

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

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## REPORT SUMMARY

1. This report presents RBWM's Statement of Accounts following audit by KPMG.
2. It recommends that the Chair of the Audit and Performance Review Panel approves the accounts by signing them before the 31st July 2018.
3. These recommendations are being made because the Council has a statutory duty to approve the Statement of Accounts every year.

## 1. DETAILS OF RECOMMENDATION(S)

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

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

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

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

### 3. KEY IMPLICATIONS

**Table 1: Key Implications**

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

### 4. FINANCIAL DETAILS / VALUE FOR MONEY

- 4.1 KPMG anticipate issuing an unqualified audit opinion on the authority's statement of accounts. KPMG did not discover any material misstatements, they have however noted an unreconciled balance in the bank reconciliation.
- 4.2 The error was recently discovered by the Council when it carried out a modified bank reconciliation following a change to the Team Leader in Financial Control.
- 4.3 The balance (£1,002,000) relates to long-standing unreconciled items and The Council now intends to identify what these items relate to and determine how they should be treated, including writing them off if necessary.
- 4.4 This report does not include the details of KPMG's findings as these are contained in a separate report (ISA260) which will also be presented to the Panel on the 30<sup>th</sup> July 2018 by KPMG.

### 5. LEGAL IMPLICATIONS

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

### 6. RISK MANAGEMENT

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

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

## 7. POTENTIAL IMPACTS

None

## 8. CONSULTATION

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

## 9. TIMETABLE FOR IMPLEMENTATION

- 9.1 This section is not applicable.

## 10. APPENDICES

- 10.1 This report is supported by one appendix.
- Appendix A Statement of Accounts 2017-18

## 11. BACKGROUND DOCUMENTS

- 11.1 This report is not supported by any background documents.

## 12. CONSULTATION (MANDATORY)

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

## REPORT HISTORY

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

# Financial Statements 2017/18

[www.rbwm.gov.uk](http://www.rbwm.gov.uk)



Royal Borough  
of Windsor &  
Maidenhead

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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 2018 and also be assured that it can demonstrate financial resilience moving forward.

The council's financial statements for the year are set out on the following pages. The accounts are supported by the Statement of Accounting Policies, and various notes to the accounts.

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

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

## OUTTURN POSITION

The Council ended the year in a strong financial position; with General Fund Reserves of £7.033m (7.95% of budget) in excess of the £5.780m (6.54% of budget) recommended minimum level set at Council in February 2017. The Capital Fund stands at £1.914m and remains available to fund one-off and transformation costs which are not capitalised. The utilised Development Fund of £3.171m was also released into the General Fund during the year.

There has been a number of challenges during 2017/18 in particular the increasing costs of providing social care to both adults and children. Equally the council is now dealing with the impact of reductions in funding levels provided by the Government. Against these challenges and continued strong financial management the financial result for services for the year is an overspend of £662k (£564k when including non-service areas). Table 1. shows the outturn for service across each of the directorates.

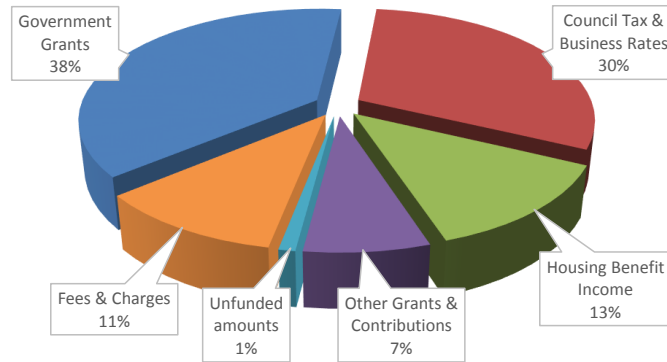
Table 1.

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

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

# NARRATIVE REPORT

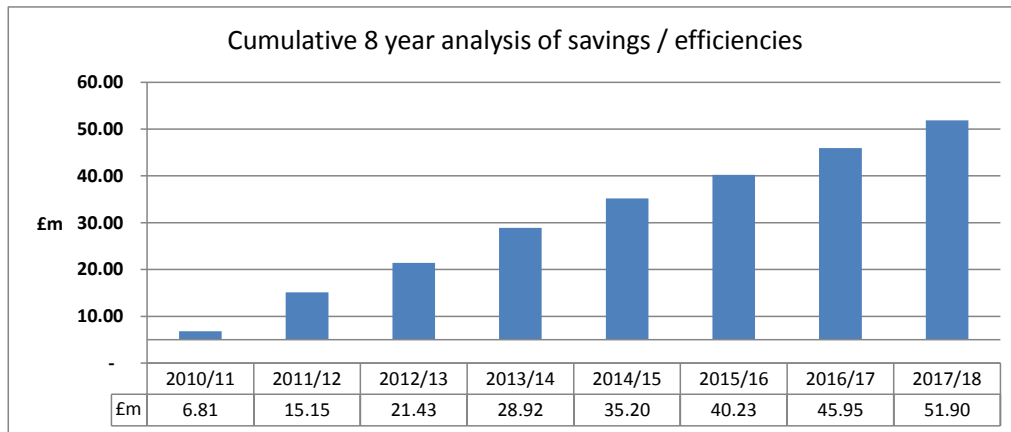
Chart 1.



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

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

Chart 2.



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

# NARRATIVE REPORT

Chart 3.

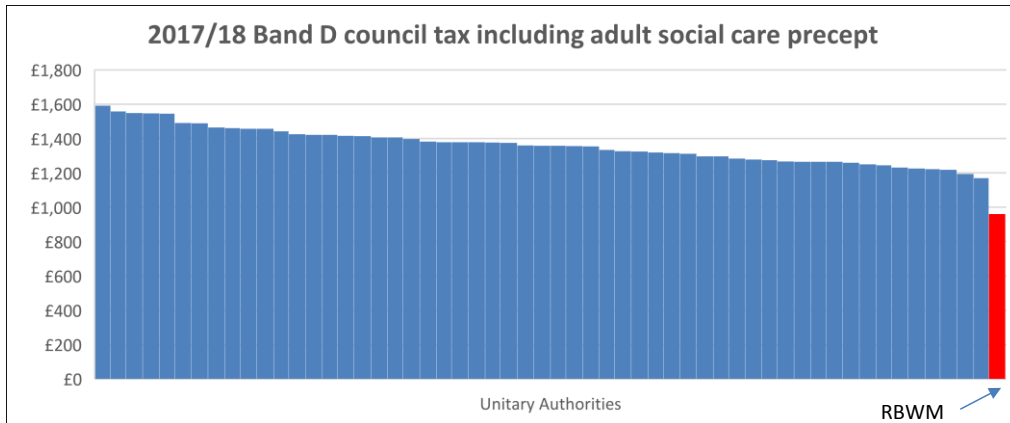
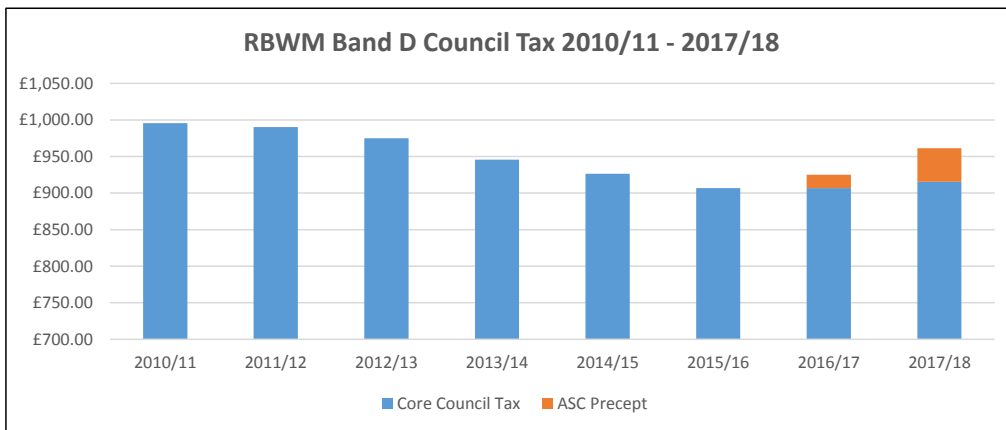


Chart 4.



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

[Budget, Spending and Performance](#)

Details of the Council Budget can also be found in the same place.



## NARRATIVE REPORT

### Revenue Expenditure

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

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

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

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

## NARRATIVE REPORT

### Review of 2017/18

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

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

## NARRATIVE REPORT

### Capital Expenditure

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

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

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

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

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

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

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

## NARRATIVE REPORT

### **Pension Fund**

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

### **Treasury Management**

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

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

### **LOOKING FORWARD**

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

#### [The Council Plan](#)

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

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

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

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

### **CONCLUSION**

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

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

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



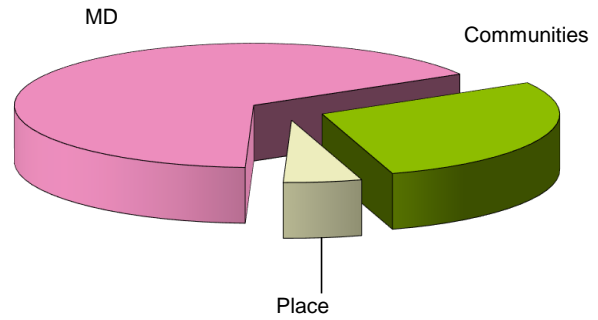
**Robert Stubbs**  
Deputy Director and Head of Finance

## NARRATIVE REPORT

Chart 5.

### Main Services Expenditure

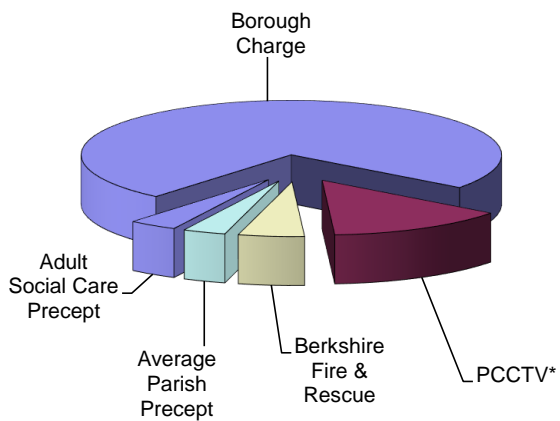
	£'m	%
MD	175	66%
Communities	76	29%
Place	14	5%
	<u>265</u>	<u>100%</u>



Source: Comprehensive Income and Expenditure Statement

Chart 6.

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



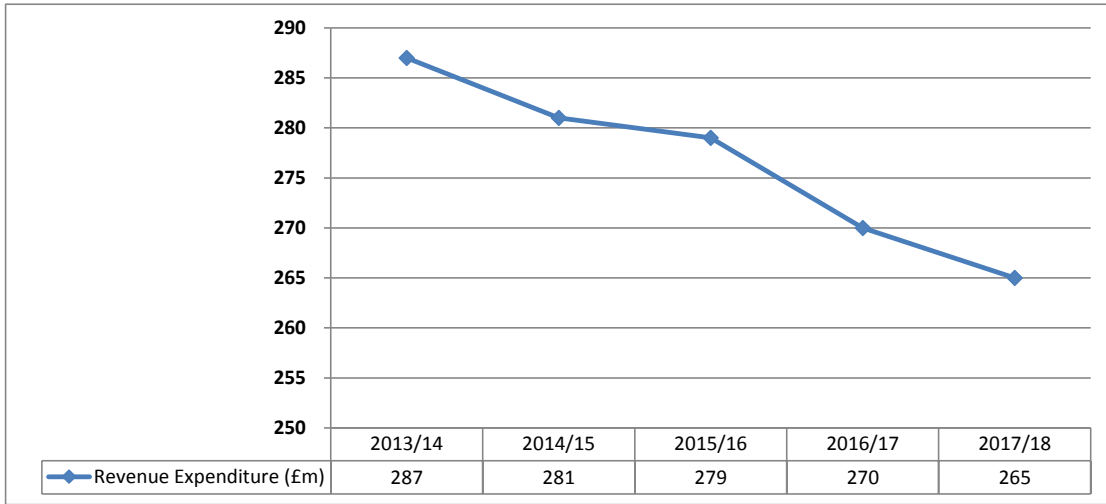
	Band D (£)	£'000 to be received
<b>Council Tax Analysis</b>	2017/18	2017/18
Borough Charge	915.57	62,098
PCCTV*	170.28	11,359
Berkshire Fire & Rescue	62.49	4,169
Average Parish Precept	40.59	1,298
Adult Social Care Precept	45.89	3,061
	<u>1,234.82</u>	<u>81,985</u>

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

# NARRATIVE REPORT

Chart 7.

5 year trend of gross service expenditure



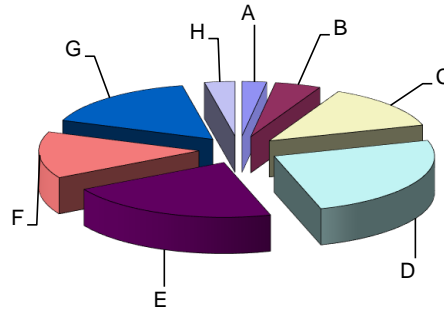
## NARRATIVE REPORT

Chart 8.

The following diagrams provide an analysis of the Council Tax.

### Domestic Properties eligible for Council Tax

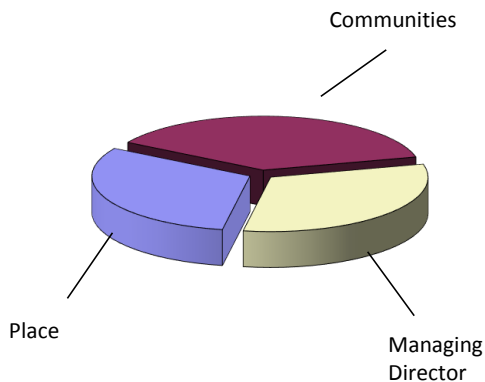
Charge Band	No.	%
A	1,365	2.5%
B	2,559	4.6%
C	7,290	13.2%
D	13,782	25.0%
E	11,889	21.5%
F	7,601	13.8%
G	8,994	16.3%
H	1,691	3.1%
<b>Total Properties</b>	<b>55,171</b>	<b>100.0%</b>



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

Chart 9.

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



### Capital Expenditure

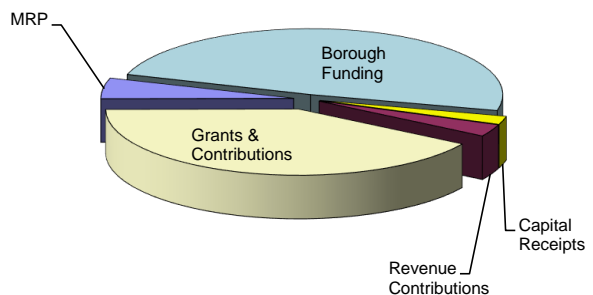
	£'000	%
Communities	12,518	30.8%
Place	15,233	37.5%
Managing Director	12,877	31.7%
<b>Total</b>	<b>40,628</b>	<b>100.0%</b>

Source: Capital expenditure from the narrative report.

Chart 10.

### Sources of Capital Finance

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

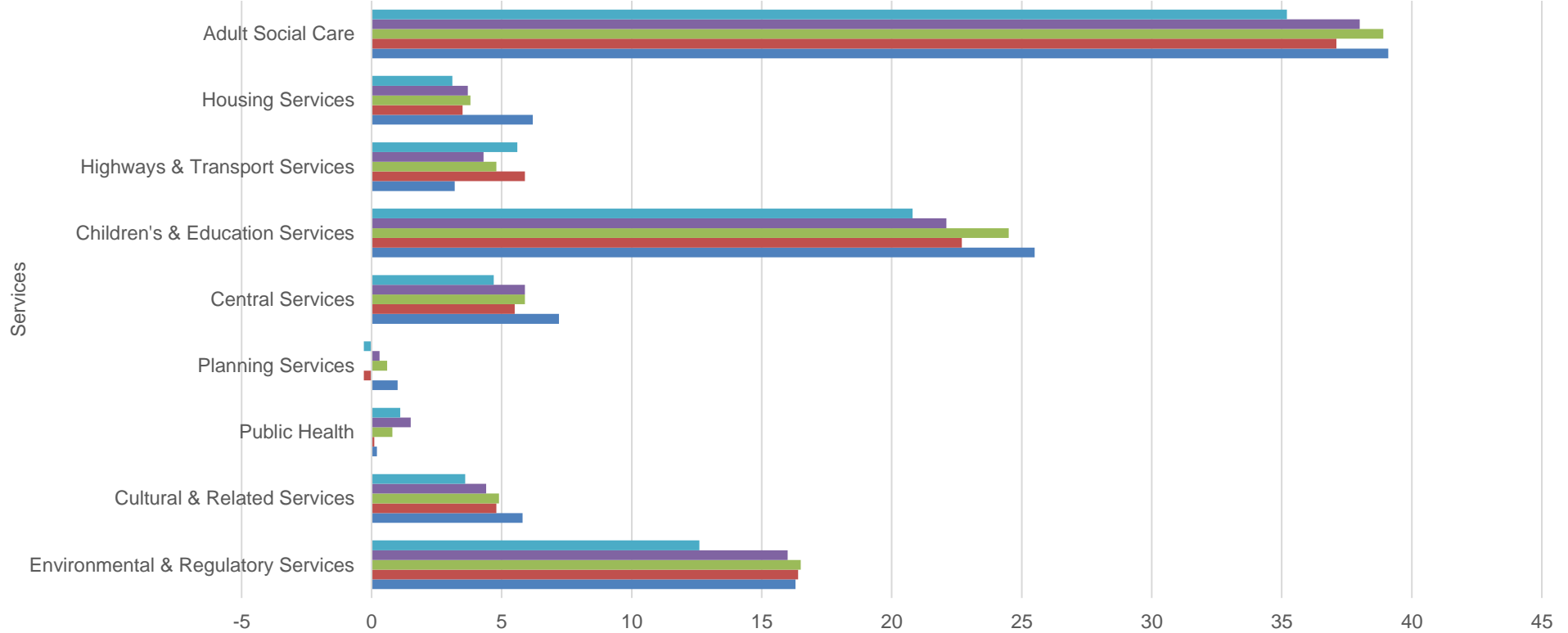


Source: Capital Finance from Note 42.

- 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.

NARRATIVE REPORT

Chart 11 - 5 year analysis of service expenditure



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

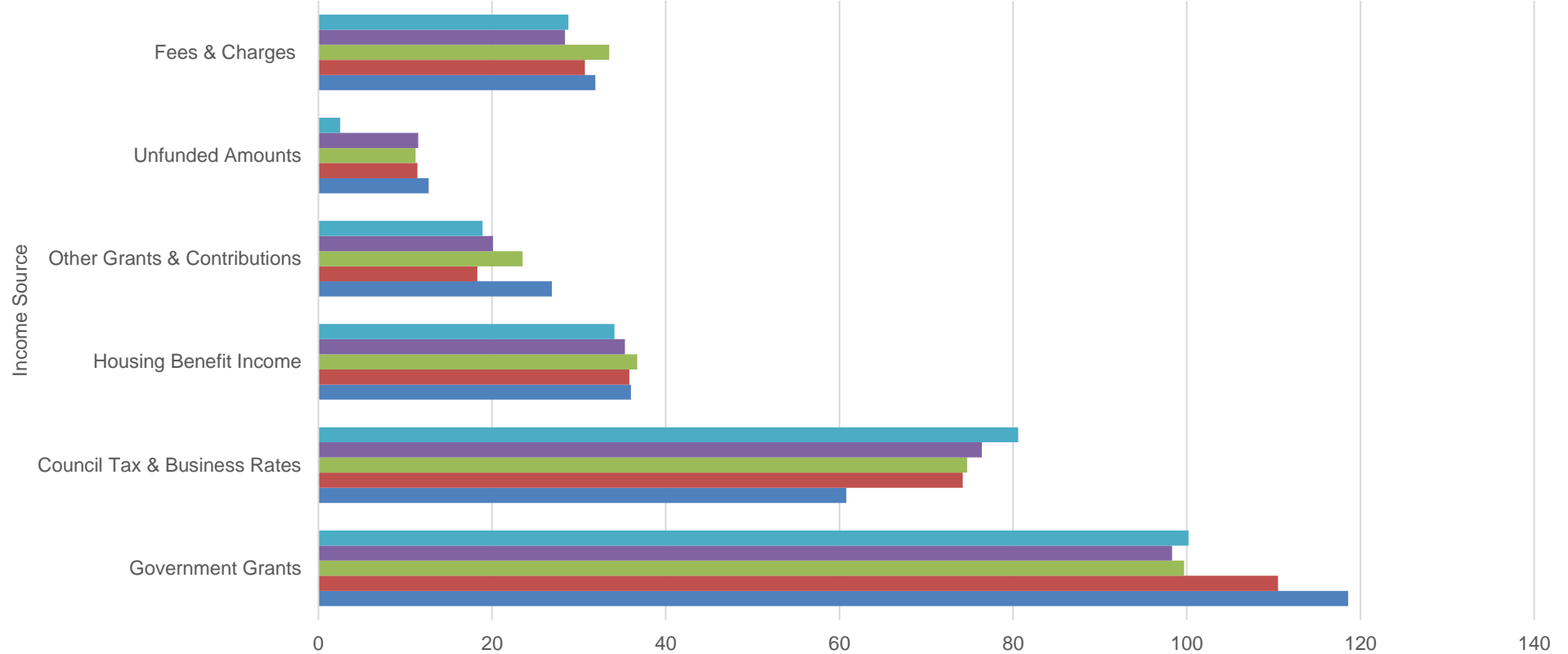
£m

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



NARRATIVE REPORT

Chart 12 - 5 year analysis of income sources



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

£m

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

## **APPROVAL OF THE ACCOUNTS**

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

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

**Signed**

**Date: 12 July 2018**

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

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

### **REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS**

#### **Opinion**

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

In our opinion the financial statements:

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

#### **Basis for opinion**

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

#### **Going concern**

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

#### **Other information published with the financial statements**

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

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

## **Head of Finance's responsibilities**

As explained more fully in the statement set out on page 19, the Head of Finance is responsible for: the preparation of the Authority's financial statements in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2017/18; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the Authority's and the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting on the assumption that the functions of the Authority and the Group will continue in operational existence for the foreseeable future.

## **Auditor's responsibilities**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities)

## **REPORT ON OTHER LEGAL AND REGULATORY MATTERS**

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

#### **Conclusion**

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

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

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

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

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

### **Statutory reporting matters**

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

- any matters have been reported in the public interest under Section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of, the audit;
- any recommendations have been made under Section 24 of the Local Audit and Accountability Act 2014;
- an application has been made to the court for a declaration that an item of account is contrary to law under Section 28 of the Local Audit and Accountability Act 2014;
- an advisory notice has been issued under Section 29 of the Local Audit and Accountability Act 2014; or
- an application for judicial review has been made under Section 31 of the Local Audit and Accountability Act 2014.

We have nothing to report in these respects

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

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

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

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

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

31 July 2018

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

### The Chief Financial Officer's responsibilities

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

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

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

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



Rob Stubbs  
Deputy Director and Head of Finance  
30 July 2018

## EXPENDITURE AND FUNDING ANALYSIS

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

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

## GROUP COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

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

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



## GROUP MOVEMENT IN RESERVES STATEMENT

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

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

**GROUP MOVEMENT IN RESERVES STATEMENT**

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

## GROUP BALANCE SHEET

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

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

## 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.

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

## NOTES TO THE ACCOUNTS

### 1 Accounting Policies

#### i General Principles

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

#### ii Accruals of Income and Expenditure

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

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

#### iii Cash and Cash Equivalents

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

#### iv Exceptional Items

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

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

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

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

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

## 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 CI&E when the Authority is demonstrably committed to the termination of the employment of an officer or group of officers or making an offer to encourage voluntary redundancy.

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

##### Post Employment Benefits

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

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

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

## NOTES TO THE 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
    - unitised securities, current bid price
    - property, market value
  - The change in the net pensions liability is analysed into seven components:
    - current service cost, the increase in liabilities as a result of years of service earned this year, allocated in the CI&E to the services for which the employees worked.
    - past service cost, the increase in liabilities arising from current year decisions whose effect relates to years of service earned in earlier years– debited to the surplus or deficit on the provision of services in the CI&E as part of non distributed costs.
    - interest cost on liabilities, the expected increase in the present value of liabilities during the year as they move one year closer to being paid – debited to the financing and investment income and expenditure line in the CI&E.
    - interest on assets, the annual investment return on the fund assets attributable to the Authority, calculated with reference to the discount rate– credited to the financing and investment income and expenditure line in the CI&E.
    - gains or losses on settlements and curtailments, the result of actions to relieve the Authority of liabilities or events that reduce the expected future service or accrual of services in the CI&E as part of non distributed costs.
    - actuarial gains and losses, changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions – debited to the Pensions Reserve.
    - contributions paid to the Berkshire pension fund – cash paid as employer's contributions to the pension fund in settlement of liabilities; not accounted for as an expense.
- In relation to retirement benefits, statutory provisions require the GF balance to be charged with the amount payable by the Authority to the pension fund or directly to pensioners in the year, not the amount calculated according to the relevant accounting standards. In the movement in reserves statement, this means that there are appropriations to and from the pensions reserve to remove the notional debits and credits for retirement benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year-end. The negative balance that arises on the pensions reserve thereby measures the beneficial impact to the GF of being required to account for retirement benefits on the basis of cash flows rather than as benefits are earned by employees.

#### Discretionary Benefits

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

## NOTES TO THE ACCOUNTS

### 1 Accounting Policies

#### viii Events after the balance sheet date

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

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

#### ix Financial Instruments

##### Financial Liabilities

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

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

Where premiums and discounts have been charged to the CI&E, regulations allow the impact on the GF balance to be spread over future years.

The Authority has a policy of spreading the gain or loss over the term that was remaining on the loan against which the premium was payable or discount receivable when it was repaid.

##### Financial Assets

Financial assets are classified into two types:

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

##### Loans and Receivables

Loans and receivables are recognised on the balance sheet when the Authority becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value. They are subsequently measured at their amortised cost. Annual credits to the financing and investment income and expenditure line in the CI&E for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument. For most of the loans that the Authority has made, this means that the amount presented in the balance sheet is the outstanding principal receivable (plus accrued interest) and interest credited to the CI&E is the amount receivable for the year in the loan agreement.

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



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

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

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

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

#### x Foreign Currency Translation

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

#### xi Government Grants and Contributions

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

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

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

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

#### xii Heritage Assets

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

## NOTES TO THE ACCOUNTS

### 1 Accounting Policies

#### xiii Intangible Assets

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

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

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

#### xiv Inventories and Long Term Contracts

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

#### xv Investment Property

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

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

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

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

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

## NOTES TO THE ACCOUNTS

### 1 Accounting Policies

#### xvii Leases

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

#### **The Authority as Lessee**

##### Finance Leases

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

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

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

##### **Operating Leases**

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

## 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 CI&E as part of the gain or loss on disposal. A gain, representing the Authority's net investment in the lease, is credited to the same line in the CI&E also as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal), matched by a lease (long-term debtor) asset in the balance sheet. Lease rentals receivable are apportioned between:

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

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

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

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

#### **xviii Overheads and Support Services**

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

## 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.

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

#### Measurement

Assets are initially measured at cost, comprising:

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

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

- infrastructure, community assets and assets under construction, depreciated historical cost
- dwellings, fair value, determined using the basis of existing use value for social housing (EUV-SH)
- all other assets, fair value, determined as the amount that would be paid for the asset in its existing use (existing use value – EUV). Where there is no market-based evidence of fair value because of the specialist nature of an asset, depreciated replacement cost (DRC) is used as an estimate of fair value. Where non-property assets that have short useful lives or low values (or both), depreciated historical cost basis is used as a proxy for fair value. Assets included in the balance sheet at fair value are revalued sufficiently regularly to ensure that their carrying amount is not materially different from their fair value at the year-end, but as a minimum every five years. Increases in valuations are matched by credits to the revaluation reserve to recognise unrealised gains. Exceptionally, gains might be credited to the CI&E where they arise from the reversal of a loss previously charged to a service. Where decreases in value are identified, they are accounted for by:
  - where there is a balance of revaluation gains for the asset in the revaluation reserve, the accumulated gains)
  - where there is no balance in the revaluation reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant service line(s) in the CI&E.

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

## 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 CI&E.

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

#### Depreciation

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

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

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

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

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

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

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

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

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

##### Contingent Liabilities

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

##### Contingent Assets

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

#### xxi Reserves

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

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

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

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

## NOTES TO THE ACCOUNTS

### 1 Accounting Policies

#### xxiii Fair Value

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

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

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

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

#### xxiv VAT

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

#### xxv Interests in Companies and Other Entities

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

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

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

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



## 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 2018/19 Code:

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

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

### 3 Critical Judgements in Applying Accounting Policies

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

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

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

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

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

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

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

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

### 5 Material Items of Income and Expense

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

### 6 Events After the Balance Sheet Date

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

## NOTES TO THE ACCOUNTS

### 7 Note to the Expenditure and Funding Analysis

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

<b>Adjustments between Funding and Accounting Basis 2016/17</b>				
<b>Adjustments from General Fund to arrive at the Comprehensive Income and Expenditure Statement amounts</b>	<b>Adjustment for Capital Purposes</b>	<b>Net change for the Pensions Adjustment</b>	<b>Other Differences</b>	<b>Total Adjustments</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Managing Director	2,910	(82)	2,815	5,643
Communities Directorate	7,603	(49)	(1,743)	5,811
Place Directorate	1,469	(33)	(1,436)	-
<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 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

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

2017/18	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	(12,441)				(12,441)	12,441
Movements in the market value of Investment Properties	60,366				60,366	(60,366)
Capital grants and contributions applied	9,092				9,092	(9,092)
Revenue expenditure funded from capital under statute	(13,345)				(13,345)	13,345
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(61)				(61)	61
Statutory provision for the financing of capital investment	2,054				2,054	(2,054)
<b>Adjustments primarily involving the Capital Grants Unapplied Account:</b>						
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	4,926	(4,926)			-	-
Application of grants to capital financing transferred to the Capital Adjustment Account		7,585			7,585	(7,585)
<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	820			(820)	-	-
Use of the Capital Receipts Reserve to finance new capital expenditure				820	820	(820)
Contribution from the Capital Receipts Reserve to finance the payments to the Government capital receipts pool.					-	-
<b>Adjustments primarily involving the Pensions Reserve:</b>						
Reversal of items relating to retirement benefits debited or credited to the CI&E Statement	2,697				2,697	(2,697)
<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	(4,237)				(4,237)	4,237
<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	312				312	(312)
<b>Total Adjustments</b>	<b>50,183</b>	<b>2,659</b>	<b>-</b>	<b>-</b>	<b>52,842</b>	<b>(52,842)</b>

NOTES TO THE ACCOUNTS

2016/17 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	(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

### 10 Transfers to/from Earmarked Reserves

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

	Balance at 31 March 2017 £'000	Transfers Out 2017/18 £'000	Transfers In 2017/18 £'000	Balance at 31 March 2018 £'000
Insurance Reserve	1,236	(1,274)	1,173	1,135
Capital Fund	2,027	(1,435)	2,696	3,288
Equipment Maintenance Fund	44	(44)	-	-
Nature Reserve Maintenance Fund	123	(9)	9	123
Corporate Development Fund	1,004	(1,004)	-	-
Firestation Maintenance Fund (WAC)	30	(5)	-	25
Grave Maintenance Fund	8	-	-	8
Optalis Development Fund	-	-	72	72
Better Care Fund	1,254	-	172	1,426
Public Health Fund	118	(73)	-	45
<b>Total</b>	<b>5,844</b>	<b>(3,844)</b>	<b>4,122</b>	<b>6,122</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 next bi-annual actuarial review is scheduled to be complete by September 2019. Depending on the outcome the fund may be adjusted in future years.

#### **Capital Fund**

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

#### **Nature Reserve Maintenance Fund**

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

#### **Corporate Development Fund**

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

#### **Firestation Maintenance Fund (WAC)**

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

#### **Grave Maintenance Fund**

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

#### **Optalis Development Fund**

Funds set aside for the business development of Optalis Ltd.

## NOTES TO THE ACCOUNTS

### Better Care Fund (BCF)

The Section 75 agreement we have with Clinical Commissioning Groups specifies that any net underspend on planned projects at the year-end may be used by the Council to contribute towards the cost of adult social care services, which have a health benefit. This is an allowable use of BCF funding. The S75 Agreement states that should RBWM use net underspends in this way, then it must contribute an equivalent sum into the BCF in future. The BCF net underspend of £1.058m has been used to fund Homecare and Council reserves have been increased accordingly. Total reserves ring-fenced for pooling into the BCF in future are £1.426m.

### Public Health Fund (PHF)

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

### Schools and Dedicated Schools Grant Reserves

	Balance at 31 March 2017	Transfers Out 2017/18	Transfers In 2017/18	Balance at 31 March 2018
	£'000	£'000	£'000	£'000
<b>School Revenue Balances</b>	1929	(100)		1,829
<b>Dedicated Schools Grant Reserve</b>				
General DSG Reserve	(751)	(460)		(1,211)
Earmarked DSG Reserve - School to School Support	-			-
Earmarked DSG Reserve - Capacity Building for Two-Year-Olds	59	(2)		57
Earmarked DSG Reserve - Support for Children In Care	77			77
Earmarked DSG Reserve - Mental Health and Wellbeing	217	(120)		97
<b>Total DSG Reserve</b>	<b>(398)</b>	<b>(582)</b>	-	<b>(980)</b>
<b>Total Schools and DSG Reserves</b>	<b>1,531</b>	<b>(682)</b>	-	<b>849</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 39) and must be carried forward to support the Schools Budget in future years. The DSG reserve reflects RBWM's DSG.

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

- Capacity building for two year olds – to help build additional capacity among early years providers to deliver the extension to the free entitlement to education and childcare for two, three and four year olds.
- Support for children in care – to narrow the educational attainment gap of RBWM children in care compared with their peers.
- Mental health and wellbeing in schools - to provide early support for pupils at risk of mental health difficulties.

## NOTES TO THE ACCOUNTS

### 11 Other Operating Expenditure and Income

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

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

### 12 Financing and Investment Income and Expenditure

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

### 13 Taxation and Non-Specific Grant Income

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



**NOTES TO THE ACCOUNTS**

**14 Property, Plant and Equipment**

**Movements on Balances**

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

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

**Net Book Value**

<b>At 31 March 2018</b>	<b>283,036</b>	<b>12,972</b>	<b>79,594</b>	<b>6,609</b>	<b>6,502</b>	<b>8,071</b>	<b>396,784</b>
<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>

## NOTES TO THE ACCOUNTS

### Comparative Movements in 2016/17

	Other Land and Buildings	Vehicles, Plant, Furniture & Equipment	Infrastructure Assets	Community Assets	Surplus Assets	Assets Under Construction	Total PPE
<b>Movements in 2016/17</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</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	78,279	-	-	-	814	-	79,093
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	(35,951)	89	-	-	(554)	-	(36,416)
Derecognition – disposals	(27,175)	-	-	-	-	-	(27,175)
Derecognition – other	-	-	-	-	-	(9,667)	(9,667)
Other movements in cost or valuation	(245)	260	(24)	(176)	-	-	(185)
<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>
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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)

## NOTES TO THE ACCOUNTS

### Capital Commitments

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

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

### Revaluations

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

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

## NOTES TO THE ACCOUNTS

### 15 Heritage Assets

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

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

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

### 16 Investment Properties

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

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

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

	2016/17 £'000	2017/18 £'000
<b>Balance at start of the year</b>	64,674	76,611
Additions:		
Purchases	-	-
Disposals	-	-
Net gains/(losses) from fair value adjustments	12,037	60,380
Transfers:		
(To)/from Property, Plant and Equipment	-	(1,893)
Other changes	(100)	220
<b>Balance at end of the year</b>	<b>76,611</b>	<b>135,318</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 2018 in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution for Chartered Surveyors. The assets were valued by Lambert Smith Hampton, the Council's valuing agents.

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

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

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

## NOTES TO THE ACCOUNTS

### 17 Intangible Assets

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

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

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

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

### 18 Financial Instruments

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

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

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

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

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

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

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

## NOTES TO THE ACCOUNTS

### 19 Inventories

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

### 20 Construction Contracts

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

### 21 Debtors

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

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

### 22 Cash and Cash Equivalents

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

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

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

### 23 Assets Held for Sale

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

## NOTES TO THE ACCOUNTS

### 24 Creditors

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

### 25 Provisions

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

#### National Living Wage Sleep-ins

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

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

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

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

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

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

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

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

## NOTES TO THE ACCOUNTS

### 26 Usable Reserves

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

### 27 Unusable Reserves (Group)

	At 31 March 2017 £'000	At 31 March 2018 £'000
Capital Adjustment Account	160,065	212,380
Revaluation Reserve	204,793	200,034
Pensions Reserve	(313,583)	(293,703)
Collection Fund Adjustment Account	43	(4,194)
Accumulated Absences Account	(2,417)	(2,106)
RBWM share of Associates Reserves	-	(7,715)
<b>Total Unusable Reserves</b>	<b>48,901</b>	<b>104,696</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 10. provides details of the source of all the transactions posted to the Account, apart from those involving the Revaluation Reserve.

2016/17		Capital Adjustment Account	2017/18	
£'000	£'000		£'000	£'000
	<b>205,741</b>	<b>Balance at 1 April</b>		<b>160,065</b>
1,827		Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:		<b>2,054</b>
(11,020)		Charges for depreciation and impairment of noncurrent assets	(11,579)	
(34,040)		Revaluation losses on Property, Plant and Equipment	(718)	
(963)		Amortisation of intangible assets	(864)	
(8,544)		Revenue expenditure funded from capital under statute	(13,345)	
(12,049)		Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement		
	<b>(64,789)</b>			<b>(26,506)</b>
	3,854	Adjusting amounts written out of the Revaluation Reserve		5,986
		<b>Capital financing applied in the year:</b>		
0		Use of the Capital Receipts Reserve to finance new capital expenditure	820	
7,316		Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	9,092	
4,633		Application of grants to capital financing from the Capital Grants Unapplied Account	7,584	
1,200		Capital expenditure charged against the General Fund	1,200	
(9,927)		Other Adjustments	(8,295)	
	<b>3,222</b>			<b>10,401</b>
	12,037	Movements in the market value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement		60,380
	<b>160,065</b>	<b>Balance as at 31 March</b>		<b>212,380</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	2016/17 £'000	2017/18 £'000
Balance at 1 April	130,198	204,793
Upward revaluation of assets	78,450	1,227
Difference between fair value depreciation and historical cost depreciation	(3,832)	(3,844)
Amount written off to the Capital Adjustment Account	(23)	(2,142)
<b>Balance at 31 March</b>	<b>204,793</b>	<b>200,034</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.

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

## NOTES TO THE ACCOUNTS

### Collection Fund Adjustment Account

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

#### Collection Fund - Council Tax

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

#### Collection Fund - Business Rates

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

### Accumulated Absences Account

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

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

### RBWM share of Associates Reserves

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

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

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

## NOTES TO THE ACCOUNTS

### 28 Cash Flow Statement - Operating Activities

The cash flows for operating activities include the following items:

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

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

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

### 29 Cash Flow Statement - Investing Activities

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

## NOTES TO THE ACCOUNTS

### 30 Cash Flow Statement - Financing Activities

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

### 31 Acquired and Discontinued Operations

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

### 32 Trading Operations

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

#### Industrial and commercial estates

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

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

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

### 33 Agency Services

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

### 34 Road Charging Schemes

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

## NOTES TO THE ACCOUNTS

### 35 Pooled Budgets

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

#### Better Care Fund

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

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

	2016/17 £'000	2017/18 £'000
<b>Funding</b>		
Slough Borough Council	307	488
West Berkshire Council	726	778
RBWM	454	466
Other Berkshire Authorities	1,302	1,319
Clinical Commissioning Group (formerly Berkshire Primary Care Trusts)	4,878	4,506
<b>Total Funding</b>	<b>7,667</b>	<b>7,557</b>
<b>Expenditure</b>		
NRS Healthcare Services	7,667	7,557
<b>Total Expenditure</b>	<b>7,667</b>	<b>7,557</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.

	2016/17 £'000	2017/18 £'000
Salaries	-	-
Allowances	720	735
Expenses	5	5
<b>Total</b>	<b>725</b>	<b>740</b>

## NOTES TO THE ACCOUNTS

### 37 Officers' Remuneration

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

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

**Notes:**

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

**NOTES TO THE ACCOUNTS**

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

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

## NOTES TO THE ACCOUNTS

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

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

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

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

	2016/17 £'000	2017/18 £'000
Fees payable to KPMG with regard to external audit services carried out during the year	107	107
Fees payable to KPMG in respect of statutory inspections	-	-
Fees payable to KPMG for the certification of grant claims and returns during the year	12	12
Fees payable in respect of other services provided by KPMG during the year	-	-
<b>Total</b>	<b>119</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 ring-fenced and can only be applied to meet expenditure properly included in the Schools Budget, as defined in the School Finance (England) Regulations 2014. The Schools Budget includes elements for a range of educational services provided centrally on an authority-wide basis and for the Individual Schools Budget (ISB), which is divided into a budget share for each maintained school and allocations to non-maintained nurseries. Grant allocated to schools' budget shares through the ISB is treated as spent as soon as it is allocated to schools.

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

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

### 40 Grant Income

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

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

## NOTES TO THE ACCOUNTS

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

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

## 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:

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

### Capital Grants Unapplied

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

	2016/17 £'000	2017/18 £'000
Education Grants	8,116	4,690
Other Grants	509	1,276
<b>Total</b>	<b>8,625</b>	<b>5,966</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 2018 are shown in Note 40.

### Members

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

During 2017/18 £1.388m of expenditure was incurred with third parties in which members had an interest.

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

### Pension Fund

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

## NOTES TO THE ACCOUNTS

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

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

### 42 Capital Expenditure and Capital Financing

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

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

## NOTES TO THE ACCOUNTS

### 43 Leases

#### Authority as Lessee

##### Finance Leases

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

##### Operating Leases

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

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

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

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

	2016/17 £'000	2017/18 £'000
Minimum lease payments	2,132	1,841
Contingent rents	36	38
<b>Total</b>	<b>2,168</b>	<b>1,879</b>

#### Authority as Lessor

##### Finance Leases

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

##### Operating Leases

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

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

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

## NOTES TO THE ACCOUNTS

### 44 PFI and Similar Contracts

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

### 45 Impairment Losses

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

### 46 Capitalisation of Borrowing Costs

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

### 47 Termination Benefits

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

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

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

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

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

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

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

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

#### Assets and Liabilities recognised in the Balance Sheet

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

	Local Government Pension Scheme £'000	
	2016/17	2017/18
Present value of the defined benefit obligation	(559,909)	(526,866)
Fair value of scheme assets	254,040	240,331
<b>Net Liability</b>	<b>(305,869)</b>	<b>(286,535)</b>
Present value of unfunded obligation	(7,714)	(7,168)
<b>Net Liability in the Balance Sheet</b>	<b>(313,583)</b>	<b>(293,703)</b>

## NOTES TO THE ACCOUNTS

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

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

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

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

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

### Fair value of scheme assets comprised:

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

The significant assumptions used by the actuary have been:

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

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

	Local Government Pension Scheme £'000	
	Increase in assumption	Decrease in assumption
Longevity (increase or decrease in 1 year)	20,460	(19,681)
Rate of increase in salaries (increase or decrease by 0.1%)	585	(582)
Rate of increase in pensions (increase or decrease by 0.1%)	9,484	(9,307)
Rate for discounting scheme liabilities (increase or decrease by 0.1%)	10,056	(9,856)

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

### 50 Contingent Liabilities

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

### 51 Contingent Assets

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

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

#### 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 2017 £'000	Receipts in Year £'000	Payments /Transfers in Year £'000	Balance at 31st March 2018 £'000
Local Enterprise Partnership (LEP)	9,239	27,336	18,509	18,066
Flexible Home Improvements Ltd (FHIL)	519	38	234	323
Kidwells Park Trust	432	22	10	444
RBWM Flood Relief Fund	189	-	-	189
Mayor's Benevolent Fund	33	1	4	30
Working Boys Club	692	22	24	690
Thames Valley Athletic Centre	49	10	-	59
Other Trust Funds	1	-	-	1
RBWM Commercial Services Ltd	34	884	884	34
RBWM Property Company Ltd	(39)	356	353	(36)
<b>Trusts &amp; Other Entities Total</b>	<b>11,149</b>	<b>28,669</b>	<b>20,018</b>	<b>19,800</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 £613k on sale of 22 Cookham Rd, Maidenhead in 2008/09 and this has been invested in a fund to protect its value and ensure a revenue stream to finance the activities of the charity. The objectives of the charity are to provide facilities for youth in the borough with a preference for clubs and associations.

#### **Thames Valley Athletics Centre**

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

#### **Other Trust Funds**

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

#### **RBWM Commercial Services Ltd**

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

#### **RBWM Property Company Ltd**

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

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

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

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

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

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

# Supplementary Accounting Statements 2017/18

[www.rbwm.gov.uk](http://www.rbwm.gov.uk)



Royal Borough  
of Windsor &  
Maidenhead

## COLLECTION FUND

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

2016/17 £'000	COUNCIL TAX	2017/18 £'000
<b>INCOME</b>		
79,197	Council Tax receivable	83,029
<b>79,197</b>	<b>Total Income</b>	<b>83,029</b>
<b>EXPENDITURE</b>		
<b>Apportionment of Previous Year Surplus</b>		
1,394	Royal Borough of Windsor and Maidenhead	2,615
90	Berkshire Fire and Rescue Authority	455
242	Thames Valley Police & Crime Commissioner	167
<b>1,726</b>		<b>3,237</b>
<b>Precepts and Demands</b>		
62,993	Royal Borough of Windsor and Maidenhead	66,457
4,025	Berkshire Fire and Rescue Authority	4,169
10,969	Thames Valley Police & Crime Commissioner	11,359
<b>77,987</b>		<b>81,985</b>
<b>Charges to Collection Fund</b>		
135	Less write offs of uncollectable amounts	146
(1,145)	Less: Increase/(Decrease) in Bad Debt Provision	(1,457)
335	Less: Disregarded amounts	333
<b>(675)</b>	<b>Total Expenditure</b>	<b>(978)</b>
159	<b>Surplus/(Deficit) arising during the year</b>	(1,215)
2,932	<b>Surplus (Deficit) Brought Forward</b>	3,091
<b>3,091</b>	<b>Surplus/(Deficit) Carried Forward</b>	<b>1,876</b>
<b>BUSINESS RATES</b>		
<b>INCOME</b>		
81,400	Business Rates receivable	83,150
-	Transitional Protection Payments	1,286
<b>81,400</b>	<b>Total Income</b>	<b>84,436</b>
<b>EXPENDITURE</b>		
<b>Apportionment of Previous Year Surplus</b>		
195	Central Government	(1,001)
192	Royal Borough of Windsor and Maidenhead	(1,022)
4	Berkshire Fire and Rescue Authority	(21)
<b>391</b>		<b>(2,044)</b>
<b>Precepts and Demands</b>		
41,880	Central Government	46,251
41,043	Royal Borough of Windsor and Maidenhead	45,326
838	Berkshire Fire and Rescue Authority	925
<b>83,761</b>		<b>92,502</b>
<b>Charges to Collection Fund</b>		
434	Less write offs of uncollectable amounts	334
45	Less: Increase/(Decrease) in Bad Debt Provision	-
-	Less: Increase/(Decrease) in Provision for Appeals	-
243	Less: Cost of Collection	249
41	Less: Disregarded amounts	32
<b>763</b>	<b>Total Expenditure</b>	<b>615</b>
(3,515)	<b>Surplus/(Deficit) arising during the year</b>	(6,637)
(1,530)	<b>Surplus (Deficit) Brought Forward</b>	(5,045)
<b>(5,045)</b>	<b>Surplus/(Deficit) Carried Forward</b>	<b>(11,682)</b>

## NOTES TO THE COLLECTION FUND

### 55 Council Tax Income

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

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

Council Tax support is awarded to residents on low incomes and a 25% single person's discount is given where a property has only one occupant. There are various other discounts, reliefs and exemptions that are available depending on individual circumstances to reduce the payable amount. For 2017/18 the sum of £29.54 per Band D property is included to cover Special Expenses of the unparished areas of the Borough. These are the costs associated with providing parish-type services in the non-parished areas of the Borough. A precept in accordance with revised regulations was also included to cover additional Adult Social Care costs and resulted in an additional charge of £45.89 at band D for 2017/18.

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

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

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

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

### 56 Business Rates Income

Business rates, also known as non-domestic rates (NDR), help fund local services provided by councils, the police and fire and rescue services. Business rates are calculated by multiplying a property's rateable value (a valuation carried out by the VOA representing the annual rental value of the premises on a particular date) with a multiplier (a rate in the pound set by Central Government) 47.9p in 2017/18 (49.7p in 2016/17). The total rateable value of business premises in the Borough's area at 31st March 2018 was £190.6m producing a notional yield of £96.420m. The business rate debt position is reviewed regularly and a provision of £1.029m to cover potentially bad or doubtful debts has been made. RBWM's share of the provision is £504k.

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

## NOTES TO THE COLLECTION FUND

### 57 Precepts and Demands on the Funds

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

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

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

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

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



## PENSION FUND ACCOUNTS

### The Royal County of Berkshire Pension Fund Account

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

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

2016/17 £'000		Notes	2017/18 £'000
1,981,322	Investment assets	71	2,082,344
(65,020)	Investment liabilities	71	(63,402)
1,916,302	<b>Total net investments</b>		<b>2,018,942</b>
10,241	Current assets	78	9,048
(2,548)	Current liabilities	79	(15,727)
<b>1,923,995</b>	<b>Net assets of the fund available to fund benefits at the end of the reporting period</b>		<b>2,012,263</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 77.

## NOTES TO THE PENSION FUND

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

#### 58 Description of Fund

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

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

#### a) General

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

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

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

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

#### b) Membership

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

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

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

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

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

## NOTES TO THE PENSION FUND

### c) Funding

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

### d) Benefits

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

	Service pre 1 April 2008	Service post 1 April 2008
<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.

### 59 Basis of preparation

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

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

### 60 Summary of significant accounting policies

#### Fund account - revenue recognition

##### a) Contribution income

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

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

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

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

Transfer values represent the amounts received and paid during the year for members who have either joined or left the fund during the financial year and are calculated in accordance with the Local Government Pension Scheme Regulations 2013 (see Notes 65 and 67).

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

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

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

## NOTES TO THE PENSION FUND

### **c) Investment income**

#### **i) Interest income**

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

#### **ii) Dividend income**

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

#### **iii) Distributions from pooled funds**

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

#### **iv) Movement in the net market value of investments**

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

### **Fund Account - expense items**

#### **d) Benefits payable**

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

#### **e) Taxation**

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

#### **f) Management expenses**

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

##### **Administrative expenses**

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

##### **Oversight and governance costs**

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

##### **Investment management expenses**

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

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

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

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

## NOTES TO THE PENSION FUND

### Net Assets Statement

#### g) Financial assets

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

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

#### h) Foreign currency transactions

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

#### i) Derivatives

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

#### j) Cash and cash equivalents

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

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

#### k) Financial liabilities

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

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

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

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

#### m) Additional voluntary contributions

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

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

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

#### n) Contingent assets and contingent liabilities

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

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

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

## NOTES TO THE PENSION FUND

### 61 Critical judgements in applying accounting policies

#### Pension fund liability

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

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

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

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

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

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

Item	Uncertainties	Effect if actual results differ from assumptions
<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 £81.3 million. A 0.1% increase in the long term salary increases assumption would increase the value of liabilities by approximately £7.0 million, and a one-year increase in assumed life expectancy would increase the liability by approximately £157.7 million.
<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 £597 million. There is a risk that this investment may be under- or overstated in the accounts.

### 63 Events after the balance sheet date

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

## NOTES TO THE PENSION FUND

### 64 Contributions receivable

#### By category

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

#### By authority

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

### 65 Transfers in from other pension funds

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

### 66 Benefits payable

#### By category

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

#### By authority

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

### 67 Payments to and on account of leavers

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

## NOTES TO THE PENSION FUND

### 68 Management expenses

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

#### a) Investment management expenses

2016/17		2017/18
£'000		£'000
6,714	Management Fees	7,583
226	Custody Fees	233
<b>6,940</b>		<b>7,816</b>

### 69 Investment income

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

### 70 Other fund account disclosures

#### a) Taxes on income

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

#### b) External audit costs

2016/17		2017/18
£'000		£'000
26	Payable in respect of external audit	30
<b>26</b>		<b>30</b>



## NOTES TO THE PENSION FUND

### 71 Investments

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

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

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

## NOTES TO THE PENSION FUND

	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>

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

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

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

**b) Analysis of investments**

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

## NOTES TO THE PENSION FUND

### c) Investments analysed by fund manager

Market value 31 March 2017			Market value 31 March 2018	
£'000	%			%
1,214,524	63.4	Royal County of Berkshire Pension Fund in-house investment team	1,342,739	66.5
213,028	11.1	Aviva Global Investors	221,659	11.0
242,276	12.6	Kames Capital	242,880	12.0
225,868	11.8	RWC Partners	207,192	10.3
20,606	1.1	The Cambridge Strategy (Asset Management)	4,472	0.2
<b>1,916,302</b>			<b>2,018,942</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 2017 £'000	% of total fund	Market value 31 March 2018 £'000	% of total
Aviva Global Real Estate	148,550	7.8	153,161	7.6
JP Morgan Sterling Liquidity Fund	11,150	0.6	158,931	7.9

### 72 Analysis of derivatives

#### Objectives and policies for holding derivatives

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

#### - Forward foreign currency

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

#### - Longevity Insurance Policy

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

## NOTES TO THE PENSION FUND

### Open forward currency contracts

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

## NOTES TO THE PENSION FUND

### 73 Fair value - Basis of valuation

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

Description of asset	Valuation hierarchy	Basis of valuation	Observable and unobservable	Key sensitivities affecting the valuations
<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 exchanges	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 2018.

	Assessed valuation range (+/-)	Value at 31 March 2018	Value on increase	Value on decrease
		£'000	£'000	£'000
Pooled property investments	0%	271,613	271,613	271,613
Private equity	3%	583,269	600,767	565,771
Derivative contracts	0%	(63,113)	(63,113)	(63,113)
<b>Total</b>		<b>791,769</b>	<b>809,267</b>	<b>774,271</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 2018	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	814,713	377,010	854,882	2,046,605
Loans and receivables	44,777			44,777
<b>Total financial assets</b>	<b>859,490</b>	<b>377,010</b>	<b>854,882</b>	<b>2,091,382</b>
<b>Financial liabilities</b>				
Financial liabilities at fair value through profit and loss	(279)		(63,113)	(63,392)
Financial liabilities at amortised cost	(15,727)			(15,727)
<b>Total financial liabilities</b>	<b>(16,006)</b>	<b>-</b>	<b>(63,113)</b>	<b>(79,119)</b>
<b>Net financial assets</b>	<b>843,484</b>	<b>377,010</b>	<b>791,769</b>	<b>2,012,263</b>

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>

## NOTES TO THE PENSION FUND

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

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

### 74 Financial instruments

#### a) Classification of financial instruments

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

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

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

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

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

## NOTES TO THE PENSION FUND

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

#### Risk and risk management

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

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

#### a) Market risk

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

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

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

The fund manages these risks in two ways:

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

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

#### Other price risk

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

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

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



## NOTES TO THE PENSION FUND

### Other price risk - sensitivity analysis

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

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

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

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

Asset type	Value as at 31 March 2018	Potential market movement	Value on increase	Value on decrease
	£'000	£'000	£'000	£'000
<b>Investment portfolio assets:</b>				
Bonds	100,456	9,543	109,999	90,913
Equities	458,806	41,293	500,099	417,513
Pooled investments	332,724	38,263	370,987	294,461
Pooled Property Funds	271,613	11,408	283,021	260,205
Private Equity	583,269	53,661	636,930	529,608
Net derivative liabilities	(59,473)	-	(59,473)	(59,473)
Cash and cash equivalents	328,044	-	328,044	328,044
Investment income due	3,503	-	3,503	3,503
Amounts receivable for sales	-	-	-	-
Payment made in advance	-	-	-	-
<b>Current assets:</b>				
Debtors	5,753	-	5,753	5,753
Cash balances	3,295	-	3,295	3,295
<b>Current liabilities</b>	<b>(15,727)</b>	<b>-</b>	<b>(15,727)</b>	<b>(15,727)</b>
<b>Total</b>	<b>2,012,263</b>	<b>-</b>	<b>2,166,431</b>	<b>1,858,095</b>

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	8,010	92,330	76,310
Equities	471,187	42,407	513,594	428,780
Pooled investments	387,279	44,537	431,816	342,742
Pooled Property Funds	259,548	10,901	270,449	248,647
Private Equity	580,664	53,421	634,085	527,243
Net derivative liabilities	(43,594)	-	(43,594)	(43,594)
Cash and cash equivalents	112,637	-	112,637	112,637
Investment income due	3,120	-	3,120	3,120
Amounts receivable for sales	61,141	-	61,141	61,141
Payment made in advance	-	-	-	-
<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>-</b>	<b>2,083,271</b>	<b>1,764,719</b>

## NOTES TO THE PENSION FUND

### Interest rate risk

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

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

The fund's direct exposure to interest rate movements as at 31 March 2018 and 31 March 2017 is set out below. These disclosures present interest rate risk based on the underlying financial assets at fair value.

### Interest rate risk sensitivity analysis

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

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

Asset exposed to interest rate risk	Value as at 31 March 2018  £'000	Change in year in the net assets available to pay benefits	
		+ 100 BPS	- 100 BPS
		£'000	£'000
Cash and cash equivalents	328,044	-	-
Cash balances	3,295	-	-
Bonds	100,456	(4,379)	4,379
<b>Total change in assets available</b>	<b>431,795</b>	<b>(4,379)</b>	<b>4,379</b>

Asset exposed to interest rate risk	Value as at 31 March 2017  £'000	Change in year in the net assets available to pay benefits	
		+ 100 BPS	- 100 BPS
		£'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>

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

## NOTES TO THE PENSION FUND

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>

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

### Currency risk

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

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

### Currency risk - sensitivity analysis

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

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

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

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

Assets exposed to currency risk	Asset value as at 31 March 2018	Change to net assets available to pay benefits	
		+10.1%	-10.1%
	£'000	£'000	£'000
Overseas equities	363,040	36,667	(36,667)
Overseas unit trusts	111,051	11,216	(11,216)
<b>Total change in assets available</b>	<b>474,091</b>	<b>47,883</b>	<b>(47,883)</b>

Assets exposed to currency risk	Asset value as at 31 March 2017	Change to net assets available to pay benefits	
		+10.1%	-10.1%
	£'000	£'000	£'000
Overseas equities	374,857	37,861	(37,861)
Overseas unit trusts	177,823	17,960	(17,960)
<b>Total change in assets available</b>	<b>552,680</b>	<b>55,821</b>	<b>(55,821)</b>

### 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.

## NOTES TO THE PENSION FUND

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

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

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

The council believes it has managed its exposure to credit risk, and has had no experience of default or uncollectable deposits over the past five financial years. The fund's cash holding under its treasury management arrangements at 31 March 2018 was £331.3m (31 March 2017: £117.2m). This was held with the following institutions:

	Rating	Balances as at 31 March 2017	Balances as at 31 March 2018
		£'000	£'000
<b>Money Market funds</b>			
Aviva	A+	25,003	<b>41,090</b>
JP Morgan	A+	11,629	<b>177,106</b>
Legal & General	A+	24,925	<b>36,009</b>
Northern Trust	AA-	19,960	<b>41,002</b>
<b>Bank deposit accounts</b>			
JP Morgan	A+	31,119	<b>32,836</b>
<b>Bank current accounts</b>			
Lloyds	A+	4,580	<b>3,295</b>
<b>Total</b>		<b>117,216</b>	<b>331,339</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 2018 the value of illiquid assets was £854.9m, which represented 42.5% of the total fund assets (31 March 2017: £840.2m, which represented 43.7% of the total fund assets).

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

### Refinancing risk

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

## NOTES TO THE PENSION FUND

### 76 Funding arrangements

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

The key elements of the funding policy are:

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

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

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

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

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

#### Financial assumptions

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

#### Mortality assumptions

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

#### Commutation assumption

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

## NOTES TO THE PENSION FUND

### 77 Actuarial present value of promised retirement benefits

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

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

Calculated on an IAS19 basis, the actuarial present value of promised retirement benefits at 31 March 2018 was £4,264 million (31 March 2017: £4,185 million). The net assets available to pay benefits as at 31 March 2018 was £2,010 million (31 March 2017: £1,924 million). The implied fund deficit as at March 2018 was therefore £2,254 million (31 March 2017: £2,261 million).

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

#### IAS19 assumptions used

Inflation/pension increase rate assumption	2.30%
Salary increase rate	3.80%
Discount rate	2.55%

### 78 Current assets

31 March 2017		31 March 2018
£'000		£'000
4,905	Contributions due	5,157
756	Sundry debtors	596
5,661	Debtors	5,753
4,580	Cash balances	3,295
<b>10,241</b>		<b>9,048</b>

#### Analysis of debtors

31 March 2017		31 March 2018
£'000		£'000
2,363	Other local authorities	1,549
3,298	Other entities and individual	4,204
<b>5,661</b>		<b>5,753</b>

### 79 Current liabilities

31 March 2017		31 March 2018
£'000		£'000
(2,452)	Sundry creditors	(15,727)
(96)	Benefits payable	-
<b>(2,548)</b>		<b>(15,727)</b>

## NOTES TO THE PENSION FUND

### Analysis of creditors

31 March 2017		31 March 2018
£'000		£'000
(886)	Central government bodies	(902)
(253)	Other local authorities	(11,940)
(1,409)	Other entities and individual	(2,885)
<b>(2,548)</b>		<b>(15,727)</b>

### 80 Additional voluntary contributions

Market value 31 March 2017		Market value 31 March 2018
£'000		£'000
14,068	Prudential	13,874
4	Equitable Life	4
18	Clerical Medical	18
<b>14,090</b>	<b>Total</b>	<b>13,896</b>

AVC Contributions of £2.051 million were paid directly to Prudential during the year (2016/17: £2.029 million).

### 81 Related party transactions

#### The Royal Borough of Windsor and Maidenhead

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

During the reporting period, the council incurred costs of £1.342m (2016/17 £1.316m) in relation to the administration of the fund and was subsequently reimbursed by the fund for these expenses. The council is also the 5th largest employer of members of the pension fund and contributed £9.7m (2016/17 £11.0m).

#### Governance

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

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

#### Key management personnel

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

### 82 Contingent liabilities and contractual commitments

Outstanding capital commitments (investments) at 31 March 2018 totalled £321.046m (31 March 2017: £397.835m).

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

### 83 Contingent assets

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

## GLOSSARY OF TERMS

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

### **Accounting Policies**

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

### **Accruals**

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

### **Actuarial Gains and Losses**

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

### **Capital Charge**

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

### **Capital Expenditure**

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

### **Community Assets**

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

### **Classes of Tangible Assets**

Operational Assets:

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

Non Operational Assets:

Investment property, Assets under construction and Surplus assets for disposal

### **Contingent Asset or Liability**

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

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

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

### **Defined Benefit Scheme**

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

### **Creditors**

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

### **Debt**

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

### **Debtor**

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

### **Depreciation**

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

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

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

### **Fair value**

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

### **Finance Lease**

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

### **Impairment**

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

### **Infrastructure Assets**

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



## 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.

### **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.