

Report Title:	Post Audit Statement of Accounts 2019/20
Contains Confidential or Exempt Information	No - Part I
Cabinet Member:	Councillor Hilton, Cabinet Member for Asset Management & Commercialisation, Finance and Ascot
Meeting and Date:	Audit and Governance Committee - 22 September 2022
Responsible Officer(s):	Adele Taylor, Executive Director of Resources
Wards affected:	None

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## **REPORT SUMMARY**

This report sets out RBWM's Audited Statement of Accounts for 2019/20, the External Auditors' report on their audit, the ISA260, the management responses to the matters raised in the External Auditors' report and the draft Letter of Representation to be signed by the Borough.

It is recommended that the Audit and Governance Committee delegates responsibility to the Executive Director of Resources to agree and sign a final version of the Letter of Representation, approves the Statement of Accounts and authorises the Chairman and the Executive Director of Resources to sign them, and approves the management responses to the matters raised in the External Auditors report.

### **1. DETAILS OF RECOMMENDATION(S)**

**RECOMMENDATION:** That Audit and Governance Committee notes the report and:

- i) Delegates responsibility to the Executive Director of Resources to agree a final version of the Letter of Representation and sign it**
- ii) Approves the audited Statement of Accounts, and authorises the Chairman and the Executive Director of Resources to sign them**
- iii) Approves the management responses to the matters raised in the External Auditors' report**

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

#### **Options**

**Table 1: Options arising from this report**

<b>Option</b>	<b>Comments</b>
To approve the audited accounts, and authorise the Chairman and the Executive Director of Resources to sign them <b>This is the recommended option</b>	Statutorily the Council is required to publish its audited Statement of Accounts

- 2.1 As the Council is required by statute to publish its audited Statement of 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 Governance Committee, however, ask questions of the Council's officers and auditors (Deloitte) and make recommendations that may assist a reader of the Statement of Accounts.

### **3. KEY IMPLICATIONS**

- 3.1 For 2019/20, the original statutory deadline for the publication of the Council's audited financial statements was 31 July 2020. However, this deadline was amended as a result of the Covid-19 pandemic to 30 November 2020 as the sector and the external auditors had to transition to a process of working from home and other pressures arose in supporting actions taken to mitigate the impacts of the pandemic.
- 3.2 Other factors have also impacted on the delivery of the Council's audited Statement of Accounts, mainly arising from:
  - The receipt of objections to the Council's Statement of Accounts which the external auditor had to consider and determine whether there were any matters that needed to be taken into account before signing off the accounts. As part of their considerations, the external auditor has had to gather information on the matters objected to and also take external legal advice which has added time and cost to the audit.
  - During the time taken in consideration of the objections, the regulatory framework in which the external auditors work has changed as a result of the high-profile company failures in the private sector where it has been felt that there have been audit failures.
  - There has been a National Issues, yet to be resolved, in respect of the accounting for Infrastructure Assets, which has required additional audit work to be undertaken. CIPFA has consulted the sector on proposals but has not yet published any amendments to the Code of Practice. Any accounting impacts for the Council are not considered material.
  - Over the period of the audit, there have been significant changes to staffing within external audit and the Council's finance team, which has added to delays as fresh eyes have been cast over documentation and workings.
- 3.3 The delays in the final sign off of the Council's Statement of Accounts will also have an impact on the audit of the Statements for 2020/21 and 2021/22.

**Table 2: Key Implications**

<b>Outcome</b>	<b>Unmet</b>	<b>Met</b>	<b>Exceeded</b>	<b>Significantly Exceeded</b>	<b>Date of delivery</b>
Date when accounts are published, the audit opinion and the number of changes required by auditors	Published later than 30 November 2020 or receive a qualified opinion or > 5 material changes.	Published on or before 30 November 2020 with an unqualified opinion and 1-4 material changes.	Published within the original statutory deadline of 31 July 2020, with an unqualified opinion and no material changes	Published by 31 May 2020, with an unqualified opinion and no material changes	22 September 2022

#### **4. FINANCIAL DETAILS / VALUE FOR MONEY**

- 4.1 Deloitte LLP anticipates issuing an unqualified audit opinion on the authority's statement of accounts with an "except for" qualification of VFM conclusion, and their report, the ISA260 is attached as appendix to this report.
- 4.2 The external auditors will be seeking approval of the Public Sector Audit Appointments (PSAA) for an increase in their audit fees as a result of having to deal with the objections made to the Statement of Accounts, due to their additional time taken and in seeking legal advice on the matter, estimated to total £90,000. The Council has also had to take time in responding to external audit queries on the matter which is estimated to have cost the Council £83,000.
- 4.3 Deloitte LLP has identified a number of unadjusted misstatements, the majority of which have "net nil impact" and are reversed out due to Statutory overrides in the basis of accounting.
- 4.4 The error related to the in-year depreciation charge of £1m that was not reversed on a car park asset revalued as at 31 March 2020. This has no impact on unusable reserves.
- 4.5 A provision of £2.4m has been incorrectly recognised in respect of collection fund amounts that has been corrected in 2020/21.
- 4.6 An unreconciled balance on the bank reconciliation identified in prior year accounts. The balance (£1,002,000) relates to long-standing unreconciled items. This was identified as to what items it related and corrected in the 2020/21 accounts.

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

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

(b) The CIPFA report that was reported to a meeting of the Corporate Overview and Scrutiny Committee on 22 October 2019 that has also been shared with Deloitte. This raises a number of governance issues that Members and Officers have since addressed.

## 5. LEGAL IMPLICATIONS

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

## 6. RISK MANAGEMENT

We have accessed the risks associated with the current financial statements considered in this report and will be taking steps to mitigate any issues in future statements.

**Table: Impact of risk and mitigation**

<b>Risk</b>	<b>Level of uncontrolled risk</b>	<b>Controls</b>	<b>Level of controlled risk</b>
Accounts being mis-stated	Low	There is an internal review process in place and also these are externally audited	Low
Accounts being delayed for publishing	High	The accounts are overdue as a result of extra work involved due to the public objections and addressing the errors in original draft submission.	High

## 7. POTENTIAL IMPACTS

7.1 Equalities. No implications.

7.2 Climate change/sustainability. No implications

7.3 Data Protection/GDPR. No implications.

## 8. CONSULTATION

- 8.1 A 30 days public notice was put onto the Council's website giving residents the opportunity to inspect the accounts and related transactions and correspondence and make objections to external auditors.

## 9. TIMETABLE FOR IMPLEMENTATION

- 9.1 This section is not applicable.

## 10. APPENDICES

- 10.1 This report is supported by four appendices:

- Appendix A Equality Impact Assessment
- Appendix B Statement of Accounts 2019/20
- Appendix C Management response to Control observations
- Appendix D Audit report
- Appendix E Draft letter of Representation

## 11. CONSULTATION

Name of consultee	Post held	Date sent	Date returned
<i>Mandatory:</i> Statutory Officers (or deputies)			
Adele Taylor	Executive Director of Resources/S151 Officer		
Emma Duncan	Director of Law, Strategy & Public Health/ Monitoring Officer		
<i>Deputies:</i>			
Andrew Vallance	Head of Finance (Deputy S151 Officer)		20/9/22
Elaine Browne	Head of Law (Deputy Monitoring Officer)		
Karen Shepherd	Head of Governance (Deputy Monitoring Officer)		
Confirmation relevant Cabinet Member(s) consulted	Cabinet Member for.....	No	

## REPORT HISTORY

Decision type:	Urgency item?	To follow item?
Non-key decision	No	No

Report Author: Andrew Vallance, Head of Finance

## APPENDIX A - EQUALITY IMPACT ASSESSMENT

### Essential information

Items to be assessed: (please mark 'x')

Strategy		Policy		Plan		Project		Service/Procedure	X
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Responsible officer	Andrew Vallance	Service area	Finance	Directorate	Resources
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<b>Stage 1: EqlA Screening (mandatory)</b>	Date created: 14/09/2022	<b>Stage 2 : Full assessment (if applicable)</b>	Date created : NA
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**Approved by Head of Service / Overseeing group/body / Project Sponsor:**

*"I am satisfied that an equality impact has been undertaken adequately."*

**Signed by (print):** Andrew Vallance

**Dated:** 20/09/2022

## **Guidance notes**

### **What is an EqIA and why do we need to do it?**

The Equality Act 2010 places a 'General Duty' on all public bodies to have 'due regard' to:

- Eliminating discrimination, harassment and victimisation and any other conduct prohibited under the Act.
- Advancing equality of opportunity between those with 'protected characteristics' and those without them.
- Fostering good relations between those with 'protected characteristics' and those without them.

EqIAs are a systematic way of taking equal opportunities into consideration when making a decision, and should be conducted when there is a new or reviewed strategy, policy, plan, project, service or procedure in order to determine whether there will likely be a detrimental and/or disproportionate impact on particular groups, including those within the workforce and customer/public groups. All completed EqIA Screenings are required to be publicly available on the council's website once they have been signed off by the relevant Head of Service or Strategic/Policy/Operational Group or Project Sponsor.

### **What are the “protected characteristics” under the law?**

The following are protected characteristics under the Equality Act 2010: age; disability (including physical, learning and mental health conditions); gender reassignment; marriage and civil partnership; pregnancy and maternity; race; religion or belief; sex; sexual orientation.

### **What's the process for conducting an EqIA?**

The process for conducting an EqIA is set out at the end of this document. In brief, a Screening Assessment should be conducted for every new or reviewed strategy, policy, plan, project, service or procedure and the outcome of the Screening Assessment will indicate whether a Full Assessment should be undertaken.

### Openness and transparency

RBWM has a 'Specific Duty' to publish information about people affected by our policies and practices. Your completed assessment should be sent to the Strategy & Performance Team for publication to the RBWM website once it has been signed off by the relevant manager, and/or Strategic, Policy, or Operational Group. If your proposals are being made to Cabinet or any other Committee, please append a copy of your completed Screening or Full Assessment to your report.

### Enforcement

Judicial review of an authority can be taken by any person, including the Equality and Human Rights Commission (EHRC) or a group of people, with an interest, in respect of alleged failure to comply with the general equality duty. Only the EHRC can enforce the specific duties. A failure to comply with the specific duties may however be used as evidence of a failure to comply with the general duty.

## Stage 1: Screening (Mandatory)

### 1.1 What is the overall aim of your proposed strategy/policy/project etc and what are its key objectives?

This report sets out RBWM's Audited Statement of Accounts for 2019/20, the External Auditors report on their audit, the ISA260, the management responses to the matters raised in the External Auditors report and the draft Letter of Representation to be signed by the Borough.

**RECOMMENDATION: That Audit and Governance Committee notes the report and:**

- i) Delegates responsibility to the Executive Director of Resources to agree a final version of the Letter of Representation and signs it**
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1.2 What evidence is available to suggest that your proposal could have an impact on people (including staff and customers) with protected characteristics? Consider each of the protected characteristics in turn and identify whether your proposal is Relevant or Not Relevant to that characteristic. If Relevant, please assess the level of impact as either High / Medium / Low and whether the impact is Positive (i.e. contributes to promoting equality or improving relations within an equality group) or Negative (i.e. could disadvantage them). Please document your evidence for each assessment you make, including a justification of why you may have identified the proposal as "Not Relevant".



<b>Protected characteristics</b>	<b>Relevance</b>	<b>Level</b>	<b>Positive/negative</b>	<b>Evidence</b>
<b>Age</b>	Not Relevant			
<b>Disability</b>	Not Relevant			
<b>Gender re-assignment</b>	Not Relevant			
<b>Marriage/civil partnership</b>	Not Relevant			
<b>Pregnancy and maternity</b>	Not Relevant			
<b>Race</b>	Not Relevant			
<b>Religion and belief</b>	Not Relevant			
<b>Sex</b>	Not Relevant			
<b>Sexual orientation</b>	Not Relevant			

### Outcome, action and public reporting

Screening Assessment Outcome	Yes / No / Not at this stage	Further Action Required / Action to be taken	Responsible Officer and / or Lead Strategic Group	Timescale for Resolution of negative impact / Delivery of positive impact
<b>Was a significant level of negative impact identified?</b>	No	Recommendations made as per the audit report will be actioned in future years accounts	Andrew Vallance/Raman Singla	Its on-going
<b>Does the strategy, policy, plan etc require amendment to have a positive impact?</b>	No	Recommendations made as per the audit report will be actioned in future years accounts	Andrew Vallance/Raman Singla	Its on-going

If you answered **yes** to either / both of the questions above a Full Assessment is advisable and so please proceed to Stage 2. If you answered “No” or “Not at this Stage” to either / both of the questions above please consider any next steps that may be taken (e.g. monitor future impacts as part of implementation, re-screen the project at its next delivery milestone etc).

# The Royal Borough of Windsor and Maidenhead

## Financial statements 2019/20

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Royal Borough  
of Windsor &  
Maidenhead

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## Narrative Report

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

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

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

### Our priorities

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

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

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

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

### Achievements in 2019/20

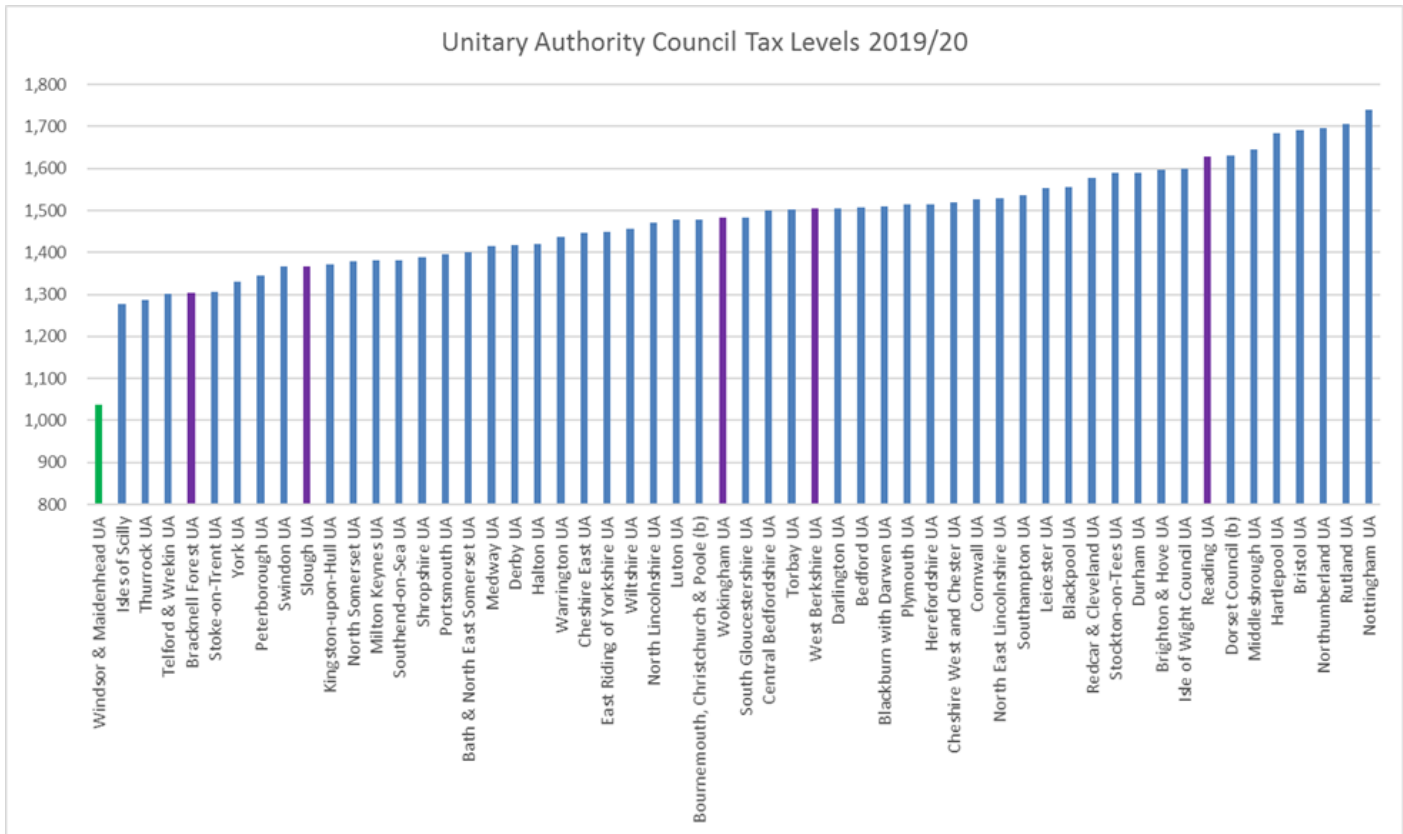
The Royal Borough delivers essential services to the community: the residents, businesses and partners of Windsor and Maidenhead every day. Services range from those that the Royal Borough is required to carry out by law (statutory duties) such as street cleaning, waste collection, planning and building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

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

We are committed to providing high quality services for everyone in our community and in January 2020 we were pleased to be rated as 'good' by the regulator Ofsted for our children's services

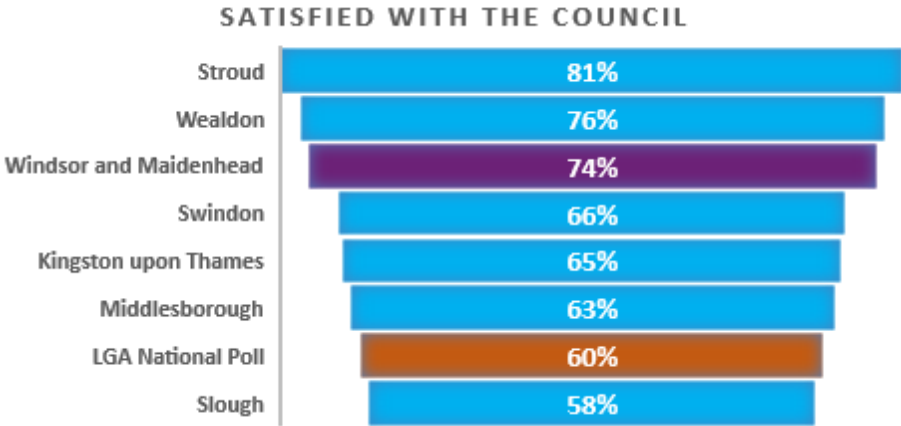
(<https://files.ofsted.gov.uk/v1/file/50146539>). Also, 94% of schools were rated either good, or outstanding by Ofsted. Within the Royal Borough, for older and vulnerable people 78% of private nursing homes, 89% of private residential homes and 79% of private domiciliary care agencies looking after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

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

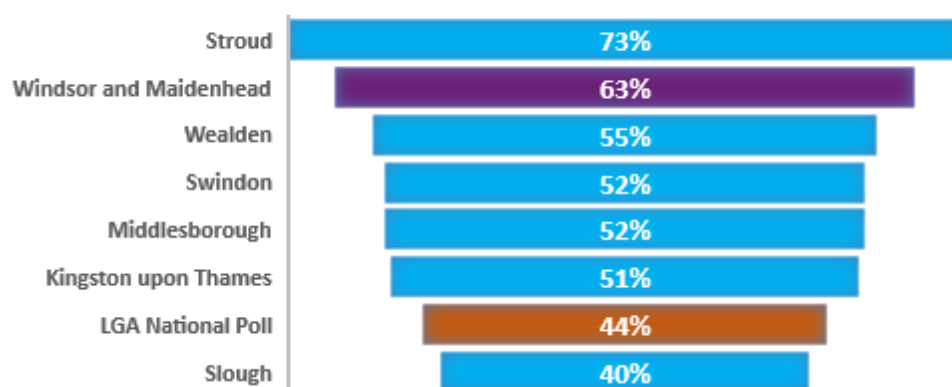


### What Residents Think

Residents are at the heart of everything we do, and our resident satisfaction results show that in 2019/20 74% of residents were satisfied with the Royal Borough and 63% feel we provide value for money. A comparative for 2018/19 is not available. Results are compared with the Local Government Association’s national poll on resident satisfaction with councils (data gathered October 2018) and 2017/18 data for 6 councils delivering the LGA’s “Are you being served” telephone survey.



## BELIEVE THE COUNCIL OFFERS VALUE FOR MONEY



For 2019/20, the Royal Borough's net revenue budget was set at £93.9m after assuming savings of £6.8m. Within the year unexpected pressures arose which could not be predicted including the outbreak of the COVID-19 worldwide pandemic and the start of lockdown. Like many other councils the costs of placing vulnerable people in the care of the local authority have risen over and above what was expected. The outturn for the year is therefore an overspend of £2.4m, with the main areas of overspend in Commissioning - Communities, £1.5m, and Children's Services, £1.8m. The COVID-19 costs of £1.8m were funded from the first tranche of Ministry for Housing, Communities and Local Government COVID-19 funding. The outturn statement is shown below:

Outturn Statement 2019/20						
	Original Budget	SUMMARY	Revised Budget	Actual Outturn including COVID19 costs	Actual Variance including COVID19	Total COVID19 costs included in Actuals
	£000		£000	£000	£000	£000
398	Management		687	750	63	0
466	Communications & Marketing		475	717	242	0
1,293	Human Resources		1,218	1,233	15	0
1,898	Law & Governance		1,907	1,925	18	0
2,101	Commissioning & Support		2,048	2,392	344	305
9,826	Commissioning - Communities		10,352	11,917	1,565	562
24,526	AfC Contract - Children's Services		24,524	26,363	1,839	14
11,140	AfC Contract - Dedicated Schools Grant		11,139	11,656	517	0
(2,546)	Children's Services - Retained		(2,546)	(2,431)	115	0
53,293	Dedicated Schools Grant - Retained		52,776	52,504	(272)	0
29,199	Adult Social Care - Optalis Contract		30,081	31,646	1,565	0
16,335	Adult Social Care - Spend		15,770	15,917	147	0
(11,725)	Adult Social Care - Income		(11,957)	(13,524)	(1,567)	157
12,728	Better Care Fund		13,292	14,110	818	0
4,659	Public Health		4,656	4,656	0	0
(80,585)	Grant Income		(80,633)	(81,693)	(1,060)	0
1,143	Finance		1,222	915	(307)	25
<b>74,149</b>	<b>Total Managing Director's Directorate</b>		<b>75,011</b>	<b>79,053</b>	<b>4,042</b>	<b>1,063</b>
141	Executive Director of Communities		203	173	(30)	0
830	Revenues & Benefits		902	1,361	459	68
1,327	Communities, Enforcement & Partnerships		1,679	2,300	621	613



3,150	Library & Resident Services	3,195	3,233	38	0
1,351	ICT	1,320	1,462	142	0
<b>6,799</b>	<b>Total Communities Directorate</b>	<b>7,299</b>	<b>8,529</b>	<b>1,230</b>	<b>681</b>
365	Executive Director of Place	359	212	(147)	0
1,086	Housing	1,085	1,866	781	21
1,302	Planning Service	1,332	1,139	(193)	0
(2,546)	Property Service	(2,587)	(2,951)	(364)	62
<b>207</b>	<b>Total Place Directorate</b>	<b>189</b>	<b>266</b>	<b>77</b>	<b>83</b>
<b>81,155</b>	<b>TOTAL EXPENDITURE</b>	<b>82,499</b>	<b>87,848</b>	<b>5,349</b>	<b>1,827</b>

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

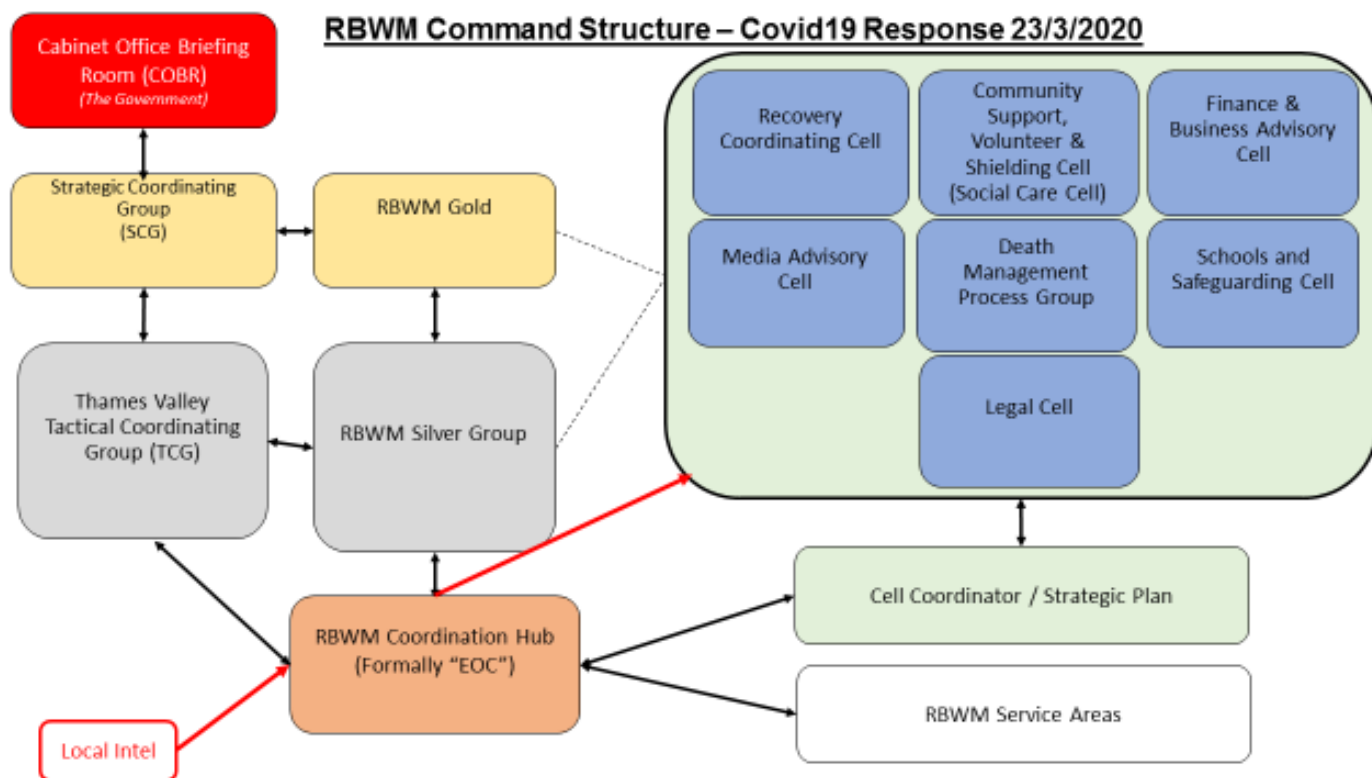
The General Fund analysis above shows the movement from £7.8m opening to £8.2m as disclosed in the movement in reserves. The analysis of the movement above is based on management reporting rather than the disclosure categories required in the financial statements.

### COVID-19 Initial Financial Assessment

The impact of the worldwide COVID-19 pandemic on both health and the economy is being assessed and it will be a while until the full impact is fully assessed and analysed. Though the relaxation of lockdown arrangements has been surpassed; the recovery is still in progress. The pandemic is a worldwide challenge and national governments are continuously working on measures to reduce the spread of the virus and re-start the economy in a safe and managed way.

From 23 March 2020 the Royal Borough adopted a Command Structure in response to the COVID-19 pandemic. This was stepped down in mid-July but can be stepped up again if necessary. The structure’s overall priorities were to protect lives, provide community leadership, reassurance, prepare for recovery and business continuity. The structure included seven cells to provide delivery and support to the overall response.

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



### Provision of services during the COVID-19 pandemic

#### Adult Social Care services

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

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

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

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

### **Schools and Children's Services**

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

Social care costs during the immediate onset of Covid-19 lockdown have remained stable with foster care placements showing better than expected resilience and staff absence levels remaining low. The lockdown period will however have created tensions in many families, and it is expected that increased costs will flow into Children's Services through 2020/21 and into 2021/22.

### **Impact on the Council's workforce**

In accordance with government guidance the majority of the Council's workforce have been working from home during the lockdown period, with the exception of a small number of community-based roles and other posts where working from home has not been feasible due to technology limitations. Whilst plans are in place to ensure core council offices are Covid-19 secure to enable those who need to come into the office are able to do so, it is expected that the majority of staff will continue to work remotely for most of their working time for the foreseeable future. This has required significant flexibility and rapid changes to processes and working arrangements; however, services have continued to be delivered successfully.

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

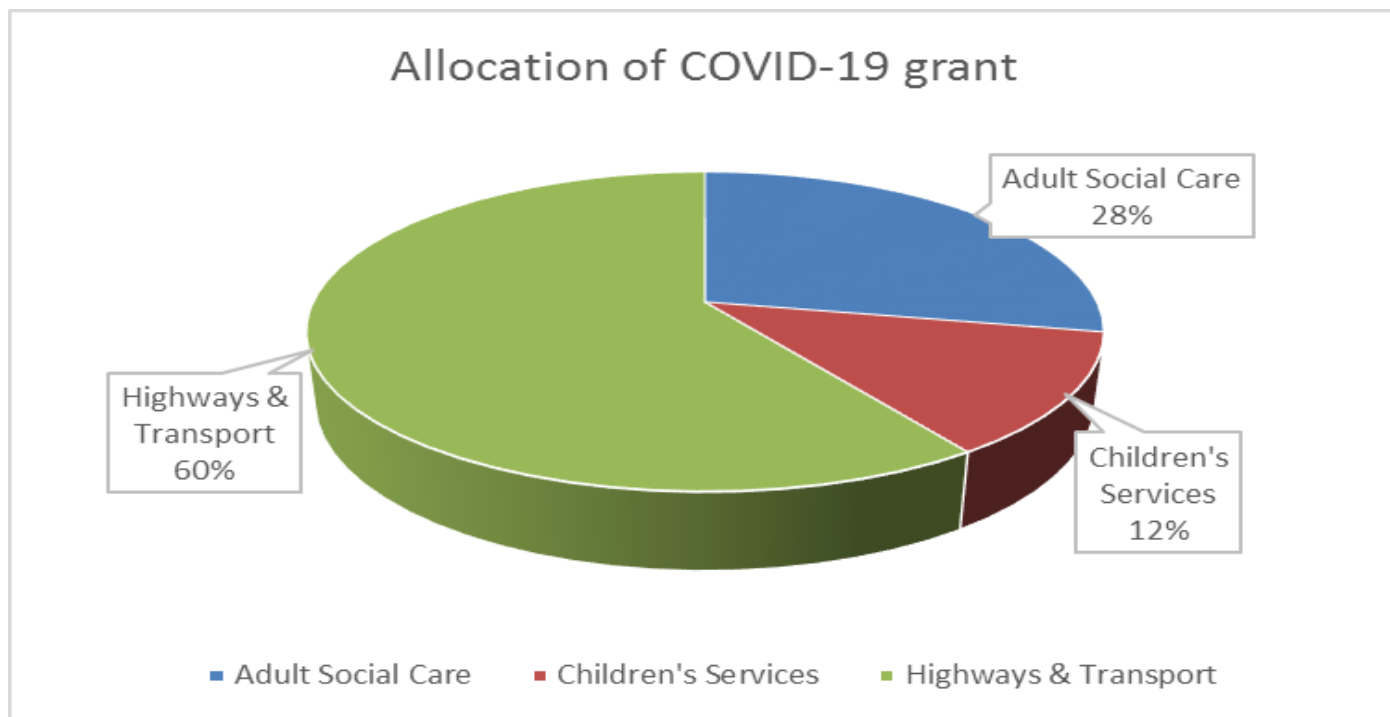
### **Reserves, financial performance and financial position**

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

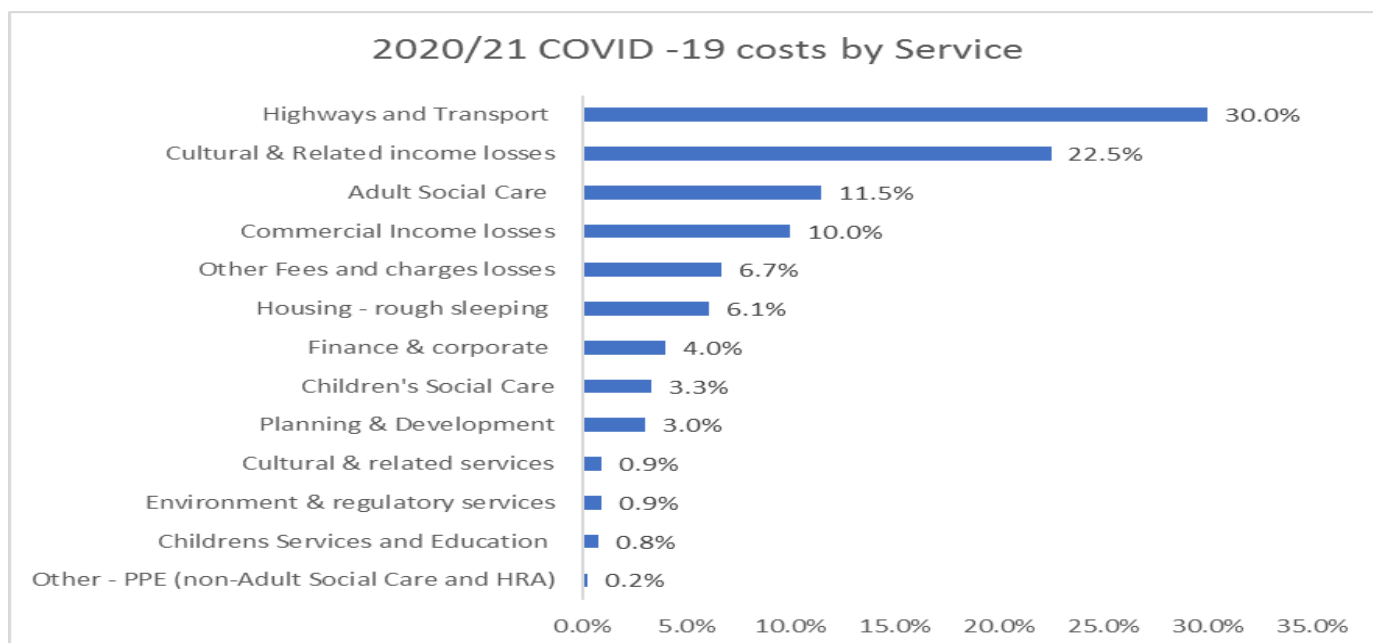
The Royal Borough is experiencing an extensive loss of income for parking, leisure, commercial rents, council tax and business rates as a result of on-going impact of the pandemic. Much of this income loss is foregone and the impact has been reflected in the revenue outturn for 2020/21 and 2021/22.

Since lockdown on the 23 March 2020, the government has allocated COVID-19 grant in three tranches, The Royal Borough's total allocated grant is £8.126m. £1.827m was utilised between the 23 and 31 March 2020 and is included in the 2019/20 financial statements. The remaining balance of £6.299m has been used to

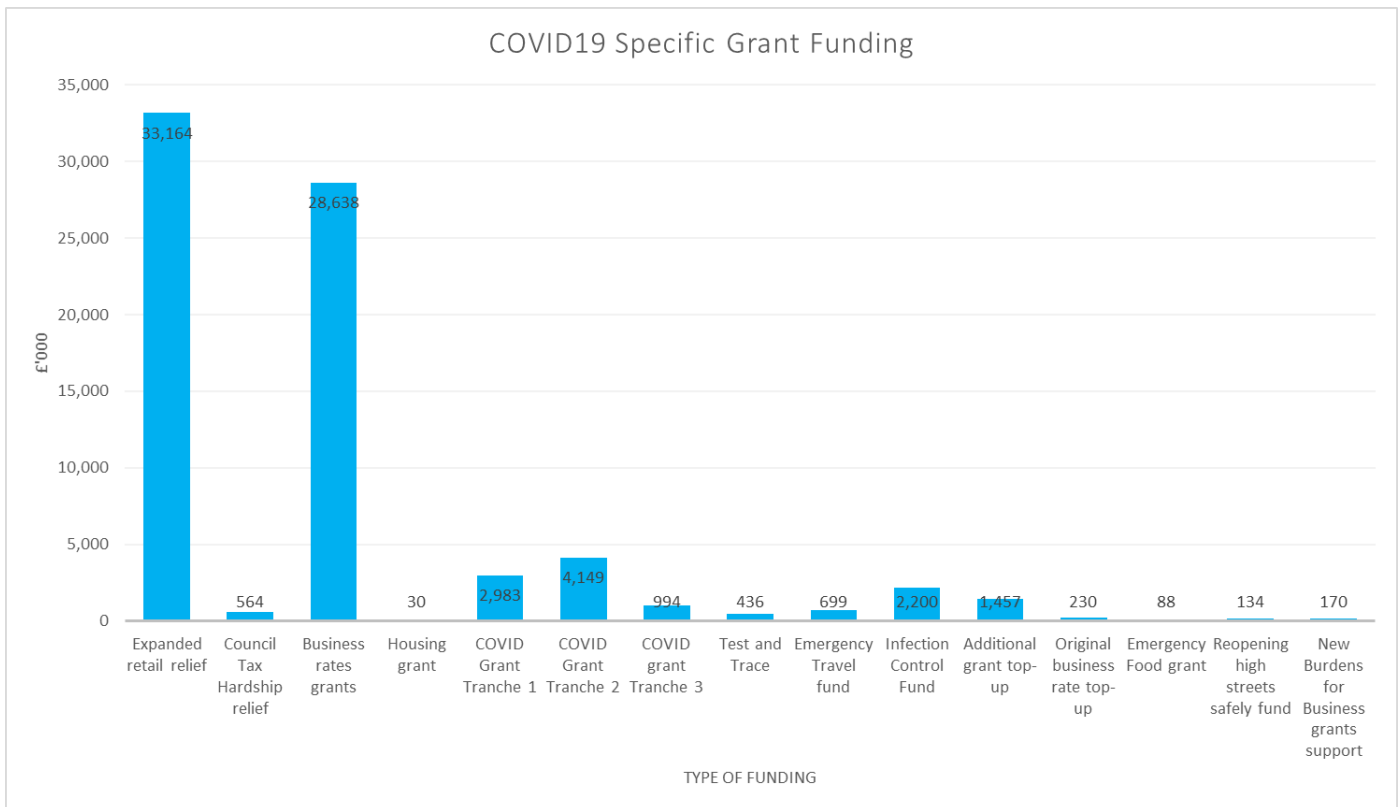
partly offset the Councils 2020/21 COVID19 costs. Royal Borough's allocation of the COVID-19 grant is shown below:



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



The Royal Borough has also received specific Covid-19 related grant funding totalling £75.936m since March 2020 including and up to 31/03/2021; some of this funding is up-front, some reimbursed and some where the Royal Borough is acting as an agent. The largest grant of £33.164m was designed to cover two new forms of Business Rate Relief i.e. Expanded Retail Relief and Nursery Relief. Half a million of this funding was also allocated to assist individuals in receipt of Council Tax Reduction with an additional award of up to £150 to reduce their outstanding Council Tax liability. These sums have been allocated by the Royal Borough in line with Government guidelines provided in order to support both local businesses and individual residents with the financial impacts of Covid-19.



## Recovery Plans

The Council has developed a recovery strategy which was approved by the Cabinet on 24 September 2020. The strategy will deliver the objectives in the Thames Valley Recovery Strategy and sets out a comprehensive programme of actions to enable recovery of the Borough across the following themes:

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

## Our Financial Strategy

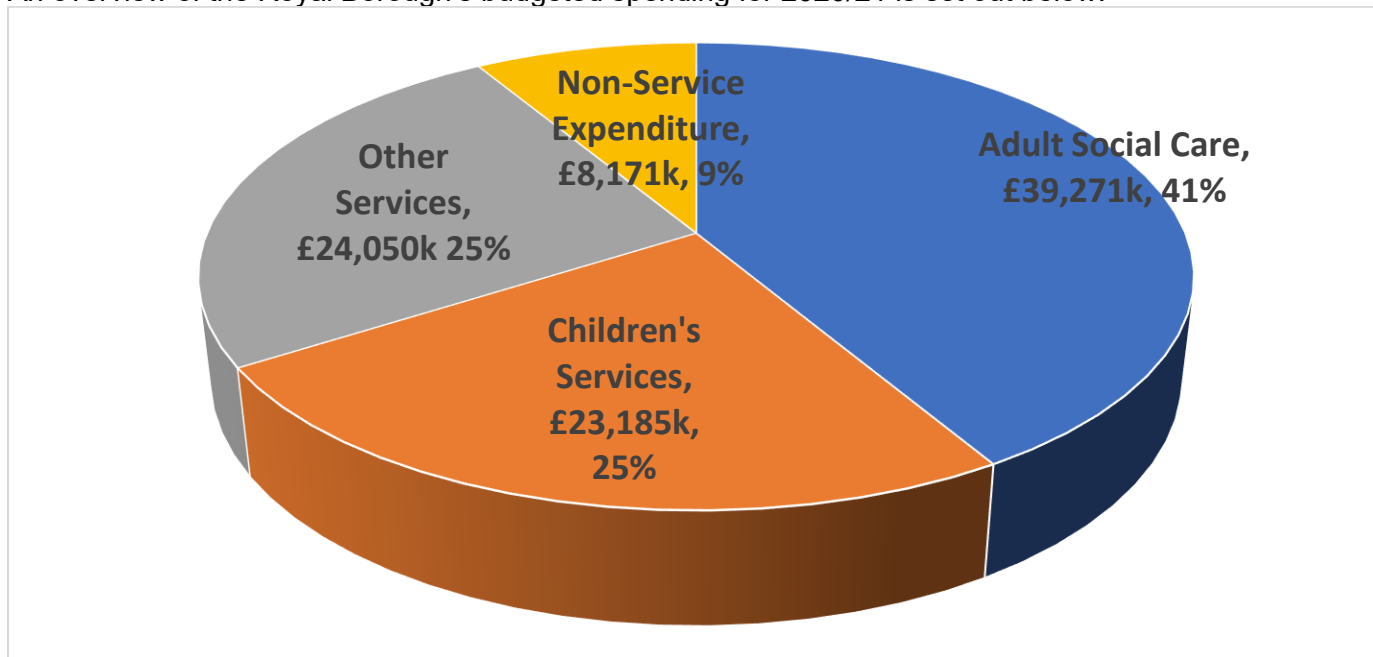
The Royal Borough is committed to providing high quality services that offer value for money. Our corporate priorities guide our spending, alongside our statutory roles looking after the most vulnerable people in society and protecting the environment. Our financial strategy must balance the growing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

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

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

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

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



### Treasury Management

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

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

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

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

At 31 March 2020, the Royal Borough had cash and cash equivalents holdings of £7.6m and short-term investments of £10.6m.

The total year end borrowing of £191m comprised of £44m of Public Works Loan Board (PWLB) debt and £147m of money market debt. PWLB debt is available to local authorities at a discounted rate, currently 1.9%. The Royal Borough's overall average borrowing rate is 2.91%.

The Royal Borough's current strategy, given the low returns available for short-term investment, is to use investment balances, reserves and rental income where possible to fund capital investment rather than borrowing at current market rates. Where new borrowing was required, short-term loans were arranged to take advantage of the low short-term interest rates available in comparison to those for available long-term funding.

## Financial Performance 2019/20

### Net Asset Position

The table below shows the movement:

	At 31/3/2019 £000	At 31/3/2020 £000
Non –current assets – these include:	555,935	607,884
<ul style="list-style-type: none"> <li>• Other buildings and equipment used to deliver services</li> <li>• Assets being held to generate a rental income</li> <li>• Investments in joint ventures and subsidiaries</li> </ul>		
Net current assets – debtors, stock and cash	34,566	42,245
Short-term creditors and liabilities	(102,932)	(168,634)
Pensions Liabilities	(282,385)	(252,767)
Long term borrowing	(57,049)	(57,049)
Other long-term liabilities and provisions	(16,197)	(12,894)
<b>Net assets</b>	<b>131,938</b>	<b>158,785</b>

Operational assets include:

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

The Royal Borough uses capital expenditure to deliver its agreed priorities and help shape the future of the borough. Capital investment often takes the form of infrastructure, buildings and community facilities, such as the new Braywick Leisure Centre. Capital expenditure (including REFCUS), at £69m, was 37% below initial spending plans. COVID-19 lockdown has had an impact on planned investment. This situation carried on throughout 2021/22 due to the on-going impact of C-19. The capital budget has been accordingly slipped into future years to make sure the planned capital programme is appropriately phased and achieved. The Royal Borough has accordingly reduced its need to borrow for capital purposes by opting to use capital receipts and reserves where possible.

### Reserves and Working Balances

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

	At 31/3/2019 £000	At 31/3/2020 £000
Available to fund capital investment (1)	3,905	7,032
Balances held on behalf of schools (2)	529	437
General fund working balance (3)	7,778	8,231
Earmarked reserves (4)	5,825	6,646

(1) These balances represent a combination of:

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

(2) These balances are for held for schools.

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

- (4) Earmarked reserves represent a valuable resource, so procedures are in place to ensure that:
- All proposals to use earmarked balances must be approved
  - An annual review takes place to confirm that the purpose of each reserve is still valid
  - Where a reserve is no longer required, the monies will be transferred to general reserves.

The details of movement in Earmarked reserves is set out under note 10.

### **Looking Ahead**

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

Our approach will continue to be a focus on securing value for money whilst delivering high quality services in future years. Improvements in our financial management and financial governance during 2019/20 continued into 2020/21 and 2021/22 with a detailed action plan on particular focus areas that will continue our improvement journey. Draft statements and the budget reports for these financial years are available on the Royal Borough's website.

Looking further ahead, the Royal Borough has undertaken significant work in 2020/21 and 2021/22 to establish what changes it will need to make going forward to ensure it can be financially sustainable and continue to provide high quality services and promote a buoyant and diverse economy. The Royal Borough will also continue to work with DLUHC and the wider sector on the COVID-19 financial impacts.

### **Governance**

A review of the Council's governance arrangements including a Review of Effectiveness, consideration of governance issues and the action plan to address these issues can be found within the Council's 2019/20 Annual Governance Statement.

### **An introduction to the 2019/20 Statement of Accounts**

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

The Royal Borough has a wholly owned trading subsidiary, RBWM Property Company Ltd. For the 2019/20 Statement of Accounts, the results of RBWM Property Company Ltd have not been consolidated on the grounds of materiality.

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

### **Core Statements are:**

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

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

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



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

**Supplementary Financial Statements** are:

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

In common with many other local authorities, the Royal Borough operates through a variety of undertakings in the delivery of its services. To provide a full picture of the Royal Borough’s activities, Group Accounts have been prepared, which include those organisations where the interest and level of activity is material to the entity accounts. The Group Accounts consolidate the Royal Borough’s accounts with those of:

- Achieving for Children Community Interest Company – consolidated as a Joint Venture. The company is jointly owned by the Royal Borough (20%), the London Borough of Richmond (40%) and the Royal Borough of Kingston (40%). The company provides Children’s and Educational Services.
- Optalis Limited – consolidated as a Joint Operation. The company is jointly owned by the Royal Borough (50%, which increased from 45% in March 2022) and Wokingham Borough (50%, which reduced from 55% in March 2022). The company provides Adult social care services.

The Royal Borough also has interests in two other companies which are not considered material to the entity accounts and therefore are not consolidated into the Group Accounts. The companies not consolidated are:

- RBWM Property Company Limited – the Royal Borough owns 100% of the company shares. The company owns and manages a number of properties within the Royal Borough.
- Flexible Home Improvement Loans Ltd – the company is a private company limited by guarantees with the Royal Borough one of 13 members. The company arranges the provision of loans on behalf of the members to individuals for home improvements to enable them to stay within their own homes.

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

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

Property Plant and Equipment	<p>The authority carries out a rolling programme of valuations to ensure that operational property valuations are carried out at least every five years. These are carried out in accordance with the CIPFA code and RICS professional standards. For property, plant and equipment the Code requires a valuation to be at the asset’s highest and best use and is a measure of financial capacity.</p> <p>Assets are measured using one of the following, which is most appropriate for the property, plant and equipment asset in question:</p> <ul style="list-style-type: none"> <li>• Existing Use Value (EUV)</li> <li>• Existing Use Value – Social; Housing (EUV-SH)</li> <li>• Depreciated Replacement Cost (DRC)</li> </ul>
Depreciation rates	<p>Depreciation charges are based on the expected useful life of assets and property, which has been assessed as follows:            Other land and buildings 30-50 years            Vehicles’ plant and equipment 4-10 years.            Infrastructure assets 25 years</p>
Rating appeals	<p>The level of this provision reflects assumptions made about the number and value of successful rating appeals, based on our experience to date.</p>

Pension liabilities	Key assumptions made by the actuary when calculating pension liabilities include future wage and price increases linked to inflation, the longevity (life expectancy) of retired members who have pensions already in payment and the discount rate (which is essentially a calculation of the amount of money which, if invested now, would be sufficient together with the income and growth in the accumulating assets to make these payments in future, using assumptions about investment returns
Investment properties	Investment properties have been valued using the Income approach (Previously known as the investment method) and are revalued on an annual basis.

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

**Adele Taylor FCPFA**

Executive Director of Resources and section 151 Officer

**Date: 22 September 2022**

# Statement of Responsibilities

## The Authority's Responsibilities

The Authority is required to prepare an annual Financial Statements by the Accounts and Audit Regulations 2016 which those regulations require to be prepared in accordance with proper accounting practices.

These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2019/20 supported by International Financial Reporting Standards (IFRS). The accounting convention adopted in the Financial Statements is principally historic cost, modified by the revaluation of certain categories of non-current assets and financial instruments.

The Authority is also required to:

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

## The Chief Financial Officer's responsibilities

The Chief Financial Officer is responsible for the preparation of 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 Financial Statements, 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 Financial Statements gives a true and fair view of the financial position of the Authority at 31 March 2020 and of its income and expenditure for the year then ended.

## **Adele Taylor**

Executive Director of Resources and Section 151 Officer

**Date: 22 September 2022**

In accordance with the Accounts and Audit Regulations 2015, I certify that the Statement of Accounts was approved by the Audit and Governance Committee on 22 September 2022.

## **Cllr Lynne Jones**

Chairman of Audit and Governance Committee

**Date: 22 September 2022**

# Main financial statements

## Comprehensive Income and Expenditure Statement (CIES)

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 (note 7) and the Council Movement in Reserves Statement.

2018/19 (Restated) (Note 55)			2019/20			
Gross Exp. £'000	Gross Inc. £'000	Net Exp. £'000		Gross Exp. £'000	Gross Inc. £'000	Net Exp. £'000
229,109	(124,425)	104,684	Managing Director	234,017	(136,896)	97,121
51,368	(40,577)	10,791	Communities Directorate	48,844	(35,198)	13,646
19,369	(14,431)	4,938	Place Directorate	18,558	(12,400)	6,158
15,522		15,522	Revaluation movement on assets (Note 5)	16,671		16,671
<b>315,368</b>	<b>(179,433)</b>	<b>135,935</b>	<b>Full Cost of Services</b>	<b>318,090</b>	<b>(184,494)</b>	<b>133,596</b>
		1,585	Precepts & Levies			1,664
		(1,695)	(Gain) / loss on the disposal of other fixed assets			626
		99	Other Net Expenditure			5
		<b>(11)</b>	<b>Other Operating (Income) / Expenditure (Note 11)</b>			<b>2,295</b>
		3,196	Interest payable and similar charges			2,977
		5,924	Pensions interest cost			8,030
		(389)	Interest and Dividend income			(475)
		3,234	Changes in the fair value of investment properties			(19,201)
		<b>11,965</b>	<b>Financing &amp; Investment Income &amp; Expenditure (Note 12)</b>			<b>(8,669)</b>
		(109,103)	Taxation and Non-Specific Grant Income (Note 13)			(106,262)
		<b>38,786</b>	<b>Deficit on Provision of Services</b>			<b>20,960</b>
		(19,181)	Revaluation changes to value of Property, Plant and Equipment assets			(8,913)
		(20,564)	Remeasurement of the net defined benefit liability (asset)			(38,894)
		<b>(39,745)</b>	<b>Other Comprehensive (Income)</b>			<b>(47,807)</b>
		<b>(959)</b>	<b>Total Comprehensive (Income)</b>			<b>(26,847)</b>

## Council Balance Sheet

The Balance Sheet shows the value, at the Balance Sheet date, of the assets and liabilities recognised by the Royal Borough. For the financial years, 2017/18 and 2018/19, this has been restated for investments in Joint Ventures and details are set out in note 55.

2017/18 (Restated)	2018/19 (Restated)		Note	2019/20 RBWM £'000
		<b>Assets</b>		
		<b>Non-current assets</b>		
396,784	421,625	Property, Plant and Equipment	14	509,560
135,318	131,824	Investment Properties	16	96,230
2,689	2,104	Intangible Assets	17	1,721
382	368	Long Term Investments	18	373
16	14	Long Term Debtors	18	-
<b>535,189</b>	<b>555,935</b>	<b>Total Non-Current Assets</b>		<b>607,884</b>
		<b>Current assets</b>		
-	-	Short Term Investments	18	10,559
196	105	Inventories	19	22
31,831	32,507	Short Term Debtors	21	22,842
-	-	Assets Held for Sale	23	1,200
-	1,954	Cash and Cash Equivalents	22	7,622
<b>32,027</b>	<b>34,566</b>	<b>Total Current Assets</b>		<b>42,245</b>
<b>567,216</b>	<b>590,501</b>	<b>Total Assets</b>		<b>650,129</b>
		<b>Liabilities</b>		
		<b>Current Liabilities</b>		
(643)	-	Bank Overdraft		-
(24,453)	(71,952)	Short Term Borrowing	18	(134,000)
(44,386)	(30,980)	Short Term Creditors	24	(34,634)
<b>(69,482)</b>	<b>(102,932)</b>	<b>Total Current Liabilities</b>		<b>(168,634)</b>
		<b>Non-Current Liabilities</b>		
(250)	(250)	Long Term Creditors	18	(243)
(2,839)	(3,226)	Provisions	25	(3,710)
(57,049)	(57,049)	Long Term Borrowing	18	(57,049)
(12,914)	(12,721)	Capital Grants Receipts in Advance	40	(8,941)
(293,703)	(282,385)	Retirement Benefit Obligations	49	(252,767)
<b>(366,755)</b>	<b>(355,631)</b>	<b>Total Non-Current Liabilities</b>		<b>(322,710)</b>
<b>130,979</b>	<b>131,938</b>	<b>Net Assets</b>		<b>158,785</b>
		<b>Equity</b>		
		<b>Usable Reserves</b>	26	
7,033	7,778	Fund Balances and Reserves		8,231
12,937	10,259	Other Reserves		14,666
		<b>Unusable Reserves</b>	27	
210,978	184,999	Capital Adjustment Account		192,012
200,034	214,694	Revaluation Reserve		206,225
(293,703)	(282,385)	Pensions Reserve		(252,767)
(4,194)	(1,365)	Collection Fund Adjustment Account		(7,648)
(2,106)	(2,042)	Accumulated Absences Account		(1,934)
<b>130,979</b>	<b>131,938</b>			<b>158,785</b>

## Council Movement in Reserves Statement (MiRS)

The Movement in Reserves Statement has been restated for 2018/19 to reflect the impact of the redesignation of the revaluation of Property, Plant and Equipment from Other Comprehensive Income to the Cost of Services.

	General Fund Balance	Earmarked Reserves	Capital Grants Unapplied	School Revenue Balances	Capital Receipts Reserve	Total Usable Reserves	Unusable Reserves	Total RBWM Reserves
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>2019/20</b>								
<b>Balance at 31 March 2019 (Restated) (Note 55)</b>	<b>7,778</b>	<b>5,825</b>	<b>3,905</b>	<b>529</b>	<b>-</b>	<b>18,037</b>	<b>113,901</b>	<b>131,938</b>
Total Comprehensive (Expenditure) and Income	(20,960)	-	-	-	-	(20,960)	47,807	26,847
Adjustments between accounting basis & funding basis under regulations (Note 9)	22,142	-	3,127	-	551	25,820	(25,820)	-
<b>Net Increase / (Decrease) before Transfers to Earmarked Reserves</b>	<b>1,182</b>	<b>-</b>	<b>3,127</b>	<b>-</b>	<b>551</b>	<b>4,860</b>	<b>21,987</b>	<b>26,847</b>
Transfers to / from Earmarked Reserves (Note 10)	(729)	821	-	(92)	-	-	-	-
Increase / (Decrease) in Year	453	821	3,127	(92)	551	4,860	21,987	26,847
<b>Balance at 31 March 2020 Carried Forward</b>	<b>8,231</b>	<b>6,646</b>	<b>7,032</b>	<b>437</b>	<b>551</b>	<b>22,897</b>	<b>135,888</b>	<b>158,785</b>
<b>2018/19 (Restated)</b>								
<b>Balance at 31 March 2018 (Restated) (note 55)</b>	<b>7,033</b>	<b>6,122</b>	<b>5,966</b>	<b>849</b>	<b>-</b>	<b>19,970</b>	<b>111,009</b>	<b>130,979</b>
Total Comprehensive (Expenditure) and Income	(38,786)	-	-	-	-	(38,786)	39,745	959
Adjustments between accounting basis & funding basis under regulations (Note 9)	38,914	-	(2,061)	-	-	36,853	(36,853)	-
<b>Net Increase / (Decrease) before Transfers to Earmarked Reserves</b>	<b>128</b>	<b>-</b>	<b>(2,061)</b>	<b>-</b>	<b>-</b>	<b>(1,933)</b>	<b>2,892</b>	<b>959</b>
Transfers to / from Earmarked Reserves (Note 10)	617	(297)	-	(320)	-	-	-	-
Increase / (Decrease) in Year	745	(297)	(2,061)	(320)	-	(1,933)	2,892	959
<b>Balance at 31 March 2019 Carried Forward (Restated)</b>	<b>7,778</b>	<b>5,825</b>	<b>3,905</b>	<b>529</b>	<b>-</b>	<b>18,037</b>	<b>113,901</b>	<b>131,938</b>

## Council Cash Flow Statement

The Cash Flow Statement has been restated for 2018/19 following the redesignation of the revaluation of Property, Plant and Equipment as a charge against services rather than being recognised in Other Comprehensive Income and Expenditure as detailed in Note 55.

<b>2018/19 (Restated) £'000</b>	<b>Council Cash Flow Statement (Indirect Method)</b>	<b>Note</b>	<b>2019/20 £'000</b>
(38,786)	Deficit on the provision of services		(20,960)
30,142	Adjust net surplus on the provision of services for non-cash movements	28	35,704
(15,488)	Adjust for items included in the net surplus or deficit on the provision of services that are investing and financing activities	28	(11,064)
<b>(24,132)</b>	<b>Net cash (outflows) / inflows from Operating Activities</b>		<b>3,680</b>
(20,770)	Net cash (outflows) from Investing Activities	29	(60,059)
47,499	Net cash inflows from Financing Activities	30	62,047
<b>2,597</b>	<b>Net Increase in Cash and Cash Equivalents</b>		<b>5,668</b>
(643)	Cash and cash equivalents at the beginning of the reporting period		<b>1,954</b>
<b>1,954</b>	<b>Cash and Cash Equivalents at the end of the reporting period</b>	22	<b>7,622</b>

# Notes to the Financial Statements 2019/20



## 1. Accounting Policies

### i. General Principles

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

### ii. Accruals of Income and Expenditure

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

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

### iii. Cash and Cash Equivalents

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

### 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.

### iv. 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.

#### **v. Charges to Revenue for Non-Current Assets**

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

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

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

#### **vi. Employee Benefits**

##### **Benefits Payable During Employment**

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

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

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

##### **Termination Benefits**

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

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

##### **Post-Employment Benefits**

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

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

Both schemes provided defined benefits to members (retirement lump sums and pensions), earned as employees worked for the Authority. However, the arrangements for the teachers' scheme mean that

liabilities for these benefits cannot ordinarily be identified specifically to the Authority. The scheme is therefore accounted for as if it were a defined contribution scheme and no liability for future payments of benefits is recognised in the balance sheet. The Managing Director service line in the CI&E is charged with the employer's contributions payable to Teachers' Pensions in the year.

### **The Local Government Pension Scheme**

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

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

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

### **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.

### **vii. 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.

## **viii. Financial Instruments**

### **Financial Liabilities**

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

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

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

### **Financial Assets**

Financial assets are classified based on a classification and measurement approach that reflects the business model for holding the financial assets and their cashflow characteristics.

There are three main classes of financial assets measured at:

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

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

### **Financial Assets measured at fair value through amortised cost**

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

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

### **Expected Credit Loss Model**

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

### **Financial Assets Measured at Fair Value through Profit or Loss**

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

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

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

In 2019/20 such investments are those in Achieving for Children and Optalis.

### **Financial Assets Measured at Fair Value through Other Comprehensive Income**

The Council has the option to designate investments in equity instruments to Fair Value through Other Comprehensive Income. This will be appropriate where the investment is made to meet service objectives of the Council and where the primary purpose is not to generate a financial return.

In 2019/20 no assets were held under this category.

### **ix. 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.

### **x. 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.

### **xi. 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.

#### **xii. 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 licenses) 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).

#### **xiii. Inventories and Long-Term Contracts**

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

#### **xiv. 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.

#### **xv. 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.

#### **xvi. 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).

### **The Authority as Lessor**

#### **Operating Leases**

Where the Council grants an operating lease over a property, the asset is retained in the Balance Sheet. Rental income is credited to Other Operating Expenditure in the Comprehensive Income and Expenditure Statement. Credits are made on a straight-line basis over the life of the lease, which matches the pattern of receipts in all cases.

### **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.

### **xvii. Property, Plant and Equipment**

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

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

### **Measurement**

Assets are initially measured at cost, comprising:

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

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

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

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

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

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

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

The revaluation reserve contains revaluation gains recognised since 1 April 2007 only, the date of its formal



implementation. Gains arising before that date have been consolidated into the CAA.

### **Impairment**

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

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

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

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

### **Depreciation**

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

Depreciation is calculated on the following bases:

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

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

Depreciation is not charged in the year of acquisition or initial recognition of an asset. Depreciation is charged for the full year in the year of disposal of an asset.

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

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

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

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

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

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

## **xviii. 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.

## **xix. 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.

#### **xx. 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.

#### **xxi. 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.

#### **xxii. 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.

#### **xxiii. Interests in Companies and Other Entities**

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

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

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

## **xxv. Capitalisation of Borrowing Costs**

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

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

## **xxvi. Council tax and non-domestic rates**

Billing authorities act as agents, collecting council tax and non-domestic rates (NDR) on behalf of the major preceptors (including government for NDR) and, as principals, collecting council tax and NDR for themselves. Billing authorities are required by statute to maintain a separate fund (ie the collection fund) for the collection and distribution of amounts due in respect of council tax and NDR. Under the legislative framework for the collection fund, billing authorities, major preceptors and central government (for NDR) share proportionately the risks and rewards that the amount of council tax and NDR collected could be less or more than predicted.

### Accounting for council tax and NDR

The council tax and NDR income included in the Comprehensive Income and Expenditure Statement (CIES) is the authority's share of accrued income for the year. However, regulations determine the amount of council tax and NDR that must be included in the authority's General Fund. Therefore, the difference between the income included in the CIES and the amount required by regulation to be credited to the General Fund is taken to the collection fund adjustment account and included as a reconciling item in the Movement in Reserves Statement.

The Balance Sheet includes the authority's share of the end of year balances in respect of council tax and NDR relating to arrears, impairment allowances for doubtful debts, overpayments and prepayments and appeals.

Where debtor balances for the above are identified as impaired because of a likelihood arising from a past event that payments due under the statutory arrangements will not be made, the asset is written down and a charge made to the taxation and non-specific grant income and expenditure line in the CIES. The impairment loss is measured as the difference between the carrying amount and the revised future cash flows.

## 2. Accounting Standards Issued, Not Adopted

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

- **IAS19 Employee Benefits**

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

- **IAS28 Investments in Associates and Joint Ventures:** Long-term Interests in associates and joint ventures
- Annual improvements to IFRS Standards 2015-2017 Cycle
- IFRS 16 on Leases

The International Accounting Standards Board (IASB) has issued International Financial Reporting Standard 16 Leases (IFRS 16) which, when adopted by the Code, will require the Council to recognise most of the assets it has secured the use of through a lease arrangement on its Balance Sheet as 'right of use' assets, together with the corresponding lease liabilities. This differs from the current practice of only recognising the assets and liabilities associated with the finance leases entered into by the Council on its Balance Sheet. It had been anticipated that IFRS 16 would originally be adopted in the 2020/21 financial year, but the Code now allows local authorities to defer implementing the requirements of the standard until the 2024/25 financial year although allowing earlier implementation if a local authority wishes to. The Council has opted not to implement the standard in the financial year 2021 /22 and 2022/23

## 3. Critical Judgements in Applying Accounting Policies

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

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

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

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

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

## **Pension Liability**

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

During 2019/20 the Council's actuaries advised that the net pension liability had decreased by £30m to £253m.

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

## **Property, Plant and Equipment**

As noted in the accounting policy [xviii], the asset categories subject to revaluation are "Other Land and Buildings" (Net book value at 31/3/20 per Note 14: £280.1m) and "Surplus Assets" (Net book value at 31/3/20 per Note 14: £73.1m). These asset categories are solely comprised of property assets. The remaining balance of Property, Plant and Equipment is held within the other asset categories in Note 14 at a net book value total £156.4m. These non-property assets are comprised of vehicles, plant and equipment; infrastructure; community assets; and assets under construction and are carried at depreciated historical cost. The uncertainties arise in relation to the property asset categories only, as these are held under the revaluation model. The uncertainties arise as a result of the estimations used by the Council based on information received from the Council's valuation specialists. The basis of these estimations is set out in note 14 but different assumptions about the future could reasonably be used that could arrive at different results whilst still using the same basis for those estimations. This estimation uncertainty also applies to the Investment Property portfolio disclosed in Note 16 at a carrying value of £96.2m that have been assessed based on market and other evidence such as lease terms, rental values and yields that can be subject to variation. As noted in accounting policy [xv.], the entire investment property portfolio is carried at fair value and is assessed for revaluation every year.

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

The response to Covid-19 has presented an unprecedented set of circumstances on which to base valuation judgements at the balance sheet date. The Covid-19 pandemic has caused extensive disruptions to businesses and economic activities and the uncertainties created have increased the estimation uncertainty over the valuation of the property portfolio at the balance sheet date. Asset valuations at 31 March 2020 are included on the basis of 'material valuation uncertainty' so a higher degree of caution should be attached to these valuations. However, they have been based on the best information available and are therefore a valid basis of valuation for this Statement of Accounts. These include Property, Plant and Equipment and Investment Property valuations. In addition, the continuing uncertainty of Brexit has also been taken into consideration when arriving at property valuations for the financial year but this has not been identified by the Council's valuation specialist as a material valuation uncertainty.

## 5. Material Items of Income and Expense

The Council undertakes the valuation of its non-current assets on the basis of a 5-year rolling programme. Car parks, public conveniences and Social services properties have been revalued in 2019/20 as part of the programme. Where assets increase in value, the gain is reported in Other Comprehensive Income and Expenditure (OCIE) and reflected in the revaluation reserve. Where there is a decrease in value, the decrease is reflected in OCIE and the revaluation reserve up to the amount of previous upward valuations and any additional reduction in valuation is reported through the Surplus/Deficit on the Provision of Services and the Capital Adjustment Account.

The revaluation of these properties in 2019/20 has recognised a decrease in value of £16.671m that is reported through the Surplus/Deficit on the Provision of Services.

## 6. Events After the Balance Sheet Date

The Statement of Account was authorised for issue by the Executive Director of Resources on the 31 May 2020. Events taking place up to the date of signing the final audited financial statements are reflected in the financial statements and notes. Where events taking place before this date provided information about conditions existing at 31 March 2020 the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information. There are no non-adjusting events after the Balance Sheet date. Post balance sheet date, there have been major events including the Ukraine war, Brexit etc. However, no material impact on the 2019/20 accounts has been identified.

At the beginning of financial year 2022/23, the Chief Executive Officer and the Executive Director of Adults, Heath and Housing handed in their notice. The Royal borough then initiated their replacement.

## 7. Expenditure and Funding Analysis

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

2018/19			2019/20			
Net Exp. chargeable to the General Fund £'000	Adjustments between funding & accounting (Note 9) £'000	Net Exp. in the CI&ES £'000		Net Exp. chargeable to the General Fund £'000	Adjustments between funding & accounting (Note 9) £'000	Net Exp. in the CI&ES £'000
91,856	12,828	104,684	Managing Director	84,817	12,304	97,121
8,289	2,502	10,791	Communities Directorate	9,792	3,854	13,646
2,511	2,427	4,938	Place Directorate	4,844	1,314	6,158
	15,522	15,522	Revaluation movement in assets		16,671	16,671
<b>102,656</b>	<b>33,279</b>	<b>135,935</b>	<b>Full Cost of Services</b>	<b>99,453</b>	<b>34,143</b>	<b>133,596</b>
(102,784)	5,635	(97,149)	Other (Income) & Exp.	(99,177)	(13,459)	(112,636)
(617)	617	-	Transfer (to)/from	(729)	729	-
-	-	-	Earmarked Reserves	-	-	-
<b>(745)</b>	<b>39,531</b>	<b>38,786</b>	<b>(Surplus)/Deficit</b>	<b>(453)</b>	<b>21,413</b>	<b>20,960</b>
(7,033)			Gen. Fund Balance B/F	(7,778)		
(745)			Less (Surplus)/Deficit on	(453)		
			General Fund balance in Yr			
<b>(7,778)</b>			<b>Closing Gen. Fund</b>	<b>(8,231)</b>		

## Note to the Expenditure and Funding Analysis

<b>Adjustments between Funding and Accounting Basis 2019/20</b>				
<b>Adjustments from Gen. Fund to arrive at the CI&amp;E Statement amounts</b>				
<b>Directorate</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	10,840	1,557	(93)	12,304
Communities Directorate	2,038	1,850	(34)	3,854
Place Directorate	685	610	19	1,314
Revaluation movement in assets	16,671			16,671
<b>Net Cost of Services</b>	<b>30,234</b>	<b>4,017</b>	<b>(108)</b>	<b>34,143</b>
Other (income) & exp. from the Expenditure & Funding Analysis	(23,539)	5,255	4,825	(13,459)
Transfers from Earmarked Reserves (Note 10)	-	-	729	729
<b>Difference between Gen. Fund (surplus) or deficit &amp; CI&amp;ES (Surplus) or Deficit on the Provision of Services.</b>	<b>6,695</b>	<b>9,272</b>	<b>5,446</b>	<b>21,413</b>

<b>Adjustments between Funding and Accounting Basis 2018/19</b>				
<b>Adjustments from Gen. Fund to arrive at the CI&amp;E Statement amounts</b>				
<b>Directorate</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	11,387	1,549	(108)	12,828
Communities Directorate	1,493	973	36	2,502
Place Directorate	1,622	797	8	2,427
Revaluation movement in assets	15,522			15,522
<b>Net Cost of Services</b>	<b>30,024</b>	<b>3,319</b>	<b>(64)</b>	<b>33,279</b>
Other (income) & exp. from the Expenditure & Funding Analysis	2,539	5,924	(2,828)	5,635
Transfers from Earmarked Reserves (Note 10)	-	-	617	617
<b>Difference between Gen. Fund (surplus) or deficit &amp; CI&amp;ES (Surplus) or Deficit on the Provision of Services.</b>	<b>32,563</b>	<b>9,243</b>	<b>(2,275)</b>	<b>39,531</b>

### Adjustments for capital purposes

This column adjusts for depreciation, impairment and revaluation gains and losses in the service lines.

The other income and expenditure line has adjustments for the following:

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

### Net change for the Pensions Adjustments

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



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

### Other Differences

Other differences relate to the difference between the amounts debited/credited to the Comprehensive Income and Expenditure Statement in line with generally accepted accounting practices and the amounts that are chargeable to Council Tax in line with statutory requirements and cover:

- The amounts chargeable in respect of accumulated absences (holiday pay).
- The amounts chargeable in respect of Council Tax and Business Rates projected to be received at the start of the year and the actual income recognised.

## 8. Expenditure and Income analysed by Nature

The figures for 2018/19 have been restated to reflect the gross amounts for "Contributions from other funds/balances" and the "Notional Interest" rather than a net position as shown previously.

	2018/19 (Restated)	2019/20
	£'000	£'000
<b>Income</b>		
Government Grants	(94,835)	(103,350)
Collection Fund	(93,548)	(88,449)
Housing Benefit Income	(31,709)	(27,232)
Other Grants & Contributions	(21,250)	(22,846)
Fees & Charges	(29,574)	(30,920)
Sales	(3,881)	(4,475)
Rent	(7,573)	(5,661)
Interest	(262)	(265)
Other Operating Income	(61)	(205)
Contributions from other funds/balances	(4,375)	(5,010)
	<b>(287,068)</b>	<b>(288,412)</b>
<b>Expenditure</b>		
<b>Employees</b>		
Direct Employee Costs	43,118	42,596
Teachers Pay	23,416	25,123
Indirect Employee Costs	2,636	1,944
Pension Interest Cost	5,924	8,030
Notional Employees Costs	6,430	5,151
<b>Premises</b>		
Repairs & Maintenance	2,330	2,057
Other Energy	111	116
Gas	220	258
Electricity	1,451	1,648
Other Rent & Rates	1,734	2,063
Rates	2,584	2,787
Water	216	303
Other Premises	1,890	1,934
Depreciation, Amortisation and Impairment	30,023	30,234
<b>Supplies &amp; Services</b>		
Equipment, Furniture & Materials	1,348	1,572
Printing, Stationery & Office Expenses	1,371	1,697
Communications and Computing	3,176	3,597
Grants & Subscriptions	16,040	12,229
Other Supplies & Services	15,737	17,634
<b>Transport</b>	403	376
<b>Contract Services</b>	126,922	134,165
<b>Housing Benefit Payment</b>	32,455	27,793
<b>Other Operating Expenditure and Income</b>		
Interest Payments	3,196	2,977
Precepts and Levies	1,585	1,664
Changes in the fair value of Investment Properties	3,234	(19,201)
Gain or Loss on Disposal of Property, Plant & Equipment	(1,695)	626
<b>Gross Expenditure</b>	<b>325,854</b>	<b>309,372</b>
<b>Deficit on the Provision of Services</b>	<b>38,786</b>	<b>20,960</b>

## 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 Council in the year in accordance with proper accounting practice to the resources available to the Council to meet future expenditure.

2019/20	Usable Reserves				
	General Fund Balance	Capital Grants Unapplied	Capital Receipts Reserve	Usable Reserves	Unusable Reserves
	£'000	£'000	£'000	£'000	£'000
<b>Adjustments primarily involving the Capital Adjustment Account:</b>					
Charges for depreciation and impairment of non-current assets	(12,971)	-	-	(12,971)	12,971
Revaluation movements and impairments of non-current assets charge to the CIES	(16,671)	-	-	(16,671)	16,671
Movements in the market value of investment properties	19,201	-	-	19,201	(19,201)
Amortisation of intangible assets	(592)	-	-	(592)	592
Capital grants and contributions applied	10,179	-	-	10,179	(10,179)
Revenue expenditure funded from capital under statute	(12,099)	-	-	(12,099)	12,099
Amounts of non-current assets written off on disposal or sale as part of the (gain)/loss on disposal to the CI&E	(1,505)	-	-	(1,505)	1,505
Statutory provision for the financing of capital investment	1,652	-	-	1,652	(1,652)
<b>Adjustments primarily involving the Capital Grants Unapplied Account:</b>					
Capital grants and contributions unapplied credited to the CI&E	5,232	(5,232)	-	-	-
Application of grants to capital financing transferred to the Capital Adjustment Account	-	2,105	-	2,105	(2,105)
<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	879	-	(879)	-	-
Use of the Capital Receipts Reserve to finance new capital expenditure	-	-	328	328	(328)
<b>Adjustments primarily involving the Pensions Reserve:</b>					
Reversal of items relating to retirement benefits debited or (credited) to the CI&E Statement	(9,272)	-	-	(9,272)	9,272
<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	(6,283)	-	-	(6,283)	6,283
<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	108	-	-	108	(108)
<b>Total Adjustments</b>	<b>(22,142)</b>	<b>(3,127)</b>	<b>(551)</b>	<b>(25,820)</b>	<b>25,820</b>

## Comparative for 2018/19

2018/19 Comparative figures	Usable Reserves				
	General Fund Balance	Capital Grants Unapplied	Capital Receipts Reserve	Usable Reserves	Unusable Reserves
	£'000	£'000	£'000	£'000	£'000
<b>Adjustments primarily involving the Capital Adjustment Account:</b>					
Charges for depreciation and impairment of non-current assets	(13,604)	-	-	(13,604)	13,604
Revaluation movements and impairments of non-current assets charge to the CIES	(15,522)			(15,522)	15,522
Movements in the market value of investment properties	(3,234)	-	-	(3,234)	3,234
Amortisation of Intangible Assets	(898)			(898)	898
Capital grants and contributions applied	8,657	-	-	8,657	(8,657)
Revenue expenditure funded from capital under statute	(15,936)	-	-	(15,936)	15,936
Amounts of non-current assets written off on disposal or sale as part of the (gain)/loss on disposal to the CI&E	(1,242)	-	-	(1,242)	1,242
Statutory provision for the financing of capital investment	2,384	-	-	2,384	(2,384)
<b>Adjustments primarily involving the Capital Grants Unapplied Account:</b>					
Capital grants and contributions unapplied credited to the CI&E	3,895	(3,895)	-	-	-
Application of grants to capital financing transferred to the Capital Adjustment Account	-	5,956	-	5,956	(5,956)
<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	2,937	-	(2,937)	-	-
Use of the Capital Receipts Reserve to finance new capital expenditure	-	-	2,937	2,937	(2,937)
<b>Adjustments primarily involving the Pensions Reserve:</b>					
Reversal of items relating to retirement benefits debited or (credited) to the CI&E Statement	(9,243)	-	-	(9,243)	9,243
<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	2,828	-	-	2,828	(2,828)
<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	64	-	-	64	(64)
<b>Total Adjustments</b>	<b>(38,914)</b>	<b>2,061</b>	<b>-</b>	<b>(36,853)</b>	<b>36,853</b>

## 10. Transfers to/from Earmarked Reserves

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

	2018/19	Transfers Out	Transfers In	2019/20
	£'000	£'000	£'000	£'000
Insurance Reserve	1,150	(1,499)	1,309	960
Non-Domestic Rate Pilot Reserve	2,553	(284)	-	2,269
Nature Reserve Maintenance Fund	123	(9)	9	123
Fire station Maintenance Fund (Windsor Arts Council)	25	-	9	34
Grave Maintenance Fund	8	-	-	8
Brexit Funding	100	(11)	210	299
Optalis Development Fund	102	(21)	-	81
Better Care Fund	1,676	(293)	-	1,383
Public Health Fund	88	-	244	332
Covid-19 Grant	-	-	1,157	1,157
<b>Total</b>	<b>5,825</b>	<b>(2,117)</b>	<b>2,938</b>	<b>6,646</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 high policy excesses the council is essentially its own insurer. It therefore maintains an internal insurance provision to cover these self-insured claims. The provision meets most claims for loss or damage to RBWM assets and third party/employee compensation claims for injury, loss or damage to personal property caused by the council's negligence. Part of the reserve relates to reported outstanding claims and part is held against the modelled expectation of emerging future claims. Claims of around £659k are currently outstanding as at 31st March 2020). The next bi-annual actuarial review was completed in September 2020 and fund were adjusted in future years as per the review.

### Non-Domestic Rate Pilot Reserve

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

### Nature Reserve Maintenance Fund

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

### Fire station Maintenance Fund (WAC)

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

### Grave Maintenance Fund

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

### Brexit Funding

The Secretary of State for the Ministry of Housing, Communities and Local Government announced in January 2019, funding which is intended to support Councils in the need to prepare for an orderly exit from

the EU and to carry out contingency planning. The first instalment of this funding (£105,000) is contained within this earmarked reserve, subsequent instalments will also be credited here. In 2019/20 £11,000 was spent, in 2018/19 £5,000.

### Optalis Development Fund

Funds set aside for the business development of Optalis Ltd.

### Better Care Fund (BCF)

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

### Covid-19 Grant

Funds received in 2019/20 from the Ministry of Housing, Communities and Local Government to cover the increased costs of providing services to residence during the Covid-19 pandemic. The balance is carried forward and will be used in 2020/21.

### Public Health Fund (PHF)

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

### Schools and Dedicated Schools Grant (DSG) Reserves

	2018/19	Transfers Out	Transfers In	2019/20
	£'000	£'000	£'000	£'000
<b>School Revenue Balances (Net of Loans)</b>	<b>1312</b>	-	150	<b>1,462</b>
<b>Dedicated Schools Grant Reserve</b>				
General DSG Reserve	(917)	(242)	-	(1,159)
Earmarked DSG Reserve - School to School Support	-	-	-	-
Earmarked DSG Reserve - Capacity Building for Two-Year-Olds	57	-	-	57
Earmarked DSG Reserve - Support for Children In Care	77	-	-	77
Earmarked DSG Reserve - Mental Health and Wellbeing	-	-	-	-
<b>Total DSG Reserve</b>	<b>(783)</b>	<b>(242)</b>	-	<b>(1,025)</b>
<b>Total Schools and DSG Reserves</b>	<b>529</b>	<b>(242)</b>	<b>150</b>	<b>437</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.

## 11. Other Operating Expenditure and Income

	2018/19 £'000	2019/20 £'000
Parish council precepts	1,432	1,508
Levies (Environment Agency)	153	156
(Gains)/losses on the disposal of non-current assets*	(1,695)	626
Royal Wedding	130	-
VAT Refund HMRC - Leisure	(31)	-
Transfer of residual mortgage balance	-	5
<b>Total</b>	<b>(11)</b>	<b>2,295</b>

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

## 12. Financing and Investment Income and Expenditure

	2018/19 £'000	2019/20 £'000
Interest payable and similar charges	3,196	2,977
Pensions interest cost	5,924	8,030
Interest receivable and similar income	(229)	(265)
Dividend from RBWM Property Company Ltd	(160)	(210)
Changes in the fair value of investment properties	3,234	(19,201)
<b>Total</b>	<b>11,965</b>	<b>(8,669)</b>

## 13. Taxation and Non-Specific Grant Income

	2018/19 £'000	2019/20 £'000
Collection Fund Precepts, Demands and Adjustments	(161,331)	(135,974)
Business Rates Tariff	71,800	52,157
NNDR S31 and Other Collection Fund Grant	(4,017)	(4,632)
Non-ring-fenced government grants	(3,006)	(2,404)
Capital Grants and Contributions	(12,549)	(15,409)
<b>Total</b>	<b>(109,103)</b>	<b>(106,262)</b>

## 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 2019/20</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 2019	313,237	25,215	198,285	8,205	5,569	16,385	566,896
Additions	1,437	8,431	8,221	952	7,907	29,629	56,577
Revaluation Increases recognised in Revaluation Reserve	217	-	-	-	547	-	764
Reval inc./(decr.) in (Surplus)/Deficit on Provision of Services	(9,423)	-	-	(105)	(3,870)	-	(13,398)
Derecognition – disposals	(700)	-	-	-	-	-	(700)
Derecognition – other	-	-	-	-	-	(4,690)	(4,690)
Asset reclassifications*	(10,018)	-	-	-	62,906	-	52,888
Other movements in cost or valuation							-
<b>At 31 March 2020</b>	<b>294,750</b>	<b>33,646</b>	<b>206,506</b>	<b>9,052</b>	<b>73,059</b>	<b>41,324</b>	<b>658,337</b>

<b>Accumulated Depreciation and Impairment</b>							
At 1 April 2019	(19,444)	(11,257)	(114,441)	(129)	-	-	(145,271)
Depreciation charge	(4,631)	(2,103)	(6,236)	-	-	-	(12,971)
Depreciation written out to the Revaluation Reserve	8,143	-	-	-	-	-	8,143
Revaluation increases recognised in Surplus on the Provision of Services	926	-	-	-	-	-	926
Impairment losses/(reversals) recognised in the Deficit on the Provision of Services	-	-	-	-	-	-	-
Other movements in depn & impair'm't	396	-	-	-	-	-	396
<b>At 31 March 2020</b>	<b>(14,610)</b>	<b>(13,360)</b>	<b>(120,677)</b>	<b>(129)</b>	<b>-</b>	<b>-</b>	<b>(148,776)</b>

\*£54,088,000 of other land and buildings and surplus assets were reclassified from investment properties

### Net Book Value

<b>At 31 March 2020</b>	<b>280,139</b>	<b>20,286</b>	<b>85,829</b>	<b>8,923</b>	<b>73,059</b>	<b>41,324</b>	<b>509,560</b>
<b>At 31 March 2019</b>	<b>293,793</b>	<b>13,958</b>	<b>83,844</b>	<b>8,076</b>	<b>5,569</b>	<b>16,385</b>	<b>421,625</b>

## Comparative Movements in 2018/19

	Other Land and Buildings	Vehicles, Plant, Furniture & Equipment	Infrastructure Assets	Community Assets	Surplus Assets	Assets Under Construction	Total PPE
Movements in 2018/19	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>Cost or Valuation</b>							
At 1 April 2018	297,538	22,328	188,932	6,738	6,503	8,071	530,110
Additions	1,444	2,512	9,353	412	-	22,047	35,768
Revaluation increases recognised in Revaluation Reserve	16,321	-	-	1,315	-	-	17,636
Revaluation increases/(decreases) recognised in (Surplus)/Deficit on the Provision of Services	(13,409)	775	-	(262)	27	-	(12,869)
Derecognition – disposals	-	-	-	-	(991)	-	(1,023)
Derecognition – other	(56)	-	-	-	-	(967)	(968)
Assets reclassified (to)/from Held for Sale	11,119	-	-	2	30	(12,766)	(1,615)
Other movements in cost or valuation	280	(400)	-	-	-	-	(120)
<b>At 31 March 2019</b>	<b>313,237</b>	<b>25,215</b>	<b>198,285</b>	<b>8,205</b>	<b>5,569</b>	<b>16,385</b>	<b>566,896</b>

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

## Net Book Value

<b>At 31 March 2019</b>	<b>293,793</b>	<b>13,958</b>	<b>83,844</b>	<b>8,076</b>	<b>5,569</b>	<b>16,385</b>	<b>421,625</b>
<b>At 31 March 2018</b>	<b>283,036</b>	<b>12,972</b>	<b>79,594</b>	<b>6,609</b>	<b>6,503</b>	<b>8,071</b>	<b>396,785</b>

## Depreciation

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

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



## Capital Commitments

At 31 March 2020, the Authority has entered into a number of contracts for the construction or enhancement of Property, Plant and Equipment in 2020/21 and future years budgeted to cost £7.111m. Similar commitments at 31 March 2019 were £31.764m.

The major commitments are:

Scheme	£'000
St Peters School	1,200
Furze Platt Senior	757
Braywick Leisure Centre	5,154
	<b>7,111</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. Valuations of land and buildings were carried out in accordance with the methodologies and bases of estimation set out in the professional standards of the Royal Institution of Chartered Surveyors' Red Book. The portfolio has been valued at 31 March 2020 in accordance with the methodologies and basis for estimation set out in the professional standards of the Royal Institution for Chartered Surveyors. The assets were valued externally by Kempton Carr Croft, the Council's valuing agents. Valuations of vehicles, plant, furniture and equipment are based on current prices where there is an active second-hand market. At 31 March 2020, due to the Covid-19 pandemic and Brexit uncertainty, valuations are included on the basis of 'material valuation uncertainty' so a higher degree of caution should be attached to these valuations. However, they have been based on the best information available and are therefore a valid basis of valuation for this Statement of Accounts.

	Land & Buildings £'000	Surplus Assets £'000	Total £'000
Carried at historical cost	-	-	-
Valued at fair value as at:	-	-	-
31 March 2020*	55,464	73,059	128,523
31 March 2019	23,955	-	23,955
31 March 2018	-	-	-
31 March 2017	197,783	-	197,783
31 March 2016	26,950	-	26,950
<b>Total Cost or Valuation</b>	<b>304,152</b>	<b>73,059</b>	<b>377,211</b>
Variations since date of valuation (see below)**	(24,013)	-	(24,013)
<b>Net Book Value as at 31st March 2020</b>	<b>280,139</b>	<b>73,059</b>	<b>353,198</b>

\*Due to the pandemic causing in impact on income, car parks have been revalued in 2019/20. They were previously revalued in 2017/18.

\*\*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.

A valuation reduction of £18.748m, relating to schools, libraries and leisure centres, has been applied to assets not revalued during 2019/20 to account for price changes. Indices provided by our valuers have been used to arrive at this figure.

## 15. Heritage Assets

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

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

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

This disclosure complies with the Code of Practice on Local Authority Accounting.

## 16. Investment Properties

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

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

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

	2018/19 £'000	2019/20 £'000
<b>Balance at start of the year</b>	135,318	131,824
Disposals	(250)	(805)
Net (losses)/gains from fair value adjustments	(3,234)	19,201
Transfers:		
(To) Property, Plant and Equipment *	-	(54,088)
Other changes	(10)	98
<b>Balance at end of the year</b>	<b>131,824</b>	<b>96,230</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.

There has been no change in the valuation techniques used during the year for investment properties.

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

At 31 March 2020, due to the Covid-19 pandemic and Brexit uncertainty, valuations are included on the basis of 'material valuation uncertainty' so a higher degree of caution should be attached to these valuations.

However, they have been based on the best information available and are therefore a valid basis of valuation for this Statement of Accounts.

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.

\* The transfer of assets from investment property to surplus assets within Property, Plant and Equipment is due to the Council's intention to sell these assets. They do not meet Asset Held for Sale Criteria and are therefore disclosed as Surplus Assets.

## 17. Intangible Assets

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

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

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

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

<b>Comprising:</b>		
Gross carrying amounts	17,263	17,472
Accumulated amortisation	(15,159)	(15,751)
<b>Total</b>	<b>2,104</b>	<b>1,721</b>

## 18. Financial Instruments

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

	Long-term	Long-term	Current	Current
	2018/19 £'000	2019/20 £'000	2018/19 £'000	2019/20 £'000
<b>Investments</b>				
Loans and receivables at amortised cost	-	-	-	10,559
Unquoted equity investment at Fair Value through Profit and Loss*	368	373	-	-
<b>Total Investments</b>	<b>368</b>	<b>373</b>	<b>-</b>	<b>10,559</b>
<b>Cash and Cash Equivalents</b>				
Financial assets at amortised cost	-	-	1,954	7,622
<b>Total Cash and Cash Equivalents</b>	<b>-</b>	<b>-</b>	<b>1,954</b>	<b>7,622</b>
<b>Debtors</b>				
Loans and receivables**	14	-	22,308	17,524
<b>Total Debtors</b>	<b>14</b>	<b>-</b>	<b>22,308</b>	<b>17,524</b>
<b>Borrowings</b>				
Financial liabilities at amortised cost	(57,049)	(57,049)	(71,952)	(134,000)
<b>Total Borrowings</b>	<b>(57,049)</b>	<b>(57,049)</b>	<b>(71,952)</b>	<b>(134,000)</b>
<b>Creditors</b>				
Financial liabilities at amortised cost***	-	-	(29,307)	(30,912)
<b>Total Creditors</b>	<b>-</b>	<b>-</b>	<b>(29,307)</b>	<b>(30,912)</b>

\* This figure is comprised of the Council investments in AfC, Optalis and RBWM Commercial Services Ltd.

\*\* The debtors' lines on the Balance Sheet include £5.318m (2019: £10.199m) short-term debtors that do not meet the definition of a financial asset as they relate to non-exchange transactions or payments in advance.

\*\*\* The creditors lines on the Balance Sheet include £3.722m (2019: £1.673m) short-term and £0.243m (2019: £0.250m) long-term creditors that do not meet the definition of a financial liability as they relate to non-exchange transactions or receipts in advance.

The current loans and receivables of £10.559m includes a loan advanced to RBWM Property Company Limited of £1.458m.

### Fair values

Debtors loans and receivables are at amortised cost.

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

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

The fair value of borrowings has been calculated as £216.50m in 2019/20 Long term borrowing is made up of Public Works Loan Board (PWLB) loans £44.049m, and Lender Option Borrower Option (LOBO) loans £13m. Short term borrowings are loans from other Local Authorities.

## 19. Inventories

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

## 20. Construction Contracts

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

## 21. Debtors

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

	2018/19 £'000	2019/20 £'000
Trade receivables	22,308	17,524
Prepayments	4,801	1,232
Other receivable amounts	5,398	4,086
<b>Total</b>	<b>32,507</b>	<b>22,842</b>

Debtors for local taxation (included in the above figures)

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

## 22. Cash and Cash Equivalents

The balance of Cash and Cash Equivalents is made up of the following elements. The note for 2018/19 has been re-stated to show the corrected classification of cash and cash equivalents for that year.

	2018/19 (Re-stated) £'000	2019/20 £'000
Cash held by the Authority	37	35
Bank current accounts	1,056	5,196
Schools' bank accounts	861	887
Short-term deposits	-	1,504
<b>Total Cash and Cash Equivalents</b>	<b>1,954</b>	<b>7,622</b>

## 23. Assets Held for Sale

As at 31st March 2020 there was one asset held for disposal within a 12 month period; Brocket at a value of £1,200,000

## 24. Creditors

	2018/19 £'000	2019/20 £'000
Trade payables	(29,307)	(30,912)
Other payables	(1,673)	(3,722)
<b>Total</b>	<b>(30,980)</b>	<b>(34,634)</b>

## 25. Provisions

	National Living Wage Sleep-ins £'000	Provision for Business Rates deficit £'000	Provision for MMI clawback liability £'000	Provision for redundancy £'000	Appeal Provision for Collection Fund (NDR) £'000	Total Provisions £'000
Balance at 1 April 2019	(100)	-	(259)	(460)	(2,407)	(3,226)
Additional provisions made in year	-	(2,421)	-	-	-	(2,421)
Amounts used in year	-	-	15	436	1,386	1,837
Unused amounts reversed in year	100	-	-	-	-	100
<b>Balance at 31 March 2020</b>	<b>-</b>	<b>(2,421)</b>	<b>(244)</b>	<b>(24)</b>	<b>(1,021)</b>	<b>(3,710)</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. 2019/20 this provision is no longer required.

### **Provision for Business Rates deficit**

The provision was created in 2019/20 to cover the deficit identified in the NNDR1 submitted in February 2020 that would accrue in 2020/21.

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

Municipal Mutual Insurance (MMI) was an insurance company which insured 90-95% of local authorities, including the former Berkshire County Council (BCC) and RBWM. Insolvency in 1992 meant it ceased to write new or renew any insurance business. In 2012 the potential liability to pay claims exceeded funds available and liability transferred to those authorities that formed the mutual. Recovery monies were collected by means of ongoing levies. The objective of these levies is to extinguish the deficit in the MMI balance sheet so that 75% of each outstanding claim (including those claims yet to be reported to MMI) could be paid. The former members of the mutual are then required to contribute 25% of each future claim payment themselves.

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

It remains possible that the entire remaining exposure will eventually be called upon by further levies but this won't be known for many years. No reserve strengthening has been required by MMI since the 2016/17 financial year. In MMI's most recently published annual report and accounts relating to year end 30/06/21 they say that no further increases to the levy are currently anticipated. The forecast assumes that the run-off will continue until the year 2059 when the final claim will be received.

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

### **Provision for redundancy**

Redundancy payments expected in 2020/21 that relate to decisions made in 2019/20

### **Appeal Provision for Business Rates**

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

## **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**

	<b>2018/19</b>	<b>2019/20</b>
	<b>£'000</b>	<b>£'000</b>
Capital Adjustment Account	184,999	192,012
Revaluation Reserve	214,694	206,225
Pensions Reserve	(282,385)	(252,767)
Collection Fund Adjustment Account	(1,365)	(7,648)
Accumulated Absences Account	(2,042)	(1,934)
<b>Total Unusable Reserves</b>	<b>113,901</b>	<b>135,888</b>

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.

The detail for 2018/19 has been restated as detailed Note 55 and to reflect the revaluation losses on Property, Plant and Equipment as one element.

2018/19 (Restated)		Capital Adjustment Account	2019/20	
£'000	£'000		£'000	£'000
	210,978	<b>Balance at 1 April</b>		184,999
2,384		Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:	1,652	
(13,603)		Charges for depreciation and impairment of noncurrent assets	(12,971)	
(15,468)		Revaluation losses on Property, Plant and Equipment	(16,667)	
(898)		Amortisation of intangible assets	(592)	
-		Impairment of investments in Joint ventures (AfC and Optalis)	-	
(15,936)		Revenue expenditure funded from capital under statute	(12,099)	
(1,242)		Amounts of non-current assets written off on disposal or sale as part of the (gain)/loss to the Comprehensive Income and Expenditure Statement	(1,505)	
	<b>(44,763)</b>			<b>(42,182)</b>
	4,468	Adjusting amounts written out of the Revaluation Reserve		17,382
		Net written out amount of the cost of non-current assets consumed in the year		
		<b>Capital financing applied in the year:</b>		
2,937		Use of the Capital Receipts Reserve to finance new capital expenditure	328	
8,657		Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	10,179	
5,956		Application of grants to capital financing from the Capital Grants Unapplied Account	2,105	
-		Capital expenditure charged against the General Fund	-	
	<b>17,550</b>	<b>Total Capital Financing Applied in Year</b>		<b>12,612</b>
	(3,234)	Movements in the market value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement		19,201
	<b>184,999</b>			<b>192,012</b>

## 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.

<b>Revaluation Reserve</b>	<b>2018/19 £'000</b>	<b>2019/20 £'000</b>
Balance at 1 April	200,034	214,694
Upward revaluation of assets	19,181	8,913
Downward revaluation of assets and impairment	-	-
Difference between fair value depreciation and historical cost depreciation	(4,399)	(3,721)
Amount written off to the Capital Adjustment Account	(122)	(13,661)
<b>Balance at 31 March</b>	<b>214,694</b>	<b>206,225</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.

	<b>2018/19 £'000</b>	<b>2019/20 £'000</b>
Balance at 1 April	(293,703)	(282,385)
Actuarial gains or losses on pensions assets and liabilities	20,561	38,891
Reversal of items relating to retirement benefits debited or credited to the (Surplus) on the Provision of Services in the Comprehensive Income and Expenditure Statement	(18,760)	(19,896)
Employer's pensions contributions and direct payments to pensioners payable in the year	9,517	10,623
<b>Balance at 31 March</b>	<b>(282,385)</b>	<b>(252,767)</b>

## Collection Fund Adjustment Account

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



## Collection Fund - Council Tax

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

## Collection Fund - Business Rates

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

## 28. Cash Flow Statement - Operating Activities

The cash flows for operating activities include the following items:

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

The movement in non-cash items has been restated for 2018/19 to recognise the movement in the revaluation of non-current assets as detailed in Note 55.

	2018/19 (Restated) £'000	2019/20 £'000
The surplus or deficit on the provision of services has been adjusted for the following non-cash movements		
Depreciation and amortisation	14,501	13,563
Revaluation of non-current assets	15,522	16,671
(Decrease) / Increase in Creditors	(13,402)	3,662
(Decrease) / Increase in Debtors	(676)	9,665
Decrease in Inventories	91	83
Pension Liability	9,243	9,272
Contributions to Provisions	387	484
Carrying amount of non-current assets sold or de-recognised (property plant and equipment, investment property and intangible assets)	1,242	1,505
Carrying amount of short and long term investments sold	-	-
Change in investment property values	3,234	(19,201)
<b>Adjust net surplus on the provision of services for non-cash movements</b>	<b>30,142</b>	<b>35,704</b>

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

## 29. Cash Flow Statement - Investing Activities

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

## 30. Cash Flow Statement - Financing Activities

	2018/19 £'000	2019/20 £'000
Cash receipts of short and long-term borrowing	47,499	62,047
<b>Net cash flows from financing activities</b>	<b>47,499</b>	<b>62,047</b>

## 31. Acquired and Discontinued Operations

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

## 32. Trading Operations

The 2019/20 Code removed the disclosure requirement for trading operations for English authorities.

## 33. Agency Services

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

## 34. Road Charging Schemes

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

## 35. Pooled Budgets

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

### Better Care Fund

The Section 75 agreement with the Clinical Commissioning Group specifies that any funds not utilised 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 any un-utilised funds in this way, then it must contribute an equivalent sum into the BCF in future.

<b>Council Hosting the Better Care Fund as Principal</b>	<b>2018/19 £'000</b>	<b>2019/20 £'000</b>
Funding from Royal Borough of Windsor and Maidenhead	4,677	5,858
Funding from the Health Service	8,375	9,619
Other Income	-	-
<b>Total Funding</b>	<b>13,052</b>	<b>15,477</b>
<b>Total Expenditure on Better Care Fund</b>	<b>13,052</b>	<b>15,477</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.

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

### **36. Members' Allowances**

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

	<b>2018/19 £'000</b>	<b>2019/20 £'000</b>
Allowances	719	520
Expenses	4	3
<b>Total</b>	<b>723</b>	<b>523</b>

### 37. Officers' Remuneration

The following tables set out the remuneration disclosures for Senior Officers whose salary is more than £50,000 per year for 2019/20 and 2018/19. Compensation for loss of office excludes payments to the Pension Fund in lieu of future contributions (Pension Strain).

2019/20	Notes	Salary (Including Fees & Allowances)	Compensation for loss of Office	Pension Cont.	Total Remuneration incl. Pension Contributions
		£	£	£	£
Managing Director	1	66,817	62,754	3,357	132,928
Managing Director (D Sharkey)	2	149,000	-	21,307	170,307
Executive Director	3	75,349	16,138	-	91,487
Executive Director		122,952	-	17,582	140,534
Director of Resources	4	12,115	-	1,732	13,847
Head of Communities, Enforcement & Partnerships		94,326	-	13,489	107,815
Head of Revenues & Benefits		85,707	-	12,542	98,249
Head of Planning	5	1,984	-	284	2,268
Head of Planning	6	61,548	-	8,004	69,552
Deputy Director and Head of Finance	7	76,447	24,543	7,098	108,088
Director of Adults, Health and Commissioning		108,128	-	15,462	123,590
Head of Human Resources and Corporate Projects		83,280	-	11,909	95,189
Communications & Marketing Manager		58,991	-	8,436	67,427
Deputy Director Health & Adult Social Care	8	18,294	-	2,682	20,976
Head of Commissioning - Infrastructure		77,167	-	10,940	88,106
Head of Infrastructure, Sustainability and Transport		59,247	-	8,472	67,720
Head of Governance		65,643	-	9,387	75,031
Head of Commissioning - People		73,138	-	10,392	83,530
Head of Housing and Environmental Health	9	44,000	-	6,292	50,292

#### Notes:

1. Left in June 2019
2. Employed since February 2019
3. Left in January 2020
4. Employed since February 2020
5. Employed since March 2020
6. Left in November 2019
7. Left in October 2019
8. Left in May 2019
9. Employed since June 2019

## 2018/19 Comparatives

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

### Notes:

1. In post since February 2019
2. Left in October 2018

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

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

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

Exit Package Cost Band (including special payments)	Number of Compulsory Redundancies		Number of Other Departures Agreed		Total Number of Exit Packages by Cost Band		Total £'000 Cost of Compulsory redundancies in Each Band		Total £'000 Cost of Other departures in Each Band		Total £'000 Cost of Exit Packages in Each Band	
	2018/19	2019/20	2018/19	2019/20	2018/19	2019/20	2018/19	2019/20	2018/19	2019/20	2018/19	2019/20
£0- £20,000	10	3	2	3	12	6	116	35	-	-	116	35
£20,001 - £40,000	2	-	4	1	6	1	170	21	-	-	170	21
£40,001 - £60,000	1	-	1	-	2	-	87	-	-	-	87	-
£60,001 - £80,000	-	-	-	1	-	1	-	-	-	63	-	63
£80,001 - £100,000	-	2	-	-	-	2	-	198	-	25	-	223
140,001 - £160,000	-	-	-	-	-	-	-	-	-	-	-	-
<b>Total</b>	<b>13</b>	<b>5</b>	<b>7</b>	<b>5</b>	<b>20</b>	<b>10</b>	<b>373</b>	<b>254</b>	<b>-</b>	<b>88</b>	<b>373</b>	<b>342</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.

	2018/19 £'000	2019/20 £'000
Fees payable with regard to external audit services carried out during the year *	157	143
Fees payable for the certification of grant claims and returns during the year DELOITTE	15	-
Fees payable for the certification of grant claims and returns during the year KPMG	-	26
<b>Total</b>	<b>172</b>	<b>169</b>

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

The audit fee of £143k paid/payable to Deloitte in respect of 2019/20 was based on the estimation of professional fees in relation to the audit of the Statement of Accounts of the Council, statutory inspections, audit of the Royal County of Berkshire Pension Fund and other services at the time of closure of accounts. The actual costs may vary from the estimation as the audit may involve additional work to be carried out upon commencement of audit which was not within the scope of base audit fee. Further costs related to any additional work carried out as agreed with the Council and approved by Public Sector Audit Appointment Limited will only be known once the audit work is concluded for the financial year 2019/20. Any additional fees payable in respect of 2019/20 additional work will be reflected in the financial year of settlement.

### 39. Dedicated Schools Grant

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

each maintained school and allocations to non-maintained nurseries. Grant allocated to schools' budget shares through the ISB is treated as spent as soon as it is allocated to schools.

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

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

#### 40. Grant Income

The Authority credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement in the year. The "Contributions from other funds/balances & reallocations" line for 2018/19 has been restated to exclude internal recharges.

	2018/19 £'000	2019/20 £'000
<b>Credited to Taxation and Non Specific Grant Income</b>		
Business Rates & Council Tax Support Grants (Collection Fund)	93,548	88,449
Capital Grants and Contributions	12,549	15,409
New Homes Bonus	2,691	2,089
Education Services Grant	315	315
<b>Total Credited to Taxation and Non Specific Grant Income</b>	<b>109,103</b>	<b>106,262</b>

	2018/19 (re-stated) £'000	2019/20 £'000
<b>Credited to Services - Government Grants</b>		
Dedicated Schools Grant (DSG)	63,053	63,916
Pupil Premium	1,730	1,753
Teacher Training	52	-
PE and Sports Grant	612	341
Universal Infant Free School Meals (UIFSM)	1,250	1,247
Special Educational Needs Reform	101	-
Teachers Pay Grant	196	299
Teachers' Pension Grant	-	934
Cycle Training Grant	37	37
Extended Rights to Free Travel	8	13
Asylum Seekers & Other Refugee Grants	513	505
Adult Care Support/Improved Better Care/Winter Pressures	2,428	3,093
Disabled Facilities Grant	946	910
Independent Living Fund (DCLG)	116	113
Other Education Grants (incl GTP & School Workforce Adviser)	623	1,240
Children Staying Put	35	35
Troubled Families DCLG	265	196
Post 16 Grants	243	80
Community Safety (PCC)	149	149
Public Health Grant	4,739	4,656
Drug Action Teams	-	40
Supporting Community Transport (DFT)	76	116
War Pensions Disregard	21	20
Collection Allowance	245	252
New Burdens Grant / Service Transformation	312	185
Adoption and Fostering	4	10
Homelessness Grants	1,289	1,536
Custom Self-Build and Brownfield Register	35	4
COVID-19 Funding (DCLG)	-	1,827
Elections and Electoral Registration	37	199
Other grants	650	268
<b>Total Government Grants</b>	<b>79,765</b>	<b>83,974</b>
Mandatory Rent Allowances: subsidy	30,900	27,032
Discretionary Benefits	235	200
<b>Total Housing Benefit Income</b>	<b>31,135</b>	<b>27,232</b>
<b>Credited to Services - Other Grants and Contributions</b>		
Housing Benefit and Council Tax Benefit Administration associated grants	487	360
Youth Justice Board	184	119
Health-Better Care	7,167	8,605
Health-Other Contributions	1,949	2,214
Contributions	10,987	10,937
Donations	500	623
Contributions from other funds/balances & reallocations	4,756	5,010
<b>Total Other Grants and Contributions</b>	<b>26,030</b>	<b>27,866</b>
<b>Total Credited to Services</b>	<b>136,930</b>	<b>138,062</b>



### Capital Grants Receipts in Advance

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

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

### Capital Grants Unapplied

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

	2018/19 £'000	2019/20 £'000
Education Grants	769	1,930
Other Grants	3,136	5,102
<b>Total</b>	<b>3,905</b>	<b>7,032</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 2020 are shown in Note 40.

### Members

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

During the financial year £97.0m of expenditure was incurred with third parties in which members had an interest. These are listed in the table below.

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

The detail in respect of the Council's subsidiary and joint venture companies may differ from the information included in Note 53, Trusts and Other Entities, as the Related Party note includes details of all activity between the Council and the entities whilst Note 53 shows only the activity for the company entities that have been transacted within the Council's ledger.

### Pension Fund

The Royal Borough of Windsor and Maidenhead administers the Royal County of Berkshire Pension Fund on behalf of 256 active employers, including the unitary local authorities in Berkshire. The council charged £1.749m for administering the Fund during the year.

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

	Exp £000	Income £000	Dr £000	Cr £000
Care UK Community P'Ships Ltd t/a Clara Court	4,733	-	-	-
Charters School	149	29	2	-
Family Friends In Windsor And Maidenhead	7	5	-	-
More Than a Shelter	4	-	-	-
Optalis Ltd	40,304	1,917	383	4,867
The Riverside Day Nursery	144	-	-	-
Windsor Foodshare	5	-	-	-
RBWM Property Company Ltd.	1,422	59	2,165	1,458
Achieving for Children	50,212	2,232	8,257	5,646
<b>Total</b>	<b>96,979</b>	<b>4,242</b>	<b>10,806</b>	<b>11,971</b>

The Royal Borough, along with Wokingham Borough Council, are guarantors for Optalis Ltd to the Royal Berkshire County Pension Fund. The Royal Borough has assessed the likelihood of any call on its guarantee and at present it does not consider that any such call will be made.

## 42. Capital Expenditure and Capital Financing

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

	2018/19 £'000	2019/20 £'000
<b>Opening Capital Financing Requirement</b>	<b>106,303</b>	<b>156,211</b>
Adjustment to Opening Balance	17,824	-
<b>Restated Opening Balance at 1 April</b>	<b>124,127</b>	<b>156,211</b>
<b>Capital investment</b>		
Property, Plant and Equipment	35,768	56,577
Investment Properties	-	-
Intangible Assets	313	209
Long Term Investments	-	-
Revenue Expenditure Funded from Capital under Statute	15,936	12,099
<b>Sources of finance</b>		
Capital Receipts	(2,937)	(328)
Government Grants and Other Contributions	(14,612)	(12,284)
<b>Sums set aside from Revenue:</b>		
Direct Revenue Contributions	-	-
Minimum Revenue Provision	(2,384)	(1,652)
<b>Closing Capital Financing Requirement</b>	<b>156,211</b>	<b>210,832</b>
<b>Explanation of Movements in Year</b>		
Increase in underlying need to borrow (unsupported by government financial assistance)	32,084	54,621
<b>Increase in Capital Financing Requirement</b>	<b>32,084</b>	<b>54,621</b>

The adjustment to the opening balance relates to the removal of the historic Item A adjustment set out in the paragraph 28 of the Local Authorities (Capital Finance and Accounting) (England) Regulations 2003 - £16.299m, and the recognition of the Royal Borough's investment in subsidiary and Joint Venture companies - £1.525m.

### 43. Leases

#### Authority as Lessee

##### Finance Leases

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

##### Operating Leases

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

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

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

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

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

#### Authority as Lessor

##### Finance Leases

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

##### Operating Leases

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

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

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

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

#### **44. PFI and Similar Contracts**

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

#### **45. Impairment Losses**

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

#### **46. Capitalisation of Borrowing Costs**

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

#### **47. Termination Benefits**

Refer to note 37 above.

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

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

For the purposes of this Statement of Accounts, it is therefore accounted for on the same basis as a defined contribution scheme. In 2019/20, the council paid £3.214m to Teachers' Pensions in respect of teachers' retirement benefits, representing 21% of pensionable pay. The figures for 2018/19 were £2.623m and 16.48%. There were no contributions remaining payable at the year-end. The Authority is responsible for the costs of any additional benefits awarded upon early retirement outside of the terms of the teachers' scheme.

#### **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 CIES Statement during the year:**

Comprehensive Income and Expenditure Statement	Local Government Pension Scheme £'000	
	2018/19	2019/20
Cost of Services:		
Service Cost	11,281	13,086
- (comprising current service cost, past service cost and loss from settlements)	-	-
-	-	-
Financing and Investment Income and Expenditure:		
Net interest expense	7,329	6,657
Administration expenses	150	153
<b>Total Post Employment Benefit Charged to Deficit on Provision of Services</b>	<b>18,760</b>	<b>19,896</b>
Other Post Employment Benefit (Credited) Charged to the CIES		
Re-measurement of the net defined benefit liability comprising:		
Return on plan assets	(15,212)	13,351
Actuarial gains on changes in demographic assumptions	(30,366)	(4,527)
Actuarial (losses) / gains on changes in financial assumptions	25,017	(45,478)
Other actuarial (losses) on assets	-	17,548
Experience gain on defined benefit obligation	-	(19,784)
<b>Total Post Employment Benefit (Credited) Charged to the CIES</b>	<b>(1,801)</b>	<b>(18,994)</b>

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

Movement in Reserves Statement	Local Government Pension Scheme £'000	
	2018/19	2019/20
Reversal of net charges made to the (Deficit) for the Provision of Services for post employment benefits in accordance with the Code.	18,760	19,896
<b>Actual amount charged against the General Fund Balance for pensions in the year:</b>		
Employers' pension contributions and direct payments to pensioners payable in the year	9,517	10,623

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

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

	Local Government Pension Scheme £'000	
	2018/19	2019/20
Present value of the defined benefit obligation	(533,101)	(477,724)
Fair value of scheme assets	257,272	229,208
<b>Net Liability</b>	<b>(275,829)</b>	<b>(248,516)</b>
Present value of unfunded obligation	(6,556)	(4,251)
<b>Net Liability in the Balance Sheet</b>	<b>(282,385)</b>	<b>(252,767)</b>

## Reconciliation of the present value of scheme liabilities:

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

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

	Local Government Pension Scheme £'000	
	2018/19	2019/20
Opening fair value of scheme assets	240,331	257,273
Interest on assets	6,075	6,137
Return on assets less interest	15,212	(13,351)
Other Actuarial (losses)	-	(17,548)
Administrative expenses	(150)	(152)
Employer contributions	9,517	10,623
Contributions by scheme participants	1,871	1,900
Benefits paid	(15,402)	(15,673)
Settlement prices (paid)	(181)	-
<b>Closing balance at 31 March</b>	<b>257,273</b>	<b>229,209</b>

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

## Fair value of scheme assets comprised:

	Local Government Pension Scheme £'000	
	2018/19	2019/20
Gilts	-	-
Cash	20,424	27,476
Other Bonds	38,615	21,657
Equities	130,558	127,912
Property	35,721	31,968
Target Return	13,383	9,800
Commodities	1,966	1,371
Infrastructure	24,238	19,074
Alternative Assets	-	-
Longevity Insurance	(7,633)	(10,050)
<b>Closing balance at 31 March</b>	<b>257,272</b>	<b>229,208</b>

## Basis for estimating assets and liabilities

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

The significant assumptions used by the actuary have been:

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

The estimation of the defined benefit obligations is sensitive to the actuarial assumptions set out in the table above. The UK Statistics Authority (UKSA) announced on 4 September 2019 that it intends to reform RPI to bring it into line with CPI including owner occupiers' housing costs ("CPIH"). This change is not expected until at least 2025. In relation to this, the scheme actuary has made a change to the RPI-CPI differential for IAS 19 disclosure purposes. In the prior year this was a deduction of 1.0% p.a. For the 31 March 2020 valuation, this has been reduced to 0.8% p.a. The sensitivity analysis below has been based on reasonably possible changes to the assumptions occurring at the end of the reporting period. It assumes for each change that the assumption analysed changes, while all the other assumptions remain constant. The assumptions in longevity, for example, assume that life expectancy increases or decreases for men and women. In practice, this is unlikely to occur, and changes in some of the assumptions may be interrelated. The estimations in the sensitivity analysis have followed the accounting policies for the scheme, i.e. on an actuarial basis using the projected unit credit method. The methods and types of assumptions used in preparing the sensitivity analysis below did not change from those used in the previous period.

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

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

## 50. Contingent Liabilities

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

The Royal Borough has created a subsidiary company, RBWM Property Company Ltd, to support the delivery of its services. As part of the staffing arrangements for the company, access to the Local Government Pension Scheme has been permitted, which has required the Royal Borough to provide a guarantee in respect of pension liabilities to the Royal County of Berkshire Pension Fund. At the last triennial valuation, the RBWM Property Company was in a surplus position and as such the Royal Borough does not consider that it should make any provision in respect of the guarantee at this time. This position may change in the future as the valuation of assets and liabilities change and the Royal Borough will review whether any provision is required.

## 51. Contingent Assets

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

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

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

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

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

### Credit Risk

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

### Liquidity Risk

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

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

### Interest Rate Risk



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

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

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

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

### Price Risk

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

### Foreign Exchange Risk

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

## 53. Trusts and Other Entities

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

	2018/19	Receipts in year	Payments in year	2019/20
	£'000	£'000	£'000	£'000
Local Enterprise Partnership (LEP)	48,650	34,600	49,728	33,522
Flexible Home Improvements Ltd (FHIL)	130	85	183	32
Kidwells Park Trust	439	19	70	388
RBWM Flood Relief Fund	190	1	1	190
Mayor's Benevolent Fund	27	1	3	25
Working Boys Club	630	22	91	561
Thames Valley Athletic Centre	67	14	-	81
Other Trust Funds	1	-	-	1
RBWM Commercial Services Ltd	23	209	201	31
RBWM Property Company Ltd	171	1,338	1,053	456
<b>Trusts &amp; Other Entities Total</b>	<b>50,328</b>	<b>36,289</b>	<b>51,330</b>	<b>35,287</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. The figures above represent the grants received by The Royal Borough from central government, and payments made by The Royal Borough to third parties, following instruction from the LEP.

### **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 loans to local authorities in Berkshire, Buckinghamshire, Oxfordshire and Surrey.

### **Kidwells Park Trust**

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

### **Royal Borough of Windsor and Maidenhead Flood Relief Fund**

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

### **Mayor's Benevolent Fund**

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

### **Working Boys Club**

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

### **Thames Valley Athletics Centre**

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

### **Other Trust Funds**

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

The detail in respect of the Council's subsidiary and joint venture companies may differ from the information included in Note 41, Related Parties, as the Trusts and Other Entities note includes only that activity for the company entities that have been transacted within the Council's ledger whilst Note 41 shows the full impact of activity between the Council and the company entities.

## **54. Group Relationships**

### **Interests in Companies**

#### **Achieving for Children (AfC)**

Group Accounts have been included in this Statement of Accounts, recognising the Council's significant interest in AfC which is a Joint Venture with RB Kingston and LB Richmond-Upon-Thames. From the Council's perspective, AfC continues to be a Joint Venture which is consolidated in these Accounts using the equity method. The judgement is made on the basis that AfC being an arrangement under which two (or more) parties have contractually agreed to share control, such that decisions about activities that significantly affect returns require the unanimous consent of the parties sharing control, and the two founding councils (RB Kingston and LB Richmond) have rights to the net assets of the arrangement. AfC continues to operate at arm's length from the Council and The Royal Borough therefore acts as commissioners – commissioning AfC to provide services such as children's social care, adoption, fostering, high quality support for schools, children's centres and support for children with special educational needs, including transport.

### **Optalis Ltd**

Optalis Ltd (OL) is a company set up by Wokingham Borough Council (WBC) for the purposes of providing Adult Social Care Services. The company was established in 2011 and is limited by shares. On 01 April 2014 Optalis Holdings Ltd (OHL) was set up and 100% of the shareholding in OL was transferred by WBC to OHL. On the same date OHL issued 50,000 preference shares of £1 and 1 ordinary share of £1 to which WBC (Holdings) Ltd subscribed 100%. In preparation for the commencement of the arrangement with The Royal Borough, 100% of WBC (Holdings) Ltd shareholding in OHL was transferred back to WBC. At the same time the 50,000 preference shares were re-designated as ordinary shares and 99 additional ordinary shares were issued. A share sale took place on 31 March 2017 with RBWM purchasing 22,545 shares in OHL for £771k, representing a 45% interest, with the services starting and the TUPE of staff into Optalis Ltd on 03 April 2017. Jointly with WBC, RBWM is able to control the operating, governance and financial policies of the organisation, and also able to appoint the Board of Directors of the company. The Company is accounted for as a joint venture.

#### **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. It is wholly owned by The Royal Borough. As part of the acquisition the name of the company was changed. One of the contracts has been relet with RBWM, the other has now reverted back to RBWM. The company is no longer trading. Further details can be accessed at the Companies House website.

For the 2019/20 Financial Statements, the results of RBWM Property Company Ltd have not been consolidated on the grounds of materiality.

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

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

Further details can be seen at <https://www.rbwm.gov.uk/home/council-and-democracy/trading-companies> and also the annual accounts can be accessed at the Companies House website. For the 2019/20 Financial Statements, the results of RBWM Property Company Ltd have not been consolidated on the grounds of materiality.

### **55. Prior Period Adjustment**

#### **Accounting for interest in joint ventures**

The Royal Borough has historically accounted for its interests in Optalis and Achieving for Children by equity accounting in both the Group and Council-only Accounts.

The Code of Practice removes the option in IAS 27 to equity account for associates and joint ventures in council-only accounts. The Royal Borough has accordingly restated its accounting to show its interest as an investment in the Council only financial statements held at fair value through profit and loss. Details of the companies are included in the Council's Group Accounts.

**Adjustment 1** – Reclassification of the Royal Borough's interest in the companies to long term investments

**Adjustment 2** – Adjustment to the carrying value as at 31 March 2018 to reflect measurement as an investment.

**Adjustment 3** – Reversal of the 2018/19 equity accounting movements (which had resulted in recognition of a liability position).

## **Presentation of the Comprehensive Income and Expenditure Statement and Movement in Reserves Statements**

The Royal Borough has amended the format of its Comprehensive Income and Expenditure Statement (CIES) to reallocate items, previously reported as part of Other Operating Expenditure, to Directorates in the Cost of Services and to reallocate an element of the revaluation of Property, Plant and Equipment from Other Comprehensive Income to the Cost of Services. The reallocation of costs does not change the overall total for the CIES but does change the allocation of costs within the note.

The Royal Borough has reallocated its dividend income to Financing and Investment Interest and Expenditure from Other Operating Expenditure in line with Code requirements.

The Royal Borough has restated the presentation of revaluation movements, to show revaluation losses in Cost of Services rather than within Other Comprehensive Income.

The Royal Borough has corrected the treatment of the fair value of its JV investments.

The Royal Borough did not present separate CIES or Movement in Reserves Statements for the entity and group. The prior period adjustments are shown for the entity element of the financial statements only and therefore, exclude the rows related to the equity accounting analysis. The group prior period adjustments are detailed in Note 59.

Details of the changes are set out below the Balance Sheet Adjustments.

## 2017/18 Balance Sheet Adjustments

	Note	2017/18 Original RBWM £'000	2017/18 Adjustment 1 RBWM £'000	2017/18 Adjustment 2 RBWM £'000	2017/18 Adjustment 3 RBWM £'000	2017/18 (Restated) RBWM £'000
<b>Assets</b>						
<b>Non-current assets</b>						
Property, Plant and Equipment	14	396,784				396,784
Investment Properties	16	135,318				135,318
Intangible Assets	17	2,689				2,689
Surplus Assets	14	-				-
Long Term Investments	18	259	1,525	(1,402)		382
Long Term Debtors	18	16				16
Investments in Joint Ventures	18/54	1,525	(1,525)			
<b>Total Non-Current Assets</b>		<b>536,591</b>	<b>-</b>	<b>(1,402)</b>	<b>-</b>	<b>535,189</b>
<b>Current assets</b>						
Short Term Investments	18	-				-
Inventories	19	196				196
Short Term Debtors	21	31,831				31,831
Assets Held for Sale	23	-				-
Cash and Cash Equivalents	22	-				-
<b>Total Current Assets</b>		<b>32,027</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>32,027</b>
<b>Total Assets</b>		<b>568,618</b>	<b>-</b>	<b>(1,402)</b>	<b>-</b>	<b>567,216</b>
<b>Liabilities</b>						
<b>Current Liabilities</b>						
Bank Overdraft		(643)				(643)
Short Term Borrowing	18	(24,453)				(24,453)
Short Term Creditors	24	(44,386)				(44,386)
<b>Total Current Liabilities</b>		<b>(69,482)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(69,482)</b>
<b>Non-Current Liabilities</b>						
Long Term Creditors	18	(250)				(250)
Provisions	25	(2,839)				(2,839)
Long Term Borrowing	18	(57,049)				(57,049)
Capital Grants Receipts in Advance	40	(12,914)				(12,914)
Retirement Benefit Obligations	49	(293,703)				(293,703)
<b>Total Non-Current Liabilities</b>		<b>(366,755)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(366,755)</b>
<b>Net Assets</b>		<b>132,381</b>	<b>-</b>	<b>(1,402)</b>	<b>-</b>	<b>130,979</b>
<b>Equity</b>						
<b>Usable Reserves</b>						
Fund Balances and Reserves	26	7,033				7,033
Other Reserves		12,937				12,937
<b>Unusable Reserves</b>						
Capital Adjustment Account		212,380		(1,402)		210,978
Revaluation Reserve		200,034				200,034
Pensions Reserve		(293,703)				(293,703)
Collection Fund Adjustment Account		(4,194)				(4,194)
Accumulated Absences Account		(2,106)				(2,106)
		<b>132,381</b>	<b>-</b>	<b>(1,402)</b>	<b>-</b>	<b>130,979</b>

## 2018/19 Balance Sheet Adjustments

		2018/19 Original RBWM £'000	2018/19 Adjustment 1 RBWM £'000	2018/19 Adjustment 2 RBWM £'000	2018/19 Adjustment 3 RBWM £'000	2018/19 (Restated) RBWM £'000
	Note					
<b>Assets</b>						
<b>Non-current assets</b>						
Property, Plant and Equipment	14	421,625				421,625
Investment Properties	16	131,824				131,824
Intangible Assets	17	2,104				2,104
Surplus Assets	14	-				-
Long Term Investments	18	245	1,525	(1,402)		368
Long Term Debtors	18	14				14
Investments in Joint Ventures	18/54	(2,959)			2,959	-
<b>Total Non-Current Assets</b>		<b>552,853</b>	<b>1,525</b>	<b>(1,402)</b>	<b>2,959</b>	<b>555,935</b>
<b>Current assets</b>						
Short Term Investments	18	-				-
Inventories	19	105				105
Short Term Debtors	21	32,507				32,507
Assets Held for Sale	23	-				-
Cash and Cash Equivalents	22	1,954				1,954
<b>Total Current Assets</b>		<b>34,566</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>34,566</b>
<b>Total Assets</b>		<b>587,419</b>	<b>1,525</b>	<b>(1,402)</b>	<b>2,959</b>	<b>590,501</b>
<b>Liabilities</b>						
<b>Current Liabilities</b>						
Bank Overdraft		-				-
Short Term Borrowing	18	(71,952)				(71,952)
Short Term Creditors	24	(30,980)				(30,980)
<b>Total Current Liabilities</b>		<b>(102,932)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(102,932)</b>
<b>Non-Current Liabilities</b>						
Long Term Creditors	18	(250)				(250)
Provisions	25	(3,226)				(3,226)
Long Term Borrowing	18	(57,049)				(57,049)
Capital Grants Receipts in Advance	40	(12,721)				(12,721)
Retirement Benefit Obligations	49	(282,385)				(282,385)
<b>Total Non-Current Liabilities</b>		<b>(355,631)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(355,631)</b>
<b>Net Assets</b>		<b>128,856</b>	<b>1,525</b>	<b>(1,402)</b>	<b>2,959</b>	<b>131,938</b>
<b>Equity</b>						
<b>Usable Reserves</b>						
Fund Balances and Reserves	26	7,778				7,778
Other Reserves		10,259				10,259
<b>Unusable Reserves</b>						
Capital Adjustment Account	27	-				-
Revaluation Reserve		186,401		(1,402)		184,999
Revaluation Reserve		214,694				214,694
Financial Instruments Revaluation Reserve		(4,484)	1,525		2,959	-
Pensions Reserve		(282,385)				(282,385)
Collection Fund Adjustment Account		(1,365)				(1,365)
Accumulated Absences Account		(2,042)				(2,042)
		<b>128,856</b>	<b>1,525</b>	<b>(1,402)</b>	<b>2,959</b>	<b>131,938</b>

## 2018/19 Adjustment to the Comprehensive Income and Expenditure Statement

The CIES below shows the restatement for 2018/19 for the entity accounts only and excludes the analysis related to equity accounting

CIES	2018/19 (Entity)			Adjustment			2018/19 - restated		
	Gross Expenditure	Gross Income	Net Expenditure	Gross Expenditure	Gross Income	Net Expenditure	Gross Expenditure	Gross Income	Net Expenditure
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Managing Director	215,411	(123,987)	91,424	13,698	(438)	13,260	229,109	(124,425)	104,684
Communities Directorate	50,335	(40,577)	9,758	1,033		1,033	51,368	(40,577)	10,791
Place Directorate	17,699	(14,431)	3,268	1,670		1,670	19,369	(14,431)	4,938
Revaluation movement on Assets			-	15,522		15,522	15,522		15,522
<b>Full Cost of Services</b>	<b>283,445</b>	<b>(178,995)</b>	<b>104,450</b>	<b>31,923</b>	<b>(438)</b>	<b>31,485</b>	<b>299,846</b>	<b>(179,433)</b>	<b>120,413</b>
Precepts paid to parishes			1,432	153		153			1,585
Precepts & Levies			153	(153)		(153)			-
Adjustments to provisions			145	(145)		(145)			-
Adjustment to School Balances via Schools Reserve			320	(320)		(320)			-
Adjustment to other reserves taken through the cost of services			(438)		438	438			-
(Gain) / loss on the disposal of other fixed assets			(1,695)						(1,695)
Other Operating Expenditure & Income (Note 11)			(61)		160	160			99
Revenue exp funded from capital under statute			15,936	(15,936)		(15,936)			-
<b>Other Operating (Income) / Expenditure (Note 11)</b>			<b>15,792</b>	<b>(16,401)</b>	<b>598</b>	<b>(15,803)</b>			<b>(11)</b>
Interest payable and similar charges			3,196						3,196
Pensions interest cost			5,924						5,924
Interest and dividend income			(229)		(160)	(160)			(389)
Changes in the fair value of investment properties			3,234						3,234
<b>Financing &amp; Investment Income &amp; Expenditure (Note 12)</b>			<b>12,125</b>		<b>(160)</b>	<b>(160)</b>			<b>11,965</b>
Taxation and Non-Specific Grant Income (Note 13)			(109,103)			-			(109,103)
<b>(Surplus) or Deficit on Provision of Services</b>			<b>23,264</b>	<b>15,522</b>	<b>-</b>	<b>15,522</b>			<b>38,786</b>
Other adjustments to value of Property, Plant and Equipment assets			(3,659)	(15,522)		(15,522)			(19,181)
Remeasurement of the net defined benefit liability (asset) Actuarial (gains) / losses on pension assets / liabilities			(20,564)						(20,564)
(Surplus)/deficit from investments in equity instruments designated at fair value through other comprehensive income			4,484	(4,484)		(4,484)			-
<b>Other Comprehensive (Income) and Expenditure</b>			<b>(19,739)</b>	<b>(20,006)</b>	<b>-</b>	<b>(20,006)</b>			<b>(39,745)</b>
<b>Total Comprehensive (Income) and Expenditure</b>			<b>3,525</b>	<b>(4,484)</b>	<b>-</b>	<b>(4,484)</b>			<b>(959)</b>

## 2018/19 – Adjustment to the Movement in Reserves Statement

The MiRS below shows the restatement for 2018/19 for the entity accounts only and excludes the analysis related to equity accounting.

	General Fund Balance £'000	Earmarked Reserves £'000	Capital Grants Unapplied £'000	School Revenue Balances £'000	Capital Receipts Reserve £'000	Total Usable Reserves £'000	Unusable Reserves £'000	Total RBWM Reserves £'000
<b>2018/19 (Original)</b>								
<b>Balance at 31 March 2018</b>	<b>7,033</b>	<b>6,122</b>	<b>5,966</b>	<b>849</b>	<b>-</b>	<b>19,970</b>	<b>112,411</b>	<b>132,381</b>
Total Comprehensive (Expenditure) and Income	(23,264)					(23,264)	19,739	(3,525)
Adjustments between accounting basis & funding basis under regulations (Note 9)	23,392		(2,061)			21,331	(21,331)	0
<b>Net Increase / (Decrease) before Transfers to Earmarked Reserves</b>	<b>128</b>	<b>-</b>	<b>(2,061)</b>	<b>-</b>	<b>-</b>	<b>(1,933)</b>	<b>(1,592)</b>	<b>(3,525)</b>
Transfers to / from Earmarked Reserves (Note 10)	617	(297)		(320)		0		0
<b>Increase / (Decrease) in Year</b>	<b>745</b>	<b>(297)</b>	<b>(2,061)</b>	<b>(320)</b>	<b>-</b>	<b>(1,933)</b>	<b>(1,592)</b>	<b>(3,525)</b>
<b>Balance at 31 March 2019 Carried Forward</b>	<b>7,778</b>	<b>5,825</b>	<b>3,905</b>	<b>529</b>	<b>-</b>	<b>18,037</b>	<b>110,819</b>	<b>128,856</b>
<b>2018/19 Adjustments</b>								
<b>Balance at 31 March 2018</b>						<b>-</b>	<b>(1,402)</b>	<b>(1,402)</b>
Total Comprehensive (Expenditure) and Income	(15,522)					(15,522)	20,006	4,484
Adjustments between accounting basis & funding basis under regulations (Note 9)	15,522					15,522	(15,522)	-
<b>Net Increase / (Decrease) before Transfers to Earmarked Reserves</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>4,484</b>	<b>4,484</b>
Transfers to / from Earmarked Reserves (Note 10)								-
<b>Increase / (Decrease) in Year</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>4,484</b>	<b>4,484</b>
<b>Balance at 31 March 2019 Carried Forward</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>3,082</b>	<b>3,082</b>
<b>2018/19 Restated</b>								
<b>Balance at 31 March 2018</b>	<b>7,033</b>	<b>6,122</b>	<b>5,966</b>	<b>849</b>	<b>-</b>	<b>19,970</b>	<b>111,009</b>	<b>130,979</b>
Total Comprehensive (Expenditure) and Income	(38,786)	-	-	-	-	(38,786)	39,745	959
Adjustments between accounting basis & funding basis under regulations (Note 9)	38,914	-	(2,061)	-	-	36,853	(36,853)	-
<b>Net Increase / (Decrease) before Transfers to Earmarked Reserves</b>	<b>128</b>	<b>-</b>	<b>(2,061)</b>	<b>-</b>	<b>-</b>	<b>(1,933)</b>	<b>2,892</b>	<b>959</b>
Transfers to / from Earmarked Reserves (Note 10)	617	(297)	-	(320)	-	-	-	-
<b>Increase / (Decrease) in Year</b>	<b>745</b>	<b>(297)</b>	<b>(2,061)</b>	<b>(320)</b>	<b>-</b>	<b>(1,933)</b>	<b>2,892</b>	<b>959</b>
<b>Balance at 31 March 2019 Carried Forward</b>	<b>7,778</b>	<b>5,825</b>	<b>3,905</b>	<b>529</b>	<b>-</b>	<b>18,037</b>	<b>113,901</b>	<b>131,938</b>



## 2018/19 – Restatement of Cash Flow Statement

The reallocation of the revaluation of Property, Plant and Equipment from Other Comprehensive Income and Expenditure to the Cost of Services amends the allocation between totals within the Cash Flow Statement but does not change the year end balance for Cash and Cash Equivalents.

<b>Council Cash Flow Statement (Indirect Method)</b>	<b>2018/19 (Original) £'000</b>	<b>Restatement £'000</b>	<b>2018/19 (Restated) £'000</b>
Deficit on the provision of services	(23,264)	(15,522)	(38,786)
Adjust net surplus on the provision of services for non-cash movements	14,620	15,522	30,142
Adjust for items included in the net surplus or deficit on the provision of services that are investing and financing activities	(15,488)		(15,488)
Net cash (outflows) / inflows from Operating Activities	<b>(24,132)</b>	-	<b>(24,132)</b>
Net cash (outflows) from Investing Activities	(20,770)		(20,770)
Net cash inflows from Financing Activities	47,499		47,499
<b>Net Increase in Cash and Cash Equivalents</b>	<b>2,597</b>	-	<b>2,597</b>

# Supplementary accounting Statements

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



Royal Borough  
of Windsor &  
Maidenhead

# Collection Fund Accounts 2019/20

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



Royal Borough  
of Windsor &  
Maidenhead

## Collection Fund – Council Tax

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

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

## Collection Fund – Business Rates

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

## 56. Council Tax Income

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

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

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

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

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

	2018/19 £'000	2019/20 £'000
Estimated Yield	87,673	91,685
Transitional Relief	-	-
Other Changes in Yield	(24)	-
<b>Council Tax Income</b>	<b>87,649</b>	<b>91,685</b>

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

## 57. Business Rates Income

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

	2018/19 £'000	2019/20 £'000
Notional Yield	106,083	104,153
Allowances	(15,568)	(10,731)
Rateable Value Changes	2,246	2,136
Occupation Changes	(656)	(8,477)
<b>Collectable Income</b>	<b>92,105</b>	<b>87,081</b>

## 58. Precepts and Demands on the Funds

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

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

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

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

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

# Group Financial Statements 2019/20

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Royal Borough  
of Windsor &  
Maidenhead



## Group Accounts

### Narrative to the Group Accounts

This section of the Statement of Accounts details the Group financial statements for the Royal Borough. These accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2019/20 (the Code) published by the Chartered Institute of Public Finance and Accountancy (CIPFA) and the aim of the Group Accounts is to provide the reader with an overall view of the material economic activities that the Royal Borough controls.

The Royal Borough is required to prepare group accounts where it has any interests in subsidiaries, associates, and joint ventures, subject to consideration of materiality and using uniform Accounting Policies. Each year assessments are made of the Royal Borough's relationship with its partners and where an external body is assessed as having a group relationship (in accounting terms), group accounts are prepared.

### Accounting Policies

Generally, the accounting policies for the group accounts are the same as those applied to the single entity financial statements, except for the following policies which are specific to the group accounts:

### Basis of Identification of the Group Boundary

Group accounts are prepared by aggregating the transactions and balances of the Royal Borough and all its material subsidiaries, associates, and joint arrangements. In its preparation of these Group Accounts, the Royal Borough has considered its relationship with entities that fall into the following categories:

- **Subsidiaries** – where the Royal Borough exercises control and gains benefits or has exposures to risks arising from this control. These entities are included in the group.
- **Joint Arrangements** (Joint Operations and Joint Ventures) – where the Royal Borough exercises joint control with one or more organisations. Where these are material, they are included in the group.
- **Associates** – where the Royal Borough is an investor and has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee (stopping short of control or joint control). It is presumed that holding 20% of the voting power of an investee (either directly or indirectly) brings significant influence but this presumption can be rebutted.
- **No group relationship** – where the body is not an entity in its own right or the Royal Borough has an insufficient interest in the entity to justify inclusion in the group financial statements. These entities are not included in the group.

In accordance with this requirement, the Royal Borough has determined its Group relationships as follows:

Company name	Relationship	Accounting treatment
RBWM Property Company Limited	Subsidiary	Not material
Achieving for Children Community Interest Company	Joint Venture	Material
Optalis Limited	Joint Venture	Material
Flexible Home Improvement Loans Ltd	Partnership	Not material

The grounds for exclusion from consolidation of certain entities are not material to the true and fair view of the financial statements or to the understanding of the users.

### Basis of Consolidation – Group Accounts

The Group Accounts have been prepared using the group accounts requirements of the Code. Companies or other reporting entities that are under the ultimate control of the Royal Borough have been included in the Royal Borough's group accounts to the extent that they are material to users of the financial statements in relation to their ability to see the complete economic activities of the Royal Borough and its exposure to risk through interests in other entities and participation in their activities.

### **Achieving for Children Community Interest Company (AfC)**

AfC was established on 5 February 2014 and became operational on 1 April 2014. It is a Community Interest Company limited by Guarantee that is jointly owned by the London Borough of Richmond (40%), the Royal Borough of Kingston (40%) and The Royal Borough (20%). The Boroughs have commissioned AfC to provide Children's and Educational Services. AfC has offered an opportunity to pool facilities, staff talents and to share assets. The main benefits are greater capacity in safeguarding and looking after the most vulnerable children as well as providing the highest quality services to support schools. The Royal Borough has assessed AfC as a Joint Venture.

AfC's Accounts have been prepared in accordance with International Financial Reporting Standards. All three Boroughs provide a revolving credit facility (short term cash flow loan) to AfC at market rates, under the terms of the legal agreement signed by all three parties.

This loan is shown in the Royal Borough's Accounts as a short-term debtor, with a fair value equal to its carrying value due to the loan requiring repayment at no more than six monthly intervals. The accounting policies of AfC are not materially different to those of the Royal Borough and as the notes to the Group Accounts are also not materially different from those of the Royal Borough, no additional notes have been disclosed.

AfC is a member of the Royal County of Berkshire Pension Fund which offers a defined benefit scheme to the employees of AfC.

### **Optalis Ltd**

Optalis Ltd is a Joint Venture with Wokingham Borough, the Royal Borough holding 45% ownership. The company was established in June 2011 and became operational during 2011/12.

## Group CIES

This statement shows the economic cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation. Authorities raise taxation to cover expenditure in accordance with regulations; this may be different from the accounting cost. The taxation position is shown in both the Expenditure and Funding Analysis (refer to note 7) and the Group Movement in Reserves Statement.

The Royal Borough has restated the carrying value of its investments in its joint ventures in 2017/18 to recognise the value of the net assets of the companies leading to a reduction in the net assets of the Group of £3.202m in 2017/18, mainly as a result of the pension deficit in Achieving for Children. The Royal Borough has also restated 2018/19 to recognise the redesignation of an element of the revaluation of Property, Plant and Equipment to the Cost of Services from Other Comprehensive Income and Expenditure.

2018/19 (Restated)				2019/20		
Gross Exp. £'000	Gross Inc. £'000	Net Exp. £'000		Gross Exp. £'000	Gross Inc. £'000	Net Exp. £'000
229,109	(124,425)	104,684	Managing Director	234,017	(136,896)	97,121
51,368	(40,577)	10,791	Communities Directorate	48,844	(35,198)	13,646
19,369	(14,431)	4,938	Place Directorate	18,558	(12,400)	6,158
15,522		15,522	Revaluation movement on assets (Note 5)	16,671		16,671
<b>315,368</b>	<b>(179,433)</b>	<b>135,935</b>	<b>Full Cost of Services</b>	<b>318,090</b>	<b>(184,494)</b>	<b>133,596</b>
		1,585	Precepts & Levies			1,664
		(1,695)	(Gain)/loss on the disposal of other fixed assets			626
		99	Other Operating Expenditure & Income			(205)
		<b>(11)</b>	<b>Other Operating (Income)/Expenditure (Note 11)</b>			<b>2,085</b>
		3,196	Interest payable and similar charges			2,977
		5,924	Pensions interest cost			8,030
		(389)	Interest and Dividend income			(265)
		3,234	Changes in the fair value of investment properties			(19,201)
		<b>11,965</b>	<b>Financing &amp; Investment Expenditure (Note 12)</b>			<b>(8,459)</b>
		(109,103)	Taxation and Non-Specific Grant Income (Note 13)			(106,262)
		<b>38,786</b>	<b>Deficit on Provision of Services</b>			<b>20,960</b>
		1,346	Joint Ventures accounted for on a equity basis (Note 54)			2,114
		<b>40,132</b>	<b>Group Deficit</b>			<b>23,074</b>
		(19,181)	Other adjustments to value of Property, Plant and Equipment assets			(8,913)
		(20,564)	Remeasurement of the net defined benefit liability (asset)			(38,894)
		1,713	Share of Other (Income) & Expenditure of JV's (Note 54)			(2,466)
		<b>(38,032)</b>	<b>Other Comprehensive (Income)</b>			<b>(50,273)</b>
		<b>2,100</b>	<b>Total Comprehensive Expenditure / (Income)</b>			<b>(27,199)</b>

## Group Balance Sheet

The Group Balance Sheet shows the value, as at the Balance Sheet date, of the assets and liabilities recognised by the Group. The figures for 2017/18 and 2018/19 have been restated to recognise the net worth of the joint ventures as set out in Note 55 to the entity financial statements.

2017/18 (Restated)	2018/19 (Restated)		Note	2019/20
Group £'000	Group £'000			Group £'000
<b>Assets</b>				
<b>Non-current assets</b>				
396,784	421,625	Property, Plant and Equipment	14	509,560
135,318	131,824	Investment Properties	16	96,230
2,689	2,104	Intangible Assets	17	1,721
259	245	Long Term Investments	18	250
16	14	Long Term Debtors	18	-
123	147	Council's Share of Joint Venture Assets: Optalis	55	147
<b>535,189</b>	<b>555,959</b>	<b>Total Non-Current Assets</b>		<b>607,908</b>
<b>Current assets</b>				
-	-	Short Term Investments	18	10,559
196	105	Inventories	19	22
31,831	32,507	Short Term Debtors	21	22,842
-	-	Assets Held for Sale	23	1,200
	1,954	Cash and Cash Equivalents	22	7,622
<b>32,027</b>	<b>34,566</b>	<b>Total Current Assets</b>		<b>42,245</b>
<b>567,216</b>	<b>590,525</b>	<b>Total Assets</b>		<b>650,153</b>
<b>Liabilities</b>				
<b>Current Liabilities</b>				
(643)		Bank Overdraft		
(24,453)	(71,952)	Short Term Borrowing	18	(134,000)
(44,386)	(30,980)	Short Term Creditors	24	(34,634)
<b>(69,482)</b>	<b>(102,932)</b>	<b>Total Current Liabilities</b>		<b>(168,634)</b>
<b>Non-Current Liabilities</b>				
(250)	(250)	Long Term Creditors	18	(243)
(2,839)	(3,226)	Provisions	25	(3,710)
(57,049)	(57,049)	Long Term Borrowing	18	(57,049)
(12,914)	(12,721)	Capital Grants Receipts in Advance	40	(8,941)
(293,703)	(282,385)	Retirement Benefit Obligations	49	(252,767)
(1,800)	(4,882)	Council's Share of Joint Venture Liabilities: AfC	55	(4,530)
<b>(368,555)</b>	<b>(360,513)</b>	<b>Total Non-Current Liabilities</b>		<b>(327,240)</b>
<b>129,179</b>	<b>127,080</b>	<b>Net Assets</b>		<b>154,279</b>
<b>Equity</b>				
<b>Usable Reserves</b>				
7,033	7,778	Fund Balances and Reserves	26	8,231
12,937	10,259	Other Reserves		14,666
<b>Group Reserves</b>				
(1,800)	(4,858)	Council's Share of Joint Venture Reserves		(4,506)
<b>Unusable Reserves</b>				
210,978	184,999	Capital Adjustment Account	27	192,012
200,034	214,694	Revaluation Reserve		206,225
(293,703)	(282,385)	Pensions Reserve		(252,767)
(4,194)	(1,365)	Collection Fund Adjustment Account		(7,648)
(2,106)	(2,042)	Accumulated Absences Account		(1,934)
<b>129,179</b>	<b>127,080</b>			<b>154,279</b>

## Group Movement in Reserves (MiRS)

The Group Movement in Reserves Statement shows the movement in year on the different reserves held, analysed into 'usable reserves', that is those that can be applied to fund expenditure or reduce local taxation, and other reserves. The figures for 2018/19 have been restated to reflect the net worth of the joint ventures and the redesignation of an element of the revaluation of Property, Plant and Equipment to the Cost of Services as set out in Note 55 to the entity accounts.

	General Fund Balance	Earmarked Reserves	Capital Grants Unapplied	School Revenue Balances	Capital Receipts Reserve	Total Usable Reserves	Unusable Reserves	Total RBWM Reserves	Council Share of Joint Venture	Total Group Reserves
2019/20	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>Balance at 31 March 2019</b>	<b>7,778</b>	<b>5,825</b>	<b>3,905</b>	<b>529</b>	<b>-</b>	<b>18,037</b>	<b>113,901</b>	<b>131,938</b>	<b>(4,858)</b>	<b>127,080</b>
Total Comprehensive (Expenditure) and Income	(20,960)	-	-	-	-	(20,960)	47,807	26,847	352	27,199
Adjustments between accounting basis & funding basis under regulations (Note 9)	22,142	-	3,127	-	551	25,820	(25,820)	-	-	-
<b>Net Increase / (Decrease) before Transfers to Earmarked Reserves</b>	<b>1,182</b>	<b>-</b>	<b>3,127</b>	<b>-</b>	<b>551</b>	<b>4,860</b>	<b>21,987</b>	<b>26,847</b>	<b>352</b>	<b>27,199</b>
Transfers to / from Earmarked Reserves (Note 10)	(729)	821	-	(92)	-	-	-	-	-	-
<b>Increase / (Decrease) in Year</b>	<b>453</b>	<b>821</b>	<b>3,127</b>	<b>(92)</b>	<b>551</b>	<b>4,860</b>	<b>21,987</b>	<b>26,847</b>	<b>352</b>	<b>27,199</b>
<b>Balance at 31 March 2020 Carried Forward</b>	<b>8,231</b>	<b>6,646</b>	<b>7,032</b>	<b>437</b>	<b>551</b>	<b>22,897</b>	<b>135,888</b>	<b>158,785</b>	<b>(4,506)</b>	<b>154,279</b>
<b>2018/19 (Restated)</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<b>Balance at 31 March 2018</b>	<b>7,033</b>	<b>6,122</b>	<b>5,966</b>	<b>849</b>	<b>-</b>	<b>19,970</b>	<b>111,009</b>	<b>130,979</b>	<b>(1,800)</b>	<b>129,179</b>
Total Comprehensive (Expenditure) and Income	(38,786)	-	-	-	-	(38,786)	39,745	959	(3,059)	(2,100)
Adjustments between accounting basis & funding basis under regulations (Note 9)	38,914	-	(2,061)	-	-	36,853	(36,853)	-	-	-
<b>Net Increase / (Decrease) before Transfers to Earmarked Reserves</b>	<b>128</b>	<b>-</b>	<b>(2,061)</b>	<b>-</b>	<b>-</b>	<b>(1,933)</b>	<b>2,892</b>	<b>959</b>	<b>(3,059)</b>	<b>(2,100)</b>
Transfers to / from Earmarked Reserves (Note 10)	617	(297)	-	(320)	-	-	-	-	-	-
<b>Increase / (Decrease) in Year</b>	<b>745</b>	<b>(297)</b>	<b>(2,061)</b>	<b>(320)</b>	<b>-</b>	<b>(1,933)</b>	<b>2,892</b>	<b>959</b>	<b>(3,059)</b>	<b>(2,100)</b>
<b>Balance at 31 March 2019 Carried Forward</b>	<b>7,778</b>	<b>5,825</b>	<b>3,905</b>	<b>529</b>	<b>-</b>	<b>18,037</b>	<b>113,901</b>	<b>131,938</b>	<b>(4,858)</b>	<b>127,080</b>

## Group Cash Flow Statement

The Group Cash Flow Statement has been restated for 2018/19 to reflect the redesignation of an element of the revaluation of Property, Plant and Equipment as a charge against services rather than being recognised in Other Comprehensive Income and Expenditure.

<b>2018/19 (Restated)</b>	<b>2019/20</b>
<b>£'000</b>	<b>£'000</b>
<b>Group Cash Flow Statement (Indirect Method)</b>	<b>Note</b>
-38,786	-20,960
30,143	35,704
-15,488	-11,064
<b>-24,132</b>	<b>3,680</b>
-20,770	-60,059
47,499	62,047
<b>2,597</b>	<b>5,668</b>
-643	1,954
<b>1,954</b>	<b>7,622</b>

## The Group has two joint ventures that are material, both of which are equity accounted

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

The following is summarised financial information for Optalis and AfC, for the financial year ended 31 March 2020, based on their respective consolidated financial statements.

	Optalis Ltd £'000	AfC £'000	To Group CI&E & MiRS £'000
Revenue	46,826	161,660	
(Loss) from continuing operations	(36)	(10,489)	(2,114)
Post-tax profit from discontinued operations	-	-	-
Other comprehensive income/expenditure	36	12,250	2,466
<b>Total comprehensive income</b>	<b>-</b>	<b>1,761</b>	<b>352</b>

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

	Optalis Ltd £'000	AfC £'000	To Group CI&E & MiRS £'000
Revenue	45,497	154,026	
Profit/(loss) from continuing operations	8	(6,747)	(1,346)
Post-tax profit from discontinued operations	-	-	-
Other comprehensive income/expenditure	46	(8,666)	(1,713)
<b>Total comprehensive income</b>	<b>54</b>	<b>(15,413)</b>	<b>(3,059)</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, when they are due. The combination of these two factors means that AfC's equity is likely to remain in a negative position for the foreseeable future but does not mean that the company is not a going concern.

The following tables are provided as a comparison for each entity to show the results from 2018/19 and 2019/20 side-by-side. They do not provide additional information but rather the same information as above but in a different format.

## Year-on-Year Comparison OPTALIS Ltd

	2018/19 £'000	2019/20 £'000
Revenue	45,497	46,826
Profit/(loss) from continuing operations	8	(36)
Post-tax profit from discontinued operations	-	-
Other comprehensive income/expenditure	46	36
<b>Total comprehensive income</b>	<b>54</b>	<b>-</b>

## Year-on-Year Comparison Achieving for Children

	2018/19 £'000	2019/20 £'000
Revenue	154,026	161,660
Profit/(loss) from continuing operations	(6,747)	(10,489)
Post-tax profit from discontinued operations	-	-
Other comprehensive income/(expenditure)	(8,666)	12,250
<b>Total comprehensive income/(expenditure)</b>	<b>(15,413)</b>	<b>1,761</b>
Attributable to investee's shareholders	(12,330)	1,409

## 59. Group Prior Period Adjustment

### Accounting for interest in joint ventures

As part of the review of the Royal Borough's accounting for its interest in Achieving for Children and Optalis (discussed in note 55) and of the presentation of its Comprehensive Income and Expenditure Statement (discussed in note 55 and below), corrections and presentational improvements were noted in the equity accounting for these interests, which have been restated.

This has adjusted the carrying value of the Council's interests at 31 March 2018 and 31 March 2019 (and of the share of gains and losses in 2018/19), and the allocation of movements between reserves.

### Presentation of the Comprehensive Income and Expenditure Statement and Movement in Reserves Statements

The Royal Borough has amended the format of its Comprehensive Income and Expenditure Statement (CIES) to reallocate items, previously reported as part of Other Operating Expenditure, to Directorates in the Cost of Services and to reallocate an element of the revaluation of Property, Plant and Equipment from Other Comprehensive Income to the Cost of Services. The reallocation of costs does not change the overall total for the CIES but does change the allocation of costs within the note.

The Royal Borough has reallocated its dividend income to Financing and Investment Interest and Expenditure from Other Operating Expenditure in line with Code requirements.

The Royal Borough has restated the presentation of revaluation movements, to show revaluation losses in Cost of Services rather than within Other Comprehensive Income.

The Royal Borough has corrected the treatment of the fair value of its JV investments.

The Royal Borough did not present separate CIES or Movement in Reserves Statements for the entity and group. The prior period adjustments are shown for the entity element of the financial statements only and therefore, exclude the rows related to the equity accounting analysis. The group prior period adjustments are detailed in Note 59.

Details of the changes are set out below the Balance Sheet Adjustments.



## 2017/18 Group Balance Sheet Adjustments

	2017/18 Original Group £'000	2017/18 Adjustment RBWM £'000	2017/18 (Restated) Group £'000
<b>Assets</b>			
<b>Non-current assets</b>			
Property, Plant and Equipment	396,784		396,784
Investment Properties	135,318		135,318
Intangible Assets	2,689		2,689
Long Term Investments	259		259
Long Term Debtors	16		16
Council's Share of Joint Venture Assets: Optalis	1,525	(1,402)	123
Investments in Associates	-		-
<b>Total Non-Current Assets</b>	<b>536,591</b>	<b>(1,402)</b>	<b>535,189</b>
<b>Current assets</b>			
Short Term Investments	-		-
Inventories	196		196
Short Term Debtors	31,831		31,831
Assets Held for Sale	-		-
Cash and Cash Equivalents	-		-
<b>Total Current Assets</b>	<b>32,027</b>	<b>-</b>	<b>32,027</b>
<b>Total Assets</b>	<b>568,618</b>	<b>(1,402)</b>	<b>567,216</b>
<b>Liabilities</b>			
<b>Current Liabilities</b>			
Bank Overdraft	(643)		(643)
Short Term Borrowing	(24,453)		(24,453)
Short Term Creditors	(44,386)		(44,386)
<b>Total Current Liabilities</b>	<b>(69,482)</b>	<b>-</b>	<b>(69,482)</b>
<b>Non-Current Liabilities</b>			
Long Term Creditors	(250)		(250)
Provisions	(2,839)		(2,839)
Long Term Borrowing	(57,049)		(57,049)
Capital Grants Receipts in Advance	(12,914)		(12,914)
Retirement Benefit Obligations	(293,703)		(293,703)
Council's Share of Joint Venture Liabilities: AfC	-	(1,800)	(1,800)
<b>Total Non-Current Liabilities</b>	<b>(366,755)</b>	<b>(1,800)</b>	<b>(368,555)</b>
<b>Net Assets</b>	<b>132,381</b>	<b>(3,202)</b>	<b>129,179</b>
<b>Equity</b>			
<b>Usable Reserves</b>			
Fund Balances and Reserves	7,033		7,033
Other Reserves	12,937		12,937
<b>Unusable Reserves</b>			
Capital Adjustment Account	212,380	(1,402)	210,978
Revaluation Reserve	200,034		200,034
Pensions Reserve	(293,703)		(293,703)
Collection Fund Adjustment Account	(4,194)		(4,194)
Accumulated Absences Account	(2,106)		(2,106)
Council's Share of Joint Venture Reserves	-	(1,800)	(1,800)
	<b>132,381</b>	<b>(3,202)</b>	<b>129,179</b>

## 2018/19 Group Balance Sheet Adjustments

	2018/19 Original Group £'000	2018/19 Adjustment 1 RBWM £'000	2018/19 (Restated) Group £'000
<b>Assets</b>			
<b>Non-current assets</b>			
Property, Plant and Equipment	421,625		421,625
Investment Properties	131,824		131,824
Intangible Assets	2,104		2,104
Long Term Investments	245		245
Long Term Debtors	14		14
Council's Share of Joint Venture Assets: Optalis	-	147	147
Investments in Associates	-		-
<b>Total Non-Current Assets</b>	<b>555,812</b>	<b>147</b>	<b>555,959</b>
<b>Current assets</b>			
Short Term Investments	-		-
Inventories	105		105
Short Term Debtors	32,507		32,507
Assets Held for Sale	-		-
Cash and Cash Equivalents	1,954		1,954
<b>Total Current Assets</b>	<b>34,566</b>	<b>-</b>	<b>34,566</b>
<b>Total Assets</b>	<b>590,378</b>	<b>147</b>	<b>590,525</b>
<b>Liabilities</b>			
<b>Current Liabilities</b>			
Bank Overdraft	-		-
Short Term Borrowing	(71,952)		(71,952)
Short Term Creditors	(30,980)		(30,980)
<b>Total Current Liabilities</b>	<b>(102,932)</b>	<b>-</b>	<b>(102,932)</b>
<b>Non-Current Liabilities</b>			
Long Term Creditors	(250)		(250)
Provisions	(3,226)		(3,226)
Long Term Borrowing	(57,049)		(57,049)
Capital Grants Receipts in Advance	(12,721)		(12,721)
Retirement Benefit Obligations	(282,385)		(282,385)
Council's Share of Joint Venture Liabilities: AfC	(2,959)	(1,923)	(4,882)
<b>Total Non-Current Liabilities</b>	<b>(358,590)</b>	<b>(1,923)</b>	<b>(360,513)</b>
<b>Net Assets</b>	<b>128,856</b>	<b>(1,776)</b>	<b>127,080</b>
<b>Equity</b>			
<b>Usable Reserves</b>			
Fund Balances and Reserves	7,778		7,778
Other Reserves	10,259		10,259
<b>Group Reserves</b>			
Council's Share of Joint Venture Reserves	-	(4,858)	(4,858)
<b>Unusable Reserves</b>			
Capital Adjustment Account	186,401	(1,402)	184,999
Revaluation Reserve	214,694		214,694
Financial Instruments Revaluation Reserves	(4,484)	4,484	-
Pensions Reserve	(282,385)		(282,385)
Collection Fund Adjustment Account	(1,365)		(1,365)
Accumulated Absences Account	(2,042)		(2,042)
	<b>128,856</b>	<b>(1,776)</b>	<b>127,080</b>

## 2018/19 Group Comprehensive Income and Expenditure Statement Adjustments

CIES	2018/19 (Group)			Adjustments			2018/19 - restated		
	Gross Exp	Gross Income	Net Expenditure	Gross Exp	Gross Income	Net Expenditure	Gross Exp	Gross Income	Net Expenditure
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Managing Director	215,411	(123,987)	91,424	13,698	(438)	13,260	229,109	(124,425)	104,684
Communities Directorate	50,335	(40,577)	9,758	1,033		1,033	51,368	(40,577)	10,791
Place Directorate	17,699	(14,431)	3,268	1,670		1,670	19,369	(14,431)	4,938
Revaluation movement on assets			-	15,522		15,522	15,522		15,22
<b>Full Cost of Services</b>	<b>283,445</b>	<b>(178,995)</b>	<b>104,450</b>	<b>31,923</b>	<b>(438)</b>	<b>31,485</b>	<b>315,368</b>	<b>(179,433)</b>	<b>135,935</b>
Precepts paid to parishes			1,432	153		153			1,585
Precepts & Levies			153	(153)		(153)			-
Adjustments to provisions			145	(145)		(145)			-
Adjustment to School Balances via Schools Reserve			320	(320)		(320)			-
Adjustment to other reserves taken through the cost of services			(438)		438	438			-
(Gain) / loss on the disposal of other fixed assets			(1,695)			-			(1,695)
Other Operating Expenditure & Income (Note 11)			(61)		160	160			99
Revenue expenditure funded from capital under statute			15,936	(15,936)		(15,936)			-
<b>Other Operating (Income) / Expenditure (Note 11)</b>			<b>15,792</b>	<b>(16,401)</b>	<b>598</b>	<b>(15,803)</b>			<b>(11)</b>
Interest payable and similar charges			3,196			-			3,196
Pensions interest cost			5,924			-			5,924
Interest income			(229)		(160)	(160)			(389)
Changes in the fair value of investment properties			3,234			-			3,234
<b>Financing &amp; Investment Income &amp; Expenditure (Note 12)</b>			<b>12,125</b>	<b>-</b>	<b>(160)</b>	<b>(160)</b>			<b>11,965</b>
Taxation and Non-Specific Grant Income (Note 13)			(109,103)			-			(109,103)
<b>(Surplus) or Deficit on Provision of Services</b>			<b>23,264</b>	<b>15,522</b>	<b>-</b>	<b>15,522</b>			<b>38,786</b>
Associates accounted for on an equity basis (Note 54)			1,346			-			1,346
<b>Group (Surplus) or Deficit</b>			<b>24,610</b>	<b>15,522</b>	<b>-</b>	<b>15,522</b>			<b>40,132</b>
Other adjustment to value of Property, Plant and Equipment assets			(3,659)	(15,522)		(15,522)			(19,181)
Remeasurement of the net defined benefit (asset) Actuarial (gains) on pension assets / liabilities			(20,564)			-			(20,564)
(Surplus) or deficit from investments in equity instruments designated at fair value through other comprehensive income			4,484	(4,484)		(4,484)			-
Share of Other (Income) & Expenditure of associates (Note 54)			1,713			-			1,713
<b>Other Comprehensive (Income) and Expenditure</b>			<b>(18,026)</b>	<b>(20,006)</b>	<b>-</b>	<b>(20,006)</b>			<b>(38,032)</b>
<b>Total Comprehensive (Income) and Expenditure</b>			<b>6,584</b>	<b>(4,484)</b>	<b>-</b>	<b>(4,484)</b>			<b>2,100</b>

## 2018/19 Group Movement in Reserves Adjustments

	General Fund Balance	Earmarked Reserves	Capital Grants Unapplied	School Revenue Balances	Capital Receipts Reserve	Total Usable Reserves	Unusable	Total RBWM Reserves	Council Share of Joint Venture Reserves	Total Group Reserves
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>2018/19 Original</b>										
<b>Balance at 31 March 2018</b>	<b>7,033</b>	<b>6,122</b>	<b>5,966</b>	<b>849</b>	<b>-</b>	<b>19,970</b>	<b>112,411</b>	<b>132,381</b>	<b>-</b>	<b>132,381</b>
Total Comprehensive (Expenditure) and Income	(24,610)					(24,610)	18,026	(6,584)		(6,584)
Adjustments between group accounts and authority accounts	1,346					1,346	1,713	3,059		3,059
Adjustments between accounting basis & funding basis under regulations (Note 9)	23,392		(2,061)			21,331	(21,331)	-		-
<b>Net Increase / (Decrease) before Transfers to Earmarked Reserves</b>	<b>128</b>	<b>-</b>	<b>(2,061)</b>	<b>-</b>	<b>-</b>	<b>(1,933)</b>	<b>(1,592)</b>	<b>(3,525)</b>	<b>-</b>	<b>(3,525)</b>
Transfers to / from Earmarked Reserves (Note 10)	617	(297)		(320)		-		-		-
<b>Increase / (Decrease) in Year</b>	<b>745</b>	<b>(297)</b>	<b>(2,061)</b>	<b>(320)</b>	<b>-</b>	<b>(1,933)</b>	<b>(1,592)</b>	<b>(3,525)</b>	<b>-</b>	<b>(3,525)</b>
<b>Balance at 31 March 2019 Carried Forward</b>	<b>7,778</b>	<b>5,825</b>	<b>3,905</b>	<b>529</b>	<b>-</b>	<b>18,037</b>	<b>110,819</b>	<b>128,856</b>	<b>-</b>	<b>128,856</b>
<b>2018/19 Adjustments</b>										
<b>Balance at 31 March 2018</b>						<b>-</b>	<b>(1,402)</b>	<b>(1,402)</b>	<b>(1,800)</b>	<b>(3,202)</b>
Total Comprehensive (Expenditure) and Income	(14,176)					(14,176)	21,719	7,543	(3,059)	4,484
Adjustments between group accounts and authority accounts	(1,346)					(1,346)	(1,713)	(3,059)	-	(3,059)
Adjustments between accounting basis & funding basis under regulations (Note 9)	15,522					15,522	(15,522)	-		-
<b>Net Increase / (Decrease) before Transfers to Earmarked Reserves</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>4,484</b>	<b>4,484</b>	<b>(3,059)</b>	<b>1,425</b>
Transfers to / from Earmarked Reserves (Note 10)										
<b>Increase / (Decrease) in Year</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>4,484</b>	<b>4,484</b>	<b>(3,059)</b>	<b>1,425</b>
<b>Balance at 31 March 2019 Carried Forward</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>3,082</b>	<b>3,082</b>	<b>(4,859)</b>	<b>(1,777)</b>

	General Fund Balance	Earmarked Reserves	Capital Grants Unapplied	School Revenue Balances	Capital Receipts Reserve	Total Usable Reserves	Unusable	Total RBWM Reserves	Council Share of Joint Venture Reserves	Total Group Reserves
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>2018/19 Restated</b>										
<b>Balance at 31 March 2018</b>	<b>7,033</b>	<b>6,122</b>	<b>5,966</b>	<b>849</b>	<b>-</b>	<b>19,970</b>	<b>111,009</b>	<b>130,979</b>	<b>(1,800)</b>	<b>129,179</b>
Total Comprehensive (Expenditure) and Income	(38,786)	-	-	-	-	(38,786)	39,745	959	(3,059)	(2,100)
Adjustments between group accounts and authority accounts	-	-	-	-	-	-	-	-	-	-
Adjustments between accounting basis & funding basis under regulations (Note 9)	38,914	-	(2,061)	-	-	36,853	(36,853)	-	-	-
<b>Net Increase / (Decrease) before Transfers to Earmarked Reserves</b>	<b>128</b>	<b>-</b>	<b>(2,061)</b>	<b>-</b>	<b>-</b>	<b>(1,933)</b>	<b>2,892</b>	<b>959</b>	<b>(3,059)</b>	<b>(2,100)</b>
Transfers to / from Earmarked Reserves (Note 10)	617	(297)	-	(320)	-	-	-	-	-	-
<b>Increase / (Decrease) in Year</b>	<b>745</b>	<b>(297)</b>	<b>(2,061)</b>	<b>(320)</b>	<b>-</b>	<b>(1,933)</b>	<b>2,892</b>	<b>959</b>	<b>(3,059)</b>	<b>(2,100)</b>
<b>Balance at 31 March 2019 Carried Forward</b>	<b>7,778</b>	<b>5,825</b>	<b>3,905</b>	<b>529</b>	<b>-</b>	<b>18,037</b>	<b>113,901</b>	<b>131,938</b>	<b>(4,858)</b>	<b>127,080</b>

## 2018/19 Group Cash Flow Statement Adjustments

Group Cash Flow Statement (Indirect Method)	2018/19 Original £'000	Restatement £'000	2018/19 Restated £'000
Net (deficit) on the provision of services	(23,264)	(15,522)	(38,786)
Adjust net surplus on the provision of services for non-cash movements	14,620	15,522	30,142
Adjust for items included in the net (deficit) on the provision of services that are investing and financing activities	(15,488)		(15,488)
Net cash (outflows) / inflows from Operating Activities	<b>(24,132)</b>	-	<b>(24,132)</b>
Net cash (outflows) from Investing Activities	(20,770)		(20,770)
Net cash inflows from Financing Activities	47,499		47,499
Net Increase in Cash and Cash Equivalents	<b>2,597</b>	-	<b>2,597</b>
Cash and cash equivalents at the beginning of the reporting period	(643)		(643)
Cash and Cash Equivalents at the end of the reporting period	<b>1,954</b>	-	<b>1,954</b>

## **GLOSSARY OF TERMS**

For the purposes of the Financial Statements, the following definitions have been adopted: -

### **Accounting Policies**

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

### **Accruals**

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

### **Actuarial Gains and Losses**

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

### **Capital Charge**

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

Investment property, Assets under construction and Surplus assets for disposal  
Infrastructure Assets; Community Assets

#### **Non-Operational Assets:**

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

### **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.

### **Covid-19**

Coronavirus disease. The global pandemic first identified in China in 2019.

### **Defined Benefit Scheme**

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

### **Debt**

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

### **Debtor**

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

### **Depreciation**

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

## **DLUHC**

Department for Levelling up, Homes and Communities

### **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 financial statements 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 "arm's length" transaction less, where applicable, any income receivable towards the purchase or use of that asset.

### **Finance Lease**

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

### **Impairment**

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

### **Infrastructure Assets**

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

### **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.

### **Inventories**

These comprise the following: -

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

### **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 arm's length.

### **Liquid Resources**

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

### **Minimum Revenue Provision**

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



**Net Debt**

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

**Net Book Value**

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

**Net Current Realisable Costs****Net Realisable Value****Non-Operational Assets**

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

**Operational Assets**

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

**Past Service Costs**

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

**Precepts**

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

**Prior Period Adjustments**

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

**Prudence**

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

**Related Parties**

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

**Related Party Transaction**

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

**Remuneration**

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

**Reserves**

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

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

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

**Residual Value**

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

**Retirement Benefits**

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

**Revenue Expenditure funded from Capital under Statute**

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

**Tangible Property, plant & equipment**

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

**Total Cost**

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

**Useful Life**

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

# The Royal County of Berkshire Pension Fund 2019/20

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



Royal Borough  
of Windsor &  
Maidenhead

**PENSION FUND ACCOUNTS**

**The Royal County of Berkshire Pension Fund fund account**

2018/19 £'000		Notes	2019/20 £'000
	<b>Dealings with members, employers and others directly involved in the Fund</b>		
(116,990)	Contributions	7	(127,113)
(8,130)	Transfers in from other pension funds	8	(14,448)
<u>(125,120)</u>			<u>(141,561)</u>
102,835	Benefits	9	113,361
10,526	Payments to and on account of leavers	10	20,532
<u>113,361</u>			<u>133,893</u>
<b>(11,759)</b>	<b>Net additions from dealings with members</b>		<b>(7,668)</b>
11,093	Management expenses	11	27,240
<u>(666)</u>	<b>Net (additions)/withdrawals including fund management expenses</b>		<u><b>19,572</b></u>
	<b>Returns on investments</b>		
(43,766)	Investment income	12	(40,415)
4,734	Taxes on income	13	(47)
(29,982)	(Profits) and losses on disposal of investments and changes in the market value of investments	14	97,886
<u>(69,014)</u>	<b>Net return on investments</b>		<u>57,424</u>
<b>(69,680)</b>	<b>Net (increase)/decrease in the net assets available for benefits during the year</b>		<b>76,996</b>
2,012,263	<b>Opening net assets of the scheme</b>		2,081,943
<u><b>2,081,943</b></u>	<b>Closing net assets of the scheme</b>		<u><b>2,004,947</b></u>

**The Royal County of Berkshire Pension Fund net assets statement**

2018/19 £'000		Notes	2019/20 £'000
2,185,058	Investment assets	14	2,149,373
(108,271)	Investment liabilities	14	(154,074)
<u>2,076,787</u>	<b>Total net investments</b>		<u>1,995,299</u>
14,814	Current assets	21	12,258
<u>14,814</u>			<u>12,258</u>
(9,658)	Current liabilities	22	(2,610)
<u>2,081,943</u>	<b>Net assets of the fund available to fund benefits at the end of the reporting period</b>		<u><b>2,004,947</b></u>

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

## NOTES TO THE PENSION FUND

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

#### 1 Description of Fund

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

##### a) General

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

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

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

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

##### b) Membership

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

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

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

Membership details are set out below:

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

##### c) Funding

Benefits are funded by contributions and investment earnings. Contributions are made by active members of the fund in accordance with the LGPS Scheme Regulations 2013 and range from 5.5% to 12.5% of pensionable pay for the financial year ended 31 March 2020. Employers' contributions are set based on triennial actuarial funding valuations. The last such valuation was at 31 March 2019. During 2019/20, employer contribution rates ranged from 10.1% to 31.3% of pensionable pay.

## NOTES TO THE PENSION FUND

### 1 Description of Fund (continued)

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

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

### 2 Basis of preparation

The Statement of Accounts summarises the fund's transactions for the 2019/20 financial year and its position at year-end as at 31 March 2020. The accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2019/20 ('the code') which is based upon International Financial Reporting Standards (IFRS), as amended for the UK public sector.

Paragraph 3.3.1.2 of the Code requires disclosure of any accounting standards issued but not yet adopted. No such accounting standards have been identified for 2019/20.

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

### 3 Summary of significant accounting policies

#### Fund account - revenue recognition

##### a) Contribution income

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

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

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

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

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

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

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

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

## NOTES TO THE PENSION FUND

### Fund account - revenue recognition (continued)

#### c) Investment income

##### i) Interest income

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

##### ii) Dividend income

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

##### iii) Distributions from pooled funds

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

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

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

### Fund Account - expense items

#### d) Benefits payable

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

#### e) Taxation

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

#### f) Management expenses

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

##### Administrative expenses

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

##### Oversight and governance costs

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

##### Investment management expenses

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

## NOTES TO THE PENSION FUND

### Net Assets Statement

#### g) Financial assets

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

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

#### h) Foreign currency transactions

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

#### i) Derivatives

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

Longevity swaps are valued on a fair value basis based on the expected future cash flows arising under the swap, discounted using market interest rates and taking into account the risk premium inherent in the contract.

#### j) Cash and cash equivalents

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

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

#### k) Financial liabilities

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

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

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

As permitted under the code, the fund has opted to disclose the actuarial present value of promised retirement benefits by way of a note to the net assets statement (Note 20).

#### m) Additional voluntary contributions

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

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

#### n) Contingent assets and contingent liabilities

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

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

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



## NOTES TO THE PENSION FUND

### 4 Critical judgements in applying accounting policies

In applying the Fund's accounting policies, which are described in note 3, the Fund is required to make judgements (other than those involving estimations) that have a significant impact on the amounts recognised and to make estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods. There were no critical judgements made, apart from those involving estimations (which are presented separately below).

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

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

The items in the financial statements and notes at 31 March 2020 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

Item	Uncertainties	Effect if actual results differ from assumptions
<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. Further information on the carrying amounts of the Fund's defined benefit obligation and the setting of the assumptions are provided in notes 19 and 20.	The effects on the net pension liability of changes in individual assumptions can be measured. For instance, a 0.1% increase in the discount rate assumption would result in a decrease in the pension liability of approximately £84.7 million. A 0.1% increase in pension increases and deferred revaluation assumption would increase the value of liabilities by approximately £80.7 million, and a one-year increase in assumed life expectancy would increase the liability by approximately £165.6 million.
<b>Longevity Insurance Policy</b>	The longevity insurance policy is valued by a firm of consulting actuaries. This valuation is the difference between the discounted cash flows relating to the amounts expected to be reimbursed to the fund and the inflation linked premiums expected to be paid by the fund. The carrying amount as at 31 March 2020 is (£121.8m). This valuation depends on a number of complex judgements including the discount and mortality rates.	Changes in the discount rate and mortality rate assumptions would result in a material change to the carrying value in a similar way to the value of the pension fund liability disclosed above.
<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 valuations of private equity investments are particularly sensitive to changes in one or more unobservable inputs which are considered reasonably possible within the next financial year. Changes to the inputs could result in a material change to the carrying value. Further information on the carrying amounts of the private equity and the estimated sensitivity are shown in note 16.

#### Covid-19 impact

The ongoing impact of the Covid-19 pandemic has created uncertainty surrounding global financial and property markets. As such, the Pension Fund's pooled property allocations as at 31 March 2020 is difficult to value according to preferred accounting policy. The valuation for these assets may be inaccurate to the true 31 March position.

### 6 Events after the balance sheet date

#### Impact of the McCloud judgement

The McCloud court case relates to possible age discrimination within the New Judicial Pension Scheme. At this point in time, it is unclear as to how this judgement, or any future judgement, may affect LGPS members' past or future service benefits, and the actuary is awaiting guidance from the governing bodies of the LGPS. The actuary has therefore estimated the impact using analysis from the Government Actuary's Department as a starting point. The estimated impact would be an increase of 0.7% of liabilities on total liabilities at 31 March 2020 (which equates to £29.3m).

## NOTES TO THE PENSION FUND

### 7 Contributions receivable

#### By category

2018/19 £'000		2019/20 £'000
27,654	Members' contributions	28,635
	<b>Employers' contributions</b>	
64,323	Normal contributions	69,417
22,604	Deficit recovery contributions	27,506
2,409	Augmentation contributions	1,555
<b>89,336</b>	<b>Total employer's contributions</b>	<b>98,478</b>
<b>116,990</b>		<b>127,113</b>

#### By type of employer

2018/19 £'000		2019/20 £'000
10,680	Administering authority	11,709
94,499	Scheduled bodies	101,630
5,761	Admitted bodies	6,248
6,049	Transferee admission body	7,526
<b>116,989</b>		<b>127,113</b>

### 8 Transfers in from other pension funds

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

### 9 Benefits payable

#### By category

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

#### By type of employer

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

### 10 Payments to and on account of leavers

2018/19 £'000		2019/20 £'000
485	Refunds to members leaving service	639
0	Group transfers to other pension funds	9,000
10,041	Individual transfers to other pension funds	10,893
<b>10,526</b>		<b>20,532</b>

## NOTES TO THE PENSION FUND

### 11 Management expenses

2018/19 £'000		2019/20 £'000
1,349	Administrative costs	1,754
9,698	Investment management expenses*	25,429
46	Oversight and governance costs	57
<b>11,093</b>		<b>27,240</b>

\* The material increase in investment management expenditure relates predominantly to the in-year recognition of a multi-year performance fee payable in respect of one of the Fund's infrastructure assets. This charge is ancillary to the significant and continuous over-performance of the asset. 2019/20 also saw the introduction of an enhanced reporting system for investment management, performance and transaction fees, taking an independent and verifiable third party analytics process to gather and report on these fees. This process shall be implemented in all future years.

#### a) Investment management expenses

2018/19 £'000		2019/20 £'000
9,414	Management Fees	25,231
284	Custody Fees	198
<b>9,698</b>		<b>25,429</b>

### 12 Investment income

2018/19 £'000		2019/20 £'000
14,080	Income from equities	12,206
2,874	Income from bonds	4,054
15,151	Private equity income	11,712
9,153	Pooled property investments	10,272
733	Pooled investments - unit trusts & other managed funds	435
1,775	Interest on cash deposits	1,736
<b>43,766</b>	<b>Total before taxes</b>	<b>40,415</b>

### 13 Other fund account disclosures

#### a) Taxes on income

2018/19 £'000		2019/20 £'000
583	Withholding tax - equities	(280)
175	Withholding tax - pooled property investments	233
3,976	Withholding tax - pooled investments	0
<b>4,734</b>		<b>(47)</b>

#### b) External audit costs

2018/19 £'000		2019/20 £'000
21	Payable in respect of external audit	55
<b>21</b>		<b>55</b>

### 14 Investments

Market value 31 March 2019 £'000		Market value 31 March 2020 £'000
<b>Investment assets</b>		
2,226	Bonds	2,339
23,588	Equities	25,217
997,973	Pooled investments	995,687
137,972	Pooled liquidity funds	189,099
294,011	Pooled property investments	292,107
696,663	Private equity	605,868
Derivative contracts:		
413	- Forward currency contracts	1,281
29,819	Cash deposits	35,724
2,393	Investment income due	2,051
<b>2,185,058</b>	<b>Total investment assets</b>	<b>2,149,373</b>
<b>Investment liabilities</b>		
Derivative contracts:		
(4,471)	- Forward currency contracts	(32,245)
(103,800)	- Longevity Insurance Policy	(121,829)
<b>(108,271)</b>	<b>Total investment liabilities</b>	<b>(154,074)</b>
<b>2,076,787</b>	<b>Net investment assets</b>	<b>1,995,299</b>

NOTES TO THE PENSION FUND

14 Investments (continued)

a) Reconciliation of movements in investments and derivatives

	Market value 1 April 2019	Purchases during the year and derivative payments	Sales during the year & derivative receipts	Change in market value during the year	Market value 31 March 2020
	£'000	£'000	£'000	£'000	£'000
Bonds	2,226	0	0	113	2,339
Equities	23,588	1,245	0	384	25,217
Pooled investments	997,973	79,074	(22,361)	(59,000)	995,687
Pooled liquidity funds	137,972	309,180	(260,461)	2,408	189,099
Pooled property investments	294,011	0	0	(1,904)	292,107
Private equity	696,663	129,505	(241,482)	21,183	605,868
	<b>2,152,433</b>	<b>519,004</b>	<b>(524,304)</b>	<b>(36,816)</b>	<b>2,110,317</b>
Derivative contracts:					
- Forward currency contracts	(4,058)	149,235	(140,145)	(35,996)	(30,964)
- Longevity insurance policy	(103,800)	8,463	0	(26,492)	(121,829)
	<b>2,044,575</b>	<b>676,702</b>	<b>(664,449)</b>	<b>(99,304)</b>	<b>1,957,524</b>
Other investment balances:					
- Cash deposits	29,819			1,418	35,724
- Investment income due	2,393				2,051
<b>Net investment assets</b>	<b>2,076,787</b>			<b>(97,886)</b>	<b>1,995,299</b>

Note on property funds

Due to the unprecedented market conditions as a result of COVID-19, valuation of the property funds (included in the financial statements at £292 million) is subject to significant uncertainty at the year end date. Consequently, a higher degree of caution should be attached to the valuation of those assets than would normally be the case.

a) Reconciliation of movements in investments and derivatives (continued)

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

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

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

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

NOTES TO THE PENSION FUND

14 Investments (continued)

b) Analysis of investments

31 March 2019 £'000		31 March 2020 £'000
	<b>Investment assets</b>	
	<b>Bonds</b>	
	<b>Overseas</b>	
2,226	Corporate unquoted	2,339
<b>2,226</b>		<b>2,339</b>
	<b>Equities</b>	
	<b>UK</b>	
23,588	Quoted	25,217
<b>23,588</b>		<b>25,217</b>
	<b>Pooled investments - additional analysis</b>	
	<b>UK</b>	
935,447	Unit Trusts	935,635
	<b>Overseas</b>	
62,526	Unit Trusts	60,052
<b>997,973</b>		<b>995,687</b>
	<b>Other investment assets</b>	
137,972	Pooled liquidity funds	189,099
294,011	Pooled property funds	292,107
696,663	Private Equity	605,868
413	Derivative contracts - Forward Currency Contracts	1,281
29,819	Cash deposits	35,724
2,393	Investment income due	2,051
<b>1,161,271</b>		<b>1,126,130</b>
<b>2,185,058</b>	<b>Total investment assets</b>	<b>2,149,373</b>
	<b>Investment liabilities</b>	
(4,471)	Derivative contracts - Forward Currency Contracts	(32,245)
(103,800)	Derivative contracts - Longevity insurance policy	(121,829)
<b>(108,271)</b>	<b>Total investment liabilities</b>	<b>(154,074)</b>
<b>2,076,787</b>	<b>Net investment assets</b>	<b>1,995,299</b>

c) Investments analysed by fund manager

Market value 31 March 2019 £'000	%		Market value 31 March 2020 £'000	%
2,180,587	105.0	LPP Investments	2,117,128	106.1
(103,800)	-5.0	ReAssure	(121,829)	-6.1
<b>2,076,787</b>	<b>100.0</b>		<b>1,995,299</b>	<b>100.0</b>

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

The above organisation is registered in the United Kingdom.

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

Investment	Market value 31 March 2019 £'000	% of total fund	Market value 31 March 2020 £'000	% of total fund
Longevity Insurance Policy	(103,800)	5.0	(121,829)	6.1
Lasalle Global Real Estate	167,515	8.0	170,681	8.6
LPPI Global Equities Fund	624,010	30.0	632,076	31.7

## NOTES TO THE PENSION FUND

### 15 a) Analysis of derivatives

#### Objectives and policies for holding derivatives

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

#### - Forward foreign currency

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

#### - Longevity Insurance Policy

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

#### Open forward currency contracts

Settlement	Currency bought	Local value '000	Currency sold	Local value '000	Asset value £000	Liability value £000
One to six months	GBP	10,372	NOK	(128,579)	507	
One to six months	JPY	3,854,479	GBP	(28,366)	483	
One to six months	GBP	10,467	AUD	(20,813)	206	
One to six months	CHF	9,707	GBP	(8,026)	85	
One to six months	GBP	10,399	CAD	(18,510)		(82)
One to six months	CLP	4,413,252	USD	(5,294)		(84)
One to six months	KRW	7,187,741	USD	(6,028)		(95)
One to six months	INR	433,346	USD	(5,761)		(97)
One to six months	SGD	8,342	USD	(5,997)		(105)
One to six months	TRY	35,162	USD	(5,597)		(304)
One to six months	BRL	25,035	USD	(5,332)		(426)
One to six months	MXN	119,863	USD	(5,727)		(546)
One to six months	GBP	69,424	EUR	(79,444)		(989)
One to six months	GBP	587,247	USD	(765,789)		(29,517)
<b>Open forward currency contracts at 31 March 2020</b>					<b>1,281</b>	<b>(32,245)</b>
<b>Net forward currency contracts at 31 March 2020</b>						<b>(30,964)</b>
<b>Prior year comparative</b>						
<b>Open forward currency contracts at 31 March 2019</b>					<b>413</b>	<b>(4,471)</b>
<b>Net forward currency contracts at 31 March 2019</b>						<b>(4,058)</b>

## NOTES TO THE PENSION FUND

### 16 Fair value - Basis of valuation

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

Description of asset	Valuation hierarchy	Basis of valuation	Observable and unobservable inputs	Key sensitivities affecting the valuations provided
<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 - unit trusts</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 bonds</b>	Level 3	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 policy.	Valuations could be affected by material events occurring between the date of the financial statements provided and the pension funds own reporting date, by changes to expected cashflows, and by any differences between audited and unaudited accounts.
<b>Pooled investments - property funds</b>	Level 3	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 policy.	Valuations could be affected by material events occurring between the date of the financial statements provided and the pension funds own reporting date, by changes to expected cashflows, and by any differences between audited and unaudited accounts.
<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, and consulted with investment manager, the fund has determined that the valuation methods described above are likely to be accurate to within the following ranges, and has set out below the consequent potential impact on the closing value of investments held at 31 March 2020.

	Assessed valuation range (+/-)	Value at 31 March 2020	Value on increase	Value on decrease
		£'000	£'000	£'000
Private equity	3%	605,868	624,044	587,692
Property funds	24.1%	292,107	362,505	221,709
Unquoted bond	13.5%	2,339	2,655	2,023
<b>Total</b>		<b>900,314</b>	<b>989,204</b>	<b>811,424</b>

## NOTES TO THE PENSION FUND

### 16 Fair value - Basis of valuation (continued)

#### a) Fair value hierarchy

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

##### Level 1

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

##### Level 2

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

##### Level 3

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

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

	Quoted market price	Using observable inputs	With significant unobservable inputs	Total
Values at 31 March 2020	Level 1 £'000	Level 2 £'000	Level 3 £'000	£'000
Financial assets at fair value through profit and loss	214,316	959,377	937,905	2,111,598
Financial liabilities at fair value through profit and loss	0	(32,245)	(121,829)	(154,074)
<b>Net investment assets</b>	<b>214,316</b>	<b>927,132</b>	<b>816,076</b>	<b>1,957,524</b>

	Quoted market price	Using observable inputs	With significant unobservable inputs	Total
Values at 31 March 2019	Level 1 £'000	Level 2 £'000	Level 3 £'000	£'000
Financial assets at fair value through profit and loss	161,561	998,385	992,900	2,152,846
Financial liabilities at fair value through profit and loss	0	(4,471)	(103,800)	(108,271)
<b>Net investment assets</b>	<b>161,561</b>	<b>993,914</b>	<b>889,100</b>	<b>2,044,575</b>

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

	Market value 31 March 2019	Purchases during the year	Sales during the year	Unrealised gains/ (losses)	Realised gains/ (losses)	Market value 31 March 2020
	£'000	£'000	£'000	£'000	£'000	£'000
Unquoted bond	2,226				113	2,339
Private equity	696,663	129,504	(241,482)	(59,321)	80,504	605,868
Pooled property	294,011			(1,904)		292,107
	<b>992,900</b>	<b>129,504</b>	<b>(241,482)</b>	<b>(61,225)</b>	<b>80,617</b>	<b>900,314</b>



## NOTES TO THE PENSION FUND

### 17 Financial instruments

#### a) Classification of financial instruments

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

Fair value through profit and loss	Assets at amortised cost	Liabilities at amortised cost	Fair value through profit and loss	Assets at amortised cost	Liabilities at amortised cost
<b>31 March 2019</b>			<b>31 March 2020</b>		
<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
					<b>Financial assets</b>
2,226				2,339	Bonds
23,588				25,217	Equities
997,973				995,687	Pooled investments
137,972				189,099	Pooled liquidity funds
294,011				292,107	Pooled property investments
696,663				605,868	Private equity
413				1,281	Derivative contracts
29,819	9,279			35,724	Cash
	2,393				Other investment balances
	5,535				Debtors
<b>2,182,665</b>	<b>17,207</b>	<b>-</b>	<b>2,147,322</b>	<b>14,309</b>	<b>-</b>
					<b>Financial liabilities</b>
(108,271)			(154,074)		Derivative contracts
		(9,658)			Creditors
<b>(108,271)</b>	<b>-</b>	<b>(9,658)</b>	<b>(154,074)</b>	<b>-</b>	<b>(2,610)</b>
<b>2,074,394</b>	<b>17,207</b>	<b>(9,658)</b>	<b>1,993,248</b>	<b>14,309</b>	<b>(2,610)</b>

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

31 March 2019 £'000		31 March 2020 £'000
116,616	Financial Assets	
1,781	Fair value through profit and loss	(36,816)
118,397	Assets at amortised cost	1,418
(88,415)	Financial Liabilities	(35,398)
(88,415)	Fair value through profit and loss	(62,487)
<b>29,982</b>	<b>Total</b>	<b>(97,885)</b>

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

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

#### Risk and risk management

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

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

#### a) Market risk

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

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

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

The fund manages these risks in two ways:

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

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

## NOTES TO THE PENSION FUND

### 18 Nature and extent of risks arising from financial instruments (continued)

#### Other price risk

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

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

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

#### Other price risk - sensitivity analysis

Following analysis of historical data and expected investment return during the financial year the council has determined that the following movements in market price risk are reasonably possible for the 2020/21 reporting period:

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

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

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

Asset type	Value as at 31 March 2020	Potential market movement	Value on increase	Value on decrease
	£'000	£'000	£'000	£'000
<b>Investment portfolio assets:</b>				
Bonds	2,339	316	2,655	2,023
Equities - listed	-	-	-	-
Equities - unlisted	25,217	8,233	33,450	16,984
Pooled investments - Equity	861,025	187,703	1,048,728	673,322
Pooled investments - Bonds	62,166	5,172	67,338	56,994
Pooled investments - Credit	4,586	619	5,205	3,967
Pooled investments - Div. strategies	67,910	7,083	74,993	60,827
Pooled liquidity funds	189,099	-	189,099	189,099
Pooled Property Funds	292,107	70,485	362,592	221,622
Private Equity	262,331	85,651	347,982	176,680
Private Equity - Credit	165,566	22,335	187,901	143,231
Private Equity - Infrastructure	177,972	33,637	211,609	144,335
Net derivative liabilities	(152,794)	-	(152,794)	(152,794)
Cash deposits	35,724	-	35,724	35,724
Investment income due	2,051	-	2,051	2,051
<b>Current assets:</b>				
Debtors	6,025	-	6,025	6,025
Cash balances	6,233	-	6,233	6,233
<b>Current liabilities</b>	(2,610)	-	(2,610)	(2,610)
<b>Total</b>	<b>2,004,947</b>		<b>2,426,181</b>	<b>1,583,713</b>

## NOTES TO THE PENSION FUND

### 18 Nature and extent of risks arising from financial instruments (continued)

#### Other price risk - sensitivity analysis (continued)

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

#### Interest rate risk

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

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

The fund's direct exposure to interest rate movements as at 31 March 2020 and 31 March 2019 is set out below. These disclosures present interest rate risk based on the underlying financial assets at fair value.

#### Interest rate risk sensitivity analysis

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

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

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

Asset exposed to interest rate risk	Value as at 31 March 2020	Change in year in the net assets available to pay benefits	
		+ 100 BPS	- 100 BPS
	£'000	£'000	£'000
Investments - Pooled liquidity funds	189,099	0	0
Investments - Cash deposits	35,724	0	0
Current assets - Cash balances	6,233	0	0
Bonds	2,339	(47)	47
<b>Total change in assets available</b>	<b>233,395</b>	<b>(47)</b>	<b>47</b>

Asset exposed to interest rate risk	Value as at 31 March 2019	Change in year in the net assets available to pay benefits	
		+ 100 BPS	- 100 BPS
	£'000	£'000	£'000
Investments - Pooled liquidity funds	137,972	0	0
Investments - Cash deposits	29,819	0	0
Current assets - Cash balances	9,279	0	0
Bonds	2,226	(67)	67
<b>Total change in assets available</b>	<b>179,296</b>	<b>(67)</b>	<b>67</b>

NOTES TO THE PENSION FUND

18 Nature and extent of risks arising from financial instruments (continued)

Interest rate risk sensitivity analysis (continued)

Income exposed to interest rate risk	Amount receivable in year ending 31 March 2020	Effect on income values	
		+ 100 BPS	- 100 BPS
		£'000	£'000
Cash balances/cash and cash equivalents	1,736	1,754	1,719
Bonds	4,054	4,054	4,054
<b>Total change in income receivable</b>	<b>5,790</b>	<b>5,808</b>	<b>5,773</b>

Income exposed to interest rate risk	Amount receivable in year ending 31 March 2019	Effect on income values	
		+ 100 BPS	- 100 BPS
		£'000	£'000
Cash balances/cash and cash equivalents	1,775	1,792	1,757
Bonds	2,874	2,874	2,874
<b>Total change in income receivable</b>	<b>4,649</b>	<b>4,666</b>	<b>4,631</b>

The analysis assumes that all variables, in particular exchange rates, remain constant, and shows the effect in the year on net assets available to pay benefits of a +/- 1% change in interest rates. The analysis demonstrates that a 1% increase in interest rates will not affect the interest received on fixed bonds but will reduce their fair value and vice-versa. Changes in interest rates do not impact on the value of cash/cash equivalents balances but they will affect the interest income received on those balances.

Currency risk

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

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

Currency risk - sensitivity analysis

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

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

Denominated currency	Value as at 31 March 2020	Potential volatility (+/-)	Value on increase	Value on decrease
	£'000		£'000	£'000
AUD	15,699	18.4%	18,588	12,811
CAD	1	14.6%	1	1
CHF	428	13.4%	485	370
EUR	8,918	12.6%	10,042	7,794
JPY	30	16.1%	35	25
NOK	196	29.3%	254	139
NZD	18,129	9.2%	19,803	16,456
USD	519,062	14.4%	593,651	444,473
<b>Total</b>	<b>562,463</b>		<b>642,859</b>	<b>482,069</b>

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

## NOTES TO THE PENSION FUND

### 18 Nature and extent of risks arising from financial instruments (continued)

#### b) Credit risk

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

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

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

The fund believes it has managed its exposure to credit risk, and has had no experience of default or uncollectable deposits over the past five financial years. The fund's cash holding under its treasury management arrangements at 31 March 2020 was £231.1m (31 March 2019: £177.1m). This was held with the following institutions:

	Rating	Balances as at 31 March 2019	Balances as at 31 March 2020
		£'000	£'000
<b>Money Market funds</b>			
Aviva	AAA	17,286	42,446
JP Morgan	AAA	77,334	67,993
Legal & General	AAA	26,207	36,380
Northern Trust	AAA	17,146	42,280
<b>Bank deposit accounts</b>			
JP Morgan	AA-	29,819	35,724
<b>Bank current accounts</b>			
Lloyds	A+	9,279	6,233
<b>Total</b>		<b>177,071</b>	<b>231,056</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 fund therefore takes steps to ensure that it has adequate cash resources to meet its commitments.

The fund defines liquid assets as assets that can be converted to cash within three months. Illiquid assets are those which will take longer than three months to convert to cash. As at 31 March 2020 the value of illiquid assets was £898m, which represented 44.1% of the total fund net assets (31 March 2019: £990.6m, which represented 47.6% of the total fund net assets).

#### Refinancing risk

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

#### Longevity risk

This is the risk of higher than expected life expectancy trends amongst the Fund's pensioners. A longevity swap has been entered into with ReAssure to protect the Fund against costs associated with potential increases in life expectancy of the Fund's pensioners. This arrangement covers all pensions in payment as at the end of July 2009.

## NOTES TO THE PENSION FUND

### 19 Funding arrangements

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

The key elements of the funding policy are:

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

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

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

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

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

#### Financial assumptions

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

#### Mortality assumptions

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

#### Commutation assumption

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

### 20 Actuarial present value of promised retirement benefits

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

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

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

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

#### IAS19 assumptions used

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

#### Guaranteed Minimum Pension (GMP) Equalisation

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

## NOTES TO THE PENSION FUND

### 21 Current assets

31 March 2019		31 March 2020
£'000		£'000
4,750	Contributions due	5,142
785	Sundry debtors	883
5,535	Debtors	6,025
9,279	Cash balances	6,233
<b>14,814</b>		<b>12,258</b>

#### Analysis of debtors

31 March 2019		31 March 2020
£'000		£'000
2,138	Other local authorities	2,083
3,397	Other entities & individuals	3,942
<b>5,535</b>		<b>6,025</b>

### 22 Current liabilities

31 March 2019		31 March 2020
£'000		£'000
(9,658)	Sundry creditors	(2,609)
0	Benefits payable	(1)
<b>(9,658)</b>		<b>(2,610)</b>

#### Analysis of creditors

31 March 2019		31 March 2020
£'000		£'000
(968)	Central government bodies	(963)
(5,051)	Other local authorities	1,274
(3,639)	Other entities & individuals	(2,921)
<b>(9,658)</b>		<b>(2,610)</b>

### 23 Additional voluntary contributions

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

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

### 24 Related party transactions

#### The Royal Borough of Windsor and Maidenhead

The Royal County of Berkshire Pension Fund is administered by The Royal Borough of Windsor and Maidenhead. During the reporting period, The Royal Borough of Windsor and Maidenhead incurred costs of £1.754m (2018/19: £1.349m) in relation to the administration of the fund and was subsequently reimbursed by the fund for these expenses. The council is also the 6th largest employer in the pension fund (by contributions paid) and contributed £11.7m (2018/19: £10.9m).

On 27 June 2019, the pension fund made a short-term loan of £1.2m to The Royal Borough of Windsor and Maidenhead (RBWM). The amount was settled by RBWM in full with interest the next day.

#### 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.

## NOTES TO THE PENSION FUND

### 25 Contingent liabilities and contractual commitments

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

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

### 26 Contingent assets

Several admitted body employers in the Royal County of Berkshire Pension Fund hold insurance bonds to guard against the possibility of being unable to meet their pension obligations. These funds are drawn in favour of the pension fund and payment will only be triggered in the event of employer default. It is not practicable to disclose the financial effect of the contingent assets.



## Management response to Control Observations – 2019/20 accounts

Update on 2018/19 observations		
Control area	2018/19 observations	Current year update
Quality of draft financial statements	<p>The initial draft financial statements which were published for public inspection and presented for audit were not of the expected standard. Issues noted included:</p> <ul style="list-style-type: none"> <li>- Findings regarding the compliance of the narrative report and annual governance statement with the CIPFA code</li> <li>- The non-receipt of a completed CIPFA disclosure checklist accompanying the financial statements subject to audit</li> <li>- Inconsistencies between notes in the financial statements.</li> <li>- Accounting policies not updated for the adoption of IFRS 9 and IFRS 15.</li> <li>- Accounts disclosures not updated for the adoption of IFRS 9.</li> <li>- Accounts disclosures not updated for the adoption of IFRS 15;</li> <li>- Differences between primary statements and notes; and</li> <li>- Differences noted during our call and cast process</li> </ul> <p>Together these indicate weaknesses in the financial reporting and close process. We recommend the Council reviews the year-end reporting and close process, including:</p> <ul style="list-style-type: none"> <li>- preparation of a skeleton draft of the financial statements ahead of year-end, reviewed against the Code for any changes in the year and for the disclosure requirements for any new or changed activities of the Council.</li> <li>- documentation and quantification of judgments in respect of materiality of disclosure requirements in preparing the accounts.</li> <li>- review of the completed CIPFA disclosure checklist.</li> <li>- documented and reviewed internal checks of internal consistency.</li> <li>- completion of the CIPFA “pre-audit checks on draft year-end accounts” checklist; and</li> <li>- documented and reviewed internal tie back and referencing of the draft financial statements to supporting working papers.</li> </ul> <p>We note the final amended report is satisfactory.</p>	<p>The first draft of the Council Statement of Accounts published for the public inspection period on 3 August 2020 demonstrated improvement from the initial draft provided as part of the prior year audit.</p> <p>However, our work on the 2019/20 accounts identified further issues, with a number of adjustments required including in respect of historic issues and to improve disclosures and compliance with the requirements of the Code, resulting in several iterations of the financial statements. We consider that this area still need improvement.</p> <p><b>Conclusion: On-going</b></p> <p><b>Updated management response 2019/20</b></p> <p>We recognise the difficulties that have been faced with the 2019/20 financial statements and we have put a new team and new processes in place for the production of the 2021/22 accounts. Whilst improvements have been made for the 2021/22 accounts, further improvements will continue to be made in the production of future years’ accounts. Also, please refer to management response on control observations from page 10 onwards.</p> <p><b>Conclusion: Ongoing</b></p>

<p>New accounting standards – IFRS 9 and 15</p>	<p>Whilst we understand that officers discussed the impact of adoption of the new standards during the closure process, they did not prepare accounting papers on the transition to IFRS 9 and 15. The initial draft accounts were not updated for changes in disclosure requirements from IFRS 9 and 15. Although our work on IFRS 9 and 15 to date has not identified any material changes to the financial statements, we highlight that because the new standards have been discussed as a one off exercise, new requirements will not have been embedded in the Council's underlying systems, processes and controls. This presents a risk that new contracts or transaction may give rise to unanticipated impacts in future, or not be detected.</p> <p>We recommend that the Council reviews how to update its day to day accounting processes, including any necessary system and control changes, to reflect the requirements of IFRS 9 and 15, and the process to be followed in assessing new and unusual transactions.</p>	<p>These standards were new for 2018/19 but were in the second year of implementation in 2019/20. The Statement of Accounts were prepared on a IFRS 9 / 15 basis. We have not identified issues in relation to this in our audit work to date.</p> <p>There were no further new IFRS standards applicable in the year (see next point regarding IFRS 16).</p> <p><b>Conclusion: Closed</b></p>
<p>Preparation for IFRS 16</p>	<p>The implementation of IFRS 16, Leases, for 2020/21 is expected to have a greater and more complex impact upon most Councils than the adoption of IFRS 9 and 15. The scope and potential complexity of work required, which may require system or process changes to underpin correct accounting under the standard, will require work to be completed at a significantly earlier stage than has been the case for IFRS 9 and 15 to allow for financial reporting timetables to be met.</p> <p>We recommend that the Council targets completion of its IFRS 16 impact analysis during 2019/20, and to calculate an adjusted opening balance sheet position for audit following the 31 March 2020 audit. We recommend early consideration following the impact analysis of actions required to embed IFRS 16 accounting in the Council's underlying accounting systems and would expect an accounting paper to be prepared for the purposes of 2019/20 audit.</p>	<p>As a result of Covid 19, the implementation of IFRS 16 has been delayed to 2022/23 for the Public Sector. Whilst this point remains open and will need Council attention in due course, this does not impact the 2019/20 financial statements and the related disclosure covering IFRS standards issued but not yet implemented can be reported in the same manner as 2018/19. Management have informed us preparations are being made for the introduction of this standard, but this work has not been reviewed by audit.</p> <p><b>Conclusion: Ongoing</b>  <b>Management Response 2018/19:</b> Work has been carried out to identify assets that are impacted by IFRS16. This work is ongoing and will be concluded in time for 2022/23 implementation.</p> <p><b>Updated management response 2019/20</b>  The implementation for local authorities is now deferred to the 2024/25 financial year with an option for an earlier implementation if the local authority wishes to do so. RBWM intends to implement IFRS 16 changes on leases from 01/04/2023, however, it is not obliged to implement until 01/04/2024.</p> <p><b>Conclusion: Ongoing</b></p>

<p>Management override of controls</p>	<p>During our testing of the design and implementation of controls relating to management override and specifically relating to budget transfers, we noted that a transfer of £250k from one budget to another was not accompanied by a virement form.</p> <p>While the transfer was discussed and approved at Cabinet meeting we suggest that all such transfers be accompanied by a virement form, as set out in standard operating procedures relating to budget transfers.</p>	<p>We tested a budget transfer in 2019/20 of £600k and noted the email communication request and virement form as well as the discussion and approval at the May 2019 Cabinet meeting. We have not tested every virement in the year but it is our understanding that this has been an area of focus for the Council as it was also raised in the CIPFA report.</p> <p><b>Conclusion: Closed</b></p>
<p>Accounting for property additions</p>	<p>The Council has an accounting policy to apply a full year of depreciation in the year of disposal and no depreciation in the year of acquisition, primarily for the reason that the fixed asset register is only updated at the end of year.</p> <p>This practice is not uncommon in the sector and does not have a significant impact on the carrying amount of assets where assets are acquired and disposed relatively evenly across the year.</p> <p>Performing a high-level calculation based on the fixed asset note for the current year, assuming all additions take place on day one of the year, fixed assets are potentially overstated by £1m. As stated above, this is not a material impact.</p> <p>We recommend that officers implements a process whereby the depreciation charge is retrospectively calculated based on the actual date of acquisition or disposal.</p>	<p>This recommendation has not been adopted by management due to it not being material.</p> <p>The accounting for acquisitions has remained the same as the prior year and we do not consider this to be a material matter.</p> <p><b>Conclusion: Closed</b></p>
<p>Valuation of properties</p>	<p>The valuation of properties is dependent on officers' assumptions (or input from officers in forming assumptions) including the location and functional obsolescence of the existing properties and information provided by officers, including the number, type and condition of council dwellings and the floor space of schools. A paper was not prepared which set out the key assumptions, and officer's view on whether the revaluation assumptions are appropriate.</p> <p>We were also not able to identify a documented internal control relating to the review by officers of the valuation report received from Lambert Hampton Smith. We recommend that a paper should be prepared and set out the review of key assumptions, and officer's view on why the revaluation assumptions are appropriate.</p>	<p>The Council adopted many of our recommendations in relation to property valuations leading to an improved process and fewer issues raised in relation to the audit.</p> <p>As stated in our prior year report, we involved our DRE specialist team at the scoping stage of the valuation exercise to mitigate issues arising late in the process.</p> <p>The Deloitte Real Estate expert has raised some recommendations to consider for future exercises, see next page for details.</p> <p><b>Conclusion: Ongoing</b></p> <p><b>Updated management response 2019/20</b>  <a href="#">The Council has recently changed its property valuers, Kempton Carr Croft, who provide more appropriate valuation information.</a>  <b>Conclusion: closed</b></p>

<p>Improvements to the valuation exercise</p>	<p>Whilst overall we have concluded that the properties held at revalued amounts are not materially misstated, several insights and improvements for the future have been identified. We have fed back a detailed list to management and include a summary of the more significant items below:</p> <ul style="list-style-type: none"> <li>•Reports provided to Lambert Smith Hampton and received back from them should include clear categorisation of assets, including whether leasehold or freehold, and a clear statement of the date of valuation to ensure the correct methodology and assumptions have been applied and that this can easily tracked through the working papers.</li> <li>•Valuations required for RBWM Property Company Limited should be commissioned and conducted under separate instructions to the main Council valuation exercise as their assets do not form part of the Council’s accounts.</li> <li>•The Depreciated Replacement Cost (“DRC”) method of valuation is applicable to specialised assets rarely sold or traded such as schools. Only 1 such item, Riverside Primary, was valued for 2018/19. Findings raised included that the valuation should reflect Modern Equivalent Asset considerations and those valuations should be on an “Instant Build” basis (i.e., not including finance costs). These were weaknesses in the valuation method however they were not material to the overall valuation because only one school was valued this year. These findings could have a greater impact in future years when more of these specialised assets are expected to be in the scope of the review so should be addressed as part of scoping next year’s exercise.</li> <li>•Where an asset has been valued at an earlier point in the year, explicit commentary should be included to update the valuation to the balance sheet date.</li> <li>•The impact of Brexit is not noted in the LSH report. As an area of uncertainty, we would expect to see commentary on this matter even where the potential impact cannot be fully quantified.</li> <li>•Whilst the Council uses a specialist valuer to inform the process here, it is important that the Council retains responsibility for reviewing the assumptions and confirming their appropriateness and that this is documented appropriately in a management paper.</li> </ul>	<p>Our report from the DRE specialist noted the following recommendations:</p> <p>In relation to the DRC method, there were a limited number of low value assets measured on this basis in scope for this year’s valuation. This remains an area for management to keep aware of in future valuations ensuring that, where these are undertaken on a DRC basis, the assumptions for those assets are clearly documented.</p> <p>Our review found some variances in certain data points (information taken from national and local property indices) used by the Council’s valuer. This was not a case of error but a subsequent update to certain data as at 31 March 2020 post issue of the valuer’s report. The Council should maintain liaison with the valuer to the date of issue of the Statement of Accounts to check if any relevant indices have moved.</p> <p>Overall, the impact of this on the 2019/20 audit was not material.</p> <p>Some minor improvements can be made to the valuation reports from the Council’s expert for example, under the Red Book, reports should include overall total values of the assets valued. A list of these recommendations will be passed to management.</p> <p>Overall, the valuation exercise did not present with as many issues in the prior year. Preparation of the valuations to the balance sheet date of 31 March particularly assisted in this regard.</p> <p><b>Conclusion: Ongoing</b></p> <p><b>Management Response 2018/19:</b> The Council's Property team continue to ensure that DRC calculations provided by external valuers are in line with the RICS red book &amp; the accounting code. No issues were raised in 2019/20.</p> <p><b>Updated management response 2019/20</b>  Property colleagues will be advised to maintain documentation going forward and setup sign off process.</p>
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	<p>We also note that the Council appraisal of properties not directly valued in order to consider whether there is a risk that they are materially misstated was provided late in the process. We would expect this to be prepared contemporaneously with the preparation of the valuation and the preparation of the draft statement of accounts. We propose that the support for the valuation, both the directly valued areas of the portfolio and the appraisal of the assets not in scope for that year, are provided prior to the start of the audit.</p> <p>We will also seek to be involved, with our DRE specialist team, at the scoping stage of the valuation exercise to mitigate issues arising later in the process next year.</p>	<p>Property colleagues will be advised to maintain liaison with the valuer and advise finance of any changes. To request that this information is included as part of the signed valuation certificate in future.</p> <p>The output from the valuation reports will continue to be reviewed and, where necessary, additional information sought from the valuers.</p> <p><b>Conclusion: Ongoing</b></p>
<p>Classification of expenditure as capital</p>	<p>We are required to test the design and implementation of controls in place to mitigate the risk that expenditure that is revenue in nature could be incorrectly classified as capital expenditure. Management have described the process and controls in place to mitigate this risk. This includes the establishment of budgets and associated codes to record capital and revenue expenditure; review of invoice descriptions and comparison to budget and purchase order details to check the nature of the expenditure; and review of the budgets to assess and investigate variances.</p> <p>Based on the descriptions provided, these controls appear to be designed effectively and we note that our substantive testing of a sample of capital items has not identified any issues. However, management review controls are inherently difficult to evidence and, as with many entities, we were not able to obtain sufficient documentary evidence of the performance of some of these review controls to enable us to conclude that the controls are implemented effectively. We therefore recommend that management puts in place arrangements to further develop these processes with clear documented evidence of the performance of the controls.</p>	<p>The controls in place at the Council and tested as part of the audit were similar to those in the prior year, with similar issues where a control is not performed to a sufficient level of detail with an audit trail maintained in order for us to conclude that the design and implementation of controls is satisfactory. We therefore did not rely on controls in our testing of capital expenditure, and we consider this to be a significant weakness.</p> <p>We therefore continue to recommend that management puts in place arrangements to further develop these processes with clear documented evidence of the performance of the controls.</p> <p>We note that during 20/21, as noted in the CIPFA Action Plan, a capital review board was set up to address this.</p> <p><b>Conclusion: Ongoing</b></p> <p><b>Management Response 2018/19:</b> A mechanism is in place whereby capital transactions are reviewed throughout the year. Any potential discrepancies are flagged with the relevant accountant and costs are recoded to revenue where applicable. No issues were raised in 2019/20.</p> <p><b>Updated management response 2019/20</b> As part of the planned improvements in statutory financial reporting, a number of training sessions will be provided to finance staff to ensure that skills are maintained. This will include training on capital accounting, which will incorporate the requirements for expenditure</p>

		<p>to be classified as capital as well as the basis of capital financing and statutory capital accounting. Reminder to staff to continue to evidence activity to maintain audit trail.</p> <p><b>Conclusion: Ongoing</b></p>
Reclassification of assets under construction when complete	<p>We identified that an item of assets under construction was completed as at 31/03/2018. This asset was however not transferred out of assets under construction into the category of property, plant and equipment to which it relates.</p> <p>We recommend the Council implements a control where assets held under construction are reviewed in order to verify whether or not they are complete.</p>	<p>Our prior year recommendation has not been implemented.</p> <p>We therefore continue to recommend the Council implements a control where assets held under construction are reviewed in order to verify whether or not they are complete.</p> <p><b>Conclusion: Ongoing</b></p> <p><b>Management Response 2018/19:</b> No discrepancies were identified in 2019/20 in this area. Accountants are reminded regularly to inform budget managers of the importance of updating the status of projects on a monthly basis. This aids the identification of completed assets by year end. In addition, Property services send out a request to managers towards the end of each year to inform them of completed projects as part of the enhancement an impairment review.</p> <p><b>Updated management response 2019/20</b> Capital training will be provided to the finance team, which will include the requirements for capital accounting and statutory reporting. Managers will be reminded of the importance of updating project status.</p> <p><b>Conclusion: Closed</b></p>
Accounting for capital expenditure	<p>During our testing of the capital commitments disclosure we noted that £6.4m of expenditure relating to the Braywick Leisure Centre was incorrectly included in the capital commitment disclosures at year end. Officers have subsequently adjusted the accounts disclosure for this misstatement. No further change was required as these amounts have been included in capital additions for the year.</p> <p>We understand that officers use a March to February period for the purposes of accounting for capital items. We suggest that a review is performed at year end to consider the impact of any expenditure incurred in the final month of the financial year for its</p>	<p>We noted in our February 2021 paper that our work on the disclosure notes was still in progress based on the most recently received statement of accounts.</p> <p>We noted that we would update management and the Committee in due course with any findings arising from this work.</p> <p>We have no further material findings to raise in this regard.</p> <p><b>Conclusion: Closed</b></p>

	impact on operating expenditure, property, plant and equipment and the councils commitments disclosures.	
Bank and cash	<p>During our testing of bank and cash we noted a balance of £984k relating to long-outstanding reconciling items for which we were not provided any support.</p> <p>This was identified in the prior year audit and is still under investigation by RBWM's internal audit function. We recommend that this investigation is finalised, and the reconciling items cleared as soon as possible. We also recommend that a review of the controls relating to bank reconciliations is undertaken in order to avoid a recurrence of this.</p>	<p>This investigation proceeded but was not concluded until after the closing of the 2019/20 period. This difference in the bank reconciliation therefore remains in the 31 March 2020 financial position. It is reported as an uncorrected misstatement as it was in our prior year ISA 260 (and as it was by our predecessor audit for the 2017/18 audit). We understand from management this has been corrected in the 2020/21 period but have not audited this posting. It was reported to Council in June 2020.</p> <p><b>Conclusion: Ongoing</b></p> <p><b>Management Response: This item has been corrected in 2020/21.</b></p> <p><b>Updated management response 2019/20</b> The bank recs are now completed on a monthly basis and the process of allocating bank statement items to the relevant bank rec category was automated to help avoid reconciliation errors. Further improvements to the reconciliation are being arranged to improve the reconciliation of income transactions.</p> <p><b>Conclusion: Closed</b></p>
Elimination of internal recharges	Internal recharges should be eliminated from the presentation of income and expenditure in the Comprehensive Income and Expenditure Statement. Our testing identified an amount of recharges of £32.7m (2017/18: £25.4m) shown gross in income and expenditure. To correct for this, income and expenditure both needed to be reduced by £32.7m (2017/18: £25.4m). We recommend that, going forward, internal recharges are eliminated in the Comprehensive Income and Expenditure Statement before being subject to audit	<p>This finding was addressed by management as part of the first draft version of the accounts. This issue did not recur in the 2019/20 Statement of Accounts.</p> <p><b>Conclusion: Closed</b></p>
Pension Asset investments	We recommend that the Council performs a review of the arrangements around pension asset investment decision making, monitoring and reporting of the valuation of those investments. This should include an historic review of the arrangements with respect to the specific assets that were adjusted significantly to identify the lessons that can be learned and to embed this learning into the new arrangements. The outcome from these reviews	<p>This review took place over January – March 2020. The report was issued in July 2020 and has been presented to the Pension Review panel.</p> <p><b>Conclusion: Closed</b></p>

	should be reported to both the Corporate Overview and Scrutiny Panel and the Pension Fund Panel.	
Preparation of accounting papers	<p>Accounting papers were not prepared to explain and support key judgements and estimates, including the ongoing pertinence of judgements made in previous years, or were not sufficiently detailed to explain and support those judgements and estimates. It is good practice (and the expectation of the Financial Reporting Council) for organisations to prepare accounting papers in respect of key matters in the application of accounting standards, in particular for matters of judgement or of estimation complexity. Typically, these would include consideration of the relevant requirements of the accounting standards and the Code, the fact pattern (including details of relevant terms of contracts etc.), an assessment of how the standards apply in this context, consideration of potential alternative treatments, the proposed approach to measurement/calculation of accounting entries required, and the required disclosures.</p> <p>The preparation of accounting papers both supports accurate financial reporting, including facilitating both internal and external review and challenge, and provides a resource to ensure institutional knowledge is retained in the organisation.</p> <p>We recommend the Council adopts an approach of preparing papers for any key accounting judgements or issues arising. We also recommend that accounting papers are presented to the same meeting of the Panel at which the draft statement of accounts are approved (if not earlier) for scrutiny and to inform the panel's approval of the draft statement of accounts.</p>	<p>The Council continues to be on an improvement trajectory in relation to the quality of financial reporting information provided. This has mainly related to the quality of accounting working papers and their reconciliation to the accounts. Full accounting papers (formatted as outlined in the 2018/19 observation) were still not provided for key judgements and estimates.</p> <p>There are still improvements that could be made to the structure and detail of accounting papers for provision to the audit team and the Committee.</p> <p><b>Conclusion: Ongoing</b></p> <p><b>Updated management response 2019/20</b></p> <p>Training sessions will be provided to the finance team to refresh skills. The sessions will cover a number of topics but will include expectations on working papers and documentation that is expected to be provided and reviewed as part of the production of the financial statements.</p> <p><b>Conclusion: Closed</b></p>
Accounts closure	<p>The Authority provided work papers in response to our audit request list for the start of the audit which we understand met the expectations of the Authority's previous auditors and were in line with what the Authority understood to be required. However, on review, we considered that a number of the work papers were not in line with what we would have expected for the audit, for example, there were challenges in mapping some work papers to the Statement of Accounts, and some work papers were not in the level of detail or format that we had expected and required for our testing.</p>	<p>We met with Council officers early in the process (in January and February 2020) to discuss audit requirements in detail.</p> <p>We note a greatly improved response to our audit request list both in terms of quality and timeliness of responses.</p> <p>There continue to be improvements that can be made in this area and Covid-19 did impact some of our ways of working. We will work closely with officers as part of the planning for the delivery of the 2020/21 audit.</p>



	<p>We and the finance team have worked together this year to resolve these matters, but this has taken significantly more time than anticipated. As a result, in a number of areas, it has not been possible for officers to provide information for key samples within a reasonable timeframe. Additional time has also been spent in order to understand the accounting treatment for investments in associates and the local enterprise partnerships.</p> <p>These issues have impacted on the achievement of the overall timetable and have led to additional audit costs.</p> <p>We and the Authority have agreed to meet following the audit to discuss areas of improvement identified through this year's audit and agree a detailed joint action plan for 2019/20, including considering whether additional procedures could be brought forward to our interim audit visit.</p> <p>We recommend that the Council considers whether there are yearend processes which can be streamlined or pulled forward to earlier in the year. We will work closely with officers as part of the planning for 2019/20.</p>	<p><b>Conclusion: Ongoing</b></p> <p><b>Updated management response 2019/20</b>  Training sessions will be provided to the finance team to refresh skills. The sessions will cover a number of topics but will include expectations on working papers and documentation that is expected to be provided and reviewed as part of the production of the financial statements.</p> <p>A wash up session of the 2019/20 accounts will be undertaken with external auditors so that lessons can be learned from the audit and fed into future years' accounts production and fed back to finance teams so that lessons learned can be shared.</p> <p><b>Conclusion: Ongoing</b></p>
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**2019/20 Observations**

Area	2019/20 Observation	Current Year Update
Review of Information provided to property valuation experts	<p>The accuracy of the valuation of properties is dependent on the accuracy and completeness of the data provided to the valuers.</p> <p>During the audit we noted that there was not audit trail to evidence the reviewer process on the information provided to the valuer.</p> <p>We recommend that the Council to put in place measures where the information which is provided to the valuer is reviewed and evidence of review being maintained.</p>	<p><b>Management response</b></p> <p>Property colleagues will be advised to maintain documentation to verify that valuation information has been checked by a senior member of staff before passing on to external valuers.</p> <p><b>Conclusion: Ongoing</b></p>
Review of capital spending classification	We have considered each of the design factors below and deem the design effective for the intended control by the Council. The control as designed operates suitably namely that invoices received need a poster and a reviewer and where there is a question over whether a particular invoice is capital or revenue	<p><b>Management response</b></p> <p>Document poster and reviewer info on Agresso.</p>

	<p>this is raised through the ranks of seniority (where appropriate training has been delivered). However, the limit of the control is that the check centres on whether a given spend amount is within a budget or not (with budgets already having been pre-approved). This control would capture extra budgetary spend on a project but does not fundamentally address the risk that items are misclassified.</p> <p>We further identified that in the review of Capital Additions by Budget Steering Group meeting and approval by Cabinet control, there is no sufficiently detailed control at the budget approval stage to address the risk of classification. There is no evidence which demonstrates a challenge on the capital or revenue classification of items. The meetings consider the value and worth of a project from a budget/spend perspective i.e., "is this work necessary and worthwhile" but do not challenge on whether it is revenue or capital.</p>	<p>Items that are not capital in nature are removed from the bids list prior to capital review board prioritising capital bids. If essential, these are put forward as a revenue pressure by the service. This applies to both items that are revenue in nature and items below the £20k capital demnimis.</p> <p><b>Conclusion: Ongoing</b></p>
<p>Financial statement audit trail and preparation</p>	<p>The Council's financial statement preparation and underlying ledger and related mappings does not provide a robust audit trail to map balances to the financial statements and track adjustments, with changes hard coded into excel accounts draft.</p> <p>We recommend the following:</p> <ul style="list-style-type: none"> <li>- revisiting the underlying general ledger structure to provide clear support and mapping to the principal financial statement line items;</li> <li>- preparing a clear consolidation schedule to support group numbers; and</li> <li>- maintaining a clear extended trial balance with documented rationale for adjustments made between versions of accounts (and whether updated in ledger).</li> </ul>	<p><b>Management response</b></p> <p>The process of the production of the financial statements has been reviewed and a new year-end closedown model for the Statement of Accounts has been set-up with an emphasis to produce/link major statements and majority of the key notes to the trial balance for better audit trail. The new model is designed in such a way that would enable direct population of major/key notes from the trial balance using automated reports from FMS or provides a control total that would be provided from alternative systems, eg Tech Forge. Also, checks built in to make sure accounts and movements to balance sheet codes are balanced and tie back to sub notes. 2021/22 accounts produced using the new model with the automation of majority of notes.</p> <p>The coding structure has been reviewed and new codes created to ensure greater granularity of items that form the statement of accounts. The coding structure will continue to be reviewed and training will be given to the finance team on the accounting processes to be followed to ensure smoother statutory reporting.</p> <p><b>Conclusion: ongoing</b></p>
<p>Ledger structure and preparation</p>	<p>The Council's ledger structure is focused upon management accounts requirements and is not structured to support the</p>	<p><b>Management response</b></p>

<p>of the CIES and reserves notes.</p>	<p>requirements of the financial statements. A single ledger grouping, "AK20", is used for posting a range of different accounts movements effectively directly to reserves, which then need reanalysis to prepare the CIES and to allocate to appropriate financial statement lines. The Councils' historic audit trail and support for this reanalysis has not been adequate and has not included appropriate review and control steps over the entries required, resulting in errors identified in the audit (including entries requiring restatement).</p> <p>We consider the current ledger structure, in the absence of a rigorous structure of mitigating controls, to be a significant weakness in the council's financial reporting arrangements.</p> <p>We recommend the council revisit its ledger structure, with at least one separate general ledger account code underpinning each required line in the CIES and supporting notes, a clear and maintained mapping of ledger codes to financial statement line items (with appropriate review controls over the mapping and changes thereto), and, where reanalysis of ledger codes for accounts preparation is required, a clear structure of high quality reconciliations with documented rationale and evidence for analysis and appropriate controls over the reanalysis process.</p>	<p>A new below the line hierarchy structure was set up for 2021/22 accounts. This included separate account codes, cots centres and analysis codes for below the line accounting on CIES including separate codes for appropriations between the cost of services and the reserves codes on balance sheet. 2021/22 MiRS derived from newly set up appropriation codes and a new below the line hierarchy set up to prepare CIES entries direct from the trial balance</p> <p>The coding structure will continue to be developed to ensure that the Statement of Accounts production can be more automated.</p> <p><b>Conclusion: On-going</b></p>
<p>No audit trail of detailed review of the revaluation journal posting</p>	<p>We have inspected the year end fixed asset journal posting on Technology Forge, confirming the brought forward balance, revaluation movements and Carried Forward balance agreeing to the valuation report &amp; financial statement. We note that the revaluation journals, we inspected the review of journals for the month of the April 19 and Whilst there is evidence of sign off on the journal, there is no audit trail of detailed review of the journal on a line-by-line basis and a also that the numbers in the journal tie back to the to the valuer's report as part of the review process.</p> <p>We recommend that evidence of review and challenge should be maintained as part of the audit trail for the review process.</p>	<p><b>Management response</b></p> <p>Document line by line reviewer data in future.</p> <p>With the implementation of the changes in the coding structure, journals impacting on balance sheet items have been reviewed to ensure compliance with the new way of working.</p> <p><b>Conclusion: closed</b></p>
<p>Preparation of Accounting papers- Accounting of the</p>	<p>The financial statements have been restated to correct the historic errors in accounting for the council's interests in joint ventures and associates. This was as a result of both errors in the interpretation of the requirements of the CIPFA Code on how to account for</p>	<p><b>Management response</b></p> <p>The development of the Statement of Accounts model for 2021/22 will improve the evidence base in supporting the values used in the</p>

<p>council's interest in joint ventures and associates.</p>	<p>these balances, and errors in the application of the approach adopted by the Council.</p> <p>A management accounting paper was not available setting out the rationale for the approach adopted for accounting for these interests and supporting the accounting entries. The preparation and review of an accounting paper on this would have been a control check to mitigate this risk.</p> <p>It is good practice (and the expectation of the Financial Reporting Council) for organisations to prepare accounting papers in respect of key matters in the application of accounting standards, in particular for matters of judgement or of estimation complexity. Typically, these would include consideration of the relevant requirements of the accounting standards and the Code, the fact pattern (including details of relevant terms of contracts etc), an assessment of how the standards apply in this context, consideration of potential alternative treatments, the proposed approach to measurement/calculation of accounting entries required, and the required disclosures.</p> <p>The preparation of accounting papers both supports accurate financial reporting, including facilitating both internal and external review and challenge, and provides a resource to ensure institutional knowledge in the organisation.</p> <p>We recommend the Council adopt an approach of preparing papers for any key accounting judgements or issues arising.</p>	<p>statement of accounts. Working papers will be tied back explicitly to the trial balance.</p> <p>Training sessions will be provided to the finance team to refresh skills. The sessions will cover a number of topics but will include expectations on working papers and documentation that is expected to be provided and reviewed as part of the production of the financial statements.</p> <p>A wash up session of the 2019/20 accounts will be undertaken with external auditors so that lessons can be learned from the audit and fed in to future years' accounts production."</p> <p><b>Conclusion: closed</b></p>
<p>Accounting Papers Not Prepared, Reviewed and Challenged for each area of Accounting Estimate.</p>	<p>The key control we would expect to see is the preparation of accounting papers that set out the approach and the assumptions in relation to the estimate with this being appropriately reviewed and challenged.</p> <p>This flows from our recommendations raised in the prior year audit. Whilst there have been some improvements in the discussions and some of the documentation the Council is not in a position where it can be said that this control is fully designed and implemented.</p>	<p><b>Management response</b></p> <p>Finance teams have been reminded of the need to produce robust working papers justifying assumptions used in preparing the financial statements and for justifying the values for accounting entries. Teams have also been reminded of the best practice approach in getting peer review of papers.</p> <p><b>Conclusion: closed</b></p>

	We recommend that robust controls should be put in place in relation to the review of accounting estimates	
Additions, AUC, Transfers & Disposals only accounted for at year end.	<p>It is RBWM policy to transfer fixed assets from the Assets Under Construction (AUC) to the Fixed Assets Register (FAR) and to process additions to PPE only at year end (effective as of 31/03/2020). For this reason, the FAR does not include acquisition dates as they are not considered irrelevant to RBWM.</p> <p>This means that there are potentially 12 months of depreciation which should have been charged against additions to PPE or transfers from AUC that are made at the start of the year.</p> <p>We recommend that Additions, AUC Transfers &amp; Disposals should be recognised when they occur, and assets should be depreciated when they are available for use</p>	<p><b>Management response</b></p> <p>AUC brought into use is revalued at 31st March with the rest of the property portfolio requiring a valuation. Therefore, in year depreciation is not required. Any capital expenditure not adding value is removed from the asset register.</p> <p>The Council Policy is to charge depreciation in the year after acquisition or initial recognition of an asset and charge a full year depreciation in the year of disposal. As such the recognition date in year of acquisition or initial recognition is irrelevant. As agreed, accounting policy note updated.</p> <p><b>Conclusion: closed</b></p>
Infrastructure asset accounting	<p>In common with other councils, RBWM's infrastructure assets in the fixed asset register are not recorded with the level of disaggregation and componentisation that is assumed in the CIPFA Code, and that would permit normal accounting for these assets including disposal of replaced components.</p> <p>This has been recognised as a sector issue, and DLUHC is expected to create a statutory override to allow councils a period to address issues in accounting for these balances.</p>	<p><b>Management response</b></p> <p>The Royal Borough will implement the updated requirements of the CIPFA Code and Statutory Regulations once they have been published.</p> <p><b>Conclusion: closed</b></p>
Fixed asset system	<p>There is an identified issue in the fixed asset system, Tech Forge, where changes to the register (in particular splitting assets) can lead to changes to the reported opening balances of cost and accumulated depreciation. This then can result in inconsistencies between reports from the fixed asset system and the correct cumulative position, and so reconciling differences to the financial statements.</p> <p>We recommend reviewing the system and report set up to mitigate if possible, and otherwise to put in controls over the reconciliation of the correct cumulative position against the ledger.</p>	<p><b>Management response</b></p> <p>A review of the information and data contained within Tech Forge will be reviewed and compared with previous years' information and data to identify any movements in data, particularly opening balances. Any variations will be identified and a track of movements held to support future reconciliations.</p> <p><b>Conclusion: On-going</b></p>
Consideration of sale of assets	From our investigation into the objection in respect of the Nicholsons Shopping Centre valuation, we recommend going	<b>Management response</b>

	forward that the Council formally documents its consideration of the best valuation approach to use for the sale of assets together with any supporting calculations, consideration of development value and appetite for risk.	The Royal Borough will review its processes in respect of the sale of assets and the judgements made in determining best value and document actions taken.  <b>Conclusion: Ongoing</b>
Public approval of transfer of assets to RBWM Property Company Limited	From our investigation into the objection in respect of transfers of properties to RBWM Property Company Limited, as we could not identify the transfer of property at 106 West Borough Road in publicly available documentation (it was included in Part 2 Cabinet minutes) we recommend to the Council that the approval of all assets transferred to the property company are included in publicly available information (Cabinet public document packs).	<b>Management response</b> The Royal Borough has reviewed RBWM Property Company Limited governance and an action plan has been developed in respect of governance aspects. There may be considerations with certain property transactions where there is a need to maintain commercial confidentiality. However, the Royal Borough will strive to ensure that information is made publicly available.  <b>Conclusion: Ongoing</b>
Support to RBWM Property Company Limited	From our investigation into the objection in respect of support to RBWM Property Company Limited, we recommend the Council reviews the delegated decision-making arrangements in place in respect of dealings with the Property Company, including reviewing and formalising its policy with regards to approval and delegation of authority with regards to letters of support.	<b>Management response</b> Agreed. The Royal Borough has reviewed RBWM Property Company Limited governance arrangements in the Council and an action plan has been developed in respect of governance aspects.  <b>Conclusion: closed</b>
Password expiry on windows AD	In our test of access controls on windows AD, we noted that passwords were configured to expire on or after 365 days. The longer than usual expiry dates of passwords exposes the council to unauthorised individuals gaining access to the system  We recommend that the password expiry period should be updated to align with the recommended best practice	<b>Management response</b> In 2019/2020 our policy stated a password expiry of 60-days. This was amended as part of our pandemic response in April/May 2020 to 180-days as remote support was limited. It was revised again in August/September 2020 to 365-days for the same reason.  The Council align its policies mostly with the NIST framework and follow some of the ISO/IEC:27001 guidelines. NIST Special Publication 800-63B states:  <i>Verifiers SHOULD NOT require memorized secrets to be changed arbitrarily (e.g., periodically). However, verifiers SHALL force a change if there is evidence of compromise of the authenticator.</i>  Users tend to choose weaker passwords when they know that they will have to change their password again in the near future. When those changes do occur, they often select a password that is similar to their old password by increasing a number in the password. This practice provides a false sense of security. If there is evidence or

		<p>suspicion that the password has been compromised, such as by a breach or observed fraudulent activity, we will require the user to change their password.</p> <p>The Council is scheduling the implementation of a revised password policy during the next 2-3 months that will require all our accounts to have 16-character passwords, with an expiry of 365 days."</p> <p><b>Conclusion: closed</b></p>
<p>Change Management</p>	<p>It was identified that there is no formal change management policy in place. Furthermore, although changes are tested and approved, there is typically no segregation of duties between those who develop changes, and those who implement changes.</p> <p>We recommend the council to implement a change management policy which should also address segregation of duties.</p>	<p><b>Management response</b></p> <p>Although a Change Management Policy document is not in place, the Royal Borough have a Change Management Procedure for any applications/infrastructure that are hosted within the RBWM data centres.</p> <p>The Council will review the external auditor's recommendation to assess the benefits. However, the Council has controls in place to ensure that any issues are mitigated.</p> <p>For any applications that are managed outside of IT Services but require RBWM IT resources to make changes to the servers, the Administrators are required to raise a Change Request which then comes through to the IT Services CAB (Change Advisory Board) for comment, approval, and assignment. Any changes outside of this are managed by the Administrators within their areas. IT Services staff also follow the same procedure.</p> <p>The IT Services Structure consists of an Operational Team and a Strategic Team. The Strategic Team consists of a Service Lead, two Infrastructure Development Specialists, Security Manager, Network Manager and Architect. Any requests for change, development/changes for RBWM IT Services or new implementations are reviewed by this team first and are then be passed to the appropriate team for implementation.</p> <p><b>Conclusion: On-going</b></p>



**The Royal Borough of Windsor & Maidenhead**  
Final Report to the Audit & Governance Committee on the audit for the  
year ended 31 March 2020

Issued 20 September 2022 for the meeting on 22 September 2022



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# Introduction

## The key messages in this report

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

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

We have pleasure in presenting our final report to the Audit and Governance Committee ("the Committee") of the Royal Borough of Windsor & Maidenhead (the Council, "RBWM") for the 2019/20 audit.

The scope of our audit was set out within our planning report presented to the Corporate Overview and Scrutiny Panel ("CO&SP") in May 2020 and we provided written updates to the Audit and Governance Committee meeting in September 2020, February 2021, and February 2022 (as well as oral updates to other meetings), and a version of this report to the meeting held in May 2021.

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### **Status of the audit**

The external audit for both the Council's statement of accounts and the Royal County of Berkshire Pension Fund ("RCBPF") are in their final stages.

With respect to our financial statement audit work, from the conclusion of open areas of testing, matters arising from quality assurance reviews, and consideration of additional sector wide areas of focus, subsequent to May 2021 report we identified:

- Misstatements in respect of the treatment of the Council's interest in joint ventures, requiring adjustments to both 2018/19 and 2019/20;
- The Council's historic presentation of "Other operating income/expenditure" included items (in particular revenue expenditure funded from capital under statute (REFCUS)) which the CIPFA Code requires to be presented as part of the Cost of Services;
- Misstatements in the presentation of items within the CIES between Surplus/Deficit on Provision of Services and Other Comprehensive Expenditure, and in the related reserves movements; and
- Misstatements in respect of the Council's property valuations due to the cumulative impact of movement of asset values since the last valuation.

The Council has updated the Statement of Account for these matters, and we are finalising checks on the updated versions of the financial statements.

The remaining matters to conclude before signing the financial statements:

- Completion of checks on updated financial statements (and receipt of version updated for any consequent corrections).
- Completion of internal quality assurance reviews, including in respect of the infrastructure assets work considered on page 13 and impact of misstatements, following finalisation of checks on financial statements.
- Update of our subsequent events review to the date of signing.
- Receipt of the signed management representation letter and Statement of Account for signing.

We do not anticipate issues in proceeding through the final stages of audit completion.

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# Introduction

## The key messages in this report

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### **Status of the audit (continued)**

We note the original deadline for completion was 30 November 2020. The timetable for completion was delayed due to the following reasons:

- We received a number of objections and questions on the 2019/20 accounts which take considerable time to review and consider. Some of these matters have required further investigation not originally anticipated in the audit plan, and needed to be considered for any impact on our financial statement audit and/or value for money responsibilities (and so finalise our audit). Under the NAO ("National Audit Office") Code of Audit Practice, the objections process needed to be fully completed before we can issue our audit certificate. This took additional resources to complete over an extended period of time, and also required capacity from senior members of our audit team during the audit period.
- Delays in the provision of certain information notably in relation to the Pension Fund, added complexity to valuation work due to the Covid-19 pandemic and disruption to team capacity caused by the pandemic particularly over the November 2020 – January 2021 second lockdown period.
- Quality of the draft financial statements and supporting working papers, together with the impact of the control deficiencies identified in the current and prior years (including the absence of accounting papers and weaknesses in the ledger structure and audit trail supporting the financial statements), impacting on the time taken for completion of the audit.
- Restatement of the financial statements for the financial year 2018/19 in respect of the treatment of investments in joint ventures in both the Council and Group accounts, and the presentation of the Comprehensive Income and Expenditure Statement.
- Additional work in respect of infrastructure assets following issues identified across the sector in accounting for these assets.
- Adjustments in respect of property valuations and in the treatment of valuation movements and other items affecting the Capital Adjustment Account.

The Annual Audit Letter will follow the signing of the audit opinion for issue to members and for publication on the Council's website.

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### **Conclusions from our testing**

We expect to issue an unqualified opinion on the Statement of Accounts with an "except for" qualification of our VFM conclusion. The Statement of Accounts audit opinion includes an emphasis of matter in relation to material uncertainties over the property valuation as at 31 March 2020 as a result of the Covid-19 pandemic. This is a common feature of 2019/20 audit opinions where property is held on a revaluation basis. This relates to the operational and investment property held directly by the Council only.

We have included a section in this report providing observations arising from the audit work we have carried out to date on the areas of significant risk and other areas of audit focus reported to you in our audit planning report.

We have provided updates on the significant control findings raised in 2018/19 from page 21 of this report.

We have identified a number of significant control findings for 2019/20, which are noted from page 29 onwards.

We have set out a summary of unadjusted misstatements in an appendix to this report. These are noted on page 37 of this report.

# Introduction

## The key messages in this report (continued)

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**Status of the audit – Value for Money (“VFM”)**

The audit report issued for the 2018/19 Statement of Accounts included an “except for” qualification in the Use of Resources/Value for Money conclusion. As required by the Code of Audit Practice, we have performed risk assessment procedures for the 2019/20 VFM requirements and set out on pages 14 et seq those areas we have identified as significant risks along with the linked auditor conclusions. This work is now complete.

We have again concluded with an “except for” qualification in relation to the Council’s Value for Money arrangements. The wording of our opinion is set out from page 18 of this report.

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**Narrative Report and Annual Governance Statement**

Under International Standard on Auditing (ISA) (UK) 720A (revised), the Auditor’s Responsibilities Relating to Other Information in Documents Containing Audited Financial Statements, we are required to review the content of the Narrative Report and the Annual Governance Statement to identify material inconsistencies (if any) with the statements that they accompany. We are not required to give an opinion on the Narrative Report and Annual Governance Statement (and as such they are not considered ‘audited’ statements). We are, however, required to read the Narrative Report and Annual Governance Statement to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by the auditor in the course of performing the audit.

The Council has updated the Narrative Report for our feedback and for adjustments to the Statement of Account. We have identified insights in relation to the Narrative Report on page 3, but have no matters to report in our opinion

The Council’s Annual Governance Statement for 2019/20 was issued to the June 2020 CO&SP (“Corporate Overview and Scrutiny Panel”). We noted that, based on the finalised outcome of our work on VFM and the objections, if there are further audit recommendations for improving the disclosures within this document, particularly in the “Governance Issues” section and particularly in relation to governance issues identified in the Pension Fund, we would raise these with the relevant Council officers. We have communicated these recommendations to management for inclusion in the final Annual Governance Statement.

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**Duties as public auditor**

We received 22 potential objections from local electors this year. We have reviewed these and we concluded that we would accept 6 as formal objections which related to three main areas. We have considered each of the matters accepted as formal objections. Following consideration of each of the heads of objection, including investigation where relevant and consideration of comments received from objectors on our provisional views on each matter, we decided each of the objections. We did not identify any matters which we considered warranted a public interest report, or identify any items of account that may be unlawful. We also did not identify any matters impacting our financial statement or value for money opinions. We have written to the electors to communicate our decisions in this regard. Our work on objections is now complete, as discussed on page 34.

The additional costs of this work are included on page 41.

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**Pension Fund**

Please see the separate report on the Royal County of Berkshire Pension Fund issued in May 2021 on the audit of the pension fund. The audit of the pension fund is complete subject to receipt of signed management representation letter and signed Statement of Accounts (updated for an agreed disclosure correction) and update of our subsequent events review to the date of signing.

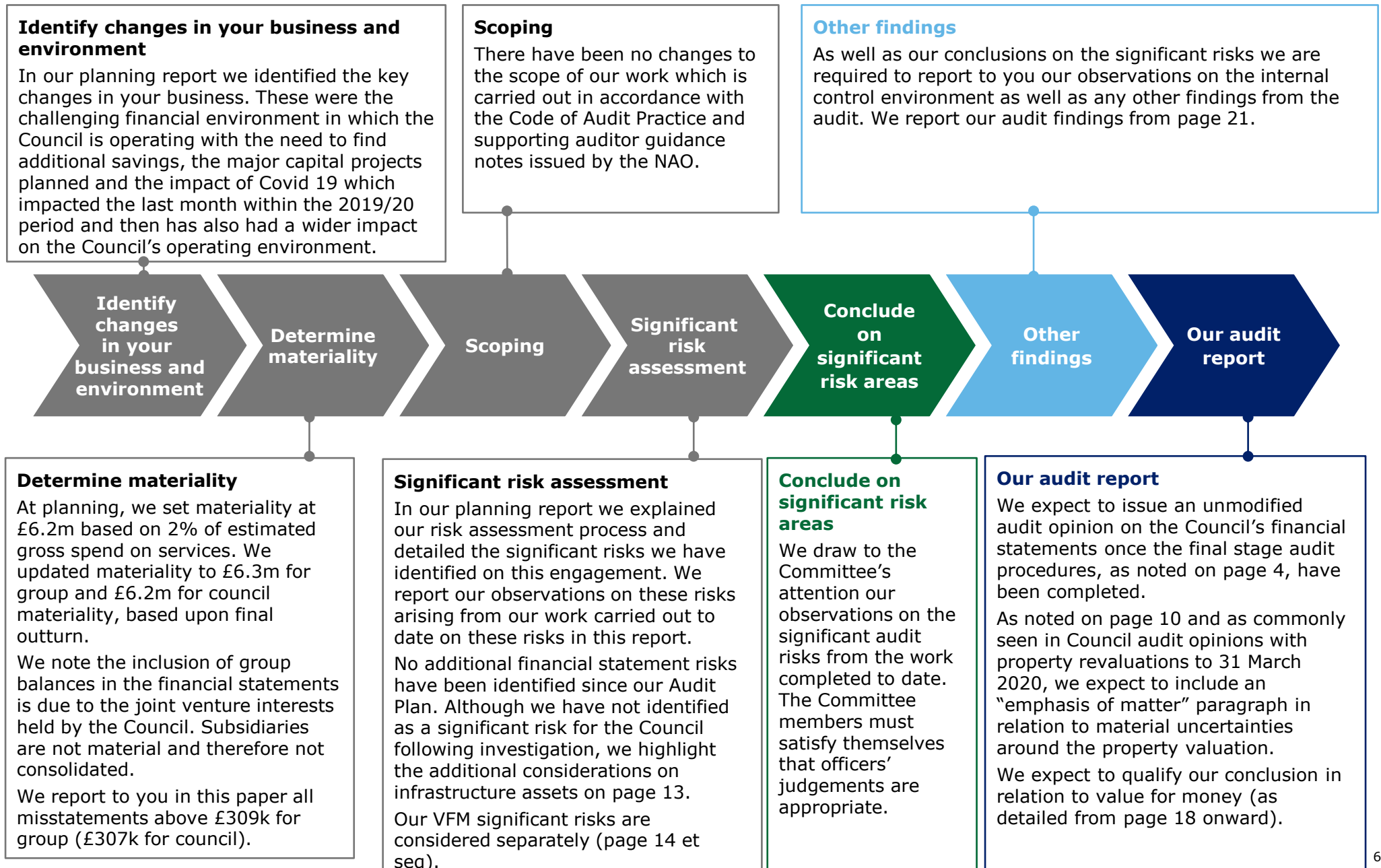
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**Audit fee**

Now work is complete, we will assess the costs of the additional work that was required and share with officers in due course for agreement with officers and approval by Public Sector Audit Appointments Limited. The final fee agreed will be reported to the committee.

# Our audit explained

## We tailor our audit to your organisation



# Significant risks

## Management override of controls

### **Risk identified**

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

### **Deloitte response**

We have considered the overall sensitivity of judgements made in preparation of the financial statements, and note that the Council's results throughout the year were projecting overspends in operational areas. This was closely monitored and whilst projecting overspends, the underlying reasons were understood.

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

#### *Significant and unusual transactions*

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

#### *Journals*

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

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

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

#### *Significant accounting judgements and estimates*

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

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

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

We tested accounting estimates and judgements, focusing on the areas of greatest judgement and value. Our procedures included comparing amounts recorded or inputs to estimates to relevant supporting information from third party sources. Our work on property valuations and the council's pension liability are set out on the following pages.

### **Status of our work and issues identified**

We have identified control deficiencies, set out from page 21.

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

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

# Significant risks (continued)

## Capital expenditure

### **Risk identified**

The Council has a capital programme of £76.9m over the next three years, and incurred £56.6m on property, plant and equipment and £12.1m on revenue expenditure which, for funding purposes, is treated in the same way as capital expenditure (REFCUS) in 2019/20.

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

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

### **Deloitte response**

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

### **Status of our work and issues identified**

We have concluded satisfactorily in this area on substantive testing, with no adjustments to the value of expenditure recognised.

As noted on page 13, the presentation of the CIES has been adjusted to show REFCUS as part of the relevant cost of services, rather than as a separate line of "Other Income and Expenditure".

We however identified control deficiencies as detailed from page 21.

We note that during the year, the Council recognised £9.3m of capital expenditure on infrastructure assets. This expenditure has been tested as part of this significant risk, and we have separately considered the issues identified nationally around infrastructure asset accounting on page 13.

# Significant risks (continued)

## Valuation of property assets

### Risk identified

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

### Key judgements and our challenge of them

The Council held other land and buildings of £302.6m (PY: £293.9m) and investment property of £96.2m (PY: £131.8m) at 31 March 2020 (per draft accounts before audit adjustments) which are required to be recorded at current or fair value at the balance sheet date.

There is a rolling revaluation programme where a full valuation is performed for different asset groups on a rolling basis that ensures that all properties are valued at least every 5 years. The Council also received advice on any index movements that may impact the valuations of the asset groups not directly revalued in the year.

The Council changed its valuation expert for the 2019/20 Statement of Accounts using Kempton Carr Croft ("KCC") instead of Lambert Smith Hampton ("LSH") used in the prior year. The Council also instructed that all valuations should be as at 31 March 2020 where, in the prior year, they had been performed at different dates and required bridging information to update valuations to the balance sheet date.

Key judgements include:

- Whether there has been a material change since the date of the last valuation; and
- Adjusting valuations for any Covid-19 impacts in particular in relation to commercial investment property

Our audit plan noted that should there be valuation of schools a judgement would be the location and design of modern equivalents. We identified a finding and misstatement in relation to this in the prior year. However, we note that there were no schools subject to a full revaluation in 2019/20.

### Status of our work and issues identified

Following the adjustments noted above (and subject to finalisation of checks on the posting of adjustments in the updated financial statements), we have concluded our work in relation to this risk satisfactorily except for the following (discussed in detail from page 21):

- the design and implementation of the relevant controls around property valuations are ineffective;
- we have included remaining immaterial unadjusted misstatements on page 37; and
- in their report to us, our specialists, Deloitte Real Estate, noted improvements from the prior year exercise performed and a number of findings from our prior year audit had been addressed. We include commentary against the prior year findings and also include some further recommendations for management to consider when designing future valuation exercises.

Deloitte Confidential: Government and Public Services

### Deloitte response

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

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

We tested a sample of inputs to the valuation.

We used our valuation specialists, Deloitte Real Assets Advisory, to review and challenge the appropriateness of the assumptions used in the valuation of the Council's property assets. This included the population of property not directly revalued in the year.

We tested a sample of revalued assets and reperformed the calculation of the movement to be recorded in the financial statements to check that it was correctly recorded. Presentational audit adjustments increased impairment expense in cost of services by £16.7m, increased the gain on investment property fair values by (£4.0m), and increased upward valuation gains in Other Comprehensive Income by (£12.7m) (with equivalent adjustments to the comparative), as well as adjusting the presentation of the PPE note.

For assets which had not been revalued by KCC, our valuation specialists reviewed the indexation values suggested by KCC, and challenged their appropriateness. Based on the index values, management have calculated the impact since the last revaluation as £18.5m. Following audit challenge, this has been adjusted for in the updated financial statements.

On the next page, we note the impact of uncertainties related to Covid-19 on property valuations and the related disclosures.

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



# Significant risks (continued)

## Valuation of property assets – Material Uncertainty due to Covid-19

### Material Uncertainty due to Covid 19

The Council's valuer has included disclosures in relation to a Material Uncertainty due to Covid 19 in their report including the extracts below:

*The World Health Organisation declared Coronavirus (COVID-19) as a Global Pandemic on the 11th March 2020. It has impacted global financial markets, global travel and market activity in many sectors. As at the valuation date, we consider that less weight can be attached to comparable market evidence when informing our opinions of value.*

*The current response to COVID-19 has presented an unprecedented set of circumstances and therefore our valuations are reported on the basis of 'material valuation uncertainty' as per VPS 3 and VPGA 10 of the RICS Valuation – Global Standards.*

*Furthermore, any effect on the value of the asset due to the market uncertainty that may result from the ongoing Brexit negotiations is not known.*

*Due to the uncertainty, a higher degree of caution should be taken when relying upon our valuation than would normally be the case. The Property Consultants - Regulated by RICS future impact that the above factors may have on the real estate market is unknown and we recommend that you keep the valuation of the subject property under frequent review.*

This is a common feature of valuation reports prepared to 31 March 2020.

### Impact on Statement of Accounts

In our February 2021 report, we noted an update was required to the Statement of Accounts. In the final version, the Council has disclosed the existence of this material uncertainty in Note 4 within the Statement of Accounts:

*"The response to Covid-19 has presented an unprecedented set of circumstances on which to base valuation judgements at the balance sheet date. The Covid-19 pandemic has caused extensive disruptions to businesses and economic activities and the uncertainties created have increased the estimation uncertainty over the valuation of the property portfolio at the balance sheet date. Asset valuations at 31 March 2020 are included on the basis of 'material valuation uncertainty' so a higher degree of caution should be attached to these valuations. However, they have been based on the best information available and are therefore a valid basis of valuation for this Statement of Accounts. These include Property, Plant and Equipment and Investment Property valuations. In addition, the continuing uncertainty of Brexit has also been taken into consideration when arriving at property valuations for the financial year."*

### Impact on the audit opinion

An "emphasis of matter" paragraph is then required to be included in our audit opinion to draw attention to management's disclosure:

***Emphasis of matter - material uncertainty related to property valuation***  
*We draw attention to note 4, which describes the effects of the uncertainties created by the coronavirus (COVID-19) pandemic on the valuation of the Council's property portfolio, including both Investment properties (note 16) and Assets in Property, Plant and Equipment (note 14).*

*As noted by the Council's external valuer, the pandemic has caused extensive disruptions to businesses and economic activities and the uncertainties created have increased the estimation uncertainty over the valuation of the property portfolio at the balance sheet date. Our opinion is not modified in respect of this matter.*

# Other matters

## Pension liability

### **Background**

The Council participates in the fund it administers, the Royal County of Berkshire Pension Fund ("RCBPF").

Our findings from the direct audit work on the pension scheme were included in our pension fund report to the May 2021 committee.

As a participating employer, the Council's accounts include an RBWM specific net pension liability which is determined for the Council by the actuary Barnett Waddingham. Our actuarial team review the assumptions applied to calculate the RBWM specific liability. Certain procedures are also performed by the pension audit team to test the liability and the associated assets at Berkshire Pension Fund level.

### **Deloitte response**

We used our actuarial specialists and our pension fund team to inform our work in this area.

Our procedures to address this risk are now complete and were as follows:

- Obtaining a copy of the actuarial report for the Council Pension Fund produced by Barnett Waddingham, the scheme actuary, and agreeing in the disclosures to notes in the accounts.
- Assessing the independence and expertise of the actuary supporting the basis of reliance upon their work.
- Reviewing and challenging the assumptions made by Barnett Waddingham, including benchmarking.
- Assessing the reasonableness of the Council's share of the total assets of the scheme with the Pension Fund financial statements.
- Reviewing and challenging the calculation of the impact of the McCloud and Goodwin cases on pension liabilities.
- Performing substantive analytical procedures on movements.
- Reviewing the disclosures within the accounts against the Code.

### **Status of our work and issues identified**

The work performed by our actuarial specialists in relation to the Council only actuary report has concluded satisfactorily.

The Council audit team has received the final IAS 19 letter from the Berkshire Pension Fund team and performed the required consequent procedures for the purposes of audit of the Council's financial statements. The Council has adjusted the financial statements for valuation errors identified in the pension fund audit due to stale prices being used for Alternative Fund investments – the Council's share of the adjustment of £3.5m has been corrected in the final Statement of Accounts.

We note the prior year uncorrected misstatement in relation to McCloud and reported on 18 November 2019 to the CO&SP has been corrected in the current year with an adjustment to value the liability at 31 March 2020 including the McCloud impact.

The Council has not adjusted for the potential impact of the Goodwin case on its pension liability. The Deloitte actuary has performed an assessment to evaluate the potential impact. This assessment indicates that the Goodwin impact in respect of this Section RBWM could be between £0.5m - £1.0m. This has been included in our uncorrected misstatements on page 37.

# Other matters

## Accounting for Joint Ventures, presentation of the CIES, and restatement of the financial statements for the year ended 31 March 2019

As a result of issues identified in the council's accounting for its joint ventures and the presentation of the Comprehensive Income and Expenditure Statement, the treatment in the draft Statement of Accounts has been adjusted, and the comparative period has been restated.

### **Accounting for joint ventures**

The Council historically has prepared group accounts (as required by the CIPFA Code) as, although its subsidiaries are immaterial individually and in aggregate, it has interests in joint ventures \* with other councils which are more significant.

However, it has historically equity accounted for these interests in both the Council and Group financial statements, and so has had no differences between Council and Group positions.

Under the CIPFA Code, councils are not permitted to equity account for their interests in joint ventures or associates in the council-only financial statements (while being required to do so in the group figures). The council-only financial statements are required to account for these as investments.

We therefore requested management to restate the comparative council-only figures to account for the investment on the correct basis.

In reviewing the historic accounting for these interests, we also identified potential misstatements in the group equity accounting for these interests due to movements in 2017/18. Following investigation of these issues, management have also restated the group accounts. Remaining immaterial unadjusted differences are included in the schedule of unadjusted misstatements on page 37.

### **Presentation of the Comprehensive Income and Expenditure Statement**

The Council has historically presented a number of items within "Other Operating Income/Expenditure", rather than as part of the Cost of Services (or, for some items, Taxation and Non-Specific Grant Income), including Revenue Expenditure Funded from Capital Under Statute (REFCUS), adjustments to provisions, and some items of income or expenditure with related movements in or out of earmarked reserves (labelled as "Adjustment to school balances via schools reserve" and "Adjustment to other reserves taken through the cost of services").

This presentation is not supported by the CIPFA Code, and was unusual compared to other Councils. Although only the REFCUS line has historically been material, in the draft 2020/21 the impact of Covid-19 grants increased the "adjustment to reserves taken through the cost of services" to £37m.

In addition, revaluations movements (primarily impairments) which should have been shown in the Cost of Services was incorrectly presented netted off against revaluation gains in Other Comprehensive Income. Management has identified an adjustment of £15.5m to align the revaluation gains recognised in Other Comprehensive Income with the Property, Plant and Equipment note. Within this, there is judgement over presentation of c£2.7m of these movements whether to show as revaluation losses or whether better presented against gain/loss on disposal – as this is immaterial, and the corrections give clear presentation of the financial statements, we have not proposed any further adjustments in respect of this.

Management therefore agreed to revisit this presentation for 2019/20 (and to restate the 2018/19 comparatives).

### **Restatement of the financial statements for the year ended 31 March 2019**

As the issues noted impact on prior periods, the financial statements have been restated.

The Prior Period Adjustments are explained in note 55 and note 59 to the financial statements.

### **Deloitte response**

We performed the following procedures in respect of these matters:

- We assessed with management whether the issues identified represented prior year errors, and whether there were material items requiring retrospective adjustment of the financial statements
- We tested the mathematical accuracy of management's calculations of adjustments required, and tested to supporting evidence.
- We tested the posting of the journal entries for the restatements.
- We reviewed the presentation and disclosure of the restatements in the financial statements against the requirements of the Code

We are completing our checks on the adjustments made and consistency of these another financial statements changes. From our work to date we have noted immaterial unadjusted differences included on page 37. We have identified control deficiencies as detailed from page 21.

\* The Council has also historically referred to Achieving for Children and Optalis as "associates" rather than "joint ventures" – as part of this update, the Council has concluded that describing as joint ventures is more appropriate, but this only impacts descriptions rather than any accounting considerations.

# Other matters

## Infrastructure assets

### Background

Our Report to the Corporate Overview & Scrutiny Panel on the audit for the year ended 31 March 2019 noted weaknesses in the Council's recording of infrastructure assets. During the course of our audit, a number of related issues around infrastructure assets have been noted nationally, and have been the subject of extensive discussions led by CIPFA and DLUHC to seek a solution to the issues identified.

The CIPFA Code envisages that councils will adopt a componentised approach to infrastructure assets, and for example, when road resurfacing occurs will be able to derecognise the existing surface component and recognise a replacement component.

In practice, councils typically do not componentise infrastructure assets in this way, do not hold information sufficient to readily do so, and so do not record disposals of infrastructure assets.

At a minimum, this means that there will be some level of overstatement of the gross cost and accumulated depreciation for users. However, even if this is quantitatively material, overstatement of this disclosure (which has no net impact on the financial statements) does not affect the users of the financial statements or their decision making, and both the CIPFA consultation on changes to the Code and proposals from DLUHC would remove disclosure of these gross values as not relevant to users.

There is also a risk that councils are not applying appropriate useful economic lives to infrastructure assets (and may not have adequate records to enable them to adjust their accounting). In some cases, councils appear to have adopted unrealistically long asset lives. More widely, where councils are not componentising assets, this requires an appropriate overall asset life to be applied so that effectively shorter lived elements of assets are fully depreciated before replacement and longer lived elements of assets are less depreciated as part of an overall blended useful economic life.

### Application to RBWM

In response to our 2018/19 findings, management reviewed the asset lives used for infrastructure assets (which had historically all been depreciated over 25 years), and determined new asset lives to apply to infrastructure assets.

We reviewed management's approach and noted a) the revised asset lives were based on professional judgement from experience of an individual at another organisation, but without support available to the Council, and b) the revised asset lives had not been applied to all infrastructure assets.

In response to our challenge, management a) revisited the asset lives so that based upon public guidance documents (reviewed and approved by relevant officers at the council), and b) calculated the impact of applying the revised lives to all assets prospectively from 2019/20 (in accordance with IAS 16 provisions for changes in asset life assumptions), which indicated an immaterial difference below our threshold for reporting. In addition, management performed an analysis to calculate what the effect would have been of applying the revised lives from 2017/18 (and so identify any impact of assets becoming fully depreciated prior to 1 April 2018 or 1 April 2019, and has concluded the difference in brought forward depreciation and the charge for 2019/20 would be immaterial, supporting the conclusion that historic lives were reasonable and the adoption of revised useful economic lives should only be adjusted prospectively, as is required by IAS 16.

In response to the wider challenges on infrastructure assets, we considered the approach adopted, and noted that: a) although there is scope for improvement in the asset register, RBWM has relatively disaggregated information in its fixed asset register, enabling it to review its accounting; b) the asset lives adopted are appropriately supported, and are short enough that there is not a risk of material overstatement of net book value for disposals; c) the gross cost and accumulated depreciation of infrastructure assets is overstated, and we have identified this as an unquantifiable disclosure deficiency (page 38).

### Deloitte response

In addition to our challenge of management set out above, we have tested management's calculations, and considered the approach adopted compared to other councils.

### Status of our work and findings

We have completed our testing in this area, subject to clearance of internal quality review processes, with disclosure deficiencies noted on page 38. The Council's presentation and disclosures will need to be considered further in finalising 2020/21 in line with the expected national changes to requirements, but this is not expected to have any bottom line impact for RBWM and to be consistent with the position adopted. The Council will then need to consider national guidance on improving infrastructure asset record keeping as and when a longer term approach is proposed nationally.

# Arrangements to secure economy, effectiveness and efficiency from the Authority's use of resources

## Background

Under the National Audit Office's Code of Audit Practice, we are required to report whether, in our opinion, the Council has made proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

The Code and supporting Auditor Guidance Notes require us to perform a risk assessment to identify any risks that have the potential to cause us to reach an inappropriate conclusion on the audited body's arrangements. We are required to carry out further work where we identify a significant risk - if we do not identify any significant risks, there is no requirement to carry out further work. During the audit process, we identified significant risks as set out on the following slides along with our response.

## Our risk assessment and audit work included:

- Reviewing the Council's draft Narrative Report, updated Annual Governance Statement and relevant Council papers and minutes.
- Considering matters arising from the Pension Fund audit. Note, the main Statement of Accounts opinion is where all VFM related matters are reported.
- Enquiries with senior officers.
- Reviewing other documentation of the Council including budget setting reports, financial and operational performance monitoring reports.
- Reviewing reports issued by internal audit.
- Reviewing reports issued by regulators such as Ofsted.
- Review of effectiveness of working with partners and third parties including subsidiary entities.
- Reviewing reports into governance arrangements at the Council produced by other experts. In particular, for RBWM, this included the CIPFA report issued in July 2020 and the report into governance at the Pension Fund (arising from an audit recommendation in the prior year) issued in July 2020.
- Understanding the arrangements in potential areas of significant risk – in particular the planning of the Council's finances.
- Evaluation of progress against weaknesses identified in the prior year and assessing the extent to which management have implemented the recommendations raised.
- Considering matters identified by the National Audit Office as potential value for money risks for Councils for 2019/20.
- Considering local and sector developments and how they impact on the Council.
- Considering the impact of any objections raised on the accounts to our value for money conclusion.

## Status of our work and issues identified

We have concluded our work in relation to Value for Money.

We plan to report a qualified, "except for" conclusion.

Our conclusion was the matters raised within the objections to the accounts did not give rise to any further significant VFM risks leading to additional exceptions needed in the VFM conclusion within the audit opinion.

Please see the following pages for a summary of our risk assessment and findings and the wording of our conclusion.

# Significant VFM risks

## Risk 1: Sustainable resource deployment: weaknesses in arrangements for planning finances

Risk details	Procedures Performed	Status
<p>We have identified a significant risk that there is a significant weakness in the authority's arrangements for planning its finances effectively to support the delivery of strategic priorities and maintenance of its statutory functions. We identified this risk because:</p> <ul style="list-style-type: none"><li>• we have seen that in 2019/20 the Authority overspent on its revenue budget by £2.4m excluding the impact of Covid 19. Covid 19 costs added a further £1.8m of expenditure but this was matched by extra funding from central government specifically for Covid 19 costs;</li><li>• weaknesses were identified in the prior year, through our audit, and through an external review by CIPFA, in respect of medium term financial planning arrangements, the capital programme, the treasury management strategy, budget setting and budget monitoring against actual performance;</li><li>• the level of the Authority's useable reserves is at the lower end of the range when benchmarked against other similar authorities; and</li><li>• weaknesses were identified through the CIPFA report on financial governance relevant to decision making processes noting in particular that the 2019/20 budget set in February 2019, and the Treasury Management strategy did not comply with the relevant guidance and legislation governing these documents.</li></ul>	<p>We have:</p> <ul style="list-style-type: none"><li>• Reviewed the report issued by CIPFA, the Authority's action plan, and progress against the action plan and assessed whether significant weaknesses in applicable arrangements remained in 2019/20; and</li><li>• Reviewed the Authority's medium term financial plan and budget and other significant relevant documents used by the Authority in planning its finances, and understand the arrangements involved in their preparation.</li></ul>	<p>Exception identified.</p> <p>See exception [1] in the audit opinion disclosed from page 18 for the wording of our exception.</p>

# Significant VFM risks

## Risk 2: Informed decision making: weaknesses in arrangements for reliable and timely financial reporting

Risk details	Procedures Performed	Status
<p>We have identified a significant risk that there is a significant weakness in the authority's arrangements with respect to reliable and timely financial reporting that supports the delivery of strategic priorities. We identified this risk because:</p> <ul style="list-style-type: none"><li>• material errors were identified through our audit of both the Authority and the Pension Fund in the prior year which had not been detected by Officers of the Authority in the draft Statement of accounts; and</li><li>• the quality and timeliness of information presented for the audit in the prior year was below what we would expect of an Authority, we raised a number of significant financial control weaknesses through the audit, and the authority did not meet the deadline for approval of the Statement of Accounts in 2018/19 or 2019/20.</li></ul>	<p>We have:</p> <ul style="list-style-type: none"><li>• Reviewed the report issued by CIPFA, the Authority's action plan, and progress against the action plan and assessed whether significant weaknesses in applicable arrangements remained in 2019/20;</li><li>• Considered whether the authority has implemented our recommendations from the prior year audit;</li><li>• Considered the findings from the 2019/20 audit of the Statement of Accounts for the Authority and the Pension Fund to consider whether there was evidence of material weaknesses; and</li><li>• Considered the quality and timeliness of the information presented by Officers to support the balances in the Statement of Accounts.</li></ul>	<p>Exception identified.</p> <p>See exception [2] in the audit opinion disclosed from page 19 for the wording of our exception.</p>

# Significant VFM risks

## Risk 3: Informed decision making: weaknesses in governance arrangements

Risk details	Procedures Performed	Status
<p>We have identified a significant risk that there is a significant weakness in the authority's arrangements for acting in the public interest through demonstrating and applying the principles and values of sound governance. We identified this risk because our prior year conclusion:</p> <ul style="list-style-type: none"><li>referred to the Authority's Annual Governance Statement which identified weaknesses in respect of inadequate resourcing of key governance functions and the development of an organisational culture where individuals did not feel empowered or encouraged to speak out when issues arose;</li><li>identified weaknesses in the annual review of the effectiveness of the governance framework, including the system of internal control; and</li><li>identified weaknesses in the arrangements for the governance and internal control of the Royal County of Berkshire Pension Fund. Our prior year reporting recommended the commissioning of a governance review of the pension fund to be performed by an independent expert. The Council commissioned this review in February 2020 and the report was released in July 2020. A review of this report and the recommendations arising formed part of our 2019/20 procedures.</li></ul>	<p>We have:</p> <ul style="list-style-type: none"><li>Reviewed the Authority's Annual Governance Statement for 2019/20, considered the arrangements for its preparation, and considered any relevant significant weaknesses identified in that statement;</li><li>Made enquiries of Senior Officers to understand changes in the resourcing of key governance functions and the development of the organisational culture;</li><li>Documented and considered the Authority's arrangements for review of the effectiveness of its governance framework and the outcome from that review;</li><li>Considered the findings from our audit of the Pension Fund and the level of implementation of our relevant control recommendations raised in the prior year; and</li><li>Considered the findings and recommendations of the report commissioned by the authority on pension governance and control arrangements.</li></ul>	<p>Exception identified.</p> <p>See exception [3] in the audit opinion disclosed from page 19 for the wording of our exception.</p>



# Wording of the Audit Opinion – VFM Section

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## REPORT ON OTHER LEGAL AND REGULATORY MATTERS

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

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#### **Qualified Conclusion:**

On the basis of our work, having regard to the guidance issued by the Comptroller and Auditor General in April 2020, with the exception of the matters reported in the basis for qualified conclusion paragraphs below, we are satisfied that, in all significant respects, The Royal Borough of Windsor of Maidenhead put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2020.

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#### ***Basis for qualified conclusion***

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##### **1. Sustainable resource deployment: weaknesses in arrangements for planning finances**

We have concluded that there were significant weaknesses in the authority's arrangements in the year to 31 March 2020 with respect to planning its finances effectively to support the delivery of strategic priorities and maintaining its statutory functions.

Weaknesses were identified by the Authority; by CIPFA through an independent review of financial governance arrangements; and through our prior year audit. We identified weaknesses in respect of the Council's arrangements for understanding and using appropriate and reliable financial information to monitor performance and to support informed decision making and financial planning. Whilst the authority has an action plan in place to address these matters and is progressing that action plan, not all areas of weakness had been addressed in the year to 31 March 2020 and weaknesses in these arrangements were present for at least part of the year. In particular, weaknesses were identified in the prior year (2018/19) in relation to the arrangements for the preparation of the 2019/20 budget that was issued in February 2019. Whilst improvements in the budgetary arrangements were made in 2019/20 and are evident in the 2020/21 budget approved in February 2020, the weaknesses identified in relation to the 2019/20 budget are relevant to the 2019/20 year as that budget was in place and monitored against by the authority throughout the 2019/20 period. Other weaknesses have been identified in the Annual Governance Statement linked to arrangements regarding the medium term financial plan, the treasury management strategy, the capital strategy and the capital programme's performance against its plan.

The weaknesses in the arrangements in this area, contributed to overspends against budget in the Council's outturn results. As reported in the Statement of Accounts and the Annual Governance Statement ("AGS"), the Council's 2019/20 financial results show a total net overspend of £4.2m against the 2019/20 budget approved in February 2019. £1.8m of additional expenditure has been attributed to Covid-19 and was matched with funding from central government support before the year end. The remaining deficit of £2.4m was funded from general fund reserves. The general fund balance as at 1 April 2019 was £7.8m and the approved 2019/20 minimum level of reserves is £5.8m. Capital spend in the year was £68.9m against a revised budget from November 2019 of £82.9m. The accumulated slippage of the capital programme into future years stood at £32.6m as at 31 March 2020.

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# Wording of the Audit Opinion – VFM Section

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## ***Basis for qualified conclusion***

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### **2. Informed decision making: weaknesses in arrangements for reliable and timely financial reporting and maintaining a sound system of internal control.**

We have concluded that there were significant weaknesses in the authority's arrangements in the year to 31 March 2020 in relation to reliable and timely financial reporting and maintaining a sound system of internal control. We note that improvements have been made regarding the quality and timeliness of information provided for the audit of the Authority's Statement of Accounts for 2019/20. However, we also note the following matters which we consider represented significant weaknesses in arrangements:

- a number of our significant control recommendations made following the prior year audit had not yet been implemented by the Authority and the Pension Fund. The current year audit also identified deficiencies in internal control; and
- whilst the Authority has an action plan in place to respond to the findings of the CIPFA Financial Governance Review, and has taken action in accordance with that plan, not all recommendations have yet been implemented during the 2019/20 period and some weaknesses in arrangements in relation to reliable and timely financial reporting were present in that year. A review into financial management continued into 2020/21, focused on key areas of financial reporting that impact decision making and require improvement including prudent, accurate and timely performance monitoring and forecasting, in-year capital monitoring, the accounting reconciliations process, reporting to support debt management and the reporting information provided in relation to the performance of the Collection Fund.

### **3. Informed decision making: weaknesses in governance arrangements**

We have concluded that there were significant weakness in both the Council's and the Pension Fund's arrangements in the year to 31 March 2020 with respect to its arrangements for acting in the public interest through demonstrating and applying the principles and values of sound governance. We note the following matters which we consider represented significant weaknesses in arrangements:

- Following our recommendation to conduct a review raised as part of the 2018/19 audit, the resulting report commissioned into pensions governance noted in particular a disconnect between the pension fund and the council with no regular reporting. The report also made several recommendations that highlighted weaknesses in the arrangements in place through 2019/20 specifically relating to the size and membership of the relevant Boards, Panels and Groups; the level of involvement and training of individuals within those governance structures; and the adequacy of recording and reporting of discussions and decisions made within those governance structures. The report also noted that the composition and training of the Pensions Advisory Panel needed to be reviewed and changed including publication of papers and minutes; that the communication with the custodian bodies overseeing the assets needed to be improved; and that independent advisers are engaged appropriately as required.
- The Council's Annual Governance Statement draws attention to the following weaknesses in governance arrangements that are not otherwise mentioned in the exceptions reported here: a lack of organisational capacity in key areas; a lack of clarity from officers and members with regard to their roles, responsibilities and the associated required procedures; a culture within the organisation that did not encourage people to speak out or properly exercise their roles as advisors; and non-compliance with public sector network requirements due to the significant investment needed in IT infrastructure and ongoing work on the IT strategy and implementation. The AGS notes areas of weakness in relation to financial governance including a lack of robustness of challenge regarding business cases and their benefits ensuring these are consistently presented, weaknesses in procurement and contract management. The AGS notes steps taken to address these findings in 2019/20 including increasing capacity in key roles, additional training and changing the management structure but these measures only impacted part of the year and further training is required. These represent significant weaknesses in the Council's governance arrangements.

# Wording of the Audit Opinion – VFM Section

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

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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 April 2020, as to whether The Royal Borough of Windsor and 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 and Maidenhead put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2020.

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# Control observations

During the course of our prior year audit, we identified internal control findings which we reported to the Corporate Overview & Scrutiny Panel. In the tables below we include the detail of our prior year control findings along with an update to our work in relation to these control findings as performed in the 2019/20 audit. Management's responses to 2019/20 recommendations are included for approval in their separate report to the Audit & Governance Committee.

The purpose of the audit was for us to express an opinion on the financial statements. The audit included consideration of internal control relevant to the preparation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of internal control. The matters being reported are limited to those deficiencies that we have identified during the audit and that we have concluded are of sufficient importance to merit being reported to you.

## Update on 2018/19 observations

Area	2018/19 Observation	Current Year Update
<p><b>Quality of draft financial statements</b></p>	<p>The initial draft financial statements which were published for public inspection and presented for audit were not of the expected standard. Issues noted included:</p> <ul style="list-style-type: none"> <li>• Findings regarding the compliance of the narrative report and annual governance statement with the CIPFA code</li> <li>• The non-receipt of a completed CIPFA disclosure checklist accompanying the financial statements subject to audit</li> <li>• Inconsistencies between notes in the financial statements;</li> <li>• Accounting policies not updated for the adoption of IFRS 9 and IFRS 15;</li> <li>• Accounts disclosures not updated for the adoption of IFRS 9;</li> <li>• Accounts disclosures not updated for the adoption of IFRS 15;</li> <li>• Differences between primary statements and notes; and</li> <li>• Differences noted during our call and cast process</li> </ul> <p>Together these indicate weaknesses in the financial reporting and close process. We recommend the Council reviews the year-end reporting and close process, including:</p> <ul style="list-style-type: none"> <li>• preparation of a skeleton draft of the financial statements ahead of year-end, reviewed against the Code for any changes in the year and for the disclosure requirements for any new or changed activities of the Council;</li> <li>• documentation and quantification of judgments in respect of materiality of disclosure requirements in preparing the accounts;</li> <li>• review of the completed CIPFA disclosure checklist;</li> <li>• documented and reviewed internal checks of internal consistency;</li> <li>• completion of the CIPFA "pre-audit checks on draft year-end accounts" checklist; and</li> <li>• documented and reviewed internal tie back and referencing of the draft financial statements to supporting working papers.</li> </ul>	<p>The first draft of the Council Statement of Accounts published for the public inspection period on 3 August 2020 demonstrated improvement from the initial draft provided as part of the prior year audit.</p> <p>However, our work on the 2019/20 accounts identified further issues, with a number of adjustments required including in respect of historic issues and to improve disclosures and compliance with the requirements of the Code, resulting in several iterations of the financial statements. We consider that this area still need improvement. Please also refer to current year observations from page 29.</p> <p><b>Conclusion: Ongoing – see current year observations from page 29</b></p>

We note the final amended report is satisfactory.

# Control observations – update on 2018/19 observations (continued)

Area	2018/19 Observation	Current Year Update
<b>New accounting standards – IFRS 9 and 15</b>	<p>Whilst we understand that officers discussed the impact of adoption of the new standards during the closure process, they did not prepare accounting papers on the transition to IFRS 9 and 15. The initial draft accounts were not updated for changes in disclosure requirements from IFRS 9 and 15. Although our work on IFRS 9 and 15 to date has not identified any material changes to the financial statements, we highlight that because the new standards have been discussed as a one off exercise, new requirements will not have been embedded in the Council’s underlying systems, processes and controls. This presents a risk that new contracts or transaction may give rise to unanticipated impacts in future, or not be detected.</p> <p>We recommend that the Council reviews how to update its day to day accounting processes, including any necessary system and control changes, to reflect the requirements of IFRS 9 and 15, and the process to be followed in assessing new and unusual transactions.</p>	<p>These standards were new for 2018/19 but were in the second year of implementation in 2019/20. The Statement of Accounts were prepared on a IFRS 9 / 15 basis. We have not identified issues in relation to this in our audit work to date.</p> <p>There were no further new IFRS standards applicable in the year (see next point regarding IFRS 16).</p> <p><b>Conclusion: Closed</b></p>
<b>Preparation for IFRS 16</b>	<p>The implementation of IFRS 16, Leases, for 2020/21 is expected to have a greater and more complex impact upon most Councils than the adoption of IFRS 9 and 15. The scope and potential complexity of work required, which may require system or process changes to underpin correct accounting under the standard, will require work to be completed at a significantly earlier stage than has been the case for IFRS 9 and 15 to allow for financial reporting timetables to be met.</p> <p>We recommend that the Council targets completion of its IFRS 16 impact analysis during 2019/20, and to calculate an adjusted opening balance sheet position for audit following the 31 March 2020 audit. We recommend early consideration following the impact analysis of actions required to embed IFRS 16 accounting in the Council’s underlying accounting systems and would expect an accounting paper to be prepared for the purposes of 2019/20 audit.</p>	<p>As a result of Covid 19, and wider issues in local government reporting, the implementation of IFRS 16 has been delayed to 2024/25 for the Public Sector (with the option to adopt from 2022/23 onwards). Whilst this point remains open and will need Council attention in due course, this does not impact the 2019/20 financial statements and the related disclosure covering IFRS standards issued but not yet implemented can be reported in the same manner as 2018/19. Management have informed us preparations are being made for the introduction of this standard but this work has not been reviewed by audit.</p> <p><b>Conclusion: Ongoing - to be revisited when timing of transition confirmed</b></p>
<b>Management override of controls</b>	<p>During our testing of the design and implementation of controls relating to management override and specifically relating to budget transfers, we noted that a transfer of £250k from one budget to another was not accompanied by a virement form.</p> <p>While the transfer was discussed and approved at Cabinet meeting we suggest that all such transfers be accompanied by a virement form, as set out in standard operating procedures relating to budget transfers.</p>	<p>We tested a budget transfer in 2019/20 of £600k and noted the email communication request and virement form as well as the discussion and approval at the May 2019 Cabinet meeting. We have not tested every virement in the year but it is our understanding that this has been an area of focus for the Council as it was also raised in the CIPFA report.</p> <p><b>Conclusion: Closed</b></p>

# Control observations – update on 2018/19 observations (continued)

Area	2018/19 Observation	Current Year Update
<b>Accounting for property additions</b>	<p>The Council has an accounting policy to apply a full year of depreciation in the year of disposal and no depreciation in the year of acquisition, primarily for the reason that the fixed asset register is only updated at the end of year.</p> <p>This practice is not uncommon in the sector and does not have a significant impact on the carrying amount of assets where assets are acquired and disposed relatively evenly across the year.</p> <p>Performing a high level calculation based on the fixed asset note for the current year, assuming all additions take place on day one of the year, fixed assets are potentially overstated by £1m. As stated above, this is not a material impact.</p> <p>We recommend that officers implements a process whereby the depreciation charge is retrospectively calculated based on the actual date of acquisition or disposal.</p>	<p>This recommendation has not been adopted by management due to it not being material.</p> <p>The accounting for acquisitions has remained the same as the prior year and we do not consider this to be a material matter.</p> <p><b>Conclusion: Closed</b></p>
<b>Valuation of properties</b>	<p>The valuation of properties is dependent on officers’ assumptions (or input from officers in forming assumptions) including the location and functional obsolescence of the existing properties and information provided by officers, including the number, type and condition of council dwellings and the floor space of schools. A paper was not prepared which set out the key assumptions, and officer's view on whether the revaluation assumptions are appropriate.</p> <p>We were also not able to identify a documented internal control relating to the review by officers of the valuation report received from Lambert Hampton Smith. We recommend that a paper should be prepared and set out the review of key assumptions, and officer's view on why the revaluation assumptions are appropriate.</p>	<p>The Council adopted many of our recommendations in relation to property valuations leading to an improved process and fewer issues raised in relation to the audit. This included changing its property valuers to Kempton Carr Croft.</p> <p>As stated in our prior year report, we involved our Deloitte Real Asset Advisory specialist team at the scoping stage of the valuation exercise to mitigate issues arising late in the process.</p> <p>The Deloitte Real Asset Advisory expert has raised some recommendations to consider for future exercises, see next page for details.</p> <p><b>Conclusion: Ongoing</b></p>

# Control observations – update on 2018/19 observations (continued)

Area	2018/19 Observation	Current Year Update
<b>Improvements to the valuation exercise</b>	<p>Whilst overall we have concluded that the properties held at revalued amounts are not materially misstated, several insights and improvements for the future have been identified. We have fed back a detailed list to management and include a summary of the more significant items below:</p> <ul style="list-style-type: none"> <li>• Reports provided to Lambert Smith Hampton and received back from them should include clear categorisation of assets, including whether leasehold or freehold, and a clear statement of the date of valuation to ensure the correct methodology and assumptions have been applied and that this can easily tracked through the working papers.</li> <li>• Valuations required for RBWM Property Company Limited should be commissioned and conducted under separate instructions to the main Council valuation exercise as their assets do not form part of the Council’s accounts.</li> <li>• The Depreciated Replacement Cost (“DRC”) method of valuation is applicable to specialised assets rarely sold or traded such as schools. Only 1 such item, Riverside Primary, was valued for 2018/19. Findings raised included that the valuation should reflect Modern Equivalent Asset considerations and that valuations should be on an “Instant Build” basis (i.e. not including finance costs). These were weaknesses in the valuation method however they were not material to the overall valuation because only one school was valued this year. These findings could have a greater impact in future years when more of these specialised assets are expected to be in the scope of the review so should be addressed as part of scoping next year’s exercise.</li> <li>• Where an asset has been valued at an earlier point in the year, explicit commentary should be included to update the valuation to the balance sheet date.</li> <li>• The impact of Brexit is not noted in the LSH report. As an area of uncertainty we would expect to see commentary on this matter even where the potential impact cannot be fully quantified.</li> <li>• Whilst the Council uses a specialist valuer to inform the process here, it is important that the Council retains responsibility for reviewing the assumptions and confirming their appropriateness and that this is documented appropriately in a management paper.</li> </ul> <p>We also note that the Council appraisal of properties not directly valued in order to consider whether there is a risk that they are materially misstated was provided late in the process. We would expect this to be prepared contemporaneously with the preparation of the valuation and the preparation of the draft statement of accounts. We propose that the support for the valuation, both the directly valued areas of the portfolio and the appraisal of the assets not in scope for that year, are provided prior to the start of the audit.</p> <p>We will also seek to be involved, with our DRE specialist team, at the scoping stage of the valuation exercise to mitigate issues arising later in the process next year.</p>	<p>Our report from the DRE specialist noted the following recommendations:</p> <p>In relation to the DRC method, there were a limited number of low value assets measured on this basis in scope for this year’s valuation. This remains an area for management to keep aware of in future valuations ensuring that, where these are undertaken on a DRC basis, the assumptions for those assets are clearly documented.</p> <p>Our review found some variances in certain data points (information taken from national and local property indices) used by the Council’s valuer. This was not a case of error but a subsequent update to certain data as at 31 March 2020 post issue of the valuer’s report. The Council should maintain liaison with the valuer to the date of issue of the Statement of Accounts to check if any relevant indices have moved. Overall, the impact of this on the 2019/20 audit was not material.</p> <p>Some minor improvements can be made to the valuation reports from the Council’s expert for example, under the Red Book, reports should include overall total values of the assets valued. A list of these recommendations will be passed to management.</p> <p>Overall, the valuation exercise did not present with as many issues in the prior year. Preparation of the valuations to the balance sheet date of 31 March particularly assisted in this regard.</p> <p><b>Conclusion: Ongoing</b></p>

# Control observations – update on 2018/19 observations (continued)

Area	2018/19 Observation	Current Year Update
<b>Classification of expenditure as capital</b>	<p>We are required to test the design and implementation of controls in place to mitigate the risk that expenditure that is revenue in nature could be incorrectly classified as capital expenditure. Management have described the process and controls in place to mitigate this risk. This includes the establishment of budgets and associated codes to record capital and revenue expenditure; review of invoice descriptions and comparison to budget and purchase order details to check the nature of the expenditure; and review of the budgets to assess and investigate variances.</p> <p>Based on the descriptions provided, these controls appear to be designed effectively and we note that our substantive testing of a sample of capital items has not identified any issues. However, management review controls are inherently difficult to evidence and, as with many entities, we were not able to obtain sufficient documentary evidence of the performance of some of these review controls to enable us to conclude that the controls are implemented effectively. We therefore recommend that management puts in place arrangements to further develop these processes with clear documented evidence of the performance of the controls.</p>	<p>The controls in place at the Council and tested as part of the audit were similar to those in the prior year, with similar issues where a control is not performed to a sufficient level of detail with an audit trail maintained in order for us to conclude that the design and implementation of controls is satisfactory. We therefore did not rely on controls in our testing of capital expenditure and we consider this to be a significant weakness.</p> <p>We therefore continue to recommend that management puts in place arrangements to further develop these processes with clear documented evidence of the performance of the controls. We note that during 20/21, as noted in the CIPFA Action Plan, a capital review board was set up to address this.</p> <p><b>Conclusion: Ongoing</b></p>
<b>Reclassification of assets under construction when complete</b>	<p>We identified that an item of assets under construction was completed as at 31/03/2018. This asset was however not transferred out of assets under construction into the category of property, plant and equipment to which it relates.</p> <p>We recommend the Council implements a control where assets held under construction are reviewed in order to verify whether or not they are complete.</p>	<p>Our prior year recommendation has not been implemented.</p> <p>We therefore continue to recommend the Council implements a control where assets held under construction are reviewed in order to verify whether or not they are complete.</p> <p><b>Conclusion: Ongoing</b></p>



# Control observations – update on 2018/19 observations (continued)

Area	2018/19 Observation	Current Year Update
<b>Accounting for capital expenditure</b>	<p>During our testing of the capital commitments disclosure we noted that £6.4m of expenditure relating to the Braywick Leisure Centre was incorrectly included in the capital commitment disclosures at year end. Officers have subsequently adjusted the accounts disclosure for this misstatement. No further change was required as these amounts have been included in capital additions for the year.</p> <p>We understand that officers use a March to February period for the purposes of accounting for capital items. We suggest that a review is performed at year end to consider the impact of any expenditure incurred in the final month of the financial year for its impact on operating expenditure, property, plant and equipment and the councils commitments disclosures.</p>	<p>We noted in our February 2021 paper that our work on the disclosure notes was still in progress based on the most recently received statement of accounts.</p> <p>We noted that we would update management and the Committee in due course with any findings arising from this work.</p> <p>We have no further material findings to raise in this regard.</p> <p><b>Conclusion: Closed</b></p>
<b>Bank and cash</b>	<p>During the our testing of bank and cash we noted a balance of £984k relating to long-outstanding reconciling items for which we were not provided any support.</p> <p>This was identified in the prior year audit and is still under investigation by RBWM's internal audit function.</p> <p>We recommend that this investigation is finalised and the reconciling items cleared as soon as possible. We also recommend that a review of the controls relating to bank reconciliations is undertaken in order to avoid a recurrence of this.</p>	<p>This investigation proceeded but was not concluded until after the closing of the 2019/20 period. This difference in the bank reconciliation therefore remains in the 31 March 2020 financial position. It is reported as an uncorrected misstatement as it was in our prior year ISA 260 (and as it was by our predecessor audit for the 2017/18 audit). We understand from management this has been corrected in the 2020/21 period but have not yet audited this posting. It was reported to Council in June 2020.</p> <p><b>Conclusion: Ongoing</b></p>
<b>Elimination of internal recharges</b>	<p>Internal recharges should be eliminated from the presentation of income and expenditure in the Comprehensive Income and Expenditure Statement. Our testing identified an amount of recharges of £32.7m (2017/18: £25.4m) shown gross in income and expenditure. To correct for this, income and expenditure both needed to be reduced by £32.7m (2017/18: £25.4m). We recommend that, going forward, internal recharges are eliminated in the Comprehensive Income and Expenditure Statement before being subject to audit.</p>	<p>This finding was addressed by management as part of the first draft version of the accounts. This issue did not recur in the 2019/20 Statement of Accounts.</p> <p><b>Conclusion: Closed</b></p>

# Control observations – update on 2018/19 observations (continued)

Area	2018/19 Observation	Current Year Update
<p><b>Pension Asset investments</b></p>	<p>We recommend that the Council performs a review of the arrangements around pension asset investment decision making, monitoring and reporting of the valuation of those investments. This should include an historic review of the arrangements with respect to the specific assets that were adjusted significantly to identify the lessons that can be learned and to embed this learning into the new arrangements. The outcome from these reviews should be reported to both the Corporate Overview and Scrutiny Panel and the Pension Fund Panel.</p>	<p>This review took place over January – March 2020. The report was issued in July 2020 and has been presented to the Pension Review panel. <b>Conclusion: Closed</b></p>
<p><b>Preparation of accounting papers</b></p>	<p>Accounting papers were not prepared to explain and support key judgements and estimates, including the ongoing pertinence of judgements made in previous years, or were not sufficiently detailed to explain and support those judgements and estimates. It is good practice (and the expectation of the Financial Reporting Council) for organisations to prepare accounting papers in respect of key matters in the application of accounting standards, in particular for matters of judgement or of estimation complexity. Typically these would include consideration of the relevant requirements of the accounting standards and the Code, the fact pattern (including details of relevant terms of contracts etc.), an assessment of how the standards apply in this context, consideration of potential alternative treatments, the proposed approach to measurement/calculation of accounting entries required, and the required disclosures.</p> <p>The preparation of accounting papers both supports accurate financial reporting, including facilitating both internal and external review and challenge, and provides a resource to ensure institutional knowledge is retained in the organisation.</p> <p>We recommend the Council adopts an approach of preparing papers for any key accounting judgements or issues arising. We also recommend that accounting papers are presented to the same meeting of the Panel at which the draft statement of accounts are approved (if not earlier) for scrutiny and to inform the panel's approval of the draft statement of accounts.</p>	<p>The Council continues to be on an improvement trajectory in relation to the quality of financial reporting information provided. This has mainly related to the quality of accounting working papers and their reconciliation to the accounts. Full accounting papers (formatted as outlined in the 2018/19 observation) were still not provided for key judgements and estimates.</p> <p>There are still improvements that could be made to the structure and detail of accounting papers for provision to the audit team and the Committee. <b>Conclusion: Ongoing</b></p>

# Control observations – update on 2018/19 observations (continued)

Area	2018/19 Observation	Current Year Update
<b>Accounts closure</b>	<p>The Authority provided work papers in response to our audit request list for the start of the audit which we understand met the expectations of the Authority’s previous auditors and were in line with what the Authority understood to be required. However, on review, we considered that a number of the work papers were not in line with what we would have expected for the audit, for example, there were challenges in mapping some work papers to the Statement of Accounts, and some work papers were not in the level of detail or format that we had expected and required for our testing.</p> <p>We and the finance team have worked together this year to resolve these matters but this has taken significantly more time than anticipated. As a result, in a number of areas, it has not been possible for officers to provide information for key samples within a reasonable timeframe. Additional time has also been spent in order to understand the accounting treatment for investments in associates and the local enterprise partnerships.</p> <p>These issues have impacted on the achievement of the overall timetable and have led to additional audit costs.</p> <p>We and the Authority have agreed to meet following the audit to discuss areas of improvement identified through this year’s audit and agree a detailed joint action plan for 2019/20, including considering whether additional procedures could be brought forward to our interim audit visit. We recommend that the Council considers whether there are year end processes which can be streamlined or pulled forward to earlier in the year. We will work closely with officers as part of the planning for 2019/20.</p>	<p>We met with Council officers early in the process (in January and February 2020) to discuss audit requirements in detail.</p> <p>We note an improved response to our audit request list both in terms of quality and timeliness of responses.</p> <p>There continue to be improvements that can be made in this area. We will work closely with officers as part of the planning for the delivery of future audits and the changes being made to the accounts processes noted further below.</p> <p><b>Conclusion: Ongoing</b></p>

# Control observations – 2019/20 observations (continued)

Area	2019/20 Observation
<b>Review of Information provided to property valuation experts</b>	<p>The accuracy of the valuation of properties is dependant on the accuracy and completeness of the data provided to the valuers.</p> <p>During the audit we noted that there was not an audit trail to evidence the reviewer process on the information provided to the valuer.</p> <p>We recommend that the Council puts in place measures where the information which is provided to the valuer is reviewed and evidence of review is maintained.</p>
<b>Review of capital spending classification</b>	<p>The control over capital spending classification requires review of each invoice, and where there is a question over whether a particular invoice is capital or revenue this is raised through the ranks of seniority (where appropriate training has been delivered).</p> <p>However, the limit of the control is that the check centres on whether a given spend amount is within a budget or not (with budgets already having been pre-approved). This control would capture extra budgetary spend on a project but does not fundamentally address the risk that items are misclassified.</p> <p>We further identified that in the review of Capital Additions by Budget Steering Group meeting and approval by Cabinet control, there is no sufficiently detailed control at the budget approval stage to address the risk of classification.</p> <p>There is no evidence which demonstrates a challenge on the capital or revenue classification of items. The meetings consider the value and worth of a project from a budget/spend perspective i.e. "is this work necessary and worthwhile" but do not challenge on whether it is revenue or capital.</p> <p>We recommend putting in place explicit consideration and documentation of the accounting treatment of expenditure, supported where needed by reference to the requirements of relevant accounting standards and the Code.</p>
<b>Financial statement audit trail and preparation</b>	<p>The Council's financial statement preparation and underlying ledger and related mappings does not provide a robust audit trail to map balances to the financial statements and track adjustments, with changes hard coded in the excel accounts draft.</p> <p>We recommend the following:</p> <ul style="list-style-type: none"><li>- revisiting the underlying general ledger structure to provide clear support and mapping to the principal financial statement line items;</li><li>- preparing a clear consolidation schedule to support group numbers; and</li><li>- maintaining a clear extended trial balance with documented rationale for adjustments made between versions of accounts (and whether updated in ledger).</li></ul>

# Control observations – 2019/20 observations (continued)

Area	2019/20 Observation
<b>Ledger structure and preparation of the CIES and reserves notes</b>	<p>The Council's ledger structure is focused upon management accounts requirements, and is not structured to support the requirements of the financial statements. A single ledger grouping, "AK20", is used for posting a range of different accounts movements effectively directly to reserves, which then need reanalysis to prepare the CIES and to allocate to appropriate financial statement lines. The Councils' historic audit trail and support for this reanalysis has not been adequate, and has not included appropriate review and control steps over the entries required, resulting in errors identified in the audit (including entries requiring restatement). We consider the current ledger structure, in the absence of a rigorous structure of mitigating controls, to be a significant weakness in the council's financial reporting arrangements.</p> <p>We recommend the council revisit its ledger structure, with at least one separate general ledger account code underpinning each required line in the CIES and supporting notes, a clear and maintained mapping of ledger codes to financial statement line items (with appropriate review controls over the mapping and changes thereto), and, where reanalysis of ledger codes for accounts preparation is required, a clear structure of high quality reconciliations with documented rationale and evidence for analysis and appropriate controls over the reanalysis process.</p>
<b>No audit trail of detailed review of the revaluation journal posting</b>	<p>Although there is evidence of reviewer sign-off on the revaluation journal, in testing the implementation of this control we were not able to obtain evidence of the detailed review of the journal and its underlying support, including checking back to the valuers report of the figures included in the journal.</p> <p>We recommend that evidence of review and challenge should be maintained as part of the audit trail for the review process.</p>
<b>Preparation of Accounting papers- Accounting of the council's interest in joint ventures and associates</b>	<p>The financial statements have been restated to correct the historic errors in accounting for the council's interests in joint ventures and associates. This was as a result of both errors in the interpretation of the requirements of the CIPFA Code on how to account for these balances, and errors in the application of the approach adopted by the Council.</p> <p>A management accounting paper was not available setting out the rationale for the approach adopted for accounting for these interests, and supporting the accounting entries. The preparation and review of an accounting paper on this would have been a control check to mitigate this risk.</p> <p>It is good practice (and the expectation of the Financial Reporting Council) for organisations to prepare accounting papers in respect of key matters in the application of accounting standards, in particular for matters of judgement or of estimation complexity. Typically these would include consideration of the relevant requirements of the accounting standards and the Code, the fact pattern (including details of relevant terms of contracts etc), an assessment of how the standards apply in this context, consideration of potential alternative treatments, the proposed approach to measurement/calculation of accounting entries required, and the required disclosures.</p> <p>The preparation of accounting papers both supports accurate financial reporting, including facilitating both internal and external review and challenge, and provides a resource to ensure institutional knowledge in the organisation. We recommend the Council adopt an approach of preparing papers for any key accounting judgements or issues arising.</p>

# Control observations – 2019/20 observations (continued)

Area	2019/20 Observation
<b>Accounting Papers Not Prepared, Reviewed and Challenged for each area of Accounting Estimate</b>	<p>The key control we would expect to see is the preparation of accounting papers that set out the approach and the assumptions in relation to the estimate with this being appropriately reviewed and challenged.</p> <p>This flows from our recommendations raised in the prior year audit. Whilst there have been some improvements in the discussions and some of the documentation the Council is not in a position where it can be said that this control is fully designed and implemented.</p> <p>We recommend that robust controls should be put in place in relation to the review of accounting estimates.</p>
<b>Additions, AUC, Transfers &amp; Disposals only accounted for at year end</b>	<p>It is RBWM policy to transfer fixed assets from the Assets Under Construction (AUC) to the Fixed Assets Register(FAR) and to process additions to PPE only at year end (effective as of 31/03/2020). For this reason, the FAR does not include acquisition dates as they are not considered irrelevant to RBWM.</p> <p>This means that there are potentially 12 months of depreciation which should have been charged against additions to PPE or transfers from AUC that are made at the start of the year.</p> <p>We recommend that Additions, AUC Transfers &amp; Disposals should be recognised when they occur and assets should be depreciated when they are available for use.</p>
<b>Infrastructure asset accounting</b>	<p>In common with other councils, RBWM's infrastructure assets in the fixed asset register are not recorded with the level of disaggregation and componentisation that is assumed in the CIPFA Code, and that would permit normal accounting for these assets including disposal of replaced components.</p> <p>This has been recognised as a sector issue, and DLUHC is expected to create a statutory override to allow councils a period to address issues in accounting for these balances.</p>
<b>Fixed asset system</b>	<p>There is an identified issue in the fixed asset system, Tech Forge, where changes to the register (in particular splitting assets) can lead to changes to the reported opening balances of cost and accumulated depreciation. This then can result in inconsistencies between reports from the fixed asset system and the correct cumulative position, and so reconciling differences to the financial statements.</p> <p>We recommend reviewing the system and report set up to mitigate if possible, and otherwise to put in controls over the reconciliation of the correct cumulative position against the ledger.</p>

# Control observations – 2019/20 observations (continued)

Area	2019/20 Observation – arising from work on objections
<b>Consideration of sale of assets</b>	From our investigation into the objection in respect of the Nicholsons Shopping Centre valuation, we recommend going forward that the Council formally documents its consideration of the best valuation approach to use for the sale of assets together with any supporting calculations, consideration of development value and appetite for risk.
<b>Public approval of transfer of assets to RBWM Property Company Limited</b>	From our investigation into the objection in respect of transfers of properties to RBWM Property Company Limited, as we could not identify the transfer of property at 106 West Borough Road in publicly available documentation (it was included in Part 2 Cabinet minutes) we recommend to the Council that the approval of all assets transferred to the property company are included in publicly available information (Cabinet public document packs).
<b>Support to RBWM Property Company Limited</b>	From our investigation into the objection in respect of support to RBWM Property Company Limited, we recommend the Council reviews the delegated decision-making arrangements in place in respect of dealings with the Property Company, including reviewing and formalising its policy with regards to approval and delegation of authority with regards to letters of support.

Area	2019/20 Observation- Information technology
<b>Password expiry on Windows Active Directory</b>	<p>In our test of access controls on Windows Active Directory, we noted that passwords were configured to expire on or after 365 days. The longer than usual expiry dates of passwords exposes the council to unauthorised individuals gaining access to the system.</p> <p>We recommend that the password expiry period should be updated to align with the recommended best practice</p>
<b>Change Management</b>	<p>It was identified that there is no formal change management policy in place. Furthermore, although changes are tested and approved, there is typically no segregation of duties between those who develop changes, and those who implement changes.</p> <p>We recommend the council to implement a change management policy which should also address segregation of duties.</p>

# Your annual report

We are required to report by exception on any where information in other information published with the financial statements (which is the Narrative Report and Annual Governance Statements) is inconsistent with the financial statements.

	Requirement	Deloitte response
<b>Narrative Report</b>	<p>The Narrative Report is expected to address (as relevant to the Council):</p> <ul style="list-style-type: none"> <li>- Organisational overview and external environment;</li> <li>- Governance;</li> <li>- Operational Model;</li> <li>- Risks and opportunities;</li> <li>- Strategy and resource allocation;</li> <li>- Performance;</li> <li>- Outlook; and</li> <li>- Basis of preparation</li> </ul>	<p>Under International Standard on Auditing (ISA) (UK) 720A (revised), the Auditor's Responsibilities Relating to Other Information in Documents Containing Audited Financial Statements, we are required to review the content of the Narrative Report to identify material inconsistencies (if any) with the statements that they accompany. We are not required to give an opinion on the Narrative Report (and as such it is not considered an 'audited' statement).</p> <p>As noted in our February report, an updated Statement of Accounts for the Council was provided on 27 January 2021 including an updated Narrative Report. This document has been reviewed with minor recommendations fed back to management.</p> <p>The final version is satisfactory.</p> <p>We do note the following areas of improvement that the Council should consider including in the 2020/21 narrative report: The Council could add more on opportunities it is assessing in the near future; further detail could be added more on the risks the Council faces and the mitigations it has in place; and the Council could enhance the links made between strategic priorities and objectives, KPIs and the articulation of the risks the Council faces in achieving these objectives.</p> <p>We also note for 2020/21 CIPFA have issued further guidance on the details that should be included within the Narrative Report in relation to the Covid-19 pandemic.</p>
<b>Annual Governance Statement</b>	<p>The Annual Governance Statement reports that governance arrangements provide assurance, are adequate and are operating effectively.</p>	<p>The Council's Annual Governance Statement for 2019/20 was issued to the June 2020 CO&amp;SP.</p> <p>We have assessed whether the information given in the Annual Governance Statement met the disclosure requirements set out in CIPFA/SOLACE guidance, is misleading, or is inconsistent with other information from our audit.</p> <p>Our work has concluded. We fed back some recommendations to management on the AGS having concluded our VFM work.</p> <p>The final version is satisfactory.</p>



# Objections to the Statement of Accounts

As noted in the introduction, we received 22 potential objections from local electors this year. We reviewed these and concluded that we would accept 6 as formal objections that can be categorised into 3 areas, the key points of which are summarised below, together with findings from our investigation.

We have considered each of the matters accepted as formal objections. Following consideration of each of the heads of objection, including investigation where relevant and consideration of comments received from objectors on our provisional views on each matter, we decided each of the objections.

We did not identify any matters which we considered warranted a public interest report, or identify any items of account that may be unlawful. We also did not identify any matters impacting our financial statement or value for money opinions. As noted below, we have made recommendations (as set out below) for improvement in respect of processes in respect of similar transactions, which we have made under section 27(6) of the Local Audit and Accountability Act 2014 (commonly known as "written recommendations") as opposed to a statutory recommendation under Schedule 7.

We have written to the electors to communicate our decisions in respect of each objection. Our work on objections to the Statement of Accounts is now complete.

<b>Objection title</b>	<b>Nature of the objection</b>	<b>Findings</b>
<b>Nicholson Shopping Centre</b>	1 The lawfulness of the carrying value recognised for the Nicholsons Shopping Centre and the Broadway Multi Storey Car Park assets in the 2019/20 accounts and circumstances surrounding the arrangements for sale of those assets.	We have not identified any unlawful expenditure, any matters requiring a public interest report, or any matters requiring a statutory recommendation be made.  We have included a control recommendation that the Council to improve documentation of similar transactions on page 32.
	2 The lawfulness of the carrying value recognised for the Nicholson's Shopping Centre and associated assets in the 2019/20 accounts, and circumstances surrounding the arrangements for sale of those assets including whether EU state Aid thresholds were breached.	
	3 The lawfulness of the virement of £470,000 from the Broadway Car Park capital budget for work with Tikehau Capital and Areli on the Nicholson's Shopping Centre redevelopment and a new car park.	We have not identified any unlawful expenditure, any matters requiring a public interest report, or any matters requiring a statutory recommendation be made.
<b>RBWM Property Company Limited</b>	4 The lawfulness of public assets moving into the RBWM Property Company Ltd on non-commercial terms, and a lack of transparency over that company.	We have not identified any unlawful expenditure, any matters requiring a public interest report, or any matters requiring a statutory recommendation be made.  We have included a control recommendation that the Council to improve documentation of similar transactions on page 32.
	5 The lawfulness of the support committed by the Authority to the RBWM Property Company Ltd as disclosed in the financial statements of that company.	We have not identified any unlawful expenditure, any matters requiring a public interest report, or any matters requiring a statutory recommendation be made.  We have included a control recommendation that the Council to improve documentation of similar transactions on page 32.
<b>Loss of office payments</b>	6 The lawfulness of compensation for loss of office payments made to the former s151 Officer and Managing Director, as disclosed in note 37 Officers Remuneration to the 2019/20 accounts, unless and until full reasons for departure are explained. The related lawfulness of making loss of office payments to Officers who are closely connected with the matters outlined in the CIPFA Review of Financial Governance ("CIPFA Report").	We have not identified any unlawful expenditure, any matters requiring a public interest report, or any matters requiring a statutory recommendation be made.  We identified a disclosure error in note 37 from investigation of the matters raised in the objection, which has been corrected in the final Statement of Accounts.

# Purpose of our report and responsibility statement

## Our report is designed to help you meet your governance duties

### What we report

Our report is designed to help the Audit and Governance Committee and the Council discharge their governance duties. It also represents one way in which we fulfil our obligations under ISA 260 (UK) to communicate with you regarding your oversight of the financial reporting process and your governance requirements. Our report includes:

- Results of our work on key audit judgements and our observations on the quality of your Annual Report.
- Our internal control observations.
- Other insights we have identified from our audit.

### What we don't report

As you will be aware, our audit was not designed to identify all matters that may be relevant to the Council.

Also, there will be further information you need to discharge your governance responsibilities, such as matters reported on by officers or by other specialist advisers.

Finally, our views on internal controls and business risk assessment should not be taken as comprehensive or as an opinion on effectiveness since they have been based solely on the audit procedures performed in the audit of the financial statements and the other procedures performed in fulfilling our audit plan.

### The scope of our work

Our observations are developed in the context of our audit of the financial statements. We described the scope of our work in our audit plan and again in this report.

This report has been prepared for the Audit and Governance Committee and Council, as a body, and we therefore accept responsibility to you alone for its contents. We accept no duty, responsibility or liability to any other parties, since this report has not been prepared, and is not intended, for any other purpose.

We welcome the opportunity to discuss our report with you and receive your feedback.



**Jonathan Gooding**

for and on behalf of Deloitte LLP

St Albans

20 September 2022

# Appendices



# Audit Adjustments

## Unadjusted misstatements

The following uncorrected misstatements have been identified up to the date of this report. We will update you in writing if any additional matters are identified from completion of our outstanding procedures, including completion of our checks upon the updated financial statements.

Our final quality assurance procedures include a consultation on the overall misstatements (including the impact on the current year CIES of correction of prior year misstatements), and may require correction of additional items dependent on final position.

The unadjusted misstatements have a net impact of £1.4m on useable reserves, and £2.2m on the 31 March 2020 balance sheet.

			Debit/ (credit) CIES £m	Debit/ (credit) in net assets £m	Debit/ (credit) prior year reserves £m	Memo: Debit/ (credit) Council useable reserves £m
<b>Misstatements identified in current year</b>						
Business rate provision error		[1]	(2.4)	2.4	-	(2.4)
Differences between pension contributions in actuarial estimate and accounting records(net)	Pension	[2]	(0.9)	0.9	-	-
Presentation of expense between pension interest costs and cost of service	Pension	[3]	1.4 (1.4)			
Potential impact of Goodwin case on pension liability	Pension	[4]	0.5	(0.5)	-	-
Depreciation on revalued assets	PPE	[5]	(1.0)	1.0	-	-
Cut-off error on depreciation charge	PPE	[6]	0.4	(0.4)	-	-
Presentational adjustment between grant income and operating expenses	Present ation	[7]	0.4 (0.4)	-	-	-
<b>Misstatements identified in current years that relate to prior year and remain uncorrected.</b>						
Joint venture accounting error (group only)		[8]	-	1.4	(1.4)	-
<b>Misstatements identified in prior years that remain uncorrected</b>						
Reconciling items in bank reconciliation		[9]	-	(1.0)	1.0	1.0
Interest cost included in Modern Equivalent for the revalued school assets	PPE	[10]	-	(1.6)	1.6	-
<b>Total</b>			<b>(3.4)</b>	<b>2.2</b>	<b>1.2</b>	<b>(1.4)</b>

# Audit adjustments (continued)

## Uncorrected misstatements( continued)

1. A provision of £2.4m has been incorrectly recognised in respect of collection fund amounts that should correctly be recognised in 2020/21. The impact on 31 March 2020 net assets is £2.4m, with £2.4m impact on useable reserves.
2. Differences have been noted between accounting records and actuarial total reported contributions receivable and benefits payable for the Fund as a whole, which was based upon estimated values to provide information to the actuary (as is common). The adjustments are based on RBWM holding 11% of the Fund's assets. The impact on 31 March 2020 net assets is £0.9m, with no impact on useable reserves.
3. There is a classification error between the pension interest costs in the CIES (overstated by £1.4m), and cost of services (understated by £1.4m). There is an equivalent misstatement in the 2018/19 figures of £1.4m (understatement of pension interest cost in the CIES and overstatement of cost of services). There is no impact on net assets at 31 March 2020 or on useable
4. The Goodwin case has not been adjusted for in the pension liability. Deloitte actuaries have assessed the impact as an increase of between £0.5 and £1.0m at 31 March 2020, with no impact on useable reserves.
5. The in year depreciation charge was not reversed on a car park asset revalued as at 31 March 2020. The impact on 31 March 2020 net assets is £1.0m, with no impact on useable reserves.
6. The depreciation charge recognised in the financial statements is understated by £0.4m due a cut-off error with entries in the fixed asset register not captured in the general ledger. The impact on 31 March 2020 net assets is £0.4m, with no impact on useable reserves.
7. Presentational adjustment to correct classification of income between operating expenditure and grant income of £0.4m within the Comprehensive Income and Expenditure Statement. There is no impact on net assets or useable reserves.
8. JV accounting in the Group financial statements: The restated joint venture opening position has been calculated including the impact of impairments in the council only accounts, rather than taking just the initial investment plus the council's share of gains and losses. The impact on 31 March 2020 net assets is £1.4m, with no impact on useable reserves.
9. This relates to long outstanding reconciling items for which we were not provided any support (and which we reported as part of our 2018/19 audit). As noted on page 26, we understand from management this has been corrected in the 2020/21 period. The impact on 31 March 2020 net assets is £1.0m, with £1.0m impact on useable reserves.
10. Interest was included in the Modern Equivalent Asset valuation for the single school revalued. These valuations are required to be on an "instant build" basis and should only include actual build costs. We understand that the Council plans to correct this when schools next fall into their year of full revaluation within the cycle. The impact on 31 March 2020 net assets is £1.6m, with no impact on useable reserves.

# Audit adjustments (continued)

## Disclosure deficiencies

### **Disclosure misstatements**

The following uncorrected disclosure misstatements have been identified up to the date of this report. We will update you in writing if any additional matters are identified from completion of our outstanding procedures, including completion of our checks upon the updated financial statements.

#### **(i) Gross cost and accumulated depreciation of infrastructure assets**

The gross cost and accumulated depreciation of infrastructure assets is overstated, as, in common with other councils, the Council has not recognised disposals when carrying out repair and replacement works (e.g. road resurfacing). The Council does not consider that any overstatement arising is material to the users of the financial statements. We note that DLUHC is expected to create a statutory override permitting councils to omit disclosure of gross cost and accumulated depreciation for infrastructure assets (so only reporting net book value).

#### **(ii) Presentation of capital creditor movements in the cashflow statement**

The cashflow does not adjust for movements in capital creditors, which results in misallocation of cashflows between creditor movements in operating cashflows and payments to acquire fixed assets in investing cashflows. This impacts the cashflow for both current and prior year.

#### **(iii) Presentation of Expenditure and Income in note 8 of the Financial Statement**

The note 8 analysis of income and expenditure totals less than total income and expenditure shown in the CIES by £2.8m (2018/19 £1.0m), with figures within note 8 netted off when shown gross in the CIES

# Fraud responsibilities and representations

## Responsibilities explained



### **Responsibilities:**

The primary responsibility for the prevention and detection of fraud rests with officers and those charged with governance, including establishing and maintaining internal controls over the reliability of financial reporting, effectiveness and efficiency of operations and compliance with applicable laws and regulations. As auditors, we obtain reasonable, but not absolute, assurance that the financial statements as a whole are free from material misstatement, whether caused by fraud or error.



### **Required representations:**

We have asked the Council to confirm in writing that you have disclosed to us the results of your own assessment of the risk that the financial statements may be materially misstated as a result of fraud and that you have disclosed to us all information in relation to fraud or suspected fraud that you are aware of and that affects the Council.

We have also asked the Council to confirm in writing their responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud and error.



### **Audit work performed:**

In our planning we identified valuation of land and buildings, capital expenditure and management override of controls as key audit risks for the council.

During course of our audit, we have had discussions with officers and those charged with governance.

In addition, we have reviewed officer's own documented procedures regarding fraud and error in the financial statements. We have reviewed the Annual Governance Statement.

### **Conclusion:**

We have no matters to report from our procedures in this regard.

# Independence and fees

As part of our obligations under International Standards on Auditing (UK), we are required to report to you on the matters listed below:

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## Independence confirmation

We confirm the audit engagement team, and others in the firm as appropriate, Deloitte LLP and, where applicable, all Deloitte network firms are independent of the Council and will reconfirm our independence and objectivity to the Audit and Governance Committee for the year ending 31 March 2020.

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## Audit fees

The scale fees for the 2019/20 audit of the Council were £63k and for the Pension Fund £19k. These are the same scale fees as the 2018/19 audit. The scale fee is based on assumptions about the scope and required time to complete our work, and does not reflect any additional audit issues for the year, or the increasing scope of work required due to new auditing requirements and regulatory requirements.

With respect to the work on objections, we have shared with officers the time incurred and related legal costs, and are subject to approval by Public Sector Audit Appointments Limited. At the contracted rates under the PSAA contract (which are significantly lower than for other sectors), the costs incurred are £49k, plus legal fees of £41k (for advice on legal aspects as the auditor – this does not include any costs separately incurred by the council). This does not include the consequent impact on our resourcing which also impacted the time required to complete the accounts audit. Management have included their estimate of the Council's internal time costs in management's Audit Committee Report.

Our financial statement and value for money audit work has required substantial further input compared to that envisaged in the scale fee. Now work is complete, we will assess the costs of additional work required in respect of both and share with officers in due course. The fee will be agreed with officers and approved by Public Sector Audit Appointments Limited before finalisation, and will be reported to the audit committee after agreement with officers.

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## Non-audit fees

In our role as pension scheme auditor, we have provided reporting to the auditors of member authorities, for which we have charged £23,300 for letters in respect of 2019/20 and £3,300 for letters in respect of 2018/19 issued since our reporting on 2018/19.

Our report on the 2018/19 audit included details of grant work in respect of 2018/19 – no grant reporting has been undertaken in respect of 2019/20.

There are no other non-audit fees in relation to the financial year 2019/20.

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## Independence monitoring

We continue to review our independence and ensure that appropriate safeguards are in place including, but not limited to, the rotation of senior partners and professional staff and the involvement of additional partners and professional staff to carry out reviews of the work performed and to otherwise advise as necessary.

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## Relationships

We have no other relationships with the Authority, its members, officers and affiliates, and have not supplied any services to other known connected parties.





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[date]

Our Ref: JLG/AK/2020

Dear Engagement Partner

This representation letter is provided in connection with your audit of the Statement of Accounts of Royal Borough of Windsor and Maidenhead ("the Council") including the Group Accounts ("the financial statements") for the year ended 31 March 2020 for the purpose of expressing an opinion as to whether the financial statements give a true and fair view of the financial position of Royal Borough of Windsor and Maidenhead as of 31 March 2020 and of the results of its operations, other comprehensive income and expenditure and its cash flows for the year then ended in accordance with applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting 2019/20 ("the Code").

We acknowledge our responsibilities for preparing financial statements for the Council which present fairly and for making accurate representations to you.

We confirm, to the best of our knowledge and belief, the following representations.

*Financial statements*

1. We understand and have fulfilled our responsibilities for the preparation of the financial statements in accordance with the Accounts and Audit Regulations 2015 and the CIPFA/LASAAC Code of Practice on Local Authority Accounting 2019/20 which give a true and fair view, as set out in the terms of the audit engagement letter.
2. The methods, the data, and the significant assumptions used by us in making accounting estimates and their related disclosures, including those assessing the impact of Covid-19 on the group, are appropriate to achieve recognition, measurement or disclosure that is reasonable in the context of the applicable financial reporting framework.
3. Related party relationships and transactions have been appropriately accounted for and disclosed in accordance with the requirements of *IAS24 "Related party disclosures"*.
4. All events subsequent to the date of the financial statements and for which the applicable financial reporting framework requires adjustment of or disclosure have been adjusted or disclosed.
5. The effects of uncorrected misstatements and disclosure deficiencies are immaterial, both individually and in aggregate, to the financial statements as a whole. A list of the uncorrected misstatements and disclosure deficiencies is detailed in the appendix to this letter.
6. We confirm that the financial statements have been prepared on the going concern basis and disclose in accordance with IAS 1 all matters of which we are aware that are relevant

to the Council's and Group's ability to continue as a going concern, including principal conditions or events and our plans. We do not intend to liquidate the Council or cease trading as we consider we have realistic alternatives to doing so. We are not aware of any material uncertainties related to events or conditions that may cast significant doubt upon the Council's or Group's ability to continue as a going concern. We confirm the completeness of the information provided regarding events and conditions relating to going concern at the date of approval of the financial statements, including our plans for future actions.

7. We confirm that all of the disclosures within the Narrative Report and the Annual Governance Statement have been prepared in accordance with the relevant legislation and guidance.
8. The measurement processes, including related assumptions and models used to determine accounting estimates in the context of the applicable financial reporting framework are appropriate and have been applied consistently.
9. The assumptions appropriately reflect our intent and ability to carry out specific courses of action on behalf of the entity where relevant to the accounting estimates and disclosures.
10. With respect to the revaluation of properties in accordance with the Code:
  - a) the measurement processes used are appropriate and have been applied consistently, including related assumptions and models;
  - b) the assumptions appropriately reflect our intent and ability to carry out specific courses of action on behalf of the entity where relevant to the accounting estimates and disclosures;
  - c) we have considered whether any changes are required to valuations reflecting the impact of the Covid-19 pandemic as at 31 March 2020 (which the valuers have reflected through a material valuation uncertainty as that date);
  - d) we confirm that the effects of the Covid-19 pandemic have been fully considered by our valuation experts and are reflected in the property valuations disclosed in the financial statements;
  - e) the information supplied for the valuation of the Council's property and investment property assets includes up to date rental and other relevant data to inform the valuation, and there are no circumstances we are aware of that would impact upon the valuation of assets (such as issues with condition) that have not been shared with the valuer;
  - f) we have considered the valuation of the Council's Property, Plant and Equipment and investment properties, and we are not aware of any other errors or inconsistencies, and the overall valuation movement recognised is in line with that expected from the work of the valuer;
  - g) the disclosures are complete and appropriate; and
  - h) there have been no subsequent events that require adjustment to the valuations and disclosures included in the financial statements.
11. We have considered the valuation of assets that had not been subject of a full revaluation in the year, and, having considered circumstances indicating impairment or volatility in asset values (either in year or on a cumulative basis since the last revaluation of assets), have adjusted the valuation based on our best evidence of the movement in value on advice from valuers.

12. We have reconsidered the remaining useful lives of the Council's Property, Plant and Equipment and confirm that the present rates of depreciation are appropriate to amortise the cost or revalued amount less residual value over the remaining useful lives.
13. We have reviewed the useful economic lives applied to infrastructure assets and their carrying value. We consider that the revised useful economic lives identified to apply to these assets are appropriately supported, and that this change is a change in accounting estimate rather than correction of an error, and that the impact of applying the updated lives across all assets in 2019/20 would not be materially different to the depreciation charged in the year. The useful economic lives applied reflect an overall useful economic life for asset type, reflecting where required shorter life for elements of the asset where not componentised, such that carrying value is not overstated if and when replacement of elements is required.
14. We have considered the potential overstatement of gross cost and accumulated depreciation of infrastructure assets arising due to not recognising disposal or derecognition of elements of assets when replacing assets, and confirm that we consider that this is not material to the users of the financial statements and is not used in decision making by the council.
15. The disclosures related to accounting estimates under the entity's applicable financial reporting framework are complete and appropriate.
16. There have been no subsequent events that require adjustment to the accounting estimates and disclosures included in the financial statements.
17. The Council has satisfactory title to all assets and there are no liens or encumbrances on the Council's assets and assets pledged as collateral.
18. We have recorded or disclosed, as appropriate, all liabilities, both actual and contingent.
19. We have disclosed to you all deficiencies in internal control of which we are aware. We have reconsidered the remaining useful lives of the fixed assets and confirm that the present rates of depreciation are appropriate to amortise the cost or revalued amount less residual value over the remaining useful lives.
20. Except as disclosed in Note 14 to the accounts, as at 31 March 2020 there were no significant capital commitments contracted for by the Council.
21. We are not aware of events or changes in circumstances occurring during the period which indicate that the carrying amount of fixed assets or goodwill may not be recoverable.
22. We confirm that:
  - all retirement benefits and schemes, including funded or unfunded, approved or unapproved, contractual or implicit have been identified and properly accounted for;
  - all settlements and curtailments have been identified and properly accounted for;

- all events which relate to the determination of pension liabilities have been brought to the actuary's attention;
  - the actuarial assumptions underlying the valuation of the scheme liabilities (including the discount rate used) accord with the Council's best estimates of the future events that will affect the cost of retirement benefits and are consistent with our knowledge of the business;
  - the actuary's calculations have been based on complete and up to date member data as far as appropriate regarding the adopted methodology; and
  - the amounts included in the financial statements derived from the work of the actuary are appropriate.
23. We have reviewed our provisioning for Non-Domestic Rates appeals, and consider that the assumptions used reflect our best assessment of the liability in respect of appeals. There are no relevant facts or circumstances of which we are aware that we have not disclosed to you.
24. We have reviewed our provisioning for recoverability of non-exchange debtors, including in respect of Non-Domestic Rates, Council tax and Housing benefit overpayments, and consider the assumptions in respect of recoverability to reflect our best assessment of the recoverable amount of these balances. There are no relevant facts or circumstances of which we are aware that we have not disclosed to you.
25. We have made the following restatements, as detailed in notes 55 and 59, to correct material misstatement in prior period financial statements that effect the comparative information:
- i. Restatement of the Council-only financial statements to account for its interests in Achieving for Children and Optalis as investments (rather than equity accounting), and presentation of a Council-only Comprehensive Income and Expenditure Statement;
  - ii. Restatement of the Group financial statements for corrections to the equity accounting for the Council's interests in Achieving for Children and Optalis;
  - iii. Restatement of the presentation of the Comprehensive Income and Expenditure Statement to present items within Cost of Services previously shown within Other Operating Income and Expenditure; and
  - iv. Restatement of the presentation of revaluation gains and losses to present items impacting the surplus/deficit in the Cost of Services, rather than netted against the revaluation movements in Other Comprehensive Income. In making this adjustment, we have judged that most appropriate presentation is to include the full £15.5m previously netted as being a "revaluation loss" in Cost of Services (and to present as its own line rather than allocating across services as not monitored in this way). This includes £1.0m of movements in respect of "derecognition -other", £1.6m in respect of valuation changes on assets reclassified to assets held for sale, and £0.1m of other movements. We consider this more appropriate than presenting as part of gain/loss on disposals, have not identified an alternative

presentation for any elements of this balance, and do not consider the presentational impact of any misstatement within this amount to be material in the context of the balance or the financial statements as a whole.

26. We confirm that we have consider Achieving for Children and Optalis to be most appropriately presented as joint ventures (as opposed to associates), having considered both the legal arrangements in place and the practical operation of the arrangements for each entity. We confirm that we do not consider the categorisation used to be material to the financial statements.

*Information provided*

27. We have provided you with all relevant information and access as required by the Local Audit and Accountability Act 2014.
28. All transactions have been recorded and are reflected in the financial statements and the underlying accounting records.
29. We acknowledge our responsibilities for the design, implementation and maintenance of internal control to prevent and detect fraud and error.
30. We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
31. We are not aware of any fraud or suspected fraud that affects the Council and involves:
- (i) management;
  - (ii) employees who have significant roles in internal control; or
  - (iii) others where the fraud could have a material effect on the financial statements.
32. We have disclosed to you all information in relation to allegations of fraud, or suspected fraud, affecting the entity's financial statements communicated by employees, former employees, analysts, regulators or others.
33. We are not aware of any instances of non-compliance, or suspected non-compliance, with laws, regulations, and contractual agreements whose effects should be considered when preparing financial statements
34. We have disclosed to you the identity of the Council and Group's related parties and all the related party relationships and transactions of which we are aware.
35. All known actual or possible litigation and claims whose effects should be considered when preparing the financial statements have been disclosed to you and accounted for and disclosed in accordance with the applicable financial reporting framework. No other claims in connection with litigation have been or are expected to be received.
36. All trades in complex financial instruments are in accordance with our risk management policies, have been conducted on an arm's length basis and have been appropriately

recorded in the accounting records, including consideration the purpose of the use of complex financial instruments. None of the terms of the trades have been amended by any side agreement and no documentation relating to complex financial instruments (including any embedded derivatives and written options) and other financial instruments has been withheld.

37. We have no plans or intentions that may materially affect the carrying value or classification of assets and liabilities reflected in the financial statements.
38. All minutes of council meetings during and since the financial year have been made available to you.
39. We confirm that:
  - (i) we consider that the Council has appropriate processes to prevent and identify any cyber breaches other than those that are clearly inconsequential; and
  - (ii) we have disclosed to you all cyber breaches of which we are aware that have resulted in more than inconsequential unauthorised access of data, applications, services, networks and/or devices.
40. We have performed an assessment of the impact on the financial statements of events in Russia and Ukraine including consideration of the impact of sanctions and have disclosed the results of that assessment to you.
41. We acknowledge our responsibility for ensuring appropriate processes and controls are in place in respect of Covid-19 specific funding and expenditure streams. We have considered the accounting treatment of grants received, including whether the Council is acting as agent or principal in respect of transactions, and whether any amounts receivable or payable should be accrued, reflecting all relevant guidance and circumstances.
42. All grants or donations, the receipt of which is subject to specific restrictions, terms or conditions, have been notified to you. We have evaluated whether the restrictions, terms or conditions on grants or donations have been fulfilled with and deferred income to the extent that they have not.

*Value for money*

43. We acknowledge our responsibility for ensuring the Council has put in place arrangements for securing economy, efficiency and effectiveness in its use of resources.
44. We have disclosed to you all deficiencies of which we are aware in the Council's arrangements to secure economy, efficiency and effectiveness in its use of resources.

We confirm that the above representations are made on the basis of adequate enquiries of management and staff (and where appropriate, inspection of evidence) sufficient to satisfy ourselves that we can properly make each of the above representations to you.

Yours faithfully

Signed on behalf of Royal Borough of Windsor and Maidenhead



## Appendix 1

### Schedule of Uncorrected Misstatements

	Debit/ (credit) CIES £m	Debit/ (credit) in net assets £m	Debit/ (credit) prior year reserves £m	<i>Memo: Debit/ (credit) usable reserves £m</i>
<b>Misstatements identified in current year</b>				
<b>Misstatements identified in prior years that remain uncorrected</b>				

1. .

**Disclosure deficiencies:**

#	Disclosure title	Description of the deficiency and explanation of why not adjusted	Amount (if applicable)
	[]		