account statement and Expenditure and Funding Analysis are presented in the same Directorate format as required by the Chartered Institute of Public Finance Accounting Code of Practice.

## NARRATIVE REPORT

<b>GENERAL FUND</b>	<b>Original Budget</b>	<b>Approved Estimate</b>	<b>Actual</b>	<b>Variance</b>
<b>SERVICE EXPENDITURE</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Adult, Children and Health Services	56,800	57,112	57,100	(12)
Operations & Customer Services	20,806	21,637	21,353	(284)
Corporate & Community Services	4,046	4,407	4,308	(99)
<b>Net Cost of Services</b>	<b>81,652</b>	<b>83,156</b>	<b>82,761</b>	<b>(395)</b>
Contribution to/ (from) Development Fund	1,133	355	355	-
Pensions Deficit Recovery	2,115	2,115	2,115	-
Pay reward	500	5	-	(5)
Transfer to/(from) Provision for the clearance of Shurlock Roa	-	(180)	(180)	-
Transfer from Provision for Redundancy	-	(450)	(450)	-
Transfer to Provision for Redundancy	-	263	263	-
Transfer to/ (from) Capital Fund	-	(263)	(263)	-
Transfer to the provision for MMI	-	272	272	-
Transfer to the bad debt provision	-	27	27	-
Environment Agency Levy	150	150	150	-
Capital Financing including Interest Receipts	5,128	5,258	5,260	2
<b>Net Budget Requirement</b>	<b>90,678</b>	<b>90,708</b>	<b>90,310</b>	<b>(398)</b>
Less - Special Expenses	(981)	(981)	(981)	-
Variance on other grants	-	-	(79)	(79)
Transfer (from)/to balances	-	(30)	447	477
<b>GROSS COUNCIL TAX REQUIREMENT</b>	<b>89,697</b>	<b>89,697</b>	<b>89,697</b>	<b>-</b>
New Homes Bonus	(4,026)	(4,026)	(4,026)	-
Revenue Support Grant / Business Rate Support	(21,026)	(21,026)	(21,026)	-
Parish Equalisation Grant	64	64	64	-
Transition Grant	(1,278)	(1,278)	(1,278)	-
Collection Fund Surplus / Deficit	(1,625)	(1,625)	(1,625)	-
Education Services Grant	(1,031)	(1,031)	(1,031)	-
<b>NET COUNCIL TAX REQUIREMENT</b>	<b>60,775</b>	<b>60,775</b>	<b>60,775</b>	<b>-</b>

Special Expenses are RBWM's cost of providing parish services to its unparished areas.

All services showed an underspend against their controllable net budget for the year.

## NARRATIVE REPORT

### Adults, Children and Health

The Directorate underspent £12,000 on a controllable net budget of £57,112,000. A number of significant pressures impacted on the Directorate throughout the year, however these were offset in full by savings elsewhere in the budget. The main budget variances are:

- Increased numbers of children in care requiring support from the council.
- Increased numbers of people requiring support in temporary accommodation.
- Increase in the provision of home to school transport.
- Costs of employment of agency staff for difficult to fill posts.
- Higher than expected fees for childcare lawyers.
- Unexpected cost arising from “ordinary residence” dispute.
- Reduced cost of support for children leaving care.
- Lower than anticipated demand for social care support for residents in the community.
- Increased income from contributions towards the cost of personal budgets.
- Increased income from the Department of Health towards the cost of nursing care.
- Lower than expected cost to meet duties under Deprivation of Liberty & safeguarding requirements.

### Operations and Customer Services

The principal elements of the underspend in 2016/17 were in the Waste and Parking services.

- In Waste there were lower disposal tonnages, increased recycling and high demand for garden waste services.
- In the Parking service, strong income performance in Maidenhead and Windsor car parks combined with the positive impact of an enforcement pilot.
- Several minor variances across the remaining services account for the balance.

The highlights of the budget savings achieved for these services included:

- Strong processing performance in Revenues and Benefits plus associated improved benefit subsidy recovery and debt collection.
- Attainment of parking income targets
- Customer Services and IT delivering on or under budget.
- Contract efficiencies in the Waste business.

### Corporate and Community Services

A small overall underspend was achieved in the directorate. Underspends in key services, Finance and Legal, were offset by minor overspends in Planning and Communities.

Additional pressures were again experienced here during the year related to:

- The levels of income generated by the Guildhall and the Tourist Information Service not achieving the targets set.
- Additional legal costs in Planning
- A shortfall in Land Charges income

These issues have been mitigated through careful budget management and savings made to cover the budget overall.

### **Capital Expenditure**

Capital expenditure still accounts for significant amounts of major maintenance items on schools (£5.65m). Other areas of significant expenditure include Strategic Asset Management of infrastructure assets (£9.03m) and Regeneration (£8.77m).

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

## NARRATIVE REPORT

	Original Budget £'000	Approved Estimate £'000	Actual £'000
<b>Community &amp; Corporate Services</b>			
SMILE Leisure	428	1,464	817
Community Facilities	155	369	299
Outdoor Facilities	370	1,429	537
Property & Development	-	512	192
Governance, Policy, Performance Partnerships	588	756	482
Regeneration & Economic Development*	6,377	15,594	8,769
<b>Total Community &amp; Corporate Services</b>	<b>7,918</b>	<b>20,124</b>	<b>11,096</b>
<b>Operations &amp; Customer Services</b>			
Technology & Change Delivery	-	335	238
Revenues & Benefits	-	210	84
Customer Services	-	476	266
Green Spaces & Parks	343	638	540
Highways & Transport	9,609	12,636	9,025
Community, Protection & Enforcement Services	890	1,952	773
Libraries, Arts & Heritage	367	958	143
<b>Total Operations &amp; Customer Services</b>	<b>11,209</b>	<b>17,205</b>	<b>11,069</b>
<b>Adult, Children &amp; Health</b>			
Adult Social Care	41	265	206
Housing	-	2,407	632
Non Schools	-	477	211
Schools - Non Devolved	4,550	7,851	4,186
Schools - Devolved Capital	250	2,114	1,459
<b>Total Adult, Children &amp; Health</b>	<b>4,841</b>	<b>13,114</b>	<b>6,694</b>
<b>Total Capital Expenditure</b>	<b>23,968</b>	<b>50,443</b>	<b>28,859</b>
Revenue Expenditure Funded from Capital Under Statute **			(8,544)
<b>Capital Expenditure on Property, Plant &amp; Equipment</b>			<b>20,315</b>

\* The regeneration budget includes projects to enhance Maidenhead such as the Nicholson's car park & Central House scheme and Maidenhead Waterways project.

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

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

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

### Pension Fund

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

### Treasury Management

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

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

## NARRATIVE REPORT

### LOOKING FORWARD

The Royal Borough of Windsor and Maidenhead is an organisation focused on investing in its communities. It aims to be a great place to live, work, play and do business, supported by a modern, dynamic and successful Council.

The Royal Borough's ambition is to continue to deliver high quality services against a diminishing financial envelope by seeking new and innovative outcome-based delivery models which promote partnership, growth and sustainability.

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

Looking to the future we will begin a significant level of investment in the Maidenhead town centre regeneration programme as well as continuing our schools expansion programme and also building new sports facilities to replace the Magnet Leisure Centre. This will be the largest and most exciting capital programme we have ever invested in but we also expect a significant level of income from the developments to help support services in the future. Our new partnerships with Achieving for Children (Children's Services) and Optalis (Adults Services) will also get underway as well as our £30 million schools expansion programme.

In summary, the financial year 2016/17 has seen continued change in the way we deliver our services. The delivering differently programme will continue to give the authority the best possible foundation from which to meet future challenges and to continue to deliver those services most needed and appreciated by our residents.

### CONCLUSION

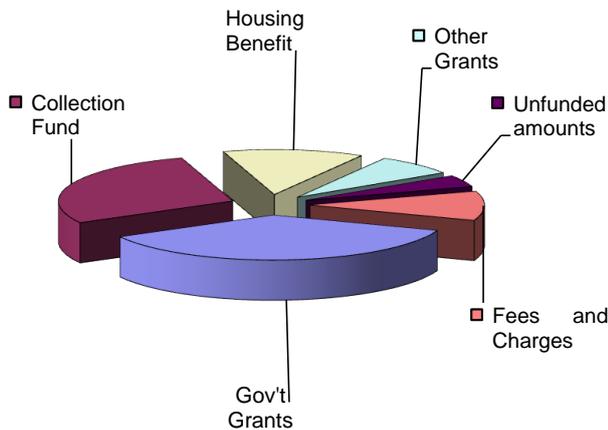
I wish to extend my thanks to all Council's staff who have contributed throughout the year to the financial management of the Council and the publication of these accounts.

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

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

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

## NARRATIVE REPORT (GRAPHS)



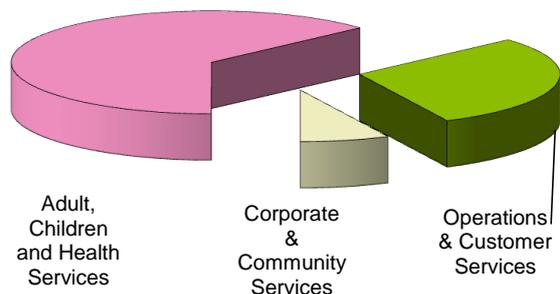
### Sources of Income

	£'m	%
Government Grants	98.3	36.4%
Collection Fund	76.4	28.3%
Housing Benefit Income	35.3	13.1%
Other Grants & Contributions	20.1	7.4%
Unfunded amounts	11.5	4.3%
Fees & Charges	28.4	10.5%
<b>Total</b>	<b>270.0</b>	<b>100.0%</b>

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

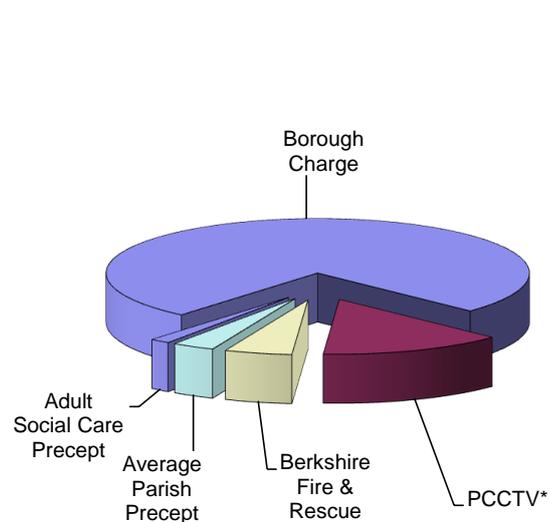
### Main Services Expenditure

	£'m	%
Adult, Children and Health Services	170.9	63.4%
Operations & Customer Services	79.7	29.5%
Corporate & Community Services	19.4	7.1%
<b>Total</b>	<b>270.0</b>	<b>100.0%</b>



Source: Comprehensive Income and Expenditure Statement

This diagram shows the gross Council Tax levied at band D and amount raised before allowing for Government Grants and the contribution from the national non-domestic rate.

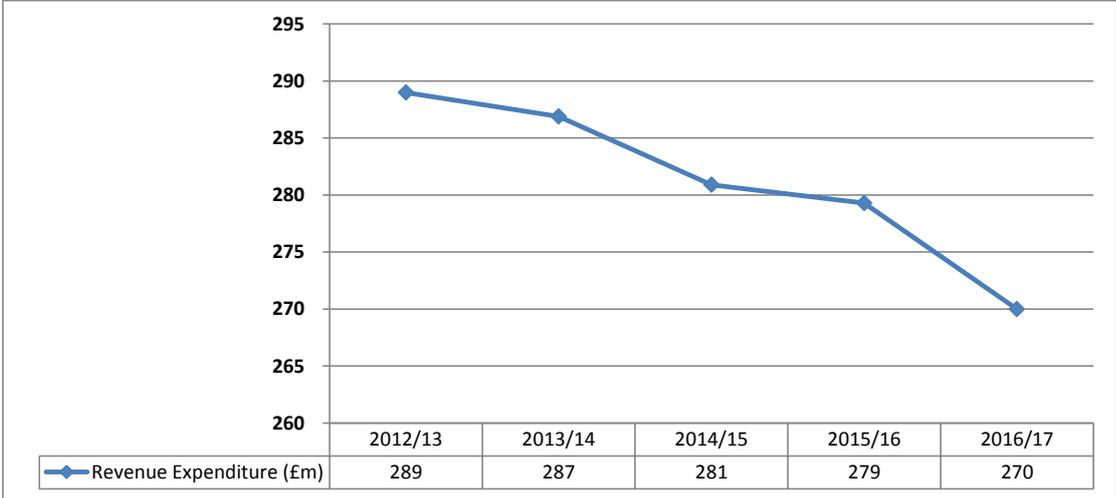


	Band D (£)	£'000 to be received
<b>Council Tax Analysis</b>	2016/17	2016/17
Borough Charge	906.95	60,565
PCCTV*	166.96	10,969
Berkshire Fire & Rescue	61.27	4,025
Average Parish Precept	38.64	1,237
Adult Social Care Precept	18.14	1,191
<b>Total</b>	<b>285.01</b>	<b>17,422</b>

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

NARRATIVE REPORT (GRAPHS)

5 year trend of gross service expenditure

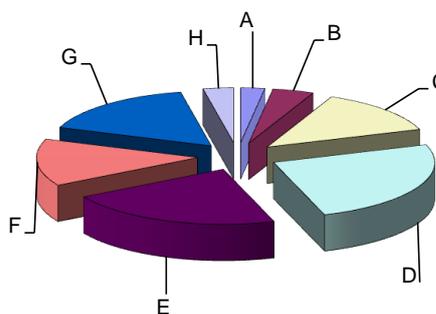


## NARRATIVE REPORT (GRAPHS)

The following diagrams provide an analysis of the Council Tax.

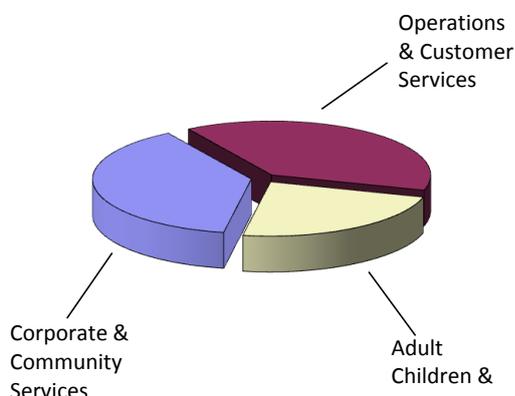
### Domestic Properties eligible for Council Tax

Charge Band	No.	%
A	1,309	2.5%
B	2,243	4.1%
C	7,158	13.2%
D	13,619	25.1%
E	11,786	21.7%
F	7,505	13.8%
G	8,921	16.5%
H	1,657	3.1%
<b>Total Properties</b>	<b>54,198</b>	<b>100.0%</b>



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

The Council spent £28.86 million on capital projects in the year and the diagrams below show the proportions for each directorate and the sources from which this expenditure was financed.



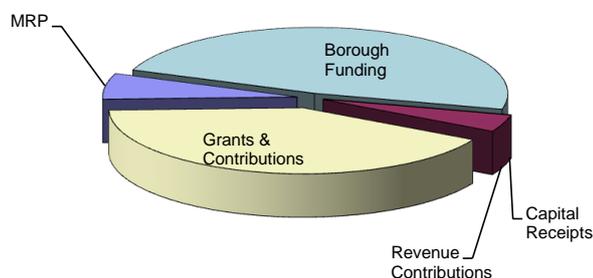
### Capital Expenditure

	£'000	%
Corporate & Community Services	11,097	38.5%
Operations & Customer Services	11,069	38.4%
Adult, Children & Health	6,694	23.2%
<b>Total</b>	<b>28,860</b>	<b>100.0%</b>

Source: Capital expenditure from the narrative report.

### Sources of Capital Finance

	£'000	%
1 Capital Receipts	-	0.0%
2 Revenue Contributions	1,200	4.2%
3 Grants & Contributions	11,949	41.4%
4 MRP	1,827	6.3%
5 Borough Funding	13,885	48.1%
<b>Total</b>	<b>28,860</b>	<b>100.0%</b>



Source: Capital Finance from Note 42.

- 1 Capital Receipts are amounts received as consideration when assets are sold. These are initially credited to the capital receipts reserve.
- 2 Revenue Contributions are amounts charged to revenue to fund the capital programme. These are initially credited to the Capital Fund Reserve.
- 3 Grants & Contributions are external funding amounts mainly received from Central Government and Developers.
- 4 MRP (Minimum Revenue Provision) is a charge to revenue which over a period of time is equivalent to the principal amount of external debt.
- 5 Borough Funding is the underlying need to borrow or short term use of the Council's balances.

## **APPROVAL OF THE ACCOUNTS**

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

Council have delegated the approval of the draft statement of accounts to the Audit and Performance Review Panel. The Panel met on 6th September 2017 to approve the audited accounts.

**Signed**

**Date: 6th September 2017**

**Councillor Sayonara Luxton**

## STATEMENT OF RESPONSIBILITIES FOR THE STATEMENT OF ACCOUNTS

### The Authority's Responsibilities

The Authority is required to :

- make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this Authority, that officer is the Head of Finance.
- manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets.
- approve the Statement of Accounts.

### The Head of Finance's Responsibilities

The Head of Finance is responsible for the preparation of the Authority's Statement of Accounts in accordance with proper practice as set out in the CIPFA / LASAAC *Code of Practice on Local Authority Accounting in the United Kingdom (the Code)*.

I certify that in preparing this Statement of Accounts, I have :-

- selected suitable accounting policies and then applied them consistently;
- made judgements and estimates that were reasonable and prudent;
- complied with the local authority Code except as indicated in the body of this statement;
- kept proper accounting records which were up to date;
- taken reasonable steps for the prevention and detection of fraud and other irregularities.

and certify that the Statement of Accounts set out on pages 14 to 81 presents fairly the financial position of the Royal Borough of Windsor and Maidenhead at the accounting date and its income and expenditure for the year ended 31st March 2017.

Signed

Dated: 31st July 2017

Rob Stubbs  
Deputy Director and Head of Finance

## EXPENDITURE AND FUNDING ANALYSIS

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

2015/16				2016/17		
Net Expenditure chargeable to the General Fund £'000	Adjustments between the funding and accounting (Note 7) basis £'000	Expenditure in the Comprehensive Income & Expenditure Account £'000		Net Expenditure chargeable to the General Fund £'000	Adjustments between the funding and accounting (Note 7) basis £'000	Expenditure in the Comprehensive Income & Expenditure Account £'000
56,802	9,471	66,273	Adult, Children and Health Services	58,091	5,643	63,734
22,968	5,954	28,922	Operations & Customer Services	22,003	5,811	27,814
5,064	406	5,470	Corporate & Community Services	4,782	0	4,782
<b>84,834</b>	<b>15,831</b>	<b>100,665</b>	<b>Net Cost of Services</b>	<b>84,876</b>	<b>11,454</b>	<b>96,330</b>
(88,023)	1,310	(86,713)	Other Income and Expenditure	(83,896)	17,331	(66,565)
3,027	(3,027)	-	Transfer to / from Earmarked Reserves	(1,427)	1,427	-
<b>(162)</b>	<b>14,114</b>	<b>13,952</b>	<b>(Surplus) / Deficit</b>	<b>(447)</b>	<b>30,212</b>	<b>29,765</b>
(4,606)			Opening General Fund Balance	(4,768)		
(162)			Less/Plus (Surplus) or Deficit on General Fund Balance in Year	(447)		
<b>(4,768)</b>			<b>Closing General Fund Balance at 31 March</b>	<b>(5,215)</b>		

## COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

This Statement shows the economic cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation. Authorities raise taxation to cover expenditure in accordance with regulations; this may be different from the accounting cost. The taxation position is shown in both the Expenditure and Funding Analysis and the Movement in Reserves Statement. The Cost of Services for 2015-16 has been restated to reflect the Council's management structure in 2016-17. This is also in line with the Expenditure and Funding Analysis.

2015/16				2016/17		
Gross Expenditure £'000	Gross Income £'000	Net Expenditure £'000		Gross Expenditure £'000	Gross Income £'000	Net Expenditure £'000
178,619	(112,346)	66,273	Adult, Children and Health Services	170,813	(107,079)	63,734
81,464	(52,542)	28,922	Operations & Customer Services	79,700	(51,886)	27,814
19,209	(13,739)	5,470	Corporate & Community Services	19,372	(14,590)	4,782
<b>279,292</b>	<b>(178,627)</b>	<b>100,665</b>	<b>Cost of Services</b>	<b>269,885</b>	<b>(173,555)</b>	<b>96,330</b>
		1,264	Precepts paid to parishes			1,301
		147	Precepts & Levies			149
		(137)	Adjustments to provisions			(112)
		78	Adjustment to School Balances via Schools Reserve			2,620
		(924)	Adjustment to other reserves taken through the cost of services			8
		12,335	Loss on the disposal of school fixed assets on conversion to Academies or Free Schools.			24,342
		(84)	(Gain) / loss on the disposal of other fixed assets			-
		-	Other Operating Expenditure			84
		-	Other Operating Income			-
		5,371	Revenue expenditure funded from capital under statute			8,544
		<b>18,050</b>	<b>Other Operating (Income) / Expenditure (Note 11)</b>			<b>36,936</b>
		2,870	Interest payable and similar charges			2,840
		8,129	Pensions interest cost			8,065
		(646)	Interest income			(517)
		(4,854)	Changes in the fair value of investment properties			(12,036)
		<b>5,499</b>	<b>Financing &amp; Investment Income &amp; Expenditure (Note 12)</b>			<b>(1,648)</b>
		(110,262)	Taxation and Non-Specific Grant Income (Note 13)			(101,853)
		<b>13,952</b>	<b>(Surplus) or Deficit on Provision of Services</b>			<b>29,765</b>
		(1,449)	(Surplus) or deficit on revaluation of Property Plant and Equipment assets			(56,702)
		31,644	Other adjustments to value of Property, Plant and Equipment assets			9,926
		(24,172)	Remeasurements of the net defined benefit liability (asset)			55,097
		<b>6,023</b>	<b>Other Comprehensive Income and Expenditure</b>			<b>8,321</b>
		<b>19,975</b>	<b>Total Comprehensive Income and Expenditure</b>			<b>38,086</b>

## MOVEMENT IN RESERVES STATEMENT

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

	General Fund Balance £'000	Earmarked Reserves £'000	Capital Grants Unapplied £'000	School Revenue Balances £'000	Capital Receipts Reserve £'000	Total Usable Reserves £'000	Unusable Reserves £'000	Total Authority Reserves £'000
<b>Balance at 31 March 2015</b>	4,606	4,681	8,292	4,229	-	21,808	106,369	128,177
<b>Total Comprehensive Expenditure and Income</b>	(13,952)	-	-	-	-	(13,952)	(6,023)	(19,975)
Adjustments between accounting basis & funding basis under regulations (Note 9)	17,141	-	930	-	-	18,071	(18,071)	-
<b>Net Increase / (Decrease) before Transfers to Earmarked Reserves</b>	3,189	-	930	-	-	4,119	(24,094)	(19,975)
Transfers to / from Earmarked Reserves (Note 10)	(3,027)	1,170	-	(78)	-	(1,935)	1,935	-
<b>Increase / (Decrease) in Year</b>	162	1,170	930	(78)	-	2,184	(22,159)	(19,975)
<b>Balance at 31 March 2016</b>	4,768	5,851	9,222	4,151	-	23,992	84,210	108,202
<b>Total Comprehensive Expenditure and Income</b>	(29,765)	-	-	-	-	(29,765)	(8,321)	(38,086)
Adjustments between accounting basis & funding basis under regulations (Note 9)	28,785	-	(597)	-	-	28,188	(28,188)	-
<b>Net Increase / (Decrease) before Transfers to Earmarked Reserves</b>	(980)	-	(597)	-	-	(1,577)	(36,509)	(38,086)
Transfers to / from Earmarked Reserves (Note 10)	1,427	(7)	-	(2,620)	-	(1,200)	1,200	-
<b>Increase / (Decrease) in Year</b>	447	(7)	(597)	(2,620)	-	(2,777)	(35,309)	(38,086)
<b>Balance at 31 March 2017</b>	5,215	5,844	8,625	1,531	-	21,215	48,901	70,116

## BALANCE SHEET

### Balance Sheet as at 31st March 2017

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

31 Mar 16 £'000	Assets	Note	31 Mar 17 £'000
	<b>Non-current assets</b>		
353,721	Property, Plant and Equipment	14	384,888
64,674	Investment Properties	16	76,611
3,877	Intangible Assets	17	3,317
2,280	Surplus Assets	14	2,540
1,562	Long Term Investments	18	1,041
36	Long Term Debtors	18	34
<b>426,150</b>			<b>468,431</b>
	<b>Current assets</b>		
17,445	Short Term Investments	18	-
97	Inventories	19	275
21,859	Short Term Debtors	21	30,810
-	Cash and Cash Equivalents	22	997
<b>39,401</b>			<b>32,082</b>
<b>465,551</b>	<b>Total assets</b>		<b>500,513</b>
	<b>Liabilities</b>		
	<b>Current Liabilities</b>		
(1,174)	Bank Overdraft	20	-
(750)	Short Term Borrowing	18	(13,259)
(28,240)	Short Term Creditors	24	(27,543)
<b>(30,164)</b>			<b>(40,802)</b>
	<b>Non current liabilities</b>		
(250)	Long Term Creditors	18	(250)
(3,057)	Provisions	25	(2,684)
(57,499)	Long Term Borrowing	18	(57,049)
(15,794)	Capital Grants Receipts in Advance	40	(16,029)
(250,585)	Retirement Benefit Obligations	49	(313,583)
<b>(327,185)</b>			<b>(389,595)</b>
<b>108,202</b>	<b>Net assets</b>		<b>70,116</b>
	<b>Equity</b>		
	<b>Usable Reserves</b>	26	
4,768	Fund Balances and Reserves		5,215
19,224	Other Reserves		16,000
	<b>Unusable Reserves</b>	27	
205,741	Capital Adjustment Account		160,065
130,198	Revaluation Reserve		204,793
(250,585)	Pensions Reserve		(313,583)
1,637	Collection Fund Adjustment Account		43
(2,781)	Accumulated Absences Account		(2,417)
<b>108,202</b>			<b>70,116</b>

## CASH FLOW STATEMENT

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

<b>At 31 March 2016 £'000</b>	<b>Cash Flow Statement (Indirect Method) As at 31 March 2016</b>	<b>Note</b>	<b>At 31 March 2017 £'000</b>
(13,952)	Net surplus or (deficit) on the provision of services		(29,765)
31,992	Adjust net surplus or deficit on the provision of services for noncash movements	28	39,956
(27,780)	Adjust for items included in the net surplus or deficit on the provision of services that are investing and financing activities	28	(29,317)
(9,740)	Net cash flows from Operating Activities		(19,126)
(1,665)	Net cash flows from Investing Activities	29	9,238
(400)	Net cash flows from Financing Activities	30	12,059
<u>(11,805)</u>	Net Increase or Decrease in Cash and Cash Equivalents		<u>2,171</u>
10,631	Cash and cash equivalents at the beginning of the reporting period		(1,174)
<b>(1,174)</b>	<b>Cash and Cash Equivalents at the end of the reporting period</b>		<b>997</b>

## NOTES TO THE ACCOUNTS

### 1 Accounting Policies

#### i General Principles

The Statement of Accounts summarises the Authority's transactions for the 2016/17 financial year and its position at the year-end of 31 March 2017. 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 2016/17 and the Service Reporting Code of Practice 2016/17, supported by International Financial Reporting Standards (IFRS). The accounting convention adopted in the Statement of Accounts is principally historic cost, modified by the revaluation of certain categories of non-current assets and financial instruments.

#### ii Accruals of Income and Expenditure

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

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

#### iii Cash and Cash Equivalents

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

#### iv Exceptional Items

When items of income and expense are material, their nature and amount is disclosed separately, either on the face of the Comprehensive Income and Expenditure Statement 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.

## NOTES TO THE ACCOUNTS

### 1 Accounting Policies

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

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

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

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

#### vii Employee Benefits

##### Benefits Payable During Employment

Short-term employee benefits are those due to be settled within 12 months of the year-end. They include such benefits as wages and salaries, paid annual leave and paid sick leave, bonuses and non-monetary benefits (e.g. cars) for current employees and are recognised as an expense for services in the year in which employees render service to the Authority. An accrual is made for the cost of holiday entitlements (or any form of leave, e.g. time off in lieu) earned by employees but not taken before the year-end which employees can carry forward into the next financial year. The accrual is made at the wage and salary rates applicable in the following accounting year, being the period in which the employee takes the benefit. The accrual is charged to Surplus or Deficit on the Provision of Services, but then reversed out through the Movement in Reserves Statement so that holiday benefits are charged to revenue in the financial year in which the holiday absence occurs.

##### Termination Benefits

Termination benefits are amounts payable as a result of a decision by the Authority to terminate an officer's employment before the normal retirement date or an officer's decision to accept voluntary redundancy and are charged on an accruals basis to the Non Distributed Costs line in the Comprehensive Income and Expenditure Statement 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 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 Council.

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 Children's and Education Services line in the Comprehensive Income and Expenditure Statement is charged with the employer's contributions payable to Teachers' Pensions in the year.

# NOTES TO THE ACCOUNTS

## 1 Accounting Policies

### The Local Government Pension Scheme

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

- The liabilities of the Berkshire pension fund attributable to the Authority are included in the Balance Sheet on an actuarial basis using the projected unit method – i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, etc., and projections of projected earnings for current employees.
  - Liabilities are discounted to their value at current prices, using a discount rate set by the Actuary.
  - The assets of the Berkshire pension fund attributable to the Authority are included in the Balance Sheet at their fair value:
    - quoted securities – current bid price
    - unquoted securities– professional estimate
    - unlisted securities– current bid price
    - property – market value.
  - The change in the net pensions liability is analysed into seven components:
    - **current service cost** – the increase in liabilities as a result of years of service earned this year – allocated in the Comprehensive Income and Expenditure Statement 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 Comprehensive Income and Expenditure Statement 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 Comprehensive Income and Expenditure Statement.
    - **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 Comprehensive Income and Expenditure Statement.
    - **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 Comprehensive Income and Expenditure Statement as part of Non Distributed Costs.
    - **actuarial gains and losses** – changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions – debited to the Pensions Reserve.
    - **contributions paid to the Berkshire pension fund** – cash paid as employer's contributions to the pension fund in settlement of liabilities; not accounted for as an expense.
- In relation to retirement benefits, statutory provisions require the General Fund 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 General Fund of being required to account for retirement benefits on the basis of cash flows rather than as benefits are earned by employees.

### Discretionary Benefits

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

### viii Events After the Balance Sheet Date

Events after the Balance Sheet date are those events, both favourable and unfavourable, that occur between the end of the reporting period and the date when the Statement of Accounts is authorised for issue. Two types of events can be identified:

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

## NOTES TO THE ACCOUNTS

### 1 Accounting Policies

#### 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 Comprehensive Income and Expenditure Statement 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 Comprehensive Income and Expenditure Statement is the amount payable for the year according to the loan agreement. Gains and losses on the repurchase or early settlement of borrowing are credited and debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement in the year of repurchase/settlement. However, where repurchase has taken place as part of a restructuring of the loan portfolio that involves the modification or exchange of existing instruments, the premium or discount is respectively deducted from or added to the amortised cost of the new or modified loan and the write-down to the Comprehensive Income and Expenditure Statement is spread over the life of the loan by an adjustment to the effective interest rate. Where premiums and discounts have been charged to the Comprehensive Income and Expenditure Statement, 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 Comprehensive Income and Expenditure Statement to the net charge required against the General Fund Balance is managed by a transfer to or from the Financial Instruments Adjustment Account in the Movement in Reserves Statement.

##### Financial Assets

Financial assets are classified into two types:

- loans and receivables – assets that have fixed or determinable payments but are not quoted in an active market
- available-for-sale assets – assets that have a quoted market price and/or do not have fixed or determinable payments.

##### Loans and Receivables

Loans and receivables are recognised on the Balance Sheet when the Authority becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value. They are subsequently measured at their amortised cost. Annual credits to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument. For most of the loans that the Authority has made, this means that the amount presented in the Balance Sheet is the outstanding principal receivable (plus accrued interest) and interest credited to the Comprehensive Income and Expenditure Statement is the amount receivable for the year in the loan agreement. Where assets are identified as impaired because of a likelihood arising from a past event that payments due under the contract will not be made, the asset is written down and a charge made to the relevant service (for receivables specific to that service) or the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. The impairment loss is measured as the difference between the carrying amount and the present value of the revised future cash flows discounted at the asset's original effective interest rate. Any gains and losses that arise on the derecognition of an asset are credited or debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

## NOTES TO THE ACCOUNTS

### 1 Accounting Policies

#### Available-for-Sale Assets

Available-for-sale assets are recognised on the Balance Sheet when the Authority becomes a party to the contractual provisions of a financial instrument and are initially measured and carried at fair value. Where the asset has fixed or determinable payments, annual credits to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest receivable are based on the amortised cost of the asset multiplied by the effective rate of interest for the instrument. Where there are no fixed or determinable payments, income (e.g. dividends) is credited to the Comprehensive Income and Expenditure Statement when it becomes receivable by the Authority. Assets are maintained in the Balance Sheet at fair value. Values are based on the following principles:

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

Changes in fair value are balanced by an entry in the Available-for-Sale Reserve and the gain/loss is recognised in the Surplus or Deficit on Revaluation of Available-for-Sale Financial Assets. The exception is where impairment losses have been incurred – these are debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement, along with any net gain or loss for the asset accumulated in the Available-for-Sale Reserve. Where assets are identified as impaired because of a likelihood arising from a past event that payments due under the contract will not be made (fixed or determinable payments) or fair value falls below cost, the asset is written down and a charge made to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. If the asset has fixed or determinable payments, the impairment loss is measured as the difference between the carrying amount and the present value of the revised future cash flows discounted at the asset's original effective interest rate. Otherwise, the impairment loss is measured as any shortfall of fair value against the acquisition cost of the instrument (net of any principal repayment and amortisation). Any gains and losses that arise on the derecognition of the asset are credited or debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement, along with any accumulated gains or losses previously recognised in the Available-for-Sale Reserve. Where fair value cannot be measured reliably, the instrument is carried at cost (less any impairment losses).

#### x Foreign Currency Translation

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

#### xi Government Grants and Contributions

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

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

Amounts recognised as due to the Council are not credited to the Comprehensive Income and Expenditure Statement 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-ringfenced revenue grants and all capital grants) in the Comprehensive Income and Expenditure Statement. Where capital grants are credited to the Comprehensive Income and Expenditure Statement, they are reversed out of the General Fund 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. Amounts in the Capital Grants Unapplied reserve are transferred to the Capital Adjustment Account once they have been applied to fund capital expenditure.

## NOTES TO THE ACCOUNTS

### 1 Accounting Policies

#### 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 Council 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 Comprehensive Income and Expenditure Statement. 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 Comprehensive Income and Expenditure Statement. Any gain or loss arising on the disposal or abandonment of an intangible asset is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. 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 General Fund Balance. The gains and losses are therefore reversed out of the General Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account and (for any sale proceeds greater than £10,000) the Capital Receipts Reserve.

#### 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 Comprehensive Income and Expenditure Statement. 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 General Fund Balance. However, revaluation and disposal gains and losses are not permitted by statutory arrangements to have an impact on the General Fund Balance. The gains and losses are therefore reversed out of the General Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account and (for any sale proceeds greater than £10,000) the Capital Receipts Reserve.

## NOTES TO THE ACCOUNTS

### 1 Accounting Policies

#### xvi Jointly Controlled Operations and Jointly Controlled Assets

Jointly controlled operations are activities undertaken by the Authority in conjunction with other venturers that involve the use of the assets and resources of the venturers 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 Comprehensive Income and Expenditure Statement 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 venturers, with the assets being used to obtain benefits for the venturers. The joint venture does not involve the establishment of a separate entity. The Authority accounts for only its share of the jointly controlled assets, the liabilities and expenses that it incurs on its own behalf or jointly with others in respect of its interest in the joint venture and income that it earns from the venture.

#### xvii Leases

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

##### The Authority as Lessee

###### Finance Leases

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

- a charge for the acquisition of the interest in the property, plant or equipment – applied to write down the lease liability, and
- a finance charge (debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement).

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 council 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 General Fund Balance, by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

###### Operating Leases

Rentals paid under operating leases are charged to the Comprehensive Income and Expenditure Statement 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).

## NOTES TO THE ACCOUNTS

### 1 Accounting Policies

#### The Authority as Lessor

##### Finance Leases

Where the Authority grants a finance lease over a property or an item of plant or equipment, the relevant asset is written out of the Balance Sheet as a disposal. At the commencement of the lease, the carrying amount of the asset in the Balance Sheet (whether Property, Plant and Equipment or Assets Held for Sale) is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. Again, representing the Authority's net investment in the lease, is credited to the same line in the Comprehensive Income and Expenditure Statement also as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal), matched by a lease (long-term debtor) asset in the Balance Sheet. Lease rentals receivable are apportioned between:

- a charge for the acquisition of the interest in the property – applied to write down the lease debtor (together with any premiums received), and
- finance income (credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement).

The gain credited to the Comprehensive Income and Expenditure Statement on disposal is not permitted by statute to increase the General Fund Balance and is required to be treated as a capital receipt. Where a premium has been received, this is posted out of the General Fund Balance to the Capital Receipts Reserve in the Movement in Reserves Statement. Where the amount due in relation to the lease asset is to be settled by the payment of rentals in future financial years, this is posted out of the General Fund Balance to the Deferred Capital Receipts Reserve in the Movement in Reserves Statement. When the future rentals are received, the element for the capital receipt for the disposal of the asset is used to write down the lease debtor. At this point, the deferred capital receipts are transferred to the Capital Receipts Reserve. The written-off value of disposals is not a charge against council tax, as the cost of fixed assets is fully provided for under separate arrangements for capital financing. Amounts are therefore appropriated to the Capital Adjustment Account from the General Fund Balance in the Movement in Reserves Statement. Where the Authority grants an operating lease over a property or an item of plant or equipment, the asset is retained in the Balance Sheet. Rental income is credited to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Credits are made on a straight-line basis over the life of the lease, even if this does not match the pattern of payments (e.g. there is a premium paid at the commencement of the lease). Initial direct costs incurred in negotiating and arranging the lease are added to the carrying amount of the relevant asset and charged as an expense over the lease term on the same basis as rental income.

#### xviii Overheads and Support Services

The costs of overheads and support services are charged to those that benefit from the supply or service in accordance with the costing principles of the CIPFA Service Reporting Code of Practice 2016/17 (SERCOP). 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, with the exception of:

- Corporate and Democratic Core – costs relating to the Authority's status as a multifunctional, democratic organisation.
- Non Distributed Costs – the cost of discretionary benefits awarded to employees retiring early and impairment losses chargeable on Assets Held for Sale.

These two cost categories are defined in SERCOP and accounted for as separate headings in the Comprehensive Income and Expenditure Statement, as part of Net Expenditure on Continuing Services.

## NOTES TO THE ACCOUNTS

### 1 Accounting Policies

#### xix Property, Plant and Equipment

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

##### Recognition

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

##### Measurement

Assets are initially measured at cost, comprising:

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

The Authority does not capitalise borrowing costs incurred whilst assets are under construction. 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 cashflows 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 Comprehensive Income and Expenditure Statement, 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 Comprehensive Income and Expenditure Statement, they are reversed out of the General Fund Balance to the Capital Adjustment Account 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 Comprehensive Income and Expenditure Statement 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 Comprehensive Income and Expenditure Statement.

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 Capital Adjustment Account.

## NOTES TO THE ACCOUNTS

### 1 Accounting Policies

#### Impairment

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

- where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains)
- where there is no balance in the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant service line(s) in the Comprehensive Income and Expenditure Statement.

Where an impairment loss is reversed subsequently, the reversal is credited to the relevant service line(s) in the Comprehensive Income and Expenditure Statement, 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 Capital Adjustment Account.

#### 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 Comprehensive Income and Expenditure Statement. Gains in fair value are recognised only up to the amount of any previously losses 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 Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. Receipts from disposals (if any) are credited to the same line in the Comprehensive Income and Expenditure Statement 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 Capital Adjustment Account. Amounts received for a disposal are categorised as capital receipts. The balance of receipts is required to be credited to the Capital Receipts Reserve, 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 General Fund Balance in the Movement in Reserves Statement. The written-off value of disposals is not a charge against council tax, as the cost of fixed assets is fully provided for under separate arrangements for capital financing. Amounts are appropriated to the Capital Adjustment Account from the General Fund Balance in the Movement in Reserves Statement.

## NOTES TO THE ACCOUNTS

### 1 Accounting Policies

#### xx Provisions, Contingent Liabilities and Contingent Assets

##### Provisions

Provisions are made where an event has taken place that gives the Authority a legal or constructive obligation that probably requires settlement by a transfer of economic benefits or service potential, and a reliable estimate can be made of the amount of the obligation. For instance, the Authority may be involved in a court case that could eventually result in the making of a settlement or the payment of compensation. Provisions are charged as an expense to the appropriate service line in the Comprehensive Income and Expenditure Statement in the year that the authority becomes aware of the obligation, and are measured at the best estimate at the balance sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties. When payments are eventually made, they are charged to the provision carried in the Balance Sheet. Estimated settlements are reviewed at the end of each financial year – where it becomes less than probable that a transfer of economic benefits will now be required (or a lower settlement than anticipated is made), the provision is reversed and credited back to the relevant service. Where some or all of the payment required to settle a provision is expected to be recovered from another party (e.g. from an insurance claim), this is only recognised as income for the relevant service if it is virtually certain that reimbursement will be received if the authority settles the obligation.

##### Contingent Liabilities

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

Contingent liabilities are not recognised in the Balance Sheet but disclosed in a note to the accounts.

##### Contingent Assets

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

#### xxi Reserves

The Authority sets aside specific amounts as reserves for future policy purposes or to cover contingencies. Reserves are created by appropriating amounts out of the General Fund 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 Comprehensive Income and Expenditure Statement. The reserve is then appropriated back into the General Fund Balance in the Movement in Reserves Statement so that there is no net charge against council tax for the expenditure. Certain reserves are kept to manage the accounting processes for non-current assets, financial instruments, retirement and employee benefits and do not represent usable resources for the Authority – these reserves are explained in the relevant policies.

#### xxii Revenue Expenditure Funded from Capital under Statute

Expenditure incurred during the year that may be capitalised under statutory provisions but that does not result in the creation of a non-current asset has been charged as expenditure to the relevant service in the Comprehensive Income and Expenditure Statement 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 General Fund Balance to the Capital Adjustment Account then reverses out the amounts charged so that there is no impact on the level of council tax.

## NOTES TO THE ACCOUNTS

### 1 Accounting Policies

#### xxiii Fair Value

The council 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 council 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 Council 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 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

#### xxiv VAT

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

## NOTES TO THE ACCOUNTS

### 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 2017/18 Code:

- Amendment to the reporting of pension fund scheme transaction costs.
- Amendment to the reporting of pension fund investment concentration.

The Code requires implementation from 1 April 2017 and the changes are expected to be presentational and not material.

There is no impact on the 2016/17 Statement of Accounts.

### 3 Critical Judgements in Applying Accounting Policies

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

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

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

School Type	No.
Community	19
Voluntary Aided	11
Voluntary Controlled	7

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

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

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

The Statement of Accounts contains estimated figures that are based on assumptions made by the Authority about the future or that are otherwise uncertain. Estimates are made taking into account historical experience, current trends and other relevant factors. However, because balances cannot be determined with certainty, for example in non current assets and pension liability, actual results could be materially different from the assumptions and estimates. Items in the Authority's Balance Sheet at 31 March 2017 are not considered to carry a significant risk of material adjustment in the forthcoming financial year.

### 5 Material Items of Income and Expense

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

### 6 Events After the Balance Sheet Date

The Statement of Accounts was authorised for issue by the Head of Finance on the 28th September 2017. Events taking place after this date are not reflected in the financial statements or notes. Where events taking place before this date provided information about conditions existing at 31 March 2017, 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 Note to the Expenditure and Funding Analysis

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

Adjustments between Funding and Accounting Basis 2015/16				
Adjustments from General Fund to arrive at the Comprehensive Income and Expenditure Statement amounts	Adjustment for Capital Purposes	Net change for the Pensions Adjustments	Other Differences	Total Adjustments
	£'000	£'000	£'000	£'000
Adult, Children and Health Services	4,835	1,126	3,510	9,471
Operations & Customer Services	7,101	650	(1,797)	5,954
Corporate & Community Services	1,533	718	(1,845)	406
<b>Net Cost of Services</b>	<b>13,469</b>	<b>2,494</b>	<b>(132)</b>	<b>15,831</b>
Other income and expenditure from the Expenditure and Funding Analysis	(7,902)	8,129	1,083	1,310
Transfers to / from Earmarked Reserves (Note 10)	-	-	(3,027)	(3,027)
<b>Difference between General Fund surplus or deficit and Comprehensive Income and Expenditure Statement Surplus or Deficit on the Provision of Services.</b>	<b>5,567</b>	<b>10,623</b>	<b>(2,076)</b>	<b>14,114</b>

#### Adjustments for capital purposes

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

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

#### Net change for the Pensions Adjustments

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

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

## NOTES TO THE ACCOUNTS

### Other Differences

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

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

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

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

## 8 Expenditure and Income analysed by Nature

### The Authority's Expenditure and Income is analysed as follows

	2015/16	2016/17
	£'000	£'000
<b>Income</b>		
Government Grants	(118,555)	(98,221)
Collection Fund	(74,354)	(76,395)
Housing Benefit Income	(36,286)	(35,348)
Other Grants & Contributions	(20,084)	(21,578)
Fees & Charges	(24,989)	(28,386)
Sales	(4,394)	(3,432)
Rent	(6,717)	(7,561)
Interest	(696)	(562)
Contributions from other funds/balances	(3,459)	(4,442)
<b>Gross Income</b>	<b>(289,534)</b>	<b>(275,925)</b>
<b>Employees</b>		
Direct Employee Costs	66,773	65,078
Teachers Pay	28,274	24,330
Indirect Employee Costs	7,314	4,401
Pension Interest Cost	8,129	8,065
<b>Premises</b>		
Repairs & Maintenance	2,821	2,835
Other Energy	131	120
Gas	277	236
Electricity	1,647	1,380
Other Rent & Rates	2,057	1,904
Rates	2,252	2,432
Water	245	225
Other Premises	2,036	2,158
Depreciation, Amortisation and Impairment	13,469	11,982
<b>Supplies &amp; Services</b>		
Equipment, Furniture & Materials	2,068	1,713
Printing, Stationery & Office Expenses	2,853	2,620
Communications and Computing	3,884	4,178
Grants & Subscriptions	206	264
Other Supplies & Services	20,501	19,277
<b>Transport</b>	3,736	3,526
<b>Contract Services</b>	81,574	85,003
<b>Housing Benefit Payment</b>	37,173	36,307
<b>Other Operating Expenditure and Income</b>		
Interest Payments	2,870	2,840
Precepts and Levies	1,411	1,450
Changes in the fair value of Investment Properties	(4,854)	(12,036)
Gain or Loss on Disposal of Fixed Assets	12,251	24,342
Adjustment to School Balances	78	2,620
Adjustments to Provisions	(137)	(112)
Adjustments to Other Reserves	(924)	8
Revenue Expenditure Classified as Capital by Statute	5,371	8,544
<b>Gross Expenditure</b>	<b>303,486</b>	<b>305,690</b>
<b>Surplus or Deficit on the Provision of Services</b>	<b>13,952</b>	<b>29,765</b>

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

2016/17	Usable Reserves					Usable Reserves £'000	Unusable Reserves £'000
	General Fund Balance £'000	Capital Grants Unapplied £'000	School Revenue Balances £'000	Capital Receipts Reserve £'000			
<b>Adjustments primarily involving the Capital Adjustment Account:</b>							
Charges for depreciation and impairment of non-current assets	(11,982)				(11,982)	11,982	
Movements in the market value of Investment Properties	12,036				12,036	(12,036)	
Capital grants and contributions applied	7,316				7,316	(7,316)	
Revenue expenditure funded from capital under statute	(8,544)				(8,544)	8,544	
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(24,342)				(24,342)	24,342	
Statutory provision for the financing of capital investment	1,827				1,827	(1,827)	
<b>Adjustments primarily involving the Capital Grants Unapplied Account:</b>							
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	4,035	(4,035)			-	-	
Application of grants to capital financing transferred to the Capital Adjustment Account		4,632			4,632	(4,632)	
<b>Adjustments primarily involving the Capital Receipts Reserve:</b>							
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the CI&E Statement					-	-	
Use of the Capital Receipts Reserve to finance new capital expenditure					-	-	
Contribution from the Capital Receipts Reserve to finance the payments to the Government capital receipts pool.					-	-	
<b>Adjustments primarily involving the Pensions Reserve:</b>							
Reversal of items relating to retirement benefits debited or credited to the CI&E Statement	(7,901)				(7,901)	7,901	
<b>Adjustments primarily involving the Collection Fund Adjustment Account:</b>							
Amount by which council tax income credited to the CI&E Statement is different from council tax income calculated for the year in accordance with statutory requirements	(1,594)				(1,594)	1,594	
<b>Adjustment primarily involving the Accumulated Absences Account:</b>							
Amount by which officer remuneration charged to the CI&E Statement on an accruals basis is different from that charged in the year in accordance with statutory requirements	364				364	(364)	
<b>Total Adjustments</b>	<b>(28,785)</b>	<b>597</b>	<b>-</b>	<b>-</b>	<b>(28,188)</b>	<b>28,188</b>	

NOTES TO THE ACCOUNTS

2015/16 Comparative figures	Usable Reserves					
	General Fund Balance	Capital Grants Unapplied	School Revenue Balances	Capital Receipts Reserve	Usable Reserves	Unusable Reserves
	£'000	£'000	£'000	£'000	£'000	£'000
<b>Adjustments primarily involving the Capital Adjustment Account:</b>						
Charges for depreciation and impairment of non-current assets	(13,469)				(13,469)	13,469
Movements in the market value of Investment Properties	4,854				4,854	(4,854)
Capital grants and contributions applied	13,201				13,201	(13,201)
Revenue expenditure funded from capital under statute	(5,371)				(5,371)	5,371
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	(12,535)				(12,535)	12,535
Statutory provision for the financing of capital investment	1,753				1,753	(1,753)
<b>Adjustments primarily involving the Capital Grants Unapplied Account:</b>						
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	5,716	(5,716)			-	-
Application of grants to capital financing transferred to the Capital Adjustment Account		4,786			4,786	(4,786)
<b>Adjustments primarily involving the Capital Receipts Reserve:</b>						
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the CI&E Statement	284			(284)	-	-
Use of the Capital Receipts Reserve to finance new capital expenditure				284	284	(284)
Contribution from the Capital Receipts Reserve to finance the payments to the Government capital receipts pool.					-	-
<b>Adjustments primarily involving the Pensions Reserve:</b>						
Reversal of items relating to retirement benefits debited or credited to the CI&E Statement	(10,623)				(10,623)	10,623
<b>Adjustments primarily involving the Collection Fund Adjustment Account:</b>						
Amount by which council tax income credited to the CI&E Statement is different from council tax income calculated for the year in accordance with statutory requirements	(1,083)				(1,083)	1,083
<b>Adjustment primarily involving the Accumulated Absences Account:</b>						
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	132				132	(132)
<b>Total Adjustments</b>	<b>(17,141)</b>	<b>(930)</b>	<b>-</b>	<b>-</b>	<b>(18,071)</b>	<b>18,071</b>

## 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 2016/17.

	Balance at 31 March 2016	Transfers Out 2016/17	Transfers In 2016/17	Balance at 31 March 2017
	£'000	£'000	£'000	£'000
Insurance Reserve	1,538	(1,689)	1,387	1,236
Capital Reserves	2,596	(1,719)	1,150	2,027
Equipment Maintenance Funds	-	-	44	44
Nature Reserve Maintenance Fund	123	-	-	123
Corporate Development Fund	649	-	355	1,004
Firestation Maintenance Fund (WAC)	27	(6)	9	30
Grave Maintenance Fund	8	-	-	8
Better Care Fund	910	-	344	1,254
Public Health	-	-	118	118
<b>Total</b>	<b>5,851</b>	<b>(3,414)</b>	<b>3,407</b>	<b>5,844</b>

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

#### Insurance Reserve

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

The level of the reserve is a judgement set in conjunction with the council's external insurance and risk management advisors. The next bi-annual actuarial review will be in August 2017 and depending on the outcome the fund may be adjusted in future years.

#### Capital Reserve

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

#### Nature Reserve Maintenance Fund

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

#### Corporate Development Fund

This reserve is supported by contributions from the General Fund. The reserve is utilised to pump-prime savings generating initiatives and general infrastructure support around the Borough. Each scheme is subject to Members' approval.

#### 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.

#### Better Care Fund (BCF)

The Section 75 agreement we have with Clinical Commissioning Groups specify 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 that have a health benefit. This is an allowable use of BCF funding. The S75 Agreement then states that should RBWM use net underspends in this way, then it must add an equivalent sum into the BCF in the following year. So the £1,254,000 is the BCF net underspend. This has been used to fund Homecare, which has increased total Council reserves, so £1,254,000 of these reserves are ring fenced for adding to the BCF in 2017/18.

#### Public Health Fund (PHF)

As permitted by the grant conditions, £118,300 of the Public Health grant received in 2016/17 has been carried forward to support Public Health expenditure in 2017/18.

## NOTES TO THE ACCOUNTS

### Schools and Dedicated Schools Grant Reserves

	Balance at 31 March 2016	Transfers Out 2016/17	Transfers In 2016/17	Balance at 31 March 2017
	£'000	£'000	£'000	£'000
<b>School Revenue Balances</b>	3413	(1,623)	139	1,929
<b>Dedicated Schools Grant Reserve</b>				
General DSG Reserve	215	(966)	-	(751)
Earmarked DSG Reserve - School to School Support	37	(37)	-	-
Earmarked DSG Reserve - Capacity Building for Two-Year-Olds	85	(26)	-	59
Earmarked DSG Reserve - Support for Children In Care	80	(3)	-	77
Earmarked DSG Reserve - Mental Health and Wellbeing	321	(104)	-	217
<b>Total DSG Reserve</b>	<b>738</b>	<b>(1,136)</b>	<b>-</b>	<b>(398)</b>
<b>Total Schools and DSG Reserves</b>	<b>4,151</b>	<b>(2,759)</b>	<b>139</b>	<b>1,531</b>

#### 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 38) and must be carried forward to support the Schools Budget in future years. The DSG reserve reflects RBWM's accumulated DSG underspend.

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

- School to School support – to improve pupil outcomes through a programme of school to school support, commissioned by the Local Authority, by enabling outstanding school leaders to share curriculum expertise and spread good practice in lower performing schools.
- Capacity building for two year olds – to help build additional capacity among early years providers to deliver the extension to the free entitlement to education and childcare for two, three and four year olds.
- Support for children in care – to narrow the educational attainment gap of RBWM children in care compared with their peers.
- Mental health and wellbeing in schools - to provide early support for pupils at risk of mental health difficulties.

### 11 Other Operating Expenditure and Income

	2015/16 £'000	2016/17 £'000
Parish council precepts	1,264	1,301
Levies (Environment Agency)	147	149
(Gains)/losses on the disposal of non-current assets*	12,251	24,342
Adjustments to provisions	(137)	(112)
Adjustment to School Balances via Schools Reserve	78	2,620
Adjustment to Other reserves taken through the cost of services	(924)	8
MMI clawback payments under the Scheme of Arrangement	-	84
Revenue expenditure funded from capital under statute	5,371	8,544
<b>Total</b>	<b>18,050</b>	<b>36,936</b>

\* Disposal of schools converting to academies and other fixed assets

**NOTES TO THE ACCOUNTS**

**12 Financing and Investment Income and Expenditure**

	2015/16 £'000	2016/17 £'000
Interest payable and similar charges	2,870	2,840
Pensions interest cost	8,129	8,065
Interest receivable and similar income	(646)	(517)
Changes in the fair value of investment properties	(4,854)	(12,036)
<b>Total</b>	<b>5,499</b>	<b>(1,648)</b>

**13 Taxation and Non-Specific Grant Income**

	2015/16 £'000	2016/17 £'000
Collection Fund Precepts , Demands and Adjustments	(99,244)	(102,255)
Business Rates Tariff payable to Central Government	26,232	26,450
NNDR S31 and Other Collection Fund Grant	(1,342)	(590)
Non-ringfenced government grants (Revenue Support Grant)	(11,985)	(7,621)
Other non-ringfenced government grants	(5,007)	(6,487)
Capital Grants and Contributions	(18,916)	(11,350)
<b>Total</b>	<b>(110,262)</b>	<b>(101,853)</b>

**14 Property, Plant and Equipment**

**Movements on Balances**

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

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

**Net Book Value**

<b>At 31 March 2017</b>	<b>286,402</b>	<b>12,440</b>	<b>78,348</b>	<b>6,494</b>	<b>2,540</b>	<b>1,204</b>	<b>387,428</b>
<b>At 31 March 2016</b>	<b>259,871</b>	<b>11,320</b>	<b>74,456</b>	<b>5,759</b>	<b>2,280</b>	<b>2,315</b>	<b>356,001</b>

## NOTES TO THE ACCOUNTS

### Comparative Movements in 2015/16

	Other Land and Buildings	Vehicles, Plant, Furniture & Equipment	Infrastructure Assets	Community Assets	Surplus Assets	Assets Under Construction	Total PPE
Movements in 2015/16	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>Cost or Valuation</b>							
At 1 April 2015	340,990	28,375	164,083	7,035	3,430	13,321	557,234
Additions	1,182	2,321	10,353	119	-	7,240	21,215
Revaluation increases/(decreases)	11,908	-	-	-	-	-	11,908
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	(15,875)	(550)	-	-	(199)	-	(16,624)
Derecognition – disposals	(28,707)	(10)	-	-	-	-	(28,717)
Derecognition – other	(316)	-	-	-	-	(18,246)	(18,562)
Other movements in cost or valuation	2,310	-	-	-	-	-	2,310
<b>At 31 March 2016</b>	<b>311,492</b>	<b>30,136</b>	<b>174,436</b>	<b>7,154</b>	<b>3,231</b>	<b>2,315</b>	<b>528,764</b>

<b>Accumulated Depreciation and Impairment</b>							
At 1 April 2015	(51,075)	(17,417)	(95,890)	(1,395)	(951)	-	(166,728)
Depreciation charge	(6,978)	(1,432)	(4,090)	-	-	-	(12,500)
Depreciation written out to the Revaluation Reserve	5,903	-	-	-	-	-	5,903
Depreciation written out to the Surplus/Deficit on the Provision of Services	33	28	-	-	-	-	61
Derecognition – disposals	496	5	-	-	-	-	501
<b>At 31 March 2016</b>	<b>(51,621)</b>	<b>(18,816)</b>	<b>(99,980)</b>	<b>(1,395)</b>	<b>(951)</b>	<b>-</b>	<b>(172,763)</b>

### Net Book Value

<b>At 31 March 2016</b>	<b>259,871</b>	<b>11,320</b>	<b>74,456</b>	<b>5,759</b>	<b>2,280</b>	<b>2,315</b>	<b>356,001</b>
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### Depreciation

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

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

### Capital Commitments

At 31 March 2017, the Authority has entered into a number of contracts for the construction or enhancement of Property, Plant and Equipment in 2017/18 and future years budgeted to cost £9.022m. Similar commitments at 31 March 2016 were £0.3m. The major commitments are:

Scheme	£'000
Charters Expansion	123
Windsor Boys Expansion	814
Cox Green School Expansion Year 1 of 3	181
Furze Platt Senior expansion Year 1 of 3	740
Windsor Girls Expansion	1,267
Street Lighting-LED Upgrade	634
St Clouds Way Ten Pin Bowl-Purchase Leasehold Interest	4,478
Transforming Care Partnership	785
	<b>9,022</b>

## NOTES TO THE ACCOUNTS

### Revaluations

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

	Land and Buildings	Vehicles, Plant, Furniture & Equipment	Surplus Assets	Total
	£'000	£'000	£'000	£'000
Carried at historical cost	-	12,440	-	12,440
Valued at fair value as at:				
31 March 2017	1,123	-	2,540	3,663
31 March 2016	11,709	-	-	11,709
31 March 2015	36,395	-	-	36,395
31 March 2014	26,950	-	-	26,950
31 March 2013	215,229	-	-	215,229
<b>Total Cost or Valuation</b>	<b>291,406</b>	<b>12,440</b>	<b>2,540</b>	<b>306,386</b>
Variations since date of valuation (see below)	(5,004)	-	-	(5,004)
<b>Net Book Value as at 31st March 2016</b>	<b>286,402</b>	<b>12,440</b>	<b>2,540</b>	<b>301,382</b>

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

### 15 Heritage Assets

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

The collection comprises approximately 11,000 objects including pre-historic tools, 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 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.

## NOTES TO THE ACCOUNTS

### 16 Investment Properties

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

	2015/16 £'000	2016/17 £'000
Rental income from investment property	3,875	3,827
Direct operating expenses arising from investment property	(950)	(1,146)
<b>Net gain/(loss)</b>	<b>2,925</b>	<b>2,681</b>

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

	2015/16 £'000	2016/17 £'000
<b>Balance at start of the year</b>	59,331	64,674
Additions:		
Purchases	-	-
Disposals	-	-
Net gains/(losses) from fair value adjustments	4,854	12,037
Transfers:		
(To)/from Property, Plant and Equipment	316	-
Other changes	173	(100)
<b>Balance at end of the year</b>	<b>64,674</b>	<b>76,611</b>

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 2016 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.

### 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 £0.963m charged to revenue in 2016/17 was charged to the relevant service.

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

	2015/16 £'000	2016/17 £'000
<b>Balance at start of year:</b>		
Gross carrying amounts	15,476	16,311
Accumulated amortisation	(11,465)	(12,434)
<b>Net carrying amount at start of year</b>	<b>4,011</b>	<b>3,877</b>
Additions:		
Purchases	835	378
Amortisation for the period	(969)	(963)
Other changes		25
<b>Net carrying amount at end of year</b>	<b>3,877</b>	<b>3,317</b>
<b>Comprising:</b>		
Gross carrying amounts	16,311	16,714
Accumulated amortisation	(12,434)	(13,397)
<b>Total</b>	<b>3,877</b>	<b>3,317</b>

## NOTES TO THE ACCOUNTS

### 18 Financial Instruments

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

	Long-term		Current	
	2015/16 £'000	2016/17 £'000	2015/16 £'000	2016/17 £'000
<b>Investments</b>				
Loans and receivables*	1,337	-	17,445	-
Unquoted equity investment at cost**	225	1,041		
<b>Total Investments</b>	<b>1,562</b>	<b>1,041</b>	<b>17,445</b>	<b>-</b>
<b>Debtors</b>				
Loans and receivables	36	34	21,859	30,810
<b>Total Debtors</b>	<b>36</b>	<b>34</b>	<b>21,859</b>	<b>30,810</b>
<b>Borrowings</b>				
Financial liabilities at amortised cost***	(57,499)	(57,049)	(750)	(13,259)
<b>Total Borrowings</b>	<b>(57,499)</b>	<b>(57,049)</b>	<b>(750)</b>	<b>(13,259)</b>
<b>Creditors</b>				
Financial liabilities at amortised cost	(250)	(250)	(28,240)	(27,543)
<b>Total Creditors</b>	<b>(250)</b>	<b>(250)</b>	<b>(28,240)</b>	<b>(27,543)</b>

\* The Council does not have any loans and receivables in 2016/17

\*\* In 2016/17 the Council has joined Wokingham Borough Council as shared owner of Optalis Ltd a provider of Adult Social Care services . The Council had an existing Investment in RBWM Commercial Services .

\*\*\* The fair value of borrowings has been calculated as £97.177m in 2016/17.

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

Short term borrowings are loan repayments to Thames Valley LEP £0.45m , London Borough of Brent £5m and net balances of £7.809m held on behalf of Trust Funds administered by the Council.

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

### 19 Inventories

	Consumable Stores		Client Services Work in Progress		Total Inventories	
	2015/16 £'000	2016/17 £'000	2015/16 £'000	2016/17 £'000	2015/16 £'000	2016/17 £'000
Balance outstanding at start of year	15	15	17	82	32	97
Purchases	-	-	4,006	3,583	4,006	3,583
Recognised as an expense in the year	-	-	(3,946)	(3,378)	(3,946)	(3,378)
Written off balances	-	-	5	(27)	5	(27)
<b>Balance outstanding at year-end</b>	<b>15</b>	<b>15</b>	<b>82</b>	<b>260</b>	<b>97</b>	<b>275</b>

### 20 Construction Contracts

There were no construction contracts carried out on behalf of other organisations during 2016/17.

### 21 Debtors

	At 31 March 2016 £'000	At 31 March 2017 £'000
Central government bodies	4,850	4,488
Housing benefit overpayment	4,131	4,500
Other local and public authorities	3,222	2,269
Collection Fund	633	4,385
Housing Associations	131	803
Other entities and individuals	8,892	14,365
<b>Total</b>	<b>21,859</b>	<b>30,810</b>

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

## NOTES TO THE ACCOUNTS

### 22 Cash and Cash Equivalents

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

	At 31 March 2016 £'000	At 31 March 2017 £'000
Cash held by the Authority	1,117	1,031
Bank current accounts*	(3,813)	(34)
Short-term deposits with bank	1,522	-
<b>Total Cash and Cash Equivalents</b>	<b>(1,174)</b>	<b>997</b>

\*RBWM's current accounts are managed so that they are always in credit. However the balance in the cash book (£34k) appears to be an overdraft. This is due to timing differences at year end.

### 23 Assets Held for Sale

As at 31st March 2017 no assets were held for sale.

### 24 Creditors

	At 31 March 2016 £'000	At 31 March 2017 £'000
Central government bodies	(6,863)	(7,263)
Housing associations	(286)	(471)
Other local and public authorities	(4,916)	(4,568)
Other entities and individuals	(16,175)	(15,241)
<b>Total</b>	<b>(28,240)</b>	<b>(27,543)</b>

### 25 Provisions

	Planning £'000	Clearance of Shurlock Road £'000	Provision for MMI clawback liability £'000	Provision for redundancy £'000	Appeal Provision for Collection Fund (Business Rates) £'000	Total Provisions £'000
Balance at 1 April 2016	(170)	(300)	(95)	(576)	(1,916)	(3,057)
Additional provisions made in 2016/17	-	-	(273)	(263)	-	(536)
Amounts used in 2016/17	170	-	109	450	-	729
Unused amounts reversed in 2016/17	-	180	-	-	-	180
Balance at 31 March 2016	-	(120)	(259)	(389)	(1,916)	(2,684)

**Provision for Planning** - Provision for the costs of planning appeals

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

**Provision for MMI (Municipal Mutual Insurance Ltd) clawback liability** - On the 31st March 2012, the Supreme Court announced its judgement on the Employers Liability Trigger Litigation cases. It ruled that insurers incur liability at the time of exposure to asbestos fibre and not when the disease develops. This has implications for MMI, a mutual which provided insurance cover for many local authorities until it ceased operating in 1992.

The potential liability exceeds funds available within the MMI run off fund and liability transfers therefore, to those authorities that formed the mutual, which included RBWM pre-unitary status and the former Berkshire County Council. On it's Broker's advice the Council made an additional provision for this in the 2016/17 accounts.

**Provision for redundancy** - provision for redundancy payments expected in 2017/18 that relate to decisions made in 2016/17.

**Appeal Provision for Business Rates** - The provision is required to cover the loss of income that may result from appeals made in 2016/17 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

	At 31 March 2016 £'000	At 31 March 2017 £'000
Capital Adjustment Account	205,741	160,065
Revaluation Reserve	130,198	204,793
Pensions Reserve	(250,585)	(313,583)
Collection Fund Adjustment Account	1,637	43
Accumulated Absences Account	(2,781)	(2,417)
<b>Total Unusable Reserves</b>	<b>84,210</b>	<b>48,901</b>

#### 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 7 provides details of the source of all the transactions posted to the Account, apart from those involving the Revaluation Reserve.

2015/16		Capital Adjustment Account	2016/17	
£'000	£'000		£'000	£'000
	<b>235,557</b>	<b>Balance at 1 April</b>		<b>205,741</b>
1,753		Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:	1,827	
(12,500)		Charges for depreciation and impairment of noncurrent assets	(11,020)	
(16,364)		Revaluation losses on Property, Plant and Equipment	(34,040)	
(969)		Amortisation of intangible assets	(963)	
(5,371)		Revenue expenditure funded from capital under statute	(8,544)	
(12,535)		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	(12,049)	
	<b>(45,986)</b>			<b>(64,789)</b>
	6,871	Adjusting amounts written out of the Revaluation Reserve		3,854
		<b>Capital financing applied in the year:</b>		
284		Use of the Capital Receipts Reserve to finance new capital expenditure	-	
13,201		Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	7,316	
4,786		Application of grants to capital financing from the Capital Grants Unapplied Account	4,633	
1,935		Capital expenditure charged against the General Fund	1,200	
(15,761)		Other Adjustments	(9,927)	
	<b>4,445</b>			<b>3,222</b>
	4,854	Movements in the market value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement		12,037
	<b>205,741</b>	<b>Balance as at 31 March</b>		<b>160,065</b>

## 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	2015/16 £'000	2016/17 £'000
Balance at 1 April	135,139	130,198
Upward revaluation of assets	17,811	78,450
Difference between fair value depreciation and historical cost depreciation	(5,073)	(3,832)
Amount written off to the Capital Adjustment Account	(17,679)	(23)
<b>Balance at 31 March</b>	<b>130,198</b>	<b>204,793</b>

### 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.

	2015/16 £'000	2016/17 £'000
Balance at 1 April	(264,133)	(250,585)
Actuarial gains or losses on pensions assets and liabilities	24,172	(55,097)
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	(19,267)	(16,720)
Employer's pensions contributions and direct payments to pensioners payable in the year	8,643	8,819
<b>Balance at 31 March</b>	<b>(250,585)</b>	<b>(313,583)</b>

### 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

	2015/16 £'000	2016/17 £'000
Balance at 1 April	2,208	2,386
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	178	129
<b>Balance at 31 March</b>	<b>2,386</b>	<b>2,515</b>

#### Collection Fund - Business Rates

	2015/16 £'000	2016/17 £'000
Balance at 1 April	512	(749)
Amount by which NNDR income credited to the Comprehensive Income and Expenditure Statement is different from NNDR income calculated for the year in accordance with statutory requirements	(1,261)	(1,723)
<b>Balance at 31 March</b>	<b>(749)</b>	<b>(2,472)</b>

## NOTES TO THE ACCOUNTS

### 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.

	2015/16 £'000	2016/17 £'000
Balance at 1 April	(2,914)	(2,781)
Settlement or cancellation of accrual made at the end of the preceding year	2,914	2,781
Amounts accrued at the end of the current year	(2,781)	(2,417)
<b>Balance at 31 March</b>	<b>(2,781)</b>	<b>(2,417)</b>

### 28 Cash Flow Statement - Operating Activities

The cash flows for operating activities include the following items:

	2015/16 £'000	2016/17 £'000
Interest received	646	517
Interest paid	(2,868)	(2,840)

The surplus or deficit on the provision of services has been adjusted for the following non-cash movements	2015/16 £'000	2016/17 £'000
Depreciation	13,469	11,982
Impairment and Valuation Losses	-	-
Adjustment for Internal Interest charged	2	-
Increase/Decrease in Creditors	(3,939)	(697)
Increase/Decrease in Debtors	(3,727)	(8,951)
Increase/Decrease in Inventories	(65)	(178)
Pension Liability	10,624	7,901
Contributions to/(from) Provisions	(631)	(373)
Carrying amount of non-current assets sold or de-recognised (property plant and equipment, investment property and intangible assets)	21,113	24,342
Carrying amount of short and long term investments sold	-	17,966
Upward movement in investment property values	(4,854)	(12,036)
<b>Adjust net surplus or deficit on the provision of services for non-cash movements</b>	<b>31,992</b>	<b>39,956</b>

The surplus or deficit on the provision of services has been adjusted for the following items that are investing and financing activities.	2015/16 £'000	2016/17 £'000
Proceeds from short-term (not cash equivalents) and long-term investments	(284)	(17,966)
Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(8,579)	-
Capital Grants credited to the surplus or deficit on the provision of services	(18,917)	(11,351)
<b>Adjust net surplus or deficit on the provision of services for investing activities</b>	<b>(27,780)</b>	<b>(29,317)</b>

### 29 Cash Flow Statement - Investing Activities

	2015/16 £'000	2016/17 £'000
Purchase of property, plant and equipment, investment property and intangible assets including capital expenditure on existing assets	(22,050)	(20,315)
Purchase of short-term and long-term investments	-	-
Other payments for investing activities	(12)	-
Proceeds from the sale of property, plant and equipment, investment property and intangible assets	284	17,966
Proceeds from short-term (not cash equivalents) and long-term investments	8,579	-
Other receipts from investing activities	11,534	11,587
<b>Net cash flows from investing activities</b>	<b>(1,665)</b>	<b>9,238</b>

## NOTES TO THE ACCOUNTS

### 30 Cash Flow Statement - Financing Activities

	2015/16 £'000	2016/17 £'000
Cash receipts of short and long-term borrowing	-	12,059
Other receipts from financing activities	-	-
Repayments of short and long-term borrowing	(400)	-
Other payments for financing activities	-	-
<b>Net cash flows from financing activities</b>	<b>(400)</b>	<b>12,059</b>

### 31 Acquired and Discontinued Operations

The council did not acquire or discontinue any operations in the financial year ended 31 March 2017

### 32 Trading Operations

Investment properties are also 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.

	2015/16 £'000	2016/17 £'000
Turnover	3,875	3,827
Expenditure	(950)	(1,146)
<b>Surplus/(Deficit)</b>	<b>2,925</b>	<b>2,681</b>

The cumulative surplus for the last four trading years is 11.715m.

### 33 Agency Services

The Council did not provide agency services during the years ended 31 March 2017 or 31 March 2016.

### 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 2017.

### 35 Pooled Budgets

During 2016/17, the Council were involved in the following pooled budget arrangements,

#### Better Care Fund

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

In 2016/17 the £11,047k expenditure includes £3,958k of spend and equivalent funding which was incurred by our CCG partners in their accounts, on activities commissioned directly by them.

## NOTES TO THE ACCOUNTS

Council Hosting the Better Care Fund as Principal	2015/16 £'000	2016/17 £'000
Funding from Royal Borough of Windsor and Maidenhead	2,005	2,136
Funding from the Health Service	7,450	8,206
Other Income	670	705
<b>Total Funding</b>	<b>10,125</b>	<b>11,047</b>
<b>Total Expenditure on Better Care Fund</b>	<b>10,125</b>	<b>11,047</b>

### **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.

	2015/16 £'000	2016/17 £'000
<b>Funding</b>		
Slough Borough Council	404	307
West Berkshire Council	661	726
RBWM	412	454
Other Berkshire Authorities	1,255	1,302
Clinical Commissioning Group	4,533	4,878
<b>Total Funding</b>	<b>7,265</b>	<b>7,667</b>
<b>Expenditure</b>		
NRS Healthcare Services	7,265	7,667
<b>Total Expenditure</b>	<b>7,265</b>	<b>7,667</b>
<b>Net Expenditure on Joint Stores Services</b>	<b>0</b>	<b>0</b>

### **36 Members' Allowances**

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

	2015/16 £'000	2016/17 £'000
Salaries	-	-
Allowances	660	720
Expenses	5	5
<b>Total</b>	<b>665</b>	<b>725</b>

## NOTES TO THE ACCOUNTS

### 37 Officers' Remuneration

The following tables set out the remuneration disclosures for Senior Officers whose salary is more than £50,000 per year for 2016/17 and 2015/16. Compensation for loss of office excludes payments to the Pension Fund in lieu of future contributions (Pension Strain).

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

**Notes:**

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

**NOTES TO THE ACCOUNTS**

<b>2015/16</b>	<b>Notes</b>	<b>Salary (Including Fees &amp; Allowances) £</b>	<b>Compensation for loss of Office £</b>	<b>Pension Cont. £</b>	<b>Total Remuneration incl. Pension contributions £</b>
Managing Director	1	125,571		16,073	141,644
Strategic Director of Operations & Customer Services	2	93,333		11,947	105,280
Strategic Director of Corporate & Community Services	3	24,194		3,097	27,291
Strategic Director of Adult & Community Services	4	105,653		-	105,653
Director of Corporate Services	5	59,956		7,237	67,193
Head of Communities & Economic Development		75,342		9,644	84,986
Director of Planning Development & Regeneration		90,000		11,520	101,520
Head of Governance, Partnerships, Performance & Policy		90,317		12,473	102,790
Head of Finance	6	90,012		11,522	101,534
Deputy Director Health, Early Help & Safeguarding	7	39,038		3,684	42,722
Deputy Director Health & Adult Social Care		64,831		8,298	73,129
Head of Schools & Educational Services	8	32,011		4,097	36,108
Head of Commissioning, Adults, Children & Health		68,254		8,736	76,990
Head of HR		81,947		10,502	92,449
Head of Customer Services		78,260		10,017	88,277
Head of Libraries, Information, Heritage and Arts		68,375		8,752	77,127
Head of Revenue & Benefits		75,899		-	75,899
Head of Information Technology	9	68,896		8,819	77,715
Interim Head of Information Technology		72,715		9,308	82,023
Head of Community Protection & Enforcement		77,852		9,965	87,817
Head of Highways & Transport		76,236		9,192	85,428

**Notes:**

1. Previously Strategic Director for Children's Services, Managing Director from August 2015.
2. Employed from June 2015.
3. Employed from January 2016.
4. Interim Managing Director to July 2015, left in January 2016.
5. Left in October 2015.
6. Interim Director of Corporate Services from September 2015 to January 2016. Left at the end of March 2016.
7. Employed from October 2015, left February 2016.
8. Employed from November 2015.
9. Left in March 2016.

## NOTES TO THE ACCOUNTS

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

Remuneration band	2015/16 Employees	2016/17 Employees
£50,000 - £54,999	33	34
£55,000 - £59,999	26	18
£60,000 - £64,999	14	13
£65,000 - £69,999	8	9
£70,000 - £74,999	11	9
£75,000 - £79,999	6	6
£80,000 - £84,999	5	5
£85,000 - £89,999	-	2
£90,000 - £94,999	4	4
£95,000 - £99,999	1	-
£100,000 - £104,999	-	1
£105,000 - £109,999	1	1
£125,000 - £129,999	1	-
£130,000 - £134,999	-	-
£135,000 - £139,999	-	-
£140,000 - £144,999	-	1
£145,000 - £149,999	-	-
£150,000 - £154,999	-	-
£155,000 - £159,999	-	-

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

Exit Package Cost Band (including special payments)	Number of Compulsory Redundancies		Number of Other Departures Agreed		Total Number of Exit Packages by Cost Band		Total £'000 Cost of Exit Packages in Each Band	
	2015/16	2016/17	2015/16	2016/17	2015/16	2016/17	2015/16	2016/17
£0- £20,000	16	6	7	2	23	8	133	115
£20,001 - £40,000	5	1	2	-	7	1	208	25
£40,001 - £60,000	-	2	-	-	-	2	-	86
£60,001 - £80,000	-	1	-	-	-	1	-	70
£80,001 - £100,000	-	-	-	-	-	-	-	-
<b>Total</b>	<b>21</b>	<b>10</b>	<b>9</b>	<b>2</b>	<b>30</b>	<b>12</b>	<b>341</b>	<b>296</b>

### 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:

	2015/16 £'000	2016/17 £'000
Fees payable to KPMG with regard to external audit services carried out during the year	107	107
Fees payable to KPMG in respect of statutory inspections	-	-
Fees payable to KPMG for the certification of grant claims and returns during the year	13	12
Fees payable in respect of other services provided by KPMG during the year	-	-
<b>Total</b>	<b>120</b>	<b>119</b>

## 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 ringfenced 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 2016/17 are as follows:

	Central Expenditure £'000	ISB £'000	Total £'000
Final DSG for 2016/17 before Academy recoupment			104,964
Less Academy figure recoupled for 2015/16			44,105
<b>Total DSG after Academy recoupment for 2016/17</b>			<b>60,859</b>
Brought forward from 2015/16 agreed in advance			737
Less Carry Forward to 2017/18 agreed in advance			0
Agreed initial budgeted distribution in 2016/17	21,920	39,676	61,596
In-year adjustments (see below for analysis)	(593)	63	(530)
<b>Final Budget distribution for 2016/17</b>	<b>21,327</b>	<b>39,739</b>	<b>61,066</b>
Less actual central expenditure in 2016/17	21,725		
Less actual ISB deployed to schools 2016/17		39,739	
Plus Local Authority contribution for 2016/17	-	-	-
<b>Carry Forward to 2017/18 agreed in advance</b>	<b>(398)</b>	<b>0</b>	<b>(398)</b>

Analysis of in-year adjustments above:

	Central Expenditure £'000	ISB £'000	Total £'000
In -year allocations from DSG reserve	(530)		(530)
<u>Allocations to/from central budgets to ISB</u>			
- Net in-year adjustments for actual uptake of Early Years free entitlement	92	(92)	-
- Pupil Growth fund allocations to expanding schools	(166)	166	-
- Deductions from schools budgets for excluded pupils	5	(5)	-
- Other budget movements	6	(6)	-
<b>Total In-Year Adjustments</b>	<b>(593)</b>	<b>63</b>	<b>(530)</b>

### 40 Grant Income

The Authority credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement in 2016/17

	2015/16 £'000	2016/17 £'000
<b>Credited to Taxation and Non Specific Grant Income</b>		
Revenue Support Grant	11,985	7,621
Capital Grants and Contributions	18,916	11,350
Council Tax Transition Grant	-	1,278
Council Tax Reward Grant	628	-
New Homes Bonus	3,012	4,026
Education Services Grant	1,367	1,113
Other Grants		70
<b>Total Credited to Taxation and Non Specific Grant Income</b>	<b>35,908</b>	<b>25,458</b>

**NOTES TO THE ACCOUNTS**

	2015/16 £'000	2016/17 £'000
<b>Credited to Services - Government Grants</b>		
Dedicated Schools Grant (DSG)	67,180	60,687
Pupil Premium	2,296	1,942
Teacher Training	255	39
PE and Sports Grant	97	331
Universal Infant Free School Meals (UIFSM)	1,790	1,350
Special Educational Needs Reform	141	142
SEND Preparation for Employment	28	-
Other Education Grants	-	49
Cycle Training Grant	46	(1)
Local Services Support Grant - Extended Rights to Free Travel	12	11
Local Services Support Grant - Lead Local Flood	47	-
Local Reform and Community Voices	25	-
Asylum Seekers & Other Refugee Grants	177	156
Social Care Innovation	841	249
Carers and Care Act Implementation	110	-
Early Assessments Grant	468	-
Deferred Payments Grant	213	-
Community Capacity Grant	265	-
Disabled Facilities Grant	380	705
Independent Living Fund (DCLG)	98	124
Social Care Training & Other Grants	13	36
Deprivation of Liberty Safeguarding (DOH)	51	-
Education Training Grants (including GTP & School Workforce Adviser)	910	446
Children Staying Put	22	33
Troubled Families DCLG	300	328
Sixth forms funding from Young People's Learning Agency (YPLA)	1,000	243
Community Safety (PCC)	61	64
Public Health Grant	4,205	5,032
Drug Action Teams	64	60
Supporting Community Transport (DFT)	-	76
Bus Services Operators Grant	76	-
Collection Allowance	259	243
New Burdens Grant / Service Transformation	127	124
Adoption Improvement	106	81
Regional Adoption Agency Pilot Programme Grant	207	90
Support for Service Children (MoD)	117	11
Weekly Refuse Collection Support / Recycling Grants	107	-
Delivering Differently in Neighbourhoods Grant	90	-
Sustainable Drainage	57	-
Local Sustainable Transport Fund DTP	54	-
Electoral Registration	275	46
Other grants	77	66
<b>Total Government Grants</b>	<b>82,647</b>	<b>72,763</b>
Mandatory Rent Allowances: subsidy	36,163	35,180
Discretionary Benefits	123	168
<b>Total Housing Benefit Income</b>	<b>36,286</b>	<b>35,348</b>
<b>Credited to Services - Other Grants and Contributions</b>		
Housing Benefit and Council Tax Benefit Administration	585	443
Fraud & Error Reduction	-	26
Youth Justice Board	138	150
Community Safety	-	-
Health-Better Care	8,054	8,206
Health-Other Contributions	2,203	2,227
Contributions	8,660	10,123
Donations	443	402
Contributions from other funds/balances & reallocations	3,460	4,443
<b>Total Other Grants and Contributions</b>	<b>23,543</b>	<b>26,020</b>
<b>Total Credited to Services</b>	<b>142,476</b>	<b>134,131</b>

## 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:

	2015/16 £'000	2016/17 £'000
Developers Contributions	14,126	13,101
Other Contributions	85	141
Education Grants	61	29
Other Grants	1,523	2,758
<b>Total</b>	<b>15,795</b>	<b>16,029</b>

### Capital Grants Unapplied

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

	2015/16 £'000	2016/17 £'000
Education Grants	8,081	8,116
Other Grants	1,141	509
<b>Total</b>	<b>9,222</b>	<b>8,625</b>

#### 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 2016 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 2016/17 is shown in Note 36.

During 2016/17 £2,498,000 of expenditure was incurred with third parties in which members had an interest.

RBWM paid grants totalling £347,000 to voluntary organisations in which 22 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 216 active employers, including the unitary local authorities in Berkshire. The council charged £1.316m for administering the Fund during 2016/17. Legislation prevents pension funds from lending money to administering authorities from 1 April 2010.

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

	Exp 2016/17 £000	Income 2016/17 £000
Charter School	151	153
Forest Bridge School	605	21
Holyport College	500	32
Holyport C of E Primary School	120	
Windsor Learning Partnership	437	10
Enterprise Cube	43	
First Beeline Buses	642	
<b>Total</b>	<b>2,498</b>	<b>216</b>

## NOTES TO THE ACCOUNTS

### 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. The CFR is analysed in the second part of this note.

	2015/16 £'000	2016/17 £'000
<b>Opening Capital Financing Requirement</b>	<b>67,080</b>	<b>72,541</b>
<b>Capital investment</b>		
Property, Plant and Equipment	21,215	19,938
Investment Properties	-	-
Intangible Assets	835	378
Long Term Investments	-	-
Revenue Expenditure Funded from Capital under Statute	5,371	8,544
<b>Sources of finance</b>		
Capital Receipts	(284)	-
Government Grants and Other Contributions	(17,988)	(11,949)
Sums set aside from Revenue:		
Direct Revenue Contributions	(1,935)	(1,200)
Minimum Revenue Provision	(1,753)	(1,827)
<b>Closing Capital Financing Requirement</b>	<b>72,541</b>	<b>86,425</b>
<b>Explanation of Movements in Year</b>		
Increase in underlying need to borrow (unsupported by government financial assistance)	5,461	13,884
<b>Increase/(decrease) in Capital Financing Requirement</b>	<b>5,461</b>	<b>13,884</b>

### 43 Leases

#### Authority as Lessee

##### Finance Leases

There were no finance leases in 2016/17 or 2015/16

##### 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:

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

2015/16 Future Minimum lease payments	Land and buildings	Vehicles, Plant & Equip't	Other Leases	2015/16 Rental Charge
	£'000	£'000	£'000	£'000
Not later than one year	335	141	141	617
Later than one year and not later than five years	990	391	214	1,595
Later than five years	3,237	-	57	3,294
<b>Total</b>	<b>4,562</b>	<b>532</b>	<b>412</b>	<b>5,506</b>

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

	2015/16 £'000	2016/17 £'000
Minimum lease payments	2,188	2,132
Contingent rents	33	36
<b>Total</b>	<b>2,221</b>	<b>2,168</b>

## NOTES TO THE ACCOUNTS

### Authority as Lessor

#### Finance Leases

There were no finance leases in 2016/17 or 2015/16

#### 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:

	2015/16 £'000	2016/17 £'000
Not later than one year	3,311	3,612
Later than one year and not later than five years	12,128	11,736
Later than five years	237,248	252,938
<b>Total</b>	<b>252,687</b>	<b>268,286</b>

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

#### 44 PFI and Similar Contracts

There were no PFI or similar contracts during 2016/17 or 2015/16

#### 45 Impairment Losses

There were no impairment losses during 2016/17 or 2015/16.

#### 46 Capitalisation of Borrowing Costs

No borrowing costs were capitalised during 2016/17 or 2015/16.

#### 47 Termination Benefits

The Authority terminated the contracts of 12 employees in 2016/17, incurring liabilities of £296,000 and 30 employees in 2015/16 incurring liabilities of £341,000. See note 37 for the number and cost of redundancies by band.

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

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

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

For the purposes of this Statement of Accounts, it is therefore accounted for on the same basis as a defined contribution scheme. In 2016/17, the council paid £2.779m to Teachers' Pensions in respect of teachers' retirement benefits, representing 16.4% of pensionable pay. The figures for 2015/16 were £3.167m and 15.4%. There were no contributions remaining payable at the year-end.

The Authority is responsible for the costs of any additional benefits awarded upon early retirement outside of the terms of the teachers' scheme.

## 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	
	2015/16	2016/17
Cost of Services:		
Service Cost (comprising current service cost, past service cost and gain / loss from settlements)	10,549	7,814
Financing and Investment Income and Expenditure:		
Net interest expense	8,556	8,743
Administration expenses	161	163
<b>Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services</b>	<b>19,266</b>	<b>16,720</b>
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	(11,388)	25,714
Actuarial gains / (losses) on changes in demographic assumptions		6,097
Actuarial gains / (losses) on changes in financial assumptions	35,246	(106,678)
Other actuarial gains / (losses) on assets		5,106
Experience gain/(loss) on defined benefit obligation	314	14,664
<b>Total Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement</b>	<b>43,438</b>	<b>(38,377)</b>

Movement in Reserves Statement	Local Government Pension Scheme £'000	
	2015/16	2016/17
Reversal of net charges made to the Surplus or Deficit for the Provision of Services for post employment benefits in accordance with the Code.	42,395	38,377
<b>Actual amount charged against the General Fund Balance for pensions in the year:</b>		
Employers' contributions payable to scheme	8,643	8,819

#### 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	
	2015/16	2016/17
Present value of the defined benefit obligation	(464,077)	(559,909)
Fair value of scheme assets	220,923	254,040
<b>Net Liability</b>	<b>(243,154)</b>	<b>(305,869)</b>
Present value of unfunded obligation	(7,431)	(7,714)
<b>Net Liability in the Balance Sheet</b>	<b>(250,585)</b>	<b>(313,583)</b>

## NOTES TO THE ACCOUNTS

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

	Local Government Pension Scheme £'000	
	2015/16	2016/17
Opening balance at 1 April	491,780	471,508
Current service cost	12,647	10,692
Interest cost	16,214	16,791
Contributions by scheme participants	2,874	2,698
Re-measurement (gains) and losses:		
Arising from changes in demographic assumptions	-	(6,097)
Arising from changes in financial assumptions	(35,246)	106,678
Experience gain/(loss) on defined benefit obligation	(314)	(14,664)
Past service costs including curtailment (losses)/gains	293	217
Benefits paid	(13,568)	(16,360)
Liabilities removed on settlement	(2,572)	(3,261)
Unfunded payments	(600)	(579)
<b>Closing balance at 31 March</b>	<b>471,508</b>	<b>567,623</b>

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

	Local Government Pension Scheme £'000	
	2015/16	2016/17
Opening fair value of scheme assets	227,646	220,923
Interest on assets	7,658	8,048
Return on assets less interest	(11,388)	25,714
Other Actuarial gains / (losses)	-	5,106
Administrative expenses	(161)	(163)
Employer contributions	8,643	8,819
Contributions by scheme participants	2,874	2,698
Benefits paid	(14,168)	(16,939)
Settlement prices received / (paid)	(181)	(166)
<b>Closing balance at 31 March</b>	<b>220,923</b>	<b>254,040</b>

The actual return on scheme assets in the year was £33.8m, 2015/16 was (£4m) .

### Fair value of scheme assets comprised:

	Local Government Pension Scheme £'000	
	2015/16	2016/17
Gilts	3,218	-
Cash	11,144	26,650
Other Bonds	30,297	37,864
Equities	99,886	123,934
Property	25,827	35,025
Target Return	41,580	26,238
Commodities	7,283	4,210
Infrastructure	10,560	12,898
Alternative Assets	-	-
Longevity Insurance	(8,872)	(12,779)
<b>Closing balance at 31 March</b>	<b>220,923</b>	<b>254,040</b>

## 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 2013, the results of which were published on the 31 March 2014.

The significant assumptions used by the actuary have been:

	Local Government Pension Scheme	
	2015/16	2016/17
Long-term expected rate of return on assets in the scheme	3.6%	2.7%
Mortality assumptions:		
Longevity at 65 for current pensioners:		
Men	22.90	23.00
Women	26.20	25.00
Longevity at 65 for future pensioners:		
Men	25.20	25.10
Women	28.60	27.40
Rate of inflation	3.2%	2.7%
Rate of increase in salaries	4.1%	4.2%
Rate of increase in pensions	2.3%	2.7%
Rate for discounting scheme liabilities	3.6%	2.7%

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)	21,525	(20,711)
Rate of increase in salaries (increase or decrease by 0.1%)	1,050	(1,041)
Rate of increase in pensions (increase or decrease by 0.1%)	9,609	(9,427)
Rate for discounting scheme liabilities (increase or decrease by 0.1%)	(10,449)	10,661

Amounts are relative to the present value of scheme liabilities (£567.622m)

### 50 Contingent Liabilities

At 31 March 2017, the Authority had no material contingent liabilities.

### 51 Contingent Assets

At 31 March 2017, the Authority had no material contingent assets.

## NOTES TO THE ACCOUNTS

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

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

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

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

#### Credit Risk

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

#### Liquidity Risk

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

	At 31 March 2016 £'000	At 31 March 2017 £'000
Less than one year	750	13,259
Between one and two years	450	-
Between two and five years	-	785
More than five years	57,049	56,264
<b>Total Financial Liabilities</b>	<b>58,249</b>	<b>70,308</b>

#### 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 the prices of the shares.

#### Foreign Exchange Risk

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

## 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.

	Balance at 31st March 2016 £'000	Receipts in Year £'000	Payments /Transfers in Year £'000	Balance at 31st March 2017 £'000
Local Enterprise Partnership (LEP)	4,132	24,242	19,135	9,239
Flexible Home Improvements Ltd (FHIL)	938	47	466	519
Kidwells Park Trust	402	43	13	432
RBWM Flood Relief Fund	188	1	-	189
Mayor's Benevolent Fund	32	4	3	33
Working Boys Club	631	83	22	692
Thames Valley Athletic Centre	24	25	-	49
Other Trust Funds	1	-	-	1
RBWM Commercial Services Ltd.	35	689	690	34
RBWM Property Company Ltd.	(51)	77	65	(39)
<b>Trusts Total</b>	<b>6,332</b>	<b>25,211</b>	<b>20,394</b>	<b>11,149</b>

#### 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 process the name of the company has been changed.

#### RBWM Property Company Ltd

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

## 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.

2015/16 £'000	COUNCIL TAX	2016/17 £'000
<b>INCOME</b>		
76,327	Council Tax receivable	79,197
<b>76,327</b>	<b>Total Income</b>	<b>79,197</b>
<b>EXPENDITURE</b>		
<b>Apportionment of Previous Year Surplus</b>		
1,006	Royal Borough of Windsor and Maidenhead	1,394
64	Berkshire Fire and Rescue Authority	90
168	Thames Valley Police & Crime Commissioner	242
<b>1,238</b>		<b>1,726</b>
<b>Precepts and Demands</b>		
60,298	Royal Borough of Windsor and Maidenhead	62,993
3,889	Berkshire Fire and Rescue Authority	4,025
10,494	Thames Valley Police & Crime Commissioner	10,969
<b>74,681</b>		<b>77,987</b>
<b>Charges to Collection Fund</b>		
396	Less write offs of uncollectable amounts	135
(500)	Less: Increase/(Decrease) in Bad Debt Provision	(1,145)
290	Less: Disregarded amounts	335
<b>186</b>	<b>Total Expenditure</b>	<b>(675)</b>
222	<b>Surplus/(Deficit) arising during the year</b>	159
2,710	<b>Surplus (Deficit) Brought Forward</b>	2,932
<b>2,932</b>	<b>Surplus/(Deficit) Carried Forward</b>	<b>3,091</b>
<b>2015/16 BUSINESS RATES</b>		
2015/16 £'000		2016/17 £'000
<b>INCOME</b>		
78,345	Business Rates receivable	81,400
-	Transitional Protection Payments	-
<b>78,345</b>	<b>Total Income</b>	<b>81,400</b>
<b>EXPENDITURE</b>		
<b>Apportionment of Previous Year Surplus</b>		
1,670	Central Government	195
1,637	Royal Borough of Windsor and Maidenhead	192
33	Berkshire Fire and Rescue Authority	4
<b>3,340</b>		<b>391</b>
<b>Precepts and Demands</b>		
39,031	Central Government	41,880
38,250	Royal Borough of Windsor and Maidenhead	41,043
781	Berkshire Fire and Rescue Authority	838
<b>78,062</b>		<b>83,761</b>
<b>Charges to Collection Fund</b>		
1,044	Less write offs of uncollectable amounts	434
(800)	Less: Increase/(Decrease) in Bad Debt Provision	45
(1,000)	Less: Increase/(Decrease) in Provision for Appeals	-
246	Less: Cost of Collection	243
28	Less: Disregarded amounts	41
<b>(482)</b>	<b>Total Expenditure</b>	<b>763</b>
(2,575)	<b>Surplus/(Deficit) arising during the year</b>	(3,515)
1,045	<b>Surplus (Deficit) Brought Forward</b>	(1,530)
<b>(1,530)</b>	<b>Surplus/(Deficit) Carried Forward</b>	<b>(5,045)</b>

## NOTES TO THE COLLECTION FUND

### 54 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 2016/17 the sum of £29.26 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 £18.14 at band D for 2016/17.

Band	Property Value	Number of Properties			Appeals / Non - Collection Provision	TAX BASE
		Base	Ratio	Band D Equivalent		
A	Up to £40,000	1,309	6/9	872.59	-4.35	868.24
B	£40,001 to £52,000	2,243	7/9	1,744.94	-8.73	1,736.21
C	£52,001 to £68,000	7,158	8/9	6,362.76	-31.80	6,330.96
D	£68,001 to £88,000	13,619	9/9	13,619.11	-68.10	13,551.01
E	£88,001 to £120,000	11,786	11/9	14,404.73	-72.04	14,332.69
F	£120,001 to £160,000	7,505	13/9	10,840.08	-54.19	10,785.89
G	£160,001 to £320,000	8,921	15/9	14,868.71	-74.34	14,794.37
H	more than £320,000	1,657	18/9	3,313.84	-16.59	3,297.25
<b>Total</b>		<b>54,198</b>		<b>66,026.76</b>	<b>-330.14</b>	<b>65,696.62</b>

The average Band D charge for 2016/17 was £1,191.06. Therefore, based on the adjusted tax base of 65,697 the estimated yield was £78.308m. This can be reconciled to the income received as follows:-

	2015/16 £'000	2016/17 £'000
Estimated Yield	74,987	78,308
Transitional Relief	0	0
Other Changes in Yield	1340	889
<b>Council Tax Income</b>	<b>76,327</b>	<b>79,197</b>

The council tax debt position is reviewed regularly and a provision of £2.687m to cover potentially bad or doubtful debts has been made. RBWM's share of this provision is £2.171m.

### 55 Business Rates Income

Business rates, also known as national non-domestic rates (NNDR), help fund local services provided by councils, the police and fire and rescue services. Business rates are calculated by multiplying a property's rateable value (a valuation carried out by the VOA representing the annual rental value of the premises on a particular date) with a multiplier (a rate in the pound set by Central Government) 49.7p in 2016/17 (49.3p in 2015/16). The total rateable value of business premises in the Borough's area at 31st March 2017 was £190.6m producing a notional yield of £94.726m. The business rate debt position is reviewed regularly and a provision of £1.029m to cover potentially bad or doubtful debts has been made. RBWM's share of the provision is £504k.

	2015/16 £'000	2016/17 £'000
Notional Yield	94,410	94,726
Allowances	(14,111)	(13,968)
Rateable Value Changes	(1,903)	715
Occupation Changes	(51)	(73)
<b>Collectable Income</b>	<b>78,345</b>	<b>81,400</b>

## NOTES TO THE COLLECTION FUND

### 56 Precepts and Demands on the Funds

The following authorities made demands on the Council Tax Collection Fund in 2016/17:-

	2016/17	
	£'000	£'000
<b>Council Tax</b>		
Royal Borough of Windsor and Maidenhead		
General Expenses	59,584	
Adult Social Care Precept	1,191	
Special Expenses *	981	
Parishes	1,237	
		62,993
Thames Valley Police & Crime Commissioner		10,969
Berkshire Fire and Rescue Authority		4,025
<b>Total Precepts and Demands</b>		<b>77,987</b>

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

The following authorities made demands on the Business Rates Collection Fund in 2016/17:-

	2016/17	
	£'000	£'000
<b>Business Rates</b>		
Royal Borough of Windsor and Maidenhead	41,043	
		41,043
Central Government		41,880
Berkshire Fire and Rescue Authority		838
<b>Total Precepts and Demands</b>		<b>83,761</b>

PENSION FUND ACCOUNTS

The Royal County of Berkshire Pension Fund Account

2015/16 £'000		Notes	2016/17 £'000
	<b>Dealings with members, employers and others directly involved in the Fund</b>		
(94,015)	Contributions	63	(98,745)
(4,761)	Transfers in from other pension funds	64	(9,826)
(98,776)			(108,571)
89,761	Benefits	65	96,585
7,831	Payments to and on account of leavers	66	6,966
97,592			103,551
<b>(1,184)</b>	<b>Net (additions)/withdrawals from dealings with members</b>		<b>(5,020)</b>
<b>6,995</b>	<b>Management expenses</b>	67	<b>8,378</b>
<b>5,811</b>	<b>Net additions/withdrawals including fund management expenses</b>		<b>3,358</b>
	<b>Returns on investments</b>		
(27,352)	Investment income	68	(34,915)
1,484	Taxes on income	69	2,207
13,267	Profits and losses on disposal of investments and changes in the market value of investments	70	(238,086)
(12,601)	Net return on investments		(270,794)
<b>(6,790)</b>	<b>Net (increase)/decrease in the net assets available for benefits during the year</b>		<b>(267,436)</b>
1,649,769	<b>Opening net assets of the scheme</b>		1,656,559
<b>1,656,559</b>	<b>Closing net assets of the scheme</b>		<b>1,923,995</b>

Net Assets Statement for the year ended 31 March 2017

2015/16 £'000		Notes	2016/17 £'000
1,717,884	Investment assets	70	1,981,322
(67,532)	Investment liabilities	70	(65,020)
<b>1,650,352</b>	<b>Total net investments</b>		<b>1,916,302</b>
7,891	Current assets	77	10,241
(1,684)	Current liabilities	78	(2,548)
<b>1,656,559</b>	<b>Net assets of the fund available to fund benefits at the end of the reporting period</b>		<b>1,923,995</b>

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 76.

## NOTES TO THE PENSION FUND

### Notes to the Royal County of Berkshire Pension Fund Accounts for the year ended 31 March 2017

#### 57 Description of Fund

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

The following description of the fund is a summary only. For more detail, reference should be made to the Royal County of Berkshire Pension Fund Annual Report 2016/17 and the underlying statutory powers underpinning the scheme, namely the Public Service Pensions Act 2013 and the Local Government Pension Scheme (LGPS) Regulations.

##### a) General

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

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

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

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

##### b) Membership

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

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

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

There are 218 active employer organisations within the Royal County of Berkshire Pension Fund including the administering authority itself, and 67,087 individual members, as detailed below:

The Royal County of Berkshire Pension Fund	31 March 2016	31 March 2017
Number of employers with active members	198	218
<b>Number of employees in scheme</b>		
Administering authority	2,604	2,432
Unitary authorities	14,652	15,097
Other employers	8,178	8,541
<b>Total</b>	<b>25,434</b>	<b>26,070</b>
<b>Number of pensioners</b>		
Administering authority	1,589	1,723
Unitary authorities	7,792	8,324
Other employers	5,862	6,070
<b>Total</b>	<b>15,243</b>	<b>16,117</b>
<b>Deferred pensioners</b>		
Administering authority	3,566	3,603
Unitary authorities	14,860	14,941
Other employers	6,032	6,358
<b>Total</b>	<b>24,458</b>	<b>24,902</b>
<b>Total number of members in pension scheme</b>	<b>65,135</b>	<b>67,089</b>

##### 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 2017. Employers' contributions are set based on triennial actuarial funding valuations. The last such valuation was at 31 March 2016. During 2016/17, employer contribution rates ranged from 9.1% to 27.5% 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
<b>Pension</b>	Each year worked is worth 1/80 x final pensionable salary.	Each year worked is worth 1/60 x final pensionable salary.
<b>Lump Sum</b>	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 scheme became a career average revalued earnings (CARE) scheme, whereby members accrue benefits based on their pensionable pay in that year at an accrual rate of 1/49th. Accrued pension is updated annually in line with the Consumer Prices Index.

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

### 58 Basis of preparation

The Statement of Accounts summarises the fund's transactions for the 2016/17 financial year and its position at year-end as at 31 March 2017. The accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2016/17 ('the code') which is based upon International Financial Reporting Standards (IFRS), as amended for the UK public sector.

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

### 59 Summary of significant accounting policies

#### Fund account - revenue recognition

##### a) Contribution income

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

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

Employers' augmentation contributions and pensions strain contributions are accounted for in the period in which the liability arises. Any amount due in year but unpaid will be classed as a current financial asset. Amounts not due until future years are classed as long-term financial assets.

##### b) Transfers to and from other schemes

Transfer values represent the amounts received and paid during the year for members who have either joined or left the fund during the financial year and are calculated in accordance with the Local Government Pension Scheme Regulations 2013 (see Notes 64 and 66).

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 59m) to purchase scheme benefits are accounted for on a receipts basis and are included in transfers In (see Note 64).

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.

## NOTES TO THE PENSION FUND

### Fund Account - expense items

#### d) Benefits payable

Pensions and lump-sum benefits payable include all amounts known to be payable during the financial year. Any amounts due but unpaid are disclosed in the net assets statement as current liabilities (Note 78).

#### e) Taxation

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

#### f) Management expenses

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

##### Administrative expenses

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

##### Oversight and governance costs

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

##### Investment management expenses

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

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

Where an investment manager's fee note has not been received by the balance sheet date, an estimate based upon the market value of their mandate as at the end of the year is used for inclusion in the fund account. In 2016/17, no estimated fees are included in investment management fees (2015/16: zero).

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

### Net Assets Statement

#### g) Financial assets

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

The values of investments as shown in the net assets statement have been determined at fair value in accordance with the requirements of the Code and IFRS13 (see note 72). 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 (see note 71).

#### 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.

## NOTES TO THE PENSION FUND

### **l) Actuarial present value of promised retirement benefits**

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

As permitted under the code, the fund has opted to disclose the actuarial present value of promised retirement benefits by way of a note to the net assets statement (Note 76).

### **m) Additional voluntary contributions**

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

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

AVCs are not included in the accounts in accordance with section 4(1)(b) of the LGPS (Management and Investment of Funds) Regulations 2016 but are disclosed as a note only (Note 79).

### **n) Contingent assets and contingent liabilities**

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

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

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

## **60 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 76.

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.

## **61 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 2017 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

<b>Item</b>	<b>Uncertainties</b>	<b>Effect if actual results differ from assumptions</b>
<b>Actuarial present value of promised retirement benefits</b>	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 £79.6 million. A 0.1% increase in the long term salary increases assumption would increase the value of liabilities by approximately £9.9 million, and a one-year increase in assumed life expectancy would increase the liability by approximately £154.8 million.
<b>Private equity investments</b>	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 £581 million. There is a risk that this investment may be under- or overstated in the accounts.

## NOTES TO THE PENSION FUND

### 62 Events after the balance sheet date

There have been no events since 31 March 2017, and up to the date when these accounts were authorised, that require any adjustments to these accounts.

### 63 Contributions receivable

#### By category

2015/16 £'000		2016/17 £'000
26,041	Employee's contributions	26,433
	<b>Employer's contributions</b>	
52,142	Normal contributions	53,021
14,774	Deficit recovery contributions	17,291
1,058	Augmentation contributions	2,000
<b>67,974</b>	<b>Total employer's contributions</b>	<b>72,312</b>
<b>94,015</b>		<b>98,745</b>

#### By authority

2015/16 £'000		2016/17 £'000
85,793	Scheduled bodies	90,217
4,749	Admitted bodies	4,759
3,473	Transferee admission body	3,769
<b>94,015</b>		<b>98,745</b>

### 64 Transfers in from other pension funds

2015/16 £'000		2016/17 £'000
4,716	Individual transfers from other pension funds	9,826
45	AVC to purchase scheme benefits	-
<b>4,761</b>		<b>9,826</b>

### 65 Benefits payable

#### By category

2015/16 £'000		2016/17 £'000
72,548	Pensions	75,843
14,755	Commutation and lump sum retirement benefits	17,733
2,458	Lump sum death benefits	3,009
<b>89,761</b>		<b>96,585</b>

#### By authority

2015/16 £'000		2016/17 £'000
82,521	Scheduled bodies	87,847
6,190	Admitted bodies	6,780
1,050	Transferee admission body	1,958
<b>89,761</b>		<b>96,585</b>

### 66 Payments to and on account of leavers

2015/16 £'000		2016/17 £'000
292	Refunds to members leaving service	366
7,539	Individual transfers to other pension funds	6,600
<b>7,831</b>		<b>6,966</b>

### 67 Management expenses

2015/16 £'000		2016/17 £'000
1,151	Administrative costs	1,316
5,783	Investment management expenses	6,940
61	Oversight and governance costs	122
<b>6,995</b>		<b>8,378</b>

#### a) Investment management expenses

2015/16 £'000		2016/17 £'000
5,573	Management Fees	6,714
210	Custody Fees	226
<b>5,783</b>		<b>6,940</b>

**NOTES TO THE PENSION FUND**

**68 Investment income**

2015/16		2016/17
£'000		£'000
8,689	Income from equities	17,148
485	Income from bonds	1,125
3,140	Private equity income	5,281
9,037	Pooled property investments	9,594
5,784	Pooled investments - unit trusts and other managed funds	1,348
217	Interest on cash deposits	419
<b>27,352</b>	<b>Total before taxes</b>	<b>34,915</b>

**69 Other fund account disclosures**

**a) Taxes on income**

2015/16		2016/17
£'000		£'000
437	Withholding tax - equities	687
891	Withholding tax - pooled property investments	1,201
156	Withholding tax - pooled investments	319
<b>1,484</b>		<b>2,207</b>

**b) External audit costs**

2015/16		2016/17
£'000		£'000
29	Payable in respect of external audit	26
<b>29</b>		<b>26</b>

**70 Investments**

Market value 31 March 2016		Market value 31 March 2017
£'000		£'000
	<b>Investment assets</b>	
85,131	Bonds	84,320
215,784	Equities	471,187
707,409	Pooled investments	387,279
72,580	Pooled liquidity funds	81,518
189,902	Pooled property investments	259,548
415,680	Private equity	580,664
	Derivative contracts:	
5,959	- Forward currency contracts	21,426
15,942	Cash deposits	31,119
1,415	Investment income due	3,120
5,032	Amounts receivable for sales	61,141
3,050	Payment made in advance	-
<b>1,717,884</b>	<b>Total investment assets</b>	<b>1,981,322</b>
	<b>Investment liabilities</b>	
	Derivative contracts:	
(2,461)	- Forward currency contracts	(820)
(65,071)	- Longevity Insurance Policy	(64,200)
<b>(67,532)</b>	<b>Total investment liabilities</b>	<b>(65,020)</b>
<b>1,650,352</b>	<b>Net investment assets</b>	<b>1,916,302</b>

## NOTES TO THE PENSION FUND

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

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

	Market value 1 April 2015	Purchases during the year and derivative payments	Sales during the year and derivative receipts	Change in market value during the year	Market value 31 March 2016
	£'000	£'000	£'000	£'000	£'000
Bonds	86,319	358	-	(1,546)	85,131
Equities	212,080	17,870	(17,828)	3,662	215,784
Pooled investments	786,989	19,551	(57,427)	(41,704)	707,409
Pooled liquidity funds	10,544	196,365	(134,381)	52	72,580
Pooled property investments	210,487	5,711	(35,621)	9,325	189,902
Private equity	387,862	76,342	(79,125)	30,601	415,680
	<b>1,694,281</b>	<b>316,197</b>	<b>(324,382)</b>	<b>390</b>	<b>1,686,486</b>
Derivative contracts:					
- Forward currency contracts	461	67,640	(50,984)	(13,619)	3,498
- Longevity insurance policy	(69,770)	5,306	-	(607)	(65,071)
	<b>1,624,972</b>	<b>389,143</b>	<b>(375,366)</b>	<b>(13,836)</b>	<b>1,624,913</b>
Other investment balances:					
- Cash deposits	15,306			569	15,942
- Amount receivable for sales of investments	-				5,032
- Investment income due	1,104				1,415
- Payment made in advance					3,050
<b>Net investment assets</b>	<b>1,641,382</b>			<b>(13,267)</b>	<b>1,650,352</b>

#### Purchases and sales of derivatives are recognised in note 70a 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 2016 £'000		31 March 2017 £'000
	<b>Investment assets</b>	
	<b>Bonds</b>	
	<b>UK</b>	
23,995	Public sector quoted	-
	<b>Overseas</b>	
61,136	Corporate quoted	84,320
<b>85,131</b>		<b>84,320</b>
	<b>Equities</b>	
	<b>UK</b>	
44,211	Quoted	96,330
	<b>Overseas</b>	
171,573	Quoted	374,857
<b>215,784</b>		<b>471,187</b>
	<b>Pooled investments - additional analysis</b>	
	<b>UK</b>	
179,347	Unit Trusts	209,456
	<b>Overseas</b>	
528,062	Unit Trusts	177,823
<b>707,409</b>		<b>387,279</b>
	<b>Other investment assets</b>	
72,580	Pooled liquidity funds	81,518
189,902	Pooled property investments	259,548
415,680	Private Equity	580,664
5,959	Derivative contracts	21,426
15,942	Cash deposits	31,119
1,415	Investment income due	3,120
5,032	Amounts receivable for sales	61,141
3,050	Payment made in advance	-
<b>709,560</b>		<b>1,038,536</b>
<b>1,717,884</b>	<b>Total investment assets</b>	<b>1,981,322</b>
	<b>Investment liabilities</b>	
(67,532)	Derivative contracts	(65,020)
<b>(67,532)</b>	<b>Total investment liabilities</b>	<b>(65,020)</b>
<b>1,650,352</b>	<b>Net investment assets</b>	<b>1,916,302</b>

### c) Investments analysed by fund manager

Market value 31 March 2016			Market value 31 March 2017	
£'000	%		£'000	%
1,238,483	75.0	Royal County of Berkshire Pension Fund in-house investment team	1,214,524	63.4
189,902	11.5	Aviva Global Investors	213,028	11.1
113,232	6.9	Kames Capital	242,276	12.6
105,237	6.4	RWC Partners	225,868	11.8
3,498	0.2	The Cambridge Strategy (Asset Management)	20,606	1.1
<b>1,650,352</b>			<b>1,916,302</b>	

All the above organisations are registered in the United Kingdom.

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

Security	Market value 31 March 2016 £'000	% of total fund	Market value 31 March 2017 £'000	% of total fund
Aviva Global Real Estate	119,011	7.2	148,550	7.8

### 71 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.

## NOTES TO THE PENSION FUND

### - 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	670,199	USD	(816,653)	18,362	
One to six months	GBP	132,366	EUR	(152,116)	2,014	
One to six months	GBP	12,216	NOK	(126,354)	464	
One to six months	GBP	12,086	CAD	(19,809)	217	
One to six months	GBP	12,427	AUD	(20,107)	201	
One to six months	GBP	15,908	EUR	(18,436)	110	
One to six months	USD	25,035	GBP	(19,943)	39	
One to six months	USD	5,050	BRL	(16,254)	19	
One to six months	JPY	2,000,000	GBP	(14,371)	0	
One to six months	JPY	881,804	GBP	(6,339)		(3)
One to six months	USD	4,998	CLP	(3,323,739)		(3)
One to six months	USD	5,117	SGD	(7,236)		(52)
One to six months	USD	5,010	TRY	(19,210)		(117)
One to six months	USD	5,142	KRW	(5,917,318)		(124)
One to six months	USD	5,165	INR	(348,507)		(138)
One to six months	USD	5,334	MXN	(105,852)		(174)
One to six months	CHF	18,111	GBP	(14,722)		(209)
<b>Open forward currency contracts at 31 March 2017</b>					<b>21,426</b>	<b>(820)</b>
<b>Net forward currency contracts at 31 March 2017</b>						<b>20,606</b>
<b>Prior year comparative</b>						
<b>Open forward currency contracts at 31 March 2016</b>					<b>5,959</b>	<b>(2,461)</b>
<b>Net forward currency contracts at 31 March 2016</b>						<b>3,498</b>

### 72 Fair value - Basis of valuation

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

Description of asset	Valuation hierarchy	Basis of valuation	Observable and unobservable	Key sensitivities affecting the valuations provided
<b>Market quoted investments</b>	Level 1	Published bid market price ruling on the final day of the accounting period	Not required	Not required
<b>Quoted bonds</b>	Level 1	Fixed interest securities are valued at a market value based on current yields	Not required	Not required
<b>Exchange traded pooled investments</b>	Level 1	Closing bid values on published	Not required	Not required
<b>Forward foreign exchange derivatives</b>	Level 2	Market forward exchange rates at the year-end	Exchange rate risk	Not required
<b>Pooled investments - overseas unit trusts and property funds</b>	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
<b>Unquoted equity</b>	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 2017.

	Assessed valuation range (+/-)	Value at 31 March 2017	Value on increase	Value on decrease
		£'000	£'000	£'000
Pooled property investments	0%	259,548	259,548	259,548
Private equity	2%	580,665	592,278	569,051
Derivative contracts	0%	(64,200)	(64,200)	(64,200)
<b>Total</b>		<b>776,013</b>	<b>787,626</b>	<b>764,400</b>

## 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.

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

Values at 31 March 2016	Quoted market price Level 1 £'000	Using observable inputs Level 2 £'000	With significant unobservable inputs Level 3 £'000	Total £'000
<b>Financial assets</b>				
Financial assets at fair value through profit and loss	337,803	749,060	605,582	1,692,445
Loans and receivables	33,330			33,330
<b>Total financial assets</b>	<b>371,133</b>	<b>749,060</b>	<b>605,582</b>	<b>1,725,775</b>
<b>Financial liabilities</b>				
Financial liabilities at fair value through profit and loss	(2,461)		(65,071)	(67,532)
Financial liabilities at amortised cost	(1,684)			(1,684)
<b>Total financial liabilities</b>	<b>(4,145)</b>	<b>-</b>	<b>(65,071)</b>	<b>(69,216)</b>
<b>Net financial assets</b>	<b>366,988</b>	<b>749,060</b>	<b>540,511</b>	<b>1,656,559</b>

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

	Market value 31 March 2016 £'000	Purchases during the year and derivative receipts £'000	Sales during the year and derivative receipts £'000	Unrealised gains/(losses) £'000	Realised gains/(losses) £'000	Market value 31 March 2017 £'000
Private equity	415,680	172,954	(92,624)	62,595	22,059	580,665
Pooled property investments	189,902	23,575	-	46,071	-	259,548
Derivative contracts	(65,071)	6,297	-	(5,426)		(64,200)
	<b>540,511</b>	<b>202,826</b>	<b>(92,624)</b>	<b>103,240</b>	<b>22,059</b>	<b>776,013</b>



## NOTES TO THE PENSION FUND

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

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

### Other price risk - sensitivity analysis

Following analysis of historical data and expected investment return movement during the financial year the council has determined that the following movements in market price risk are reasonably possible for the 2017/18 reporting period:

Asset type	Potential market movements (+/-)
Bonds	9.1%
Equities	8.8%
Private Equity	9.7%
Pooled investments	11.0%
Pooled Property Funds	4.1%

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

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

Asset type	Value as at 31 March 2017	Potential market movement	Value on increase	Value on decrease
	£'000	£'000	£'000	£'000
<b>Investment portfolio assets:</b>				
Bonds	84,320	7,673	91,993	76,647
Equities	471,187	41,464	512,651	429,721
Pooled investments	387,279	42,601	429,879	344,678
Pooled Property Funds	259,548	10,641	270,189	248,907
Private Equity	580,664	56,324	636,989	524,340
Net derivative liabilities	(43,594)	-	(43,594)	(43,594)
Cash and cash equivalents	112,637	-	112,637	112,637
Investment income due	3,120	-	3,120	3,120
Amounts receivable for sales	61,141	-	61,141	61,141
Payment made in advance	-	-	-	-
<b>Current assets:</b>				
Debtors	5,661	-	5,661	5,661
Cash balances	4,580	-	4,580	4,580
<b>Current liabilities</b>	<b>(2,548)</b>	<b>-</b>	<b>(2,548)</b>	<b>(2,548)</b>
<b>Total</b>	<b>1,923,995</b>		<b>2,082,698</b>	<b>1,765,290</b>

Asset type	Value as at 31 March 2016	Potential market movement	Value on increase	Value on decrease
	£'000	£'000	£'000	£'000
<b>Investment portfolio assets:</b>				
Bonds	85,131	7,747	92,878	77,384
Equities	215,784	18,989	234,773	196,795
Pooled investments	707,409	77,815	785,224	629,594
Pooled Property Funds	189,902	7,786	197,688	182,116
Private Equity	415,680	40,321	456,001	375,359
Net derivative liabilities	(61,573)	-	(61,573)	(61,573)
Cash and cash equivalents	88,522	-	88,522	88,522
Investment income due	1,415	-	1,415	1,415
Amounts receivable for sales	5,032	-	5,032	5,032
Payment made in advance	3,050	-	3,050	3,050
<b>Current assets:</b>				
Debtors	6,646	-	6,646	6,646
Cash balances	1,245	-	1,245	1,245
<b>Current liabilities</b>	<b>(1,684)</b>	<b>-</b>	<b>(1,684)</b>	<b>(1,684)</b>
<b>Total</b>	<b>1,656,559</b>		<b>1,809,217</b>	<b>1,503,901</b>

### 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 2017 and 31 March 2016 is set out below. These disclosures present interest rate risk based on the underlying financial assets at fair value.

### Interest rate risk sensitivity analysis

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

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

## NOTES TO THE PENSION FUND

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

Asset exposed to interest rate risk	Value as at 31 March 2016	Change in year in the net assets available to pay benefits	
		+ 100 BPS	- 100 BPS
	£'000	£'000	£'000
Cash and cash equivalents	88,522	-	-
Cash balances	1,245	-	-
Bonds	85,131	(7,613)	7,613
<b>Total change in assets available</b>	<b>174,898</b>	<b>(7,613)</b>	<b>7,613</b>

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

Income exposed to interest rate risk	Amount receivable in year ending 31 March 2016	Effect on income values	
		+ 100 BPS	- 100 BPS
	£'000	£'000	£'000
Cash balances/cash and cash equivalents	217	898	(898)
Bonds	485	-	-
<b>Total change in income receivable</b>	<b>702</b>	<b>898</b>	<b>(898)</b>

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

### Currency risk

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

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

### Currency risk - sensitivity analysis

Following analysis of historical data, the council considers the likely volatility associated with foreign exchange rate movements to be 10.0% (as measured by one standard deviation).

A 10.0% fluctuation in the currency is considered reasonable based on analysis of long-term historical movements in the month-end exchange rates over a rolling 3 year period.

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

A 10.0% strengthening/weakening of the pound against the various currencies in which the fund holds investments would increase/decrease the net assets available to pay benefits as follows:

Assets exposed to currency risk	Asset value as at 31 March 2017	Change to net assets available to pay benefits	
		+10.0%	-10.0%
	£'000	£'000	£'000
Overseas equities	374,857	37,486	(37,486)
Overseas unit trusts	177,823	17,782	(17,782)
<b>Total change in assets available</b>	<b>552,680</b>	<b>55,268</b>	<b>(55,268)</b>

Assets exposed to currency risk	Asset value as at 31 March 2016	Change to net assets available to pay benefits	
		+10.0%	-10.0%
	£'000	£'000	£'000
Overseas equities	171,573	17,157	(17,157)
Overseas unit trusts	528,062	52,806	(52,806)
<b>Total change in assets available</b>	<b>699,635</b>	<b>69,963</b>	<b>(69,963)</b>

## 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.

In essence, the fund's entire investment portfolio is exposed to some form of credit risk, with the exception of the derivatives positions, where the risk equates to the net market value of a positive derivative position. However, the selection of high quality counterparties, brokers and financial institutions minimises credit risk that may occur through the failure to settle a transaction in a timely manner.

Contractual credit risk is represented by the net payment or receipt that remains outstanding, and the cost of replacing the derivative position in the event of a counterparty default. The residual risk is minimal due to the various insurance policies held by the exchanges to cover defaulting counterparties.

Credit risk on over-the-counter derivative contracts is minimised as counterparties are recognised financial intermediaries with acceptable credit ratings determined by a recognised rating agency.

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

The council believes it has managed its exposure to credit risk, and has had no experience of default or uncollectable deposits over the past five financial years. The fund's cash holding under its treasury management arrangements at 31 March 2017 was £117.2m (31 March 2016: £89.8m). This was held with the following institutions:

	Rating	Balances as at 31 March 2016	Balances as at 31 March 2017
		£'000	£'000
<b>Money Market funds</b>			
Aviva	A+	20,000	25,003
JP Morgan	A+	16,641	11,629
Legal & General	AAA	19,831	24,925
Northern Trust	AA-	16,108	19,960
<b>Bank deposit accounts</b>			
JP Morgan	A+	15,942	31,119
<b>Bank current accounts</b>			
Lloyds	A+	1,245	4,580
<b>Total</b>		<b>89,767</b>	<b>117,216</b>

### c) Liquidity risk

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

The council has immediate access to its pension fund cash holdings.

The fund defines liquid assets as assets that can be converted to cash within three months. Illiquid assets are those which will take longer than three months to convert to cash. As at 31 March 2017 the value of illiquid assets was £840.2m, which represented 43.8% of the total fund assets (31 March 2016: £605.6m, which represented 36.7% of the total fund assets).

Management prepares periodic cash flow forecasts to understand and manage the timing of the fund's cash flows. The appropriate strategic level of cash balances to be held forms part of the fund investment strategy.

### Refinancing risk

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

## 75 Funding arrangements

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

The key elements of the funding policy are:

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

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

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

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

## NOTES TO THE PENSION FUND

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

### Financial assumptions

Discount Rate	5.9% per annum
Pension and Deferred Pension Increases	2.4% per annum
Short term pay increases	CPI for period from 31 March 2016 to 31 March 2020
Long term pay increases	3.9% per annum

### Mortality assumptions

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

### Commutation assumption

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

### 76 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 75). 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 2017 was £4,185 million (31 March 2016: £3,343 million). The net assets available to pay benefits as at 31 March 2017 was £1,924 million (31 March 2016: £1,657 million). The implied fund deficit as at March 2017 was therefore £2,261 million (31 March 2016: £1,686 million).

As noted above, the liabilities above are calculated on an IAS 19 basis and therefore differ from the results of the 2016 triennial funding valuation (see Note 75) because IAS 19 stipulates a discount rate rather than a rate which reflects market rates.

### IAS19 assumptions used

Inflation/pension increase rate assumption	2.70%
Salary increase rate	4.20%
Discount rate	2.80%

### 77 Current assets

31 March 2016	31 March 2017
£'000	£'000
6,640 - Contributions due	4,905
6 - Sundry debtors	756
<b>6,646 Debtors</b>	<b>5,661</b>
1,245 Cash balances	4,580
<b>7,891</b>	<b>10,241</b>

### Analysis of debtors

31 March 2016	31 March 2017
£'000	£'000
3,643 Other local authorities	2,363
3,003 Other entities and individuals	3,298
<b>6,646</b>	<b>5,661</b>

### 78 Current liabilities

31 March 2016	31 March 2017
£'000	£'000
(1,682) Sundry creditors	(2,452)
(2) Benefits payable	(96)
<b>(1,684)</b>	<b>(2,548)</b>

### Analysis of creditors

31 March 2016	31 March 2017
£'000	£'000
(907) Central government bodies	(886)
- Other local authorities	(253)
(777) Other entities and individuals	(1,409)
<b>(1,684)</b>	<b>(2,548)</b>

### 79 Additional voluntary contributions

Market value	Market value
31 March 2016	31 March 2017
£'000	£'000
13,653 Prudential	14,068
4 Equitable Life	4
58 Clerical Medical	18
<b>13,715 Total</b>	<b>14,090</b>

AVC Contributions of £2.029 million were paid directly to Prudential during the year (2015/16: £2.001 million).

## NOTES TO THE PENSION FUND

### 80 Related party transactions

#### The Royal Borough of Windsor and Maidenhead

The Royal County of Berkshire Pension Fund is administered by The Royal Borough of Windsor and Maidenhead. Consequently there is a strong relationship between the council and the pension fund.

During the reporting period, the council incurred costs of £1.316m (2015/16 £1.151m) in relation to the administration of the fund and was subsequently reimbursed by the fund for these expenses. The council is also the 5th largest employer of members of the pension fund and contributed £11.0m (2015/16 £11.0m).

#### Governance

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

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

#### Key management personnel

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

### 81 Contingent liabilities and contractual commitments

Outstanding capital commitments (investments) at 31 March 2017 totalled £397.835m (31 March 2016: £139.986m).

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.

### 82 Contingent assets

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

## GLOSSARY OF TERMS

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

### **Accounting Policies**

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

### **Accruals**

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

### **Actuarial Gains and Losses**

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

### **Capital Charge**

A charge to service revenue accounts to reflect the cost of fixed assets used in the provision of services.

### **Capital Expenditure**

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

### **Community Assets**

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

### **Classes of Tangible Assets**

Operational Assets:

Council Dwellings, Other land and building, Vehicles, plant, furniture and equipment

Infrastructure Assets; Community Assets

Non Operational Assets:

Investment property, Assets under construction and Surplus assets for disposal

### **Contingent Asset or Liability**

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

### **Current Service Costs (Pensions)**

The increase in the present value of the pensions scheme's liabilities expected to arise from employee service in the current period.

### **Defined Benefit Scheme**

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

### **Creditors**

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

### **Debt**

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

### **Debtor**

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

### **Depreciation**

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

### **Events after the Balance Sheet date**

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

### **Fair value**

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

### **Finance Lease**

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

### **Impairment**

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

### **Infrastructure Assets**

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

## 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 fixed assets are included in the balance sheet, i.e. their historic cost or current value less the cumulative amounts provided for depreciation.

### **Net Current Realisable Costs**

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

### **Net Realisable Value**

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

### **Non-Operational Assets**

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

### **Operational Assets**

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

### **Past Service Costs**

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

### **Precepts**

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

### **Prior Period Adjustments**

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

### **Prudence**

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

### **Related Parties**

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

### **Related Party Transaction**

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

### **Remuneration**

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

## 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.

### **SeRCOP**

Service Reporting Code of Practice - A CIPFA publication which defines the way in which local authority service expenditure should be reported.

### **Stocks**

These comprise the following :-

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

### **Tangible Fixed assets**

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

### **Total Cost**

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

### **Useful Life**

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

**Rob Stubbs**  
**Deputy Director and Head of Finance**  
[rob.stubbs@rbwm.gov.uk](mailto:rob.stubbs@rbwm.gov.uk)  
**01628 796222**



KPMG LLP  
66 Queen Square  
Bristol  
BS1 4BE

Dear Darren

This representation letter is provided in connection with your audit of the financial statements of the Royal Borough of Windsor & Maidenhead (“the Authority”), for the year ended 31 March 2017, for the purpose of expressing an opinion:

- i. as to whether these financial statements give a true and fair view of the financial position of the Authority as at 31 March 2017 and of the Authority’s expenditure and income for the year then ended;
- ii. whether the Pension Fund financial statements give a true and fair view of the financial transactions of the Pension Fund during the year ended 31 March 2017 and the amount and disposition of the Fund’s assets and liabilities as at 31 March 2017, other than liabilities to pay pensions and other benefits after the end of the scheme year; and
- iii. whether the financial statements have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17.

These financial statements comprise the Expenditure and Funding Analysis, the Movement in Reserves Statement, the Comprehensive Income and Expenditure Statement, the Balance Sheet, the Cash Flow Statement and the Collection Fund and the related notes (including the Expenditure and Funding Analysis). The Pension Fund financial statements comprise the Fund Account, the Net Assets Statement and the related notes.

The Authority confirms that the representations it makes in this letter are in accordance with the definitions set out in the Appendix to this letter.

The Authority confirms that, to the best of its knowledge and belief, having made such inquiries as it considered necessary for the purpose of appropriately informing itself:

### **Financial statements**

1. The Authority has fulfilled its responsibilities, as set out in the Accounts and Audit Regulations 2015, for the preparation of financial statements that:
  - i. give a true and fair view of the financial position of the Authority as at 31 March 2017 and of the Authority’s expenditure and income for the year then ended;
  - ii. give a true and fair view of the financial transactions of the Pension Fund during the year ended 31 March 2017 and the amount and disposition of the Fund’s assets and

liabilities as at 31 March 2017, other than liabilities to pay pensions and other benefits after the end of the scheme year;

- iii. have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17.

The financial statements have been prepared on a going concern basis.

2. Measurement methods and significant assumptions used by the Authority in making accounting estimates, including those measured at fair value, are reasonable.
3. All events subsequent to the date of the financial statements and for which IAS 10 *Events after the reporting period* requires adjustment or disclosure have been adjusted or disclosed.
- 4.
5. The effects of uncorrected misstatements are immaterial, both individually and in aggregate, to the financial statements as a whole. A list of the uncorrected misstatements is attached to this representation letter.

6.

**Information provided**

7. The Authority has provided you with:

- access to all information of which it is aware, that is relevant to the preparation of the financial statements, such as records, documentation and other matters;
- additional information that you have requested from the Authority for the purpose of the audit; and
- unrestricted access to persons within the Authority from whom you determined it necessary to obtain audit evidence.

8. All transactions have been recorded in the accounting records and are reflected in the financial statements.

9. The Authority confirms the following:

- i) The Authority has disclosed to you the results of its assessment of the risk that the financial statements may be materially misstated as a result of fraud.

Included in the Appendix to this letter are the definitions of fraud, including misstatements arising from fraudulent financial reporting and from misappropriation of assets.

- ii) The Authority has disclosed to you all information in relation to:

- a) Fraud or suspected fraud that it is aware of and that affects the Authority and involves:
  - management;
  - employees who have significant roles in internal control; or
  - others where the fraud could have a material effect on the financial statements; and

- b) allegations of fraud, or suspected fraud, affecting the Authority's financial statements communicated by employees, former employees, analysts, regulators or others.

In respect of the above, the Authority acknowledges its responsibility for such internal control as it determines necessary for the preparation of financial statements that are free from material misstatement, whether due to fraud or error. In particular, the Authority acknowledges its responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud and error.

10. The Authority has disclosed to you all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing the financial statements.
11. The Authority has disclosed to you and has appropriately accounted for and/or disclosed in the financial statements, in accordance with IAS 37 *Provisions, Contingent Liabilities and Contingent Assets*, all known actual or possible litigation and claims whose effects should be considered when preparing the financial statements.
12. The Authority has disclosed to you the identity of the Authority's related parties and all the related party relationships and transactions of which it is aware. All related party relationships and transactions have been appropriately accounted for and disclosed in accordance with IAS 24 *Related Party Disclosures*.

Included in the Appendix to this letter are the definitions of both a related party and a related party transaction as we understand them as defined in IAS 24 and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17.

13. The Authority confirms that:
- a) The financial statements disclose all of the key risk factors, assumptions made and uncertainties surrounding the Authority's ability to continue as a going concern as required to provide a true and fair view.
- b) Any uncertainties disclosed are not considered to be material and therefore do not cast significant doubt on the ability of the Authority to continue as a going concern.
14. On the basis of the process established by the Authority and having made appropriate enquiries, the Authority is satisfied that the actuarial assumptions underlying the valuation of defined benefit obligations are consistent with its knowledge of the business and are in accordance with the requirements of IAS 19 (Revised) *Employee Benefits*.

The Authority further confirms that:

- a) all significant retirement benefits, including any arrangements that are:
- statutory, contractual or implicit in the employer's actions;
  - arise in the UK and the Republic of Ireland or overseas;
  - funded or unfunded; and
  - approved or unapproved,

have been identified and properly accounted for; and

- b) all plan amendments, curtailments and settlements have been identified and properly accounted for.
- c) We believe the assumptions and techniques used by us are appropriate and that all fair value measurements are determined in accordance with IFRS 13.
- d) We have appropriately disclosed fair values of financial assets and financial liabilities in the financial statements in accordance with IFRS 13. We believe the disclosures appropriately categorise those fair value measurements in the fair value hierarchy.
- e) We have disclosed the methods and assumptions applied in determining the fair values of each class of financial instrument.
- f) The Authority agrees with the findings of Barnett Waddingham as the Authority's specialist in evaluating the longevity hedge. In connection with the specialist's study, the Authority provided the specialist with all significant and relevant information of which it is aware. The Authority did not give or cause any instructions to be given to the specialist with respect to the values or amounts derived in an attempt to bias their work, and is not otherwise aware of any matters that have had an impact on the independence or objectivity of the specialists."

This letter was tabled and agreed at the meeting of the Audit & Performance Review Panel on 6 September 2017.

Yours faithfully,

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

## **Appendix to the Authority Representation Letter of the Royal Borough of Windsor & Maidenhead: Definitions**

### **Financial Statements**

A complete set of financial statements comprises:

- A Comprehensive Income and Expenditure Statement for the period;
- A Balance Sheet as at the end of the period;
- A Movement in Reserves Statement for the period;
- A Cash Flow Statement for the period; and
- Notes, comprising a summary of significant accounting policies and other explanatory information and the Expenditure and Funding Analysis.

A local authority is required to present group accounts in addition to its single entity accounts where required by chapter nine of the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17.

A housing authority must present:

- a HRA Income and Expenditure Statement; and
- a Movement on the Housing Revenue Account Statement.

A billing authority must present a Collection Fund Statement for the period showing amounts required by statute to be debited and credited to the Collection Fund.

A pension fund administering authority must prepare Pension Fund accounts in accordance with Chapter 6.5 of the Code of Practice.

An entity may use titles for the statements other than those used in IAS 1. For example, an entity may use the title 'statement of comprehensive income' instead of 'statement of profit or loss and other comprehensive income'.

### **Material Matters**

Certain representations in this letter are described as being limited to matters that are material.

IAS 1.7 and IAS 8.5 state that:

“Material omissions or misstatements of items are material if they could, individually or collectively; influence the economic decisions that users make on the basis of the financial statements. Materiality depends on the size and nature of the omission or misstatement judged in the surrounding circumstances. The size or nature of the item, or a combination of both, could be the determining factor.”

### **Fraud**

Fraudulent financial reporting involves intentional misstatements including omissions of amounts or disclosures in financial statements to deceive financial statement users.

Misappropriation of assets involves the theft of an entity's assets. It is often accompanied by false or misleading records or documents in order to conceal the fact that the assets are missing or have been pledged without proper authorisation.

## **Error**

An error is an unintentional misstatement in financial statements, including the omission of an amount or a disclosure.

Prior period errors are omissions from, and misstatements in, the entity's financial statements for one or more prior periods arising from a failure to use, or misuse of, reliable information that:

- a) was available when financial statements for those periods were authorised for issue; and
- b) could reasonably be expected to have been obtained and taken into account in the preparation and presentation of those financial statements.

Such errors include the effects of mathematical mistakes, mistakes in applying accounting policies, oversights or misinterpretations of facts, and fraud.

## **Management**

For the purposes of this letter, references to "management" should be read as "management and, where appropriate, those charged with governance".

## **Related Party and Related Party Transaction**

### **Related party:**

A related party is a person or entity that is related to the entity that is preparing its financial statements (referred to in IAS 24 *Related Party Disclosures* as the "reporting entity").

- a) A person or a close member of that person's family is related to a reporting entity if that person:
  - i. has control or joint control over the reporting entity;
  - ii. has significant influence over the reporting entity; or
  - iii. is a member of the key management personnel of the reporting entity or of a parent of the reporting entity.
- b) An entity is related to a reporting entity if any of the following conditions applies:
  - i. The entity and the reporting entity are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
  - ii. One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
  - iii. Both entities are joint ventures of the same third party.
  - iv. One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
  - v. The entity is a post-employment benefit plan for the benefit of employees of either the reporting entity or an entity related to the reporting entity. If the reporting entity is itself such a plan, the sponsoring employers are also related to the reporting entity.
  - vi. The entity is controlled, or jointly controlled by a person identified in (a).
  - vii. A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

- viii. The entity or any member of a group of which it is a part, provides key management personnel services to the reporting entity or to the parent of the reporting entity.

Key management personnel in a local authority context are all chief officers (or equivalent), elected members, the chief executive of the authority and other persons having the authority and responsibility for planning, directing and controlling the activities of the authority, including the oversight of these activities.

A reporting entity is exempt from the disclosure requirements of IAS 24.18 in relation to related party transactions and outstanding balances, including commitments, with:

- a) a government that has control, joint control or significant influence over the reporting entity; and
- b) another entity that is a related party because the same government has control, joint control or significant influence over both the reporting entity and the other entity.

#### **Related party transaction:**

A transfer of resources, services or obligations between a reporting entity and a related party, regardless of whether a price is charged.

#### **Appendix to the Authority Representation Letter of the Royal Borough of Windsor & Maidenhead: uncorrected misstatements**

<b>Unadjusted audit differences (£'000)</b>		
<b>No.</b>	<b>Net assets statement: Investment assets</b>	<b>Basis of audit difference</b>
1	Dr Longevity Insurance contract £6,000 Cr Pooled Investments (£6,000)	Review of the updated methodology for valuing the longevity hedge by KPMG's actuarial team identified a technical issue relating to a particular discount rate not having been updated since inception. High level calculations suggest the impact is approximately £6m.  Management have not corrected this difference as it is not material to the pension fund.
	<b>£0</b>	<b>Total impact of uncorrected audit differences</b>