

The Royal Borough of Windsor and Maidenhead

Financial statements 2020/2021

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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 Clewer East.

| 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: | 53.1% of population qualified to and above degree-level or equivalent (compared to South East 37.6% and England 35.8%) 2.9% with no qualifications (GCSE) (compared to South East 4.9% and England 6.3%) (ONS APS Dec-2020) |
| Employment: | Unemployment rate 2.8% compared to South East 4.0%, and England 4.8% (ONS APS, Dec-2020) |
| Ethnicity: | 13.9% non-white British (ONS Census 2011) |
| Median house price: | £499,475 compared to South East £327,500 and England £249,000. (year ending Sep-2020, ONS House Price Statistics for Small Areas) |

What the Council does

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.

Adults and Children's services are managed on behalf of the Borough by Optalis Ltd and Achieving for Children (AFC) respectively. The Council shares ownership of these organisations with other partner authorities and group accounts are prepared annually including the Council's equity share of these associates.

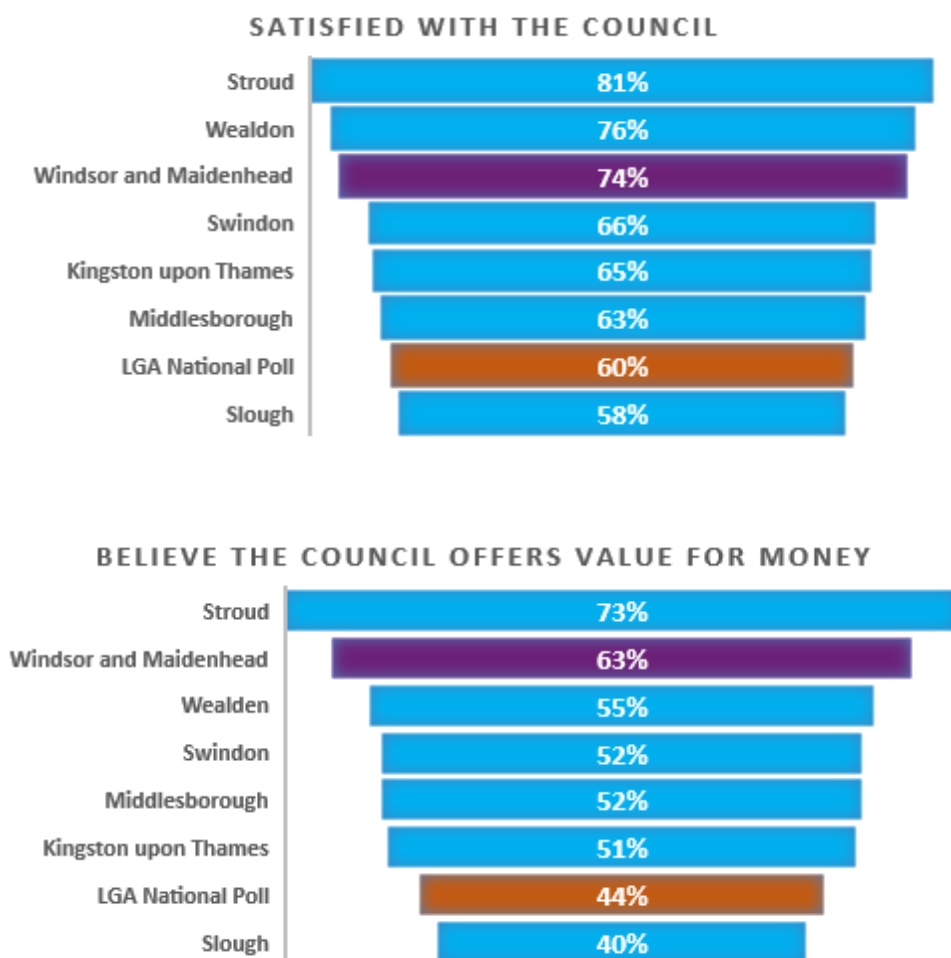
As a council we measure how well we are performing through a range of indicators as well as our residents' survey. Everything we do has to be provided within the challenge of reduced central grant to local government and increasing demand on service areas as the population grows and ages.

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.

Council Tax is 39% below the national average (including adult social care and parish precepts (Band D)) as well as significantly below neighbouring Berkshire councils. This presents challenges to service provision which are considered later in this section.

What Residents Think

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



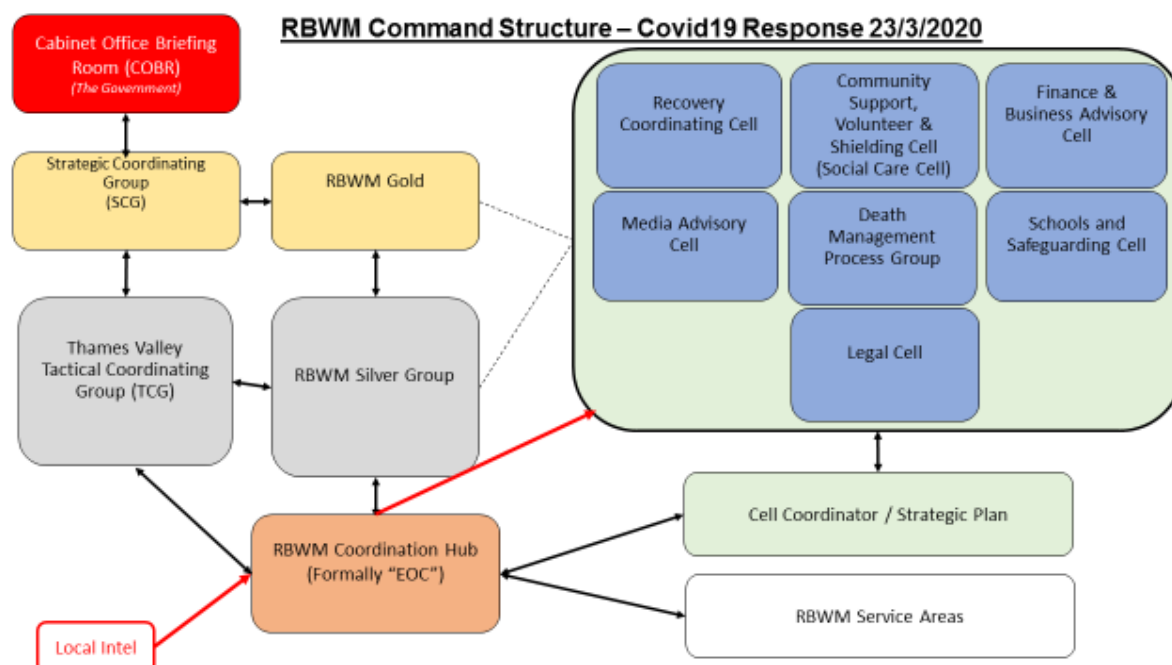
Strategic Response to the Covid-19 emergency

The Covid-19 pandemic was an unprecedented worldwide challenge that the Royal Borough had been at the heart of responding to for the local community, along with its partners and our communities.

The Royal Borough started to experience the impacts of the pandemic back in March 2020 when the Government announced the first national lockdown. At that time the full extent of the issues the Council would face in continuing to deliver services and support our communities could not be fully assessed. For the whole of 2020/21 the Royal Borough continued to deal with the outcomes of the pandemic and knew that the impact would continue well into 2021/22 and beyond.

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 with the ability to step up again if necessary. The structure's overall priorities were to **protect lives, provide community leadership, reassurance, and 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.



The Council Plan 2017-21 remained current up to 30 July 2020 when Cabinet approved an Interim Council Strategy 2020/21 for immediate adoption on the basis that the Covid-19 pandemic had significantly altered the context in which the Council was operating.

Our Strategic Priorities

The Interim Council Strategy clarified the three revised priorities to which the Council was responding, acknowledging that any instances where previous objectives could still be delivered without affecting delivery of interim objectives was a good thing and would be supported. The three revised priorities for 2020/21 were:

- **Covid-19 objectives:** focusing on the immediate response, long-term recovery, and new service requirements.
- **Interim Focus Objectives 2020-21:** focusing on revised service operating plans, development of the Transformation Strategy, Climate Strategy, Governance, and People Plan.
- **Revised Medium Term Financial Strategy:** focusing on the impact of Covid-19, economic downturn, and government policy.

The Council developed its new Corporate Plan to succeed the Interim Council Strategy, and was considered during 2021/22 for adoption, following consultation with our partners and key stakeholders.

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 Chief Executive, Executive Directors, Deputy Director, 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.

Performance against priorities 2020/21

The following section provides a brief overview of the key activities and milestones achieved by the Council during 2020/21. Full details can be found here.

<https://rbwm.moderngov.co.uk/documents/g8000/Public%20reports%20pack%2024th-Jun-2021%2019.00%20Cabinet.pdf?T=10>

| PRIORITY: | COVID-19 OBJECTIVES |
|-----------------------------|--|
| Item | Achievements and key milestones |
| Response (immediate) | <p>Community response and Clinically Extremely Vulnerable (CEV) Residents: An innovative community partnership protecting our CEV residents from Covid-19. From the outset of the first lockdown in March 2020 a coordinated team of staff, drawn from all services in the Council, maintained regular contact with residents who were shielding and took any appropriate action to ensure that these individuals' needs were met.</p> <p>A public-facing online directory of Covid-19 Support Groups was quickly developed. A new, flexible digital telephony solution was set up from April 2020 to support redeployed staff's long-term contact with CEV residents and over 20,000 calls were made. A new database (Lyon) was developed to manage interactions with CEV residents. and anyone seeking help and support in the community.</p> <p>During the pandemic a number of initiatives were undertaken which included:</p> <ul style="list-style-type: none"> • Local community hubs of public sector partners were established and worked in unison to support local need. • The Winter Support scheme provided £45,000 to seven local groups to support vulnerable families and individuals through the worst of the cold weather. • A further £230,000 was distributed through food vouchers to families registered for free school meals to cover Christmas, winter half-term and Easter holiday times. These vouchers supported 2,037 unique children in the borough. |
| Response (immediate) | <p>Outbreak Control Plan and Local Outbreak Engagement Board: The Outbreak Control Plan Summary was published on the RBWM website on 30 June 2020 in line with national instruction from the Department of Health and Social Care.</p> |
| Response (immediate) | <p>Community Influencers and Community Information Champions: In October 2020 a new "community influencers" group was established with representatives from across various RBWM departments, including Achieving for Children, Libraries and Environmental Health. The group's aim is to communicate key Covid-19 messages to the wider community, whilst targeting messaging to specific demographic groups based on analysis of key data sets.</p> |
| Recovery (long-term) | <p>The Council has worked in partnership with organisations across the Thames Valley to develop a recovery framework across the region.</p> <ul style="list-style-type: none"> • RBWM Recovery Strategy: On 24 September 2020 Cabinet approved the RBWM Recovery Strategy. • Local Contact Tracing Service: The Council set up a local contact tracing service which started operating in November 2020 to complement the national NHS Test and Trace service. • Lateral flow tests: From 8 February 2021 rapid Covid-19 test centres opened in Braywick Leisure Centre and Windsor Leisure Centre |

| PRIORITY: | INTERIM FOCUS OBJECTIVES 2020-21 |
|---|---|
| Item | Achievements and key milestones |
| Revised Service Operating Plans | As part of the organisational recovery strategy, service-level step-up plans were implemented, as were changes to existing operating models to allow services to continue in a socially distanced and safe way. |
| Transformation Strategy | The Transformation Strategy 2020-2025 was unanimously approved by the Cabinet Transformation Sub-Committee on 22 September 2020. Action plans by which to deliver the Strategy were developed. |
| Environment and Climate Strategy | Following a public consultation, the updated Environment and Climate Strategy was approved by Cabinet on 17 December 2020. |

| PRIORITY: | INTERIM FOCUS OBJECTIVES 2020-21 |
|---|--|
| Item | Achievements and key milestones |
| Governance | A new full-time Monitoring Officer and Deputy Director of Law and Strategy joined the Council in February 2021. A Statutory Officers Group has been formed and meets on a regular basis to action issues of concern and promote a strong governance and decision-making culture at the authority. This Group reviews the effectiveness of current arrangements and champions best practice whilst feeding into the Annual Governance Statement. CIPFA review – see section below |
| People Plan | A key foundation of the Council's future People Strategy is the agreement of organisational values to govern how we work and behave every day. Following extensive staff consultation, a suite of new values was launched on 19 June 2020, each underpinned by illustrative positive behaviours. The new values are: <ul style="list-style-type: none"> • Invest in strong foundations • Empowered to improve • One team and vision • Respect and openness. A staff survey was conducted in November 2020 |
| Revised Medium Term Financial Strategy | An Extraordinary Council meeting was held on 14th October 2020 to discuss a refreshed Medium-Term Financial Strategy. The new MTFS reflected the new Interim Strategy, and the financial modelling was updated to reflect the latest information, changes in assumptions around central government funding, inflation assumptions and other emerging issues. This formed the start of the budget-setting process for 2021/22 and the supporting Medium-term financial plan. The draft budget for 2021/22 was discussed at Cabinet on 17 December 2020 and subsequently published on 22 December 2020 for consultation. This draft budget was also considered by all Overview and Scrutiny Panels in January 2021 and approved at Full Council on 23 February 2021. |

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.

Optalis operates six care settings on our behalf which are regulated by the Care Quality Commission (CQC) - five are rated Good by the CQC with the sixth is awaiting its first inspection.

CIPFA (Chartered Institute of Public Finance and Accountancy) Action Plan

CIPFA undertook a review of governance during 2019 and early 2020. Their final report was presented to Cabinet in June 2020. They identified a wide range of issues requiring consideration by the Authority. Many changes had been implemented during the course of the review, and an action plan was developed identifying appropriate actions to resolve the remaining outstanding issues. Progress against those action plans are reported to Corporate Overview and Scrutiny Committee quarterly. The report presented on 19th April 2021, confirmed that the majority of actions had been completed.

Completed actions include:

- Development of a robust Medium-Term Financial Strategy and balanced budget proposals for 2021/22
- Approval of an effective Transformation Strategy
- Improved Capital Programme Management, including the establishment of a Capital Programme Board, chaired by the Head of Finance, to improve governance of the capital programme
- Improved Budget Monitoring, including detailed reports to Cabinet every 2 months
- Improved management of partnership arrangements with Optalis and Achieving for Children
- Revised Member Code of Conduct, to clarify responsibilities of officers and members
- Improved Pension Fund Governance (see below)

All the remaining recommendations were implemented subsequently and reported to Cabinet on 16th December 2021. Recommendations have continued to be reviewed where they are not closed.

The outstanding review of the governance of RBWM Property Company was completed in 2021/22. The Council, as sole shareholder in the Property Company, developed and implemented the recommendations of the review, resetting the core objectives for the Company. The new objectives were incorporated into the Property Company's Business Plan and Strategy and approved by Cabinet at its meeting in May 2022.

Berkshire Pension Fund Governance

An independent review was undertaken by a local government pensions expert and was presented to the Pension Fund Committee on 19 October 2020. This review considered the governance arrangements of the Berkshire Pension Fund that the Royal Borough administers on behalf of fund members.

The report contained 21 recommendations as to how governance could be improved. A progress report was presented to the Pension Fund Committee on 22 March 2021. Progress against those recommendations has been significant; 19 actions have been completed and the rest are expected to be completed to the timelines agreed.

Some key improvements include:

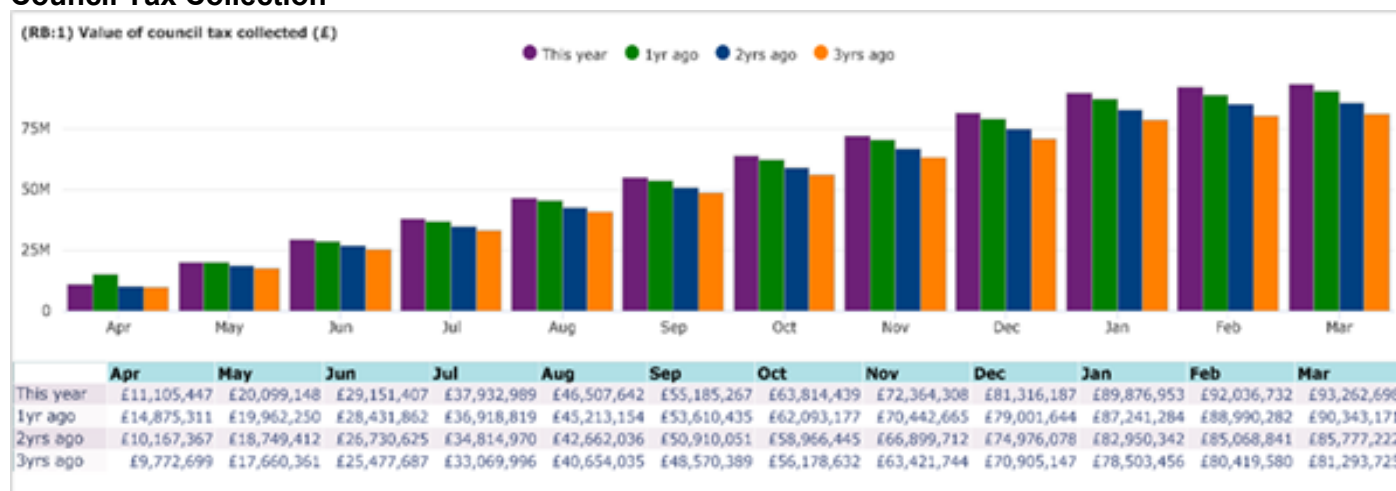
- Streamlining the committee structure, improving accountability, and reflecting the new pooled investment arrangements
- Re-establishing the post of Head of Pension Fund. A permanent appointment has now been made to this post, but it has been covered in the interim by an experienced agency member of staff
- Improving the clerking and minuting of meetings
- Improving valuation and audit arrangements
- Agreeing a training framework and workplan. Training records will be maintained for all members of the Pension Fund Committee, the Pension Fund Advisory Panel, and the Pension Board.

The Financial Statements for the **Berkshire Pension Fund** are included in the Supplementary Financial Statements that form part of these accounts (the Royal Borough is the administrator of the scheme).

Collection Fund

The majority of Council spending relies on collecting Council Tax and Business Rates. The Council's budgeted share of these two precepts was £90.43m in 2020/21. Collection rates are therefore closely monitored.

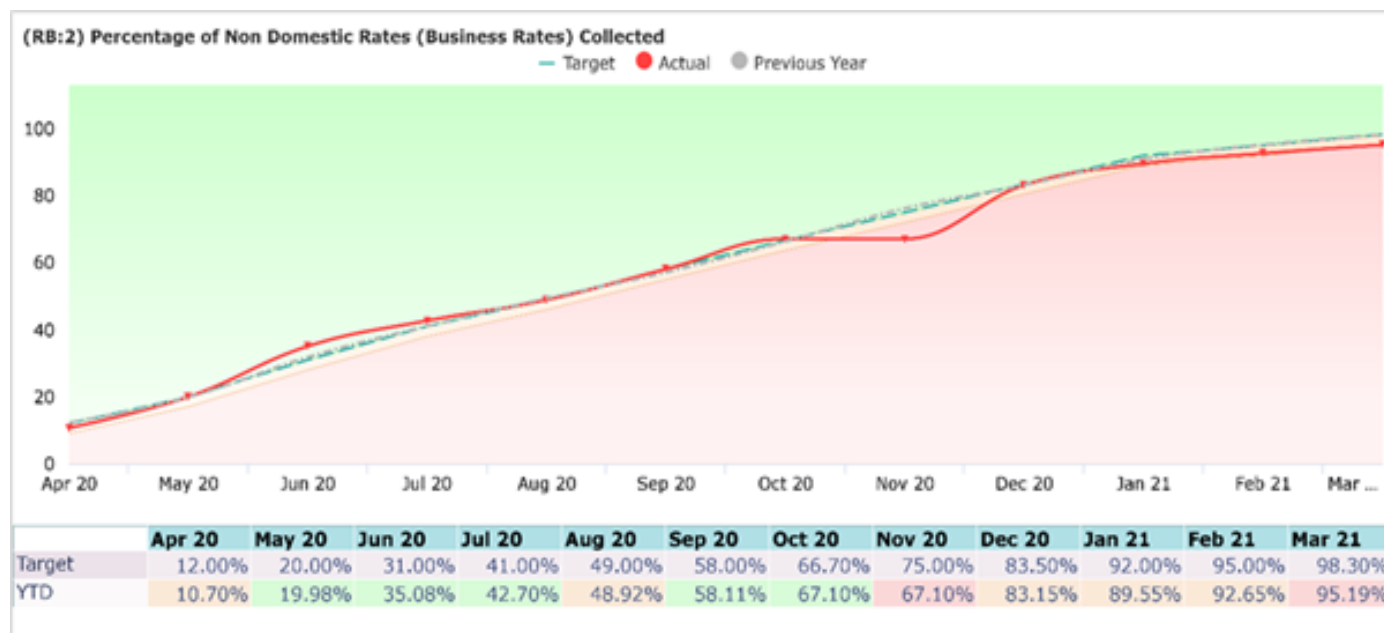
Council Tax Collection



A total of £93.3m of Council Tax has been collected, equating to a collection rate of 96.98% against a target collection rate of 98.5%.

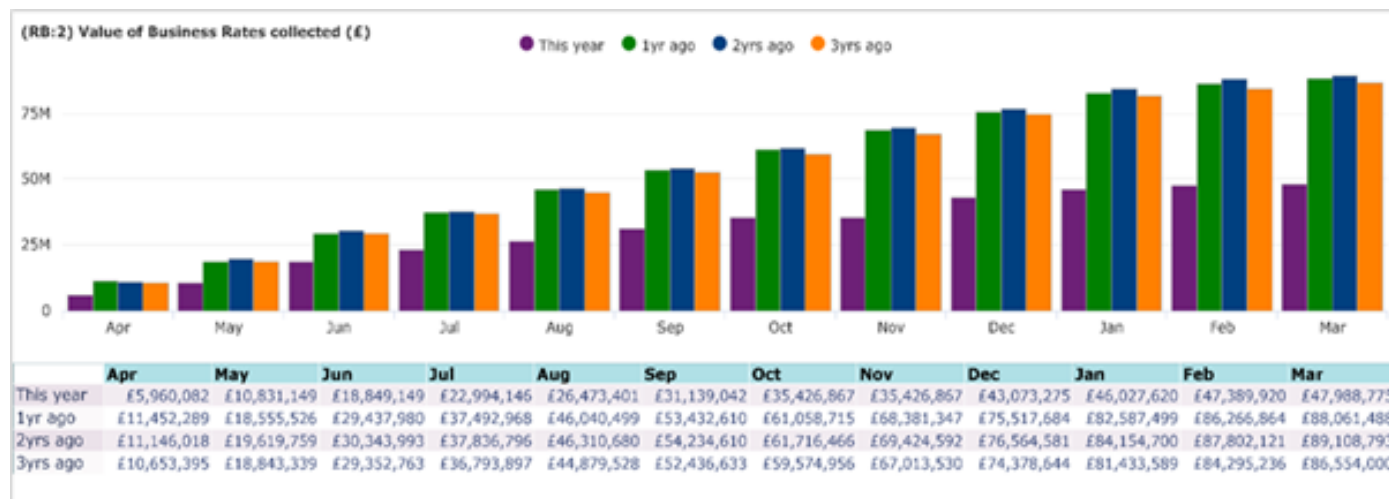
£500,000 of government grant funding has been allocated to assist individuals in receipt of Council Tax Reduction with an additional award of up to £150 to reduce their outstanding Council Tax liability (Covid-19 Council Tax Hardship Fund).

Non-domestic Rates Collection



Business Rate collection was £48m equating to a collection rate of 95.19% against a target collection rate of 98.3%

Central government announced that with effect from 1 April 2020, two new forms of Business Rates Relief would apply to qualifying Businesses i.e., Nursery Relief (£0.664m) and Expanded Retail Relief (£38.69m) to businesses qualifying for the Expanded Retail Relief, reducing the Business Rates bill of these premises to £0 for 2020/21 as a direct response to the global pandemic. The collection rate reflects sums collected from businesses not entitled to these new forms of relief.



Department of Levelling Up, Housing and Communities DLUHC (formerly MHCLG) released the full calculations for the Covid-19 Collection fund loss of income compensation scheme after 31st March 2021;

The Council was compensated £5.8m for Business rates and £66k for Council tax loss of income.

The Council's share of the 2020/21 Collection fund deficit for Business Rates is £35.5m. This was partly offset by the Council's share of the section 31 grant received during 2020/21 of £19m (total grant £39.199m). The ongoing impact on the value of NNDR collected in the borough once government support to businesses is scaled back was unknown at the time of producing 2020/21 accounts, but it was anticipated that rates may

not recover quickly and will remain lower than historical rates for the medium term. As the borough now receives funding directly from business rates, falls in collection rates present a risk to the Medium-Term Financial Plan and the Council has set aside £5.9m reserves to try to mitigate the impact and smooth inherent volatility in the Collection Fund.

Financial Impact of the Covid-19 pandemic - Grants

Government Grants and Reliefs

As part of the Covid-19 response, the government announced a range of grant schemes to support businesses and individuals, which have been administered by the local billing authorities. In addition, there has been significant direct support for local authorities to ensure continued provision of public services and funding that has supported the Covid-19 objectives and actions above.

Grant Support for Businesses and Individuals

Grant funding of £55.3m has been received for allocation 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. This funding, if not distributed within the deadlines of the grant determination will be repaid to central government. Business Support Grants of £28m were awarded to 1,873 eligible businesses during the initial lockdown period and further grants of £27m paid to 4,053 businesses since the further restrictions imposed from November 2020. Unpaid grant was carried forward to 2021/22 in accordance with the terms and conditions of the grants provided to be disbursed in 2021/22. A total of £42.5m was received under "Agency" arrangement of which £14.2m was carried forward to be paid in 2021/22 and any balance to be paid back to the Government.

A further £78,000 has been awarded to individuals who have tested positive, been required to self-isolate and suffered a reduction in income under the Test and Trace scheme.

Grant and Compensation Support for the Royal Borough

The Council has received and is expecting to receive total funding of £20.5m to enable the continued provision of public services and the provision of new services relating to the Covid-19 pandemic.

| Covid-19 Grant Funding - 2020/21 | Received/Receivable in 2020/21 | Recognised in 2020/21 | Carried to 2021/22 |
|--|---|----------------------------------|-----------------------------------|
| | £'000 | £'000 | £'000 |
| Covid - Contributions | 3,443 | 3,443 | 0 |
| Covid - mental health support for schools | 26 | 6 | (20) |
| Covid - Contain Outbreak Management fund | 3,849 | 483 | (3,366) |
| Covid - Health General | 238 | 188 | (50) |
| Covid - Test and Trace | 436 | 136 | (300) |
| Covid - Infection Control fund | 3,947 | 3,440 | (507) |
| Covid - Emergency Food grant | 88 | 88 | 0 |
| Covid - Next Steps Accommodation Programme | 175 | 175 | 0 |
| Covid - Active Travel Local Transport | 67 | 15 | (52) |
| Covid - DCLG Covid Marshalls | 32 | 32 | 0 |
| Covid - New Burdens Grant | 192 | 192 | 0 |
| Covid - Test Trace isolation fund | 28 | 28 | 0 |
| Covid - Winter Grant | 64 | 182 | 118 |
| Covid - Education | 5 | 5 | 0 |
| Covid - Clinically Extremely Vulnerable | 158 | 158 | 0 |
| Covid - Enforcement and compliance | 41 | 41 | 0 |
| Covid - Sales, Fees and Charges Compensation | 7,662 | 7,662 | 0 |
| Covid - High Street safety | 0 | 29 | 29 |
| Total Funding | 20,451 | 16,303 | (4,148) |

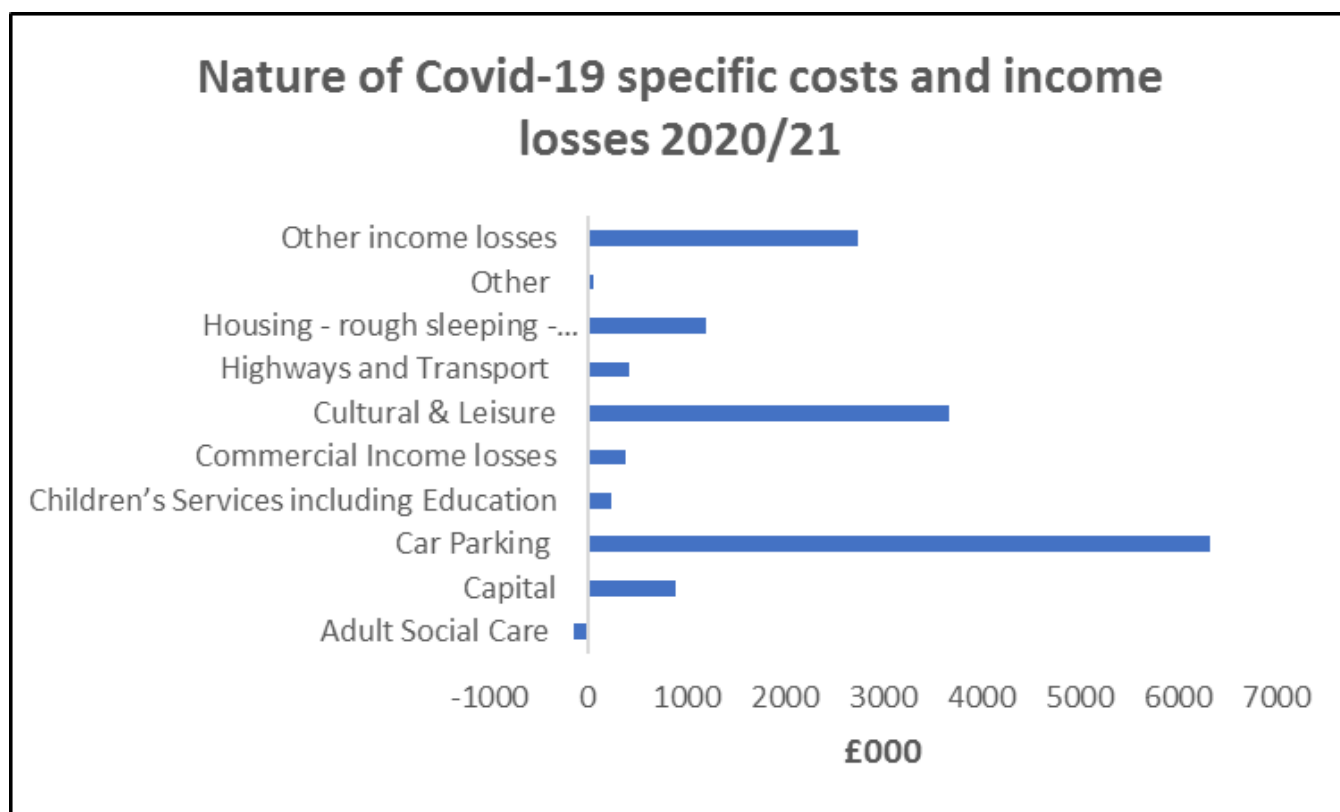
Funding above does not include £0.7m grant funding received for schools.

Financial Impact on Services of Covid-19 in 2020/21

Tranche Funding and Sales Fees and Charges (SFC) compensation of £17.15m received to 31st March 2021 has enabled the Council to fund its Covid-19 specific costs and income losses, both in 2019/20 and 2020/21.

A further £6.7m funding is expected in 2021/22 and one-off budgetary provision of £9.3m has been built into the 2021/22 budget. This is expected to fund any Covid-19 pressures arising in 2021/22.

Covid-19 specific costs and lost income of £15.8m were incurred in 2020/21, including capital costs and lost capital contributions of £0.9m are shown in the chart below. These pressures are discussed in the section below.



Impact of Covid-19 on Services

Adult Social Care services

The Covid-19 pandemic had a significant impact on the operation of adult social care in the Royal Borough. Optalis, the Royal Borough's local authority trading company jointly owned with Wokingham Borough Council, delivers all adult social care services on behalf of the Royal Borough and despite the significant challenges presented by the pandemic, no easements under the Care Act were required and operational performance has remained within expected tolerances. Optalis has ensured that all its provider services continued to operate to the high standards required by the Care Quality Commission (CQC), with the quality of infection control procedures specifically noted by CQC.

The Council and Optalis have continued to work in very close partnership with the NHS across a range of key activities, including hospital discharge, vaccination, care home support and testing. Over the last 15 months, Optalis' social work, reablement and occupational therapy teams, together with the care homes, helped to relieve the pressure on NHS beds at the height of the pandemic by discharging 53% more people than last year from local hospitals safely and efficiently between January and April 2021.

Mandatory Covid-19 restrictions meant the temporary closure of Optalis' day services but wherever possible, alternative support was provided for the residents affected. Similarly, it was recognised that informal carers in particular were under even more pressure in their role and therefore, the service prioritised contact with them to offer support, information and guidance on a more informal and frequent basis.

Throughout the year, the Council and Optalis worked hard to provide support and ensure the resilience of care homes, and supported living providers and domiciliary care agencies, in their front-line role of protecting

their existing clients and managing increasing demand. At the start of the pandemic, additional financial support was made available to care providers in the borough and since July 2020, the Council has quickly and efficiently ensured that the full amount of Infection Control Grant and other grants for workforce and testing has been passported through to providers.

Looking forward to 2021-2022, the Council and Optalis will continue to deliver the adult social care transformation strategy, where the vision is *to enable people in the Royal Borough of Windsor and Maidenhead to live independent and fulfilled lives*. The key deliverables in 2021-2022 are:

- Improving the **“front door” of adult social care** in order to offer better signposting for residents needing support and fulfilling the key Care Act requirement of promoting wellbeing. This will involve making greater use of a range of assistive technologies to enable residents to stay in their own homes longer and working with voluntary organisations and community groups to support residents to connect with their communities.
- Increasing investment in the **reablement service**, specifically occupational therapists and reablement practitioners, in order to support all residents discharged from hospital to recover as much of their confidence and independent living skills as possible so that they can continue to live at home for longer.
- Transforming the **day opportunities offer** in the borough to ensure that there are things on offer that appeal to everyone and meet their individual needs, not a one size fits all approach. This will involve a blend of building-based services, community opportunities including volunteering and leisure, along with direct payments for people who want them.

Schools and Children’s Services

Schools retained their delegated budgets for 2020/21. Due to closures and restrictions, most schools were able to flex staffing budgets to deliver education through alternative approaches whilst prioritising the most vulnerable pupils as identified through risk-based assessments. The closure of school sites did see a reduction in income from lettings and rentals. This continued into the part of 2021/22. Following the pandemic lockdown there has been an increase in the number of pupils continuing to elect for home education; this will have an impact on future school funding and support arrangements.

The impact of the Covid-19 pandemic on the Local Authority planned budget 2020/21 resulted in a net increased cost of 2%.

This increase related to the loss of income for the Local Authority from use of youth facilities, outdoor activities and school absence fine income. These losses are expected to continue into 2021/22. Additionally, social care costs increased as a result of delays with planned moves of Children in Care and additional staffing requirements to support the service in dealing with the increased volumes and complexity of referrals.

The lockdown period has created tensions in many families including increased levels of Domestic Abuse and increasing referrals and associated costs will continue to flow into Children's Services through 2021/22 and 2022/23.

Housing and Homelessness

The pressure on this service has been significant this year as a result of the Covid-19 emergency. The government directive to house all homeless in March 2021 (“Everyone in”) and ensuring social distancing within temporary accommodation provision (moving clients out of John West House) added to the complexity of providing not only accommodation but support services to multiple sites. There has also been a general increase in demand for housing services. This increased demand cost the Council an additional £1.2m this year against a budget of £1.4m.

Covid-19 restrictions remain in place in relation to provision of temporary accommodation, thus increased costs are expected to continue into 2021/22. The impact of the ending of the government furlough scheme in September on demand is unknown at this stage; there is expected to be a rise in demand if unemployment increases.

Car Parking Income

There was an unprecedented reduction in demand for car parking across the borough, as a result of the stay-at-home directive from government in early March. Income from car parks fell to almost nil overnight. Although there have been lockdowns since the initial one in March and local restrictions, the impact on income has been less severe and a gradual increase in income has been seen during the year. Income was £6.4m down on the budgeted level of £10m although a proportion of this was covered by the Sales, Fees and Charges compensation scheme. Of particular concern for future revenues is the impact of increased levels of home working on season ticket income, from individuals and businesses based in our town centres. It is unlikely to recover in the medium term and the long-term impact is not yet known. This income stream accounts for 17% (£1.4m) of the total car parking income budget. Some allowance has been made for reductions during 2021/22 in the budget.

Commercial Rents

Covid-19 has had and is expected to continue to have a significant impact on the Council's rental income from its commercial portfolio. Closed businesses, and those that have furloughed staff, have limited ability to generate cash to pay their commercial rent.

The property team has worked hard to minimise the impact of Covid-19 on the commercial rents received during the year. Payment plans and other arrangements were negotiated with tenants aimed at securing long term recovery of rental income and minimising voids. Although some tenants have sought to end leases early, they have in the majority of cases been replaced by new tenants. One-off early release fees received and compensation for loss of rents at Sienna Court helped to mitigate the impact of Covid-19 in 2020/21 and this service reported an outturn variance of £107,000 surplus against a budget of £3.2m. An earmarked reserve of £0.6m has been established to help fund expected future pressures.

Leisure

The impact of the Covid-19 lockdown and closure of leisure centres made the Parkwood concession contract financially unsustainable. The contract with Parkwood to provide leisure services on behalf of RBWM was therefore terminated on 31 July 2020. Leisure Focus, the new provider, took over the provision of leisure services on 1 August 2020. Support for this service increased costs by £3.5m in 2020/21 and financial support will be needed into 2021/22 as restrictions remain in place, preventing the contractor maximising footfall and generating planned income.

During this very difficult year the Council completed the building of Braywick Leisure Centre, a significant investment of £38m over a number of years within the Borough. This state-of-the-art building replaced the old Magnet Leisure Centre and is a major part of the initial phase of regeneration of Maidenhead. Operating within Covid-19 compliance measures residents have flocked to the new centre, achieving 50% of anticipated users after its first 3 months. Contractors building the centre worked throughout the pandemic, so the centre was delivered just 2 weeks behind schedule. The centre has a 200-station gym, 10 lane swimming pool with a large teaching pool, spa area, theatre, and indoor and outdoor courts.

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.

Financial Performance 2020/21

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 low council tax means that the 25% of our expenditure spent on non-statutory services provided to our community is under particular pressure. 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.

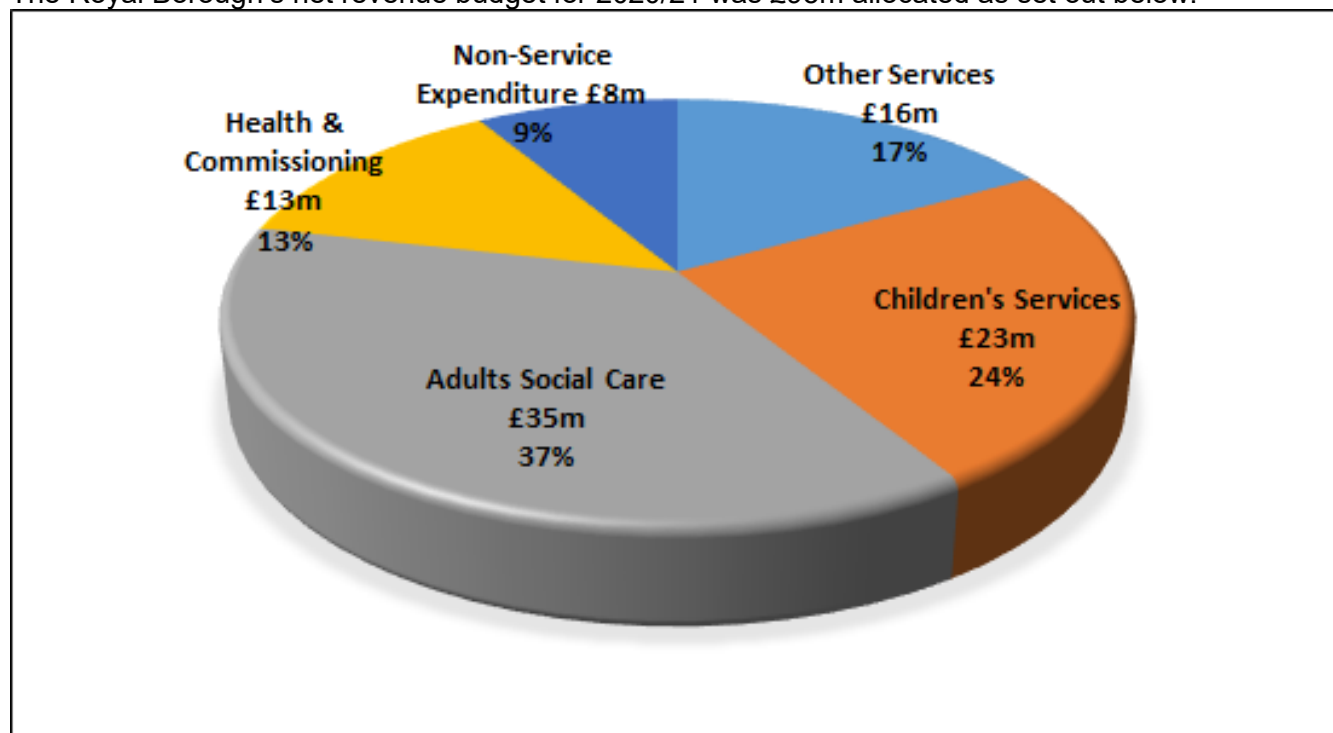
As a result of Covid-19, this challenge is now greater than was originally anticipated when the 2020/21 budget was set. Government funding received since March 2020 has mitigated financial pressures the Council was facing in the short term. Longer term impacts on service delivery and income, particularly car parking income, where unknown and £9,251,000 has been built into the MTFP to support those pressures in 2021/22.

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

Financial Planning

Revenue Outturn 2020/21

The Royal Borough's net revenue budget for 2020/21 was £95m allocated as set out below.



An overview of the Royal Borough's revenue outturn for 2020/21 is set out in the table below:

Capital Capital Strategy

The Royal Borough of Windsor and Maidenhead (RBWM) has ambitious plans to invest in the regeneration of the Borough and deliver high quality facilities to its residents. Our Capital Strategy provides a high-level overview of how capital expenditure, capital financing and treasury management activity contribute to the provision of services; along with an overview of how associated risk is managed and the implications for future financial sustainability.

It is informed by the Council's priorities and links to other key strategy documents, notably the interim corporate strategy, the Medium-Term Financial Plan, and the Treasury Management Strategy.

Capital Management

The Capital Programme Board has been established this year to improve capital governance and deliver on the strategy above. The Capital Programme Board meets regularly and has improved management of the whole of the capital programme including a greater understanding of the impact of decisions on the financial sustainability and wider aims of the Council. The key aim of the board during 2021/22 will be to review and challenge the profiling of capital schemes to ensure slippage is minimised and resources allocated to current projects.

Some slippages will be inevitable, an example being review of the Borough Parking strategy as a result of the dramatic fall in car parking income since the first national lockdown in March 2020. This review ensured that planned investment in new parking facilities was still "value for money". This review delayed the planned investment in the new Vicus Way car park and the £8.1m budget was slipped into 2021/22.

Capital Outturn 2020/21

Capital expenditure, of £27.2m, was 62% below initial spending plans. Whilst there were net savings on completed projects, the majority of the variance was unspent budgets slipped into 2021/22.

Covid-19 lockdown has led to delays in opening up the construction sector and shortages of raw materials which have had an impact on planned investment, although only 3% of capital schemes were yet to start as at 31st March 2021.

Expenditure budgets slipped into 2021/22 are to be re-profiled to reflect the years in which future expenditure is likely to arise, as it is not all expected to be spent in 2021/22.

The Royal Borough minimises its need to borrow for capital purposes by prioritising the use of capital receipts, external grant funding, other external contributions, and reserves.

| Capital Programme Expenditure Outturn 2020/21 | Slippage | | | Outturn 2020/21 £000 |
|---|---------------------------|-----------------------|------------------|----------------------------|
| | Budget 2020/21 £000 | to 2021/22 £000 | Variance £000 | |
| | | | | |
| Managing Director | 439 | (361) | 0 | 78 |
| Children's Services | 7,073 | (3,430) | (617) | 3,026 |
| Adults, Health & Commissioning | 24,864 | (14,552) | 151 | 10,463 |
| Resources | 3,230 | (2,112) | (211) | 907 |
| Place | 36,453 | (24,182) | 424 | 12,695 |
| Total | 72,059 | (44,637) | (253) | 27,169 |

Of the slipped projects infrastructure and property schemes account for £35m, and £4m relates to operational facilities closed during part of the year because of national and regional lockdowns – e.g., schools and libraries.

Treasury Management

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

The performance against the debt limit is shown below.

| Debt | 2020/21 Maximum | 31.3.21 Actual | 2020/21 Operational Boundary | 2020/21 Authorised Limit | Complied? |
|-----------|--------------------|-------------------|------------------------------------|--------------------------------|-----------|
| Borrowing | £226m | £192m | £252m | £275m | Yes |

The Council's interest rate exposure limit is set to control its exposure to interest rate rises by limiting the amount of short-term borrowing that the Council holds. The Council complied with this limit as shown below:

| Interest Rate Indicator | 2020/21 Maximum | 2020/21 Limit | Complied? |
|---|--------------------|------------------|-----------|
| Upper limit on proportion of borrowing that is fixed rate | 33% | 100% | Yes |
| Upper limit on proportion of borrowing that is variable | 75% | 80% | Yes |

At 31 March 2021 cash holdings and short-term investments totalled £21.2m compared to £52.4m at 31 March 2020.

On 1 April 2020, the Council received £28.6m central government funding to support small and medium sized businesses during the coronavirus pandemic through grant schemes. The receipt of this funding (as well as other smaller amounts in advance during the year) meant that the Council temporarily held higher cash and cash equivalent assets that it otherwise would have.

At 31 March 2021, the Royal Borough had the following significant financial obligations (borrowing):

- Borrowing of £192m, comprising
 - £56m long term borrowings comprised of £44m of Public Works Loan Board (PWLB) debt and £12m of LOBO loans;
 - £136m short term borrowings, mostly loans from other local authorities.

Total borrowing includes £21.0m of debt managed on behalf of the Thames Valley Local Enterprise Partnership, this is not debt of the Council. PWLB debt is available to local authorities at a discounted rate, currently 0.81% (2019/20 1.9%). The Royal Borough's overall average borrowing rate is 1.63% (2019/20 2.91%).

Medium Term Financial Strategy (MTFS): 2021/22 to 2025/26

The MTFS was agreed at full Council on 14 October 2020 and reviewed as part of the Budget in February 2021. It outlines the financial risks faced by the Council across the period of the MTFS and sets out some key principles that the Council needs to continue to follow in the short and medium term to manage the financial uncertainty that it faces. The immediate challenge remains closing the budget gap. While there is always room to be more efficient, RBWM is already a low spending council which constrains it from reducing costs. Future savings plans will need to focus on more transformative savings measures and the Council has recently agreed a transformation strategy.

A summary of the Council's medium-term financial position, as reported to Council in February 2021, is outlined below*:

| Budget Gap | 2021/22 £000 | 2022/23 £000 | 2023/24 £000 | 2024/25 £000 | 2025/26 £000 |
|------------------------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| Funding Changes | (8,830) | 7,090 | (1,338) | (3,258) | (1,291) |
| Covid-19 Service Pressures | 9,251 | (6,993) | (500) | 0 | 0 |
| Other Service Pressures | 7,059 | 4,000 | 4,442 | 4,888 | 5,333 |
| Other Budget Changes | 285 | 199 | 548 | 1,129 | 820 |
| Estimated Budget Gap | 7,765 | 4,296 | 3,152 | 2,759 | 4,862 |
| Savings Proposed to Date | (7,765) | (222) | 0 | 0 | 0 |
| Savings to be Identified | 0 | (4,074) | (3,152) | (2,759) | (4,862) |
| Balanced General Fund | 0 | 0 | 0 | 0 | 0 |

*More current information can be obtained on the Council's website.

An update on the Council's MTFP will be provided to Cabinet in July 2021. A new medium-term plan for 2022/23 to 2026/27 will then be submitted to Cabinet and Full Council for approval in February/March 2022. The assumption is that RBWM will identify sustainable savings and balance the general fund across the MTFP.

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:

| Usable Reserves | At 31/3/2020 £000 | At 31/3/2021 £000 |
|--|----------------------|----------------------|
| Available to fund capital investment (1) | 7,583 | 16,414 |
| Balances held on behalf of schools (2) | 1,462 | 2,203 |
| General fund working balance (3) | 10,652 | 7,059 |
| Earmarked reserves (4) | 6,646 | 36,643 |
| Total Usable Reserves | 26,343 | 62,319 |

(1) These balances represent a combination of:

- capital grants received but not yet applied.
- capital receipts from sales of property, land, and buildings.
- the balances held for schools

(2) These balances are ring-fenced for schools only and can't be used by the Royal Borough to support its expenditure.

(3) The general fund working balance is for use against revenue costs. The 2020/21 reported revenue outturn of £7.059m was £0.689m above the approved minimum level required for 2020/21 of £6.370m, although in the assessment of the necessary minimum level of reserves for 2021/22 this was increased to £6.7m.

(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.

Earmarked reserves as at 31st March 2021 include unspent Covid-19 funding received which will be used to fund liabilities in 2021/22. The Royal Borough used £4.23m of earmarked reserves during 2020/21.

Looking Ahead

The Council is facing a significant financial challenge. Like many councils, it is experiencing growth in demand for services. However, the position for the Royal Borough is more acute than other councils, due to its relatively low level of reserves, the lowest Council Tax in the country outside of London, coupled with high levels of borrowing. Uncertainty surrounding future government funding increases the risk the Council faces.

The Local Government Funding Settlement for 2021/22 was again a one-year roll forward. The delayed multi-year Comprehensive Spending Review happened in Autumn 2021. The planned revamp of the funding mechanisms used to allocate grant to local authorities, The Fair Funding Review and review of the Business Rates Retention Scheme, initially started in 2016 and planned to be implemented in April 2019, have been delayed until at least 2022/23.

Outlined in the MTFs that was approved in February 2021, RBWM faces several significant risks. These are:

- Council Reserves are under considerable pressure – the reserves are now adequate to cover current risks but may be insufficient to cover significant issues that might occur.
- The Pension Fund deficit means that a growing share of council funding is required to cover pension deficits in the future before any money is spent on council services. This is not just an issue for RBWM and is part of wider sector and national risks.
- Substantial levels of borrowing mean that an increasing share of the Council's budget is required to service debt before money can be spent on day-to-day services. Getting the balance right between ensuring that sufficient money is spent on longer term capital projects to generate sustainable income or to reduce ongoing pressures is an important part of the consideration that the Council needs to make when determining how to utilise its resources.
- Maintaining a low level of Council Tax, means that the Council has missed out on additional revenue from raising Council Tax in prior years. It also means that any future increases will generate less as they start from a lower base. National policy on Council Tax capping has also meant that the ability to increase this source of funding has been difficult, which is particularly pertinent to RBWM given the significant proportion of funding coming from Council Tax.
- Growing pressures around Children's and Adult Services and other demand led services have been widening the budget gap further.
- The Covid-19 pandemic has increased costs and reduced income. Additional Government funding has mitigated most of this in 2020/21, but there is no guarantee that this support will be repeated in subsequent years. Notwithstanding any positive impact of the vaccination programme, it is likely that some of the income loss will persist as the world of work has changed significantly with ongoing working from home and reduced central office accommodation requirements. It is also highly likely that future funding levels will be constrained due to the increased national budget deficit, which could take some time to reduce
- Many potential consequences of the pandemic are not yet apparent. As Government support such as the Furlough Scheme ends, the full economic and health effects of the pandemic may be revealed. This may lead to impacts on the Council's budget such as increased Council Tax support, more homelessness, increased demand and complexity for adult social care and lower Business Rates income.

The immediate challenge continues to be to close the budget gap as highlighted in the MTFP in future years. While there is always room to be more efficient, RBWM is already a low spending council which constrains it from reducing costs. Future savings plans will need to focus on more transformative savings measures and the Council has recently agreed a transformation strategy.

As part of the annual budget setting process Council agreed its 2021/22 budget in February 2021. This budget includes consideration of the risks above, the Council's priorities and a focus on securing value for money whilst delivering high quality services and achieving sustainable savings delivery. As set out in our budget papers, we did this by setting:

- A net revenue budget of £105.725m after the use of £3.2m of reserves
- Council Tax increases of 4.99% increasing the band D charge from £1,077.41 to £1,131.17
- New savings of £5.63m to be delivered by 31 March 2021.

The Royal Borough has undertaken significant work in 2021 to deliver on the 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. This work will continue into 2021/22. The Royal Borough will also continue to work with DLUHC (formerly MHCLG) and the wider sector on the Covid-19 financial impacts.

Key Risks and Uncertainties for 2021/22 and Beyond

Currently, it is still not clear whether there will be a multi-year Comprehensive Spending Review from 2022/23 or another one-year settlement. Consequently, there may be further delays to related measures such as the Fair Funding Review. The pandemic has also focused attention on business rates, so future changes to these may be more comprehensive than originally intended. Consultations on a replacement for New Homes Bonus has taken place, but the financial impact of the change is not yet apparent.

The implications of all the changes to Government funding and distribution, whenever they are introduced, are not clear. The impact on RBWM will depend on the amount of redistribution, but also any transitional arrangements to smooth the impacts.

Covid-19 will continue to have an impact on finances in 2021/22. Whilst some future losses are known, such as leisure income, the impact in areas such as car parking will depend on the speed of economic recovery from the pandemic, and the risk of future lockdowns.

The longer-term permanent impact of Covid-19 will take longer to become clear. This could have major implications in areas such as parking as commuter travel is reduced, and shopping habits change permanently.

There are a number of consultations on potential service delivery changes that are underway during 2021/22 whose resourcing implications will need to be considered by the Council. These include areas such as the Environment Bill, changes to the way Public Health will be delivered nationally as well as the Planning White Paper. In addition, the Council approved an Environment and Climate strategy during 2020/21 and this remains a significant priority for the Council to respond to.

An introduction to the 2020/21 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 on 31 March 2021. 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 2020/21 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 and the Royal Berkshire Fire Authority. The Financial Statements for the Berkshire **Pension Fund** are included as the Royal Borough is the administrator of the scheme.

The **Notes** provide more detail about accounting policies and individual transactions. 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. Assets are measured using one of the following, which is most appropriate for the property, plant, and equipment asset in question:</p> <ul style="list-style-type: none"> • Existing Use Value (EUV) • Existing Use Value – Social; Housing (EUV-SH) • Depreciated Replacement Cost (DRC) |
| Depreciation rates | <p>Depreciation charges are based on the expected useful life of assets and property, which has been assessed as follows:</p> <ul style="list-style-type: none"> • Other land and buildings 30-50 years • Vehicles' plant and equipment 4-10 years. • Infrastructure assets 1-60 years |
| Rating appeals | <p>The level of this provision reflects assumptions made about the number and value of successful rating appeals, based on our experience to date.</p> |
| Pension liabilities | <p>Key assumptions made by the actuary when calculating pension liabilities include future wage and price increases linked to inflation, the longevity (life expectancy) of retired members who have pensions already in payment and the discount rate (which is essentially a calculation of the amount of money which, if invested now, would be sufficient together with the income and growth in the accumulating assets to make these payments in future, using assumptions about investment returns</p> |
| Investment properties | <p>Investment properties have been valued using the Income approach (Previously known as the investment method) and are revalued on an annual basis.</p> |

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

Elizabeth Griffiths

Executive Director of Resources and Section 151 Officer

Date: 27 March 2024

Statement of Responsibilities

The Authority's Responsibilities

The Authority is required to prepare an annual Financial Statements by the Accounts and Audit Regulations 2015 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 2020/21 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 2021 and of its income and expenditure for the year then ended.

Elizabeth Griffiths

Executive Director of Resources and Section 151 Officer

Date: 27 March 2024

In accordance with the Accounts and Audit Regulations 2015, I certify that the Statements of Accounts was approved by the Audit and Governance Committee on 16 November 2023.

Councillor J Tisi

Chairman of Audit and Governance Committee

Date: 27 March 2024

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 9) and the Council Movement in Reserves Statement. The values for 2019/20 have been restated as detailed in Note 7, Prior Period Adjustments.

| 2019/20 (Restated) | | | | 2020/21 | | |
|--------------------|------------------|-----------------|--|----------------|------------------|----------------|
| Gross Exp. | Gross Income | Net Exp. | | Gross Exp. | Gross Income | Net Exp. |
| £000 | £000 | £000 | | £000 | £000 | £000 |
| 66,284 | (27,346) | 38,938 | Adults, Commissioning & Health | 77,951 | (33,819) | 44,377 |
| 118,849 | (86,407) | 32,442 | Children's Services | 114,880 | (86,012) | 28,868 |
| 0 | 0 | 0 | Governance, Law & Strategy | 6,905 | (3,038) | 3,867 |
| 640 | (38) | 602 | Managing Director | 11 | (13) | (2) |
| 64,138 | (29,824) | 34,314 | Place | 52,046 | (18,981) | 33,066 |
| 49,897 | (39,606) | 10,292 | Resources | 44,135 | (38,831) | 9,304 |
| 337 | 0 | 337 | Contingency & Corporate | 501 | - | 501 |
| 16,671 | - | 16,671 | Revaluation movement on assets (Note 5) | 5,202 | - | 5,202 |
| 316,817 | (183,221) | 133,596 | Cost of Services | 301,631 | (180,694) | 120,937 |
| | | 2,295 | Other Operating Expenditure (Note 11) | | | 8,094 |
| | | 255 | Financing & Investment Income & Expenditure (Note 12) | | | 20,176 |
| | | (108,683) | Taxation and Non-Specific Grant Income (Note 13) | | | (124,961) |
| | | 27,463 | Deficit on Provision of services | | | 21,245 |
| | | (8,913) | Other adjustments to value of Property, Plant & Equipment assets (Note 14) | | | 2,638 |
| | | (38,894) | Remeasurement of the net defined benefit liability/(asset) (Note 40) | | | 75,248 |
| | | (47,807) | Other Comprehensive (Income) and Expenditure | | | 77,886 |
| | | (20,344) | Total Comprehensive (Income) and Expenditure | | | 99,131 |

Balance Sheet

The Balance Sheet shows the value, at the Balance Sheet date, of the assets and liabilities recognised by the Royal Borough. The Balance Sheet has been restated for 2018/19 and 2019/20 as detailed in Note 7.

| 2018/19 (Restated) | 2019/20 (Restated) | | Note | 2020/21 |
|--------------------------------|-----------------------|--|------|------------------|
| £000 | £000 | | | £000 |
| Assets | | | | |
| Non-current assets | | | | |
| 337,781 | 421,326 | Property, Plant and Equipment | 14 | 411,627 |
| 83,844 | 85,829 | Highways Infrastructure Assets | 15 | 82,595 |
| 131,741 | 89,628 | Investment Properties | 17 | 82,289 |
| 2,104 | 1,721 | Intangible Assets | 18 | 1,232 |
| 1,626 | 373 | Long Term Investments | 19 | 4,784 |
| 6,883 | 6,869 | Long Term Debtors | 20 | 16,770 |
| 563,979 | 605,746 | Total Non-Current Assets | | 599,298 |
| Current assets | | | | |
| 6,822 | 10,000 | Short Term Investments | 19 | 9,269 |
| 105 | 22 | Inventories | | - |
| 32,507 | 22,842 | Short Term Debtors | 20 | 49,780 |
| - | 1,200 | Assets held for Sale | | - |
| 16,254 | 42,418 | Cash and Cash Equivalents | 21 | 11,909 |
| 55,688 | 76,482 | Total Current Assets | | 70,958 |
| 619,667 | 682,228 | Total Assets | | 670,256 |
| Liabilities | | | | |
| Current Liabilities | | | | |
| (94,332) | (168,237) | Short Term Borrowing | 19 | (135,960) |
| (30,980) | (34,634) | Short Term Creditors | 22 | (65,846) |
| (125,312) | (202,871) | Total Current Liabilities | | (201,806) |
| Non-Current Liabilities | | | | |
| (250) | (243) | Long Term Creditors | 19 | (188) |
| (3,226) | (1,289) | Provisions | 23 | (8,296) |
| (57,049) | (57,049) | Long Term Borrowing | 19 | (56,264) |
| (12,721) | (8,941) | Capital Grants Receipts in Advance | 34 | (9,209) |
| (282,385) | (252,767) | Retirement Benefit Obligations | 40 | (334,556) |
| (355,631) | (320,289) | Total Non-Current Liabilities | | (408,513) |
| 138,724 | 159,068 | Net Assets | | 59,937 |
| Equity | | | | |
| Usable Reserves | | | | |
| 7,778 | 10,652 | General Fund Reserve | 24 | 7,059 |
| 10,259 | 14,666 | Other Reserves | | 55,259 |
| Unusable Reserves | | | | |
| 184,916 | 183,005 | Capital Adjustment Account | 25 | 173,798 |
| 214,694 | 206,225 | Revaluation Reserve | | 191,180 |
| (282,385) | (252,767) | Pensions Reserve | | (334,556) |
| (1,365) | (7,648) | Collection Fund Adjustment Account | | (35,863) |
| (2,042) | (1,934) | Accumulated Absences Account | | (1,858) |
| - | - | Dedicated Schools Grant Adjustment Account | | (1,790) |
| 6,869 | 6,869 | Deferred Capital Receipts Reserve | | 6,708 |
| 138,724 | 159,068 | | | 59,937 |

Council Movement in Reserves Statement (MiRS)

The Secretary of State for the Ministry of Housing, Communities and Local Government amended The Local Authorities (Capital Finance and Accounting) Regulations (the 2003 Regulations) which resulted in the creation of an unusable reserve where there was a deficit on the Dedicated Schools Grant, with the change accounted for as an amendment to Opening Balances for the 2020/21 financial year. See Note 25, Unusable Reserves for further details. The detail for 2019/20 has been restated as set out in Note 7, Prior Period Adjustments.

| | General Fund Balance | Earmarked Reserves | Capital Grants Unapplied | School Revenue Balances | Capital Receipts Reserve | Total Usable Reserves | Unusable Reserves | Total RBWM Reserves |
|--|----------------------------|-----------------------|--------------------------------|-------------------------------|--------------------------------|--------------------------|----------------------|------------------------|
| 2020/21 | £000 | £000 | £000 | £000 | £000 | £000 | £000 | £000 |
| Balance at 31 March 2020 | 10,652 | 6,646 | 7,032 | 437 | 551 | 25,318 | 133,750 | 159,068 |
| Adjustment to Opening Balance for Dedicated Schools Grant (Note 25) | - | - | - | 1,025 | - | 1,025 | (1,025) | - |
| | 10,652 | 6,646 | 7,032 | 1,462 | 551 | 26,343 | 132,725 | 159,068 |
| Total Comprehensive Expenditure and Income | (21,245) | - | - | - | - | (21,245) | (77,886) | (99,131) |
| Adjustments between accounting basis & funding basis under regulations (Note 10) | 48,390 | - | 8,033 | - | 798 | 57,221 | (57,221) | - |
| Net Increase / (Decrease) before Transfers to Earmarked Reserves | 27,145 | - | 8,033 | - | 798 | 35,976 | (135,107) | (99,131) |
| Transfers to / from Earmarked Reserves (Note 24) | (30,738) | 29,997 | - | 741 | - | - | - | - |
| Increase / (Decrease) in Year | (3,593) | 29,997 | 8,033 | 741 | 798 | 35,976 | (135,107) | (99,131) |
| Balance at 31 March 2021 Carried Forward | 7,059 | 36,643 | 15,065 | 2,203 | 1,349 | 62,319 | (2,382) | 59,937 |
| 2019/20 (Restated) | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 |
| Balance at 31 March 2019 | 7,778 | 5,825 | 3,905 | 529 | - | 18,037 | 113,901 | 131,938 |
| Restatement of Opening Balance (Note 7) | - | - | - | - | - | - | 6,786 | 6,786 |
| | 7,778 | 5,825 | 3,905 | 529 | - | 18,037 | 120,687 | 138,724 |
| Total Comprehensive Expenditure and Income | (27,463) | - | - | - | - | (27,463) | 47,807 | 20,344 |
| Adjustments between accounting basis & funding basis under regulations (Note 10) | 31,066 | - | 3,127 | - | 551 | 34,744 | (34,744) | - |
| Net Increase / (Decrease) before Transfers to Earmarked Reserves | 3,603 | - | 3,127 | - | 551 | 7,281 | 13,063 | 20,344 |
| Transfers to / from Earmarked Reserves (Note 24) | (729) | 821 | - | (92) | - | - | - | - |
| Increase / (Decrease) in Year | 2,874 | 821 | 3,127 | (92) | 551 | 7,281 | 13,063 | 20,344 |
| Balance at 31 March 2020 Carried Forward | 10,652 | 6,646 | 7,032 | 437 | 551 | 25,318 | 133,750 | 159,068 |

Council Cash Flow Statement

The Cash Flow Statement shows the causes of the changes in cash and cash equivalents during the reporting period. The detail for 2019/20 has been restated as detailed in Note 7, Prior Period Adjustments.

| Restated 2019/20 | | 2020/21 | |
|---------------------|--|---------|-----------------|
| £000 | Council Cash Flow Statement (Indirect Method) | Note | £000 |
| (27,463) | Net surplus or (deficit) on the provision of services | | (21,245) |
| 42,207 | Adjust net surplus or (deficit) on the provision of services for non-cash movements | 26 | 34,756 |
| (11,064) | Adjust for items included in the net surplus or deficit on the provision of services that are investing and financing activities | 26 | (18,718) |
| 3,680 | Net cash inflows / (outflows) from Operating Activities | | (5,207) |
| (51,420) | Net cash (outflows) / inflows from Investing Activities | 27 | (6,501) |
| 73,904 | Net cash inflows / (outflows) from Financing Activities | 28 | (18,801) |
| 26,164 | Net Increase or (Decrease) in Cash and Cash Equivalents | | (30,509) |
| 16,254 | Cash and cash equivalents at the beginning of the reporting period | | 42,418 |
| 42,418 | Cash and Cash Equivalents at the end of the reporting period | 21 | 11,909 |

Notes to the Financial Statements 2020/21

1. Accounting Policies

i. General Principles

The Financial Statements summarise the Authority's transactions for the 2020/21 financial year and its position at the year-end of 31 March 2021. The Authority is required to prepare an annual Financial Statements by the Accounts and Audit Regulations 2015 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 2020/21 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.

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.

iv. Exceptional Items

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

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

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

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

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

vi. Charges to Revenue for Non-Current Assets

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

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

The authority is not required to raise council tax to fund depreciation, revaluation and impairment losses or amortisation. However, it is required to make an annual contribution from revenue towards the reduction in its overall borrowing requirement equal to an amount calculated on a prudent basis determined by the authority in accordance with statutory guidance.

vii. Employee Benefits

Benefits Payable During Employment

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

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

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

Termination Benefits

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

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

Post-Employment Benefits

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

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

Both schemes provided defined benefits to members (retirement lump sums and pensions), earned as employees worked for the Authority. However, the arrangements for the teachers' scheme mean that liabilities for these benefits cannot ordinarily be identified specifically to the Authority. The scheme is therefore accounted for as if it were a defined contribution scheme and no liability for future payments of benefits is recognised in the balance sheet.

The 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.

viii. Events after the balance sheet date

Events after the balance sheet date are those events, both favourable and unfavourable, that occur between the end of the reporting period and the date when the Financial Statements are 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 Financial Statements are adjusted to reflect such events
- those that are indicative of conditions that arose after the reporting period, the Financial Statements are 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 Financial Statements.

ix. Financial Instruments

Financial Liabilities

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

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

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

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 2020/21 such investments are those in RBWM Property Company Ltd, RBWM Commercial Services Ltd, Achieving for Children and Optalis.

Financial Assets Measured at Fair Value through Other Comprehensive Income

Financial assets that are measured at FVOCI 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 arise in 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 2020/21 no assets were held under this category.

There is no quoted market price for shares in these companies and gains or losses are based on equity share of profits / losses in the group accounts. Any gains and losses that arise on the derecognition of an asset are credited or debited to the Other Comprehensive Income line in the Comprehensive Income and Expenditure Statement.

x. Foreign Currency Translation

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

xi. Government Grants and Contributions

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

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

Amounts recognised as due to the Authority are not credited to the CI&E until conditions attached to the grant or contribution have been satisfied. Conditions are stipulations made by the donor as to how grants should be spent and the consequences for the Authority if it fails to meet the conditions. Monies advanced as grants and contributions for which conditions have not been satisfied are carried in the balance sheet as creditors. When conditions are satisfied, the grant or contribution is credited to the relevant service line (attributable

revenue grants and contributions) or taxation and non-specific grant income (non-ring-fenced revenue grants and all capital grants) in the CI&E. Where capital grants are credited to the CI&E, they are reversed out of the GF balance in the movement in reserves statement.

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

xii. Heritage Assets

Tangible and intangible assets described in this summary of significant accounting policies as heritage assets. The Authority's heritage assets are held in The Windsor & Royal Borough Museum which is a registered small local history museum situated at the Guildhall in Windsor. The collection relates to the history of Windsor, and the other towns and villages across the borough in east Berkshire. The collection comprises approximately 11,000 objects including pre-historic tools, finds and bronze age, Roman and Saxon artefacts, maps, textiles, books, paintings, prints and photographs, together with objects and ephemera from before Victorian times up to World War II, the 1950s and the present day.

The value of the collection is not reported in the balance sheet as the Authority takes the view that the work involved in valuing the collection is disproportionate to the benefit that users would obtain from the additional disclosure. The Code of Practice for Local Government Accounting allows for this approach.

xiii. Intangible Assets

Expenditure on non-monetary assets that do not have physical substance but are controlled by the Authority as a result of past events (e.g., software 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).

xiv. Inventories and Long-Term Contracts

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

xv. Investment Property

Investment properties are those that are used solely to earn rentals and/or for capital appreciation. The definition is not met if the property is used in any way to facilitate the delivery of services or production of goods or is held for sale. Investment properties are measured initially at cost and subsequently at fair value,

based on the amount at which the asset could be exchanged between knowledgeable parties at arm's-length. Properties are not depreciated but are revalued annually according to market conditions at the year-end. Gains and losses on revaluation are posted to the financing and investment income and expenditure line in the CI&E. The same treatment is applied to gains and losses on disposal.

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

xvi. Jointly Controlled Operations and Jointly Controlled Assets

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

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

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

xvii. Leases

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

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

The Authority as Lessee

Finance Leases

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

Lease payments are apportioned between:

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

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

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.

xix. Property, Plant and Equipment

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

Recognition

Expenditure on the acquisition, creation or enhancement of property, plant and equipment is capitalised on an 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 price
- any costs attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management
- the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located.

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

Where gains are credited to the CI&E, they are reversed out of the GF balance to the CAA in the movement in reserves statement.

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

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

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

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

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

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

Impairment

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

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

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

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

Depreciation

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

Depreciation is calculated on the following bases:

- dwellings and other buildings, straight-line allocation over the useful life of the property, between 30-50 years, as estimated by the valuer.
- vehicles, plant, furniture and equipment, straight line basis over the useful life of the asset, between 4-10 years, as advised by a suitably qualified officer.
- infrastructure – straight-line allocation over the useful life of the asset, between 1-60 years as advised by a suitably qualified officer.

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.

xx. Highways Infrastructure Assets

Highways infrastructure assets include carriageways, footways and cycle tracks, structures (for example, bridges), street lighting, street furniture (for example, illuminated traffic signals, bollards), traffic management systems and land which together form a single integrated network.

Recognition

Expenditure on the acquisition or replacement of components of the network is capitalised on an accrual basis, provided that it is probable that the future economic benefits associated with the item will flow to the Royal Borough and the cost of the item can be measured reliably.

Measurement

Highways infrastructure assets are generally measured at depreciated historical cost. However, this is a modified form of historical cost – opening balances for highways infrastructure assets were originally recorded in balance sheets at amounts of capital undischarged for sums borrowed as at 1 April 1994, which was deemed at that time to be historical cost.

Where impairment losses are identified, they are accounted for by the carrying amount of the asset being written down to the recoverable amount.

Depreciation

Depreciation is provided on the parts of the highways network infrastructure assets that are subject to deterioration or depletion and by the systematic allocation of their depreciable amounts over their useful lives. Depreciation is charged on a straight-line basis.

Annual depreciation is the depreciation amount allocated each year.

Useful lives of the various parts of the highways network are assessed by the Principal Highways Contract Manager using industry standards where applicable as follows:

| Element of the Highways Network | Useful Life |
|---|-------------|
| Carriageways | 20-50 years |
| Footways and Cycle Tracks | 30 years |
| Structures (bridges, tunnels and underpasses) | 30 years |
| Street Lighting | 20-40 years |
| Street Furniture | 25 years |
| Traffic Management Systems | 25 years |

Disposals and derecognition

When a component of the network is disposed of or decommissioned, the carrying amount of the component in the Balance Sheet is written off to the 'Other operating expenditure' line in the Comprehensive Income and Expenditure Statement as part of the gain/loss on disposal. Receipts from disposals are credited to the same line in the Comprehensive Income and Expenditure Statement, also as part of the gain or loss on disposal (that is, netted off against the carrying value of the asset at the time of disposal).

The written-off amounts of disposals are not a charge against council tax, as the cost of non-current assets is fully provided for under separate arrangements for capital financing. Amounts are transferred to the capital adjustment account from the General Fund Balance through the Movement in Reserves Statement.

xxi. 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.

xxii. 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.

xxiii. 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.

xxiv. 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.

xxv. Accounting for Schools

Local authority maintained schools, in line with relevant accounting standards and the Code are considered to be separate entities with the balance of control lying with the Royal Borough. As such the Royal Borough should consolidate the activities of schools into its group accounts. However, the Code requires that the income, expenditure, assets and liabilities of maintained schools be accounted for in local authority entity accounts rather than requiring the preparation of group accounts. Therefore, schools' transactions, cash flows and balances are recognised in each of the financial statements of the Royal Borough as if they were transactions, cash flows and balances of the Royal Borough.

xxvi. 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.

xxvii. 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 associates and are consolidated into the group accounts using the equity method. The Council records the name, business, shareholding, net assets and results of operations and other financial transactions of any related companies.

xxviii. 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 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.

xxix. 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 (i.e. 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 2020/21 Code:

| | |
|--------------------------------|--|
| IFRS 3 - Business Combinations | Amendments to the definition of a business |
| IFRS 9, IAS 39 and IFRS 7 | Interest rate benchmark reform |
| IFRS 9, IAS 39 and IFRS 7 | Interest rate benchmark reform - Phase 2 |

These amendments are not expected to have a material impact on the Royal Borough's financial statements.

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 Royal Borough 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 corresponding lease liabilities. This treatment of leases differs from the current practice of only recognising those assets and liabilities associated with leases deemed to be finance leases entered into by the Royal Borough on its Balance Sheet. It had been anticipated that IFRS 16 would originally be adopted in the 2020/21 financial year, but the CIPFA Code of Accounting Practice has deferred implementation to the 2024/25 financial year although early adoption for 2022/23 or 2023/24 is allowed. The Royal Borough is planning to implement the requirements of this standard in the 2024/25 financial year.

3. Critical Judgements in Applying Accounting Policies

In the application of the 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.

Leases

Leases are categorised between operating and finance leases according to management judgement on the basis of relevant accounting standards, with the premise that long term land leases, typically for a period of 110 years or more, and long term building leases, typically for a period of 50 years or more, are accounted for on the basis of finance leases.

Agent vs Principal

The Royal Borough transacts activity through its financial ledger where it considers that it is acting as an agent of a separate organisation rather than as a principal in the matter. As such, the activity does not form part of the Royal Borough's financial statements other than to recognise a debtor/creditor relationship for sums due or owed. There were two major areas of activity where the Royal Borough considered that it acted as an agent:

- Covid-19 grants – The Royal Borough received a number of grants from the Council where the recipients and the amount to be allocated were determined by Central Government and the Council made payments on its behalf. The Royal Borough had no control over who was eligible and what

level of support was to be provided. Any sums not paid out were to be refunded to Central Government

- Third party arrangements – The Royal Borough holds funds and receives and makes payments on behalf of a third party. Details of the activity in respect of these arrangements are shown in Note 43, Trust and Other Entities.

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 2020/21 the Council's actuaries advised that the net pension liability had increased by £82m to £335m. 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 £11.6m. A 0.1% increase in the long-term salary increase assumption would result in a £0.6m increase in the pension liability and an increase of 0.1% in pension increases and deferred revaluation assumption would increase the pension liability by £10.9m. Please refer to Note 40.

Property, Plant and Equipment

Uncertainties arise as a result of the estimations used by the Council based on information received from the Council's valuation specialists. The basis of these estimations is set out in note 14 but different assumptions about the future could reasonably be used that could arrive at different results whilst still using the same basis for those estimations. This also applies to the areas of the investment property portfolio that have been assessed based on market evidence that can be subject to variation.

Investment properties valued based on existing lease terms, rental values and yields are not subject to this same level of estimation.

The actual value of the assets, including both operational and investment property, only becomes apparent when they are sold and therefore there could be a material variation between the revalued amount at 31 March 2021 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 14.

The World Health Organisation declared Coronavirus (Covid-19) as a Global Pandemic on 11 March 2020. The pandemic has impacted on global financial markets, global travel and market activity in many sectors. However, as at the valuation date, the Borough's valuers consider that the markets have stabilised but that the full implications of the pandemic are still not fully understood. As such, they consider that less weight than normal can be attached to comparable market evidence when informing their opinions of value and, as a consequence, have made some adjustments due to market sentiment. The valuers have also indicated that a higher degree of caution should be taken when relying on their valuation than would normally be the case.

Recovery of Amounts Due

As part of its normal course of operations, the Royal Borough provides services or raises taxes where the recovery of sums due is not immediate. In the normal course of business, the Royal Borough recognises that not all sums due will be recovered or that appeals will be made against rateable values and as a result sets aside an allowance for the non-recovery of debts and the potential reduction in sums assumed to be due. The Global Covid-19 pandemic has had a significant impact on the economy, both locally, nationally and globally, the full impact of which may not be known for some time. Whilst the Royal Borough has set aside, what it believes to be, a prudent level to reflect a level of non-recovery of debts and sums assumed to be due through Business Rates, the actual amounts may not be known for some time. Details of the amounts due to the Royal Borough are set out on the Balance Sheet, Note 19, Financial Instruments, Note 20, Debtors and Note 23, Provisions.

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, leisure centres and libraries have been revalued 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 2020/21 has recognised a decrease in value of £5.202m (2019/20: £16.671m) that is reported through the Surplus/Deficit on the Provision of Services

6. Events After the Balance Sheet Date

The draft Financial Statements were authorised for issue by the Executive Director of Resources and Section 151 Officer on 21 June 2021. Events taking place up to the date of signing these final audited Financial Statements are reflected in the statements and notes. Where events taking place before this date provided information about conditions existing at 31 March 2021, the figures in the Financial Statements and notes have been adjusted in all material respects to reflect the impact of this information. No events have occurred which need to be reported here.

7. Prior Period Adjustments

Prior period adjustments have to be recognised in the financial statements in respect of two activities: The accounting treatment for cash balances administered for third parties, and the accounting treatment for an asset disposed of through a long term lease in 2018/19

Treatment of cash balances held where the Royal Borough administers for a third party

The Council transacts a number of activities through its financial ledger where it administers for a third party as detailed in Note 43, Trusts and Other Entities.

In previous years, the Royal Borough has accounted for cash held for third parties by netting down investments and cash and cash equivalents against the amounts due to the third parties shown in short term liabilities. In 2018/19, the Council had also incorrectly netted down investments by the Council. The Council now recognises that it should show investments gross where the investment is held in the name of the Borough. Where the Council administers accounts for a third party, and the investment is in their name, this is not an asset of the Council and is not presented in the balance sheet.

The impact of the prior period amendments are shown in the tables below.

Adjustment in respect of Deferred Capital Receipts

In 2018/19, the Royal Borough disposed of a site through a long lease arrangement of 250 years, for a premium of £7.632m for the development of residential units. Given the length of the lease arrangement, the Royal Borough determined that the arrangement should be treated as a disposal through a finance lease and that the associated receipts would be treated as capital receipts. The premium would be payable on the basis of an initial payment of 10% of the premium, £0.763m, with the balance payable as the developer sold the residential units.

The Royal Borough initially treated the receipts from the arrangement as a capital receipt at the point of the receipt of the payment from the developer. However, the correct accounting treatment would be to recognise a debtor and deferred capital receipt reserve on disposal and then account for the receipt of payments through a reduction in the debtor and a transfer from the Deferred Capital Receipt Reserve to the Capital Receipts Reserve.

The Royal Borough had also retained the asset on its Balance Sheet after entering into the long lease arrangement. The asset was held on the Balance Sheet as an Investment Property in 2018/19 (£0.083m) before being revalued and transferred to Surplus Assets in 2019/20 (£2.405m). The prior period adjustment corrects the accounting treatment as detailed below.

Adjustments for 2018/19

Balance Sheet

| | Original Balance per Audited Statements | Adjustment in respect of Agency Arrangements | Adjustment in respect of Deferred Capital Receipts | Restated Balances |
|------------------------------|---|---|---|----------------------|
| | £000 | £000 | £000 | £000 |
| Property, Plant & Equipment | 337,781 | | | 337,781 |
| Infrastructure Assets | 83,844 | | | 83,844 |
| Heritage Assets | | | | - |
| Investment Property | 131,824 | | (83) | 131,741 |
| Intangible Assets | 2,104 | | | 2,104 |
| Long Term Investments | 368 | 1,258 | | 1,626 |
| Long Term Advances | | | | - |
| Long Term Debtors | 14 | | 6,869 | 6,883 |
| Long Term Assets | 555,935 | 1,258 | 6,786 | 563,979 |
| Short Term Investments | | 6,822 | | 6,822 |
| Assets Held for Sale | | | | - |
| Inventories | 105 | | | 105 |
| Short Term Debtors | 32,507 | | | 32,507 |
| Cash and Cash Equivalents | 1,954 | 14,300 | | 16,254 |
| Current Assets | 34,566 | 21,122 | - | 55,688 |
| Total Assets | 590,501 | 22,380 | 6,786 | 619,667 |
| Bank Overdraft | | | | - |
| Short Term Borrowings | (71,952) | (22,380) | | (94,332) |
| Short Term Creditors | (30,980) | | | (30,980) |
| Short Term Provisions | | | | - |
| Current Liabilities | (102,932) | (22,380) | - | (125,312) |
| Long Term Creditors | (250) | | | (250) |
| Long Term Provisions | (3,226) | | | (3,226) |
| Long Term Borrowing | (57,049) | | | (57,049) |
| Pension Liabilities | (282,385) | | | (282,385) |
| Grant Receipts in Advance | (12,721) | | | (12,721) |
| Long Term Liabilities | (355,631) | - | - | (355,631) |
| Net Assets | 131,938 | - | 6,786 | 138,724 |

| | | | |
|------------------------------------|----------------|----------|----------------|
| Usable Reserves | 18,037 | | 18,037 |
| Capital Adjustment Account | 184,999 | 6,786 | 191,785 |
| Revaluation Reserve | 214,694 | | 214,694 |
| Pensions Reserve | (282,385) | | (282,385) |
| Collection Fund Adjustment Account | (1,365) | | (1,365) |
| Accumulated Absences Account | (2,042) | | (2,042) |
| Dedicated Schools Grant | - | | - |
| Sub Total Unusable Reserves | 113,901 | - | 120,687 |
| Total Reserves | 131,938 | - | 138,724 |

Adjustment for 2019/20

Comprehensive Income and Expenditure Statement

| | 2019/20 per Audited Statement of Accounts | | | | Restated 2019/20 | | |
|--|---|------------------|-----------------|--|-------------------|------------------|-----------------|
| | Gross Expenditure | Gross Income | Net Expenditure | Adjustment in respect of Deferred Capital Receipts | Gross Expenditure | Gross Income | Net Expenditure |
| | £000 | £000 | £000 | | £000 | £000 | £000 |
| Managing Director | 234,017 | (136,896) | 97,121 | | 234,017 | (136,896) | 97,121 |
| Communities Directorate | 48,844 | (35,198) | 13,646 | | 48,844 | (35,198) | 13,646 |
| Place Directorate | 18,558 | (12,400) | 6,158 | | 18,558 | (12,400) | 6,158 |
| Revaluation movement on assets | 16,671 | - | 16,671 | | 16,671 | - | 16,671 |
| Full Cost of Services | 318,090 | (184,494) | 133,596 | - | 318,090 | (184,494) | 133,596 |
| Precepts & Levies | | | 1,664 | | | | 1,664 |
| Loss on the disposal of other fixed assets | | | 626 | | | | 626 |
| Other Net Expenditure | | | 5 | | | | 5 |
| Other Operating Expenditure | | | 2,295 | - | | | 2,295 |
| Interest payable and similar charges | | | 2,977 | | | | 2,977 |
| Pensions interest cost | | | 8,030 | | | | 8,030 |
| Interest and Dividend income | | | (475) | | | | (475) |
| Changes in the fair value of investment properties | | | (12,599) | 2,322 | | | (10,277) |
| Financing & Investment Income & Expenditure | | | (2,067) | 2,322 | - | | 255 |
| Taxation and Non-Specific Grant Income | | | (108,683) | | | | (108,683) |
| Deficit on Provision of Services | | | 25,141 | 2,322 | | | 27,463 |
| Revaluation changes to value of Property, Plant and Equipment assets | | | (8,913) | | | | (8,913) |
| Remeasurement of the net defined benefit liability (asset) | | | (38,894) | | | | (38,894) |
| Other Comprehensive (Income) | | | (47,807) | - | | | (47,807) |
| Total Comprehensive (Income) | | | (22,666) | 2,322 | | | (20,344) |

Balance Sheet

| | Original Balance per Audited Statements | Adjustment in respect of Agency Arrangements | Adjustment in respect of Deferred Capital Receipts | Restated Balances |
|---|---|---|---|----------------------|
| | £000 | £000 | £000 | £000 |
| Property, Plant & Equipment (Adjustment in Surplus Assets) | 423,731 | | (2,405) | 421,326 |
| Infrastructure Assets | 85,829 | | | 85,829 |
| Heritage Assets | | | | - |
| Investment Property | 89,628 | | | 89,628 |
| Intangible Assets | 1,721 | | | 1,721 |
| Long Term Investments | 373 | | | 373 |
| Long Term Advances | | | | - |
| Long Term Debtors | | | 6,869 | 6,869 |
| Long Term Assets | 601,282 | - | 4,464 | 605,746 |
| Short Term Investments | 10,559 | (559) | | 10,000 |
| Assets Held for Sale | 1,200 | | | 1,200 |
| Inventories | 22 | | | 22 |
| Short Term Debtors | 22,842 | | | 22,842 |
| Cash and Cash Equivalents | 7,622 | 34,796 | | 42,418 |
| Current Assets | 42,245 | 34,237 | - | 76,482 |
| Total Assets | 643,527 | 34,237 | 4,464 | 682,228 |
| Bank Overdraft | | | | - |
| Short Term Borrowings | (134,000) | (34,237) | | (168,237) |
| Short Term Creditors | (34,634) | | | (34,634) |
| Short Term Provisions | | | | - |
| Current Liabilities | (168,634) | (34,237) | - | (202,871) |
| Long Term Creditors | (243) | | | (243) |
| Long Term Provisions | (1,289) | | | (1,289) |
| Long Term Borrowing | (57,049) | | | (57,049) |
| Pension Liabilities | (252,767) | | | (252,767) |
| Grant Receipts in Advance | (8,941) | | | (8,941) |
| Long Term Liabilities | (320,289) | - | - | (320,289) |
| Net Assets | 154,604 | - | 4,464 | 159,068 |
| Usable Reserves | 25,318 | | | 25,318 |
| Capital Adjustment Account | 185,410 | | 4,464 | 189,874 |
| Revaluation Reserve | 206,225 | | | 206,225 |
| Pensions Reserve | (252,767) | | | (252,767) |
| Collection Fund Adjustment Account | (7,648) | | | (7,648) |
| Accumulated Absences Account | (1,934) | | | (1,934) |
| Dedicated Schools Grant | | | | - |
| Sub Total Unusable Reserves | 129,286 | - | 4,464 | 133,750 |
| Total Reserves | 154,604 | - | 4,464 | 159,068 |

Movement in Reserves Statement

| 2019/20 per Audited Financial Statements | 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 |
| Balance at 31 March 2019 | 7,778 | 5,825 | 3,905 | 529 | - | 18,037 | 113,901 | 131,938 |
| Total Comprehensive (Expenditure) and Income | (25,141) | - | - | - | - | (25,141) | 47,807 | 22,666 |
| Adjustments between accounting basis & funding basis under regulations (Note 9) | 28,744 | - | 3,127 | - | 551 | 32,422 | (32,422) | - |
| Net Increase / (Decrease) before Transfers to Earmarked Reserves | 3,603 | - | 3,127 | - | 551 | 7,281 | 15,385 | 22,666 |
| Transfers to / (from) Earmarked Reserves (Note 10) | (729) | 821 | - | (92) | - | - | - | - |
| Increase / (Decrease) in Year | 2,874 | 821 | 3,127 | (92) | 551 | 7,281 | 15,385 | 22,666 |
| Balance at 31 March 2020 Carried Forward | 10,652 | 6,646 | 7,032 | 437 | 551 | 25,318 | 129,286 | 154,604 |

| 2019/20 Prior Period Adjustments in respect of Deferred Capital Receipts adjustment | 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 |
| Balance at 31 March 2019 | | | | | | - | 6,786 | 6,786 |
| Total Comprehensive (Expenditure) and Income | (2,322) | | | | | (2,322) | | (2,322) |
| Adjustments between accounting basis & funding basis under regulations (Note 9) | 2,322 | | | | | 2,322 | (2,322) | - |
| Net (Decrease) before Transfers to Earmarked Reserves | - | - | - | - | - | - | (2,322) | (2,322) |
| Transfers to / (from) Earmarked Reserves (Note 10) | | | | | | - | | - |
| (Decrease) in Year | - | - | - | - | - | - | (2,322) | (2,322) |
| Balance at 31 March 2020 Carried Forward | - | - | - | - | - | - | 4,464 | 4,464 |

2019/20 Restated Position

| | 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 |
| Balance at 31 March 2019 | 7,778 | 5,825 | 3,905 | 529 | - | 18,037 | 120,687 | 138,724 |
| Total Comprehensive (Expenditure) and Income | (27,463) | - | - | - | - | (27,463) | 47,807 | 20,344 |
| Adjustments between accounting basis & funding basis under regulations (Note 9) | 31,066 | - | 3,127 | - | 551 | 34,744 | (34,744) | - |
| Net Increase before Transfers to Earmarked Reserves | 3,603 | - | 3,127 | - | 551 | 7,281 | 13,063 | 20,344 |
| Transfers to / (from) Earmarked Reserves (Note 10) | (729) | 821 | - | (92) | - | - | - | - |
| Increase / (Decrease) in Year | 2,874 | 821 | 3,127 | (92) | 551 | 7,281 | 13,063 | 20,344 |
| Balance at 31 March 2020 Carried Forward | 10,652 | 6,646 | 7,032 | 437 | 551 | 25,318 | 133,750 | 159,068 |

Cashflow Statement

| | Per audited Financial Statements | Impact of revised Opening Balance | Adjustment arising from Agency Arrangements | Adjustment arising from Deferred Capital Receipts | Restated Cashflow Note |
|---|--|--|--|---|------------------------------|
| Council Cash Flow Statement (Indirect Method) | £'000 | £'000 | £'000 | £'000 | £'000 |
| (Deficit) on the provision of services | (25,141) | | | (2,322) | (27,463) |
| Adjust net surplus on the provision of services for non-cash movements | 39,885 | | | 2,322 | 42,207 |
| Adjust for items included in the net (deficit) on the provision of services that are investing and financing activities | (11,064) | | | | (11,064) |
| Net cash inflows from Operating Activities | 3,680 | - | - | - | 3,680 |
| Net cash (outflows) from Investing Activities | (60,059) | 8,080 | 559 | | (51,420) |
| Net cash inflows from Financing Activities | 62,047 | (22,380) | 34,237 | | 73,904 |
| Net Increase in Cash and Cash Equivalents | 5,668 | (14,300) | 34,796 | - | 26,164 |
| Cash and cash equivalents at the beginning of the reporting period | 1,954 | 14,300 | - | - | 16,254 |
| Cash and Cash Equivalents at the end of the reporting period | 7,622 | - | 34,796 | - | 42,418 |

8. 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 Comprehensive Income and Expenditure Statement. The information for 2019/20 has been restated as a result of the prior period adjustments set out in Note 7 to these financial statements.

| Net Exp. chargeable to General Fund | 2019/20 (Restated) | | Net Exp. in CI&ES | | 2020/21 | | Net Exp. in CI&ES |
|--|--|----------------|---|--|--|--|-------------------|
| | Adjustments between funding & accounting (Note 10) basis | | | | Net Exp. chargeable to General Fund | Adjustments between funding & accounting (Note 10) basis | |
| £000 | £000 | £000 | | | £000 | £000 | £000 |
| 40,015 | 985 | 41,000 | Adults, Comm. & Health | | 41,760 | 2,372 | 44,132 |
| 30,539 | 2,264 | 32,803 | Children's Services | | 26,703 | 2,165 | 28,868 |
| 3,037 | 304 | 3,341 | Governance Law & Strat' | | 3,569 | 298 | 3,867 |
| (2,692) | 605 | (2,087) | Managing Director | | (552) | 550 | (2) |
| 21,557 | 10,780 | 32,337 | Place | | 19,245 | 13,820 | 33,065 |
| 7,250 | 2,534 | 9,784 | Resources | | 2,767 | 2,537 | 5,304 |
| (253) | - | (253) | Contingency & Corporate | | 501 | - | 501 |
| | 16,671 | 16,671 | Revaluation movement in assets | | - | 5,202 | 5,202 |
| 99,453 | 34,143 | 133,596 | Full Cost of Services | | 93,993 | 26,944 | 120,937 |
| (103,056) | (3,077) | (106,133) | Other Income & Exp. | | (121,138) | 21,446 | (99,692) |
| 729 | (729) | 0 | Transfer to/from Earmarked Reserves | | 30,738 | (30,738) | 0 |
| (2,874) | 30,337 | 27,463 | (Surplus)/Deficit on service provision | | 3,593 | 17,652 | 21,245 |
| (7,778) | | | General Fund balance B/F | | (10,652) | | |
| (2,874) | | | Less (surplus)/deficit on General Fund balance in year | | 3,593 | | |
| (10,652) | | | Closing General Fund | | (7,059) | | |

| Adjustments between Funding and Accounting Basis 2020/21 | | | | |
|---|---------------------------------------|---|----------------------|----------------------|
| Adjustments from Gen. Fund to arrive at the CI&E Statement amounts | | | | |
| Directorate | Adjustment for Capital Purposes | Net change for the Pensions Adjustment | Other Differences | Total Adjustments |
| | £000 | £000 | £000 | £000 |
| Adults, Health & Commissioning | 317 | 730 | 1,325 | 2,372 |
| Children's Services | 2,226 | 14 | (75) | 2,165 |
| Governance, Law & Strategy | 4 | 295 | (1) | 298 |
| Managing Director | 432 | 97 | 21 | 550 |
| Place | 12,622 | 1,174 | 24 | 13,820 |
| Resources | 830 | 1,751 | (44) | 2,537 |
| Revaluation movement in assets | 5,202 | | | 5,202 |
| Net Cost of Services | 21,633 | 4,061 | 1,250 | 26,944 |
| Other (income) and expenditure from the Expenditure and Funding Analysis | (8,688) | 2,480 | 27,654 | 21,446 |
| Transfers to/from Earmarked Reserves (Note 24) | - | - | (30,738) | (30,738) |
| Difference between Gen. Fund surplus or deficit & CI&E Statement Surplus or Deficit on the Provision of Services | 12,945 | 6,541 | (1,834) | 17,652 |

| Adjustments between Funding and Accounting Basis 2019/20 (Restated) | | | | |
|---|--|---|--------------------------|--------------------------|
| Adjustments from Gen. Fund to arrive at the CI&E Statement amounts | | | | |
| Directorate | Adjustment for Capital Purposes | Net change for the Pensions Adjustment | Other Differences | Total Adjustments |
| | £000 | £000 | £000 | £000 |
| Adults, Health & Commissioning | 316 | 656 | 13 | 985 |
| Children's Services | 2,314 | 14 | (64) | 2,264 |
| Governance, Law & Strategy | 4 | 300 | - | 304 |
| Managing Director | 517 | 87 | 1 | 605 |
| Place | 9,507 | 1,271 | 2 | 10,780 |
| Resources | 905 | 1,689 | (60) | 2,534 |
| Contingency & Corporate | - | - | - | - |
| Revaluation movement in assets | 16,671 | | | 16,671 |
| Net Cost of Services | 30,234 | 4,017 | (108) | 34,143 |
| Other (income) and expenditure from the Expenditure and Funding Analysis | (14,615) | 5,255 | 6,283 | (3,077) |
| | | | | 0 |
| Transfers to/from Earmarked Reserves (Note 24) | - | - | (729) | (729) |
| Difference between Gen. Fund surplus or deficit & CI&E Statement Surplus or Deficit on the Provision of Services | 15,619 | 9,272 | 5,446 | 30,337 |

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

The change in the total value of the accrual for accumulated absence (holiday pay) is not chargeable under generally accepted accounting practices and removed in the service lines. The difference between what is chargeable under statutory regulations for council tax and business rates that was projected to be received at the start of the year and the income recognised under generally accepted accounting practices.

This is a timing difference as any difference will be brought forward in future Surpluses or Deficits on the Collection Fund.

Transfers to/from Earmarked Reserves are shown on a separate line in the other differences column. The details of reserve movements are shown in note 24.

9. Expenditure and Income analysed by Nature

| | 2019/20 restated | 2020/21 |
|---|------------------|------------------|
| | £000 | £000 |
| Income | | |
| Government Grants | (101,802) | (114,534) |
| Covid-19 Business Rates S31 Relief | 0 | (36,650) |
| Covid Grants and Contributions | 0 | (23,980) |
| Collection Fund | (90,924) | (50,733) |
| Housing Benefit Income | (27,232) | (25,812) |
| Other Grants & Contributions | (22,846) | (18,626) |
| Fees & Charges | (30,047) | (21,274) |
| Sales | (4,475) | (3,578) |
| Rent | (8,028) | (5,590) |
| Interest | (265) | (505) |
| Other Operating Income | (205) | (210) |
| Contributions from other funds/balances | (5,010) | (4,940) |
| | (290,834) | (306,432) |
| Expenditure | | |
| Employees | | |
| Direct Employee Costs | 42,596 | 42,037 |
| Teachers Pay | 25,123 | 24,579 |
| Indirect Employee Costs | 7,095 | 6,880 |
| Pension Interest Cost | 8,030 | 5,724 |
| Premises | | |
| Repairs & Maintenance | 2,057 | 2,019 |
| Other Energy | 116 | 89 |
| Gas | 258 | 265 |
| Electricity | 1,648 | 1,325 |
| Other Rent & Rates | 2,063 | 1,747 |
| Rates | 2,787 | 2,830 |
| Water | 303 | 270 |
| Other Premises | 1,934 | 62 |
| Depreciation, Amortisation and Impairment | 30,234 | 23,531 |
| Supplies & Services | | |
| Equipment, Furniture & Materials | 1,572 | 1,293 |
| Printing, Stationery & Office Expenses | 1,697 | 1,168 |
| Communications and Computing | 3,597 | 3,956 |
| Grants & Subscriptions | 12,229 | 12,859 |
| Covid Grants and Support | | 3,016 |
| Other Supplies & Services | 17,634 | 17,124 |
| Transport | 376 | 172 |
| Contract Services | 134,165 | 131,294 |
| Housing Benefit Payment | 27,793 | 25,197 |
| Other Operating Expenditure and Income | | |
| Interest Payments | 2,977 | 3,361 |
| Precepts and Levies | 1,664 | 1,796 |
| Changes in the fair value of Investment Properties | (10,277) | 14,942 |
| Gain or Loss on Disposal of Property, plant & equipment | 626 | 141 |
| Gross Expenditure | 318,297 | 327,677 |
| | | |
| Deficit on the Provision of Services | 27,463 | 21,245 |

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

| 2020/21 | General Fund Balance | Capital Grants Unapplied | Capital Receipts Reserve | Usable Reserves | Unusable Reserves |
|--|----------------------|--------------------------|--------------------------|-----------------|-------------------|
| | £000 | £000 | £000 | £000 | £000 |
| Adjustments primarily involving the Capital Adjustment Account: | | | | | |
| Charges for depreciation and impairment of non-current assets | (17,774) | - | - | (17,774) | 17,774 |
| Revaluation movements and impairments of non-current assets charge to the CIES | (5,202) | - | - | (5,202) | 5,202 |
| Movements in the market value of investment properties | (14,942) | - | - | (14,942) | 14,942 |
| Gain on investment through asset swap with RBWM PropCo Ltd | 3,158 | - | - | 3,158 | (3,158) |
| Amortisation of intangible assets | (555) | - | - | (555) | 555 |
| Capital grants and contributions applied | 17,601 | - | - | 17,601 | (17,601) |
| Revenue expenditure funded from capital under statute | (3,597) | - | - | (3,597) | 3,597 |
| Amounts of non-current assets written off on disposal or sale as part of the (gain)/loss on disposal to the CI&E | (4,478) | - | - | (4,478) | 4,478 |
| Statutory provision for the financing of capital investment | 2,210 | - | - | 2,210 | (2,210) |
| Capital Expenditure Charged against Revenue Balances | 355 | - | - | 355 | (355) |
| Adjustments involving the Capital Grants Unapplied Account: | | | | | |
| Capital grants and contributions unapplied credited to the CI&E | 9,162 | (9,162) | - | - | - |
| Application of grants to capital financing transferred to the Capital Adjustment Account | - | 1,129 | - | 1,129 | (1,129) |
| Adjustments primarily involving the Capital Receipts Reserve: | | | | | |
| Transfer of cash sale proceeds credited as part of the (gain)/loss on disposal to the CI&E Statement | 1,117 | - | (1,117) | - | - |
| Use of the Capital Receipts Reserve to finance new capital expenditure | - | - | 480 | 480 | (480) |
| Transfer from the Deferred Capital Receipts Reserve on receipt of cash | - | - | (161) | (161) | 161 |
| Adjustments primarily involving the Pensions Reserve: | | | | | |
| Reversal of items relating to retirement benefits debited or (credited) to the CI&E Statement | (6,541) | - | - | (6,541) | 6,541 |
| Adjustments primarily involving the Collection Fund Adjustment Account: | | | | | |
| Amount by which council tax income credited to the CI&E Statement is different from council tax income calculated for the year in accordance with statutory requirements | (28,215) | - | - | (28,215) | 28,215 |
| Adjustment primarily involving the Accumulated Absences Account: | | | | | |
| Amount by which officer remuneration charged to the CI&E Statement on an accruals basis is different from that charged in the year in accordance with statutory requirements | 76 | - | - | 76 | (76) |
| Adjustments primarily involving the Dedicated Schools Grant: | | | | | |
| Amount by which DSG related expenditure charged to the CIES is different to that chargeable in the year in accordance with statutory requirements | (765) | - | - | (765) | 765 |
| Total Adjustments | (48,390) | (8,033) | (798) | (57,221) | 57,221 |

2019/20 Comparatives

| 2019/20 (Restated) | General Fund Balance | Capital Grants Unapplied | Capital Receipts Reserve | Usable Reserves | Unusable Reserves |
|--|-------------------------|-----------------------------|-----------------------------|-----------------|----------------------|
| | £000 | £000 | £000 | £000 | £000 |
| Adjustments primarily involving the Capital Adjustment Account: | | | | | |
| Charges for depreciation and impairment of non-current assets | (12,971) | - | - | (12,971) | 12,971 |
| 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 | 10,277 | - | - | 10,277 | (10,277) |
| 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) |
| Adjustments primarily involving the Capital Adjustment Account: | | | | | |
| Capital grants and contributions unapplied credited to the CI&E | 5,232 | (5,232) | - | - | - |
| Application of grants to capital financing transferred to the Capital Adjustment Account | - | 2,105 | - | 2,105 | (2,105) |
| Adjustments primarily involving the Capital Receipts Reserve: | | | | | |
| Transfer of cash sale proceeds credited as part of the (gain)/loss on disposal to the CI&E Statement | 879 | - | (879) | - | - |
| Use of the Capital Receipts Reserve to finance new capital expenditure | - | - | 328 | 328 | (328) |
| Adjustments primarily involving the Pensions Reserve: | | | | | |
| Reversal of items relating to retirement benefits debited or (credited) to the CI&E Statement | (9,272) | - | - | (9,272) | 9,272 |
| Adjustments primarily involving the Collection Fund Adjustment Account: | | | | | |
| Amount by which council tax income credited to the CI&E Statement is different from council tax income calculated for the year in accordance with statutory requirements | (6,283) | - | - | (6,283) | 6,283 |
| Adjustment primarily involving the Accumulated Absences Account: | | | | | |
| Amount by which officer remuneration charged to the CI&E Statement on an accruals basis is different from that charged in the year in accordance with statutory requirements | 108 | - | - | 108 | (108) |
| Total Adjustments | (31,066) | (3,127) | (551) | (34,744) | 34,744 |

11. Other Operating Expenditure and Income

| | 2019/20 | 2020/21 |
|--|--------------|--------------|
| | £000 | £000 |
| Parish Council Precepts | 1,508 | 1,639 |
| Levies (Environment Agency) | 156 | 157 |
| losses on the disposal of non-current assets | 626 | 140 |
| Value of non-current assets transferred to RBWM PropCo Ltd | - | 3,158 |
| Transfer of residual mortgage balance | 5 | - |
| Total | 2,295 | 5,094 |

12. Financing and Investment Income and Expenditure

The information for 2019/20 has been restated to reflect the prior period adjustments detailed in Note 7.

| | 2019/20 (Restated) | 2020/21 |
|---|-----------------------|---------------|
| | £000 | £000 |
| Interest payable and similar charges | 2,977 | 3,361 |
| Net interest on the net defined benefit liability | 8,030 | 5,724 |
| Interest receivable and similar income | (265) | (484) |
| Dividend from RBWM Property Company Ltd | (210) | (210) |
| Changes in the fair value of investment properties | (10,277) | 14,942 |
| Increase in investment in RBWM PropCo Ltd arising from transfer of non-current assets | - | (3,158) |
| Total | 255 | 20,175 |

13. Taxation and Non-Specific Grant Income

| | 2019/20 | 2020/21 |
|--|------------------|------------------|
| | £000 | £000 |
| Collection Fund Precepts, Demands and Adjustments - Council Tax | (72,981) | (76,345) |
| Collection Fund Precepts, Demands and Adjustments - Business Rates | (65,414) | (2,639) |
| Business Rates Tariff | 52,157 | 30,800 |
| Business Rates S31 Reliefs | (4,632) | (2,549) |
| Covid-19 Business Rates S31 Relief | - | (36,650) |
| Non-ring-fenced Government Grants | (2,404) | (4,105) |
| Capital Grants | (15,409) | (25,792) |
| Covid-19 DLUHC Funding | - | (7,681) |
| Total | (108,683) | (124,961) |

14. Property, Plant and Equipment

Previously, the Royal Borough has included detail on Infrastructure Assets within this note. However, an amendment to the Code has been issued to allow a temporary relief on Infrastructure Assets to allow disclosure of a net asset position rather than showing gross cost and accumulated depreciation. Further details are set out in Note 15, Infrastructure Assets. The values of Surplus Assets for 2019/20 have been restated as detailed in Note 7, Prior Period Adjustments

Movements on Balances

| Movements in 2020/21 | Other Land & Buildings | Vehicles, Plant, Furniture & Equipment | Community Assets | Surplus Assets | Assets under Construction | Total |
|--|------------------------|--|------------------|----------------|---------------------------|-----------------|
| £000 | £000 | £000 | £000 | £000 | £000 | £000 |
| Cost or Valuation | | | | | | |
| At 1 April 2020 | 291,968 | 33,646 | 9,052 | 70,631 | 41,324 | 446,621 |
| Additions | 717 | 1,793 | 262 | - | 11,720 | 14,492 |
| Revaluation increases recognised in the Revaluation Reserve | (7,707) | - | - | 352 | - | (7,355) |
| Revaluation (decreases) recognised in the Surplus/Deficit on the Provision of Services | (2,566) | - | - | (2,288) | (791) | (5,645) |
| Derecognition – disposals | (3,179) | (15) | - | - | - | (3,194) |
| Derecognition – other | - | - | - | - | (33) | (33) |
| Asset reclassifications* | 41,609 | - | - | (7,908) | (41,534) | (7,833) |
| Other movements in cost or valuation | - | - | - | 708 | - | 708 |
| At 31 March 2021 | 320,842 | 35,424 | 9,314 | 61,495 | 10,686 | 437,761 |
| Accumulated Depreciation and Impairment | | | | | | |
| At 1 April 2020 | (11,828) | (13,360) | (129) | 22 | - | (25,295) |
| Depreciation charge | (4,442) | (2,740) | - | (148) | - | (7,330) |
| Depreciation written out to the Revaluation Reserve | 4,645 | - | - | 72 | - | 4,717 |
| Depreciation written out to the Surplus/Deficit on the Provision of Services | - | - | - | 532 | - | 532 |
| Derecognition | - | 11 | - | - | - | 11 |
| Asset Reclassifications* | - | - | - | 230 | - | 230 |
| Other Adjustments | 1,709 | - | - | (708) | - | 1,001 |
| At 31 March 2021 | (9,916) | (16,089) | (129) | - | - | (26,134) |
| Net Book Value | | | | | | |
| At 31 March 2021 | 310,926 | 19,335 | 9,185 | 61,495 | 10,686 | 411,627 |

* £7.603m of assets were reclassified to investment property.

Comparative Movements in 2019/20

| Movements in 2019/20 (Restated) | Other Land & Buildings | Vehicles, Plant, Furniture & Equipment | Community Assets | Surplus Assets | Assets under Construction | Total |
|--|------------------------|--|------------------|----------------|---------------------------|----------------|
| £000 | £000 | £000 | £000 | £000 | £000 | £000 |
| Cost or Valuation | | | | | | |
| At 1 April 2019 | 313,237 | 25,215 | 8,205 | 5,569 | 16,385 | 368,611 |
| Additions | 1,437 | 8,431 | 952 | 7,907 | 29,629 | 48,356 |
| Revaluation increases recognised in the Revaluation Reserve | 217 | - | - | 547 | - | 764 |
| Revaluation (decreases) recognised in the Surplus/Deficit on the Provision of Services | (9,423) | - | (105) | (3,870) | - | (13,398) |
| Derecognition – disposals | (700) | - | - | - | - | (700) |
| Derecognition – other | - | - | - | - | (4,690) | (4,690) |
| Asset reclassifications* | (12,800) | - | - | 60,478 | - | 47,678 |

| | | | | | | |
|--|-----------------|-----------------|--------------|---------------|---------------|-----------------|
| Other movements in cost or valuation | - | - | - | - | - | - |
| At 31 March 2020 | 291,968 | 33,646 | 9,052 | 70,631 | 41,324 | 446,621 |
| | | | | | | |
| Accumulated Depreciation and Impairment | | | | | | |
| At 1 April 2019 | (19,444) | (11,257) | (129) | - | - | (30,830) |
| Depreciation charge | (4,631) | (2,103) | - | - | - | (6,734) |
| Depreciation written out to the Revaluation Reserve | 8,143 | - | - | - | - | 8,143 |
| Depreciation written out to the Surplus/Deficit on the Provision of Services | 926 | - | - | - | - | 926 |
| Derecognition | - | - | - | - | - | - |
| Asset reclassifications | 2,782 | - | - | 22 | - | 2,804 |
| Other Adjustments | 396 | - | - | - | - | 396 |
| At 31 March 2020 | (11,828) | (13,360) | (129) | 22 | - | (25,295) |
| | | | | | | |
| Net Book Value | | | | | | |
| At 31 March 2020 | 280,140 | 20,286 | 8,923 | 70,653 | 41,324 | 421,326 |
| At 31 March 2019 | 293,793 | 13,958 | 8,076 | 5,569 | 16,385 | 337,781 |

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)

Capital Commitments

At 31 March 2021, 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 £10.335m. Similar commitments at 31 March 2020 were £7.111m. The major commitments are:

| Scheme | £000 |
|--------------------------|---------------|
| St Peter's Middle School | 489 |
| Vicus Way Car Park | 9,846 |
| | 10,335 |

Revaluations

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

| | Land & Buildings | Vehicles, Plant, Furniture & Equipment | Surplus Assets | Total |
|-----------------------------|-----------------------------|---|-----------------------|--------------|
| | £000 | £000 | £000 | £000 |
| Carried at historical cost | 0 | 19,335 | 0 | 19,335 |
| Valued at fair value as at: | | | 0 | 0 |
| 31/03/2021 | 112,630 | 0 | 61,495 | 174,125 |

| | | | | |
|---|----------------|---------------|---------------|----------------|
| 31/03/2020 | 25,532 | 0 | 0 | 25,532 |
| 31/03/2019 | 12,112 | 0 | 0 | 12,112 |
| 31/03/2018 | 0 | 0 | 0 | 0 |
| 31/03/2017 | 188,358 | 0 | 0 | 188,358 |
| Total Cost or Valuation | 338,632 | 19,335 | 61,495 | 419,462 |
| Variations since date of valuation (see below*) | (27,706) | 0 | 0 | (27,706) |
| Net Book Value as at 31st March 2021 | 310,926 | 19,335 | 61,495 | 391,756 |

*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 increase of £39.032m, relating to schools, libraries and leisure centres, has been applied to assets not revalued during 2020/21 to account for price changes. Indices provided by the Royal Borough's valuers have been used to arrive at this figure.

Fair Value Hierarchy – Surplus Assets

Details of the Royal Borough's Surplus Assets fair value hierarchy at 31 March 2021 and 31 March 2020 are detailed below. The detail as at 31 March 2020 has been restated as detailed in Note 7, Prior Period Adjustments.

| | Level 2_Inputs are observable data available in a non-active market. | Level 3_Inputs (lowest quality) are all other inputs, which are mostly unobservable | Grand Total |
|--------------------------|--|---|-------------|
| | £000 | £000 | £000 |
| 31 March 2021 | 61,495 | - | 61,495 |
| 31 March 2020 (Restated) | 70,653 | - | 70,653 |

15. Highways Infrastructure Assets

In accordance with the Temporary Relief offered by the Update to the Code on Infrastructure Assets, this note does not include disclosure of gross cost and accumulated depreciation for Infrastructure Assets because historical reporting practices and resultant information deficits mean that this would not faithfully represent the asset position to the users of the financial statements.

Where the Royal Borough replaces a component of its Infrastructure Assets, it assumes that the component replaced has reached the end of its useful economic life and has a carrying amount of nil, as allowed for in The Local Authorities (Capital Finance and Accounting) (England) (Amendment) Regulations 2022. The expected useful economic life of some Infrastructure Assets may be up to 40 years and information on cost and the date of recognition from the time of acquisition may not be known with certainty and there may be some assets replaced that have not reached the end of their useful economic lives.

| | 2019/20 | 2020/21 |
|---|---------------|---------------|
| | £000 | £000 |
| Net Book Value at 1 April | 83,844 | 85,829 |
| Additions | 8,221 | 9,008 |
| Revaluation decrease recognised in Surplus/Deficit on Provision of Services | - | (1,798) |
| Depreciation charge | (6,236) | (10,444) |
| Net Book Value 31 March | 85,829 | 82,595 |

16. 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.

17. 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.

| | 2019/20 | 2020/21 |
|--|--------------|--------------|
| | £000 | £000 |
| Rental income from investment property | 4,390 | 4,197 |
| Direct operating expenses arising from investment property | (571) | (880) |
| Net gain | 3,819 | 3,317 |

The following table summarises the movement in the fair value of investment properties over the year. The detail for 2019/20 has been restated to reflect the removal of the asset that was disposed of via way of a long leasehold arrangement as detailed in Note 7, Prior Period Adjustments.

| | 2019/20 (Restated) | 2020/21 |
|--|-----------------------|---------------|
| | £000 | £000 |
| Balance at start of the year | 131,741 | 89,628 |
| Disposals | (805) | - |
| Net gains/(losses) from fair value adjustments | 10,277 | (14,942) |
| Transfers: | | |
| (To)/from Property, Plant and Equipment * | (51,683) | 7,603 |
| Other changes | 98 | - |
| Balance at end of the year | 89,628 | 82,289 |

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 2021 in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution for Chartered Surveyors. The assets were valued by Kempton Carr Croft, the Council's valuing agents.

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

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

* 2019/20 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.

Fair Value Hierarchy

Details of the Royal Borough's Investment Properties and information about the fair value hierarchy at 31 March 2021 and 31 March 2020 are detailed below.

| 31 March 2021 | Level 2_Inputs are observable data available in a non-active market. | Level 3_Inputs (lowest quality) are all other inputs, which are mostly unobservable | Grand Total |
|-----------------------------------|--|---|---------------|
| | £000 | £000 | £000 |
| Commercial Land | 3,105 | - | 3,105 |
| Industrial Land/Building | 12,098 | - | 12,098 |
| Miscellaneous Property | 3,058 | 1,320 | 4,378 |
| Offices | 18,420 | - | 18,420 |
| Parks, POS, Recreational Facility | 6,408 | - | 6,408 |
| Retail Property | 37,880 | - | 37,880 |
| Grand Total | 80,969 | 1,320 | 82,289 |

| 31 March 2020 (restated) | Level 2_Inputs are observable data available in a non-active market. | Level 3_Inputs (lowest quality) are all other inputs, which are mostly unobservable | Grand Total |
|-----------------------------------|--|---|---------------|
| | £000 | £000 | £000 |
| Commercial Land | 3,105 | - | 3,105 |
| Industrial Land/Building | 12,060 | - | 12,060 |
| Miscellaneous Property | 3,682 | 1,282 | 4,964 |
| Offices | 18,700 | - | 18,700 |
| Parks, POS, Recreational Facility | 5,035 | - | 5,035 |
| Retail Property | 45,764 | - | 45,764 |
| Grand Total | 88,346 | 1,282 | 89,628 |

The prior year restatement related to re-categorisation of the fair value of offices of £12.58m which was included under level 3 instead of level 2 category.

18. 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 £0.555m charged to revenue in 2020/21 was charged to the relevant service.

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

| | 2019/20 | 2020/21 |
|---|--------------|--------------|
| | £000 | £000 |
| Balance at start of year: | | |
| Gross carrying amounts | 17,263 | 17,472 |
| Accumulated amortisation | (15,159) | (15,751) |
| Net carrying amount at start of year | 2,104 | 1,721 |
| | | |
| Additions: | | |
| Purchases | 209 | 66 |
| Amortisation for the period | (592) | (555) |
| Net carrying amount at end of year | 1,721 | 1,232 |
| Comprising: | | |
| Gross carrying amounts | 17,472 | 17,538 |
| Accumulated amortisation | (15,751) | (16,306) |
| Total | 1,721 | 1,232 |

19. Financial Instruments

(a) Financial Instruments - Classifications

A financial instrument is a contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. Non-exchange transactions, such as those relating to taxes, benefits, and government grants, do not give rise to financial instruments.

Financial Liabilities

A financial liability is an obligation to transfer economic benefits controlled by the Council and can be represented by a contractual obligation to deliver cash or financial assets, or an obligation to exchange financial assets and liabilities with another entity that is potentially unfavourable to the Council.

All the Council's financial liabilities held during the year are measured at amortised cost and comprised:

- long-term loans from the Public Works Loan Board, commercial lenders and trusts & other entities.
- short-term loans from other local authorities,
- lease payables detailed in note 37,
- trade payables for goods and services received.

Financial Assets

A financial asset is a right to future economic benefits controlled by the Council that is represented by cash, equity instruments or a contractual right to receive cash or other financial assets, or a right to exchange financial assets and liabilities with another entity that is potentially favourable to the Council. The financial assets held by the Council during the year are accounted for under the following classifications:

- Amortised cost (where cash flows are solely payments of principal and interest and the Council's business model is to collect those cash flow) comprising:
 - cash in hand,
 - bank current and deposit accounts with Lloyds Bank,
 - loans to other local authorities,
 - loans to Achieving for Children and RBWM Property Company Ltd made for service purposes,
 - trade receivables for goods and services provided.
- Fair value through profit and loss comprising:
 - money market funds managed by Aberdeen Standard, Insight Investments, Legal & General and Invesco fund managers.
 - equity investments in Optalis Ltd and Achieving for Children.

Financial assets held at amortised cost are shown net of a loss allowance reflecting the statistical likelihood that the borrower or debtor will be unable to meet their contractual commitments to the Council.

(b) Financial Instruments - Balances

The financial liabilities disclosed in the Balance Sheet are analysed across the following categories:

| Financial Liabilities | Long term | | Short term | |
|--|-----------------|-----------------|------------------|------------------|
| | 2019/20 £000 | 2020/21 £000 | 2019/20 £000 | 2020/21 £000 |
| <u>Borrowings</u> | | | | |
| Amortised cost | (57,049) | (56,264) | (168,237) | (135,960) |
| Total borrowings | (57,049) | (56,264) | (168,237) | (135,960) |
| <u>Creditors</u> | | | | |
| Amortised cost | - | - | (30,912) | (46,075) |
| Total creditors | - | - | (30,912) | (46,075) |
| creditors that are not financial instruments | (243) | (188) | (3,722) | (19,771) |
| Total creditors per balance sheet | (243) | (188) | (34,634) | (65,846) |

* The creditors lines on the Balance Sheet include £19.8m (2020: £3.7m) short-term and £0.2m (2020: £0.2m) 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 financial assets disclosed in the Balance Sheet are analysed across the following categories:

| Financial Assets | Long term | | Short term | |
|--|-----------------|-----------------|-----------------|-----------------|
| | 2019/20 £000 | 2020/21 £000 | 2019/20 £000 | 2020/21 £000 |
| <u>Investments</u> | | | | |
| Fair value through profit and loss | 373 | 3,506 | - | - |
| Amortised cost | - | 1,278 | 10,000 | 9,269 |
| Total investments | 373 | 4,784 | 10,000 | 9,269 |
| <u>Debtors</u> | | | | |
| Amortised cost | 6,869 | 6,708 | 17,524 | 25,357 |
| Total debtors | 6,869 | 6,708 | 17,524 | 25,357 |
| Debtors that are not financial instruments | - | 10,062 | 5,318 | 24,424 |
| Total debtors per balance sheet | 6,869 | 16,770 | 22,842 | 49,781 |
| <u>Cash and cash equivalents</u> | | | | |
| Fair value through profit and loss | - | - | 13,900 | 10,500 |
| Amortised cost | - | - | 28,518 | 1,409 |
| Total cash and cash equivalents | - | - | 42,418 | 11,909 |

* The debtors lines on the Balance Sheet include £24.4m (2020: £5.3m) short-term and £10.1m (2020: £0m) long-term debtors that do not meet the definition of a financial asset as they relate to non-exchange transactions or payments in advance.

(c) Financial Instruments -Income, Expense, Gains and Losses

The gains and losses recognised in the Comprehensive Income and Expenditure Statement in relation to financial instruments consist of the following:

| Income, expenses, gains and losses | 2019/20 £000 | 2020/21 £000 |
|---|-----------------|-----------------|
| Interest received from assets measured amortised cost | (245) | (113) |
| Investment income from assets measured a fair value through profit and loss | (70) | (18) |
| Fees paid | 51 | 88 |
| Interest expense | 3,356 | 3,204 |
| Net impact on surplus/deficit on provision of services | 3,092 | 3,161 |

(d) Financial Instruments - Fair Values

The fair value of a financial instrument is the price that would be received when selling an asset, or the price that would be paid when transferring a liability, to another market participant in an arms'-length transaction. Where liabilities are held as an asset by another party, such as the council's borrowing, the fair value is estimated from the holder's perspective.

Financial instruments, except those classified at amortised cost, are carried in the Balance Sheet at fair value. For most assets, including money market funds, the fair value is taken from the market price.

Financial instruments classified at amortised cost are carried in the Balance Sheet at their amortised cost. Their fair values disclosed below have been estimated by calculating the net present value of the remaining contractual cash flows at 31st March 2021, using the following methods and assumptions:

- Loans borrowed by the Council have been valued by discounting the contractual cash flows over the whole life of the instrument at the appropriate market rate for local authority loans.
- Discount rates for "Lender's Option Borrower's Option" (LOBO) loans have been reduced to reflect the value of the embedded options. The size of the reduction has been calculated using proprietary software.
- The fair values of other long-term loans and investments have been discounted at the market rates for similar instruments with similar remaining terms to maturity on 31st March.
- The fair value of short-term instruments, including trade payables and receivables, is assumed to approximate to the carrying amount given the low interest rate environment.

The fair values of financial liabilities are shown in the table below:

| | Balance Sheet 2019/20 £000 | Fair Value 2019/20 £000 | Balance Sheet 2020/21 £000 | Fair Value 2020/21 £000 |
|--|----------------------------------|-------------------------------|----------------------------------|-------------------------------|
| <i>Financial liabilities held at amortised cost:</i> | | | | |
| Long-term loans from PWLB | 44,049 | 62,580 | 43,264 | 61,467 |
| Long-term LOBO loans | 13,000 | 19,515 | 13,000 | 19,624 |
| TOTAL | 57,049 | 82,095 | 56,264 | 81,091 |

The fair value of short-term financial liabilities held at amortised cost, including trade payables, is assumed to approximate to the carrying amount.

The fair value of financial liabilities held at amortised cost is higher than their balance sheet carrying amount when the interest rate payable is higher than the current rates available for similar loans as at the balance sheet date. Similarly, the fair value will be lower where the interest rate payable is lower than current rates available for similar loans as at the balance sheet date.

The fair value of financial assets are shown in the table below:

| | Balance Sheet 2019/20 £000 | Fair Value 2019/20 £000 | Balance Sheet 2020/21 £000 | Fair Value 2020/21 £000 |
|--|----------------------------------|-------------------------------|----------------------------------|-------------------------------|
| Financial assets held at fair value: | | | | |
| Money market funds | 13,900 | 13,900 | 10,500 | 10,500 |
| Financial assets held at amortised cost: | | | | |
| Long-term loans to companies | | | 1,278 | 1,418 |
| TOTAL | 13,900 | 13,900 | 11,778 | 11,918 |

The fair value of short-term financial assets held at amortised cost, including trade receivables, is assumed to approximate to the carrying amount.

The fair value of financial assets held at amortised cost is higher than their balance sheet carrying amount because the interest rate on similar investments was lower at the balance sheet date than that obtained when the investment was originally made.

20. Debtors

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

| | 2019/20 | 2020/21 |
|---|---------------|---------------|
| | £000 | £000 |
| Long Term Debtors | | |
| Purchase of non-current asset – Deferred Capital Receipts | 6,869 | 6,708 |
| Other receivables - Collection Fund | | 10,062 |
| Sub Total Long-Term Debtors | 6,869 | 16,770 |
| Short Term Debtors | | |
| Trade receivables | 17,524 | 23,439 |
| Prepayments | 1,232 | 1,028 |
| Other receivables - Collection Fund | 4,086 | 25,313 |
| Sub Total Short-Term Debtors | 22,842 | 49,780 |
| Total Debtors | 29,711 | 66,550 |

Debtors for local taxation (included in the above figures)

| | 2019/20 | 2020/21 |
|--------------------|---------------|---------------|
| | £000 | £000 |
| Less than one year | 5,480 | 25,313 |
| More than one year | 6,982 | 10,062 |
| Total | 12,462 | 35,375 |

21. Cash and Cash Equivalents

The balance of Cash and Cash Equivalents is made up of the elements detailed below. The figures for 2018/19 and 2019/20 have been restated as detailed in Note 7, Prior Period Adjustments.

| | 2018/19 (Restated) | 2019/20 (Restated) | 2020/21 |
|--|-----------------------|-----------------------|---------------|
| | £000 | £000 | £000 |
| Cash held by the Authority | 37 | 35 | 35 |
| Bank current accounts | 1,056 | 5,196 | 615 |
| Schools' bank accounts | 861 | 887 | 759 |
| Short term deposits | 14,300 | 36,300 | 10,500 |
| Total Cash and Cash Equivalents | 16,254 | 42,418 | 11,909 |

22. Creditors

| | 2019/20 | 2020/21 |
|---|-----------------|-----------------|
| | £000 | £000 |
| Trade Creditors and other accruals | (25,532) | (23,518) |
| Receipts in advance | (5,380) | (21,414) |
| Other payables - Collection Fund, please refer to Notes 52 & 53 | (3,722) | (20,914) |
| Total | (34,634) | (65,846) |

23. Provisions

| | Opening Balance 1 April 2020 | Additional provision s made | Amounts Used | Unused amounts reversed in year | Closing Balance 31 March 2021 |
|---|---------------------------------------|-----------------------------------|-----------------|--|--|
| | £000 | £000 | £000 | £000 | £000 |
| Provision for redundancy | 24 | 400 | - | (24) | 400 |
| Provision for MMI clawback liability | 242 | - | (2) | - | 240 |
| Insurance Provision | - | 505 | - | - | 505 |
| Appeal provision for collection fund (business rates) | 1,023 | 5,735 | - | - | 6,758 |
| Adult Social Care provision | - | 393 | - | - | 393 |
| Total | 1,289 | 7,033 | (2) | (24) | 8,296 |

Provision for redundancy

Provision for redundancy payments expected in 2021/22 that relate to decisions made 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 liabilities of £242k and approximately 1/6 of the BCC exposure 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. Most of the claims now coming in regarding BCC and RBWM concern historic abuse and mesothelioma (asbestos related illness).

Appeal Provision for collection fund (business rates)

The provision is required to cover the loss of income that may result from appeals made in 2020/21 and previous years.

Adult Social Care Provision

The provision has been set aside for a legal case brought against RBWM by Housing Solution.

24. Usable 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 2020/21.

| | 1 April 2020 | Transfers Out | Transfers In | 31 March 2021 |
|---|-----------------|------------------|-----------------|------------------|
| | £000 | £000 | £000 | £000 |
| Capital Reserve | - | (300) | 300 | - |
| Insurance Reserve | 960 | (1,358) | 1,299 | 901 |
| Business Rates Volatility Reserve | 2,269 | - | 1,898 | 4,167 |
| Better Care Fund | 1,383 | (1,383) | 1,281 | 1,281 |
| Public Health Fund | 332 | - | 179 | 511 |
| Optalis Development Reserve | 81 | - | 300 | 381 |
| Brexit Reserve | 299 | - | - | 299 |
| Grave Maintenance Reserve | 8 | - | - | 8 |
| Nature Reserve Maintenance Fund | 123 | - | - | 123 |
| Old Court Maintenance Reserve | 34 | (29) | 13 | 18 |
| Business Rates Section 31 Grant Reserve | - | - | 19,154 | 19,154 |
| Covid-19 General Reserve | - | - | 4,380 | 4,380 |
| Covid-19 Tranche Grant Reserve | 1,157 | (1,157) | - | - |
| Safeguarding Reserve | - | - | 194 | 194 |
| Collection Fund Compensation Reserve | - | - | 4,626 | 4,626 |
| Property Reserve | - | - | 600 | 600 |
| Total | 6,646 | (4,227) | 34,224 | 36,643 |

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 include provisions created by the Royal Borough to cover that part of risk that is considered prudent and details of each can be found below:

Capital Reserve

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

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. Notified claims valued at around £531,261 are currently outstanding (as at 12th April 2021) although it is highly probable that the final settlements for the third-party claims within this total will be far less.

The most recent actuarial investigation of the claims reserve was finalised in November 2020 with the main messages arising as follows:

- Casualty claims reserve element ought to be £0.596m.
- The upper estimate for future casualty claims is £150,000 with an indicative range of £139,000 (lower) and £162,000 (upper) estimates. There is a 25% chance of the actual figure being less than the lower end and 75% chance of it being less than upper end.
- There is no expectation of any aggregate breaches.
- The relatively small size of claims volume means the projections for recent policy years are generally more susceptible to random error than a large book.
- The low frequency of claims especially in Employers' Liability claims gives rise to high level of volatility in the experience year on year and thus the uncertainty associated with the estimates.

Business Rates Volatility Reserve

The reserve contains surpluses arising from the business rates income for use against potential future business rates deficits.

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 £1.281m 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 £1.281m.

Public Health Fund (PHF)

As permitted by the grant conditions £179,412 of the Public Health grant received in 2020/21 has been carried forward to support future Public Health expenditure. This has increased the total reserves available for expenditure on Public Health to £511,162

Optalis Development Reserve

The Optalis Development Reserve has been added to in this financial year to recognise the additional works carried out by the organisation and therefore the increased overheads. Optalis supports both RBWM and Wokingham Borough Council, the shift of services between both Boroughs is recognised in the additional overhead charges to RBWM in 2021/22.

Brexit Reserve

The Secretary of State for the Department for Levelling Up, Homes and Communities (DLUHC) 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.

Grave Maintenance Reserve

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

Nature Reserve Maintenance Fund

Funds set aside for the future upkeep of the Arthur Jacob Nature Reserve.

Old Court Maintenance Reserve

The reserve is to help the further plans of 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.

Business Rates Section 31 Grant Reserve

As a result of the Covid-19 pandemic DLUHC introduced additional Section 31 reliefs for retail discount. This relief was paid to the Council in advance and is held in earmarked reserves for future payment.

Covid-19 General Reserve

This reserve is held to cover potential future Covid-19 costs

Covid-19 Tranche Grant Reserve

As a result of the Covid-19 pandemic DLUHC introduced additional Section 31 reliefs for retail discount. This relief was paid to the Council in advance and is held in earmarked reserves for future payment.

Safeguarding Reserve

The safeguarding responsibility towards citizens is multi-agency, as such, other organisations contribute to the safeguarding budgets. RBWM is the host for the safeguarding service and as such effectively holds a pooled budget from partners, unspent funds get carried forward to meet safeguarding priorities.

Collection Fund Compensation Reserve

DLUHC have announced criteria for the payment of collection fund deficit compensation for both council tax and business rates in 2021/22. The earmarked reserve will be carried forward to offset the future years' deficits.

Property Reserve

This reserve will help to fund future leasing arrangements and potentially compensate for voids. This reflects the fact that we have received some additional property income during the year where leaseholders have vacated early, and this money will be used to smooth out the impact of changes in tenants.

25. Unusable Reserves

The following table shows the value of unusable reserve balances that have arisen as a result of accounting adjustments and which are not available to spend.

The reserves for 2018/19 and 2019/20 have been restated as detailed in Note 7.

| | 2018/19 (Restated) | 2019/20 (Restated) | 2020/21 |
|--|-------------------------------|-------------------------------|----------------|
| | | £000 | £000 |
| Capital Adjustment Account | 184,916 | 183,005 | 173,798 |
| Revaluation Reserve | 214,694 | 206,225 | 191,180 |
| Pensions Reserve | (282,385) | (252,767) | (334,556) |
| Collection Fund Adjustment Account | (1,365) | (7,648) | (35,863) |
| Accumulated Absences Account | (2,042) | (1,934) | (1,858) |
| Dedicated Schools Grant Adjustment Account | - | - | (1,790) |
| Deferred Capital Receipts Reserve | 6,869 | 6,869 | 6,708 |
| Total Unusable Reserves | 120,687 | 133,750 | (2,381) |

Capital Adjustment Account

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

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

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

The detail for Revaluation losses on Property, Plant and Equipment and for Changes in the Fair Value of Investment Properties 2018/19 and 2019/20 has been restated as detailed in Note 7, Prior Period Adjustments

| 2018/19 (Restated) | | 2019/20 (Restated) | | Capital Adjustment Account | 2020/21 | |
|-----------------------|------|-----------------------|------|--|----------|-----------------|
| £000 | £000 | £000 | £000 | | £000 | £000 |
| 210,978 | | 184,916 | | Balance at 1 April | | 183,005 |
| (13,603) | | (12,971) | | Charges for depreciation and impairment of noncurrent assets | (17,774) | |
| (15,468) | | (16,671) | | Revaluation losses on Property, Plant and Equipment | (5,202) | |
| (898) | | (592) | | Amortisation of intangible assets | (555) | |
| (3,234) | | 10,277 | | Changes in the Fair Value of Investment Properties | (14,942) | |
| | | - | | Changes in the Fair Value of Financial Instruments | 0 | |
| (15,936) | | (12,099) | | Revenue expenditure funded from capital under statute | (3,597) | |
| (1,325) | | (1,505) | | Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement | (4,478) | |
| | | | | Gain on investment through asset swap with RBWM PropCo Ltd | 3,158 | |
| (50,464) | | (33,561) | | | | (43,390) |
| 4,468 | | 17,382 | | Adjusting amounts written out of the Revaluation Reserve | | 12,407 |
| | | | | Capital financing applied in the year: | | |
| 2,937 | | 328 | | Use of the Capital Receipts Reserve to finance new capital expenditure | 480 | |
| 8,657 | | 10,179 | | Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that has been applied to capital financing | 17,601 | |
| 5,956 | | 2,105 | | Application of grants to capital financing from the Capital Grants Unapplied Account | 1,129 | |
| 2,384 | | 1,652 | | Provision for the financing of capital investment charged against the General Fund & HRA | 2,210 | |
| | | - | | Capital expenditure charged against the General Fund | 356 | |
| | | 4 | | AUC derecognition & other adjustments | - | |
| 19,934 | | 14,268 | | | | 21,776 |
| 184,916 | | 183,005 | | Balance as at 31 March | | 173,798 |

Revaluation Reserve

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

The balance is reduced when assets with accumulated gains are:

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

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

| Revaluation Reserve | 2019/20 | 2020/21 |
|---|----------------|----------------|
| | £000 | £000 |
| Balance at 1 April | 214,694 | 206,225 |
| Upward revaluation of assets | 8,913 | 51,849 |
| Downward revaluation of assets and impairment | - | (54,486) |
| Difference between fair value depreciation and historical cost depreciation | (3,721) | (3,317) |
| Amount written off to the Capital Adjustment Account | (13,661) | (9,091) |
| Balance at 31 March | 206,225 | 191,180 |

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.

| Pensions Reserve | 2019/20 | 2020/21 |
|--|------------------|------------------|
| | £000 | £000 |
| Balance at 1 April | (282,385) | (252,767) |
| Actuarial gains or (losses) on pensions assets and liabilities | 38,891 | (75,248) |
| Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the CI&E Statement | (19,896) | (17,487) |
| Employer's pensions contributions and direct payments to pensioners payable in the year | 10,623 | 10,946 |
| Balance at 31 March | (252,767) | (334,556) |

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

| Collection Fund Adjustment Account | 2019/20 | 2020/21 |
|--|-------------|--------------|
| | £000 | £000 |
| Balance at 1 April | (128) | (54) |
| 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 | 74 | (345) |
| Balance at 31 March | (54) | (399) |

Collection Fund - Business Rates

| Collection Fund Adjustment Account - Business Rates | 2019/20 | 2020/21 |
|---|----------------|-----------------|
| | £000 | £000 |
| Balance at 1 April | (1,237) | (7,594) |
| Amount by which business rate income credited to the CI&E Statement is different from business rates income calculated for the year in accordance with statutory requirements | (6,357) | (27,870) |
| Balance at 31 March | (7,594) | (35,464) |

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.

| Accumulated Absences Account | 2019/20 | 2020/21 |
|---|----------------|----------------|
| | £000 | £000 |
| Balance at 1 April | (2,042) | (1,934) |
| Settlement or cancellation of accrual made at the end of the preceding year | 2,042 | 1,934 |
| Amounts accrued at the end of the current year | (1,934) | (1,858) |
| Balance at 31 March | (1,934) | (1,858) |

Deferred Capital Receipts Reserve

The Deferred Capital Receipts Reserve holds the gains recognised on the disposal of non-current assets but for which cash settlement has yet to take place. Under statutory arrangements, the Authority does not treat these gains as usable for financing new capital expenditure until they are backed by cash receipts. When the deferred cash settlement eventually takes place, amounts are transferred to the Capital Receipts Reserve.

The information for 2018/19 and 2019/20 has been restated to recognise the disposal of an asset for which cash receipts are due to be received over a period of time. Details of the restatement are set out in Note7, Prior Period Adjustments

| Deferred Capital Receipts | 2018/19 (Restated) | 2019/20 (Restated) | 2020/21 |
|--|-----------------------|-----------------------|--------------|
| | £000 | £000 | £000 |
| Balance at 1 April | | 6,869 | 6,869 |
| Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement | 6,869 | | |
| Transfer to the Capital Receipts Reserve upon receipt of cash | | - | (161) |
| Balance at 31 March | 6,869 | 6,869 | 6,708 |

Dedicated Schools Grant (DSG) Adjustment Account

On the 6 November 2020, the Secretary of State for the Department for Levelling Up, Housing and Communities laid before Parliament a statutory instrument (the instrument) to amend The Local Authorities (Capital Finance and Accounting) Regulations (the 2003 Regulations). The provision came into effect from 29 November 2020.

The instrument amends the 2003 Regulations by establishing new accounting practices in relation to the treatment of local authorities' school budget deficits such that where the Council has a deficit on its school budget relating to its accounts for a financial year beginning on 1 April 2020, 1 April 2021 or 1 April 2022, it must not charge the amount of that deficit to a revenue account. The Council must record any such deficit in a separate account established solely for the purpose of recording deficits relating to its school's budget. The new accounting practice has the effect of separating schools budget deficits from the Council's general fund for a period of three financial years.

This issue can only be fully resolved by closing the deficits. Therefore, the accounting treatment introduced by this regulation is limited to the financial reporting periods 2021/21, 2021/22 and 2022/23 to provide time for Government and the Council to look at budgetary and financial management strategies to reduce the deficit.

| Dedicated Schools Grant Adjustment Account | 2019/20 | 2020/21 |
|---|----------------|----------------|
| | £000 | £000 |
| Balance as 1 April | - | - |
| DSG Opening balance | - | (1,025) |
| Restated opening balance | - | (1,025) |
| In-Year DSG (Over) spend | - | (765) |
| Balance at 31 March | - | (1,790) |

26. Cash Flow Statement - Operating Activities

The cash flows for operating activities include the following items:

| | 2019/20 | 2020/21 |
|-------------------|----------------|----------------|
| | £000 | £000 |
| Interest received | 265 | 484 |
| Interest paid | (2,977) | (3,361) |

| The surplus or deficit on the provision of services has been adjusted for the following non-cash movements | 2019/20 | 2020/21 |
|---|----------------|----------------|
| | £000 | £000 |
| Depreciation and Amortisation | 13,563 | 18,329 |
| Revaluation of non-current assets | 16,671 | 5,202 |
| (Increase) in Investments | - | (3,158) |
| Increase in Creditors | 3,662 | 18,487 |
| (Increase)/Decrease in Debtors | 9,665 | (36,840) |
| Decrease in Inventories | 83 | 22 |
| Pension Liability | 9,272 | 6,541 |
| Contributions (from) / to Provisions | (1,937) | 7,007 |
| Carrying amount of non-current assets sold or derecognised | 1,505 | 4,478 |
| Change in Investment Property values | (10,277) | 14,942 |
| Other non-cash items charged to the net surplus or deficit on the provision of services | - | (254) |
| Adjust net surplus or deficit on the provision of services for non-cash movements | 42,207 | 34,756 |

| | | |
|--|-----------------|-----------------|
| The surplus or deficit on the provision of services has been adjusted for the following items that are investing and financing activities. | 2019/20 | 2020/21 |
| | £000 | £000 |
| Proceeds from the sale of property, plant and equipment, investment property and intangible assets | (879) | (1,117) |
| Capital Grants credited to the surplus or deficit on the provision of services | (10,185) | (17,601) |
| Adjust net surplus or deficit on the provision of services for investing activities | (11,064) | (18,718) |

27. Cash Flow Statement - Investing Activities

The detail for 2019/20 has been restated as detailed in Note 7, Prior Period Adjustments

| | 2019/20 (Restated) | 2020/21 |
|---|-------------------------------|----------------|
| | £000 | £000 |
| Purchase of property, plant and equipment, investment property and intangible assets including capital expenditure on existing assets | (56,786) | (25,088) |
| Purchase of short-term and long-term investments | (2,479) | (6,890) |
| Other payments for investing activities | - | - |
| Proceeds from the sale of property, plant and equipment, investment property and intangible assets | 879 | 1,117 |
| Proceeds from short-term and long-term investments | 559 | 6,419 |
| Capital grants and other capital cash receipts | - | 17,941 |
| Other receipts from investing activities | 6,407 | - |
| Net cash flows from investing activities | (51,420) | (6,501) |

28. Cash Flow Statement - Financing Activities

The detail for 2019/20 has been restated as detailed in Note 7, Prior Period Adjustments

| | 2019/20 (Restated) | 2020/21 |
|---|-------------------------------|-----------------|
| | £000 | £000 |
| Cash receipts of short and long-term borrowing | 209,200 | 211,000 |
| Repayments of short and long-term borrowing | (135,296) | (243,974) |
| Net cash receipts for Covid grants for which the Council is acting as agent | - | 14,173 |
| Net cash flows from financing activities | 73,904 | (18,801) |

Changes in liabilities arising from financing activities:

| | Long-term borrowing | Short-term borrowing | Covid grant money held as agent | Total |
|---------------------------------|--------------------------------|---------------------------------|--|------------------|
| | £000 | £000 | £000 | £000 |
| Balance at 1 April 2019 | (57,049) | (94,332) | | (151,381) |
| Cashflows | | (73,835) | | (73,835) |
| Non-cash adjustments | | (70) | | (70) |
| Balance at 31 March 2020 | (57,049) | (168,237) | | (225,286) |
| Cashflows | | 32,974 | (14,173) | 18,801 |
| Non-cash adjustments | 785 | (698) | | 87 |
| Balance at 31 March 2021 | (56,264) | (135,961) | (14,173) | (206,398) |

29. Pooled Budgets

During 2020/21, the Council were involved in the following pooled budget arrangements.

Better Care Fund

The Section 75 agreement with the Clinical Commissioning Group specifies that any net underspend on planned projects at the year-end may be used by the Council to contribute towards the cost of adult social care services, which have a health benefit. This is an allowable use of BCF funding. The S75 agreement states that should RBWM use net underspends in this way, then it must contribute an equivalent sum into the BCF in future. The BCF net underspend of £1.281m in 2020/21 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 £1.281m.

| Council Hosting the Better Care Fund as Principal | 2019/20 | 2020/21 |
|--|---------------|---------------|
| | £000 | £000 |
| Funding from Royal Borough of Windsor and Maidenhead | 2,669 | 2,714 |
| Funding from the Health Service | 9,619 | 9,428 |
| Other Income | 3,189 | 2,836 |
| Total Funding | 15,477 | 14,978 |
| Total Expenditure on Better Care Fund | 15,477 | 14,978 |

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.

| | 2019/20 | 2020/21 |
|---|---------------|---------------|
| | £000 | £000 |
| Funding | | |
| RBWM | 397 | 561 |
| Other Berkshire Authorities | 3,599 | 3,857 |
| Clinical Commissioning Group (formerly Berkshire Primary Care Trusts) | 6,034 | 6,278 |
| Total Funding | 10,030 | 10,696 |
| Expenditure | | |
| Management Fund Costs | 117 | 121 |
| NRS Healthcare Services | 9,913 | 10,575 |
| Total Expenditure | 10,030 | 10,696 |
| Net Expenditure on Joint Stores Services | 0 | 0 |

30. Members' Allowances

The Authority paid the following amounts to members of the council during the year. Following the May 2019 elections, the number of Members reduced from 57 to 41.

| | 2019/20 | 2020/21 |
|--------------|------------|------------|
| | £000 | £000 |
| Allowances | 520 | 503 |
| Expenses | 3 | - |
| Total | 523 | 503 |

31. Officers' Remuneration

The following tables set out the remuneration disclosures for Senior Officers whose salary is more than £50,000 per year for 2020/21 and 2019/20. There were no payments made on behalf of Senior Officers in respect of payments to the Pension Fund in lieu of future contributions (Pension Strain) as part of the compensation for loss of office in either 2019/20 or 2020/21.

| 2020/21 | Notes | Salary (Including Fees & Allowances) | Compensation for loss of Office | Pension Cont. | Total Remuneration incl. Pension Contributions |
|--|-------|---|---------------------------------------|------------------|---|
| | | £ | £ | £ | £ |
| Managing Director - Duncan Sharkey | | 149,000 | - | 22,499 | 171,499 |
| Executive Director - Place | 1 | 92,787 | - | 14,011 | 106,798 |
| Director of Resources | | 124,150 | - | 18,747 | 142,897 |
| Director, Adults, Health & Commissioning | | 114,429 | - | 17,279 | 131,708 |
| Head of Revenues & Benefits | | 89,489 | - | 13,186 | 102,675 |
| Head of Planning | | 82,000 | - | 12,382 | 94,382 |
| Head of Finance | 2 | 68,588 | - | 10,357 | 78,945 |
| Head of Communities, Enforcement & Partnerships | | 94,096 | - | 14,208 | 108,304 |
| Head of Human Resources, Corporate Projects & IT | | 83,751 | - | 8,455 | 92,206 |
| Communications & Marketing Manager | | 58,439 | - | 8,824 | 67,263 |
| Head of Commissioning - Infrastructure | 3 | 74,079 | 20,000 | 8,773 | 102,852 |
| Head of Infrastructure, Sustainability and Transport | | 75,000 | - | 11,325 | 86,325 |
| Head of Governance | | 67,383 | - | 10,175 | 77,558 |
| Head of Commissioning - People | | 77,400 | - | 11,026 | 88,426 |
| Head of Housing and Environmental Health | | 92,162 | - | 14,094 | 106,256 |
| Monitoring Officer & Deputy Director of Law and Strategy | 4 | 17,136 | - | 2,588 | 19,724 |
| Head of Transformation | | 65,596 | - | 9,905 | 75,501 |

Notes:

1. Left in December 2020
2. Employed since June 2020
3. Left in December 2020
4. Employed since January 2021

The Royal Borough has a wholly owned trading subsidiary, RBWM Property Company Ltd. For the 2020/21 Financial Statements, the results of RBWM Property Company Ltd have not been consolidated on the grounds of materiality.

| 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 - Duncan 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 | 5 | 85,707 | - | 12,542 | 98,249 |
| Head of Planning | 6 | 1,984 | - | 284 | 2,268 |
| Head of Planning | 7 | 61,548 | - | 8,004 | 69,552 |
| Deputy Director and Head of Finance | | 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 | 88,107 |
| Head of Infrastructure, Sustainability and Transport | | 59,247 | - | 8,472 | 67,719 |
| Head of Governance | | 65,643 | - | 9,387 | 75,030 |
| 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

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 | | 2019/20 Number of Employees | 2020/21 Number of Employees |
|---------------------|--|-----------------------------------|-----------------------------------|
| £50,000 - £54,999 | | 30 | 30 |
| £55,000 - £59,999 | | 21 | 19 |
| £60,000 - £64,999 | | 17 | 21 |
| £65,000 - £69,999 | | 12 | 12 |
| £70,000 - £74,999 | | 6 | 5 |
| £75,000 - £79,999 | | 1 | 4 |
| £80,000 - £84,999 | | 2 | 3 |
| £85,000 - £89,999 | | 2 | 3 |
| £90,000 - £94,999 | | 2 | 5 |
| £95,000 - £99,999 | | 1 | 1 |
| £100,000 - £104,999 | | 2 | 1 |

| | | |
|---------------------|---|---|
| £105,000 - £109,999 | 1 | - |
| £110,000 - £114,999 | 1 | 3 |
| £115,000 - £119,999 | 1 | - |
| £120,000 - £124,999 | 1 | 1 |
| £125,000 - £129,999 | - | - |
| £130,000 - £134,999 | - | - |
| £135,000 - £139,999 | - | - |
| £140,000 - £144,999 | - | - |
| £145,000 - £149,999 | 2 | 1 |

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) | No. of Compulsory Redundancies | | No. of Other Departures Agreed | | Total No. 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 | |
|--|--------------------------------|-----------|--------------------------------|----------|---|-----------|---|-----------|--|------------|---|------------|
| | 2019/20 | 2020/21 | 2019/20 | 2020/21 | 2019/20 | 2020/21 | 2019/20 | 2020/21 | 2019/20 | 2020/21 | 2019/20 | 2020/21 |
| £0- £20,000 | 3 | 13 | 3 | 5 | 6 | 18 | 7 | 20 | 28 | 17 | 35 | 37 |
| £20,001 - £40,000 | 0 | 1 | 2 | 3 | 2 | 4 | 0 | 22 | 46 | 100 | 46 | 122 |
| £40,001 - £60,000 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| £60,001 - £80,000 | 0 | 0 | 1 | 0 | 1 | 0 | 0 | 0 | 63 | 0 | 63 | 0 |
| £80,001 - £100,000 | 1 | 0 | 0 | 0 | 1 | 0 | 97 | 0 | 0 | 0 | 97 | 0 |
| £100,001 - £120,000 | 1 | 0 | 0 | 0 | 1 | 0 | 101 | 0 | 0 | 0 | 101 | 0 |
| Total | 5 | 14 | 6 | 8 | 11 | 22 | 205 | 42 | 137 | 117 | 342 | 159 |

32. External Audit Costs

| | 2019/20 | 2020/21 |
|---|------------|------------|
| | £'000 | £'000 |
| Fees payable with regard to external audit - scale fees current year | 63 | 63 |
| Fees payable with regard to external audit - for additional fees current year | 80 | 30 |
| Fees payable in respect of other services provided for previous years | - | 75 |
| Fees payable in respect of work objections - 2019/20 | 26 | - |
| Total | 169 | 168 |

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

In July 2016, the Secretary of State for The Department for Levelling Up, Housing and Communities 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 £63k paid/payable to Deloitte in respect of 2020/21 was based on the estimation of professional fees in relation to the audit of the Statement of Accounts of the Council and statutory inspections at the time of closure of accounts. The scale fee for the audit of the Council is £63k in both years, and for the audit of the Pension Fund is £19k (disclosed in the Pension Fund accounts). The disclosed amounts include the accruals made in respect of estimation of costs. 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.

Subsequent to the closure of the 2020/21 accounts, Public Sector Audit Appointments Limited approved fee variations for additional work in respect of the 2019/20 audit of £201k in respect of the audit of the Council, £90k in respect of objections, and £98k in respect of the audit of the Pension Fund

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 2020/21. Any additional fees payable in respect of 2020/21 additional work will be reflected in the financial year of settlement.

33. 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 2020/21 are as follows:

| | Central Exp' | ISB | Total |
|--|-----------------|---------------|----------------|
| | £000 | £000 | £000 |
| Final DSG for 2020/21 before recoupment for Academy and High Needs | | | 123,905 |
| less: Academy and High Needs Recouped on 2020/21 | | | (59,162) |
| Total DSG after recoupment | | | 64,743 |
| Brought forward from 2019/20 | | | (1,025) |
| Add Carry Forward agreed in advance to 2021/22 | | | 1,025 |
| Agreed initial budgeted distribution in 2020/21 | 26,350 | 38,393 | 64,743 |
| In-year adjustments | 956 | 96 | 1,052 |
| Final distribution for 2020/21 | 27,306 | 38,489 | 65,795 |
| Less actual central expenditure | (28,071) | - | (28,071) |
| Less actual ISB deployed to schools | - | (38,489) | (38,489) |
| In year Carry forward | (765) | - | (765) |
| Plus Carry forward to 2021/22 agreed in advance | | | (1,025) |
| Carry forward to 2021/22 | - | - | (1,790) |

34. Grant Income

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

| | 2019/20 | 2020/21 |
|---|----------------|----------------|
| Credited to Taxation and Non-Specific Grant Income | £000 | £000 |
| Business Rates & Council Tax Support Grants (Collection Fund) | 90,870 | 87,383 |
| Capital Grants and Contributions | 15,409 | 25,792 |
| New Homes Bonus | 2,089 | 2,102 |
| Education Services Grant | 315 | 315 |
| Covid-19 Tranche & Capital SFC Compensation DLUHC Funding | - | 7,681 |
| Adult Social Care Support (non-ring fenced) | | 1,688 |
| Total Credited to Taxation and Non-Specific Grant Income | 108,683 | 124,961 |

| | 2019/20 | 2020/21 |
|--|---------------|---------------|
| Credited to Services - Government Grants | £000 | £000 |
| Dedicated Schools Grant (DSG)* | 63,916 | 65,795 |
| Pupil Premium | 1,753 | 1,710 |
| PE and Sports Grant | 341 | 595 |
| Universal Infant Free School Meals (UIFSM) | 1,247 | 1,188 |
| Teachers Pay Grant | 299 | 497 |
| Teachers' Pension Grant | 934 | 1,533 |
| Cycle Training Grant | 37 | 18 |
| Extended Rights to Free Travel | 13 | 10 |
| Asylum Seekers & Other Refugee Grants | 505 | 350 |
| Adult Care Support/Improved Better Care/Winter Pressures | 3,093 | 3,093 |
| Disabled Facilities Grant | 910 | 557 |
| Independent Living Fund (DLUHC) | 113 | 113 |
| Other Education Grants (incl GTP & School Workforce Adviser) | 1,240 | 800 |
| Children Staying Put | 35 | 68 |
| Troubled Families (DLUHC) | 196 | 353 |
| Post 16 Grants | 80 | - |
| Community Safety (PCC) | 149 | 143 |
| Public Health Grant | 4,656 | 4,582 |
| Drug Action Teams | 40 | 40 |
| Supporting Community Transport (DFT) | 116 | 169 |
| War Pensions Disregard | 20 | 18 |
| Collection Allowance | 252 | 237 |
| New Burdens Grant / Service Transformation | 185 | 8 |
| Adoption and Fostering | 10 | 69 |
| Homelessness Grants | 1,536 | 1,979 |
| Custom Self-Build and Brownfield Register | 4 | - |
| Elections and Electoral Registration | 199 | 65 |
| Other grants | 268 | 649 |
| Total Government Grants | 82,147 | 84,639 |
| Mandatory Rent Allowances: subsidy | 27,032 | 25,524 |
| Discretionary Benefits | 200 | 288 |
| Total Housing Benefit Income | 27,232 | 25,812 |

| | | |
|--|----------------|----------------|
| Credited to Services - Other Grants and Contributions | | |
| Housing Benefit and Council Tax Benefit Administration associated grants | 360 | 378 |
| Youth Justice Board | 119 | 146 |
| Health-Better Care | 8,605 | 6,654 |
| Health-Other Contributions | 2,214 | 1,509 |
| Contributions | 10,935 | 9,316 |
| Parental Conflict | - | 10 |
| Donations | 623 | 530 |
| Contributions from other funds/balances & reallocations | 5,010 | 4,940 |
| Total Other Grants and Contributions | 27,866 | 23,483 |
| Covid Funding | 1,827 | 3,443 |
| Covid - Mental health support for schools | - | 6 |
| Covid - Contain Outbreak Management fund | - | 258 |
| Covid - Community Testing Fund | - | 225 |
| Covid - Health General | - | 188 |
| Covid - Test and Trace | - | 136 |
| Covid - New Burdens Grant | - | 182 |
| Covid - Self Isolation Discretionary | - | 28 |
| Covid - Infection Control fund | - | 3,440 |
| Covid - Emergency Food grant | - | 88 |
| Covid - Next Steps Accommodation Programme | - | 175 |
| Covid - Active Travel Local Transport | - | 15 |
| Covid - Compliance & Enforcement | - | 41 |
| Covid - DCLG Covid Marshalls | - | 32 |
| Covid - Winter Grant | - | 192 |
| Covid - Education | - | 5 |
| Covid - Clinically Extremely Vulnerable | - | 158 |
| Covid - High Street safety | - | 29 |
| Sales, Fees, and Charges Compensation Scheme | - | 7,662 |
| Total Covid Grants and Contributions | 1,827 | 16,303 |
| Total Credited to Services | 139,072 | 150,237 |

*DSG grants detailed under note 32

In 2020/21 a total of £42.485m of Covid-19 grant income, where the Royal Borough has determined that it acted as an agent on behalf of the Government, as it had no discretion in determining either the recipients or the amounts payable, was passported to third parties. These grants have been excluded from the Royal Borough's financial statements and are set out in the table below for information.

| Covid-19 grants - Agency arrangements | 2019/20 | 2020/21 |
|--|----------------|----------------|
| Grant | £000 | £000 |
| Covid - Business Rates | - | 26,130 |
| Covid - January lockdown | - | 8,901 |
| Covid - Local Additional Restriction | - | 1,950 |
| Covid - NNDR Discretionary Grant | - | 1,905 |
| Covid - Local Restriction Support | - | 1,409 |
| Covid - Local Restriction Support Grant (closed) | - | 705 |
| Covid - Catch up premium | - | 426 |
| Covid - Care homes - Health General | - | 368 |
| Covid - Schools Emergency Support | - | 171 |
| Covid - Bus Services Support Grant | - | 157 |
| Covid - Local Restriction Support Grant (open) | - | 106 |
| Other Covid grants <£100k | - | 257 |
| Total Covid Grants – Agency arrangements | - | 42,485 |

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:

| | 2019/20 | 2020/21 |
|--------------------------|----------------|----------------|
| | £000 | £000 |
| Developers Contributions | 5,981 | 4,347 |
| Other Contributions | 84 | 79 |
| Education Grants | 28 | 54 |
| Other Grants | 2,848 | 4,729 |
| Total | 8,941 | 9,209 |

Capital Grants Unapplied

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

| | 2019/20 | 2020/21 |
|-------------------------------|----------------|----------------|
| | £000 | £000 |
| Education Grants | 1,930 | 3,318 |
| Community Infrastructure Levy | 5,102 | 11,747 |
| Total | 7,032 | 15,065 |

35. Related Parties

The Royal Borough 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 9. Grant receipts outstanding at 31 March 2021 are shown in Note 34.

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 30.

Pension Fund

The Royal Borough of Windsor and Maidenhead administers the Royal County of Berkshire Pension Fund on behalf of 189 active employers, including the unitary local authorities in Berkshire. The council charged £1.887m in 2020/21 (2019/20: £1.749m) for administering the Fund during the year.

Entities Controlled or Significantly Influenced by the Council

The Royal Borough maintains involvement with subsidiary companies and joint venture arrangements where the assets and liabilities of these companies are not included in the Royal Borough's core financial statements. Group accounts have been prepared for those material entities in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2020/21.

During the year, transactions with subsidiary companies and joint venture arrangements arose as follows: -

| | 2019/20 Exp | 2019/20 Income | 2019/20 Dr/(Cr) | 2020/21 Exp | 2020/21 Income | 2020/21 Dr/(Cr) |
|---|----------------|-------------------|------------------------|----------------|-------------------|-----------------------|
| | £000 | £000 | £000 | £000 | £000 | £000 |
| Achieving for Children Community Interest Company | 50,212 | 2,232 | 8,257/(5,646) | 44,137 | 2,021 | 8,976/(6,866) |
| Optalis Ltd | 40,304 | 1,917 | 383/(4,867) | 36,675 | 1,331 | 56/(3,049) |
| RBWM Commercial Services Ltd | 286 | - | 225/(-) | - | - | 225/(-) |
| RBWM Property Company | 1,422 | 59 | 2,165/(-) | 1,006 | 852 | 1,322/(-) |
| Total | 92,224 | 4,208 | 11,030/(10,513) | 81,818 | 4,204 | 10,579/(9,915) |

Entities in which Members of the Royal Borough have declared an interest

Members of the Royal Borough complete a declaration of interests to identify those entities where they have an interest. Details of transactions of the Royal Borough with those entities where a member has declared an interest and where the member may be considered to have some influence are set out below.

| | 2019/20 Exp | 2019/20 Income | 2019/20 Dr/(Cr) | 2020/21 Exp | 2020/21 Income | 2020/21 Dr/(Cr) |
|--|----------------|-------------------|--------------------|----------------|-------------------|--------------------|
| | £000 | £000 | £000 | £000 | £000 | £000 |
| Care UK | 4,733 | - | -/(-) | 5,429 | - | 55/(-) |
| Charters School | 149 | 29 | 2/(-) | 155 | 32 | 6/(-) |
| Family Friends In Windsor And Maidenhead | 7 | 5 | -/(-) | 5 | 5 | -/(5) |
| Flexible Home Improvement Loans Ltd | - | 64 | 104/(-) | - | 63 | -/(-) |
| More Than a Shelter | 4 | - | -/(-) | - | - | -/(-) |
| Norden Farm Centre Trust Ltd | - | - | -/(-) | 157 | 28 | -/(4) |
| The Riverside Day Nursery | 144 | - | -/(-) | 244 | - | -/(-) |
| Sportsable | - | - | -/(-) | 32 | - | -/(-) |
| Windsor Foodshare | 5 | - | -/(-) | - | - | -/(-) |
| Total | 5,042 | 98 | 106/(-) | 6,022 | 128 | 61/(9) |

RBWM paid grants totalling £166,000 to voluntary organisations in which 3 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.

36. 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 Royal Borough, the expenditure results in an increase in the Capital Financing Requirement (CFR). This is a measure of the capital expenditure incurred historically by the Royal Borough that has yet to be financed.

| | 2019/20 | 2020/21 |
|--|----------------|----------------|
| | £000 | £000 |
| Opening Capital Financing Requirement | 156,211 | 210,832 |
| Capital investment | | |
| Property, Plant and Equipment | 48,356 | 14,492 |
| Highways Infrastructure Assets | 8,221 | 9,008 |
| Investment Properties | - | - |
| Intangible Assets | 209 | 66 |
| Long Term Investments | | |
| Revenue Expenditure Funded from Capital under Statute | 12,099 | 3,597 |
| | | |
| Sources of finance | | |
| Capital Receipts | (328) | (1,359) |
| Government Grants and Other Contributions | (12,284) | (17,796) |
| Sums set aside from Revenue: | | |
| Direct Revenue Contributions | - | (355) |
| Minimum Revenue Provision | (1,652) | (2,210) |
| Closing Capital Financing Requirement | 210,832 | 216,275 |
| | | |
| Explanation of Movements in Year | | |
| Increase in underlying need to borrow (unsupported by government financial assistance) | 54,621 | 5,443 |
| Increase in Capital Financing Requirement | 54,621 | 5,443 |

37. Leases

Authority as Lessee

Finance Leases

The Royal Borough had no leases classed as finance leases in 2020/21 or 2019/20

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:

| | | | | 2020/21 |
|---|--------------------|-----------------------------|--------------|------------------------|
| 2020/21 Future minimum lease payments | Land and buildings | Vehicles, Plant & Equipment | Other Leases | Minimum Lease Payments |
| | £000 | £000 | £000 | £000 |
| Not later than one year | 310 | 60 | 102 | 472 |
| Later than one year and not later than five years | 906 | 115 | 92 | 1,113 |
| Later than five years | 1,956 | - | 1 | 1,957 |
| Total | 3,172 | 175 | 195 | 3,542 |

| | | | | 2019/20 |
|---|--------------------|-----------------------------|--------------|------------------------|
| 2019/20 Future Minimum lease payments | Land and buildings | Vehicles, Plant & Equipment | Other Leases | Minimum Lease Payments |
| | £000 | £000 | £000 | £000 |
| Not later than one year | 599 | 102 | 102 | 803 |
| Later than one year and not later than five years | 1,934 | 144 | 139 | 2,217 |
| Later than five years | 417 | - | - | 417 |
| Total | 2,950 | 246 | 241 | 3,437 |

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

| | 2019/20 | 2020/21 |
|------------------------|--------------|--------------|
| | £'000 | £'000 |
| Minimum lease payments | 2,372 | 1,510 |
| Contingent rents | 116 | 91 |
| Total | 2,488 | 1,601 |

Authority as Lessor

Finance Leases

There were no finance leases in 2020/21 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:

| | 2019/20 | 2020/21 |
|---|----------------|----------------|
| | £'000 | £'000 |
| Not later than one year | 3,437 | 3,603 |
| Later than one year and not later than five years | 11,098 | 11,301 |
| Later than five years | 92,976 | 103,038 |
| Total | 107,511 | 117,942 |

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

38. Capitalisation of Borrowing Costs

During 2020/21 £289,000 of borrowing costs for assets with a construction period of greater than one year were capitalised. £698,000 of borrowing costs were capitalised during 2019/20.

39. Pension Schemes Accounted for as Defined Contribution Schemes

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

The Scheme is technically a defined benefit scheme. However, the Scheme is unfunded, and the Department for Education uses a notional fund as the basis for calculating the employers' contribution rate paid by local authorities.

The Authority is not able to identify its share of underlying financial position and performance of the Scheme with sufficient reliability for accounting purposes.

For the purposes of these Financial Statements, it is therefore accounted for on the same basis as a defined contribution scheme.

In 2020/21, the Royal Borough paid £3.759m to teachers' pensions in respect of teachers' retirement benefits. The figures for 2019/20 were £3.492m. 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.

40. Defined Benefit Pension Schemes

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

Transactions Relating to Post-employment Benefits

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

Balance via the Movement in Reserves Statement during the year:

| Comprehensive Income and Expenditure Statement | Local Government Pension Scheme £000 | |
|---|---|---------------|
| | 2019/20 | 2020/21 |
| Cost of Services: | | |
| Service Cost (comprising current service cost, past service cost and gain / loss from settlements) | 13,086 | 11,624 |
| | | |
| Financing and Investment Income and Expenditure: | | |
| Net interest expense | 6,657 | 5,724 |
| Administration expenses | 153 | 139 |
| Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services | 19,896 | 17,487 |
| | | |
| Other Post Employment Benefit Charged to the CI&E Statement: | | |
| Re-measurement of the net defined benefit liability comprising: | | |
| Return on plan assets | 13,351 | (33,481) |
| Actuarial (gains) on changes in demographic assumptions | (4,527) | (5,353) |
| Actuarial (gains)/losses on changes in financial assumptions ** | (45,478) | 120,997 |
| Other actuarial losses on assets | 17,548 | 0 |
| Experience (gain) on defined benefit obligation | (19,784) | (6,915) |
| Total Post Employment Benefit Charged to the CI&E Statement | (38,890) | 75,248 |
| Total Post Employment Benefit Charged to the CI&E Statement | (18,994) | 92,735 |

** The £120.997m 'Change in financial assumptions' figure can broadly be split into £34m due to the change in the equivalent discount rate from 2.35% p.a. last year to 2.00% p.a. this year, and £87m due to the change in the CPI (pension increases) assumption from 1.90% p.a. last year to 2.80% p.a. this year.

The main impact has been the CPI assumption as this has increased significantly since last year and this is due to the changes in market conditions underlying this assumption. Long-term inflation dropped significantly in March 2020 due to the pandemic but has now recovered over the course of the year and so the market has higher expectations for future levels of inflation which is reflected in this year's CPI (pension increase assumption). In addition, the difference between RPI and CPI has reduced this year which means that the CPI assumption this year is higher than it would have been had we not updated the RPI/CPI differential. The reason for the update was to reflect the current expectations that the RPI calculation will be amended from 2030.

| Movement in Reserves Statement | Local Government Pension Scheme £000 | |
|---|--------------------------------------|----------|
| | 2019/20 | 2020/21 |
| Reversal of Total Post Employment Benefit Charged to the CI&E Statement (See table above) | 18,994 | (92,735) |
| Actual amount charged against the General Fund Balance for pensions | | |
| Employers' contributions payable to scheme in the year: | 10,073 | 10,940 |

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 | |
|---|--------------------------------------|------------------|
| | 2019/20 | 2020/21 |
| Present value of the defined benefit obligation | (477,724) | (592,938) |
| Fair value of scheme assets | 229,208 | 262,493 |
| Net Liability | (248,516) | (330,445) |
| Present value of unfunded obligation | (4,251) | (4,111) |
| Net Liability in the Balance Sheet | (252,767) | (334,556) |

Reconciliation of the present value of scheme liabilities:

| | Local Government Pension Scheme £000 | |
|---|--------------------------------------|----------------|
| | 2019/20 | 2020/21 |
| Opening balance at 1 April | 539,658 | 481,975 |
| Current service cost | 10,795 | 12,323 |
| Interest cost | 12,794 | 10,167 |
| Contributions by scheme participants | 1,900 | 1,911 |
| Re-measurement (gains) and losses: | | |
| Arising from changes in demographic assumptions | (4,527) | (5,353) |
| Arising from changes in financial assumptions | (45,478) | 120,997 |
| Experience (loss) on defined benefit obligation | (19,785) | (6,915) |
| Past service costs including curtailment gains | 2,291 | 39 |
| Benefits paid | (15,123) | (16,637) |
| Liabilities removed on settlement | 0 | (927) |
| Unfunded payments | (550) | (531) |
| Closing balance at 31 March | 481,975 | 597,049 |

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

| | Local Government Pension Scheme £000 | |
|--------------------------------------|---|----------------|
| | 2019/20 | 2020/21 |
| Opening fair value of scheme assets | 257,273 | 229,209 |
| Interest on assets | 6,137 | 4,442 |
| Return on assets less interest | (13,351) | 33,481 |
| Other Actuarial (losses) | (17,548) | 0 |
| Administrative expenses | (152) | (139) |
| Employer contributions | 10,623 | 10,946 |
| Contributions by scheme participants | 1,900 | 1,911 |
| Benefits paid | (15,673) | (17,168) |
| Settlement prices received / (paid) | 0 | (189) |
| Closing balance at 31 March | 229,209 | 262,493 |

The actual return on scheme assets in the year was £34.461m, 2019/20 (£7.214m).

Fair value of scheme assets comprised:

| | Local Government Pension Scheme £000 | |
|------------------------------------|---|----------------|
| | 2019/20 | 2020/21 |
| Gilts | 0 | 0 |
| Cash | 27,476 | 11,729 |
| Other Bonds | 21,657 | 42,869 |
| Equities | 127,912 | 157,788 |
| Property | 31,968 | 32,178 |
| Target Return | 9,800 | 10,602 |
| Commodities | 1,371 | 0 |
| Infrastructure | 19,074 | 21,361 |
| Alternative Assets | 0 | 0 |
| Longevity Insurance | (10,050) | (14,034) |
| Closing balance at 31 March | 229,208 | 262,493 |

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 2019, the results of which were published on the 31 March 2020.

The significant assumptions used by the actuary have been:

| | Local Government Pension Scheme £000 | |
|---|---|---------|
| | 2019/20 | 2020/21 |
| Long-term expected rate of return on assets in the scheme | 1.90% | 2.0% |
| Mortality assumptions: | | |
| Longevity at 65 for current pensioners (Years): | | |
| Men | 21.5 | 21.2 |
| Women | 24.1 | 23.9 |

| | | |
|--|-------|-------|
| Longevity at 65 for future pensioners (Years): | | |
| Men | 22.9 | 22.5 |
| Women | 25.5 | 25.4 |
| Rate of inflation | 1.90% | 2.80% |
| Rate of increase in salaries | 2.90% | 3.80% |
| Rate of increase in pensions | 1.90% | 2.80% |
| Rate for discounting scheme liabilities | 2.35% | 2.00% |

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

| | Local Government Pension Scheme £000 | |
|--|--------------------------------------|------------------------|
| | Increase in assumption | Decrease in assumption |
| Longevity (increase or decrease in 1 year) | 27,589 | (26,319) |
| Rate of increase in salaries (increase or decrease by 0.1%) | 590 | (585) |
| Rate of increase in pensions (increase or decrease by 0.1%) | 10,899 | (10,698) |
| Rate for discounting scheme liabilities (increase or decrease by 0.1%) | (11,360) | 11,591 |

Amounts are relative to the present value of scheme liabilities £597.126m.

Longevity Risk

To minimise the longevity risk in respect of a closed group of pensioner members of the Pension Fund, the fund has entered into an insurance contract with ReAssure Ltd. The fund pays ReAssure Ltd a pre-determined fixed annual premium and ReAssure Ltd reimburses the fund for pensions paid to the insured members. The contract arrangement is valued by an external firm of actuaries on the basis of the adjustment to the discount rate assumption (based on the Merrill Lynch LIBOR swap curve) that 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 value of the updated contract.

41. Contingent Liabilities

In the delivery of services, the Royal Borough may transfer staff to external organisations rather than directly deliver those services itself. As part of the staff transfer arrangements, continued access to the Local Government Pension Scheme may still be permitted. Where these arrangements exist, the Royal Borough has given guarantees in respect of pension liabilities to the relevant pension funds. These guarantees may be a call on the Royal Borough should the relevant company cease to trade.

The Royal Borough has given guarantees for significant staff transfers in respect of two companies, RBWM Property Company and Achieving for Children.

RBWM Property Company – at the last triennial valuation the contribution rates determined by the independent actuary included a negative secondary contribution rate indicating that the share of the fund for the company indicated a surplus position. The Royal Borough considers that the financial position of the company is such that it can continue to meet its contributions to the pension funds and as such, no provision should be made in respect of any guarantee at this time. 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 a reassessment of the position will be undertaken.

Achieving for Children – the latest triennial valuations indicated that the company had a deficit on its share of the pension fund, which would be cleared by additional annual payments through a positive secondary contribution rate. The Royal Borough considers that the financial position of the company is such that it can continue to meet its contributions to the pension funds and as such, no provision should be made in respect of any guarantee at this time. This position may change in the future as the valuation of assets and liabilities change and a reassessment of the position will be undertaken.

42. 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. 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 2020/21.

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:

| | 2019/20 restated | 2020/21 |
|------------------------------------|-----------------------------|----------------|
| | £000 | £000 |
| Less than one year | 168,237 | 135,960 |
| Between one and two years | 784 | 8,000 |
| Between two and five years | 8000 | - |
| More than five years | 48,265 | 48,264 |
| Total Financial Liabilities | 225,286 | 192,224 |

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.

43. Trusts and Other Entities

The Royal Borough transacts activity through its financial ledger where it considers that it is administering for a separate organisation rather than as a principal in the matter. As such, the activity does not form part of the Royal Borough's financial statements other than to recognise a debtor/creditor relationship for sums due or owed. Details of the are published here for information only with the table showing the opening and closing amounts held by the Council and the level of activity recorded during the year.

| | 2019/20 | Receipts | Payments | 2020/21 |
|--|---------------|---------------|-----------------|---------------|
| | | in year | in year | |
| | £000 | £000 | £000 | £000 |
| Local Enterprise Partnership (LEP) | 33,521 | 40,580 | (53,726) | 20,375 |
| Flexible Home Improvements Ltd (FHIL) | 31 | 169 | (179) | 21 |
| Kidwells Park Trust | 388 | 65 | (8) | 445 |
| RBWM Flood Relief Fund | 192 | 0 | 0 | 192 |
| Mayor's Benevolent Fund | 25 | 1 | 0 | 26 |
| Working Boys Club | 561 | 102 | (16) | 647 |
| Thames Valley Athletic Centre | 82 | 36 | 0 | 118 |
| Other Trust Funds | 1 | 0 | 0 | 1 |
| RBWM Commercial Services Ltd | (51) | 0 | 0 | (51) |
| Trusts & Other Entities Total | 34,750 | 40,953 | (53,929) | 21,774 |

Local Enterprise Partnership (LEP)

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

Flexible Home Improvements Ltd (FHIL)

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

Kidwells Park Trust

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

Royal Borough of Windsor and Maidenhead Flood Relief Fund

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

Mayor's Benevolent Fund

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

Working Boys Club

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

Thames Valley Athletics Centre

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

Other Trust Funds

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

The detail in respect of the Council's subsidiary and joint venture companies may differ from the information included in Note 35, 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 35 shows the full impact of activity between the Council and the company entities.

44. Group Relationships

Interests in Companies

Achieving for Children (AfC)

Group Accounts have been included in this Statement of Accounts, recognising the Royal Borough's significant interest in AfC which is a Joint Venture with RB Kingston and LB Richmond-Upon-Thames. From the Royal Borough'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 and was dissolved on 7 December 2021. Further details can be accessed at the Companies House website.

RBWM Property Company Ltd

The company has been created as a dedicated and wholly owned arm's length property management and development trading subsidiary of the Royal Borough. 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 2020/21 Financial Statements, the results of RBWM Property Company Ltd have not been consolidated on the grounds of materiality.

Supplementary accounting Statements

www.rbwm.gov.uk



Group Accounts 2020/21

www.rbwm.gov.uk



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 2020/21 (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 |
| RBWM Commercial Services Limited (dissolved on 7 December 2021) | 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. The principal activity of the company is the provision of care and support services to adults with a disability and to older people. During the 2021/22 financial year, the Royal Borough increased its share of the joint venture from 45% to 50%.

Group financial position

The Group recorded a total comprehensive expenditure for the year of £101.1m (2019/20: total comprehensive income of £23.0m). The majority of the change between years is as a result of movements in the net pension liability for those employees of the Royal Borough in the Royal County of Berkshire Pension Fund.

Where there are no material changes to the statements the notes are as per the Royal Borough's single entity accounts.

Restatement of Accounts

The Group Financial Statements incorporate the restated entity accounts, details of which are set out in Note 7, Prior Period Adjustments.

Group Comprehensive Income and Expenditure Statement

The detail for 2019/20 has been restated as set out in Note 7, Prior Period Adjustments in the entity accounts.

| 2019/20 (Restated) | | | 2020/21 | | |
|-----------------------|------------------|---|----------------------|------------------|--------------------|
| Gross Expenditure | Gross Income | Net Expenditure | Gross Expenditure | Gross Income | Net Expenditure |
| £000 | £000 | £000 | £000 | £000 | £000 |
| 71,899 | (30,899) | 41,000 | 77,951 | (33,819) | 44,132 |
| 119,213 | (86,410) | 32,803 | 114,880 | (86,012) | 28,868 |
| 5,704 | (2,363) | 3,341 | 6,905 | (3,038) | 3,867 |
| 6,683 | (8,770) | (2,087) | 11 | (13) | (2) |
| 50,638 | (18,301) | 32,337 | 52,046 | (18,981) | 33,065 |
| 47,282 | (37,498) | 9,784 | 44,135 | (38,831) | 5,304 |
| 0 | (253) | (253) | 501 | - | 501 |
| 16,671 | | 16,671 | 5,202 | - | 5,202 |
| 318,090 | (184,494) | 133,596 | 301,631 | (180,694) | 120,937 |
| | | 2,295 | | | 5,094 |
| | | 255 | | | 20,175 |
| | | (108,683) | | | (124,961) |
| | | 27,463 | | | 21,245 |
| | | 2,114 | | | 1,003 |
| | | 29,577 | | | 22,248 |
| | | (8,913) | | | 2,638 |
| | | (38,894) | | | 75,248 |
| | | (2,466) | | | 7,039 |
| | | | | | |
| | | (50,273) | | | 84,925 |
| | | (20,696) | | | 107,173 |
| | | Total Comprehensive (Income) and Expenditure | | | |

Group Balance Sheet

The detail for 2018/19 and 2019/20 has been restated as set out in Note 7, Prior Period Adjustments in the entity accounts.

| 2018/19 (Restated) £000 | 2019/20 (Restated) £000 | Note | 2020/21 £000 |
|--------------------------------|-------------------------------|---|------------------|
| Assets | | | |
| Non-current assets | | | |
| 337,781 | 421,326 | Property, Plant and Equipment | 411,627 |
| 83,844 | 85,829 | Infrastructure Assets | 82,595 |
| 131,741 | 89,628 | Investment Properties | 82,289 |
| 2,104 | 1,721 | Intangible Assets | 1,232 |
| 1,503 | 250 | Long Term Investments | 4,641 |
| 147 | 147 | Borough's Share of Joint Venture Assets: Optalis | 147 |
| 6,883 | 6,869 | Long Term Debtors | 16,770 |
| 564,003 | 605,770 | Total Non-Current Assets | 599,301 |
| Current assets | | | |
| 6,822 | 10,000 | Short Term Investments | 9,269 |
| 105 | 22 | Inventories | - |
| 32,507 | 22,842 | Short Term Debtors | 49,780 |
| | 1,200 | Assets held for Sale | - |
| 16,254 | 42,418 | Cash and Cash Equivalents | 11,909 |
| 55,688 | 76,482 | Total Current Assets | 70,958 |
| 619,691 | 682,252 | Total Assets | 670,259 |
| Liabilities | | | |
| Current Liabilities | | | |
| (94,332) | (168,237) | Short Term Borrowing | (135,960) |
| (30,980) | (34,634) | Short Term Creditors | (65,846) |
| (125,312) | (202,871) | Total Current Liabilities | (201,806) |
| Non-Current Liabilities | | | |
| (250) | (243) | Long Term Creditors | (188) |
| (3,226) | (1,289) | Provisions | (8,296) |
| (57,049) | (57,049) | Long Term Borrowing | (56,264) |
| (12,721) | (8,941) | Capital Grants Receipts in Advance | (9,209) |
| (282,385) | (252,767) | Retirement Benefit Obligations | (334,556) |
| (4,882) | (4,530) | Borough's Share of Joint Venture Liabilities: AfC | (12,572) |
| (360,513) | (324,819) | Total Non-Current Liabilities | (421,085) |
| 133,866 | 154,562 | Net Assets | 47,368 |
| Equity | | | |
| Usable Reserves | | | |
| 7,778 | 10,652 | General Fund Reserve | 7,059 |
| 10,259 | 14,666 | Other Reserves | 55,259 |
| Group Reserves | | | |
| (4,858) | (4,506) | Borough's Share of Joint Venture Reserve | (12,548) |
| Unusable Reserves | | | |
| 184,916 | 183,005 | Capital Adjustment Account | 173,798 |
| 214,694 | 206,225 | Revaluation Reserve | 191,159 |
| (282,385) | (252,767) | Pensions Reserve | (334,556) |
| (1,365) | (7,648) | Collection Fund Adjustment Account | (35,863) |
| (2,042) | (1,934) | Accumulated Absences Account | (1,858) |
| 6,869 | 6,869 | Deferred Capital Receipts Reserve | 6,708 |
| - | - | Dedicated Schools Grant Adjustment Account | (1,790) |
| 133,866 | 154,562 | | 47,368 |

Group Movement in Reserves Statement

The detail for 2019/20 has been restated as set out in Note 7, Prior Period Adjustments in the entity accounts.

| | General Fund Balance | Earmarked Reserves | Capital grants un- applied | School Revenue Balances | Capital Receipts Reserve | Total Usable Reserves | Unusable Reserves | Total RBWM Reserves | Council Share of Joint Venture Reserves | Total Group Reserves |
|---|----------------------------|-----------------------|-------------------------------------|-------------------------------|--------------------------------|-----------------------------|----------------------|---------------------------|---|----------------------------|
| | £000 | £000 | £000 | £000 | £000 | £000 | £000 | £000 | £000 | £000 |
| 2020/21 | | | | | | | | | | |
| Balance at 31 March 2020 | 10,652 | 6,646 | 7,032 | 437 | 551 | 25,318 | 133,750 | 159,068 | (4,506) | 154,562 |
| Adjustment to Opening Balance for Dedicated Schools Grant | - | - | - | 1,025 | - | 1,025 | (1,025) | - | - | - |
| Amended Opening Balance at 1 April 2020 | 10,652 | 6,646 | 7,032 | 1,462 | 551 | 26,343 | 132,725 | 159,068 | (4,506) | 154,562 |
| Total Comprehensive Expenditure and Income | (21,245) | - | - | - | - | (21,245) | (77,886) | (99,131) | (8,042) | (107,173) |
| Adjustments between accounting basis & funding basis under regulations | 48,390 | - | 8,033 | - | 798 | 57,221 | (57,221) | - | - | - |
| Net Increase / (Decrease) before Transfers to Earmarked Reserves | 27,145 | - | 8,033 | - | 798 | 35,976 | (135,107) | (99,131) | (8,042) | (107,173) |
| Transfers to / from Earmarked Reserves | (30,738) | 29,997 | - | 741 | - | - | - | - | - | - |
| Increase / (Decrease) in Year | (3,593) | 29,997 | 8,033 | 741 | 798 | 35,796 | (135,107) | (99,131) | (8,042) | (107,173) |
| Balance at 31 March 2021 Carried Forward | 7,059 | 36,643 | 15,065 | 2,203 | 1,349 | 62,319 | (2,382) | 59,937 | (12,548) | 47,389 |
| 2019/20 (Restated) | £000 | £000 | £000 | £000 | £000 | £000 | £000 | £000 | £000 | £000 |
| Balance at 31 March 2019 | 7,778 | 5,825 | 3,905 | 529 | - | 18,037 | 113,901 | 131,938 | (4,858) | 127,080 |
| Restatement of Opening Balance (Note 7) | - | - | - | - | - | - | 6,786 | 6,786 | - | 6,786 |
| | 7,778 | 5,825 | 3,905 | 529 | - | 18,037 | 120,687 | 138,724 | (4,858) | 133,866 |
| Total Comprehensive Expenditure and Income | (27,463) | - | - | - | - | (27,463) | 47,807 | 20,344 | 352 | 20,696 |
| Adjustments between accounting basis & funding basis under regulations | 31,066 | - | 3,127 | - | 551 | 34,744 | (34,744) | - | - | - |
| Net Increase / (Decrease) before Transfers to Earmarked Reserves | 3,603 | - | 3,127 | - | 551 | 7,281 | 13,063 | 20,344 | 352 | 20,696 |
| Transfers to / from Earmarked Reserves | (729) | 821 | - | (92) | - | - | - | - | - | - |
| Increase / (Decrease) in Year | 2,874 | 821 | 3,127 | (92) | 551 | 7,281 | 13,063 | 20,344 | 352 | 20,696 |
| Balance at 31 March 2020 Carried Forward | 10,652 | 6,646 | 7,032 | 437 | 551 | 25,318 | 133,750 | 159,068 | (4,506) | 154,562 |

Group Cash Flow Statement

The detail for 2019/20 has been restated as set out in Note 7, Prior Period Adjustments in the entity accounts.

| 2019/20 (Restated) | | | 2020/21 |
|-------------------------------|---|-------------|-----------------|
| £000 | Group Cash Flow Statement (Indirect Method) | Note | £000 |
| (29,577) | Group (Deficit) | | (22,248) |
| 2,114 | Adjust Joint Ventures accounted for on an equity basis | | 1,003 |
| (27,463) | Net (deficit) on the provision of services | | (21,245) |
| 42,207 | Adjust net surplus on the provision of services for noncash movements | | 34,756 |
| (11,064) | Adjust for items included in the net deficit on the provision of services that are investing and financing activities | | (18,718) |
| 3,680 | Net cash inflows from Operating Activities | | (5,207) |
| (51,420) | Net cash (outflows) from Investing Activities | | (6,501) |
| 73,904 | Net cash inflows/(outflows) from Financing Activities | | (18,801) |
| 26,164 | Net Increase in Cash and Cash Equivalents | | (30,509) |
| 16,254 | Cash and cash equivalents at the beginning of the reporting period | | 42,418 |
| 42,418 | Cash and Cash Equivalents at the end of the reporting period | | 11,909 |

45. Group Entities Consolidated

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 2021, based on their respective consolidated financial statements.

| | Optalis Ltd £000 | AfC £000 | To Group CI&E & MiRS £000 |
|--|---------------------|-----------------|------------------------------------|
| Revenue | 45,613 | 173,082 | |
| (Loss) from continuing operations | - | (5,017) | (1,003) |
| Post-tax profit from discontinued operations | - | - | - |
| Other comprehensive income/expenditure | - | (35,193) | (7,039) |
| Total comprehensive income | - | (40,210) | (8,042) |
| Royal Borough Share of Comprehensive income | - | (8,042) | |
| Opening Share of JV Assets/Liabilities) | 147 | (4,530) | |
| Closing Share of JV Assets/(Liabilities) | 147 | (12,572) | |

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

| | Optalis Ltd £000 | AfC £000 | To Group CI&E & MiRS £000 |
|--|---------------------|--------------|------------------------------------|
| Revenue | 46,826 | 161,660 | |
| Profit/(loss) from continuing operations | (36) | (10,489) | (2,114) |
| Post-tax profit from discontinued operations | - | - | - |
| Other comprehensive income/expenditure | 36 | 12,250 | 2,466 |
| Total comprehensive income | - | 1,761 | 352 |
| Royal Borough Share of Comprehensive income | - | 352 | |
| Opening Share of JV Assets/Liabilities) | 147 | (4,882) | |
| Closing Share of JV Assets/(Liabilities) | 147 | (4,530) | |

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 2019/20 and 2020/21 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

| | 2019/20 £000 | 2020/21 £000 |
|--|-----------------|-----------------|
| Revenue | 46,826 | 45,613 |
| Profit/(loss) from continuing operations | (36) | - |
| Post-tax profit from discontinued operations | - | - |
| Other comprehensive income/expenditure | 36 | - |
| Total comprehensive income | - | - |

Year-on-Year Comparison Achieving for Children

| | 2019/20 £000 | 2020/21 £000 |
|---|-----------------|-----------------|
| Revenue | 161,660 | 173,082 |
| Profit/(loss) from continuing operations | (10,489) | (5,017) |
| Post-tax profit from discontinued operations | - | - |
| Other comprehensive income/(expenditure) | 12,250 | (35,193) |
| Total comprehensive income/(expenditure) | 1,761 | (40,210) |

Collection Fund 2020/21

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COLLECTION FUND

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

| 2019/20 | COUNCIL TAX | 2020/21 |
|---|--|---------------|
| £000 | | £000 |
| INCOME | | |
| 91,685 | Council Tax receivable | 96,095 |
| 91,685 | Total Income | 96,095 |
| EXPENDITURE | | |
| Apportionment of Previous Year Deficit | | |
| (454) | Royal Borough of Windsor and Maidenhead | (113) |
| (28) | Berkshire Fire and Rescue Authority | (7) |
| (79) | Thames Valley Police & Crime Commissioner | (22) |
| (561) | | (142) |
| Precepts and Demands | | |
| 73,360 | Royal Borough of Windsor and Maidenhead | 76,802 |
| 4,530 | Berkshire Fire and Rescue Authority | 4,644 |
| 14,100 | Thames Valley Police & Crime Commissioner | 14,856 |
| 91,990 | | 96,302 |
| Charges to Collection Fund | | |
| 56 | Less write offs of uncollectable amounts | 237 |
| 106 | Less: Increase in Bad Debt Provision | 121 |
| 162 | Total Expenditure | 358 |
| 94 | Surplus/(Deficit) arising during the year | (423) |
| (175) | (Deficit) Brought Forward | (81) |
| (81) | (Deficit) Carried Forward | (504) |

| 2019/20 | BUSINESS RATES | 2020/21 |
|---|--|-----------------|
| £000 | | £000 |
| INCOME | | |
| 87,081 | Business Rates receivable | 47,393 |
| (519) | Transitional Protection Payments | (549) |
| 86,562 | Total Income | 46,844 |
| EXPENDITURE | | |
| Apportionment of Previous Year Deficit | | |
| (2,869) | Central Government | (398) |
| 512 | Royal Borough of Windsor and Maidenhead | (2,421) |
| (24) | Berkshire Fire and Rescue Authority | (28) |
| (2,381) | | (2,847) |
| Precepts and Demands | | |
| 23,456 | Central Government | 45,039 |
| 69,431 | Royal Borough of Windsor and Maidenhead | 44,139 |
| 938 | Berkshire Fire and Rescue Authority | 901 |
| 93,825 | | 90,079 |
| Charges to Collection Fund | | |
| 1,602 | Less write offs of uncollectable amounts | 476 |
| (105) | Less: (Decrease)/Increase in Bad Debt Provision | 5,448 |
| (1,050) | Less: Increase/(Decrease) in Provision for Appeals | 12,410 |
| 242 | Less: Cost of Collection | 237 |
| 13 | Less: Disregarded amounts | 17 |
| 702 | Total Expenditure | 18,588 |
| (5,584) | (Deficit) arising during the year | (58,976) |
| Surplus (Deficit) Brought Forward | | |
| (4,124) | (Deficit) Brought Forward 2019-20 | (9,708) |
| (4,124) | (Deficit) Brought Forward | (9,708) |
| (9,708) | (Deficit) Carried Forward | (68,684) |

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 2020/21 the sum of £34.31 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 £95.46 at band D for 2020/21.

| Band and Property Value | | Base | Ratio | Band D Equivalent | Non-Collection Provision | TAX BASE |
|-------------------------|----------------------|------------------|-------|-------------------|--------------------------|------------------|
| A | Up to £40,000 | 1,514.92 | 6/9 | 1,009.84 | (0.38) | 1,009.46 |
| B | £40,001 to £52,000 | 2,459.80 | 7/9 | 1,790.69 | 91.79 | 1,882.48 |
| C | £52,001 to £68,000 | 7,567.92 | 8/9 | 6,631.04 | 309.34 | 6,940.38 |
| D | £68,001 to £88,000 | 14,049.58 | 9/9 | 14,069.08 | (20.44) | 14,048.64 |
| E | £88,001 to £120,000 | 12,183.84 | 11/9 | 14,948.80 | (57.72) | 14,891.08 |
| F | £120,001 to £160,000 | 7,670.80 | 13/9 | 11,292.39 | (38.01) | 11,254.38 |
| G | £160,001 to £320,000 | 9,087.17 | 15/9 | 15,224.45 | (42.36) | 15,182.09 |
| H | more than £320,000 | 1,783.12 | 18/9 | 3,618.24 | (10.15) | 3,608.09 |
| Total | | 56,317.15 | | 68,584.53 | 232.07 | 68,816.60 |

The average Band D charge for 2020/21 was £1,408.90. Therefore, based on the adjusted tax base of 68,817 the estimated yield was £96.957m. This can be reconciled to the income received as follows: -

| | 2019/20 | 2020/21 |
|---------------------------|---------------|---------------|
| | £000 | £000 |
| Estimated Yield | 92,428 | 96,957 |
| Transitional Relief | - | - |
| Other Changes in Yield | - | - |
| Council Tax Income | 92,428 | 96,957 |

The council tax debt position is reviewed regularly and a provision of £1.553m to cover potentially bad or doubtful debts has been made. RBWM's share of this provision is £1.23m.

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) 51.2p in 2020/21 (50.4p in 2019/20).

The total rateable value of business premises in the Borough's area at 31st March 2021 was £211.6m producing a notional yield of £105.6m. The business rate debt position is reviewed regularly and a provision

of £5.448m to cover potentially bad or doubtful debts has been made. Of the total bad debt provision, RBWM's share of the provision is £3.127m. In addition to the provision on collectables, a provision on appeals has been provided a potential liability to repay ratepayers as a result of reductions in Rateable Values (RV), following successful appeals or alterations to lists.

A provision of £12.4m was provided in 2021/22. Of the total provision as at 31st March 2021, RBWN share was £6.8m

| | 2019/20 | 2020/21 |
|---------------------------|---------------|---------------|
| | £000 | £000 |
| Notional Yield | 104,153 | 102,118 |
| Allowances | (10,731) | (48,461) |
| Rateable Value Changes | 2,136 | 2,061 |
| Occupation Changes | (8,477) | (8,325) |
| Collectable Income | 87,081 | 47,393 |

54 Precepts and Demands on the Funds

The following authorities made demands on the Council Tax Collection Fund in 2020/21: -

| | 2020/21 | |
|---|---------|---------------|
| | £000 | £000 |
| Council Tax | | |
| Royal Borough of Windsor and Maidenhead | | |
| General Expenses | 67,451 | |
| Adult Social Care Precept | 6,557 | |
| Special Expenses * | 1,217 | |
| Parishes | 1,577 | |
| | | 76,802 |
| Thames Valley Police & Crime Commissioner | | 14,856 |
| Berkshire Fire and Rescue Authority | | 4,644 |
| | | 96,302 |

* 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.

| | 2020/21 | 2020/21 |
|---|---------|---------------|
| | £000 | £000 |
| Business Rates | | |
| Royal Borough of Windsor and Maidenhead | 44,139 | |
| | | 44,139 |
| Central Government | | 45,039 |
| Berkshire Fire and Rescue Authority | | 901 |
| Total Precepts and Demands | | 90,079 |

Independent Auditor's Report

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

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Qualified opinion

In our opinion, except for the possible effects of the matter described in the basis for qualified opinion section of our report, the financial statements of the Royal Borough of Windsor & Maidenhead ('the Council') and its joint ventures ('the group'):

- give a true and fair view of the financial position of the group and of the Council as at 31 March 2021 and of the group's and the Council's expenditure and income for the year then ended; and
- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom.

We have audited the financial statements which comprise:

- the Council and Group Comprehensive Income and Expenditure Statements;
- the Council and Group Balance Sheets;
- the Council and Group Movement in Reserves Statements;
- the Council and Group Cash Flow Statements;
- the Collection Fund; and
- the related notes 1 to 45.

The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting.

Basis for qualified opinion

The Council did not retain analyses of the breakdown of debtor and creditor positions relating to National Non-Domestic Rates (Business Rates) as at 31 March 2021, and is unable to run retrospective reports from its finance system.

We were unable to satisfy ourselves by alternative means concerning:

- £27.9m of the Collection Fund receivables balance of £35.4m (note 20), or
- £6.2m of the Collection Fund payables balance of £20.9m (note 22)..

We were therefore also unable to satisfy ourselves concerning:

- £2.6m of Collection Fund Precepts, Demands and Adjustments – Business Rates in Taxation and Non-Specific Grant Income amount of £125.0m (note 13),
- the £5.4m increase in Business Rates Bad Debt Provision in the Collection Fund statement, or
- the £27.9m movement in the year in the Collection Fund Adjustment Account for the amount by which business rate income credited to the Comprehensive Income and Expenditure Statement is different from business rates income (Note 25).

Consequently, we were unable to determine whether any adjustments to these amounts were necessary.

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)), the Code of Audit Practice, the Local Audit and Accountability Act 2014 and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the group and Council in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's (the 'FRC's') Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the Chief Financial Officer's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the group's and the Council's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the Chief Financial Officer with respect to going concern are described in the relevant sections of this report.

The going concern basis of accounting for the group and the Council is adopted in consideration of the requirements set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom, which require entities to adopt the going concern basis of accounting in the preparation of the financial statements.

Other information

The other information comprises the information included in the statement of accounts, other than the financial statements and our auditor's report thereon. The Chief Financial Officer is responsible for the other information. Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

As described in the basis for qualified opinion section of our report, we were unable to satisfy ourselves concerning income from National Non-Domestic Rates, the element of the Collection Fund receivables balance and payables balance relating to National Non-Domestic Rates and related movement in Bad Debt Provision in the Collection Fund statement, or the Collection Fund Adjustment Account. We have concluded that where the other information refers to these items, it may be materially misstated for the same reason.

Chief Financial Officer's responsibilities

As explained more fully in the Chief Financial Officer's responsibilities statement, 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 and for such internal control as the Chief Financial Officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Chief Financial Officer is responsible for assessing the group's and the Council's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting on the assumption that the functions of the group and the Council will continue in operational existence for the foreseeable future.

Auditor's responsibilities for the audit of the financial statements

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

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Extent to which the audit was considered capable of detecting non-compliance with laws and regulations, including fraud

We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of non-compliance with laws and regulations, including fraud. The extent to which our procedures are capable of detecting non-compliance with laws and regulations, including fraud is detailed below.

We considered the nature of the group and its control environment, and reviewed the group's documentation of their policies and procedures relating to fraud and compliance with laws and regulations. We also enquired of management and internal audit about their own identification and assessment of the risks of non-compliance with laws and regulations.

We obtained an understanding of the legal and regulatory framework that the group operates in, and identified the key laws and regulations that:

- had a direct effect on the determination of material amounts and disclosures in the financial statements. These included the Accounts and Audit Regulations 2015, the Local Government Act 2003, and the Local Government Finance Act 2012.
- do not have a direct effect on the financial statements but compliance with which may be fundamental to the group's ability to operate or to avoid a material penalty. This included relevant employment legislation.

We discussed among the audit engagement team regarding the opportunities and incentives that may exist within the organisation for fraud and how and where fraud might occur in the financial statements.

As a result of performing the above, we identified the greatest potential for fraud in the following areas, and our specific procedures performed to address them are described below:

Inappropriate recognition of capital expenditure: we tested a sample of capital items (including Revenue Expenditure Funded as Capital Under Statute) to test whether they have been appropriately capitalised or expensed in accordance with accounting requirements.

In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override. In addressing the risk of fraud through management override of controls, we tested the appropriateness of journal entries and other adjustments; assessed whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluated the business rationale of any significant transactions that are unusual or outside the normal course of business.

In addition to the above, our procedures to respond to the risks identified included the following:

- reviewing financial statement disclosures by testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the financial statements;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- enquiring of management, internal audit and in-house legal counsel concerning actual and potential litigation and claims, and instances of non-compliance with laws and regulations; and
- reading minutes of meetings of those charged with governance, and reviewing internal audit reports.

REPORT ON OTHER LEGAL AND REGULATORY MATTERS

Matters on which we are required to report by exception

Use of resources

Under the Code of Audit Practice and the Local Audit and Accountability Act 2014, we are required to report to you if we have not been able to satisfy ourselves that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

On 16 November 2023 we reported to the Council two significant weaknesses in the Council's governance arrangements. The significant weaknesses reported were in respect of

- **Significant weaknesses in arrangements for reliable and timely financial reporting and maintaining a sound system of internal control**, due to significant deficiencies in internal control identified during the 2019/20 and 2020/21 audits of the Council and the Berkshire Pension Fund, and findings of the CIPFA Review of Financial Governance issued June 2020, that had not been addressed during 2020/21 or had only been addressed for part of the period; and
- **Significant weaknesses in governance arrangements in respect of informed decision making and risk management**, due to findings identified in the CIPFA Review of Governance, the independent Review of Pension Fund Governance (issued July 2020), Annual Governance Statement action plans, the Local Government Association Corporate Peer Challenge reports in 2022, and in internal audit reviews, which had not been addressed during 2020/21 or had only been addressed for part of the period.

Our recommendations for improvement included that:

- The Council undertakes a detailed review of the capability and capacity in the finance function;
- The Council continues to progress actions to address control recommendations reported for both the Council and Pension Fund, and, where already implemented, to maintain and monitor the process improvements and control changes;
- Following completion of implementation of the Council's action plans to respond to the findings of internal and external reviews, the Council ensures on-going maintenance and monitoring of the operation of the new processes and procedures.

Respective responsibilities relating to the Council's arrangements for securing economy, efficiency and effectiveness in the use of resources

The Council 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 the Code of Audit Practice and Section 20(1)(c) of the Local Audit and Accountability Act 2014 to satisfy ourselves that the Council has made 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 Council's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

We undertake our work 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 2021, as to whether the Council had proper arrangements for securing economy, efficiency and effectiveness in the use of resources against the specified criteria of financial sustainability, governance, and improving economy, efficiency and effectiveness.

The Comptroller & Auditor General has determined that under the Code of Audit Practice, we discharge this responsibility by reporting by exception if we have reported to the Council a significant weakness in arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2021. Other findings from our work, including our commentary on the Council's arrangements, will be reported in our separate Auditor's Annual Report.

Reports in the public interest or to the regulator

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

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

We have nothing to report in respect of these matters.

CERTIFICATE OF COMPLETION OF THE AUDIT

We certify that we have completed the audit of the Royal Borough of Windsor & Maidenhead in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice issued by the National Audit Office.

Use of our report

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

Jonathan Gooding, FCA (Key Audit Partner)
For and on behalf of Deloitte LLP
St. Albans, United Kingdom
8 April 2024

The Royal County of Berkshire Pension Fund Financial Statements 2020/21

www.rbwm.gov.uk



Royal Borough
of Windsor &
Maidenhead

The Royal County of Berkshire Pension Fund - Fund Account

| 2019/20 | | | | 2020/21 |
|--------------------|--|--|-------|--------------------|
| £'000 | | | Notes | £'000 |
| | Dealings with members, employers and others directly involved in the Fund | | | |
| (127,113) | Contributions | | 7 | (139,010) |
| (14,448) | Transfers in from other pension funds | | 8 | (6,959) |
| (141,561) | | | | (145,969) |
| | | | | |
| 113,361 | Benefits | | 9 | 114,245 |
| 20,532 | Payments to and on account of leavers | | 10 | 16,109 |
| 133,893 | | | | 130,354 |
| (7,668) | Net additions from dealings with members | | | (15,615) |
| | | | | |
| 27,240 | Management expenses | | 11 | 27,723 |
| | | | | |
| 19,572 | Net (additions)/withdrawals including fund management expenses | | | 12,108 |
| | Returns on investments | | | |
| (40,415) | Investment income | | 12 | (28,977) |
| (47) | Taxes on income | | 13 | (284) |
| 97,886 | Profits and losses on disposal of investments and changes in the market value of investments | | 14 | (378,107) |
| 57,424 | Net return on investments | | | (407,368) |
| | | | | |
| 76,996 | Net (increase)/decrease in the net assets available for benefits during the year | | | (395,260) |
| (2,081,943) | Opening net assets of the scheme | | | (2,004,947) |
| (2,004,947) | Closing net assets of the scheme | | | (2,400,207) |

Net Assets Statement at 31 March 2021

| 2019/20 | | | 2020/21 |
|------------------|---|-------|------------------|
| £'000 | | Notes | £'000 |
| 2,149,373 | Investment assets | 14 | 2,518,894 |
| (154,074) | Investment liabilities | 14 | (136,302) |
| 1,995,299 | Total net investments | | 2,382,592 |
| 12,258 | Current assets | 21 | 21,395 |
| 12,258 | | | 21,395 |
| (2,610) | Current liabilities | 22 | (3,780) |
| (2,610) | | | (3,780) |
| 2,004,947 | Net assets of the fund available to fund benefits at the end of the reporting period | | 2,400,207 |

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 Royal County of Berkshire Pension Fund Accounts for the year ended 31 March 2021

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 Committee.

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 2020 | 31 March 2021 |
|---|----------------------|----------------------|
| Number of employers with active members | 205 | 189 |
| Number of employees in scheme | | |
| Administering authority | 1,584 | 1,502 |
| Unitary authorities | 14,840 | 14,772 |
| Other employers | 9,271 | 9,613 |
| Total | 25,695 | 25,887 |
| Number of pensioners | | |
| Administering authority | 1,991 | 2,082 |
| Unitary authorities | 10,201 | 10,825 |
| Other employers | 6,593 | 6,813 |
| Total | 18,785 | 19,720 |
| Deferred pensioners | | |
| Administering authority | 3,559 | 3,516 |
| Unitary authorities | 17,076 | 16,885 |
| Other employers | 6,875 | 7,174 |
| Total | 27,510 | 27,575 |
| Total number of members in pension scheme | 71,990 | 73,182 |

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 2021. Employers' contributions are set based on triennial actuarial funding valuations. The last such valuation was at 31 March 2019. During 2020/21, employer contribution rates ranged from 10.1% to 36.0% of pensionable pay.

d) Benefits

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

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

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

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

2 Basis of preparation

The Statement of Accounts summarises the Fund's transactions for the 2020/21 financial year and its position at year-end as at 31 March 2021. The accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 200/21 ('the code') which is based upon International Financial Reporting Standards (IFRS), as amended for the UK public sector. The accounts have been prepared on a going concern basis.

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 2020/21.

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

3 Summary of significant accounting policies

Fund account - revenue recognition

a) Contribution income

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

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

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

b) Transfers to and from other schemes

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

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

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

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

c) Investment income

i) Interest income

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

ii) Dividend income

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

iii) Distributions from pooled funds

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

iv) Movement in the net market value of investments

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

Fund Account - expense items

d) Benefits payable

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

e) Taxation

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

f) Management expenses

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

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. Any amounts due or payable in respects of trades entered into but not yet complete at 31 March each year are accounted for as financial instruments held at amortised cost and reflected in the reconciliation of movements in investments and derivatives in Note 14a. 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.

Other financial liabilities classed as amortised cost are carried in the net asset statement at the value of the outstanding principal at 31 March. each year.

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.

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 2021 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

| Item | Uncertainties | Effect if actual results differ from assumptions |
|--|---|---|
| Actuarial present value of promised retirement benefits | Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide the fund with expert advice about the assumptions to be applied. 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 £111.85 million. A 0.1% increase in pension increases and deferred revaluation assumption would increase the value of liabilities by approximately £104.88 million, and a one-year increase in assumed life expectancy would increase the liability by approximately £246.60 million. |
| Longevity Insurance policy | The longevity insurance policy is valued by a firm of consulting actuaries. This valuation is the difference between the discounted cash flows relating to the amounts expected to be reimbursed to the fund and the inflation linked premiums expected to be paid by the fund. The carrying amount as at 31 March 2021 is (£133.19 million). 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. |
| Private equity investments | Private equity investments are valued at fair value in accordance with the International Private Equity and Venture Capital Board guidelines. These investments are not publicly listed and as such there is a degree of estimation involved in the valuation. | The 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 impact of the Covid-19 pandemic in 2019/20 created uncertainty surrounding global financial and property markets. Since then, the asset values have stabilised in order that a materially accurate value can be applied to illiquid assets.

6 Events after the reporting date

Impact of the McCloud judgement

The McCloud court case relates to possible age discrimination within the New Judicial Pension Scheme. On 16 July 2020, the government published a consultation on the proposed remedy to be applied to LGPS benefits in response to the McCloud and Sargeant cases. The consultation closed on 8 October 2020 and a ministerial statement in response to the proposed remedy was published on 31 May 2021.

An allowance using analysis from the Government Actuary's Department as a starting point was made for the potential impact of the McCloud and Sargeant judgement in the results provided to the Fund at the last accounting date. This allowance is incorporated in the roll forward approach and is remeasured at the accounting date (31 March 2021) along with the normal LGPS liabilities. The actuary does not believe there are any material differences between the approach underlying their estimated allowance and the proposed remedy. A more detailed analysis at this stage would require a significant amount of member data which is

not yet available. No further adjustment in the light of the expected changes to the Regulations has been included in this years' IAS 26 calculations.

Investments

The investment figures in the accounts and notes have been adjusted in all material aspects to reflect the impact of any information received after 31 March 2021 which reflect the conditions as at 31 March 2021. During the audit, the fund manager's valuation as at 31 March 2021 were received and they showed material difference in aggregate. The accounts have been amended to reflect the difference reported in the table below.

| Asset Class | Estimated value 31 March 2021 £m | Manager's value 31 March 2021 £m | Difference £m |
|--------------------------------|---|---|--------------------------|
| Equities | 42.53 | 42.99 | 0.46 |
| Pooled investments | 1512.46 | 1517.67 | 5.21 |
| Pooled property investments | 290.49 | 293.62 | 3.13 |
| Private equity | 522.66 | 561.98 | 39.32 |
| Total | 2,368.14 | 2,416.26 | 48.12 |

7 Contributions receivable

By category

| 2019/20 £000 | | 2020/21 £000 |
|-------------------------|---------------------------------------|-------------------------|
| 28,635 | Members' contributions | 30,337 |
| | Employers' contributions | |
| 69,417 | Normal contributions | 79,455 |
| 27,506 | Deficit recovery contributions | 27,588 |
| 1,555 | Augmentation contributions | 1,630 |
| 98,478 | Total employer's contributions | 108,673 |
| 127,113 | | 139,010 |

By type of employer

| 2019/20 £000 | | 2020/21 £000 |
|-------------------------|---------------------------|-------------------------|
| 11,709 | Administering authority | 12,165 |
| 101,630 | Scheduled bodies | 114,002 |
| 6,248 | Admitted bodies | 5,377 |
| 7,526 | Transferee admission body | 7,466 |
| 127,113 | | 139,010 |

8 Transfers in from other pension funds

| 2019/20 £000 | | 2020/21 £000 |
|-------------------------|---|-------------------------|
| 14,133 | Individual transfers from other pension funds | 6,556 |
| 315 | AVC to purchase scheme benefits | 403 |
| 14,448 | | 6,959 |

9 Benefits payable

By Category

| 2019/20 | | 2020/21 |
|----------------|--|----------------|
| £000 | | £000 |
| 90,704 | Pensions | 94,947 |
| 19,557 | Commutation and lump sum retirement benefits | 16,893 |
| 3,100 | Lump sum death benefits | 2,405 |
| 113,361 | | 114,245 |

By type of employer

| 2019/20 | | 2020/21 |
|----------------|---------------------------|----------------|
| £000 | | £000 |
| 12,722 | Administering authority | 12,169 |
| 89,402 | Scheduled bodies | 91,516 |
| 8,295 | Admitted bodies | 7,799 |
| 2,942 | Transferee admission body | 2,761 |
| 113,361 | | 114,245 |

10 Payments to and on account of leavers

| 2019/20 | | 2020/21 |
|---------------|---|---------------|
| £000 | | £000 |
| 639 | Refunds to members leaving service | 503 |
| 9,000 | Group transfers to other pension funds | 6,043 |
| 10,893 | Individual transfers to other pension funds | 9,563 |
| 20,532 | | 16,109 |

11 Management expenses

| 2019/20 | | 2020/21 |
|---------------|--------------------------------|---------------|
| £'000 | | £'000 |
| 1,754 | Administrative costs | 1,888 |
| 25,429 | Investment management expenses | 25,783 |
| 57 | Oversight and governance costs | 52 |
| 27,240 | | 27,723 |

a) Investment management expenses

| | Management fees | Performance fees | Transaction costs | Total |
|-----------------------------|-----------------|------------------|-------------------|---------------|
| | £'000 | £'000 | £'000 | £'000 |
| Cash and FX Contracts | 29 | 0 | 0 | 29 |
| Pooled investments | 12,643 | 6,159 | 997 | 19,799 |
| Pooled property investments | 208 | 22 | 22 | 252 |
| Private equity | 2,966 | 2,069 | 405 | 5,440 |
| | 15,846 | 8,250 | 1,424 | 25,520 |
| Custody fees | | | | 263 |
| Total | | | | 25,783 |

| | Management fees £'000 | Performance fees £'000 | Transactio n costs £'000 | Total £'000 |
|-----------------------------|-----------------------------|------------------------------|--------------------------------|----------------|
| Cash and FX Contracts | 30 | 0 | 0 | 30 |
| Pooled investments | 8,611 | 683 | 1,221 | 10,515 |
| Pooled property investments | 234 | 0 | 16 | 250 |
| Private equity | 8,536 | 4,585 | 1,315 | 14,436 |
| | 17,411 | 5,268 | 2,552 | 25,231 |
| Custody fees | | | | 198 |
| Total | | | | 25,429 |

12 Investment income

| 2019/20 £000 | | 2020/21 £000 |
|-----------------|--|-----------------|
| 12,206 | Income from equities | 11,113 |
| 4,054 | Income from bonds | 3,004 |
| 11,712 | Private equity income | 8,196 |
| 10,272 | Pooled property investments | 6,423 |
| 435 | Pooled investments - unit trusts & other managed funds | 125 |
| 1,736 | Interest on cash deposits | 116 |
| 40,415 | Total before taxes | 28,977 |

13 Other fund account disclosures

a) Taxes on income

| 2019/20 £000 | | 2020/21 £000 |
|-----------------|---|-----------------|
| (280) | Withholding tax - equities | (394) |
| 233 | Withholding tax - pooled property investments | 110 |
| (47) | | (284) |

b) External audit costs

| 2019/20 £000 | | 2020/21 £000 |
|-----------------|--------------------------------------|-----------------|
| 55 | Payable in respect of external audit | 11 |
| 55 | | 11 |

14 Investments

| Market value | | | | Market value |
|------------------|-------------------------------------|--|--|------------------|
| 31 March 2020 | | | | 31 March 2021 |
| £000 | | | | £000 |
| | Investment assets | | | |
| 2,339 | Bonds | | | 0 |
| 25,217 | Equities | | | 42,986 |
| 995,687 | Pooled investments | | | 1,517,667 |
| 189,099 | Pooled liquidity funds | | | 84,048 |
| 292,107 | Pooled property investments | | | 293,617 |
| 605,868 | Private equity | | | 561,980 |
| | Derivative contracts: | | | |
| 1,281 | - Forward currency contracts | | | 475 |
| 35,724 | Cash deposits | | | 17,149 |
| 2,051 | Investment income due | | | 972 |
| 2,149,373 | Total investment assets | | | 2,518,894 |
| | Investment liabilities | | | |
| | Derivative contracts: | | | |
| (32,245) | - Forward currency contracts | | | (3,111) |
| (121,829) | - Longevity Insurance Policy | | | (133,191) |
| 0 | Amounts payable for purchases | | | (0) |
| (154,074) | Total investment liabilities | | | (136,302) |
| 1,995,299 | Net investment assets | | | 2,382,592 |

a) Reconciliation of movements in investments and derivatives

| | Market value 1 April 2020 | Purchases during the year and derivative payments | Sales during the year and derivative receipts | Change in market value during the year | Market value 31 March 2021 |
|-------------------------------|------------------------------|---|--|--|-------------------------------|
| | £'000 | £'000 | £'000 | £'000 | £'000 |
| Bonds | 2,339 | 0 | (4,418) | 2,079 | 0 |
| Equities | 25,217 | 4,376 | 0 | 13,393 | 42,986 |
| Pooled investments | 995,687 | 529,375 | (364,833) | 357,438 | 1,517,667 |
| Pooled liquidity funds | 189,099 | 491,419 | (596,062) | (408) | 84,048 |
| Pooled property investments | 292,107 | 200,242 | (205,436) | 6,704 | 293,617 |
| Private equity | 605,868 | 63,700 | (75,671) | (31,917) | 561,980 |
| | 2,110,317 | 1,289,112 | (1,246,420) | 347,289 | 2,500,298 |
| Derivative contracts: | | | | | |
| - Forward currency contracts | (30,964) | 43,514 | (54,572) | 39,386 | (2,636) |
| - Longevity insurance policy | (121,829) | 8,704 | 0 | (20,066) | (133,191) |
| | 1,957,524 | 1,341,330 | (1,300,992) | 366,609 | 2,364,471 |
| Other investment balances: | | | | | |
| - Cash deposits | 35,724 | | | 11,498 | 47,222 |
| - Investment income due | 2,051 | | | | 2,051 |
| Amounts payable for purchases | 0 | | | | 0 |
| Net investment assets | 1,995,299 | | | 378,107 | 2,382,592 |

| | Market value 1 April 2019 | Purchases during the year and derivative payments | Sales during the year and derivative receipts | Change in market value during the year | Market value 31 March 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 | 997,974 | 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 |
| | 2,152,433 | 519,003 | (524,304) | (36,816) | 2,110,317 |
| 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) |
| | 2,044,575 | 676,702 | (664,449) | (99,304) | 1,957,524 |
| Other investment balances: | | | | | |
| - Cash deposits | 29,819 | | | 1,418 | 35,724 |
| - Investment income due | 2,393 | | | | 2,051 |
| Net investment assets | 2,076,787 | | | (97,886) | 1,995,299 |

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.

b) Investments analysed by fund manager

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

| Investment | Market value 31 March 2020 | % of total fund | Market value 31 March 2021 | % of total fund |
|----------------------------|-------------------------------|-----------------|-------------------------------|-----------------|
| | £'000 | | £'000 | |
| Longevity Insurance Policy | (121,829) | 6.1 | (133,191) | 5.5 |
| Lasalle Global Real Estate | 170,681 | 8.6 | 0 | 0.0 |
| LPPI Global Equities Fund | 632,076 | 31.7 | 1,092,924 | 45.5 |
| LPPI Credit Investments LP | 37,591 | 1.9 | 259,492 | 10.8 |
| LPPI Real Estates ACS | 0 | 0.0 | 185,558 | 7.7 |

| Market value | % of Market | | | Market value | % of Market value |
|----------------|----------------|---|------------------------|------------------|-------------------|
| at 31 March | value 31 March | | | at 31 March | value 31 March |
| 2020 | 2020 | | | 2021 | 2021 |
| £'000 | % | | Fund Type | £'000 | % |
| | | Investment managed within LPPI asset pools | | | |
| 37,591 | 1.9 | LPPI Credit | Pooled Investment | 259,492 | 10.9 |
| 0 | 0.0 | LPPI Real Estates | Pooled Property | 185,558 | 7.8 |
| 632,076 | 31.7 | LPPI Global Equities | Pooled investment | 1,092,924 | 45.9 |
| 62,166 | 3.1 | LPPI Fixed Income | Pooled investment | 68,410 | 2.9 |
| 65,393 | 3.3 | LPPI Diversifying Strategy | Pooled investment | 91,709 | 3.8 |
| 78,339 | 3.9 | LPPI Infrastructure | Private Infrastructure | 103,998 | 4.4 |
| 26,840 | 1.3 | LPPI Private Equity | Private Equity | 52,197 | 2.2 |
| 902,405 | 45.2 | | | 1,854,288 | 77.9 |
| | | Investments managed outside asset pool: | | | |
| 2,339 | 0.1 | Technology Enhanced Oil Limited | Bonds | 0 | 0.0 |
| 25,217 | 1.3 | Gresham House Asset Management Limited | Equities | 38,610 | 1.6 |
| 0 | 0.0 | Technology Enhanced Oil Limited | Equities | 4,376 | 0.2 |
| 4,586 | 0.2 | Cheyne Capital Management LLP | Pooled Investment | 3,781 | 0.2 |
| 52,390 | 2.6 | Fidelity | Pooled Investment | 0 | 0.0 |
| 40,903 | 2.0 | Morgan Stanley | Pooled Investment | 0 | 0.0 |
| 2,518 | 0.1 | Securis Investment Partners LLP | Pooled Investment | 1,255 | 0.1 |
| 37,917 | 1.9 | Stewart Investments | Pooled Investment | 0 | 0.0 |
| 60,052 | 3.0 | William Blair | Pooled Investment | 0 | 0.0 |
| 96 | 0.0 | SPL Guernsey ICC Ltd | Pooled Investment | 96 | 0.0 |
| 42,280 | 2.1 | Northern Trust | Pooled Liquidity | 17,321 | 0.7 |
| 67,993 | 3.4 | JPM Asset Management | Pooled Liquidity | 45,811 | 1.9 |
| 36,380 | 1.8 | Legal & General | Pooled Liquidity | 3,409 | 0.1 |
| 42,445 | 2.1 | Aviva | Pooled Liquidity | 17,508 | 0.7 |
| 6,174 | 0.3 | Jones Lang LaSalle | Pooled Property | 8,910 | 0.4 |
| 237,410 | 11.9 | LaSalle Investment Management (Jersey) Limited | Pooled Property | 62,312 | 2.6 |
| 33,823 | 1.7 | Milltrust International LLP | Pooled Property | 36,837 | 1.5 |
| 14,700 | 0.7 | Schroders | Pooled Property | 0 | 0.0 |
| 11,918 | 0.6 | Athyrium Capital Management LP | Private Debt | 10,481 | 0.4 |
| 7,056 | 0.4 | Derwent Shared Equity LLP | Private Debt | 10,843 | 0.5 |
| 107,059 | 5.4 | Dorchester Capital Advisors, LLC | Private Debt | 12,724 | 0.5 |
| 6,157 | 0.3 | Grosvenor Capital Management L.P. | Private Debt | 3,268 | 0.1 |
| 8,552 | 0.4 | Neuberger Berman | Private Debt | 3,965 | 0.2 |
| 3,316 | 0.2 | Partners Group | Private Debt | 3,173 | 0.1 |
| 11,066 | 0.6 | Rutland Partners LLP | Private Debt | 9,140 | 0.4 |
| 10,443 | 0.5 | WP Global Partners | Private Debt | 9,677 | 0.4 |
| 39,196 | 2.0 | Adams Street Partners | Private Equity | 45,811 | 1.9 |
| 1,999 | 0.1 | COREalpha Private Equity Partners Partnership Fund IV, L.P. | Private Equity | 1,847 | 0.1 |
| 8,058 | 0.4 | Coral Reef Capital | Private Equity | 9,761 | 0.4 |

| | | | | | |
|------------------|--------------|--|----------------------------|------------------|--------------|
| 15,472 | 0.8 | Future Planet Capital | Private Equity | 14,663 | 0.6 |
| 4,947 | 0.2 | Gresham House Asset Management Limited | Private Equity | 9,805 | 0.4 |
| 1,206 | 0.1 | Henderson Equity Partners | Private Equity | 591 | 0.0 |
| 6,869 | 0.3 | ICG PLC | Private Equity | 6,296 | 0.3 |
| 9,431 | 0.5 | Kuramo Capital | Private Equity | 9,104 | 0.4 |
| 4,153 | 0.2 | Longwall Venture Partners LLP | Private Equity | 4,540 | 0.2 |
| 14,488 | 0.7 | Neuberger Berman | Private Equity | 15,046 | 0.6 |
| 25,367 | 1.3 | Milltrust International LLP | Private Equity | 26,187 | 1.1 |
| 609 | 0.0 | Organox | Private Equity | 609 | 0.0 |
| 100 | 0.0 | Orthoson | Private Equity | 98 | 0.0 |
| 1,478 | 0.1 | Longwall Ventures | Private Equity | 1,964 | 0.1 |
| 900 | 0.0 | Oxsonics Ltd | Private Equity | 462 | 0.0 |
| 6,462 | 0.3 | Pantheon Ventures | Private Equity | 6,347 | 0.3 |
| 7,490 | 0.4 | Partners Group | Private Equity | 6,481 | 0.3 |
| 11,108 | 0.6 | Sarona Asset Management Inc | Private Equity | 12,981 | 0.5 |
| 2,037 | 0.1 | South East Growth Fund | Private Equity | 1,915 | 0.1 |
| 2,588 | 0.1 | Stafford CP | Private Equity | 1,380 | 0.1 |
| 1,892 | 0.1 | BMO Global Asset Management | Private Equity | 1,447 | 0.1 |
| 69,639 | 3.5 | WP Global Partners | Private Equity | 74,262 | 3.1 |
| 2,434 | 0.1 | African Infrastructure Investment Managers Pty Ltd | Private Infrastructure | 2,294 | 0.1 |
| 6,917 | 0.3 | Climate Fund Managers | Private Infrastructure | 12,948 | 0.5 |
| 66,187 | 3.3 | Gresham House Asset Management Limited | Private Infrastructure | 63,020 | 2.6 |
| 5,958 | 0.3 | Macquarie Group | Private Infrastructure | 3,785 | 0.2 |
| 10,549 | 0.5 | Macquarie Infrastructure Partners Inc. | Private Infrastructure | 1,300 | 0.1 |
| 7,588 | 0.4 | The Rohayton Group (TRG) | Private Infrastructure | 7,572 | 0.3 |
| (30,964) | (1.6) | Cambridge Strategy Ltd | Forward Currency Contracts | (2,636) | (0.1) |
| 1,176,948 | 58.7 | | | 643,374 | 26.9 |
| | | Other | | | |
| (121,829) | (6.1) | Longevity Insurance Policy | | (133,191) | (5.6) |
| 35,724 | 1.8 | Cash with investment managers | | 17,149 | 0.8 |
| 0 | 0.0 | Amount receivable for sales | | 0 | 0.0 |
| 0 | 0.0 | Amount payable for purchases | | (0) | 0.0 |
| 2,051 | 0.1 | Investment income due | | 972 | 0.1 |
| (84,054) | (4.2) | | | (115,070) | (4.9) |
| 1,995,299 | 100.0 | Total | | 2,382,592 | 100.0 |

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

The above organisations are registered in the United Kingdom.

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.

- 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.

- 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.

Open forward currency contracts

| Settlement | Currency bought | Local value | Currency sold | Local value | Asset value | Liability value |
|---|-----------------|-------------|---------------|-------------|--------------|-----------------|
| | | £'000 | | £'000 | £000 | £000 |
| One to six months | GBP | 348,774 | USD | (484,868) | 0 | (2,578) |
| One to six months | JPY | 2,840,232 | GBP | (18,841) | 0 | (203) |
| One to six months | TRY | 21,161 | USD | (2,689) | 0 | (184) |
| One to six months | GBP | 7,943 | CAD | (13,966) | 0 | (109) |
| One to six months | CHF | 9,707 | GBP | (7,519) | 0 | (30) |
| One to six months | INR | 262,099 | USD | (3,551) | 0 | (7) |
| One to six months | SGD | 4,823 | USD | (3,585) | 3 | 0 |
| One to six months | GBP | 8,536 | NOK | (100,354) | 17 | 0 |
| One to six months | BRL | 19,145 | USD | (3,343) | 24 | 0 |
| One to six months | KRW | 4,136,096 | USD | (3,632) | 26 | 0 |
| One to six months | CLP | 2,897,173 | USD | (3,995) | 29 | 0 |
| One to six months | GBP | 8,311 | AUD | (14,962) | 51 | 0 |
| One to six months | MXN | 82,868 | USD | (3,906) | 81 | 0 |
| One to six months | GBP | 44,732 | EUR | (52,156) | 244 | 0 |
| Open forward currency contracts at 31 March 2021 | | | | | 475 | (3,111) |
| Net forward currency contracts at 31 March 2021 | | | | | | (2,636) |
| Prior year comparative | | | | | | |
| Open forward currency contracts at 31 March 2020 | | | | | 1,281 | (32,245) |
| Net forward currency contracts at 31 March 2020 | | | | | | (30,964) |

16 Fair value - Basis of valuation

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

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

Unquoted bonds

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 basis

Valuations could be affected by material events occurring between the date of the financial statements provided and the pension funds own reporting date, changes to expected cashflows, and by any differences between audited and unaudited accounts

Pooled investments- property funds

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 basis

Valuations could be affected by material events occurring between the date of the financial statements provided and the pension funds own reporting date, changes to expected cashflows, and by any differences between audited and unaudited accounts

Unquoted equity

Level 3

Comparable valuation of similar companies in accordance with International Private Equity and venture Capital Guidelines (2012)

EBITDA multiple Revenue multiple Discount for lack of marketability Control premium

Valuations could be affected by material events occurring between the date of the financial statements provided and the pension funds own reporting date, changes to expected cashflows, and by any differences between audited and unaudited accounts

- 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.

Sensitivity of assets valued at level 3

Having analysed historical data and current market trends the fund has determined that the valuation methods described above are likely to be accurate to within the following ranges and has set out below the consequent potential impact on the closing value of investments held at 31 March 2021.

| | Assessed valuation range (+/-) | Value at 31/03/2021 £'000 | Value on increase £'000 | Value on decrease £'000 |
|------------------------------|--------------------------------|---------------------------|-------------------------|-------------------------|
| Private equity | -7.20% | 561,980 | 521,349 | 602,611 |
| Property funds | 18.10% | 293,617 | 346,821 | 240,414 |
| Private equity (LPPI Credit) | 10.10% | 259,492 | 285,597 | 233,387 |
| Total | | 1,115,089 | 1,153,767 | 1,076,412 |

a) Fair value hierarchy

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

Level 1

Assets and liabilities at level 1 are those where the fair values are derived from unadjusted quoted prices in active markets for identical assets or liabilities.

Products classified as Level 1 comprise quoted equities, quoted fixed securities and quoted index linked securities.

Level 2

Assets and liabilities at level 2 are those where quoted market prices are not available; for example, where an instrument is traded in a market that is not

considered to be active, or where valuation techniques are used to determine fair value.

Level 3

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

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

| Values at 31 March 2021 | Quoted market price | Using observable inputs | With significant unobservable inputs | Total |
|-------------------------------------|---------------------|-------------------------|--------------------------------------|------------------|
| | Level 1 | Level 2 | Level 3 | |
| | £'000 | £'000 | £'000 | £'000 |
| Financial assets at fair value | 122,658 | 1,258,650 | 1,119,465 | 2,500,773 |
| through profit and loss | | | | |
| Financial liabilities at fair value | 0 | (3,111) | (133,191) | (136,302) |
| through profit and loss | | | | |
| Cash deposits | 17,149 | 0 | 0 | 17,149 |
| Investment due | 972 | 0 | 0 | 972 |
| Amounts payable for purchases | (0) | 0 | 0 | (0) |
| Net investment assets | 140,779 | 1,255,539 | 986,274 | 2,382,592 |

| Values at 31 March 2020 | Quoted market price | Using observable inputs | With significant unobservable inputs | Total |
|-------------------------------------|---------------------|-------------------------|--------------------------------------|------------------|
| | Level 1 | Level 2 | Level 3 | |
| | £000 | £000 | £000 | £000 |
| Financial assets at fair value | 214,316 | 959,377 | 937,905 | 2,111,598 |
| through profit and loss | | | | |
| Financial liabilities at fair value | 0 | (32,245) | (121,829) | (154,074) |
| through profit and loss | | | | |
| Cash deposits | 35,724 | 0 | 0 | 35,724 |
| Investment income due | 2,051 | 0 | 0 | 2,051 |
| Net investment assets* | 252,091 | 927,132 | 816,076 | 1,995,299 |

*Restated to include Cash deposits and investment income due.

b) Reconciliation of fair value measurements within level 3

| | Market value 31 March 2020 | Purchases during the year | Sales during the year | Unrealised gains/ (losses) | Realised gains/ (losses) | Market value 31 March 2021 |
|-------------------------------|-------------------------------|------------------------------|--------------------------|-------------------------------|-----------------------------|-------------------------------|
| | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 |
| Unquoted bond | 2,339 | 0 | (4,418) | 37,126 | (35,047) | 0 |
| Unquoted equity | 0 | 4,376 | 0 | 0 | 0 | 4,376 |
| Private equity | 643,459 | 178,700 | (75,671) | 41,529 | 33,455 | 821,472 |
| Pooled property | 292,107 | 200,242 | (205,436) | (58,719) | 65,423 | 293,617 |
| Longevity insurance policy | (121,829) | 8,704 | 0 | (20,066) | 0 | (133,191) |
| | 816,076 | 392,022 | (285,525) | (130) | 63,831 | 986,274 |

| | 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 | 167,682 | (241,482) | (59,908) | 80,504 | 643,459 |
| Pooled property | 294,011 | | | (1,904) | | 292,107 |
| Longevity insurance policy | (103,800) | 8,463 | | (26,492) | | (121,829) |
| | 889,100 | 176,145 | (241,482) | (88,304) | 80,617 | 816,076 |

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.

b) Net gains and losses on financial instruments

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

| 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 |
|------------------------------------|--------------------------|-------------------------------|-------------------------------|------------------------------------|--------------------------|-------------------------------|
| 31 March 2020 | | 31 March 2021 | | | | |
| £'000 | £'000 | £'000 | | £'000 | £'000 | £'000 |
| | | | Financial assets | | | |
| 2,339 | | | Bonds | 0 | | |
| 25,217 | | | Equities | 42,986 | | |
| 995,687 | | | Pooled investments | 1,517,667 | | |
| 189,099 | | | Pooled liquidity funds | 84,048 | | |
| 292,107 | | | Pooled property investments | 293,617 | | |
| 605,868 | | | Private equity | 561,980 | | |
| 1,281 | | | Derivative contracts | 475 | | |
| 35,724 | 6,233 | | Cash | 17,149 | 7,493 | |
| | 2,051 | | Other investment balances | 972 | | |
| | 6,025 | | Debtors | | 13,902 | |
| 2,147,322 | 14,309 | - | | 2,517,922 | 22,367 | - |
| | | | Financial liabilities | | | |
| (154,074) | | | Derivative contracts | (136,302) | | |
| | | | Amounts payable for purchases | (0) | | |
| | | (2,610) | Creditors | | | (3,780) |
| (154,074) | - | (2,610) | | (136,302) | - | (3,780) |
| 1,993,248 | 14,309 | (2,610) | | 2,381,620 | 22,367 | (3,780) |
| | | | | | | |
| | | | | | | |

instruments.

18 Nature and extent of risks arising from financial instruments

| 31 March 2020 | | 31 March 2021 |
|-----------------|------------------------------------|----------------|
| £'000 | | £'000 |
| | Financial Assets | |
| 25,507 | Fair value through profit and loss | 430,498 |
| 25,507 | | 430,498 |
| | Financial Liabilities | |
| (123,392) | Fair value through profit and loss | (52,391) |
| (123,392) | | (52,391) |
| (97,885) | Total | 378,107 |

Risk and risk management

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

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

a) Market risk

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

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

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

The fund manages these risks in two ways:

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

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

Other price risk

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

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

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

Other price risk - sensitivity analysis

Following analysis of historical data and expected investment return by the Fund's investment advisors during the financial year the Fund has determined that the following movements in market price risk are reasonably possible for the 2021/22 reporting period:

| Asset type | Potential market movements (+/-) |
|--|----------------------------------|
| Bonds | 10.1% |
| Equities - listed | 20.5% |
| Equities - unlisted | 32.2% |
| Private Equity | 32.2% |
| Private Equity - Credit | 10.1% |
| Private Equity - Infrastructure | 17.7% |
| Pooled investments - Equity | 20.5% |
| Pooled investments - Bonds | 8.6% |
| Pooled investments - Credit | 10.1% |
| Pooled investments - Diversifying strategies | 10.3% |
| Pooled Property Funds | 18.1% |

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 2021 | Potential market movement | Value on increase | Value on decrease |
|--------------------------------------|---------------------------|---------------------------|-------------------|-------------------|
| | £'000 | £'000 | £'000 | £'000 |
| Investment portfolio assets: | | | | |
| Bonds | 0 | 0 | 0 | 0 |
| Equities - listed | 0 | 0 | 0 | 0 |
| Equities - unlisted | 42,986 | 13,837 | 56,823 | 29,149 |
| Pooled investments - Equity | 1,093,019 | 223,850 | 1,316,869 | 869,169 |
| Pooled investments - Bonds | 68,410 | 5,897 | 74,307 | 62,513 |
| Pooled investments - Credit | 263,273 | 26,485 | 289,758 | 236,788 |
| Pooled investments - Div. strategies | 92,965 | 9,585 | 102,550 | 83,380 |
| Pooled liquidity funds | 84,048 | - | 84,048 | 84,048 |
| Pooled Property Funds | 293,617 | 53,203 | 346,820 | 240,414 |
| Private Equity | 303,791 | 97,790 | 401,581 | 206,001 |
| Private Equity - Credit | 63,273 | 6,365 | 69,638 | 56,908 |
| Private Equity - Infrastructure | 194,916 | 34,500 | 229,416 | 160,416 |
| Net derivative liabilities | (135,827) | - | (135,827) | (135,827) |
| Cash deposits | 17,149 | - | 17,149 | 17,149 |
| Investment income due | 972 | - | 972 | 972 |
| Current assets: | | | | |
| Debtors | 13,902 | - | 13,902 | 13,902 |
| Cash balances | 7,493 | - | 7,493 | 7,493 |
| Current liabilities | (3,780) | - | (3,780) | (3,780) |
| Total | 2,400,207 | | 2,871,719 | 1,928,694 |

| Asset type | Value as at31 March 2020 | Potential market movement | Value on increase | Value on decrease |
|--------------------------------------|-----------------------------|---------------------------------|----------------------|----------------------|
| | £'000 | £'000 | £'000 | £'000 |
| Investment portfolio assets: | | | | |
| Bonds | 2,339 | 316 | 2,655 | 2,023 |
| Equities - listed | 0 | 0 | 0 | 0 |
| 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 |
| Current assets: | | | | |
| Debtors | 6,025 | - | 6,025 | 6,025 |
| Cash balances | 6,233 | - | 6,233 | 6,233 |
| Current liabilities | (2,610) | - | (2,610) | (2,610) |
| Total | 2,004,947 | | 2,426,181 | 1,583,713 |

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 2021 and 31 March 2020 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. The Fund's investment advisor's has advised that long-term average rates are expected to move less than 100 basis points (1%) from one year to the next and experience suggests that such movements are likely.

1 BPS is the movement of 0.01% between two percentages, for example from 0.50% to 0.51%. Therefore 100 BPS 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 March 2021 | | Change in year in the net assets available to pay benefits |
|---|------------------------|-----------|--|
| | | + 100 BPS | - 100 BPS |
| | £'000 | £'000 | £'000 |
| Investments - Pooled liquidity funds | 84,048 | 0 | 0 |
| Investments - Cash deposits | 17,149 | 0 | 0 |
| Current assets - Cash balances | 7,493 | 0 | 0 |
| Total change in assets available | 108,690 | 0 | 0 |

| 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 |
| Total change in assets available | 233,395 | (47) | 47 |

| Income exposed to interest rate risk | Amount receivable in year ending 31 March 2021 | | Effect on income values |
|---|--|--------------|-------------------------|
| | | + 100 BPS | - 100 BPS |
| | £'000 | £'000 | £'000 |
| Cash balances / cash and cash equivalents | 116 | 117 | 115 |
| Bonds | 3,004 | 3,004 | 3,004 |
| Total change in income receivable | 3,120 | 3,121 | 3,119 |

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

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 equivalent 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

Following analysis of historical data by the Fund's investment advisors during the financial year the fund has determined that the following likely volatility associated with foreign exchange rate movements are reasonably possible for 2021/22.

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 foreign exchange rates and interest rates, remain constant.

| Denominated currency | Value as at 31 March 2021 | Potential volatility (+/-) | Value on increase | Value on decrease |
|----------------------|---------------------------|----------------------------|-------------------|-------------------|
| | £000 | | £000 | £000 |
| AUD | 17,461 | 8.5% | 18,952 | 15,970 |
| CAD | 0 | 8.0% | 0 | 0 |
| CHF | 79 | 8.3% | 86 | 73 |
| EUR | 4,684 | 7.4% | 5,033 | 4,336 |
| JPY | 26 | 9.1% | 28 | 24 |
| NOK | 237 | 12.1% | 266 | 208 |
| NZD | 19,012 | 8.5% | 20,636 | 17,388 |
| USD | 270,211 | 9.3% | 295,449 | 244,973 |
| Total | 311,710 | | 340,450 | 282,972 |

| Denominated currency | Value as at 31 March 2021 | Potential volatility (+/-) | Value on increase | Value on decrease |
|----------------------|---------------------------|----------------------------|-------------------|-------------------|
| | £000 | | £000 | £000 |
| AUD | 15,699 | 18.4% | 18,588 | 12,811 |
| CAD | 1 | 14.6% | 1 | 1 |
| CHF | 428 | 13.4% | 485 | 370 |
| EUR | 8,918 | 12.6% | 10,042 | 7,794 |
| JPY | 30 | 16.1% | 35 | 25 |
| NOK | 196 | 29.3% | 254 | 139 |
| NZD | 18,129 | 9.2% | 19,803 | 16,456 |
| SEK | | | | |
| USD | 519,062 | 14.4% | 593,651 | 444,473 |
| Total | 562,463 | | 642,859 | 482,069 |

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' 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 2021 was £108.7m (31 March 2020: £231.1m). This was held with the following institutions:

| | Rating | Balances as at 31 March 2020 | Balances as at 31 March 2021 |
|------------------------------|--------|---------------------------------|---------------------------------|
| | | £'000 | £'000 |
| Money Market funds | | | |
| Aviva | 0 | 42,446 | 17,508 |
| JP Morgan | 0 | 67,993 | 45,811 |
| Legal & General | 0 | 36,380 | 3,409 |
| Northern Trust | 0 | 42,280 | 17,321 |
| Bank deposit accounts | | | |
| JP Morgan | 0 | 35,724 | 17,149 |
| Bank current accounts | | | |
| Lloyds | 0 | 6,233 | 7,493 |
| Total | | 231,056 | 108,691 |

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 2021 the value of illiquid assets was £855.6m, which represented 36.4% of the total fund net assets (31 March 2020: £898m, which represented 44.1% 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.

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 taxpayer 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 £597m (2016 valuation: £597m) 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 2021 was £5,471m (31 March 2020: £4,158m).

The net assets available to pay benefits as at 31 March 2021 was £2,390m (31 March 2020: £2,032m). The implied Fund deficit as at March 2021 was therefore £3,081m (31 March 2020: £2,126m).

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 | 2.85% |
| Salary increase rate | 3.85% |
| Discount rate | 2.00% |

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.

21 Current assets

| | 31 March 2020 | | | | 31 March 2021 |
|--|---------------|--|-------------------|--|---------------|
| | £000 | | | | £000 |
| | 5,142 | | Contributions due | | 9,322 |
| | 883 | | Sundry debtors | | 4,580 |
| | 6,025 | | Debtors | | 13,902 |
| | 6,233 | | Cash balances | | 7,493 |
| | 12,258 | | | | 21,395 |

Analysis of debtors

| | 31 March 2020 | | | | 31 March 2021 |
|--|---------------|--|------------------------------|--|---------------|
| | £000 | | | | £000 |
| | 2,083 | | Other local authorities | | 9,562 |
| | 3,942 | | Other entities & individuals | | 4,340 |
| | 6,025 | | | | 13,902 |

22 Current liabilities

| | 31 March 2020 | | | | 31 March 2021 |
|--|----------------|--|------------------|--|----------------|
| | £000 | | | | £000 |
| | (2,609) | | Sundry creditors | | (3,594) |
| | (1) | | Benefits payable | | (186) |
| | (2,610) | | | | (3,780) |

Analysis of creditors

| | 31 March 2020 | | | | 31 March 2021 |
|--|---------------|--|---------------------------|--|---------------|
| | £000 | | | | £000 |
| | (963) | | Central government bodies | | (2,047) |

| | | | | | | |
|--|----------------|--|------------------------------|--|--|----------------|
| | 1,274 | | Other local authorities | | | 1,530 |
| | (2,921) | | Other entities & individuals | | | (3,263) |
| | (2,610) | | | | | (3,780) |

23 Additional voluntary contributions

| Market value 31 March 2020 | | Market value 31 March 2021 |
|-------------------------------|------------------|-------------------------------|
| £'000 | | £'000 |
| 12,766 | Prudential | 13,357 |
| 5 | Equitable Life | 6 |
| 18 | Clerical Medical | 18 |
| 12,789 | Total | 13,381 |

AVC Contributions of £1.63m were paid directly to Prudential during the year (2019/20: £1.730m).

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 £1.888m (2019/20: £1.754m) 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 £12.2m (2019/20: £11.7m).

Governance

No members of the pension fund panel are in receipt of pension benefits from The Royal County of Berkshire Pension Fund. Each member of the pension fund panel is required to declare their interests at each meeting.

Key management personnel

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

The key management personnel of the Fund are the Members of the Pension Fund Committee, the Director of Resources, the Head of Finance, and the interim Head of Pension Fund. Their remuneration is set out below:

| 2019/20 | | | | 2020/21 |
|----------|--|--------------------------|--|-----------|
| £000 | | | | £000 |
| 0 | | Short-term benefits | | 87 |
| 0 | | Post-employment benefits | | 12 |
| 0 | | | | 99 |

25 Contingent liabilities and contractual commitments

Outstanding capital commitments (investments) at 31 March 2021 totalled £349.324m (31 March 2020: £315.655m). 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.

Independent Auditor's Report

Independent auditor's report to the members of the Royal Borough of Windsor & Maidenhead on the pension fund financial statements of the Royal County of Berkshire Pension Fund

Opinion

In our opinion the pension fund financial statements of the Royal County of Berkshire Pension Fund (the 'pension fund'):

give a true and fair view of the financial transactions of the pension fund during the year ended 31 March 2021 and of the amount and disposition at that date of its assets and liabilities, other than the liabilities to pay pensions and benefits after the end of the year;

have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21.

We have audited the financial statements which comprise:

the fund account;

the statement of net assets; and

the related notes 1 to 26.

The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting 2020/21).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the Royal Borough of Windsor & Maidenhead and the pension fund it administers in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's (the 'FRC's') Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the Chief Financial Officer's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the pension fund's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the Chief Financial Officer with respect to going concern are described in the relevant sections of this report.

The going concern basis of accounting for the pension fund is adopted in consideration of the requirements set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21, which require entities to adopt the going concern basis of accounting in the preparation of the financial statements.

Other information

The other information comprises the information included in the Royal Borough of Windsor & Maidenhead's statement of accounts, other than the financial statements and our auditor's report thereon. The Chief Financial Officer is responsible for the other information. Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements, or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Chief Financial Officer's responsibilities

As explained more fully in the Chief Financial Officer's responsibilities statement, 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 2020/21, and for such internal control as the Chief Financial Officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Chief Financial Officer is responsible for assessing the pension fund's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting on the assumption that the functions of the pension fund will continue in operational existence for the foreseeable future.

Auditor's responsibilities for the audit of the financial statements

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

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Extent to which the audit was considered capable of detecting non-compliance with laws and regulations, including fraud

We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of non-compliance with laws and regulations, including fraud. The extent to which our procedures are capable of detecting non-compliance with laws and regulations, including fraud is detailed below.

We considered the nature of the pension fund, and reviewed the pension fund's documentation of its policies and procedures relating to fraud and compliance with laws and regulations. We also enquired of management about their own identification and assessment of the risks of non-compliance with laws and regulations.

We obtained an understanding of the legal and regulatory framework that the pension fund operates in, and identified the key laws and regulations that:

- had a direct effect on the determination of material amounts and disclosures in the financial statements. These included the Public Services Pensions Act 2013 and Local Government Pension Scheme Regulations 2013.
- do not have a direct effect on the financial statements but compliance with which may be fundamental to the pension fund's ability to operate or to avoid a material penalty. These included relevant employment legislation.

We discussed among the audit engagement team regarding the opportunities and incentives that may exist within the organisation for fraud and how and where fraud might occur in the financial statements.

In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override. In addressing the risk of fraud through management override of controls, we tested the appropriateness of journal entries and other adjustments; assessed whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluated the business rationale of any significant transactions that are unusual or outside the normal course of business.

In addition to the above, our procedures to respond to the risks identified included the following:

- reviewing financial statement disclosures by testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the financial statements;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- enquiring of management and in-house legal counsel concerning actual and potential litigation and claims, and instances of non-compliance with laws and regulations; and
- reading minutes of meetings of those charged with governance.

Use of our report

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

Jonathan Gooding, FCA (Appointed auditor)
For and on behalf of Deloitte LLP
St. Albans, UK

8 April 2024

Annual Governance Statement 2020/21

www.rbwm.gov.uk



Royal Borough
of Windsor &
Maidenhead

Annual Governance Statement 2021

Scope of Responsibility

1. The Royal Borough of Windsor and Maidenhead ('the Council') is responsible for ensuring that its business is conducted in accordance with the law, proper standards and that public money is safeguarded, properly accounted for and used economically, efficiently and effectively. The Council also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.
2. This statement summarises the outcome of the Council's review of the governance arrangements that have been in place during 2020/21.
3. The Council is responsible for ensuring that there is a sound system of governance which incorporates the system of internal control. The local code of governance is underpinned by the seven principles of good governance set out in the CIPFA/SOLACE publication 'Delivering Good Governance in Local Government: Framework 2016'.

4. The Local Code of Governance framework comprises a collection of systems, policies, procedures, rules, processes, behaviours and values by which the Council is controlled and governed. The Framework has been reviewed during the current financial year.
5. The effectiveness of key elements of the governance framework are assessed throughout the year by the Statutory Officer Group, Directors Team, Corporate Leadership Team (CLT), the Audit and Governance Committee, Internal Audit and other Officers and Members as required. The review of effectiveness is informed by the work of senior officers who have responsibility for the development and maintenance of the governance environment, the Head of Internal Audit's annual report, and from comments received from external auditors and other review agencies and inspectorates.
6. This Annual Governance Statement (AGS) explains how the Council has complied with its Code of Corporate Governance and also meets the requirements of regulation 6(1)(b) of the Accounts and Audit Regulations 2015.
7. This year the AGS also takes into account the guidance provided by CIPFA Bulletin 06 Application of the Good Governance Framework 2020/21 in relation to the Covid 19 pandemic.

The purpose of the governance framework

8. The governance framework comprises the systems, processes, culture and values by which the Council is managed and controlled. The framework also sets out how the Council accounts to, engages with and leads the community.
9. The governance framework enables the Council to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate and cost-effective services.
10. The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives as an individual's failure to comply with policies and procedures, even when provided with comprehensive training on them, can never be entirely eliminated.
11. The system of internal control is based on an ongoing process designed to:
 - a) identify the risks to the achievement of the Council's policies, aims and objectives;
 - b) evaluate the likelihood and impact of the risks should they be realised; and
 - c) identify and implement measures to reduce the likelihood of the risks being realised and to manage them efficiently, effectively and economically.

The governance framework

In 2016 CIPFA/SOLACE issued revised best practice guidance for Delivering Good Governance in Local Government. The framework sets out seven principles that should underpin the governance of each Local Authority as:

- A. Behaving with integrity, demonstrating a strong commitment to ethical values, and respecting the rule of law.
- B. Ensuring openness and comprehensive stakeholder engagement.
- C. In addition to the overarching requirements for acting in the public interest in principles A and B, achieving good governance in the public sector also requires effective arrangements for:
- D. Defining outcomes in terms of sustainable economic, social, and environmental benefits.
- E. Determining the interventions necessary to optimise the achievement of the intended outcomes.
- F. Developing the entity's capacity, including the capability of its leadership and the individuals within it.
- G. Managing risks and performance through robust internal control and strong public financial management.

- H. Implementing good practices in transparency, reporting, and audit, to deliver effective accountability.
- I. This has now been supplemented by work done by the Centre for Governance and Scrutiny through the “Governance Risk and Resilience Framework” 2021 which give authorities a method of strength testing their governance control environment against the CIPFA principles.

Review of effectiveness

Behaving with integrity

The Council has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework, including the system of internal control.

In 2021 this review was led by the Statutory Governance Officers Group comprising the Chief Executive, Monitoring Officer, s151 Officer, Head of Legal, Head of Finance and Head of Governance, with input from other officers as relevant. The review was informed by the work of:

- The Chief Executive, Directors and Monitoring Officer (and Deputies) who have responsibility for the development and maintenance of the governance environment. This was through a process of consulting on a draft Annual Governance Statement.
- The Head of Internal Audit’s annual report and opinion, and by comments made by the external auditors and other review agencies and inspectorates.
- Deloitte, the Council’s external auditor.
- The Council’s Section 151 Officer who has statutory responsibility for ensuring the proper management of the Council’s financial affairs.
- The Council’s Overview & Scrutiny Panels and Audit and Governance Committee
- The CIPFA review of Financial Governance undertaken in 2019 and early 2020, with the full report published in June 2020
- The independent Review of Pension Fund Governance, with final report published in July 2020

The Statutory Governance Officers Group meets regularly to discuss corporate governance arrangements and issues, and to reflect on recurring themes and spheres of activity relating to Council improvement. References in this document referring to the statutory officers will also include reference to the deputy positions. The Group has reviewed and updated the Local Code of Corporate Governance to ensure it reflects the 2016 CIPFA/SOLACE guidance in respect of delivering good governance. The revised document was published following review by the Corporate Overview and Scrutiny Panel on 27 May 2020.

The review this year has been undertaken in line with the Centre for Public Scrutiny’s Risk and Resilience framework which is underpinned by the CIPFA Good Governance Principles resulting in the areas for action being identified in the action plan below.

Findings

A. Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law

The external and internal reviews identified a number of significant weaknesses and areas for improvement in the Council’s governance arrangements. Many of these were identified during 2019/20 or in early 2020/21, and action plans put in place to address them. However, some required actions take time to implement and embed, and this therefore impacted the effectiveness of arrangements in place during the

year. The Action Plan reflects the work required for future years.

The detailed findings of this review are outlined under points below:

All Council employees and Members must conduct themselves in accordance with the terms of the Officers' Code of Conduct and Members' Code of Conduct (part 7C and 7A of the Constitution).

On joining the Council officers are provided with a contract outlining the terms and conditions of their appointment. All staff must sign a code of conduct and declare any financial interests, gifts or hospitality on a register.

All Members have attended training on the Code of Conduct. A new Code has been adopted this year by Council and training has been made compulsory.

The Member Standards Panel advises the Council on the Code of Conduct for Members and promotes high standards of conduct by Members. The Committee's terms of reference are set out in Part 6 of the Constitution. Records of the Committee's meetings and decisions are available online.

On becoming a Member of the Royal Borough, all Councillors are required to sign a declaration of acceptance of office which includes an undertaking to observe the code of conduct and the Nolan Principles.

Members are required to register details of Disclosable Pecuniary Interests and a series of interests defined by the Code of Member Conduct. Declarations are required to be completed within 28 days of becoming a Member (or being re-elected or reappointed) in the Authority's Register of Members' Interests.

Further work is now needed on further defining the different roles of Members and Officers. CLT have had recent training on political awareness and the separation on officer/Member roles. The Member/Officer Protocol will be reviewed as part of the action plan attached to the AGS.

Members will also be asked to take part in workshops to identify any governance issues for consideration by the Statutory Officers Group.

Demonstrating strong commitment to ethical values

A new full time Monitoring Officer has been appointed to give focus around some of the conduct and ethical standards issues for the Council.

A new Code of Conduct has been developed by the LGA for adoption on a national basis. This was considered by full Council in April 2021 and a new code adopted, which was followed by additional training. Guidance and support is being provided to Members across all groups in relation to the application of the Code.

The Monitoring Officer reports annually to the Member Standards Panel on the operation of the Code of Conduct and other associated ethical issues through their annual report.

The Section 151 Officer is the Executive Director for Resources and is responsible for financial administration and financial probity and prudence in decision making and supported by the Head of Finance as the Deputy s151. Both roles are defined within Part 5B of the Constitution.

The Head of Internal Audit is responsible for providing assurance on internal controls, governance and risk management arrangements and ensuring that there are adequate mechanisms in place for the investigation and reporting of fraud.

The Council is committed to protecting any funds and property to which it has been entrusted and expects the highest standards of conduct from Members and officers regarding the administration of financial affairs. The Corporate Policy on the Prevention and Detection of Fraud and Corruption (updated Feb 2021) conforms

to legislative requirements and sets out steps to minimise the risk of fraud, bribery, corruption and dishonesty and procedures for dealing with actual or expected fraud.

The Council is committed to achieving the highest possible standards of openness and accountability in all its practices. The Council's Whistleblowing Policy (updated March 2019) sets out the options and associated procedures for Council staff to raise concerns about potentially illegal, unethical or immoral practice and summarises expectations around handling the matter.

Members and officers are required to comply with approved policies.

As identified above the Member/Officer Protocol will be reviewed as part of the Action Plan attached to the AGS.

Respecting the rule of law

The Monitoring Officer is the Deputy Director, Law and Strategy and is responsible for ensuring lawfulness in decision making supported by two Deputy Monitoring Officers, the Head of Governance and the Head of Law.

All reports prepared for Cabinet require legal advice to be sought prior to their submission, and all reports to Cabinet or Cabinet Members must incorporate comments from both the Section 151 Officer and Monitoring Officer before they are submitted for consideration. The reports are also considered at a Leaders Board meeting before the public meeting.

The scheme of delegations to officers, to committees and to Cabinet members ensures that decisions are not ultra vires whilst allowing the Council to exercise its powers in a convenient way.

The Action Plan for the 2019/20 AGS identified that better guidance, controls and instructions to officers were needed to ensure that all decision making complied with the scheme of delegation in the Constitution. Guidance documentation on decision making has been revised and updated and issued to all members of the Corporate Leadership Team for wider dissemination. Training for key officers and Members on roles and responsibilities has been delivered.

Delegated decisions are recorded.

The Council seeks to comply with both the specific requirements of legislation and the general responsibilities placed on it by the common law and public law, bringing the key principles of good administrative law into processes and decision making.

In particular, the process around equality impact assessments (EQIAs) has been strengthened this year to make it more robust.

As part of regular reviews of the Council processes, this year the control environment relating to procurement will be further embedded.

B: Ensuring openness and comprehensive stakeholder engagement.

Openness

It is recognised that people need information about the decisions the Council has taken into account that impact the services they provide. The views of customers are at the heart of the Council's service delivery arrangements. The Council uses a number of methods to communicate the Council's objectives and achievements to local people, including:

- 'Around the Royal Borough' – a newsletter sent to all residents and weekly online residents Newsletter and other service specific newsletters.

- The Council Website
- Social Media including Facebook and Twitter
- The annual online Council Tax leaflet
- E newsletter to parishes

The RBWM website is accessible to a wide audience, with relevant and regularly updated news articles online.

The council also has a number of user forums, including the Learning Disability Partnership Board, and the Children in Care Council, which it uses to engage with people it supports, residents, businesses and other stakeholders to enable them to inform the development and delivery of council services.

Copies of the agendas, documents, minutes and decisions of all Committees, Cabinet and Council are available promptly online and an interactive online calendar of future meetings enables public attendance where appropriate.

All public meetings during the pandemic have been live streamed via the Council's e-democracy channel on YouTube. This has ensured more transparent decision making.

The Council has a dedicated webpage for consultations where details of current consultations can be located and is seeking to support wider consultation through the use of a dedicated engagement platform, Engagement HQ.

The Council operates a clear and transparent policy and procedure for dealing with complaints about the Council's services and reports on complaints received and lessons learnt. RBWM publishes data under the Government's Transparency Code including Council spending, Council contracts and senior salaries.

The Council's Publication scheme details the different classes of information which RBWM routinely makes available and the Freedom of Information webpage provides guidance for the public about what information is available to them and how they can access it, including via Freedom of Information (FOI), Environmental Information and Subject Access Requests. RBWM publishes all responses to FOI requests. RBWM's commitment to transparency, as detailed above, enables the public to assess this and they can then use the complaints policy and the consultation process to feed back their views.

The Corporate Plan, developed with partners, outlines how RBWM commits to work in the public interest. This takes an evidence-based approach and is in the consultation draft stage at the moment.

A new Engagement Strategy is in the process of development to further underline the Council's commitment to meaningful engagement with residents and communities.

Engaging comprehensively with institutional stakeholders

Partnerships are about the Council coming together with the right organisations to deliver improved outcomes for local people. The Council is involved in many different partnerships at different levels, each with their own set of terms of reference for effective joint working which is set out in the Council's Partnership Protocol. The Communications Strategy 2019/20 outlines how RBWM communicates with all sections of the community, employees and stakeholders.

RBWM proactively engages with the community in order to seek out their views, actively listen to them and support them to respond. There are a range of ways in which people can be involved in shaping decisions. These are inclusive and meet individual needs. RBWM also supports a number of groups to provide views to the Council including a Youth Council and the Disability and Inclusion Forum.

A consultation framework has been developed so that there is a consistency of approach across all of RBWM.

A group of officers hold an oversight role for all consultations that RBWM is currently undertaking or planning to undertake. This seeks to ensure that the Consultation that is presented to the public engages with the target communities and seeks a full set of responses which can be used to inform the Council's decision making. The consultation portal 'Engagement HQ' is used by RBWM for both public and internal consultations.

There is a list of open and closed consultations available on the website and purpose of each consultation is described so it is possible to take part in those that are open.

This includes statutory consultations, surveys which can be completed online or paper questionnaires plus telephone and accessible format options, focus groups, face to face interviews, workshops and consultation/discussion events.

A budget consultation was undertaken during December 2020 and January 2021, for 6 weeks. It was open to the public and promoted through social media, print media, business, voluntary and charity sector networks.

Key stakeholders are being consulted on the emerging Corporate Plan.

All communications are branded to ensure that they are easily recognised, and the information can be translated into different languages and alternative formats as required.

The constitution allows public speaking at Cabinet and other committees, and for public questions to be heard at Full Council.

The pandemic has encouraged the public to attend meetings online in increasing numbers. These can also be viewed on demand through the council's e democracy channel on YouTube. Work is being undertaken to capture the benefits from this and to make Council meetings more easily accessible.

The Petitions Scheme is available online.

C. Defining outcomes in terms of sustainable economic, social, and environmental benefits

In response to the developing pandemic, the Council reviewed its existing strategic framework and established a number of Interim Strategic Objectives to cover the period 2020-21 including several Interim Focus Objectives as follows;

- Service Stand Up Plans (business continuity)
- Revised Service Operating Plans
- Transformation Plan
- Climate Strategy
- Governance
- People Plan – Values, Leadership, Black Lives Matter

A new Corporate Plan is in the process of development and currently at consultation stage. This will align with the budget process through into autumn 2021.

Defining outcomes

The development of the new Corporate Plan will help the Council define outcomes from its priorities clearly using the OGSM (outcomes, goals, strategies, measures) methodology.

This will be supported by the development of a new performance management system that will be able to track progress towards those outcomes. This will be underpinned by better data management through InPhase (the Council's performance management software) giving officers and Members better information to track and challenge performance.

Sustainable economic, social and environmental benefits

The Council approved a four year plan in July 2017 through to March 2021, which informs individual area service plans. Together these documents help the Council focus on its six strategic objectives:

- Healthy, skilled and independent residents
- Safe and vibrant communities
- An excellent customer experience
- Growing economy, affordable housing
- Attractive and well-connected borough

A new Corporate Plan is being developed based on a data driven approach to policy making including engagement with our communities and partners. This is currently at the engagement stage with adoption of the new plan intended to be in the autumn.

It will comprise a set of ambitions which can only be delivered through effective, joined-up partnership working and RBWM is clear that 'whole system thinking' is the key to improving public services, reducing costs to taxpayers and getting the best outcomes for residents.

D. Determining the interventions necessary to optimise the achievement of the intended outcomes

Determining interventions

Business Continuity training and workshops took place between September – December 2019. Each service has completed a business impact assessment and rated the priority of their services that were required to keep functioning, dependent on timing and what the 'event' is.

Wider governance issues are being addressed through the implementation of a "corporate core" model and this has been resourced in the 21/22 budget to give more resource to the strategic planning of the council in particular, which will support better decision making and planning.

This is being implemented through the development of the new corporate plan, the emerging priorities of which are based upon a data driven approach, and wide community and stakeholder engagement.

The Strategy and Performance Team provides RBWM with the evidence it needs to inform decisions affecting commissioning and operational service delivery, such as population analysis, demand forecasting and needs assessments, as well as enabling the organisation to manage performance, engage with citizens and service users and maintain key business intelligence systems.

As identified above, the implementation of a new performance management system will enhance this aspect of the governance framework.

Planning interventions

Article 12 of the Constitution defines the responsibilities for decision making and the principles in accordance with which decisions must be made.

All reports are reviewed and signed off by the S151 Officer and the Monitoring Officer to ensure the financial impact of any decision is properly recognised before that decision is taken, and the Council's decisions are lawful.

All agendas, minutes and decisions taken by Cabinet members are available to the public through RBWM's website.

The online committee management system which ensures easily accessible and good quality information is always available about decisions and Member meetings, this also ensures that the committee process is efficiently managed.

Reports to Cabinet are considered at a Leaders Board before the formal Cabinet meeting. This allows members of the Cabinet and the senior officers to review the quality of reports and ensure they are easy for the public to understand before they are formally submitted to a Cabinet meeting.

The Overview and Scrutiny Panels play a key role to inform and challenge decisions carried out within each service. Each Overview and Scrutiny Panel has its own terms of reference, and these are set out in the Constitution.

Scrutiny members were trained this year on good scrutiny practice.

All relevant papers can be found on RBWM's Committee Management Information System (ModGov).

RBWM intranet pages provide officers and councillors with access to information about decision making.

Reports require an Equality Impact Assessment to be completed and, where appropriate, a Data Protection Impact Assessment.

Optimising achievement of intended outcomes

The Council's performance management framework has 42 different measures aligned to the strategic objectives in the Council Plan 2017-21, 22 of which are key measures reported to Cabinet bi-annually. The Overview and Scrutiny Panels have oversight of the relevant key measures reported to Cabinet as well as a range of other performance measures relating to the Council's strategic priorities.

The Performance Report is reviewed by The Corporate Leadership Team (CLT) on a quarterly basis.

Following the adoption of the new Corporate Plan, the new performance management framework will be introduced so that outcomes can be better tracked.

Scrutiny plays a key role in ensuring quality is delivered, providing an independent and robust challenge to delivery of RBWM's objectives and holding Cabinet to account for delivery. Further work will be undertaken with Scrutiny as identified in the action plan to enhance this element of the governance environment.

RBWM has a comprehensive set of procurement rules to ensure value for money and good procurement practices, which are due for review as part of the Action Plan.

E. Developing the entity's capacity, including the capability of its leadership and the individuals within it

Developing the entity's capacity

RBWM operates a robust interview and selection process to ensure that Officers are only appointed if they have the right levels of skills and experience to effectively fulfil their role. If working with children and/or vulnerable adults, they will be subject to an enhanced Disclosure and Barring Service (DBS) check prior to appointment. New officers must attend an induction meeting, which provides information about how the organisation works and managers must complete an induction checklist.

All Officers complete a number of mandatory e-learning courses on an annual basis including health and safety, equalities and diversity and information governance. Officers and Members have access to a range of IT, technical, soft skills and job specific training courses.

Employees' annual training and development needs are identified through the performance management process. In addition to a comprehensive induction programme, there are a number of internal training courses

available to employees, covering a wide range of topics and issues. Each service area completes an annual Training Needs Analysis to identify individual officer development.

All Officers receive regular one to ones with their Manager in order to monitor workload and performance. Opportunities are provided for identifying future training and development needs, and to track progress against objectives. The effectiveness of individual performance monitoring is tracked in a number of ways, including by asking staff about it as part of regular staff satisfaction surveys.

RBWM has developed an online 'Members' Hub' which is a dedicated area containing documents, news, training and forms. The hub can be accessed from Members' corporate iPads.

A new People Strategy is currently under development and identified in the Action Plan.

A LGA Peer Review is being planned for the Spring 2022.

Developing the capability of the entity's leadership and other individuals

The law and Constitution clearly define the responsibilities of key Member and officer roles.

Part 3 of the Constitution sets out how powers delegated to Cabinet Members and Officers. Chief Officers are in turn responsible for authorising delegations to their officers. All delegations are updated when roles or structures change.

The protocol on Member/officer relations contained within Part 7 of the Constitution further defines the day-to-day roles and responsibilities of officers and Members. Following elections in May 2019 all Members were offered a comprehensive Induction and there are regular briefing and development sessions throughout their term of office.

Newly elected Councillors induction includes information on roles and responsibilities, political management and decision-making, financial management and processes, health and safety, information governance, data protection, the Members' Code of Conduct and safeguarding.

Compulsory training is provided for Members who sit on the Licensing Panel, Appeals Panel and the Development Management Committees. The Council has developed an online 'Members' Hub' which is a dedicated area containing documents, news, training and forms. The hub can be accessed from Members' corporate iPads.

A new management structure has been in place since 1st October 2019, which provided stability after the restructure of 2018 was not completed. This reflects the "investing in strong foundations" approaching the Values work that the Council has done. This management structure has added some additional capacity to the organisation at Director level but should not be seen as resolving the governance issues in full.

A review of the pension fund structure was undertaken in 2020, after weaknesses in arrangements were referred to in a report from the external auditor in December 2019, and a subsequent independent review of Pension Fund governance. Subsequent to the review the Pension Fund Governance arrangements were restructured and a subsequent independent review of Pension Fund governance. The independent review was used to inform a wider restructure of the governance of the Pension Fund and in October 2020 the Berkshire Pension Fund Advisory Panel agreed to the appointment of a permanent Head of Pension Fund who will be responsible for all aspects of Pension Fund management.

F. Managing risks and performance through robust internal control and strong public financial management

Managing risk

The Council has Finance Procedure Rules which are updated on a rolling basis. They set the framework on how the Council manages its financial arrangements and form part of the Council's Constitution. They also

set the financial standards that will ensure consistency of approach and the controls needed to minimise risks.

It is available to staff with accompanying guidance, and these are reviewed at least annually to ensure they remain fit for purpose.

RBWM has a corporate risk management system that records both strategic and service risks and the assigned owners. A Strategic Risk Report is formally considered on a quarterly basis by the Directors Team where they consider current and emerging risks.

Risks are identified within any reports submitted for decision making.

RBWM has an adopted Risk Management Strategy, and this is regularly reviewed and refreshed and considered at Audit and Governance Committee.

The risk management framework will be reviewed this year as part of the Action Plan.

Managing performance

The Council's performance management framework has 42 different measures aligned to the strategic objectives in the Council Plan 2017-21, 22 of which are key measures reported to Cabinet bi-annually. The Overview and Scrutiny Panels have oversight of the relevant key measures reported to Cabinet as well as a range of other performance measures relating to the Council's strategic priorities.

As part of the development of the Corporate Plan a new performance management framework will be developed to link our new outcome based approach to tracking performance and delivery more closely.

Robust internal control

The Council has Finance Procedure Rules which are updated on a rolling basis. They set the framework on how the Council manages its financial arrangements and form part of the Council's Constitution. They also set the financial standards that will ensure consistency of approach and the controls needed to minimise risks.

Work has been undertaken this year in the way which contracts are procured and then managed. Further work is recommended this year on the Procurement Toolkit with officers to embed good practice.

A review of the Property Company governance has been undertaken (supported by the Statutory Governance Officer Group) and reported on to Members. This has resulted in an Action Plan, to be monitored by Corporate Overview and Scrutiny Panel. This is included in the AGS Action Plan as a governance issue for completeness rather than detailed monitoring.

A review of the pension fund structure was undertaken in 2020, after weaknesses in arrangements were referred to in a report from the external auditor in December 2019, and a subsequent independent review of Pension Fund governance. Subsequent to the review the Pension Fund Governance arrangements were re-structured".

Managing data

RBWM's Publication scheme details the different classes of information which RBWM routinely makes available and the 'Transparency' webpage which provides guidance for the public about what information is available to them and how they can access it, The Council also has a webpage for Freedom of Information (FOI), Environmental Information and Subject Access Requests. We also publish all responses to FOI requests.

The Council has appointed a SIRO (Head of HR, Corporate Projects and IT) to manage information risks and the Council is working towards PSN compliance.

In relation to GDPR, link officers identified for each service area have been provided with ongoing support to ensure all documents including service area Information Asset Registers (IAR) and Registers of Processing Activity (RoPA) are regularly reviewed, monitored and kept up to date.

Strong public financial management

Financial management arrangements conform with the governance requirements of the CIPFA Statement on the Role of the Chief Financial Officer in Local Government (April 2016). The Chief Financial Officer is the Executive Director for Resources and is supported by the Deputy S151 Officer (Head of Finance)

The s151 Officer is responsible for leading the promotion and delivery of good financial management so that public money is safeguarded at all times, ensuring that budgets are agreed in advance and are robust, that value for money is provided by council services, and that the finance function is fit for purpose. The s151 Officer advises on financial matters to both the Cabinet and full Council and should be actively involved in ensuring that the authority's strategic objectives are delivered sustainably in line with long term financial goals. The s151 Officer together with finance staff should ensure that new policies or service proposals are accompanied by a full financial appraisal which is properly costed, fully funded and identifies the key assumptions and financial risks that face the Council.

The s151 Officer has a statutory duty to report any unlawful financial activity or failure to set or maintain a balanced budget. The s151 Officer also has a number of statutory powers in order to allow this role to be carried out: e.g. Under Section 25 of the Local Government Act 2003 the S151 officer is required to state in the budget report their view on the robustness of estimates for the coming year, the medium-term financial strategy, and the adequacy of proposed reserves and balances. Under Section 114 of the Local Government Finance Act 1988 the chief financial officer has the power to issue a Section 114 notice (S114) if they judge that the council is unable to set or achieve a balanced budget.

The Council has Financial Regulations which provide a framework to identify financial responsibilities and the financial limits assigned to individual Officers. These also outline the responsibilities in relation to partnerships and commissioning arrangements. The Financial Regulations are kept under regular review.

Training for all budget holders on financial processes of compliance for approving spend and monitoring have been held; further training will be provided throughout the financial year on relevant topics to ensure that financial best practice is core to the way the organisation operates.

A new officer Capital Review Board was introduced during 2020/21 to provide more oversight and challenge around the capital programme as well as consider the council's capital strategy.

The Council was in the process of implementing the principles of CIPFA Financial Management Code 2019 (FM Code) during 2020/21.

G. Implementing good practices in transparency, reporting, and audit to deliver effective accountability

Implementing good practice in transparency

The Council and its decisions are open and accessible to the community, service users, partners and its staff. The Freedom of Information Act 2000 and the Environmental Information Regulations 2004 gives anyone the right to ask for any information held by the Council except where an exemption or exception can be lawfully applied to such information.

All reports requiring a decision must be considered by appropriately qualified legal and finance staff with expertise in the particular function area before they are progressed to the relevant committee/forum. The Council is committed to its equality responsibilities. To meet these responsibilities, equality impact assessments are undertaken where appropriate. 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.

The Action Plan for the 2019/20 AGS identified that better guidance, controls and instructions to officers were needed to ensure that all decision making complied with the scheme of delegation in the Constitution. Guidance documentation on decision making has been revised and updated and issued to all members of the Corporate Leadership Team for wider dissemination.

Following the issuing of updated guidance on decision making to all relevant officers and a joint Member/CLT workshop on officer/Member roles and responsibilities, there has been a clear improvement in the application of governance procedures.

This has included regular review of the Forward Plan, ensuring sign-off of reports by statutory officers and an increased use of officer decision forms. Ongoing Member peer support via the LGA has also been provided to political groups.

Implementing good practices in reporting

All reports are checked by the statutory officers or their staff prior to submission and seen by Directors Team. Reports are on a standard template. Delegated decisions are recorded with reasons.

The Forward Plan is available on the website.
Oversight is provided through the Overview and Scrutiny Panels.

Assurance and effective accountability

RBWM's values focus on accountability and the work leading to the development of those values has been important in driving forward the culture of the Council in the past year. For the forthcoming year we need to do more work in embedding those values and this is reflected in the Action Plan.

The Local Government Act 2000 requires a local authority acting under Executive arrangements to have one or more Overview and Scrutiny Panels. The Council operates four Overview and Scrutiny Panels. These panels support the work of the Cabinet and the Council as a whole. They may make reports and recommendations which advise the Cabinet and the Council as a whole on its policies, budget and service delivery.

The Overview and Scrutiny Panels also monitor the decisions of the Cabinet. They can 'call-in' a decision which has been made by the Cabinet but not yet implemented. This enables the Panel to consider whether the decision is appropriate. It may recommend that the Cabinet reconsider the decision. The Panels may also be consulted by the Cabinet or the Council on forthcoming decisions and the development of policy. Details of the Council's Overview and Scrutiny Panels can be located [here](#).

Induction, training and support is provided to individual Members and whole committees to support them in their policy development and holding-to-account roles.

In 2020/21 scrutiny in RBWM was supported by officers within Democratic Services and the Democratic Services Team Manager is the Statutory Scrutiny Officer. Work will be undertaken as part of the AGS Action Plan to develop the role of other officers in the Council to support Overview and Scrutiny more effectively.

The Head of Finance, Executive Director of Resources and Internal Audit meet with the external auditors on a regular basis to discuss audit activity and ensure that appropriate support is being provided.

The Audit and Governance Committee has undertaken the key functions required of it by Chartered Institute of Public Finance's (CIPFA) guidance on the role of audit committees.

The Audit and Governance Committee role and purpose is set out in Articles of the constitution.

The Committee has a close working relationship with the internal and external auditors.

In July 2020, the Overview and Scrutiny Committee approved RBWM's 2019/20 Statement of Accounts, and it approved the Internal Audit Plan which is regularly reported to Committee.

The Committee met 4 times during the 2020/21 financial year, in public.

Their work has included receiving internal audit and counter fraud progress reports, including detail of all limited assurance reviews and the extent to which remedial recommendations have been implemented.

Head of Internal Audit Opinion

The Head of Internal Audit's overall audit opinion on the internal control environment (framework of governance, risk management and internal control) is one of adequate assurance.

The Head of Assurance Annual Report provides a summary of the activity used to support this opinion and concludes 'this adequate assurance opinion demonstrates that the control environment has remained relatively stable during 20120/21, with a similar percentage of limited and no assurance opinions compared to the prior year'.

External Audit

The External Auditors qualified their conclusion on the Council's arrangements to secure economy, efficiency and effectiveness in the use of resources (Value for Money) in their 2019/20 audit opinion. Their findings on arrangements for 2019/20 were reported to the Audit and Governance Committee in May 2021.

New requirements for the work of external auditors were introduced for 2020/21. The External Auditors concluded that during the year ended 31 March 2021, there continued to be significant weaknesses in Value for Money arrangements in respect of arrangements for reliable and timely financial reporting and maintaining a sound system of internal control, and governance arrangements in particular in respect of informed decision making and risk management. Their findings and recommendations were reported to the Audit and Governance Committee in November 2023, and will be included in their Auditor's Annual Report.

| Subject | Action (s) | Responsible Officer | Target completion date |
|---|---|--|---|
| A. Behaving with integrity, demonstrating a strong commitment to ethical values, and respecting the rule of law. | <ol style="list-style-type: none"> 1. Member training on the new Code of Conduct. 2. Development of an Overview and Scrutiny Development Plan based of the CfGPS resilience framework to include work with the Audit and Governance Committee, Corporate Overview and Scrutiny Panel and Member Standards Panel . 3. Review of Member/Officer Protocol 4. Launch of Procurement Toolkit | Deputy Director of Governance, Law and Strategy/Monitoring Officer (A1,2 &3) Head of Law (A4) | July 2021 (A1) October 2021 (A2) October 2021 (A0) October 2021 (A1) |
| B. Ensuring openness and comprehensive stakeholder engagement | <ol style="list-style-type: none"> 1. Embedding of the new consultation framework 2. Adoption of a new Engagement Strategy | Deputy Director of Governance, Law and Strategy/Monitoring Officer (B1&2) | September 2021 (B1&2) |
| C. Defining outcomes in terms of sustainable economic, social, and environmental benefits. | <ol style="list-style-type: none"> 1. Adoption of new corporate plan based on OGS model 2. Implement InPhase system | Deputy Director of Governance, Law and Strategy/Monitoring Officer (C1&2) | Nov 2021 (C1/C2) |
| D. Determining the interventions necessary to optimise the achievement of the intended outcomes. | <ol style="list-style-type: none"> 1. Adoption of new corporate plan 2. Adoption of a new performance management framework | Deputy Director of Governance, Law and Strategy/Monitoring Officer (D1&2) | Nov 2021 (D1/D2) |

| | | | |
|---|--|--|--|
| E. Developing the entity's capacity, including the capability of its leadership and the individuals within it. | <ol style="list-style-type: none"> 1. Adoption of People strategy 2. Consideration of leadership development for all officers in a leadership role 3. Development of an Overview and Scrutiny Development Plan based of the CfGPS resilience framework | Head of HR, Corporate Projects and IT (E1&2) Head of Governance (E3&4) Scrutiny Officer (E4) | Nov 2021 (E1&2) Oct 2021 (E3&4) |
| F. Managing risks and performance through robust internal control and strong public financial management. | <ol style="list-style-type: none"> 1. Development of a new performance management framework 2. Review of Risk Management 3. Council's Governance of the Property Company Action Plan | Deputy Director of Governance, Law and Strategy/Monitoring Officer (F1) Head of Finance (F2) Deputy Director | Nov 2021 (F1) Feb 2022(F2) April 2022 (F3) |
| G. Implementing good practices in transparency, reporting, and audit, to deliver effective accountability. | <ol style="list-style-type: none"> 1. Further training for O&S panels on questioning techniques and scrutiny work 2. CfGS resilience framework workshops for Audit and Governance Committee, Corporate Overview and Scrutiny Panel and Member Standards Panel in | Head of Governance (G1) Deputy Director of Governance, Law and Strategy/Monitoring Officer (G2) | Oct 2021 (G1) Nov 2021 (G2) |

CONCLUSION

The Council recognises that there were weaknesses in governance arrangements, which have been highlighted through external and internal reviews. Although in the past year we have strengthened our governance foundations and culture to help us make better decisions for our communities and whilst we have made considerable steps forward, we know that there is work yet to do.

The Council has many elements of a good governance system in place. It is important that over the coming years efforts are made to further develop the culture of the organisation to operate these systems consistently.

The Action Plan will help us address those areas that will support our new culture to embed the key principles of good governance at the heart of our organisations making it more accountable.

We propose over the coming year to take steps to address the above matters to further enhance our governance arrangements, including an LGA Peer Review. We are satisfied that these steps will address the need for proper governance arrangements to be in place. We will undertake ongoing monitoring of the implementation of any improvements that were identified in our review of effectiveness and as part of our next annual review.

Cllr J Tisi

Chairman, audit and Governance Committee

Date: 27 March 2024

Stephen Evans

Chief Executive

Date: 27 March 2024

Cllr Werner

Leaer of the Council

Date: 27 March 2024

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 with Government regulations, by the revenue account in the year of account.

Net Debt

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

Net Book Value

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

Net Current Realisable Costs**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 scheme's 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.